



# Annual Report and Accounts

2009 – 2010







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# Foreword

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## Foreword

**by the Chair, FC Wales National Committee and Director Wales**

We have had another busy and varied year in Wales and are delighted to say that FC Wales is on track to meet the majority of its three year corporate performance and business measures. Whilst we still have work to do to set an appropriate baseline for several measures prompted by the recent revision of the Welsh woodland strategy, key ones such as increasing the area of certified woodland in Wales are proceeding well and we have also made very good progress against the targets designed to reduce our carbon footprint.

A particular highlight of the year was the launch in Wales of the *Combating Climate Change - A Role for UK Forests* report that sets out the role trees and woodlands can play in combating climate change. The Welsh Assembly Government Minister for Rural Affairs, Elin Jones AM welcomed its findings and along with our contribution to other work on land use and climate change helped ensure that creating new woodland in Wales is now recognised as being a key factor in the Assembly Government's thinking regarding the mitigation of the effects of climate change.

We have also worked closely with our colleagues in the Department for Rural Affairs of the Welsh Assembly Government to ensure that trees and woodlands play an important role in the development of the new Glastir sustainable land management scheme. Glastir will provide an excellent opportunity for us to be part of a new way of enabling Welsh landowners, especially farmers, to plant more trees and assist them in the management of their existing woodland.

Our contribution to another key policy of the Assembly Government continues to grow with the National Forest Estate Wind Energy Programme now moving into the next stage of assisting developers to submit their applications for planning consent. We have revised the governance of this key corporate programme to ensure that we will have the appropriate staff resource in place to properly enable us to support its delivery.

Despite unusually harsh winter weather, timber sales exceeded our forecast and we were able to offer support to our customers and contractors to enable them to continue forest operations during this difficult period. In addition to continuing to support our customers in the existing timber processing sector, we have seen increasing growth in the market for biomass which we anticipate will continue to grow following the launch of the new Wood Energy Business Scheme with over 120 businesses registering their interest in seeking its support.

We continue to seek ways of making the best use of the resources we have at our disposal and this year have reviewed a wide range of our business expenditure to improve our procurement of goods and services. We have made excellent progress in this area leading to increased value for money, continued compliance with the relevant regulations, as well a reduction in the administrative burden on the staff who procure and manage goods and services.

The relocation of our national office to the new Welsh Assembly Government office in Aberystwyth brought us closer to our colleagues in a range of public bodies. The move has proved to be a great success for the staff involved who are now in a modern and much improved working environment. We have also been able to make significant improvements to the working environment and sustainability features of several other of our offices in Wales.

We are aware that we are likely to be now entering a period of financial uncertainty but we are also aware that because of the professionalism and dedication of our staff we can meet this challenge with confidence. The strength of FC Wales continues to lie in the people who work for us and we would like to take this opportunity to thank them for their hard work in once again delivering an excellent set of results against a wide range of targets. We believe we are in a good position to face these challenging, but also exciting times for forestry in Wales.

Finally it is with great sadness that we learnt of the passing of Geraint George. Geraint was a great advocate of the value of woodlands and trees to people's lives. He served on the FC Wales National Committee and was a regular and informed contributor to Advisory Panel discussions. He also played a key role in furthering the use of the Welsh language in the environmental sector in Wales and will be sorely missed by the many staff in FC Wales and other organisations with which he worked.



*Jon Owen Jones*  
Chair, National Committee



*Trefor Owen*  
Director

# Our Purpose

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## Our purpose

We act as the Welsh Assembly Government's Department of Forestry, as well as being part of Forestry Commission GB. We work in three main ways:

- We develop forestry policy and advise the Welsh Assembly Government on forestry matters;
- We manage the Assembly Government woodland estate – 38 per cent of woodlands in Wales;
- We provide grant aid through our Better Woodlands for Wales scheme and regulate forestry through felling licences.

Woodlands cover 14 per cent of the land area of Wales. There are two main types:

- Native woodland – often small woodlands on farmland;
- Conifer woodland – mainly planted in the 20<sup>th</sup> century.

We had 393 staff in Wales this year. There are land agents, IT specialists, ecologists, landscape architects, people experienced in education and of course, our foresters. In 2009/10 we received £22.5 million funding from the Welsh Assembly Government and income we generate helps take forward our plans.

## Our direction

Our work is guided by Woodlands for Wales, the Welsh Assembly Government's 50-year strategy for woodlands and trees in Wales, which was revised and re-launched in March 2009. We also contribute to other areas of the Welsh Assembly Government's work, such as renewable energy, where woodlands and trees have an important role to play.

The main challenges facing us during this year were:

- Increasing the range of tree species in our woodlands;
- Reducing clearfelling of woodlands;
- Increasing the area of native woodland;
- Increasing the area of mixed woodland;
- Bringing more native woodlands into active management;
- Encouraging a wider range of opportunities for public involvement in woodlands; and
- Encouraging wider use of trees and woodlands in towns and cities.

Of course, our ongoing work like harvesting and marketing timber and protecting sites for conservation remain very important to us, but we need to focus on meeting these challenges.

*Woodlands for Wales* has five themes: the first theme, Welsh woodlands and trees, lies at the heart of our work and of course is fundamental to everything we did this year. The

remaining four themes set our corporate objectives:

- Responding to climate change;
- Woodlands for people;
- Developing a competitive and integrated forest sector; and
- Improving environmental quality.

Almost everything we did contributed across several of these corporate objectives. We organised our work into ten corporate programmes, which reflected the work areas of our staff, to show how our work 'on the ground' contributed to *Woodlands for Wales*. The Action Plan for *Woodlands for Wales* was published in March 2010. We are taking forward a number of the actions set out in this action plan, and these have been incorporated into our Corporate Plan.

The refreshed Corporate Plan 2010-2013 sets out the progress on our actions during 2009/10 against these ten corporate programmes, organised against each 'home' corporate objective. A copy of the Corporate Plan can be found on our website and we report our performance each year via our Annual Report and Accounts.

## Managing our organisation

We aim for the highest standards in the management of our organisation. Our customers and staff have high expectations in terms of our service provision, our wise use of public money and our role as a quality employer who values and develops the people who carry out our work.

A major element of corporate improvement has come from ongoing implementation of the Auditor General for Wales' value for money report *Operations of the Forestry Commission Wales* (November 2008). We are mid way through a three-year programme of work to implement the 13 recommendations and win the improvements in efficiency and corporate governance that these will give rise to.

As well as maintaining our Investors in People accreditation, we are developing a Bilingual Skills Strategy that will ensure our staff have the right Welsh language skills to deliver our Corporate Plan and programmes. Our current Learning and Development plan focuses on operational skills for managing our woodlands, including our foundation modern apprenticeship scheme, which is giving seven people the opportunity to develop these skills and is midway through their two-year course. We are half way through a two-year Management Development Programme for our middle managers and have 34 managers participating in this programme. We have also started the programme for 12 front line managers, and the strategic managers' programme will come on stream next year.

The management board and other senior managers have received media training, as improving our communication skills is important so that we can explain our work, listen to our customers and work with a wide range of audiences. We continue to raise



awareness of equality and diversity issues, which will help us ensure that we are truly inclusive, and those opportunities to work with us, and the services we provide are accessible to all people throughout Wales.

## Business Sustainability

We have been committed to reducing our own carbon footprint – through reducing our mileage and energy use; we also want to develop our use of green energy and have initiated a programme to replace the heating systems in our Welshpool and Dolgellau offices with wood fuel systems. As part of our business sustainability project, we have reduced our energy consumption by 3.4 per cent this year, and our total carbon emissions from staff mileage by 6.6 per cent this year. We have also set baseline targets to manage the reduction in our waste and recycle materials.

## Corporate Performance Measures

The position of FC Wales' 31 Corporate Performance [CP] and 15 Business Measures [BM] at 31 March 2010 was as follows:

	<b>CPs</b>	<b>BMs</b>	<b>Total</b>
<b>On track to meet target (green)</b>	10	9	<b>19</b>
<b>Some risk of failing target (amber)</b>	6	2	<b>8</b>
<b>Not on track to meet target (red)</b>	1	0	<b>1</b>
On target to set baseline and/ or target by agreed date	3	2	<b>5</b>
Insufficient information available to track progress	11	2	<b>13</b>
<b>Total</b>	<b>31</b>	<b>15</b>	<b>46</b>

# Summary Table of Corporate Performance Measures

		Performance Measures	Measure	Position at 31 March 2010	2009-2012 target	2025 target		
Implementing Woodlands for Wales	Managing our organisation	Responding to climate change	1. Woodland in sustainable mgt	Area of woodland certified or with approved BWW management plan	Certification retained. 15,700 ha BWW plans approved since 1 <sup>st</sup> April 2009	Certification retained. 12,000 ha BWW plans approved since 1 <sup>st</sup> April 2009	180,000 ha	
			2. Woodland creation	Area of new woodland created	209 ha in 2009/10	1,500 ha over 3 years	Not set	
			3. Woodland area managed without clearfelling	a) Area of AGWE managed without clearfell	37,400 ha	40,300 ha	Not set	
				b) Area outside AGWE managed by CCF or under transformation to CCF	527 ha in BWW approved for conversion to CCF since 1 <sup>st</sup> April 2009	Not set	Not set	
				c) Average annual thinning volume on AGWE	183,452 m <sup>3</sup> in 2009/10	600,000 m <sup>3</sup> over 3 years	Average 280,000 m <sup>3</sup> /yr	
			4. Tree species diversity in non-native woodland	a) Proportion of non-native woodland with 1, 2, or 3+ species	Update due April 2014	Not set	Not set	
				b) Mean number of species in non-native woodland in Wales	Update due April 2014	Not set	Not set	
				c) Development & implementation of operational guidance	Development complete. Implementation on schedule	Develop and implement guidance from 10/11	Not set	
			5. Climate change mitigation	a) Softwood harvest/availability ratio	Likely to be on target for 2009/10	10-yr rolling average 86% (each yr within 77%-98%)	10-yr rolling average 86% (each yr within 77%-98%)	
				b) Hardwood harvest (or % harvest of annual increment)	Increased harvest on AGWE.	108,000 m <sup>3</sup> obs over 3 years	25%	
				c) Installed capacity of wind farms on AGWE	59 MW	150 MW	700MW	
			Woodlands for People	6. Level of public involvement with woodland	a) Consultation on woodland plans (% adults)	5%	4% in 2009 and 2011	Not set
					b) Membership of woodland community groups (% adults)	3%	2% in 2009 and 2011	3%
					c) Area of woodland owned by/leased to community groups	Update due April 2013	624 ha owned or leased	Not set
					d) Involvement in woodland education (% adults)	11%	10% in 2009 and 2011	Maintain around 10%
	e) Use of woodland for recreation in last year (% adults)	Update due Oct 2011			40% in 2011.	Not set		
	f) Proportion of AGWE visits that are a high quality experience	Will set on schedule			Baseline & target by 31/3/11	Not set		
	g) Easy access to woodland without a car (% adults)	63%			62% in 2009 and 2011	70%		
	h) Access to 2ha+ wood within 500m (% population)	17% in 2009			17% in 2010/11.	25%		
	i) Access to 20ha+ wood within 4km (% population)	77% in 2009			72% in 2010/11	72%		
	Forest Sector	7. Level of woodland and timber related enterprise			a) Wales index of Gross Value Added of the forestry sector (baseline year = 2004) compared to UK index	Welsh GVA index = 93. UK Index = 101	Welsh GVA index maintained at or above level of UK index	Welsh GVA index at or above level of UK index
			b) Generation of income and products from farm woodland	Update due 2012	4% of farmers harvesting material for sale	Not set		
			c) Gross Value Added from small businesses	Will set baseline & target ahead of schedule	Sample frame, baseline and target by 31/3/11	Not set		
			d) Proportion of harvested timber that is processed in Wales	Measure needs refining	70% in 2012	74%		
			e) Proportion of new builds that are timber frame	Update due 2010	16% in 2012	Not set		
	Environmental Quality	8. Native woodland extent	a) Area of native woodland	Update due 2014	Not set	133,000ha		
			b) Area of new native woodland created since 2009	188 ha in 2009/10	1,000 ha	8,000 ha		
			c) Area of PAWS restored to native since 2009	Prioritisation on schedule	Prioritise AGWE sites	10,000 ha including 6,000 ha on AGWE		
				Unable to report at present	1,000 ha			
		d) Area of other woodland converted to native since 2009	Identification process on track	Identify >5,000ha for conversion	5,000 ha			
	9. Native woodland condition	Proportion of native woodland in favourable/recovering condition	Update due 2014	Not set	43% (of 110,000ha)			

# Summary Table of Business Measures

Business measure	Baseline	Position at 31 March 2010	2012 target
1. Staff satisfaction	2009 employee opinion survey will set baseline	Baseline completed	2% improvement in summary results for question areas in subsequent surveys.
2. Staff diversity	30.5% FC Wales staff female at 31 March 2009	31.1% at 31 March 2010	32% FC Wales staff female at 31 March 2012
	2.7% of FCGB staff with self declared disability at 31 March 2009	2.7% at 31 March 2010	3.5% FC Wales staff with self declared disability at 31 March 2012
3. Staff training needs identified, matched to needs of organisation and programmed / delivered	-	131% technical training, 128% developmental training delivered in 2009/10	80% of identified training needs delivered or programmed each year
4. Uptake of identified formal training needs for staff	-	95.6% staff attended mandatory / agreed training in 2009/10	95% of nominated staff to attend mandatory / agreed learning and development events each year [sickness excepted]
5. Proportion of posts identified for Welsh language competence with appropriately skilled staff in post	-	Baseline completed	Baseline setting out distribution of Welsh speakers in FC Wales completed in 2009
	-	On schedule	Prioritising posts where better language 'match' required
6. Production of unqualified set of accounts	N/A	Completed to schedule	By 31 <sup>st</sup> July (each year) of following financial year
7. Non-baseline funding achieved for corporate priorities	-	£12.2 million so far secured to end 2011/12	£12M within the three years 2009/10, 2010/11 and 2011/12
8. Target number of press releases; percentage of beneficial tone of coverage in press	-	171 in 2009/10	Average of 200 press releases per year over three year period;
	-	76% beneficial	60% press coverage is beneficial to FC Wales (as opposed to factual or adverse coverage)
9. Business sustainability targets	605.6 thousand kg CO <sub>2</sub> e from energy use	585.1 thousand kg CO <sub>2</sub> e from energy use (3.4% reduction in first year)	3% year on year reduction over three year period
	1058 thousand kg CO <sub>2</sub> e from staff travel	989 thousand kg CO <sub>2</sub> e from staff travel (6.6% reduction in first year)	5% year on year reduction over three year period
	Unknown kg waste	Partial baseline established, but quality of data needs to be improved	A reduction in waste over 2008/09 baseline
	Unknown kg recycling		An increase in % waste recycled over 2008/09 baseline

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## **INTERNAL AUDIT CERTIFICATE OF ASSURANCE**

Performance against the Corporate Performance and Business Measures shown in these accounts has been subject to independent audit by the Forestry Commission's Internal Audit unit. The achieved targets have been validated against appropriate source data.

From our testing I am satisfied that the reported achievement against these targets are a true and fair view of Forestry Commission Wales performance in these areas in 2009/10.

Liz Holmes  
Head of Internal Audit  
Forestry Commission

25 May 2010

## FC Wales Corporate Governance Statement

### The Governance of the Forestry Commission

Following devolution the Forestry Commission has a number of elements within its governance structure that have different roles and responsibilities. This section of the Annual Report and Accounts 2009/10 provides more detail of each of these elements and attempts to describe how they work together to deliver good corporate governance.

### The Role and Powers of the Forestry Commission

The powers of the Forestry Commission are invested in a Board of Commissioners whose mission is to protect and expand the forests and woodlands of England, Scotland and Wales to increase their value to society and the environment.

These powers are mainly derived from the [Forestry Act 1967](#) and the [Plant Health Act 1967](#) although there are also a number of other applicable GB Acts and Statutory Instruments, including the [FC Byelaws 1982](#).

Forestry policy and delivery are now devolved to the administrations in each country. A small number of activities, which are either functions which are not devolved or functions or activities which are devolved but which Ministers have agreed should be done on a GB basis, are funded by Westminster.

These GB or reserved matters include such areas as international forestry issues and forestry taxation. The Forestry Ministers for each country meet when there is need to address topical issues of interest to all the countries, or to agree a common position on these reserved matters.

The Welsh Assembly Government Minister for Rural Affairs, Elin Jones is responsible for, and accountable to the National Assembly for Wales for the decisions, actions and policies of FC Wales.

### The Forestry Commissioners

The [Board of Commissioners](#) have duties and powers prescribed by statute and consists of a Chairman and up to ten other Commissioners, including its Director General, who are appointed by the Queen on the recommendation of Ministers.

The Commissioners meet four times per year and the Commissioners have a number of specific statutory duties and powers, summarised in the Forestry Act as "promoting the interests of forestry, the development of afforestation and the production and supply of timber and other forest products". In practice, these mainly relate to incentives and regulation, controls on felling, plant health and managing the public forest estate.

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Our Commissioners during this year were our Chairman, the Rt. Hon Lord Clark of Windermere whose term came to an end in December 2009 and Pamela Warhurst CBE was appointed the new Chair of the Forestry Commission in January 2010; Director General and Deputy Chairman, Tim Rollinson; three Executive Country Directors, Trefor Owen in Wales, Dr Bob McIntosh in Scotland and Paul Hill-Tout in England. In addition there are two Commissioners representing each country, in the case of Wales these are Jon Owen Jones and Judith Webb, who were reappointed for a second term in January 2010 to three- and four-year terms respectively.

As most forestry issues are devolved matters, the Commissioners report separately to Westminster Ministers, Scottish Ministers and Welsh Ministers for their activities in England, Scotland and Wales respectively. In order to better recognise the devolved nature of forestry they have delegated many of their responsibilities to a National Committee for each country.

## The Devolved Structure

The Forestry Commission in each country is led by a Director (who is also a member of the GB Board of Commissioners) and the Commissioners have delegated their responsibility for the delivery of policy, as well as progress against strategy objectives in each country to a [National Committee](#) (chaired by Jon Owen Jones in Wales).

The National Committee has a range of duties related to ensuring that we deliver the objectives set out in the FC Wales Corporate Plan which they approve. The Committee also considers the advice from the Woodland Strategy Advisory Panel (established following devolution to provide expert advice to the Minister on the development of forestry policy in Wales), concerning all aspects of the implementation of the Welsh Assembly Government's woodland strategy *Woodlands for Wales*. They also have a role in drawing to the attention of the Commissioners to any issues which they need to be aware of for the proper discharge of their GB duties.

In order to link effectively with our Welsh Assembly Government colleagues (who act on behalf of the Welsh Ministers in delivering all of the devolved powers in such areas as health, education, transport, economic development and many other matters) FC Wales acts as if we are a virtual division of the Department for Rural Affairs.

Day-to-day management of the organisation in Wales is delegated to the Management Board, chaired by the Director of FC Wales, who is the Accounting Officer for FC Wales. The Board has formal terms of reference setting out its key responsibilities and meets around seven times a year to consider all aspects of the management of the organisation. Senior Forestry Commission staff and members of other organisations often attend and present at Board meetings in order to inform the Board's decision making.

During the year the Board has covered a wide range of issues. These included scrutiny of *Woodland for Wales*, our Corporate Plan, Annual Report and Accounts, key policy positions, programmes and guidance and the Auditor General for Wales' value for money

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report into the operations of FC Wales. There are also regular finance, risk and human resources updates covering issues such as consideration of the delivery of equality and diversity training, and the management development programme. The Board's programme included presentations from other FC management staff. In addition visits to offices around Wales have served to increase the Board members' understanding of the business as well as enabling staff at all levels of the organisation to meet and engage with the senior management team.

## **Audit and Risk**

The National Committee for Wales has established an Audit and Risk Committee as a sub-committee to support them in their responsibilities for issues of risk, control and governance.

The Audit and Risk Committee monitors and reviews the effectiveness of the system of internal control and ensures that any required remedial action is being taken on any identified weaknesses. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve our objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It includes all controls including financial, operational and compliance controls and risk management procedures.

The Audit and Risk Committee also reviews the scope and results of internal audit work (a shared corporate service provided by the Forestry Commission) and of the implementation of the recommendations from external auditors (the Wales Audit Office on behalf of the Auditor General for Wales) and the Public Accounts Committee of the National Assembly for Wales.

## **Value for Money Report**

An important area of work this year continued to be FC Wales' response to the then Audit Committee of the National Assembly for Wales' report *Operations of the Forestry Commission Wales* published in 2009 which followed up a 2008 value for money report by the Auditor General for Wales.

The report was a detailed review of how well we manage the organisation in order to deliver the objectives of the Welsh Assembly Government's woodland strategy and our own Corporate Plan. The report highlighted the many strengths of the organisation; most notably the skill and dedication of our staff and our ability to deliver across a wide range of activities that benefit the people of Wales.

However, it also identified a number of areas of weakness that it considered were preventing us from being even more effective, most notably the need to be able to secure better funding arrangements to support long term decision making and also to clarify our objectives to both our external stakeholders and our own staff.

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FC Wales developed an action plan to manage its response to the study and has in the period since the report's publication resolved many of these matters as a result of detailed discussions with officials in the Welsh Assembly Government, and through the clarity of purpose brought by the *Woodlands for Wales* forestry strategy.

The report has been very helpful in assisting FC Wales to identify several major structural issues that were preventing better delivery of its objectives. FC Wales is now well positioned to deliver the new agenda as set out in Our Purpose and Direction 2010-2013.

## Minister



**Elin Jones AM**  
Minister for Rural Affairs



## Committees, Boards, Panels and Forum

### National Committee for Wales

The Committee met six times during the year and a record of papers and minutes can be found on the website.

Members during the year were:

<b>Jon Owen Jones</b>	Chair and Forestry Commissioner Wales
<b>Judith Webb</b>	Forestry Commissioner Wales
<b>Roger Cooper MBE</b>	Non-Executive Member and Chair, Woodland Strategy Advisory Panel
<b>Geraint George</b>	Non-Executive Member and Director of Postgraduate Diploma/Masters in Countryside Management, Bangor University (second 3 year term ended September 2009)
<b>John Lloyd Jones OBE</b>	Non-Executive Member (appointed November 2009)
<b>Rory O'Sullivan</b>	Director for Rural Affairs, Welsh Assembly Government
<b>Trefor Owen</b>	Director FC Wales and Forestry Commissioner Wales
<b>Peter Garson</b>	Head of Estate Management, FC Wales
<b>Clive Thomas</b>	Head of Policy and Programme Development, FC Wales

### Forestry Commission Wales Management Board

The FC Wales Management Board met seven times during the year and the agendas and minutes of meetings are published on the Intranet.

Members during the year were:

<b>Trefor Owen</b>	Director Wales
<b>Clive Thomas</b>	Head of Policy and Programme Development
<b>Peter Garson</b>	Head of Estate Management
<b>Terry O'Keefe</b>	Head of Secretariat and Communications
<b>Richard Siddons</b>	Head of Grants and Regulations
<b>Derek Stephen</b>	Head of Finance and Information and Communication Technology (until 31 <sup>st</sup> January 2010)
<b>Paul Subacchi</b>	Acting Head of Finance (February 2010)
<b>Martin Veale</b>	Head of Finance and Information and Communication Technology (seconded from WAG 1 <sup>st</sup> March 2010)
<b>Clare Lewis</b>	Human Resources Business Partner (until 4 <sup>th</sup> January 2010)
<b>Emma Bennett</b>	Human Resources Business Partner (seconded from WAG 1 <sup>st</sup> February 2010)

A register of interests is maintained and can be accessed on the Forestry Commission website ([www.forestry.gov.uk](http://www.forestry.gov.uk)).

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## **Woodland Strategy Advisory Panel**

This panel whose purpose is 'To act as an Advisory Panel to both Ministers and Forestry Commissioners on the implementation of the Wales Woodland Strategy and its periodic reviews' was re-appointed for a five year term from 1 January 2007. Although the Panel is voluntary, the appointment process followed the advice for full public appointments including press advertising.

The Panel met three times during the year in June, October and March. The work of the Panel was dominated during the year in providing advice on the ongoing review of Woodlands for Wales.

## **Management Forum**

The Management Forum is the grouping of all senior and middle managers (including the Management Board) that meet regularly to discuss corporate and strategic management issues and exchange information affecting the organisation. The forum met five times during the year.

## Appendix 1

Better Woodland for Wales (BWW), Woodland Grant Scheme (WGS) and Felling License Statistics under Programme 1 Establishment and Silviculture

**Table 1 – Grant and Felling Licence applications and Applicants Charter Performance**

	Measure / Target	2006/ 07	2007/ 08	2008/ 09	2009/ 10
<b>Better Woodland for Wales Applications</b>	Number received	412	453	414	446
<b>Felling Licence Applications</b>	Number received	318	305	220	192
	Acknowledged within 3 days	315 (99%)	302 (99%)	196 (89%)	170 (89%)
	Processed in under 10 weeks	311 (98%)	241 (79%)	147 (67%)	144 (75%)
<b>Better Woodland for Wales Grant Claims</b>	Number received	-	288	592	745
	Paid in under 28 days	-	273 (95%)	572 (96%)	653 (88%)
<b>WGS Grant Claims</b>	Number received	1174	653	429	485
	Paid in under 28 days	808 (69%)	509 (78%)	300 (70%)	462 (96%)

**Table 2 - Analysis of action in relation to alleged illegal felling during 2009/10**

Description	Cases
Reported	57
Investigated by FC Wales	57
Warning Letter sent	1
Restock Notices issued	6
Prosecution	2

## Appendix 2

### Assembly Government Woodland Estate Statistics

**Table 3 - Key statistics for the Assembly Government Woodland Estate under Programme 1. Establishment and Silviculture**

		2003/ 04*	2004/ 05*	2005/ 06*	2006/ 07*	2007/ 08*	2008/ 09*	2009/ 10**
<b>Total area managed</b>	Thousand hectares	125	126	125	124	124	124	124 <sup>1</sup>
<b>Wooded land</b>	Thousand hectares	109	109	108	107	106	105	105 <sup>1</sup>
<b>Disposals</b>	Hectares	11	8	239	524	78	6	5
	No. of Woods	1	1	13	6	1	0	0
<b>Harvesting</b>								
Volume of clearfell	Thousand cubic metres	874	655	549	559	493	525	703 <sup>2</sup>
Area of clearfell	Hectares	-	-		-	-	1,352	1,431 <sup>2</sup>
Volume of thinning	Thousand cubic metres	181	289	213	193	187	191	183
Area of thinning	Hectares	3,628	5,773	5,052	3,859	3,736	3,816	3,660
Standing sales	Thousand cubic metres	502	468	500	416	384	406	482
Direct production	Thousand cubic metres	554	476	302	336	297	310	404
<b>TOTAL</b>	Thousand cubic metres	1,056	944	802	752	681	716	886
<b>Planting</b>								
Area of new planting	Hectares	0	0	0	0	0	0	0
Area of restocking after felling*	Hectares	1,395	1,579	1,968	1,966	1,967	1,593	1,154 <sup>3</sup>

\* The figures for 2004/05 to 2008/9 reported in previous Annual Reports were based on provisional figures supplied in April of each year. These figures have now been revised to align them with them with the final figures published in Forestry Statistics in September of each year, which take account of revisions to administrative data.

\*\* Provisional figures for 2009/10, which will be finalised in September and published in the 2010/11 Annual Report.

<sup>1</sup> Our role is to maintain woodland cover across the whole of Wales (not just the Assembly Government woodland estate) in the long-term. Total estate area managed over period listed has decreased because we have sold some land, and wooded land area on estate has decreased because we have been restoring open habitats.

<sup>2</sup> Increasing areas of the estate are designated for management without clearfell. Increase in 2009/10 due to stronger market demand discharging contracted commitments carried over from 2008/09 Sales Plan, and non-forecastable biofuel sales.

<sup>3</sup> Area of restocking figure is less than previous years due to the period of inclement weather in January/February 2010 and need to maintain a land bank.

## Management Commentary

### Basis of Accounts

The Forestry Commission Wales Resource Accounts are prepared in accordance with the Accounts Direction issued by HM Treasury under Paragraph 5 of Schedule 7 to the Government of Wales Act 1998.

In line with HM Treasury requirements, the Forestry Commission adopted International Financial Reporting Standards (IFRSs) fully from 1 April 2008. FC Wales prepared their 2008/09 annual accounts in line with UK GAAP and these were restated under IFRS in order to provide comparative figures for 2009/10. The 2008/09 IFRS 'shadow accounts' were approved by the Wales Audit Office.

IFRSs are a single set of accounting standards for all countries and all sectors. Accounting standards are authoritative statements of how transactions and other events should be reflected in financial statements. The adoption of IFRS has affected the way agricultural assets, leases, employee benefits and financial instruments are accounted for. Further details of the impact of IFRS can be found in note 3 of the accounts.

### Departmental Accounting Boundary

These accounts incorporate the core department, Forestry Commission Wales (FC Wales).

### Financial Review

FC Wales received £36.5 million of full resource funding from the Welsh Assembly Government to manage its forest estate which delivers a wide range of public benefits and to grant aid the private sector forestry in Wales.

FC Wales' timber sales generated £13.2 million income from a harvest of 886,000 cubic metres of which some £2.3 million was from the sale of bio-fuels. Other sources of income from forest based activities added a further £3.0 million.

Other expenditure included investment in our Harvesting Fleet of £300,000 with capital investment of £600,000 on completing the Garwnant visitor centre. Woodland grant payments accounted for a further £4.7 million of expenditure.

### Significant variances against Estimate

£'000	Estimate	Outturn	Difference
<b>Total resource</b>	36,538	32,847	3,691
<b>Net cash requirement</b>	23,538	21,533	2,005

The difference between estimate and net total resource outturn of £3.7 million is principally due to:

- The cost of capital being £2.8 million below estimate arising from a change in accounting policy relating to the treatment of biological assets and a lower than forecast increase in the value of the Forest Estate.
- Timber receipts being £2.5 million above budget reflecting strong demand with reciprocal increased haulage costs of £300,000.
- Capital investment of £600,000 in completing the Garwnant visitor centre and £300,000 for the replacement of harvesting / civil engineering machinery. Increased investment in our roads infrastructure of £300,000.
- Completion of remedial works arising from the Tintern landslip of £400,000.
- Lower than anticipated demand for private woodland grants of £600,000.

The £2.0 million difference between estimate and the outturn net cash requirement represents flexible funding reserves and deferred income as detailed in Note 20 to the accounts.

## Future Events

### Corporate Programme 1 – Managing more diverse woodlands

FC Wales is set to play a key role in delivering Glastir's new tree planting target to significantly expand the area of woodland in Wales over the next two decades. Under the new Glastir arrangements announced in March by the Welsh Minister for Rural Affairs, farmers will receive a capital grant to establish permanent woodland on lower grade agricultural land, together with annual maintenance and income foregone payments for up to 15 years after planting. This funding will be delivered by FC Wales until 2012, after which it will be delivered by the Welsh Assembly Government through Glastir. FC Wales has set up a six month project to design the scheme and ensure that adequate resources are in place.

### Corporate Programme 3 – Renewable energy

In its Technical Advice Note 8 *Planning for Renewable Energy* the Welsh Assembly Government set a target of 4TWh of electricity per annum to be produced from renewable energy sources. 800MW was identified as being deliverable from within 7 Strategic Search Areas (SSAs). At present, the 270 wind turbines now being proposed on the Woodland Estate, have the potential maximum generating capacity of 810MW. Within 2010/11 all six proposed planning applications will be submitted to the planning authorities. In 2010/11, FC Wales will receive an estimated £2 million in option fees for proposed wind farm developments. The total estimated capital investment by option holders in the FC Wales Wind Energy Programme is now estimated at around £1 billion.

### Corporate Programme 5 – Recreation and access

The opening of the first *Go Ape* site in Welsh Assembly Government took place at the woodlands at Coed-y-Brenin in March 2010. A multi-site agreement has been signed with the company to explore the possibility of further sites at Moel Famau, Garwnant and Cwmcarn, subject to planning. After a three year closure, Garwnant visitor centre has re-opened to members of the public. The site was officially opened with a Ministerial launch on 8 July 2010, followed by a family fun weekend on 10 and 11 July.

### Corporate Programme 6 – Woodland based learning and sector skills

FC Wales' Woodlands for Learning team is running a two day conference in October 2010 celebrating ten years of Forest Schools in Wales. Bringing together practitioners in Wales and beyond to celebrate the last ten years and discuss future development. We will also see the conclusion of a year long research project looking at the benefits of Forest Schools when delivered throughout a school year. Specialist researchers will study improvements in confidence, motor, social and communication skills and monitor how a Forest School programme contributes to children's understanding of trees and woodlands. They will look at how skills acquired or improved during the programme are transferred by the children into day to day activity, both at school and at home, and consider whether this may influence them to consider a career working in woods or with wood.

### Corporate Programme 8 – Promotion of timber and development of the forest sector

The Wales Forest Business Partnership Plan for the period 2010-2013 seeks to support the *Woodland for Wales* action plan by identifying the blockages and bridging the gaps. Early actions include "assessing the understanding of professionals on current and future uses of timber in sustainable construction". We aim to identify the potential for Welsh grown timber in the domestic construction market to determine if improved grading and planning techniques will enable Welsh timber to be used in that market. We will be holding technical workshops on:

- low U-value windows and doors;
- low energy timber frames, engineered timber, grading and heat treatment;
- designing and constructing in timber non domestic buildings such as schools and offices; and
- species choice for the grower – how to meet the needs of the market and the challenges of climate change.

The workshops will be followed up with opportunities for the training of contractors in construction methods such as the preparation and fixing of cladding.

## **Other Disclosures**

### **Research and Development**

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Although forestry is a devolved subject, Forest Research continues to be funded from Westminster. More information on the work of Forest Research can be found on the Forestry Commission website <http://www.forestry.gov.uk/research>.

### **Pensions**

Information on pensions is contained in the Remuneration Report and Note 7 to the accounts.

### **Supplier Payment Policy**

FC Wales complies with the Government's *Better Payment Practice Code*. Unless otherwise stated in the contract, we aim to pay within 30 working days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later.

In 2009/10 99.4% of invoices were paid within the due date [2008/09: 98.9%].

No interest was paid under the *Late Payment of Commercial Debts (Interest) Act 1998*.

### **Auditors**

The accounts of FC Wales are audited by the Auditor General for Wales.

### **Disclosure of information to the auditors**

So far as the Accounting Officer is aware, there is no relevant audit information of which the FC Wales auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the FC Wales auditors are aware of that information.

Trefor Owen  
Accounting Officer  
30 July 2010

# Remuneration Report

## Remuneration Policy

Fees for non-executive Commissioners are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director Scotland, Director England, and three other non-executive Commissioners. The Chairman and non-executive members determine the Director General's pay. The Chairman, Director General and non-executive Commissioners take decisions in respect of Country Directors. The entire committee takes decisions on the remaining senior staff posts.

In reaching its decisions on individuals' salary and bonus, the Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system. This includes the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- Reporting officers make recommendations on the relative performance of each of their senior staff, whether a bonus should be paid and if so whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.
- Remaining Committee and Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, is based on their manager's assessment of their performance.

## Employment Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' recruitment code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the senior staff covered in this report hold appointments that are open-ended until they reach the normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Non-executives are generally appointed for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.



Details of the letters of appointment for the non-executive Commissioners and National Committee members who served during the year are:

	Date of current contract / letter	Unexpired term (months*) As at 31 March 2010
Jon Owen Jones	18/01/2010	33
Judith Webb	18/01/2010	45
Professor Roger Cooper MBE	01/01/2010	33
Geraint George	01/10/2007	-
John Lloyd Jones OBE	2/11/2009	33

### Salary and pension entitlements \*

The salary and pension entitlements of National Committee and Management Board members were as follows:

	2009/10		2008/09	
	Salary £'000	Benefits in kind to nearest £100 £	Salary £'000	Benefits in kind to nearest £100 £
Trefor Owen	60-65	-	65-70	-
Derek Stephen	40-45 <sup>1</sup>	-	45-50	-
Paul Subacchi	5-10 <sup>2</sup>	-	n/a	n/a
Claire Lewis	35-40 <sup>3</sup>	-	40-45	-
Peter Garson	55-60	-	50-55	-
Clive Thomas	55-60	1,200	55-60	1,200
Terry O'Keefe	50-55	-	55-60	-
Richard Siddons	45-50	-	45-50	-

<sup>1</sup> Figure quoted is for the period 1 April 2009 to 31 January 2010. The full year equivalent is £50-55,000.

<sup>2</sup> Figure quoted is for the period 18 January 2010 to 28 February 2010. The full year equivalent is £40-45,000.

<sup>3</sup> Figure quoted is for the period 1 April 2009 to 31 January 2010. The full year equivalent is £45-50,000.

Two Management Board members, Martin Veale and Emma Bennett are on fixed term secondments from the Welsh Assembly Government. Their costs are invoiced to FC Wales direct and have been provided for in the Accounts.

### Salary

'Salary' includes basic salary, overtime and any allowances subject to UK taxation. This report is based on payments made by FC Wales and thus recorded in these accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as taxable income. Benefits in kind are given in the form of the private use of a car and house purchase loans.

## Pension Benefits \*

	Accrued pension at pension age at 31 March 2010 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2010	CETV at 31 March 2009**	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Trefor Owen	25-30 plus LS of 0-5	0-2.5 plus LS of 0-2.5	353	310	21	-
Derek Stephen	15-20 plus LS of 55-60	0-2.5 plus LS of 2.5-5	358	308	30	-
Paul Subacchi	10-15 plus LS of 35-40	0-2.5 plus LS of 2.5-5	190	160	19	-
Claire Lewis	5-10 plus LS of 25-30	0-2.5 plus LS of 0-2.5	135	114	10	-
Peter Garson	10-15 plus LS of 40-45	0-2.5 plus LS of 2.5-5	211	179	20	-
Clive Thomas	10-15 plus LS of 30-35	0-2.5 plus LS of 2.5-5	175	147	17	-
Terry O'Keefe	15-20 plus LS of 55-60	0-2.5 plus LS of 5-7.5	388	329	38	-
Richard Siddons	15-20 plus LS of 45-50	0-2.5 plus LS of 5-7.5	268	221	33	-

\*\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). 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 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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 1 October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to 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 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

### **Cash Equivalent Transfer Values**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This 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 Non-Executives

The non-executive Forestry Commissioners and members of the National Committee of Wales received the following remuneration for their services during the year ended 31 March 2010:

	£'000
Professor Roger Cooper MBE	7
Geraint George	3
John Lloyd Jones OBE	2

The remuneration of Jon Owen Jones and Judith Webb, non-executive Forestry Commissioners and members of the National Committee for Wales, are borne and disclosed in the Forestry Commission GB/England Annual Report and Accounts 2009/10.

**\* Information subject to audit**

Trefor Owen  
Accounting Officer  
30 July 2010

## Statement of Accounting Officer's responsibilities

Under the *Government of Wales Act 1998*, HM Treasury has directed FC Wales to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of FC Wales and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, 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 Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts ; and
- prepare the accounts on a going concern basis.

HM Treasury has designated Director Wales as the Accounting Officer for FC Wales. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding FC Wales' assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and *Managing Welsh Public Money*.

FC Wales is fully net funded by the Welsh Assembly Government's Department for Rural Affairs and therefore a formal accounting officer relationship exists between Director, Department for Rural Affairs and the Director FC Wales.

As part of their responsibilities, the Director, Department for Rural Affairs and Director Wales may be invited to appear before either the Westminster Committee of Public Accounts or the National Assembly for Wales Public Accounts Committee. It will be for Ministers to decide who should represent them at other Committee hearings.

## Statement on internal control

### 1. Scope of responsibility

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

Forestry is a devolved matter although certain activities such as international affairs, plant health and forest research remain reserved by Westminster. The Welsh Minister for Rural Affairs decides the policy and financial framework within which the Forestry Commission operates in Wales and is accountable to the Welsh Assembly Government for all matters concerning FC Wales.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal. The Forestry Commissioners have delegated to the National Committee for Wales the normal exercise of their powers and duties in connection with the estate in Wales.

The Director General is the Deputy Chairman of the Forestry Commissioners and the senior official in the Forestry Commission. In addition to his role as a Commissioner, he is the Accounting Officer, formally responsible to the Westminster Parliament for the financial affairs of the Forestry Commission.

The Director Wales is the executive Forestry Commissioner responsible to the Welsh Minister for Rural Affairs and to the Director General for the work of FC in Wales. The Director Wales is appointed Accounting Officer for FC Wales and is a member of the National Committee for Wales. The exact responsibilities of the Director Wales are detailed in the letter of appointment but include responsibilities for FC Wales' accounts and financial procedures, and for the proper, effective and efficient use of resources in pursuit of the agreed Corporate Plan objectives and targets.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FC Wales' 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 FC Wales for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### 3. Capacity to handle risk

As Accounting Officer, I take personal responsibility for improving FC Wales' capacity to handle risk. During the year I appointed a Head of Finance who is a qualified risk manager (MIRM), and we will work with Welsh public sector colleagues to share good practice.

A Forestry Commission-wide Risk Management Group (RMG) co-ordinates the continued development of risk management within, and the sharing of best practice across, the Forestry Commission.

There is a risk management area on the Forestry Commission's intranet site, which acts as the focal point for written advice, guidance and good practice on risk management.

The Forestry Commission has in place a risk management policy and procedures document. It outlines the

process of risk management that aims to:

- ensure that the Forestry Commission's objectives are not adversely affected by significant risks that have not been anticipated;
- ensure achievement of outputs and outcomes and provide reliable contingency arrangements to deal with the unexpected which might put service delivery at risk;
- promote a more innovative, less risk averse culture in which the taking of appropriate risks in pursuit of opportunities to benefit the Forestry Commission is encouraged;
- provide a sound basis for integrating risk management into our day to day decision making; and
- promote excellent corporate governance and management practices.

The policy is available to all staff via the intranet. For FC Wales this is supported by a Finance Bulletin to all staff published in April 2010 which sets out the governance principles and the processes surrounding risk management & business continuity planning.

Risk is embedded in policymaking, planning and delivery across FC Wales. Each discrete area of the business is responsible for ensuring the proper management of known risks within their own area, documented in operational risk registers (which include details of the risks and actions to manage these risks), and escalating concerns to the Management Board as appropriate. A corporate risk register for FC Wales has been developed which is aligned to corporate plans, supported by the operational risk registers and risk logs for individual key projects.

#### **4. The risk and control framework**

The system of internal control encompasses a number of elements that together facilitate an effective and efficient operation, including regular reporting to the Board of Commissioners, National Committee, Executive Board and Management Board.

The National Committee for Wales has established an Audit and Risk Committee (ARC) as a sub-committee to support them in their responsibilities for the effective management of risk, control and governance. Through its work the ARC provides independent assurance to the National Committee on those key activities within the direct control of FC Wales which support the achievement of FC Wales's objectives.

The ARC operates in accordance with the principles contained in HM Treasury's *Audit Committee Handbook*. The ARC advises the National Committee and the Accounting Officer on:

- the strategic processes for risk, control and governance;
- the Statement on Internal Control;
- the accounting policies, the accounts and the annual report, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letters of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including internal audit reports and external audit's management letter;
- assurances relating to the corporate governance requirements; and
- anti-fraud policies and whistle-blowing processes.

During the year the Committee met three times: in July and November 2009 and March 2010. In all cases they considered a range of reports from management, and from internal and external audit. The ARC has in the past year reviewed its own effectiveness through a self assessment questionnaire, and consequently has introduced some improved processes to address some weaknesses identified. These improvements include the adoption of an annual committee workplan; the annual review of the ARC's terms of reference; and improved induction for committee members.

Key risks were reviewed during the year and, in response to the Auditor General for Wales' value for money study *Operations of the Forestry Commission Wales*, FC Wales has undertaken an exercise to better align its risk register to the new Corporate Plan. Shared services and the Great Britain core area have reviewed their risk registers and plan to consolidate them in 2009/10.

An exercise to put in place a full set of Business Continuity Plans (BCPs) to cover all of FC Wales' activities has now been completed, and these plans will be tested during 2010/11.

BCPs covering the key business systems delivered by Forestry Commission shared services (human resources, information services and finance) are still under development. A private sector risk management consultant been contracted to help to undertake a business impact analysis, the outcome of which will help Forestry Commission management establish the resource requirements and costs of the recovery options. The development of shared service BCPs will be completed in 2010/11.

The issue of developing adequate shared service plans, making an effective link with the BCPs of FC Wales and the other countries and working business needs into an effective Disaster Recovery Plan will take some time.

## **5. Management and control of information**

Both the Cabinet Office's *Data Handling Procedures in Government* report ("the Data Handling Review", DHR) published in June 2008 and the Welsh Assembly Government's own information assurance work identified areas where government needed to improve its data handling capability and put in place a firm set of rules for departments to follow. In determining the Forestry Commission's approach to information assurance, we have taken the view that our information systems hold a relatively small number of records and that the volume of information requiring a protective marking is relatively low.

Director Finance GB acts as the Senior Information Risk Owner (SIRO) on behalf of the Forestry Commission Executive Board. He chairs the Information Security Management Forum (ISMF) which co-ordinates and controls the implementation of information security across the Forestry Commission. The ISMF met on 10 occasions during 2009/10. The country SIRO for Wales attends the ISMF and provides a closer link on information assurance matters between the ISMF, the Management Board and the Audit and Risk Committee. The work of the ISMF is supported on a day-to-day basis by the Departmental Security Officer and the IT Security Officer.

The ISMF has used the SIRO aide mémoire, produced by the Cabinet Office, to identify and monitor the key actions needed to implement the 21 mandatory measures as defined by the DHR. Regular progress reports are provided to management and the Audit and Risk Committee during the year and the SIRO's Annual Report summarises progress over the year. The report for 2009/10 contains an annex which compares our progress with the 33 Minimum Mandatory Measures (MMMs) in the *Protecting Information in Government* report published by the Cabinet Office in January 2010.

One of the key mandatory actions required is information risk awareness training for those staff handling personal information. In line with most other departments, the Forestry Commission chose to utilise the online training module developed by the National School for Government. By the end of April 2010, some 365 staff in Wales had successfully completed the training, leaving a small number of staff to complete the exercise. The ISMF is now working on plans for further, more advanced, training for those staff with specific information handling responsibilities.



In order to sustain and develop the progress made by the DHR, Cabinet Office has introduced the Information Assurance Maturity Model (IAMM) as a way of helping organisations understand their strengths and weaknesses in information handling, and to set out the path to improvement over the longer term. The FC undertook a self-assessment against the IAMM which confirmed the long suspected key areas of risk to be addressed were:

- improvements to business continuity and disaster recovery systems within central shared services;
- improvements to systems access controls; and
- further documentation of processes and procedures leading to less dependency on key staff.

Although this is of concern, in recent times we have suffered only one major systems failure. While our Information Services (IS) took immediate action to prevent a re-occurrence, further work is still required to address key areas of vulnerability. IS has now developed a longer term strategy to re-establish quality information services and technology. By the end of the financial year, we had made funds available to IS to start a significant investment programme in the ICT infrastructure to reduce the business risk from system failure. The work is described in the IS Infrastructure Proposal document, which overall has a two- to three-year incremental delivery timescale, subject to sufficient resources being available. New equipment recently purchased will allow IS to improve some of the more critical back-up and recovery arrangements as quickly as possible.

Further work is still required to establish an overall project plan encompassing all three of the key risk areas. This will be taken forward under the lead of Director Finance GB in his role as SIRO and as a member of the ICT Service Board.

## 6. Review of effectiveness

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

Areas requiring particular attention during 2010/11 are as follows:

- In July 2010 the Welsh Assembly Government announced the start of a process to review its natural environment work in Wales. It has been working with stakeholders to develop a new Natural Environment Framework that will set out how it will enable Wales' land and water to deliver long-term well-being reflecting its guiding principle of sustainable development. Welsh Ministers have agreed that the Welsh Assembly Government, the Environment Agency Wales, the Countryside Council for Wales and FC Wales should look together at more fundamental restructuring of delivery arrangements and functions in order to give best value in delivering an integrated, eco-system approach to the natural environment.
- Recent surveys have revealed that the pathogen *Phytophthora ramorum* (Sudden Oak Death) has been found in larch trees in Wales. Analysis suggests that it is likely to spread and could eventually affect the majority of larch in Wales. The scale of the infection (larch accounts for approximately ten per cent of the Assembly Government woodland estate) has resulted in an assessment of FC Wales' programme priorities to enable an effective response and to manage the possible long term impacts. FC Wales is enabling collaborative working across the affected area and between private woodland owners, private sector agents, timber processors and the relevant public sector bodies.

- The exact detail of the reductions in public sector funding will not be known until the Comprehensive Spending Review in October 2010 and subsequent funding announcements are made by the Welsh Assembly Government, and so the financial impact of FC Wales' budgets is yet to be calculated. Whilst the precise scale of reductions is still under review, it is clear that FC Wales' budgetary allocation from the Welsh Assembly Government will be substantially reduced with effect from 2011/12. FC Wales is working to identify potential areas of financial savings and to develop an appropriate business model to enable services to be delivered in the face of reducing funding.
- The Forestry Commission has undertaken a review of the structure, governance and business model under which its business units (forestry civil engineering, mechanical engineering services and plant and seed supply) currently operate. The report recommends that civil engineering should be delivered directly by each country and that mechanical engineering workshops should be outsourced. The timing of these changes is not yet agreed, but the report suggests financial savings to FC Wales resulting from implementation of these recommendations.
- As recognised in the Auditor General for Wales' value for money report, timber prices can be volatile and fluctuate throughout the year in response to factors such as supply and demand and exchange rates. Any shortfall in earned income that cannot be compensated by other income would restrict our ability to deliver the *Woodlands for Wales* strategy. Throughout the year management monitor outturn against budget and take the necessary actions to adjust costs and/or secure alternative funding if there are significant shortfalls in earned income.
- FC Wales is reliant on Forestry Commission shared services for many of its human resources, information services and finance requirements. The governance and funding of these services, and their links to country based back office functions, is under review to ensure that they can meet the needs of their customers through an annual review process.

The Head of Internal Audit has prepared an annual report and assurance statement to me as Director Wales and Accounting Officer. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within FC Wales. The Director General has received a similar report and assurance statement including any comments specific to the Forestry Commission's Great Britain core responsibilities.

The overall opinion is that internal control within FC Wales continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed. However, the Head of Internal Audit has highlighted that insufficient progress on some key business continuity planning and information assurance work has led to a limited opinion in respect of these items. Action for dealing with this is covered under the paragraphs above headed 'The risk and control framework' and 'Management and control of information risk'.

## **7. Significant internal control problems**

There were no significant problems to report

Trefor Owen  
Accounting Officer  
30 July 2010

## **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of Forestry Commission Wales for the year ended 31 March 2009 under the *Government of Wales Act 1998*. These comprise the statement of Parliamentary supply, the operating cost statement and statement of recognised gains and losses, the balance sheet, the cash flow statement and the statement of operating costs by Departmental objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

The Accounting Officer is responsible for preparing the Annual Report, which includes the remuneration report, and the financial statements in accordance with the *Government of Wales Act 1998* and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with HM Treasury directions issued under the *Government of Wales Act 1998*. I report to you whether, in my opinion, the information which comprises the management commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion the Forestry Commission Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Forestry Commission Wales's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Forestry Commission Wales's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Forestry Commission Wales's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government of Wales Act 1998 and directions made thereunder by HM Treasury, of the state of the Forestry Commission Wales's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998; and
- information which comprises the management commentary included within the Annual Report, is consistent with the financial statements.

## **Opinion on Regularity**

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

## **Report**

I have no observations to make on these financial statements.

Gillian Body  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
10 August 2010

## Summary of Resource Outturn

### Summary of resource outturn 2009/10

						2009/10	2008/09
		Estimate		Outturn		Net total outturn compared with Estimate: saving/ (excess) £'000	Outturn
Note		Gross Expenditure £'000	Total £'000	Gross Expenditure £'000	Net Total £'000		
Request for resources	4	36,538	36,538	32,847	32,847	3,691	32,393
<b>Total resources</b>	5	<b>36,538</b>	<b>36,538</b>	<b>32,847</b>	<b>32,847</b>	<b>3,691</b>	<b>32,393</b>

\*\*This is the outturn as reported on the UK GAAP basis as per the 2008/09 published accounts. The comparative cannot be restated as it must reflect the funding voted by the National Assembly for Wales. A reconciliation between the outturn restated for IFRS and as reported on the UK GAAP basis is given in Note 3.

### Net cash requirement 2009/10

					2009/10	2008/09
		Estimate		Outturn	Net total outturn compared with Estimate: saving/ (excess) £'000	Outturn £'000
Note		£'000	£'000	£'000		
Net cash requirement	6	23,538		21,533	2,005	23,858

### Summary of income payable to the consolidated fund

	Forecast 2009/10		Outturn 2009/10	
	Income £'000	Receipts £'000	Income £'000	Receipts £'000
Total	-	-	-	-

Explanations of variances between Estimate and outturn are given in the Management Commentary.

The notes on pages 43 to 80 form part of these accounts.

## Operating Cost Statement

for the year ended 31 March 2010

				2009/10 £'000	2008/09 £'000
	Note	Staff costs	Other costs	Income	
<b>Administration costs:</b>					
Staff costs	7	13,085			11,698
Other administration costs	8		7,672		7,862
Operating income	10			(489)	(433)
<b>Programme costs:</b>					
Programme costs	9		39,483		36,506
EU income	10			(570)	(609)
Other income	10			(16,504)	(16,221)
(Gain)/loss on revaluation of biological assets	14		(9,830)		(7,322)
<b>Totals</b>		<b>13,085</b>	<b>37,325</b>	<b>(17,563)</b>	<b>31,481</b>
<b>Net operating cost</b>				<b>32,847</b>	<b>31,481</b>

All income and expenditure are derived from continuing operations.

There have been no company acquisitions during the year.

The notes on pages 43 to 80 form part of these accounts.

## Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<b>Non-current assets:</b>				
Property, plant and equipment	12	260,757	219,267	202,085
Intangible assets	13	-	-	-
Biological assets	14	53,668	45,822	40,432
Financial assets	15	371	371	371
Trade and other receivables	18	436	364	374
<b>Total non-current assets</b>		<b>315,232</b>	<b>265,824</b>	<b>243,262</b>
<b>Current assets:</b>				
Non-current assets held for sale	16	599	59	33
Inventories	17	1,074	1,246	766
Trade and other receivables	18	3,919	5,646	6,174
Cash and cash equivalents	19	2,005	1,005	830
<b>Total current assets</b>		<b>7,597</b>	<b>7,956</b>	<b>7,803</b>
<b>Total assets</b>		<b>322,829</b>	<b>273,780</b>	<b>251,065</b>
<b>Current liabilities:</b>				
Provisions	21	(769)	(213)	(288)
Trade and other payables	20	(6,262)	(3,586)	(5,040)
<b>Total current liabilities</b>		<b>(7,031)</b>	<b>(3,799)</b>	<b>(5,328)</b>
<b>Non current assets plus net current assets</b>		<b>315,798</b>	<b>269,981</b>	<b>245,737</b>
<b>Non-current liabilities:</b>				
Provisions	21	(85)	(108)	(109)
Trade and other payables	20	(586)	(39)	(57)
<b>Total non-current liabilities</b>		<b>(671)</b>	<b>(147)</b>	<b>(166)</b>
<b>Assets less liabilities</b>		<b>315,127</b>	<b>269,834</b>	<b>245,571</b>
<b>Taxpayers' equity:</b>				
General fund	22a	131,473	132,810	130,883
Revaluation reserve	22b	181,237	134,363	111,823
Government grant reserve	22c	2,417	2,661	2,865
<b>Total taxpayers equity</b>		<b>315,127</b>	<b>269,834</b>	<b>245,571</b>

Trefor Owen  
Accounting Officer  
30 July 2010

The notes on pages 43 to 80 form part of these accounts.

# Cash Flow Statement

for the year ended 31 March 2010

	Note	2009/10 £'000	2008/09 £'000
<b>Cash flows from operating activities:</b>			
Net operating cost		(32,847)	(31,481)
Adjustments for non-cash transactions	23	12,089	10,564
Timing between accrual and cash VAT	22a	(38)	109
Non-cash inter-country transfers	22a	78	45
Decrease / (increase) in inventories	17	172	(480)
Decrease / (increase) in trade and other receivables	18	1,655	538
(Decrease) / increase in trade and other payables	20	3,223	(1,472)
Less: movements in trade and other payables relating to items not passing through the operating cost statement		(2,446)	79
Use of provisions	21	(61)	(183)
<b>Net cash outflow from operating activities</b>		<b>(18,175)</b>	<b>(22,281)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	12	(1,552)	(1,988)
Proceeds on disposal of property, plant and equipment	-	166	104
Book value of felled timber	12/14	7,507	7,301
Gain on revaluation of biological assets	14	(9,830)	(7,322)
<b>Net cash inflow from investing activities</b>		<b>(3,709)</b>	<b>(1,905)</b>
<b>Cash flows from financing activities:</b>			
From the Welsh Assembly Government (supply) – current year	22a	21,280	24,111
Deemed supply	22a	1,253	(78)
Government grant applied to the acquisition of property, plant and equipment	22c	351	328
<b>Net financing</b>		<b>22,884</b>	<b>24,361</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>1,000</b>	<b>175</b>
Cash and cash equivalents at the beginning of the period		1,005	830
<b>Cash and cash equivalents at the end of the period</b>		<b>2,005</b>	<b>1,005</b>

The notes on pages 43 to 80 form part of these accounts.



## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Government Grant Reserve £'000	Total Reserves £'000
Balance at 31 March 2009		132,810	134,363	2,661	269,834
Changes in accounting policy		-	-	-	-
<b>Restated balance at 1 April 2009</b>		<b>132,810</b>	<b>134,363</b>	<b>2,661</b>	<b>269,834</b>
<b>Changes in taxpayers' equity for 2009/10</b>					
Net loss on revaluation of non current assets held for sale	16	-	(52)	-	(52)
Net gain on revaluation of property, plant and equipment	22b	-	46,306	-	46,306
Receipt of government grants	22c	-	-	351	351
Release of reserves to the Operating Cost Statement	22b/ 22c	-	26	(91)	(65)
Revaluation of government grant assets	22c	-	-	91	91
Non-cash charges – notional cost of capital	9	10,184	-	-	10,184
Non-cash charges – timing between accrual and cash VAT	22a	(38)	-	-	(38)
Non-cash charges – inter-country transfers	22a	78	-	-	78
Transfer of property, plant and equipment from/to other forestry bodies	12	5	-	-	5
Transfer from the Revaluation Reserve	22	1	594	(595)	-
Net operating cost for the year		(32,847)	-	-	(32,847)
<b>Total recognised income and expense for 2009/10</b>		<b>(22,617)</b>	<b>46,874</b>	<b>(244)</b>	<b>24,013</b>
<b>Funding from the Welsh Assembly Government:</b>					
Drawn down	22a	22,533	-	-	22,533
Deemed supply	22a	752	-	-	752
Reserves held under flexible funding arrangement	22a	(2,005)	-	-	(2,005)
<b>Balance at 31 March 2010</b>		<b>131,473</b>	<b>181,237</b>	<b>2,417</b>	<b>315,127</b>

The notes on pages 43 to 80 form part of these accounts.

		General Fund	Revaluation Reserve	Government Grant Reserve	Total Reserves
	Note	£'000	£'000	£'000	£'000
Balance at 31 March 2008		130,883	111,823	2,865	245,571
Changes in accounting policy		-	-	-	-
<b>Restated balance at 1 April 2008</b>		<b>130,883</b>	<b>111,823</b>	<b>2,865</b>	<b>245,571</b>
<b>Changes in taxpayers' equity for 2008/09</b>					
Net loss on revaluation of assets held for sale	3	-	(23)	-	(23)
Net gain/(loss) on revaluation of property, plant and equipment	22b/ 22c	-	22,650	(411)	22,239
Receipt of government grants	22c	-	-	328	328
Release of reserves to the Operating Cost Statement	22c	-	-	(121)	(121)
Non-cash charges – notional cost of capital	9	9,004	-	-	9,004
Non-cash charges – timing between accrual & cash VAT	22a	109	-	-	109
Non-cash charges – inter-country transfers	22a	45	-	-	45
Transfer of property, plant and equipment from/to other forestry bodies	12	52	-	-	52
Transfer from the Revaluation Reserve	22a	87	(87)	-	-
Net operating cost for the year		(31,481)	-	-	(31,481)
<b>Total recognised income and expense for 2008/09</b>		<b>(22,184)</b>	<b>22,540</b>	<b>(204)</b>	<b>152</b>
<b>Funding from the Welsh Assembly Government:</b>					
Drawn down	22a	24,033	-	-	24,033
Deemed supply	22a	830	-	-	830
Reserves held under flexible funding arrangement	22a	(752)	-	-	(752)
<b>Balance at 31 March 2009</b>		<b>132,810</b>	<b>134,363</b>	<b>2,661</b>	<b>269,834</b>

The notes on pages 43 to 80 form part of these accounts.

## Net Operating Cost by Departmental Strategic Objective

for the year ended 31 March 2010

	Strategic Objective 1 £'000	Strategic Objective 2 £'000	Strategic Objective 3 £'000	Strategic Objective 4 £'000	2009/10 Total £'000	Strategic Objective 1 £'000	Strategic Objective 2 £'000	Strategic Objective 3 £'000	Strategic Objective 4 £'000	2008/09 Total £'000
<b>Gross Expenditure</b>	17,543	7,814	18,500	6,553	<b>50,410</b>	18,430	7,000	18,976	4,338	<b>48,744</b>
<b>Income</b>	(6,112)	(2,722)	(6,446)	(2,283)	<b>(17,563)</b>	(6,527)	(2,479)	(6,721)	(1,536)	<b>(17,263)</b>
<b>Net Expenditure</b>	<b>11,431</b>	<b>5,091</b>	<b>12,055</b>	<b>4,270</b>	<b>32,847</b>	<b>11,903</b>	<b>4,521</b>	<b>12,255</b>	<b>2,802</b>	<b>31,481</b>

Objective 1 – Social : FC Wales encourages local people and the wider public to make better use of the woodlands as an asset for their communities. This brings valuable health and well being benefits through the opportunity for mountain biking, walking, horse riding, Forest Schools and lifelong learning. Key performance indicators KPI 6, KPI7 and KPI 8 in the full Annual report relate to this objective.

Objective 2 - Economic : As well as bringing timber from the Assembly Government woodland estate to the market, FC Wales supports several initiatives including Woodsource Wales and Woodfuel Wales and provides robust and predictable volume forecasts for the Assembly Government woodland estate and through its support of Confor encourages other woodland owners to do the same. Key performance indicator KPI 9 in the full Annual Report relates to this objective.

Objective 3 - Environmental : A very important part of our work is protecting, managing and celebrating sites that are nationally or internationally important for nature conservation and archaeology. We ensure that all sites have up to date management plans. Key performance indicators KPI10 and KPI11 in the full Annual Report relate to this objective

Objective 4 - Climate Change : FC Wales's response to climate change has been to adapt Welsh woodlands so that they deliver a wider range of social and environmental benefits, offering exiting new opportunities to use woodlands to help mitigate the causes of climate change. Key performance indicator KPI 12 in the full Annual Report relates to this objective.

See note 30.

The notes on pages 43 to 80 form part of these accounts.

# Notes to the Forestry Commission Wales Resource Accounts

## NOTE 1 STATEMENT OF ACCOUNTING POLICIES

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

In addition to the primary statements prepared under IFRS, the *FReM* also requires FC Wales to prepare two additional primary statements. The *Statement of Parliamentary Supply* (or equivalent for FC Wales) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. For the purposes of these accounts, the title "Summary of Resource Outturn" has been used for this primary statement. The other primary statement, the *Statement of Operating Cost by Departmental Strategic Objectives* and supporting notes analyse the FC Wales' income and expenditure by the objectives agreed with Welsh Ministers.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets, and derivative financial assets and derivative financial liabilities at fair value through profit or loss.

### 1.2 Administrative and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running FC Wales, together with associated operating income, and programme costs include costs relating to managing the Assembly Woodlands and payments of grants. Programme income is generated from managing the Assembly Woodlands.

### 1.3 Capital charges

Notional charges, reflecting the cost of capital utilised by FC Wales have been included under programme costs in the operating cost statement. The charge is calculated at the real rate set by HM Treasury (3.5 per cent) on the average carrying amount of all assets less liabilities, except for cash balances held by the Office of the Paymaster General.

### 1.4 Employee benefits

#### Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. FC Wales accounts for the PCSPS scheme as a defined contribution plan and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution

schemes, FC Wales recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **Performance pay**

FC Wales recognises a liability and an expense for performance-related pay. Non-consolidated, non-pensionable bonuses are paid to staff whose work performance was assessed as being a “Top Performer” in accordance with the Forestry Commission’s performance management system. The bonus amount is at a standard amount depending on the employee’s grade and is pro rated for part-time staff. Except for staff in the Senior Staff Grade, the bonus system ceased with effect from the staff reporting year ending on 31 March 2009.

### **Short-term employee benefits**

A liability and an expense is recognised for holiday days, holiday pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not yet taken.

### **1.5 Contingent liabilities**

FC Wales discloses contingent liabilities in accordance with International Accounting Standard (IAS) 37. It also discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to the National Assembly for Wales in accordance with the requirements of *Managing Welsh Public Money*.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts. Amounts reported to the National Assembly for Wales are separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the National Assembly for Wales.

### **1.6 Property, plant and equipment**

Legal ownership of all land and buildings is vested in the Welsh Ministers with legal ownership of the timber, including uncut trees, vested in the Forestry Commissioners. Legal ownership of other tangible fixed assets is vested in the Forestry Commissioners.

Until 31 March 2008, tangible fixed assets were revalued annually as at 31 March. With the agreement of HM Treasury, from 1 April 2008 onward, revaluations shall take place on 1 April.

### **Forest Estate**

Forested areas comprise land (including land improvements) and timber stocks. Elements of timber stock fall within the definition of Biological Assets as set out in IAS 41 (Agriculture) and details of the accounting policy are set out below. One requirement of IAS 41 is to separately account and value both land and the biological asset growing on it. As a result, the Forest Estate consists of all woodland areas and timber falling outwith the definition of a biological asset. Elements of the valuation and therefore the accounting for these assets rely on estimation techniques and these are detailed under Note 2.

### **Forest Estate land**

Forest Estate land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of Forest Estate land at five yearly intervals. Following a public procurement exercise in 2007, Bidwells, Chartered Surveyors were appointed as the Commission’s valuers as from the full valuation as at 1 April 2008. In accordance with RICS’ *Appraisal and*

*Valuation Standards* (the *Red Book*), the Forest Estate land is valued under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

### **Biological assets**

Timber growing on Forest Estate land is categorised as biological asset timber or other timber depending on the strategic objective the land is held to meet. Trees growing on land that is primarily held in support of the Welsh Assembly Government's objective of making a positive contribution to a thriving and sustainable Welsh economy are classed as biological assets under IAS 41 (Agriculture). Other trees are classed as other timber and are outwith the scope of IAS 41.

Biological assets include standing trees and are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above the valuation is carried out by Bidwells, Chartered Surveyors in accordance with RICS' *Red Book* under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

Revaluation gains and losses are recognised in the Operating Cost Statement in the year of revaluation.

### **Trees not apportioned to biological assets**

Trees falling outwith the definition of biological assets are shown at fair value. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above the valuation is carried out by Bidwells, Chartered Surveyors in accordance with RICS' *Red Book* under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

### **Non-forest land**

Non-forest land is shown at fair value. Professionally qualified staff employed by FC Wales undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the Forest Estate (1 April). They follow the principles set out in RICS' *Red Book* and value on the basis of open market value, existing use value, depreciated replacement cost or discounted cash flow as appropriate under RICS' *Red Book* for determining fair value. The work of internal staff is reviewed by Bidwells periodically. A full valuation took place on 1 April 2008. In the intervening years between professional valuations, custom indices are used to restate land values.

### **Built Assets**

Built assets are shown at fair value less accumulated depreciation. The threshold for capitalisation of buildings is £10,000.

Professionally qualified staff employed by FC Wales undertake a full revaluation of built assets at five yearly intervals coinciding with that for the Forest Estate and other land (1 April). They follow the principles set out in RICS' *Red Book* and value on the basis of open market value, existing use value, depreciated replacement cost or discounted cash flow as appropriate under RICS' *Red Book* for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 1 April 2008 and Bidwells, Chartered Surveyors, reviewed this.

In the intervening years between professional valuations, indices are calculated internally by reference to

beacon sites that have been valued by external valuers. Such indexation was applied at 31 March 2010.

### **Expenditure on infrastructure**

To maximise the environmental, social and economic benefits of the Forest Estate, other land, biological asset timber and other timber, FC Wales improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts, etc. Costs in respect of infrastructure works are expensed as they occur. FC Wales takes the view that the professional valuations of its land and timber properly recognise the contribution that infrastructure items make to land values. It also considers that the annual revaluation by indexation reflects improvements made through new infrastructure.

### **Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FC Wales and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the operating cost statement during the financial period in which they are incurred.

### **Non-current assets held for sale**

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

### **Plant and machinery**

Forestry vehicles, machinery and equipment are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by FC Wales. In the intervening years between professional valuations, values are restated using indices provided by the Office for National Statistics. The normal threshold for capitalisation of plant and machinery is £3,000.

### **Information technology**

Information technology (IT) is shown at fair value less subsequent depreciation. IT values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of assets is £2,000.

### **Assets under construction**

Assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

### **Revaluation reserve**

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the operating cost statement. Each year the difference between depreciation based on the revalued carrying amount of the asset

charged to the operating cost statement and depreciation based on the asset's original cost is transferred from revaluation reserve to general fund.

### 1.7 Depreciation

Land (Forest Estate and non-forest land), together with the value of trees, is not depreciated.

Assets under construction are not depreciated until the asset under construction is capable of operating in the manner intended by management.

Depreciation is provided on all other property, plant and equipment at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Lease premium	unexpired term of the lease
Freehold buildings	over 1 to 60 years
Buildings held under a finance lease	lesser of unexpired term of lease and 60 years
Plant and machinery	over 3 to 16 years
Plant and machinery held under a finance lease	lesser of unexpired term of lease and 16 years
Information technology	over 4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the operating cost statement.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

### 1.8 Land and buildings leased to customers

Assets leased to external parties under an operating lease is capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

### 1.9 Government grants receivable

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and FC Wales will comply with all attached conditions.

Government grants in respect of capital expenditure are credited to a government grant reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the operating cost statement. Where the grant contributes only part of the cost of the fixed asset, only that proportion is released from the government grant reserve. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

### 1.10 Subsidiaries, associates and joint ventures

Investments held in subsidiaries, associates or joint ventures that are outside the departmental boundary and where FC Wales does not exercise in-year budgetary control are accounted for in accordance with paragraph 4.2.4 of the FReM. Where such an investment is in another public sector entity it is reported at historical cost less any impairment. Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see Note 1.22).



### **1.11 Inventories**

Consumable materials and supplies are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### **1.12 Revenue recognition**

Income comprises the fair value of the consideration received or receivable from forestry and related activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

FC Wales recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

### **1.13 Leases**

Where substantially all the risk and rewards of ownership of a leased asset are borne by FC Wales (a finance lease), the right to use the asset is initially recorded as a tangible fixed asset. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5 per cent.

Assets held under finance lease are depreciated over the shorter of the useful life of the asset and the term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in the Forestry Commissioners. The policies and procedures for carrying out revaluations are those set out in Note 1.6 above.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the operating cost statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases (any lease other than a finance lease) are charged on a straight-line basis over the lease term.

### **1.14 Grants payable**

Grants payable to individuals and bodies by FC Wales in accordance with its statutory powers and duties are accounted for as they are approved for payment.

### **1.15 European Union (EU) funding**

FC Wales acts under delegated authority from the Welsh Assembly Government to administer third party grants made under the national European Agricultural Guarantee and Guidance Fund and the European Agricultural Fund for Rural Development. Once grants become recognised, contributions from the EU are claimed. If grants are subsequently recovered because of failure to fulfil the condition of the relevant grant scheme, the amount of co-financing may be repayable to the EU.

### **1.16 Provisions**

FC Wales provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the

effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by HM Treasury. The increase in the provision due to passage of time is recognised in the operating cost statement.

### **1.17 Value Added Tax (VAT)**

The Forestry Commission is registered for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the operating cost statement is net of VAT, where recoverable. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year end included in the Forestry Commission Great Britain/England accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.

### **1.18 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments, has been identified as the FC Wales Management Board.

### **1.19 Foreign currency transactions**

#### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the FC Wales operates ('the functional currency'). The functional currency and the presentational currency of the financial statements is pounds sterling.

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the operating cost statement.

### **1.20 Intangible assets**

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model.

Where an active market does not exist, income generating assets are valued at the lower of depreciated replacement cost and value in use. Non-income generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

Acquired computer software licences are initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software and subsequently revalued to depreciated replacement cost. Acquired computer software licences are amortised over their estimated useful lives of five to seven years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the FC Wales are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are subsequently revalued to depreciated replacement cost and amortised over their estimated useful lives of five to seven years.

### **1.21 Impairment of non-financial assets**

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

### **1.22 Financial assets**

#### **Classification**

FC Wales classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. FC Wales does not trade in derivatives and does not apply hedge accounting.

#### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

#### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date. Available for sale financial assets comprise investments.

## **Recognition and measurement**

Financial assets are recognised when FC Wales becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and FC Wales has transferred substantially all risks and rewards of ownership.

### **(a) Financial assets at fair value through profit or loss**

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

### **(b) Loans and receivables**

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that FC Wales will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the operating cost statement. Dividends on available-for-sale equity instruments are recognised in the operating cost statement when FC Wales' right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) FC Wales establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

FC Wales assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the operating cost statement. Impairment losses recognised in the operating cost statement on equity instruments are not reversed through the income statement.

### **1.23 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Office of the Paymaster General and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

### **1.24 Financial liabilities**

#### **Classification**

FC Wales classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

#### **(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. FC Wales does not trade in derivatives and does not apply hedge accounting.

#### **(b) Other financial liabilities**

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities. FC Wales' other financial liabilities comprise trade and other payables in the Statement of Financial Position.

#### **Recognition and measurement**

Financial liabilities are recognised when FC Wales becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

#### **(a) Financial liabilities at fair value through profit or loss**

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

#### **(b) Other financial liabilities**

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of FC Wales' accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying FC Wales' accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### **Valuation of the Forest Estate and biological assets**

Management believes that it would not be cost effective to carry out a five-yearly external professional valuation of all areas of woodland, including those with biological assets. Following advice from its professionally qualified statisticians, management considers that a reasonable valuation can be derived by carrying out on-site valuations of a random sample of properties representing between 8 per cent and 10 per cent of the Forest Estate and extrapolating these for the whole.

In reaching their sample valuations, it has been agreed by the external valuers and management that the most appropriate market factors to consider are location, species, age and quality (yield class) of the trees. It would not be cost effective to carry out each valuation based on the specific combination on the site. Management, in consultation with the external valuers, considers that valuations based on groups of factors provide robust valuations. The groups used are location (Forest District), species (conifer crop or broadleaf crop), age (in five-yearly age bands) and quality (high-, medium- and low-yield classes).

Management also considers that the most appropriate market-based evidence of value is derived from the market for the sale of woodlands and forests over 50 ha in area. The external valuers subsequently apportion values to land and timber, including biological assets. As required under IAS 41 the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at 5 per cent and reflect the costs of selling the woodland or forest.

### **Other land**

Other land primarily includes specialist land holdings for which there are no or limited external markets. Management considers that FC Wales' internal professionally qualified staff are best placed to value this land. To ensure compliance with RICS' valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness periodically. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

### **Dwellings and other buildings**

Other buildings primarily includes specialist buildings held for operational activities and for which there are no active external markets. Management considers that FC Wales' internal professionally qualified staff are best placed to value these buildings. To ensure compliance with RICS' valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of dwellings and other buildings are obtained where

active markets operate.

### **Other built assets**

Other built assets are specialist recreation facilities, primarily mountain bike routes held to provide social and recreational facilities to the public and for which there are no active external markets. Management considers that FC Wales' internal professionally qualified staff are best placed to value these assets. To ensure compliance with RICS' valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of other built assets are obtained where active markets operate.

### **Biological assets**

In applying IAS 41 (Agriculture) management considered the detailed criteria for classifying forestry activities as agricultural. This determined that not all forestry activity carried out by FC Wales could be regarded as agriculture under the standard. It is considered that woodlands and forests that are primarily held and managed to meet the social and environmental objectives set out in *A Strategy for Wales's Trees, Woods and Forests* do not meet the criteria for agricultural activity.

A detailed analysis of the forest estate was undertaken by the FC Wales' Planning Manager and approved by FC Wales' Management Board, using a scoring system to determine those areas of the portfolio that fell within the four corporate objectives of social, economic, environmental and climate change based on a range of criteria. The resulting percentage attributed to economic was used to determine the implied value of trees classed as a biological asset. The analysis will be reviewed internally every five years with the next review due to take place in 2013. Additionally, should there be an acquisition or disposal of land within a forest district that would create a total change of land holding of ten per cent or otherwise be of significance with regard the analysis an interim review would take place.

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### NOTE 3 FIRST TIME ADOPTION OF IFRS

	General Fund	Revaluation Reserve	Government Grant Reserve	Total Reserves
	£'000	£'000	£'000	£'000
<b>Taxpayers' equity at 1 April 2008 under UK GAAP</b>	114,817	142,649	2,865	260,331
Adjustments for:				
IAS 2 Inventories	(515)	-	-	(515)
IFRS 5 Non-current assets held for sale	-	(193)	-	(193)
IAS 41 Agriculture – revaluation	(2,128)	-	-	(2,128)
IAS 41 Agriculture – reserve transfer	24,067	(24,067)	-	-
IAS 19 Holiday pay accrual	(473)	-	-	(473)
IAS 17 Leases	(4,828)	(6,566)	-	(11,394)
IAS 19 Performance related pay bonus accrual 2007/08	(57)	-	-	(57)
<b>Taxpayers' equity at 1 April 2008 under IFRS</b>	<b>130,883</b>	<b>111,823</b>	<b>2,865</b>	<b>245,571</b>
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	116,317	163,935	2,661	282,913
Adjustments for:				
1 April 2008 IFRS adjustments	16,066	(30,826)	-	(14,760)
IAS 2 Inventories	217	-	-	217
IFRS 5 Non-current assets held for sale	(4)	(23)	-	(27)
IAS 41 Agriculture - fellings	(7,301)	-	-	(7,301)
IAS 41 Agriculture – revaluation	7,322	(4,046)	-	3,276
IAS 19 Holiday pay accrual	92	-	-	92
IAS 17 Leases	53	-	-	53
IAS 19 Performance related pay bonus accrual decrease	48	-	-	48
IAS 38 Intangible Assets	-	883	-	883
IAS 16 PPE	-	4,440	-	4,440
<b>Taxpayers' equity at 31 March 2009 under IFRS</b>	<b>132,810</b>	<b>134,363</b>	<b>2,661</b>	<b>269,834</b>
				<b>£000</b>
Net operating cost for 2007-08 under UK GAAP				27,968
Adjustments for:				
IAS 2 Inventories				515
IFRS 5 Non-current assets held for sale				-
IAS 41 Agriculture – revaluation				2,128
IAS 19 Holiday pay accrual				473
IAS 17 Leases				4,828
IAS 19 Performance related pay bonus accrual 2007/08				57
Notional cost of capital increase				(259)
<b>Net operating cost for 2007/08 under IFRS</b>				<b>35,710</b>
Net operating cost for 2008/09 under UK GAAP				32,393
Adjustments for:				
IAS 2 Inventories				(217)
IFRS 5 Non-current assets held for sale				4
IAS 41 Agriculture – fellings				7,301
IAS 31 Agriculture – revaluation				(7,322)
IAS 19 Holiday pay accrual				(92)
IAS 17 Leases				(53)
IAS 19 Performance related pay bonus accrual 2008/09				(48)
Notional cost of capital increase				(485)
<b>Net operating cost for 2008/09 under IFRS</b>				<b>31,481</b>



No cash equivalents are held by FC Wales at either 1 April 2008 or 31st March 2009.

#### International Financial Reporting Standards (IFRS) adjustments rationale

IAS 2 Inventories – in accordance with IAS 2 timber stocks falls under the definition of harvested produce from biological assets and therefore should be measured as fair value less costs to sale at the point of harvest whereas previously timber stock had been measured at cost.

IFRS 5 Non-current assets held for sale – in accordance with IFRS 5 (non-current assets held for sale and discontinued operations) assets held for sale were revalued to the lower of carrying value and fair value less costs to sale whereas previously surplus properties were valued at fair value.

IAS 19 Holiday pay accruals – in accordance with IAS 19 (employee benefits) accruals have been made in respect of carried forward employee annual leave at 31 March each year.

IAS 19 Performance related pay bonus accruals – in accordance with IAS 19 (employee benefits) accruals have been made in respect of unpaid performance related pay bonuses for the performance years at 31 March.

IAS 41 Biological assets – biological assets have been valued based on the calculated estimated economic percentage of the forest estate and treated thereafter per IAS 41 for revaluation purposes. Revaluation gains and losses on Biological Assets are passed through the general fund.

IAS 17 Leases – leases have been reviewed and reclassified as either finance or operational leases as appropriate under the guidance. Land leases are now recognised as operational leases.

IAS 38 Intangible Assets – the current and future contractual rights to receive revenue streams from the operators of communication masts sited on FC Wales land do not meet the criteria of an intangible asset under IAS 38. Therefore, the intangible asset has been removed, together with the corresponding value included in deferred income. The land on which communication masts are sited has been revalued using discounted cashflows and has been included under other land in property, plant and equipment.

IAS 16 Property, plant and equipment – other land includes a windfarm generating income due to FC Wales. This land has been revalued using discounted cashflows as at 31 March 2009.

Notional cost of capital – the notional cost of capital has been recalculated based on IFRS net assets at 31 March 2008 and 31 March 2009.

#### NOTE 4 ANALYSIS OF NET RESOURCE OUTTURN BY SECTION

					2009/10	2008/09		
					Outturn	Estimate	Net Total Outturn Compared with RfR	*Prior- year Outturn
	Admin	Other current	Grants	Gross resource Expenditure	Net Total	Net Total	Net Total Compared with RfR	*Prior- year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for Resources:								
FC Wales	-	32,847	-	-	32,847	36,538	3,691	32,393
<b>Resource Outturn</b>	<b>-</b>	<b>32,847</b>	<b>-</b>	<b>-</b>	<b>32,847</b>	<b>36,538</b>	<b>3,691</b>	<b>32,393</b>

\*This is the outturn as reported on the UK GAAP basis as per the 2008/09 published accounts. The comparative cannot be restated as it must reflect the funding voted by the Welsh Assembly Government. A reconciliation between the outturn restated for IFRS and as reported on the UK GAAP basis is given in Note 3.

## NOTE 5 RECONCILIATION OF OUTTURN TO NET OPERATING COST

			2009/10 Outturn Compared With Estimate	2008/09 *Outturn
	Note	Outturn £'000	Supply Estimate £'000	£'000
Net Resource Outturn	4	32,847	36,538	32,393
Prior Period Adjustments		-	-	-
Non-supply income (CFERs)		-	-	-
Non-supply expenditure		-	-	-
<b>Net Operating Cost</b>		<b>32,847</b>	<b>36,538</b>	<b>32,393</b>

\*This is the outturn as reported on the UK GAAP basis as per the 2008/09 published accounts. The comparative cannot be restated as it must reflect the funding voted by the Welsh Assembly Government. A reconciliation between the outturn restated for IFRS and as reported on the UK GAAP basis is given in Note 3.

## NOTE 6 RECONCILIATION OF RESOURCES TO NET CASH REQUIREMENT

		Estimate	Outturn	2009/10 Net total Outturn Compared With Estimate: saving/(excess)
	Note	£'000	£'000	£'000
Resource Outturn		36,538	32,847	3,691
<b>Capital:</b>				
Acquisition of property plant and equipment	12	-	1,552	(1,552)
Book value of felled timber	12, 14	-	(7,507)	7,507
Gain on revaluation of biological assets	14	-	9,830	(9,830)
Proceeds of property plant and equipment disposals		-	(166)	166
Government grants applied to the acquisition of property plant and equipment	22c	-	(351)	351
		<b>36,538</b>	<b>36,205</b>	<b>333</b>
<b>Accruals adjustments:</b>				
Non-cash items	23	(13,000)	(12,089)	(911)
Changes in working capital other than cash		-	(2,057)	2,057
Changes in non-current payables		-	(547)	547
Use of provision	21	-	61	(61)
Timing between accrual and cash VAT	22a	-	38	(38)
Non-cash inter-country transfers	22a	-	(78)	78
<b>Net cash requirement</b>		<b>23,538</b>	<b>21,533</b>	<b>2,005</b>

## NOTE 7 STAFF NUMBERS AND RELATED COSTS

### Staff costs

			2009/10	2008/09
	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000
Wages and salaries	10,386	9,496	890	9,305
Social security costs	740	680	60	669
Other pension costs	1,820	1,712	108	1,689
Agency staff	88	-	88	35
Inward secondees	51	-	51	-
<b>Total net costs</b>	<b>13,085</b>	<b>11,888</b>	<b>1,197</b>	<b>11,698</b>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Forestry Commission GB is unable to identify its share of the underlying assets and liabilities. The Scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009/10 employers' contributions of £1,780,000 were payable to the PCSPS (2008/09: £1,702,000) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,800 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £200, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

No individuals retired early on ill health grounds.

### Average number of persons employed

These figures have been apportioned pro rata to the net expenditure on each Strategic Objective.

The average number of whole-time equivalent persons employed during the year was as follows:-

			2009/10
	Total	Permanently employed staff	Others
	Number	Number	Number
Strategic Objective 1: Social	137	120	17
Strategic Objective 2: Economic	61	53	8
Strategic Objective 3: Environmental	144	126	18
Strategic Objective 4: Climate Change	51	45	6
<b>Total</b>	<b>393</b>	<b>344</b>	<b>49</b>

  

			2008/09
	Total	Permanently employed staff	Others
	Number	Number	Number
Strategic Objective 1: Social	138	133	5
Strategic Objective 2: Economic	53	51	2
Strategic Objective 3: Environmental	142	137	5
Strategic Objective 4: Climate Change	32	31	1
<b>Total</b>	<b>365</b>	<b>352</b>	<b>13</b>

## NOTE 8 OTHER ADMINISTRATION COSTS

	Note	2009/10 £'000	2008/09 £'000
Central shared services		3,523	3,584
Auditor's remuneration and expenses – audit work		114	62
Other administration expenditure		3,327	3,348
		6,964	6,994
<b>Non-cash costs:</b>			
Depreciation of property, plant and equipment	12	165	225
Write-off of property, plant and equipment	12	-	-
Impairment of property, plant and equipment	12	-	2
(Gain)/Loss on disposal of property, plant and equipment		(51)	533
Adjustment to depreciation following impairment		-	1
Provisions:			
Provided in year	21	699	247
Provisions not required written back	21	(108)	(135)
Unwinding of discount	21	3	(5)
		708	868
<b>Total</b>		<b>7,672</b>	<b>7,862</b>

Administration expenditure includes the cost of shared central services provided to FC Wales. Shared central services are defined as those where a single provider is considered the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction comes from the countries. Seven areas of work are identified as shared services:

- Finance and accounting services;
- Information services;
- Human resources, including learning and development;
- Communications;
- Operational support services;
- Internal audit; and
- Business sustainability.

For each of the major shared services, a service board composed of 'intelligent buyers' from the countries, Forest Research and the service provider has joint accountability for the operation to ensure the needs of the customer and the wider organisation are met. Charges were made at regular intervals during the year.

Business units covering mechanical and civil engineering and nurseries charge for their services under service level agreements agreed with their own service board. Expenditure was accounted for in each country at the time it was incurred.

The Forest Research Agency provides research development and survey services to FC Wales through a service level agreement and charges internal FC Wales customers in the year. The Forest Research Agency is charged for shared services and business unit costs where appropriate.

## NOTE 9 PROGRAMME COSTS

Programme costs in year can be analysed as follows:-

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Management of Welsh Assembly Government woodlands	23,213	21,140
<b>Grants:</b>		
Support for forestry and the rural economy, including grants paid to private woodland owners	4,194	4,005
Grants paid to private woodland owners from EU receipts	570	609
	<b>4,764</b>	<b>4,614</b>
Objective 1 expenditure	-	1,104
WEBS II Scheme	167	-
Other programme costs, including research and publications	1,155	644
Cost of capital	10,184	9,004
	<b>39,483</b>	<b>36,506</b>

The 2008/09 comparative has been restated in order to classify costs appropriately. £5,993,000 has been reclassified from other programme costs to management of Welsh Assembly Government woodlands. Total programme costs are unchanged.

Included within programme expenditure are the following costs:

	2009/10 £'000	2008/09 £'000
<b>Cash costs</b>		
Hire of plant and machines	1,181	1,188
Operating leases	309	545
	<b>1,490</b>	<b>1,733</b>
<b>Non-cash costs</b>		
Depreciation	1,113	931
Cost of capital charges	10,184	9,004
Value of fellings	7,507	7,301
Adjustment for the value of timber stocks	-	(217)
Write-off PPE	183	-
(Gain) / loss on disposal of vehicles, plant and machinery	(26)	-
	<b>18,961</b>	<b>17,019</b>

## NOTE 10 INCOME

	2009/10 £'000	2008/09 £'000
Operating income	489	433
<b>Administrative income</b>	<b>489</b>	<b>433</b>
Timber income from Assembly Government Woodland Estate	13,165	12,089
Other income from Assembly Government Woodland Estate	3,089	3,355
Planting grant co-financing from EU	570	609
Objective 1 EU and Welsh Assembly Government funding	91	743
WEBS II Scheme	154	-
Gain on disposal of properties including external costs	-	-
Publications income	5	10
Other income	-	24
<b>Programme income</b>	<b>17,074</b>	<b>16,830</b>
<b>Total income</b>	<b>17,563</b>	<b>17,263</b>

## NOTE 11 ANALYSIS OF NET OPERATING COST BY SPENDING BODY

	Estimate £'000	2009/10 Outturn £'000	2008/09 Outturn £'000
FC Wales	36,538	32,847	31,481
<b>Net operating cost</b>	<b>36,538</b>	<b>32,847</b>	<b>31,481</b>

## NOTE 12 PROPERTY PLANT AND EQUIPMENT

	Forest Estate	Land	Forest Holiday Land	Built Assets	Plant and Machinery	Information Technology	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valuation:</b>								
At 1 April 2009	193,248	15,152	325	9,344	3,601	257	1,213	<b>223,140</b>
Reclassified as assets held for sale	-	-	-	(631)	(108)	-	-	<b>(739)</b>
Additions	-	-	-	46	1,803	102	794	<b>2,745</b>
Disposals	(15)	(1)	-	(140)	(427)	(92)	-	<b>(675)</b>
Fellings	(5,523)	-	-	-	-	-	-	<b>(5,523)</b>
Transfers	-	-	-	1,824	(121)	-	(1,824)	<b>(121)</b>
Write Off	-	-	-	-	-	-	(183)	<b>(183)</b>
Revaluation	45,501	237	15	408	423	24	-	<b>46,608</b>
<b>At 31 March 2010</b>	<b>233,211</b>	<b>15,388</b>	<b>340</b>	<b>10,851</b>	<b>5,171</b>	<b>291</b>	-	<b>265,252</b>
<b>Depreciation:</b>								
At 1 April 2009	-	-	-	1,848	1,916	109	-	<b>3,873</b>
Provided during year	-	-	-	811	428	39	-	<b>1,278</b>
Reclassified as assets held for sale	-	-	-	(146)	-	-	-	<b>(146)</b>
Disposals	-	-	-	(107)	(406)	(82)	-	<b>(595)</b>
Transfers	-	-	-	-	(126)	-	-	<b>(126)</b>
Revaluation	-	-	-	63	136	12	-	<b>211</b>
<b>At 31 March 2010</b>	-	-	-	<b>2,469</b>	<b>1,948</b>	<b>78</b>	-	<b>4,495</b>
<b>Net Book Value:</b>								
<b>At 31 March 2010</b>	<b>233,211</b>	<b>15,388</b>	<b>340</b>	<b>8,382</b>	<b>3,223</b>	<b>213</b>	-	<b>260,757</b>
At 1 April 2009	193,248	15,152	325	7,496	1,685	148	1,213	<b>219,267</b>
<b>Asset financing:</b>								
Owned	233,211	15,388	340	8,382	2,298	213	-	259,832
Finance Leased	-	-	-	-	925	-	-	925
<b>Net Book Value At 31 March 2010</b>	<b>233,211</b>	<b>15,388</b>	<b>340</b>	<b>8,382</b>	<b>3,223</b>	<b>213</b>	-	<b>260,757</b>

	Forest Estate	Land	Forest Holiday Land	Built Assets	Plant and Machinery	Information Technology	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valuation:</b>								
At 1 April 2008	184,653	7,779	325	9,231	3,663	336	366	<b>206,353</b>
Reclassified as biological assets	-	-	-	-	-	-	-	-
Reclassified as assets held for sale	-	(5)	-	(75)	-	-	-	<b>(80)</b>
Additions	-	40	-	157	513	29	1,249	<b>1,988</b>
Disposals	(6)	(2)	-	(1,288)	(714)	(106)	-	<b>(2,116)</b>
Fellings	(5,369)	-	-	-	-	-	-	<b>(5,369)</b>
Transfers	-	(2,743)	-	3,145	51	-	(402)	<b>51</b>
Revaluation	13,970	10,083	-	(1,826)	88	-	-	<b>22,315</b>
Impairment	-	-	-	-	-	(2)	-	<b>(2)</b>
<b>At 31 March 2009</b>	<b>193,248</b>	<b>15,152</b>	<b>325</b>	<b>9,344</b>	<b>3,601</b>	<b>257</b>	<b>1,213</b>	<b>223,140</b>
<b>Depreciation:</b>								
At 1 April 2008	-	-	-	1,926	2,213	129	-	<b>4,268</b>
Provided during year	-	-	-	734	375	47	-	<b>1,156</b>
Reclassified as assets held for sale	-	-	-	(27)	-	-	-	<b>(27)</b>
Disposals	-	-	-	(785)	(672)	(66)	-	<b>(1,523)</b>
Impairment	-	-	-	-	-	(1)	-	<b>(1)</b>
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,848</b>	<b>1,916</b>	<b>109</b>	<b>-</b>	<b>3,873</b>
<b>Net Book Value:</b>								
<b>At 31 March 2009</b>	<b>193,248</b>	<b>15,152</b>	<b>325</b>	<b>7,496</b>	<b>1,685</b>	<b>148</b>	<b>1,213</b>	<b>219,267</b>
At 1 April 2008	184,653	7,779	325	7,305	1,450	207	366	202,085
<b>Asset financing:</b>								
Owned	193,248	15,152	325	7,496	1,630	148	1,213	219,212
Finance Leased	-	-	-	-	55	-	-	55
<b>Net Book Value</b>	<b>193,248</b>	<b>15,152</b>	<b>325</b>	<b>7,496</b>	<b>1,685</b>	<b>148</b>	<b>1,213</b>	<b>219,267</b>
<b>At 31 March 2009</b>								

The Forest Estate is valued annually by Bidwells, Chartered Surveyors. The valuation is based on a sample number of properties and the results extrapolated by professionally qualified staff employed by the Forestry Commission. Values are determined using the RICS Existing Use basis. The next full revaluation is due as at 1 April 2013 with annual updates based on prospective indices provided by Bidwells, Chartered Surveyors.

Non-forest land and built assets were valued as at 1 April 2008 by professionally qualified land agents employed by the Forestry Commission. The next five-yearly valuation will be at 1 April 2013, to coincide with the next full revaluation of the Forest Estate. Annual updates in the intervening years are based on calculated indices.

IFRS accounting policy adjustments have now been undertaken to account for biological assets and this is reflected in the table above.

Plant and machinery was valued as at 1 April 2005 by professionally qualified staff employed by the Forestry Commission based on valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets. The next full revaluation is due as at 1 April 2010 with annual updates in the intervening years based on indices provided by the Office for National Statistics.

IT is initially valued at cost and was revalued as at 31 March 2010 using an index provided by the Office for National Statistics.

Additions to assets under construction included £351,000 funded by government grants.



## NOTE 13 INTANGIBLE ASSETS

	Total £'000
<b>Valuation:</b>	
<b>At 1 April 2009</b>	-
Additions	-
Disposals	-
Revaluation	-
<b>At 31 March 2010</b>	-
<b>Amortisation:</b>	
<b>At 1 April 2008</b>	-
Provided during year	-
Disposals	-
<b>At 31 March 2009</b>	-
<b>Net book value at:</b>	
31 March 2010	-
1 April 2009	-
<b>Valuation:</b>	
<b>At 1 April 2008</b>	-
Additions	2,176
Disposals	-
Reclassification under IFRS	(2,176)
<b>At 31 March 2009</b>	-
<b>Amortisation:</b>	
<b>At 1 April 2008</b>	-
Provided during year	133
Reclassification under IFRS	(133)
<b>At 31 March 2009</b>	-
<b>Net book value at:</b>	
31 March 2009	-
1 April 2008	-

Intangible assets under UK GAAP comprised the current and future contractual rights to receive revenue streams from the operators of communication masts sited on FC Wales land. These rights do not meet the criteria of an intangible asset under IAS 38 therefore they have been removed, together with the corresponding balance included in deferred income.

Amortisation of £nil (2008/09: £133,000) is included in other administration costs in the operating cost statement.

## NOTE 14 BIOLOGICAL ASSETS

Non-current biological assets comprise of timber.

Timber growing on Forest Estate land is categorised as biological asset timber or other timber depending on the strategic objective the land is held to meet. Other trees are classed as other timber and are out-with the scope of IAS 41.

The carrying value of total biological assets was £53,668,000 at 31 March 2010 (31 March 2009: £45,822,000).

Bidwells Chartered Surveyors revalued the forest estate including biological assets. The next full revaluation is due as at 1 April 2013. For 2009/10, valuations were updated using indexation information provided by Bidwells Chartered Surveyors. The apportionment of biological assets was carried out by Forestry Commission staff using the judgements and estimates outlined at Notes 1 and 2.

The movement in the biological asset balance during the period has been as follows:

	2009/10 £'000	2008/09 £'000
At 1 April	45,822	40,432
Transfer from property, plant and equipment (PPE)	-	-
Purchases during the period	-	-
Sales during the period	-	-
Fellings	(1,984)	(1,932)
Gains and losses arising from changes in fair values	9,830	7,322
<b>At 31 March</b>	<b>53,668</b>	<b>45,822</b>

## NOTE 15 FINANCIAL ASSETS

The fixed asset investment represents FC Wales' share in the limited liability partnership between the Forestry Commissioners and the Camping and Caravanning Club to operate holiday facilities within the Forestry Commission's land holdings.

The investment is valued annually at 28 February on an open market basis by Barrs & Co., specialist leisure consultants and valuers.

## NOTE 16 NON CURRENT ASSETS HELD FOR SALE

	Land £'000	Built Assets £'000	Plant & Machinery £'000	Total £'000
<b>Opening balance at 1 April 2008</b>	<b>33</b>	-	-	<b>33</b>
Transfers from PPE	5	48	-	<b>53</b>
Disposals	(4)	-	-	<b>(4)</b>
Impairments	(5)	(18)	-	<b>(23)</b>
<b>Balance at 1 April 2009</b>	<b>29</b>	<b>30</b>	-	<b>59</b>
Transfers from PPE	-	485	108	<b>593</b>
Disposals	(1)	-	-	<b>(1)</b>
Impairments	-	(45)	(7)	<b>(52)</b>
<b>Closing balance at 31 March 2010</b>	<b>28</b>	<b>470</b>	<b>101</b>	<b>599</b>

The assets above related to surplus properties have been presented as held for sale following the approval for sale by the management of FC Wales. The completion dates for sale are expected to be within the twelve months to 31 March 2011.

## NOTE 17 INVENTORIES

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Timber	940	999	630
Consumable Materials and supplies	134	247	136
<b>Total</b>	<b>1,074</b>	<b>1,246</b>	<b>766</b>

## NOTE 18 TRADE AND OTHER RECEIVABLES

### 18(a) Analysis by type

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<b>Current</b>			
Trade receivables	3,460	4,076	2,263
Less provision for impairment of trade receivables	(23)	(8)	(12)
<b>Trade receivables - net</b>	<b>3,437</b>	<b>4,068</b>	<b>2,251</b>
House purchase loans to employees	3	3	6
Lease debtor	5	4	4
EU funding accrued income	-	-	77
Prepayments and accrued income	474	1,571	3,836
	<b>3,919</b>	<b>5,646</b>	<b>6,174</b>
<b>Non Current</b>			
Forest Holidays partnership loan	357	285	285
Forest Holidays partnership lease	65	63	63
House purchase loans to employees	14	16	26
	<b>436</b>	<b>364</b>	<b>374</b>

The carrying amounts of trade and other receivables are a reasonable approximation of fair value.

All non-current receivables are due within 69 years from the 31 March 2010.

As of 31 March 2010, trade receivables of £2,826,000 (31 March 2009: £2,564,000) were not past due, impaired and provided for.

As of 31 March 2010, trade receivables of £611,000 (31 March 2009: £1,504,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Less than one month	96	91
One to three months	374	1,231
More than three months	141	182
<b>Total</b>	<b>611</b>	<b>1,504</b>

As of 31 March 2010, trade receivables totalling £23,000 (31 March 2009: £8,000) relating to one debt was impaired and also provided for.

The ageing of the trade receivables provided for is as follows:

	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>1 April 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Less than one month	-	-	-
One month	6	-	-
Two months	6	-	-
More than three months	11	8	12
<b>Total provided</b>	<b>23</b>	<b>8</b>	<b>12</b>

Movements in the provision for impairment of trade receivables are as follows:

	<b>£'000</b>
<b>At 1 April 2008</b>	<b>12</b>
Provision for receivables impaired	8
Receivables written off during the year as uncollectible	(8)
Unused amounts reversed	(4)
<b>At 1 April 2009</b>	<b>8</b>
Provision for receivables impaired	23
Receivables written off during the year as uncollectible	(8)
Unused amounts reversed	-
<b>At 31 March 2010</b>	<b>23</b>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. FC Wales does not hold any collateral as security.

All trade and other receivables are denominated in UK pounds.

## 18(b) Intra Government Balances

	31 March 2010 £'000	31 March 2009 £'000	Current 1 April 2008 £'000	31 March 2010 £'000	31 March 2009 £'000	Non-Current 1 April 2008 £'000
Balances with other central government bodies	5	34	1,493	-	-	-
Balances with local authorities	1	63	12	-	-	-
Balances with public corporations and trading funds	-	-	1	-	-	-
<b>Intra government balances</b>	<b>6</b>	<b>97</b>	<b>1,506</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	3,913	5,549	4,668	436	364	374
<b>Total</b>	<b>3,919</b>	<b>5,646</b>	<b>6,174</b>	<b>436</b>	<b>364</b>	<b>374</b>

## NOTE 19 CASH AND CASH EQUIVALENTS

	£'000
<b>Balance at 1 April 2008</b>	<b>830</b>
Net change in cash and cash equivalent balances	175
<b>Balance at 1 April 2009</b>	<b>1,005</b>
Net change in cash and cash equivalent balances	1,000
<b>Balance at 31 March 2010</b>	<b>2,005</b>

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
The following balances were held at:			
Office of HM Paymaster General	2,005	1,005	830
Commercial banks and cash in hand	-	-	-
Short term investments	-	-	-
<b>Total</b>	<b>2,005</b>	<b>1,005</b>	<b>830</b>

## NOTE 20 TRADE AND OTHER PAYABLES

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<b>Current</b>			
Trade payables	2,228	1,751	2,029
Other payables	42	51	35
Accruals and deferred income	1,639	1,012	2,126
Finance leases	348	20	20
Reserves held under flexible funding arrangement	2,005	752	830
	<b>6,262</b>	<b>3,586</b>	<b>5,040</b>
<b>Non current</b>			
Finance leases	586	39	57
Radio mast leases	-	-	-
	<b>586</b>	<b>39</b>	<b>57</b>

The carrying amounts of trade and other liabilities are a reasonable approximation of their fair value.

All traded and other payables are denominated in UK pounds.

### 20(b) Intra Government Balances

	31 March 2010 £'000	31 March 2009 £'000	Current 1 April 2008 £'000	31 March 2010 £'000	31 March 2009 £'000	Non-Current 1 April 2008 £'000
Balances with other central government bodies	31	85	-	-	-	-
Balances with local authorities	240	22	1	-	-	-
Balances with public corporations and trading funds	2	1	-	-	-	-
<b>Intra government balances</b>	<b>273</b>	<b>108</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	5,989	3,478	5,039	586	39	57
<b>Total</b>	<b>6,262</b>	<b>3,586</b>	<b>5,040</b>	<b>586</b>	<b>39</b>	<b>57</b>

## NOTE 21 PROVISIONS FOR LIABILITIES AND CHARGES

	Early departure costs £'000	Public legal claims £'000	Other legal claims £'000	Total £'000
<b>Balance at 1 April 2008</b>	<b>158</b>	<b>31</b>	<b>208</b>	<b>397</b>
Provided in the year	4	125	118	247
Provisions not required written back	-	(13)	(122)	(135)
Utilised in the year	(79)	(17)	(87)	(183)
Unwinding of discount	(5)	-	-	(5)
<b>Balance at 1 April 2009</b>	<b>78</b>	<b>126</b>	<b>117</b>	<b>321</b>
Provided in the year	2	73	624	699
Provisions not required written back	-	(86)	(22)	(108)
Utilised in the year	(37)	-	(24)	(61)
Unwinding of discount	3	-	-	3
<b>Balance at 31 March 2010</b>	<b>46</b>	<b>113</b>	<b>695</b>	<b>854</b>

Analysis of expected timing of discounted cash flows:

	Early departure costs £'000	Public legal claims £'000	Other legal claims £'000	Total £'000
In the remainder of the Spending Review period to 31 March 2011	34	40	695	769
Between 1 April 2011 and 31 March 2016	12	73	-	85
Between 1 April 2016 and 31 March 2021	-	-	-	-
Thereafter	-	-	-	-
<b>Balance at 31 March 2010</b>	<b>46</b>	<b>113</b>	<b>695</b>	<b>854</b>

### Early departure costs

FC Wales meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. FC Wales provides for this in full when the early retirement programme becomes binding on it by establishing a provision for the estimated payments.

### Legal claims

Provision has been made for various legal claims against FC Wales. The provision reflects all known claims where legal advice indicates that it is probable that the claim will be successful and the amount of the claim can be reliably estimated. Legal claims that may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 28. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

## NOTE 22 RESERVES

### 22(a) General Fund

The General Fund represents the total assets less liabilities to the extent that the total is not represented by other reserves and financing items.

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	132,810	130,883
<b>Movement in the year:</b>		
Net operating cost for the year	(32,847)	(31,481)
Notional cost of capital	10,184	9,004
Transfers of property, plant and equipment from/to other Forestry Bodies	5	52
Timing between accrual and cash VAT	(38)	109
Non-cash inter-country transfers	78	45
Transfer from Revaluation Reserve	1	87
<b>Funding from the Welsh Assembly Government:</b>		
Drawn down	22,533	24,033
Deemed supply	752	830
Reserves held under flexible funding arrangement	(2,005)	(752)
<b>Balance at 31 March</b>	<b>131,473</b>	<b>132,810</b>

### 22(b) Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of professional valuations and indexation.

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>134,363</b>	<b>111,823</b>
<b>Arising on revaluation during the year:</b>		
Assets held for sale	(52)	(23)
Forest Estate	45,501	13,970
Land	237	10,083
Forest Holiday land	15	-
Built assets	253	(1,496)
Vehicles, machinery and equipment	287	89
Information technology	13	-
	46,254	22,623
Write-offs	26	4
Release from government grant reserve	595	-
Transferred to general fund in respect of realised element of revaluation reserve	(1)	(87)
<b>Balance at 31 March</b>	<b>181,237</b>	<b>134,363</b>



## 22(c) Government grant reserve

	UK £'000	EU £'000	2009/10 Total £'000	2008/09 Total £'000
Balance at 1 April	734	1,927	2,661	2,865
Additions during the year	351	-	351	328
Revaluations	28	63	91	(411)
Disposals	-	-	-	(28)
Release to Revaluation Reserve	(146)	(449)	(595)	-
Release to Operating Cost Statement	(18)	(73)	(91)	(93)
<b>Balance at 31 March</b>	<b>949</b>	<b>1,468</b>	<b>2,417</b>	<b>2,661</b>

## NOTE 23 NOTE TO THE CASH FLOW STATEMENT

Adjustments for non-cash transactions:

	2009/10 £'000	2008/09 £'000
Depreciation	1,278	1,155
Property, plant and equipment write-off	183	4
Property, plant and equipment impairment	-	2
(Gain) / loss on disposals	(85)	489
Notional cost of capital	10,184	9,004
Revaluation reserve write-off	26	4
Movement on government grant reserve (other than additions)	(91)	(201)
Provisions provided in year	699	247
Provisions written back in year	(108)	(135)
Unwinding of discount	3	(5)
	<b>12,089</b>	<b>10,564</b>

## NOTE 24 FINANCIAL INSTRUMENTS

### 24(a) Investments in non-public sector bodies (Available-for-sale financial assets)

	2009/10 £'000	2008/09 £'000
At 1 April	371	371
Additions	-	-
Net gains/losses transfer from equity	-	-
Net gains/losses transfer to equity	-	-
<b>At 31 March</b>	<b>371</b>	<b>371</b>

Available-for-sale financial assets comprises FC Wales's partnership share of Forest Holidays LLP, an unlisted investment denominated in UK pounds.

#### 24(b) Financial Instruments by Category

	31 March 2010			31 March 2009			1 April 2008		
	Loans and Receivables	Available-for-Sale	Total	Loans and Receivables	Available-for-Sale	Total	Loans and Receivables	Available-for-Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets as per statement of financial position</b>									
Available-for-sale financial assets	-	371	371	-	371	371	-	371	371
Trade & other receivables (excluding prepayments)	4,261	-	4,261	4,788	-	4,788	5,436	-	5,436
Cash & cash equivalents	2,005	-	2,005	1,005	-	1,005	830	-	830
<b>Total</b>	<b>6,266</b>	<b>371</b>	<b>6,637</b>	<b>5,793</b>	<b>371</b>	<b>6,164</b>	<b>6,266</b>	<b>371</b>	<b>6,637</b>

	31 March 2010		31 March 2009		31 March 2008	
	Other financial liabilities	Total	Other financial liabilities	Total	Other financial liabilities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Liabilities as per the Statement of Financial Position</b>						
Finance Lease Liabilities	934	934	59	59	77	77
Trade and other payables excluding statutory liabilities	3,867	3,867	2,561	2,561	3,360	3,360
<b>Total</b>	<b>4,801</b>	<b>4,801</b>	<b>2,620</b>	<b>2,620</b>	<b>3,437</b>	<b>3,437</b>

#### 24(c) Exposure to risk

FC Wales' activities expose it to a variety of financial risks.

Credit risk – the possibility that other parties might fail to pay amounts due;

Liquidity risk – the possibility that the FC Wales might not have funds available to meet its commitments to make payments; and

Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Due to the way in which government departments are financed, FC Wales is not exposed to the degree of financial risk faced by business entities.

#### Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. FC Wales' exposure to credit risk is limited to the risk of non-payment by customers as no deposits are held with commercial banks.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by FC Wales. The utilisation of credit limits is regularly monitored (see Note 18).

### Liquidity risk

Each financial year, the Welsh Assembly Government makes provision for the use of resources by FC Wales for revenue and capital purposes in a Budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget. This also specifies an overall cash authorisation to operate for the financial year. FC Wales is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 March 2010</b>				
Finance lease liabilities	348	291	295	-
Trade and other payables excluding statutory liabilities	3,867	-	-	-
<b>Total</b>	<b>4,215</b>	<b>291</b>	<b>295</b>	<b>-</b>

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 March 2009</b>				
Finance lease liabilities	20	20	19	-
Trade and other payables excluding statutory liabilities	2,814	-	-	-
<b>Total</b>	<b>2,834</b>	<b>20</b>	<b>19</b>	<b>-</b>

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 1 April 2008</b>				
Finance lease liabilities	20	20	37	-
Trade and other payables excluding statutory liabilities	4,190	-	-	-
<b>Total</b>	<b>4,210</b>	<b>20</b>	<b>37</b>	<b>-</b>

### Market risk

FC Wales has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing FC Wales in undertaking its activities.

### Cash flow and fair value interest rate risk

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FC Wales has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

#### **Foreign Currency Risk**

FC Wales does not generally undertake transactions in foreign currency therefore its exposure to foreign currency risk is minimal. The only exposure relates to the receipt of EU grants denominated in euros.

#### **24(d) Capital risk management**

FC Wales' objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

#### **24(e) Fair Value Estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

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### **NOTE 25 CAPITAL COMMITMENTS**

There were no contracted capital commitments at 31 March 2010 (31 March 2009: £nil).

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## NOTE 26 COMMITMENTS UNDER LEASES

### Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2009/10 £'000	2008/09 £'000
<b>Land:</b>		
Not later than one year	12	34
Later than one year and not later than five years	49	44
Later than five years	5,385	5,378
	<b>5,446</b>	<b>5,456</b>
<b>Buildings:</b>		
Not later than one year	37	53
Later than one year and not later than five years	78	106
Later than five years	2	-
	<b>117</b>	<b>159</b>
<b>Other:</b>		
Not later than one year	74	538
Later than one year and not later than five years	81	1,307
Later than five years	-	-
	<b>155</b>	<b>1,845</b>

### Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

	2009/10 £'000	2008/09 £'000
<b>Other:</b>		
Not later than one year	387	20
Later than one year but not later than five years	621	41
Later than five years	-	-
Less interest element	(74)	(2)
<b>Present value of finance lease liabilities</b>	<b>934</b>	<b>59</b>

## NOTE 27 OTHER FINANCIAL COMMITMENTS

Following approval of a management plan for planting proposals, FC Wales undertakes to pay planting grants in two instalments. FC Wales was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £3.9 million as at 31 March 2010 (31 March 2009: £3.1 million). Grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan, so long as specific objectives and age criteria are met. Commitments to future payments in respect of approved plans amounted to £4.9 million at 31 March 2010 (31 March 2009: £3.8 million).

	2009/10 £'000	2008/09 £'000
Not later than one year	4,810	3,570
Later than one year and not later than five years	3,990	3,306
Later than five years	15	-
	<b>8,815</b>	<b>6,876</b>

## NOTE 28 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There were no contingent liabilities as at 31 March 2010 (31 March 2009: £nil).

## NOTE 29 OPERATING LEASE RECEIVABLES

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009/10 £'000	2008/09 £'000
Not Later than 1 year	520	507
Later than 1 year but not later than 5 years	1,826	1,850
Later than 5 years	1,922	2,035
<b>Total</b>	<b>4,268</b>	<b>4,392</b>

FC Wales has operating leases under agreement that terminate between 2010 and 2026.

## NOTE 30 NOTES TO THE STATEMENT OF NET OPERATING COSTS BY DEPARTMENTAL STRATEGIC OBJECTIVES

Expenditure in Net Operating Costs by Strategic Objectives schedule comprises the direct costs incurred by FC Wales' national office and indirect costs which have been allocated by individual cost centres or apportioned pro rata to the directly attributable costs. During 2008/09 we implemented a system to allocate project costs directly to objectives and this data has been used to support the costs attributable to each of the objectives for FC Wales.

## Capital employed by Departmental Strategic Objectives as at 31 March 2010

FC Wales' capital is employed for both programme and administration purposes. Its distribution amongst objectives is not markedly different from the proportion of related gross expenditure. Capital employed has therefore been allocated to objectives in proportion to gross expenditure.

	2009/10 £'000	2008/09 £'000
Strategic Objective 1: Social	109,664	101,998
Strategic Objective 2: Economic	48,845	38,856
Strategic Objective 3: Environmental	115,652	104,965
Strategic Objective 4: Climate Change	40,966	24,015
<b>Total</b>	<b>315,127</b>	<b>269,834</b>

## NOTE 31 LOSSES AND SPECIAL PAYMENTS

There were no losses over £250,000 in 2009/10 (2008/09: £nil).

There were no special payments made by the FC Wales during 2009/10 (2008/09: £nil).

## NOTE 32 RELATED PARTY TRANSACTIONS

FC Wales has had various material transactions with other government departments and other central government bodies. The main entities within government with which the FC Wales has had dealings are HM Treasury, Welsh Assembly Government, the UK Co-ordinating Body for European Union grants, the Office of the Paymaster General, HM Revenue and Customs and the Department for the Environment, Food and Rural Affairs.

### 32(a) Sale of goods and services

In 2008/09, there were material transactions with the related party, Martin Gale who was a Non-Executive Commissioner until 31 March 2009. Martin Gale was also a non-executive director of BSW Timber Plc and he has an interest in Tilhill Forestry.

During the year FC Wales entered into additional material transactions with a related party, Hamish Macleod (Non-Executive Commissioner). Hamish Macleod is Joint Managing Director of Howie Forest Products Ltd. BSW Timber plc acquired Howie Forest Products Ltd. in November 2009.

	2009/10 £'000	2008/09 £'000
Sale of Goods:		
Tilhill Forestry	-	2,835
BSW Timber plc	676	1,386
<b>Total</b>	<b>676</b>	<b>4,221</b>

Goods are sold based on the price lists in force and terms that would be available to third parties.

	<b>2009/10</b> <b>£'000</b>	<b>2008/09</b> <b>£'000</b>
Amounts owing to Forestry Commission Wales at 31 March 2010:		
Tilhill Forestry	-	454
BSW Timber plc	392	325
<b>Total</b>	<b>392</b>	<b>779</b>

The receivables from related parties arise from timber sale transactions and are due within one month after the timber is despatched. The receivables are unsecured in nature and bear no interest.

### **32(b) Purchase of goods and services**

There were no purchases of goods and services from related parties.

### **32(c) Key management compensation**

Key management personnel are deemed to be the members of the National Committee for Wales and FC Wales Management Board. The compensation of such individuals whilst serving on the National Committee and Management Board can be found in the Remuneration Report that forms part of these Annual Accounts.

## **NOTE 33 EVENTS AFTER 31 MARCH 2010**

In accordance with the requirements of IAS 10, events after 31 March 2010 are considered up to the date on which the financial statements are authorised for issue. These financial statements were authorised for issue on 30 July 2010 by the Accounting Officer.

Non-adjusting post balance sheet events: It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Forestry Commission Wales provides to employees.

## **NOTE 34 ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY**

There were no other entities within the boundary during 2009/10. (2008/09: £nil).



## FORESTRY COMMISSION WALES

### ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH PARAGRAPH 5 OF SCHEDULE 7 TO THE GOVERNMENT OF WALES ACT 1998

The Forestry Commission of Wales shall prepare resource accounts for the year ended 31 March 2010 in respect of its activities in Wales in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury (“the FReM”) which is in force for 2009-10. In subsequent financial years, the resource accounts shall comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual issued by H M Treasury in force for that financial year.

2. The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs, and of the income and expenditure, Statement of Financial Position, Statement of Changes in Taxpayers’ Equity and cash flows for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

3. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.

4. This direction supersedes that given to the Forestry Commission dated 9 October 2005.

Chris Wobschall  
Head of Assurance and Financial Reporting Policy  
Her Majesty’s Treasury  
October 2009



Forestry Commission Wales are the Welsh Assembly Government's Department of Forestry reporting to the Minister for the Department of Rural Affairs; we are also part of Forestry Commission GB.

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