



FOREST SERVICE

ANNUAL REPORT

2009-10



An Agency within the Department of
**Agriculture and
Rural Development**

www. www.dard.gov.ie

AN BHEINN
Talmhaíochta agus
Forbartha Tuaithe
DÉPARTMENTE O
Fairsins an
Kintre Forderin



INVESTOR IN PEOPLE

Front Cover:
Scene from Lough Navar Forest viewpoint, County Fermanagh

**Forest Service Annual Report and Accounts
For the year ended 31 March 2010**

*The Accounting Officer authorised these
financial statements for issue*

on

28 June 2010

*Laid before the Northern Ireland Assembly
under section 11(3) (c) of the Government Resources
and Accounts Act (Northern Ireland) 2001
by the Department of Agriculture and
Rural Development*

on

29 June 2010

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for the year 1 April 2009 – 31 March 2010

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Mountain Lake, Castlewellan Forest Park



I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2010.

We achieved 10 of the 13 Key Targets set by the Minister and made significant progress against 2 others. Our target to support the passage of the Forestry Bill for Royal Assent was not achieved by 31 March 2010. However, good progress was made in progressing the Bill, which was introduced to the Assembly in June 2009. The agreement of the ARD Committee to an amended Bill was secured in March 2010 clearing the way for the further stages of the Bill. Our target to complete a tender process for caravan and camping provision was not achieved, because it was decided to broaden our approach to testing market interest in the delivery of a much wider range of leisure and recreation provision. This work has progressed well. We did not meet our woodland expansion target and this is discussed further below. We fully achieved 11 of our 14 supporting targets, with 1 target substantially achieved. Full details are provided later in the report.

2009/10 was a challenging and busy year for the Agency, with significant progress being made across a number of business areas. During the year we sold 401,360m³ of timber, generating an income of some £7.2 million, and meeting one of our key targets. We were successful in retaining our certified status under the UK Woodland Assurance Standard following a surveillance visit by auditors in March 2010. We also put in place new independent audit services with the appointment of the Soil Association. These new audit arrangements will underpin our sustainable forest management obligations. During the year, we also updated our forest planning process with forest management units being re-organised into landscape units. This will streamline our planning processes.

Our 3 year Public Service Agreement (PSA) target covering the period to 31 March 2011, commits us to plant 1,650 hectares of new woodland and we have aimed to achieve this at an annual rate of at least 550 hectares. This is an area where progress has been difficult, due to low levels of uptake of the forestry grant schemes. Despite our best efforts, we missed our 2008/09 target of 550 hectares, achieving 289 hectares. In 2009/10, we achieved only 213 hectares. Our 2010/11 target will now be 1148 hectares, reflecting our commitment to meet our overall PSA target, and we will be exploring all possible mechanisms to meet this challenging target.

During the year, we made good progress against our aim of updating forestry legislation. A new Forestry Bill was introduced to the Assembly by our Minister, Michelle Gildernew, MP MLA in June 2009 and Committee Stage of the Bill was completed in March 2010, with agreement from the Assembly's Agriculture and Rural Development Committee having been secured to the proposed Bill with agreed amendments. This paved the way for the Bill to progress through the remaining Assembly Stages. Our hope is that



the new legislation will become operational during the 2010/11 business year, setting a new legislative framework for forestry into the future.

Good progress was also made in relation to the recreation and social use of our forests. On 1 July 2009, we published a Recreation and Social Use Strategy, which set a framework for promoting the development of recreation opportunities in our forests, through our forest planning process and through partnership working. During 2009/10, we have worked closely with District Councils, public sector organisations and groups like the National Trust to explore new opportunities. This work will continue. Linked to this, we have continued to implement the Government's Wider Markets Initiative and to explore commercial opportunities. A market sounding exercise was carried out during the year to establish private sector interest in the renewable energy and leisure sectors. This identified significant commercial opportunity, which we will continue to explore.

Finally, 2009/10 saw the Agency operating under its new functional structure, along with new accounting and management systems. All of this involved significant change for the Agency and I am especially grateful to all of our staff, at all levels, for their support in making the new organisational structure a success and for their contribution to achieving our objectives and targets during a busy year.



David Small
Chief Executive
28 June 2010





Sweet Chestnut

DIRECTORS' REPORT

Management Board

The Forest Service Management Board consists of the Chief Executive, three executive directors and one non-executive director. The Chief Executive has overall responsibility for achieving the aims, objectives and targets set out in the Corporate and Business Plans with each executive director having ownership and responsibility for achieving objectives and targets within their management control.

The Agency's headquarters are at Dundonald House in Belfast, with offices at Enniskillen, Castlewellan and Garvagh. Forestry training is provided by the College of Agriculture, Food and Rural Enterprise under a Service Level Agreement.

Appointments to the Board are normally made by open competition or internal promotion. At 31 March 2010, the Board's membership was:

Chief Executive	David Small
Director of Forestry	John Joe O'Boyle
Director of Woodland Development & Strategies	Stuart Morwood MICFor
Director of Forest Management	Ian Irwin
Non- Executive Director	Pauline Keegan

(Gerry Hill, Director of Corporate Services, retired on 31 December 2009. The vacancy has not been filled)

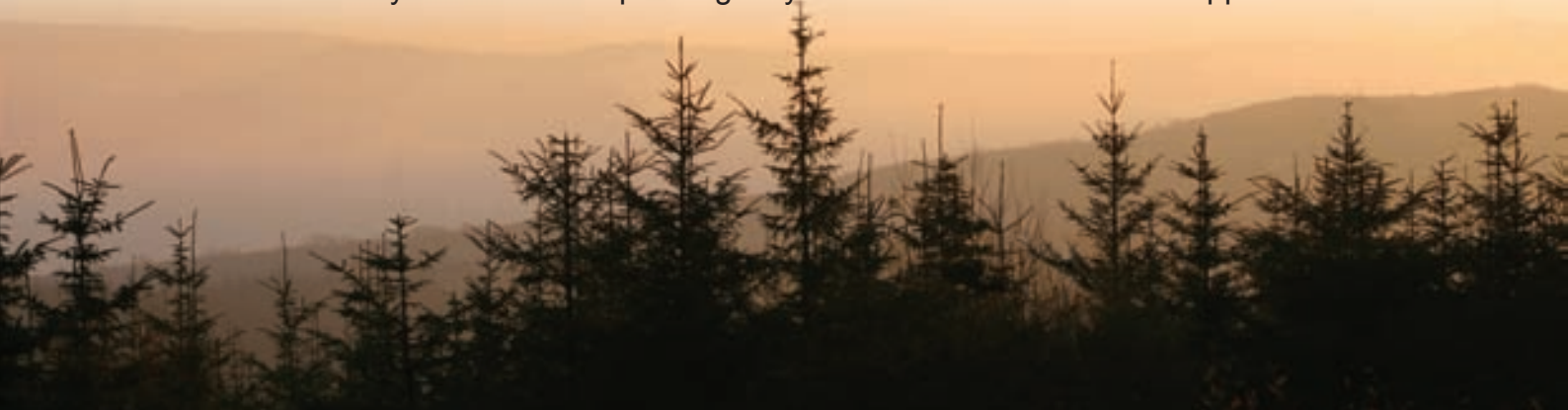
Accounts Direction

The Forest Service's audited Accounts for the Financial Year 31 March 2010 have been prepared in accordance with the Department of Finance and Personnel Direction under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

History and Statutory Background

The Forest Service is an Executive Agency within the Department of Agriculture and Rural Development and is subject to the overall direction of the Minister with responsibility for the Department. The Department is responsible for promoting the interests of forestry under the Forestry Act (NI) 1953.

The Chief Executive is responsible to the Minister for the Agency's operations and performance. The Minister determines the policy framework within which the Agency operates, the level of resources made available each year and the scope of Agency activities. The Minister also approves the annual



business plans, sets key performance targets and monitors the Agency's performance.

The Forest Service has been an Agency since 1 April 1998. The Agency's Framework Document sets out the context within which it operates. This includes its role, business objectives, performance measures, relationship with the Department and its accountability to the Minister.

Aims

The aims of the Agency set out in the Framework Document are:

“to contribute to the economic development of the entire forestry sector in Northern Ireland, whilst at the same time promoting the sustainable management of forests for multiple use and conserving and enhancing the rural environment”.

Objectives

Forest Service objectives, described in published strategies and plans, give practical expression to these aims and are as follows:

Operational

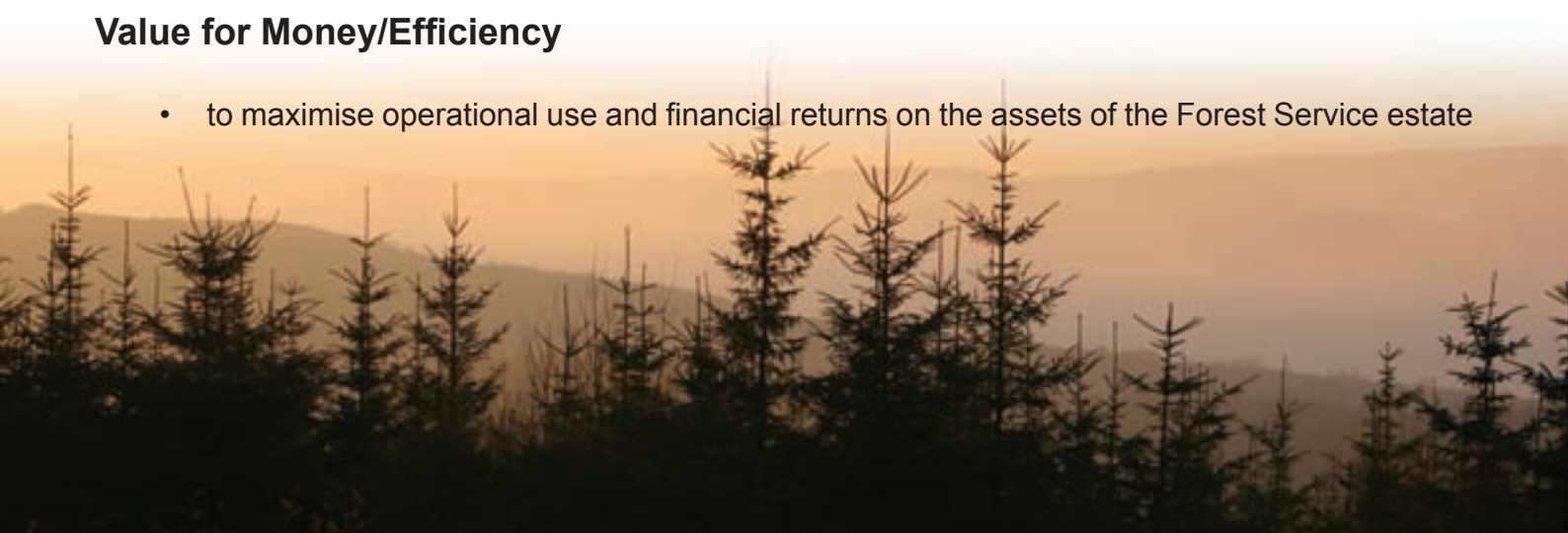
- to encourage forest expansion and contribute to the mitigation of climate change.
- to promote the supply of wood for industrial use and in support of renewable energy opportunities.
- to promote access to and recreational use of our forests.
- to protect and conserve forests and the associated areas of special natural and heritage interest.

Customer Service

- to pursue continuous improvement in the delivery and quality of service to the public in line with the principles set down in the Agency's Customer Charters.

Value for Money/Efficiency

- to maximise operational use and financial returns on the assets of the Forest Service estate



through wood production and the development of commercial opportunities

- to secure on-going value for money and improve efficiency and effectiveness in the management of the Agency through the application of best management practice and standards.
- to extend private sector competition and other efficiency measures in the provision of services, including, where possible, the development of public and private sector partnerships.
- to promote the involvement of private finance in forestry.

Pension Costs

Further details in relation to the pension schemes are given in accounting policy note 1.5 to the accounts and in the Remuneration Report.

Conflict of Interests

No member of the Board holds a position in any company which may conflict with their management responsibilities.

Auditors' Remuneration

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland. As head of the Northern Ireland Audit Office, he is wholly independent and reports his findings to the Assembly.

The audit of the financial statements for 2009-10 resulted in an audit fee of £26,000 (2008-09: £16,000) and is included in Other Costs – Non-Cash items in the Operating Cost Statement. The increase is attributable to the audit of the restated 2008/09 accounts as a result of the implementation of International Accounting Standards. The auditors did not provide any non-audit services during the year.

Disclosure of information

So far as the Chief Executive is aware, there is no relevant audit information of which the Agency's auditors are unaware. The Chief Executive has taken all reasonable steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.



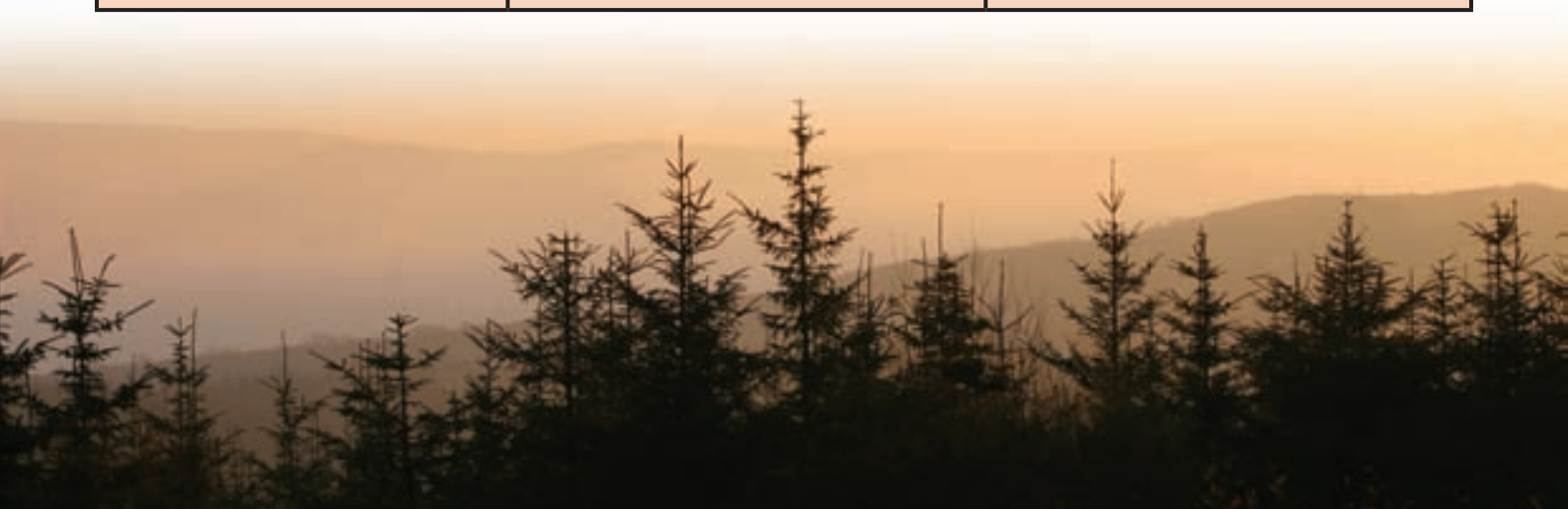
Key Strategic Targets and Objectives

The Forest Service Business Plan identifies a number of key performance targets that cover the full spectrum of forestry objectives and outputs

Key Strategic Objectives	2009/2010 target	2009/2010 outturn
To optimise the return from timber sales.	<p>Sell at least 400,000 cubic metres of timber.</p> <p>Generate receipts of at least £5.5m from the sale of timber, against a total receipts target of £7.8m</p>	<p>Target achieved 401,478 cubic metres sold.</p> <p>Target achieved Total receipts of £8.6m, including £7.2m of timber receipts</p>
To manage forests in a sustainable manner.	Maintain UK Woodland Assurance Standard certification.	<p>Target achieved Certification retained following surveillance visit by auditors in March 2010.</p>



<p>To extend the area of new woodland in Northern Ireland.</p>	<p>Increase new woodland cover by at least 550 hectares.</p> <p>Prepare plans to deliver balance of three-year PSA target during 2010/11</p> <p>Consider the recommendations of the review of the opportunities for promoting grant-aided woodland expansion; engage with stakeholders and present proposals to the Minister</p>	<p>Target not achieved 213 ha planted</p> <p>Target achieved Establishment grant rates have now been increased by approx 30%, which has resulted in increased applications to the Woodlands Grant Scheme Proposals to address farmer definition issue presented to Brussels</p> <p>Target achieved Review of rates completed and submission made to the Minister. Publicity strategy updated.</p>
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<p>Implement the Governments Wider Markets Initiative</p>	<p>Appoint High Trees Adventure Operator</p> <p>Complete tender process for caravan and camping provision</p> <p>Establish level of private sector interest in Wind Farm and other commercial opportunities</p>	<p>Target achieved Commercial operating partner appointed to develop forestry sites</p> <p>Target not achieved Marketing of caravanning and camping provision has been included in our wider commercialisation approach, with market soundings taken leading to preparation of business case which will determine the procurement approach to be followed</p> <p>Target achieved Responses received from commercial operating partners in response to market sounding notice</p>
<p>To put in place an appropriate legislative framework to enable the delivery of Forestry policy</p>	<p>Secure Executive agreement to proposals.</p> <p>Introduce Bill before summer recess</p> <p>Support its passage to Royal Assent</p>	<p>Target achieved Executive agreed proposals 11 June 2009</p> <p>Target achieved The Forestry Bill was introduced to the Assembly on 29 June 2009</p> <p>Target not achieved Passage of Bill supported but Royal Assent not achieved by 31 March 2010</p>

To review and update forest planning process to include mechanisms to enable delivery of the Recreation and Social Use strategy	New documented planning process in place	Target achieved New planning process in place
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Supporting Objectives and Targets

Supporting objectives	2009/2010 target	2009/2010 outturn
Engage positively and promptly with customers and stakeholders	<p>Put in place a comprehensive correspondence and complaints management system by July 2009.</p> <p>Monitor and report on performance against customer standards and present quarterly reports to Board</p>	<p>Target achieved Rollout completed and system in use</p> <p>Target achieved 97.5% of letters from public responded to within 10 days. 100% of complaints responded to within 15 days</p>
To establish new certification and audit arrangements to support our sustainable forest management obligations	Procurement of independent audit services secured	Target achieved New contract in place with Soil Association commencing 8 February 2010

<p>To manage and report on the Agency's income and expenditure.</p>	<p>Maintain expenditure within resource limits and to approved budgets.</p> <p>Produce unqualified accounts which are laid before Assembly by the summer recess</p> <p>Meet recreation expenditure and income requirements of the Memorandum Trading Account</p> <p>Meet requirements of International Accounting Standard 41</p>	<p>Target achieved Outturn figures within final budget allocations</p> <p>Target achieved Unqualified accounts produced and laid before Assembly</p> <p>Target achieved Outturns in line with MTA</p> <p>Target achieved Requirements of IAS 41 implemented</p>
<p>Review opportunities to rationalise and better utilise Forest Service properties in line with DARD Asset Management Review process</p>	<p>Provide timely input to wider DARD review, in accordance with associated timetable</p>	<p>Target achieved All necessary input requested by DARD provided</p>
<p>Meet Efficiency Delivery Plan targets</p>	<p>Achieve £6.5m resource receipts, in line with EDP commitments</p>	<p>Target achieved Total receipts of 8.6m achieved</p>

To develop and deploy staff to meet business objectives	Annual absenteeism level of less than or equal to 8.5 days per person per year Deliver 80% of high priority training against the Training Plan	Target not achieved Absenteeism level of; Non-Industrial staff –10.2 days per person per year Industrial staff – 11.4 days per person per year Target achieved 86.5% of high priority training delivered
Publish and implement new Recreation Strategy	Deliver 09/10 commitments set out in the strategy implementation plan	Target not achieved Recreational and Social Use strategy published 1 st July 2009. Not all 09/10 implementation plan actions achieved by March 2010, but substantial progress made
Complete work based on benchmarking baseline data	Select two areas of service delivery for benchmark assessment and management action	Target achieved Two areas selected for benchmarking - assessments ongoing
Contribute to renewable energy objectives	Plant at least 50 hectares of Short Rotation Coppice	Target not achieved 36 ha planted



Forest expansion

Extending the area of woodland in Northern Ireland

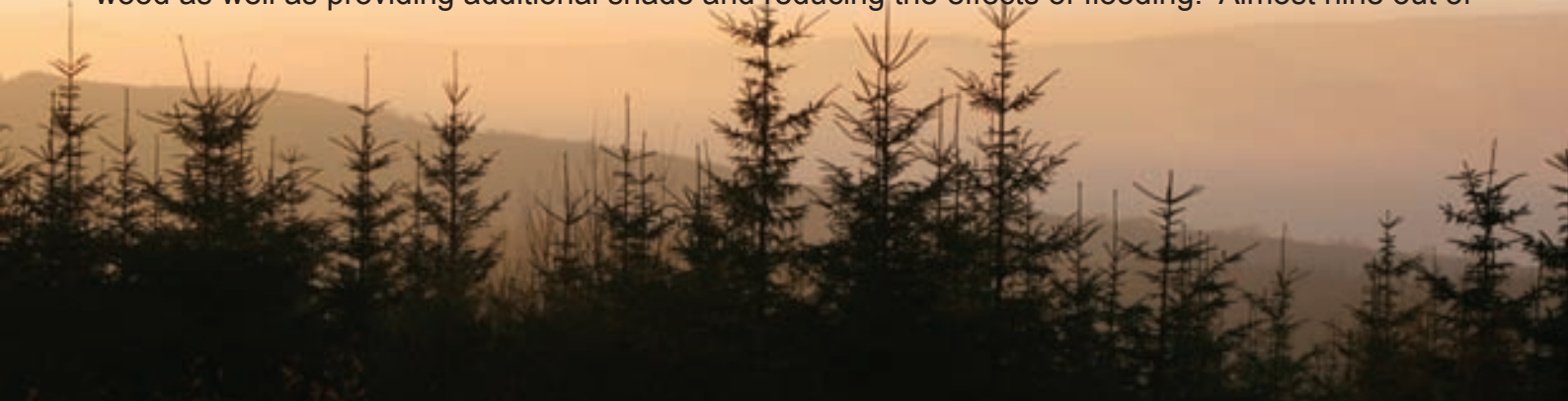
We fell short of our key target to establish 550 hectares of new planting through Forest Service and private sectors combined. Private landowners planted 213 hectares of new woodland, which included 36 hectares of Short Rotation Coppice. Of the 177 hectares of conventional woodland planted, 174 hectares (98%) was classified as broadleaved woodland, 51 hectares of which was classed as new native woodland. The Forest Service carried out no new planting during the year. All planting complied with the requirements of the UK Forestry Standard and accompanying guidelines. Grant aid for forestry measures co-funded by the European Union under the Northern Ireland Rural Development Programme totalled £1.4m.

Against a background of continuing difficult economic conditions and a reluctance of farmers to convert their farmland to woodland, Forest Service met stakeholders during the year to identify barriers to woodland creation and possible solutions. As a result, we implemented a number of new initiatives specifically aimed at encouraging more woodland creation. These included: increasing grant rates under the Woodland Grant Scheme and Farm Woodland Premium Scheme and publicising these beneficial changes; further highlighting changes allowing farmers to continue to receive Single Farm Payments, as well as forestry grant payments, on land converted to woodland; extending the funding of the Short Rotation Coppice Scheme until 2013; attendance at the Balmoral Show and Lifestyle Green Fair, production of three woodland creation case studies on native woodland, climate change and short rotation coppice and publishing these through press releases; engaging with a number of Councils, environmental Non Governmental Organisation's (NGO's) and the Housing Executive to promote the social benefits of new woodland creation; and presenting the case for increased forest cover at the "Trees Store Carbon Seminar" at Loughry College. These initiatives resulted in a significant increase in the area of new woodland applied for under our forestry grant schemes in the latter part of the year, compared to the same period last year, which will provide potential for an increase in new woodland in future.

Public opinion survey

The results of a new public opinion survey on forestry in Northern Ireland were published in March 2010. This is the fourth survey to be carried out since 2003 to assess public attitudes to forestry and forestry related issues including topical issues such as climate change.

Almost three out of four people felt that climate change would have an impact on Northern Ireland. There was a strong belief amongst respondents that forests and woodlands can reduce this impact due to the ability of trees to remove carbon dioxide from the atmosphere and storing it in wood as well as providing additional shade and reducing the effects of flooding. Almost nine out of



ten people agreed that “a lot more trees should be planted” to help reduce the impacts of climate change.

It was also clear that the majority of respondents would welcome additional woodland within their own localities and that this woodland should be located close to towns or villages. The recent increase in the forestry grant rates has resulted in an upsurge of interest amongst landowners to plant new woodlands which is particularly welcome in light of the findings from this survey.

Similar to the UK survey, results from the NI survey showed that there was almost universal support for the use of public money for forestry in Northern Ireland, particularly in relation to the provision of wildlife habitats and outdoor recreation.

Sustainable Forest Management

Promoting and sustaining the supply of wood from within Northern Ireland for industrial use

This year we sold 401,360 m³ of timber, meeting the requirements of our Key Target to sell at least 400,000m³. The total volume of wood dispatched from forests during the year amounted to 437,196 cubic metres – which included timber sold in the preceding year but not removed from our forests until 2009/10. Timber harvested by purchasers from standing sales represented 81% of the total volume. The remaining 19% of the total volume was sold at roadside and this provided a resource of harvested material to some of the smaller sawmills who do not have their own harvesting operational capabilities.

Further details of harvesting records for 2009-2010 and timber sales for 2009-2010 are given at Appendix 1 (Tables 1 and 2).

During the year we completed the process of renewing long term timber supply contracts with customers. These contracts secure our market share for forest products for the next 3 years and safeguard a stable supply of raw material to the wood processing sector.

Our retained certified status under the UK Woodland Assurance Standard allowed Forest Service customers to continue to sell their products and co-products into markets requiring Forest Stewardship Council certification. Customers can then demonstrate, through their own chain of custody arrangements, that the timber they process has originated from sustainably managed forests. Towards the end of the year we appointed new independent auditors, the Soil Association, and this established new certification and audit arrangements running until May 2015 which will support and underpin our sustainable forest management obligations.



This year re-establishment of felled forest amounted to 607 hectares. Forest redesign plans were implemented to enhance riparian zones, wildlife corridors, open space and provide additional native woodland species where appropriate. Combined with ongoing control work with invasive non native species, this will provide additional benefits for wildlife and create more attractive forests for our visitors. To facilitate access for timber harvesting, a number of forest roads were upgraded after environmental impacts were assessed and control measures identified

Sustainability

The Executive's Programme for Government identifies sustainability as a cross-cutting theme, and states that building a sustainable future will be a key requirement for our economic, social and environmental policies and programmes.

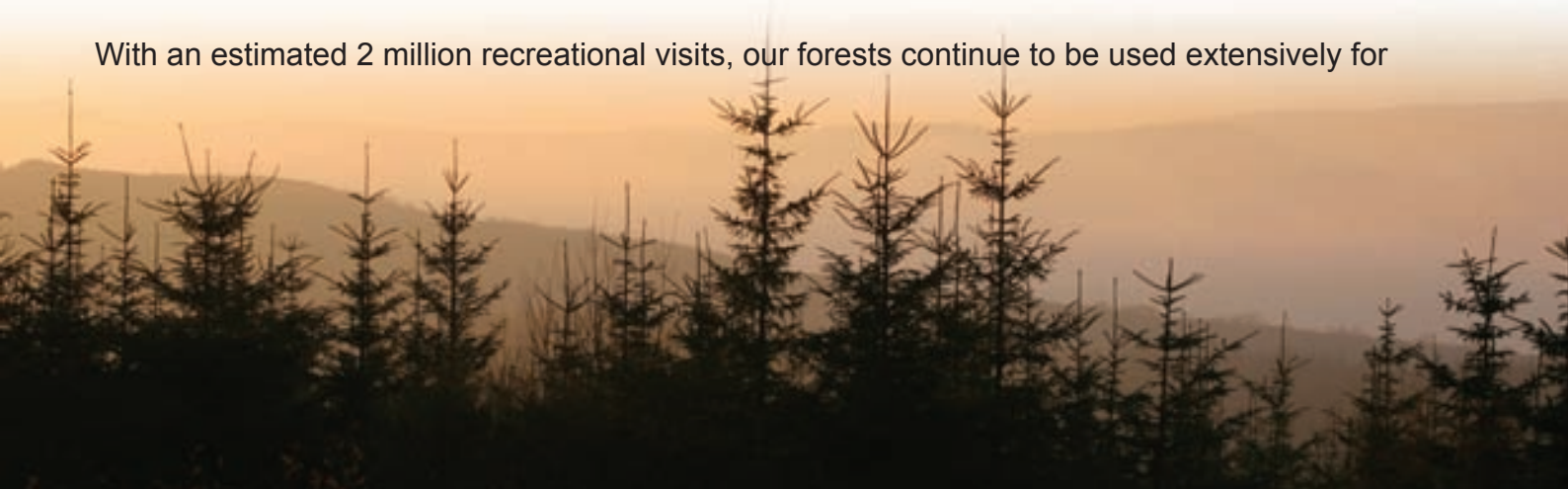
Within Forest Service, a strong emphasis is placed on sustainability issues. "NI Forestry – A Strategy for Sustainability and Growth" continues to focus on forest creation and on the sustainable management of existing forests. The Strategy commits government to maintain the supply of timber from forests, a renewable natural resource, to the timber processing sector, which assists economic development, as well as providing environmental benefits and public access.

Within the wider Department, a Climate Change branch has been established to help the agri-food sector develop mitigation strategies for reducing greenhouse gas emissions and to encourage the adoption of on-farm renewable energy technology. Forest Service's role is to contribute to this, in particular, in relation to the opportunities new woodland creation can offer.

Promoting access to and use of Northern Ireland forests

In July 2009, we launched a 'Strategy to Develop the Recreational and Social Use of Our Forests'. The Strategy was produced following a period of consultation, which generated considerable interest and set out how we propose to promote the recreational and social use of our forests. Promoting and developing the recreational and social use of forests will benefit visitors in terms of personal health and wellbeing, and will provide opportunities for economic development through tourism and events. The Strategy also recognised that we cannot maximise the full range of opportunities on our own and partnership working with others, including commercial operators, will enable much more to be achieved. To illustrate our commitment, we had extensive engagement with many local authorities, activity providers and activity representative bodies during the year in relation to specific forest recreation and social use proposals.

With an estimated 2 million recreational visits, our forests continue to be used extensively for



informal public recreation. While walking and quiet enjoyment remains one of the most popular activities of the forest visitor, many others enjoyed participating in, or supporting, a wide range of organised events. During this last year permissions have been granted on over 400 applications for organised events within our forests. These have ranged from car rallies to agricultural shows.

Of the 473,368 paying visitors, many continue to purchase an annual permit which gives unlimited access to all of our Forest Parks in Northern Ireland. Since 2002 a 50% discount annual permit has been available to those over 60. These permits have continued to grow in popularity and during the year 1651 were sold. In total we spent £1.7 million maintaining paths, toilet blocks and other visitor facilities, and recovered £0.8 million from charges.

Forest Service continued to support National Trails Day which was held this year on Sunday 4 October. In all, 11 events were hosted by Forest Service with around 800 people taking part. Events ranged in interest from forest trail walks to family cycling and pony trekking. The Tollymore red squirrel event remained popular attracting over 400 participants on the day.

This year saw another successful May Day event in Portglenone with many visitors coming to enjoy the bluebell display and events.

In keeping with our commitment to improve the accessibility of our woodlands, we completed the implementation of our Signage Strategy which is intended to way-mark trails in selected forests by degree of difficulty. We were pleased to host a visit by the Royal National Institute for the Blind to our trail in Somerset Wood, Coleraine. They were joined by a group of visually impaired folk who provided positive feedback on how this walk could be improved to meet their needs.

This year we saw a continuing demand for filming within our forests. This included the high profile production "Game of Thrones" film within Tollymore Forest Park.

Forest Guides are located in Gortin, Florence Court, Portglenone, Glenariff, Belvoir, Castlewellan and Gosford. Education visitor figures have remained relatively steady at all these centres, and during the year Forest Service achieved 149 key stage 1 – 4 school visits, against a target of 125, set out in the cross departmental action plan which aims to deliver the Strategy for Children and Young People.

Forest Protection and Environmental Enhancement

We continued working to protect forests from attack by exotic insects by monitoring and inspecting imports on a risk basis. We were grateful for the co-operation of DARD Portal Inspectors in identifying commodities from China, Japan, Canada and the USA for inspection and the issuing of Certificates of Inspection and Clearance. We issued 753 Certificates and no detention notices.



We issued 303 phytosanitary certificates, mainly for wooden packaging that accompanied manufactured goods being exported.

We introduced an amendment to the Plant Health (Wood and Bark) Order (Northern Ireland) 2006 placing import restrictions on Ash timber from a number of Asian countries, Russia and North America. This was necessary to protect Northern Ireland woodlands against the introduction of Emerald Ash Borer, an exotic beetle from Asia which attack ash trees.

We were grateful to staff from the Agri-Food and Biosciences Institute (AFBI) for their assistance in surveys of forests for exotic insect pests and harmful fungi, and we coordinated our effort with that of AFBI through October 2009 in a survey of 30 Forest Service and privately owned woodlands for the presence of the fungus *Phytophthora ramorum* which causes the disease Sudden Oak Death. The disease was not found to be present in any of the sites managed by Forest Service.

The annual Pinewood Nematode (PWN) survey was carried out in September 2009 with samples taken from 18 Forest Service woodlands for analysis. PWN was not found to be present in any of the sites managed by Forest Service.

The five permanent survey stations for *Ips typographus* and *Ips cembrae* bark beetles were baited with pheromones in the summer of 2009 and no beetles were captured.

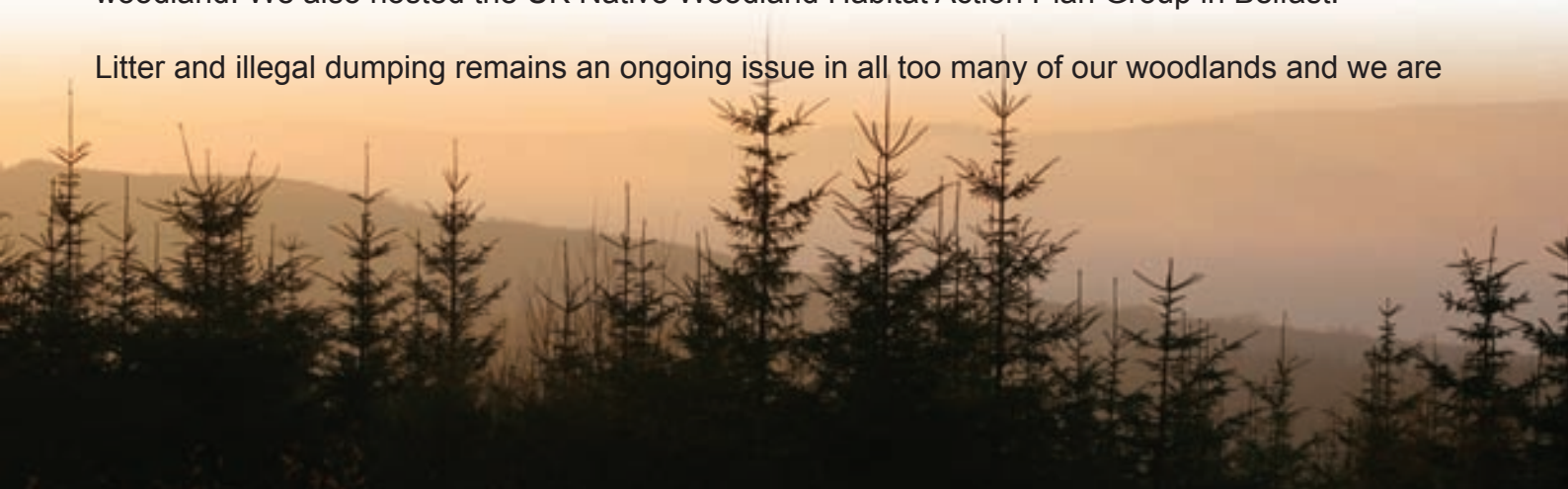
The continuing management of wild deer populations within forests remains important to secure regeneration of woodland, the welfare of the deer, maintenance of habitat biodiversity and reduction of risk of road traffic accidents. We maintained liaison with adjoining land owners in agreeing deer herd management objectives, and the annual deer cull targets set for each Forest Management Unit has been substantially achieved.

This year we also agreed partnership arrangements with Conservation Volunteers and we look forward to cooperating with them on environmental based projects. Our own work on environmental protection and improvement continues with work progressing in the restoration of identified ancient woodland sites and the identification and protection of remnants of these ancient / long established woodlands.

In partnership with the RSPB, the reintroduction of the Red Kite in the Co Down area continued. Such has been the success of this project that a nesting pair of these rare birds has already been identified and it is intended to extend this arrangement for another year.

During the year, we chaired two meetings of the NI Native Woodland Group and hosted a field visit to Aghaleague Wood, which is an ancient woodland site currently being restored to native woodland. We also hosted the UK Native Woodland Habitat Action Plan Group in Belfast.

Litter and illegal dumping remains an ongoing issue in all too many of our woodlands and we are



grateful to those local Councils that have joined us in working partnerships to curb some of the problems caused. In consultation with forest users, Northern Ireland Environmental Agency and local councils, we rationalised access points and improved security to help minimise the problem. We were particularly pleased to partner with 20 volunteers, Tidy NI, Antrim Borough Council and Tesco in a litter lift in Rea's Wood, Antrim. Following a morning's work 51 bags of rubbish were removed from this environmentally sensitive site. All agreed that it was a well worth while effort and this work is planned to continue.

Red squirrel conservation

The Northern Ireland Squirrel Forum reconvened during the year and a revision of red squirrel preferred areas is underway. Forest Service contributed to poxvirus research, a disease which has the potential to decimate red squirrel populations, by providing blood samples from culled grey squirrels to Moredun laboratories in Edinburgh. Test results suggest that squirrels, particularly grey, are coming into contact with the virus more frequently than before.

The Tollymore Red Squirrel Group remained active through out the year and their joint efforts with Forest Service have ensured a healthy population of red squirrels remains within Tollymore Forest Park. The Group joined Forest Service Education Guides at the Mammal Day event in Belfast Zoo where over 500 members of the public visited the Forest Service display.



Mobile exhibit

We continued with a programme of controlling grey squirrels, both for the conservation of red squirrels and the protection of hardwood timber.

A group of volunteers, keen to ensure the survival of red squirrels in Belvoir has also been formed. Initial meetings have taken place and it is intended to involve as wide a range of surrounding landowners as possible to ensure the survival of Reds in this area.

Environmental regulation

During the year we provided opinions on the likely environmental impact of 35 forestry projects in respect of the Environmental Impact Assessment (Forestry) Regulations (Northern Ireland) 2006. The projects consisted of 32 afforestation projects and 3 deforestation projects. One deforestation project was considered 'relevant' because of its potential impact on the environment and did not proceed.



A total of 19 Article 6 assessments were carried out to fulfil requirements in respect of the Habitats Regulations. These may be categorised as follows: six applied to forestry operations, three were private afforestation applications, nine were recreational events and one application was for turf cutting.

Two of the assessments addressed planned forestry operations and low impact recreational events within the Slieve Beagh and Lisnaskea Special Protection Area (SPA) for hen harrier and the Antrim Hills SPA for hen harrier and merlin. Both species receive protection under EU legislation.

Ten assessments were completed for operations in or close to Areas of Special Scientific Interest (ASSIs) in respect of the Environment Order 2002. Six were afforestation proposals supported by forestry grants, three for Forest Service operations and one for turf cutting.

Forest Management Planning

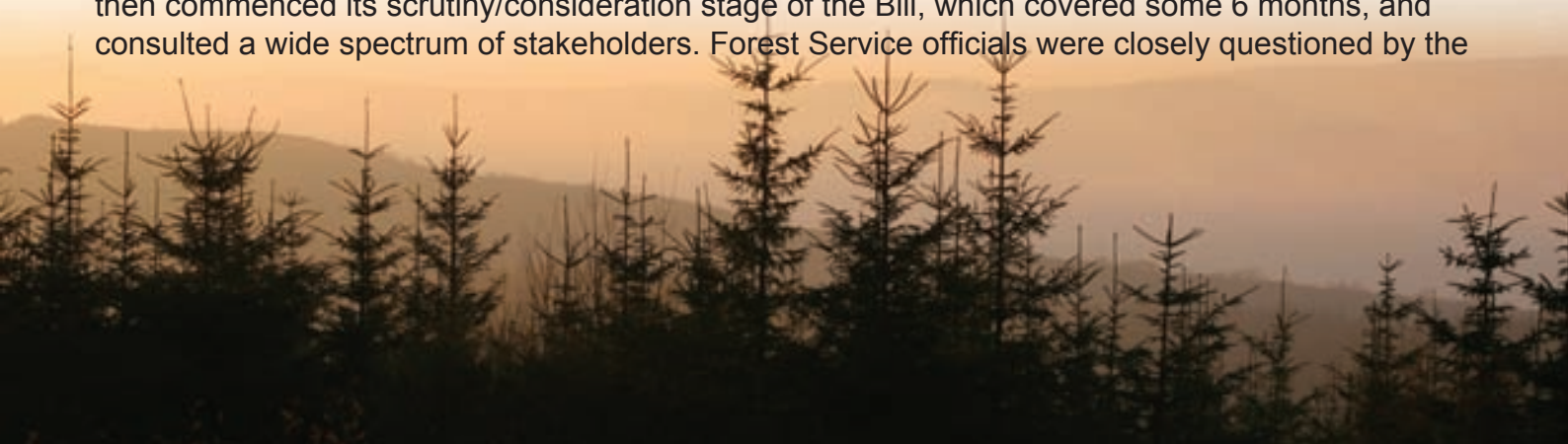
Forest management units have been reorganised into landscape units to streamline planning processes. The Recreational and Social Use Strategy included clear objectives relating to revising plans for recreation and social use provision, as well as revising the planning system to enable a more focused approach to recreational and social use of forests, including tourism, within Forest Management plans.

The Forest Service Geographical Information System (GIS) continues to be updated to reflect felling and replanting, with broadleaf designation now reflecting specific species and electronic versions of individual Forest Redesign Maps being produced. Leased areas continue to be captured electronically, as well as Land Certificates and corresponding maps. Ulster Way routes within Forest Service estate have been identified on maps showing section responsibilities. Procedures were implemented to ensure that new ASSI designations by NIEA are included in the Forest Service GIS.

Forestry Bill

During the year we continued to develop the Forestry Bill and to take it through a number of key milestones. The Office of the Legislative Counsel cleared the draft Bill in May 2009 and this paved the way for the Minister to introduce it to the Assembly in June 2009.

Agreement to the Second Stage of the Bill was secured in September 2009, after a wide-ranging debate about the Bill, and Forestry issues. The Committee for Agriculture and Rural Development then commenced its scrutiny/consideration stage of the Bill, which covered some 6 months, and consulted a wide spectrum of stakeholders. Forest Service officials were closely questioned by the



Committee during a number of intensive evidence sessions, and finally, as a result of a process of further engagement with the Office of the Legislative Counsel, the Departmental Solicitor's Office, and discussions with the Minister, the Bill was further amended.

All told, the Forest Service was satisfied with the amended Bill, which retains its original thrust and integrity, and gives a good and pragmatic balance to our objectives and stakeholder interests. The Committee published its report on the NI Assembly website in early March, supporting the Bill subject to agreed amendments and this paved the way for the Bills final stages.

The new Forestry Act will carry forward many of the existing key provisions such as the traditional and primary purpose of timber production and the powers to conduct everyday operations but will reflect the wider economic, environmental and social context of modern forestry. It will also introduce a range of new powers such as: development of forest land for purposes other than forestry to obtain better value from the public estate; the introduction of felling and regeneration licences to promote the sustainability of woodlands; a statutory right of pedestrian access to forestry land; powers to compulsorily acquire land to provide access to landlocked timber, or access for other functions; and powers to protect woodlands from damage by wild animals.

Commercialisation / Partnership Development

One of our key business targets for 2009/10 was to implement the Government's Wider Markets Initiative. In order to drive this important work forward, a Property Management function was created as part of the Agency's reorganisation and further assistance was secured from the Strategic Investment Board for a period of 6 months.

Key tasks included a market sounding exercise to establish private sector interest in the renewable energy and leisure sectors, including caravan and camping and meetings with key players. The outcomes of this exercise culminated in the development of a Forest Service Commercialisation Plan which identifies those priority workstreams which will be brought to the Strategic Outline Case stage and subject to the outcomes of that process, to the Outline Business Case stage. At the close of the business year, PriceWaterhouseCoopers had been appointed as the consultants to undertake and complete this work in the second quarter of 2010.

Further work continued on the plans for High Trees Adventure facilities in our forests. Go Ape was officially appointed as the preferred bidder in July with contractual arrangements to be agreed. The first site at Tollymore forest is planned to open during 2010.



Corporate Governance

The Agency operates a system of internal control to provide reasonable assurance of the effectiveness of corporate governance arrangements and to meet the requirements of the Department of Finance and Personnel. A detailed description of the Agency's system of internal control is given on pages 39-41.

Business Continuity

We maintained our liaison with the Northern Ireland Fire and Rescue Service and DARD's Veterinary Service, as set out in Memorandums of Understanding, which ensure co-operation and integration with these organisations, as well as clarifying roles and responsibilities in relation to response to emergency incidents.

We also maintained and reviewed our contingency plans for maintaining/relocating services from our various sites, in the event of an emergency situation arising.

Human Resource Development

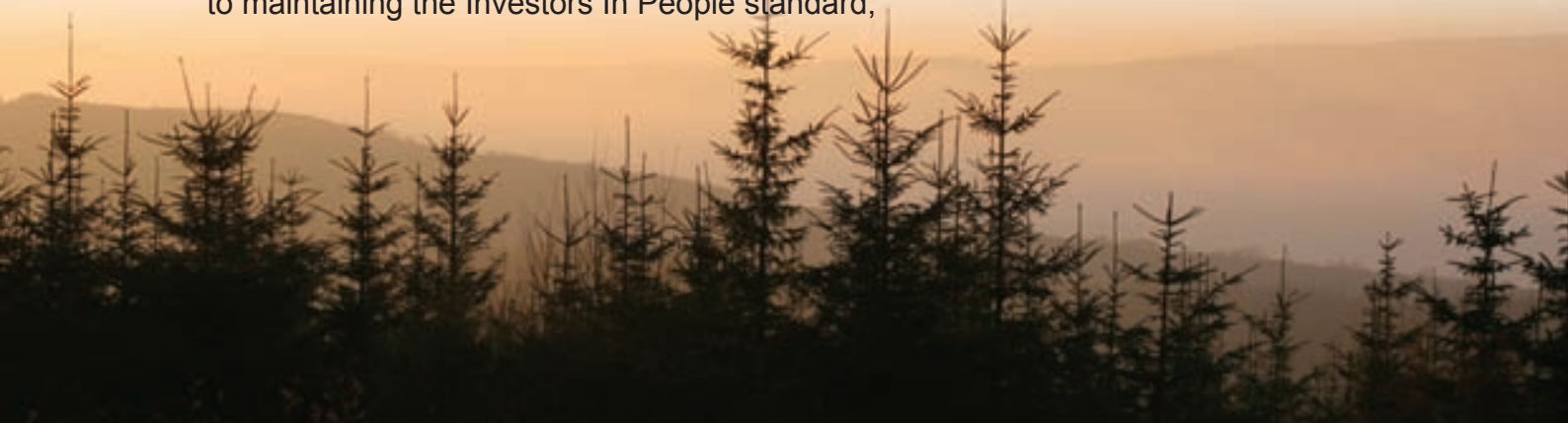
Forest Service follows the NI Civil Service policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. In addition, we seek to create a harmonious and neutral working environment which accommodates diversity and is free of harassment.

We follow the NI Civil Service Code of Practice on the employment of people with disabilities. Our aim is to ensure that disability is not a barrier to recruitment or advancement, nor that it unreasonably limits training opportunities and career development.

We consult regularly with representatives of the industrial workforce at the Joint Industrial Council. We also meet regularly with NIPSA, who represent non-industrial staff.

We have a Human Resource Strategy and are committed to the Investors in People standards. We place a high priority on staff training and development in order to enhance staff skills for the achievement of our business objectives and to improve job satisfaction. The following indicates the Agency's commitment to staff development:

- We are committed to ensuring that our staff have the necessary competencies to achieve business objectives;
- We encourage staff to pursue their personal development and communicate all opportunities available to them;
- We are committed to achieving business excellence through continuous improvement and to maintaining the Investors In People standard;



- We develop staff, consistent with the Agency's policies on equal opportunities and health and safety and other relevant legislation; and
- We commit resources to fulfil the training and development aims.

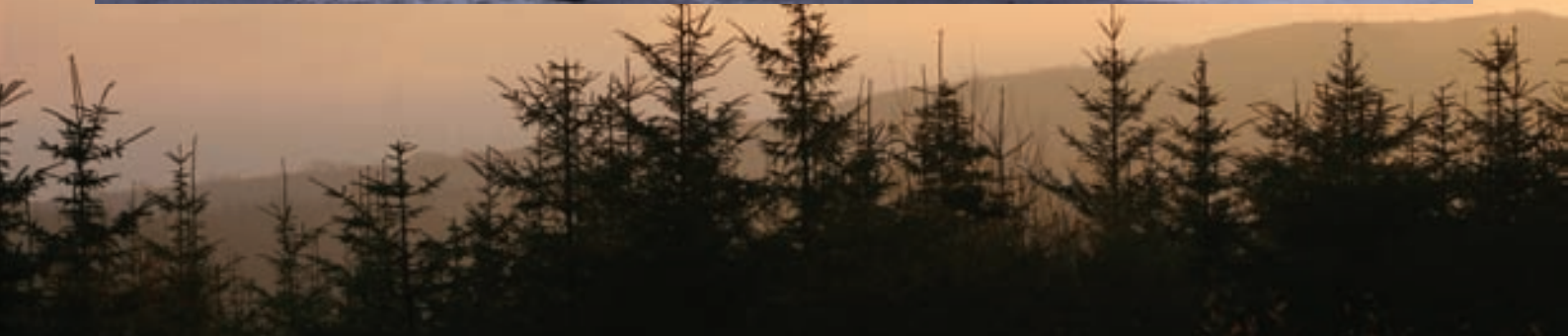
The Management Board encourages consultation and exchange of information within the Agency. This is brought about through team briefings, circulars and utilisation of our intranet. There are also well established arrangements for formal consultation with representatives of the trade unions (both non-industrial and industrial) on all significant developments likely to impact on staff.

We have made staff aware that their personal objectives contribute to the business objectives of the Agency. Accordingly, they are responsible, in consultation with their line managers, for planning their personal development in ways that will enable them to contribute to the achievement of the Agency's business objectives by meeting the current demands of the job and maximising their future contribution.

Health and safety management continues to be a priority for our staff and all others who may work in or visit our forests. We continue to adhere to all existing health & safety legislation and constantly keep arrangements under review. During the year one forest safety audit was carried out.

Information Systems and Development

The main vehicle for communicating with the public is our Internet web site www.forestserviceni.gov.uk



Financial Performance

Resource Accounting and Budgeting

Throughout the year the Agency monitored performance against its Resource Based Budget on an accruals basis.

Net Operating Cost of the forestry programme for 2009/2010

The Operating Cost Statement shows the net cost of the Agency's operations on a full resource basis. The net resource cost of the forestry programme was £5.5m. The previous year's results have been restated to reflect the conversion to International Financial Reporting Standards with notes on the first time adoption of the IFRS standards at note 2. The main impact of the adoption is the direct charge or credit of the revaluation of the Timber asset to the Operating Cost Statement. This has resulted in an increase in net cost of £13.3m from the 2008/09 year. An additional £0.6m charge has also been incurred as a result of increased notional charges for industrial personal injury compensation and the charge for shared services provided by Account NI and IT Assist. A provision for £0.4m has been provided in respect of the Equal Pay Settlement.

Maintain Expenditure within resource limits and to approved budgets

We managed our finances within the final control totals set by the Department. Within the Departmental Expenditure Limit resource allocation, we were required by the Department to contain our Departmental Running Costs (DRC) to £7.6m. Through a combination of careful planning and close monitoring of DRC, expenditure was limited to £7.4m.

Fixed Assets

Details of the movement of fixed assets are set out in Notes 8 and 9 of the Accounts.

With the adoption of International Accounting Standards (IASs) by all Government Departments from 2009-10, the timber valuation is calculated on a fair value basis in line with the requirements of IAS 41 Agriculture.

Payment to Suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in



the contract, payment is due within 30 days of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year, 79.16% of bills were paid within this Standard (2008-09: 99.32%).

From 1 December 2008, the Agency has operated a policy of paying for goods and services within 10 days. This is in accordance with the Supporting Businesses: Prompt Payment of Invoices initiative within the Northern Ireland Civil Service. During the year, 52.09% of bills were paid within the 10 day target.

The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 October 1998, enables suppliers to charge interest on overdue debts. The Agency made no payments during the year in respect of such claims.

Political and Charitable Donations

We made no political or charitable donations during the year.

Future Development, Performance and Position

We will remain the lead body for delivery of the forestry strategy “A Strategy for Sustainability and Growth”, published in March 2006, and will deliver services on a unified regional basis, to compete in timber markets and contribute effectively to supply chain efficiency. We will look for further efficiency savings and improve our commercial focus, while ensuring that, in the exercise of our functions, we achieve a proper balance between competing objectives for the use of forests, as required by the forestry strategy.

Whilst we are not dependant upon individual customers, the continued successful trading of a small number of major customers in the wood processing industry remains vital to the delivery of our objectives.



Forest Service Statistical Summary 2009/2010

	Units	2009/2010	2008/2009
Total area managed	Hectares	75,400	75,500
Forested area	Hectares	61,147	61,226
Acquisition Programme	Hectares	-	-
Disposal Programme	Hectares	15	3
Timber Production - roadside	Cubic metres	83,000	84,000
- standing	Cubic metres	355,000	321,000
New Planting	Hectares	-	-
Replanting	Hectares	607	563
Fire Damage	Hectares	-	18
Day visitors to charged recreation areas	Thousands	397	378
Caravan/camping long stay sites(nights)		76	73
Staff numbers at 31 March - industrial	Full time equivalent persons	126	134
- non-industrial	Full time equivalent persons	96	96

Note: All figures are rounded for clarity

RECORD OF HARVESTING: April 2009 - March 2010

DISTRICT	STANDING VOLUME (m ³)	ROADSIDE VOLUME (m ³)	TOTAL
EAST	90,600	31,369	121,969
WEST	264,076	51,151	315,227
TOTAL	354,676	82,520	437,196

Note : All figures represent volume dispatched from forests

BREAKDOWN OF SALES : Agreed for April 2009 - March 2010

Volumes to 7cm TDOB to nearest m³, areas in hectares

DISTRICT	VOLUME by SPECIES			THINNINGS		CLEARFELL		MISC. FELLING	TOTAL VOLUME	
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area			Volume
EAST	92,904	13,117	-	-	-	-	259	106,021	409	106,021
WEST	224,082	4,328	-	4	274	69	509	228,136	448	228,410
TOTAL	316,986	17,445	-	4	274	69	768	334,157	435	334,431

STANDING SALES

ROADSIDE SALES

EAST	28,061	1,526	350	120	7,357	61	48	20,945	436	1,635	29,937
WEST	36,204	266	522	103	5,231	51	64	29,601	463	2,160	36,992
TOTAL	64,265	1,792	872	223	12,588	56	112	50,546	451	3,795	66,929

ALL SALES

GRAND TOTAL	381,251	19,237	872	227	12,862	57	880	384,703	437	3,795	401,360
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AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD AT ROADSIDE

Average Volumes Per Tree in m ³ over bark	1 April 2009 to 31 March 2010		
	Volume m ³	Total Price (Exc VAT) £	Average Price £/m ³
Less than 0.075	0	0	-
0.075 - 0.124	4065	78,694	19.36
0.125 - 0.174	788	16,544	20.99
0.175 - 0.224	565	11,347	20.08
0.225 - 0.274	5783	122,801	21.23
0.275 - 0.424	29875	588,590	19.70
0.425 - 0.499	13013	293,270	22.54
0.500 - 0.599	0	0	-
0.600 - 0.699	7011	173,715	24.78
0.700 - 0.799	172	7,208	41.91
0.800 - 0.899	0	0	-
0.900 - 0.999	0	0	-
1.000 and over	2898	74,884	25.84
TOTAL	(b) 64170	1,367,053	21.30

Appendix 1 Table 2

AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD STANDING

Average Volumes Per Tree in m ³ over bark	1 April 2009 to 31 March 2010		
	Volume m ³	Total Price (Exc VAT) £	Average Price £/m ³
Less than 0.075	0	0	-
0.075 - 0.124	0	0	-
0.125 - 0.174	0	0	-
0.175 - 0.224	0	0	-
0.225 - 0.274	33088	295,898	8.94
0.275 - 0.424	188901	2,177,635	11.53
0.425 - 0.499	34934	515,120	14.75
0.500 - 0.599	52499	830,487	15.82
0.600 - 0.699	18846	320,222	16.99
0.700 - 0.799	3312	57,430	17.34
0.800 - 0.899	4222	75,219	17.82
0.900 - 0.999	0	0	-
1.000 and over	4974	84,978	17.08
TOTAL	(b) 340776	4,356,989	12.79

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. Further information about the work of the Review Body can be found at www.ome.uk.com.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries in line with the agreed response to the annual recommendations of the Senior Salaries Review Body.

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The senior civil service pay award in 2009/10 comprised a base pay uplift only, with individuals' awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award.

Service 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 officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.



Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the most senior management of the Forest Service.

Remuneration [Audited]

Officials

	2009-10		2008-09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr D Small Chief Executive	65-70	-	60-65	-
Mr JJ O'Boyle Director of Forestry	50-55	-	50-55	-
Mr G Hill** Director of Corporate Services (until 1 January 2010)	35 - 40	-	45 - 50	-
Mr S Morwood Woodlands Development & Strategies Director	45 - 50	-	45 - 50	-
Mr I Irwin Forest Management Director (from 1 April 2009)	45 - 50	-	n/a	-

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any gratia payments.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Pension entitlements [Audited] Officials

	Accrued pension at age 60 as at 31 March 2010 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31 March 2010 *	CETV at 31 March 2009 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account nearest £100
Mr D Small Chief Executive	0-2.5 plus lump sum of 2.5-5	20-25 plus lump sum of 70-75	448	370	27	-
Mr JJ O'Boyle Director of Operations	0-2.5 plus lump sum of 2.5-5	15-20 plus lump sum of 55-60	383	322	18	-
Mr G Hill** Director of Corporate Services (until 1 January 2010) *	(2.5-5) plus lump sum of 57.5-60	15-20 plus lump sum of 125-130	557	531	(11)	-
Mr S Morwood Director of Policy and Standards	0-2.5 plus lump sum of 0-2.5	15-20 plus lump sum of 45-50	299	250	15	-
Mr I Irwin Forest Management Director (from 1 April 2009)	0-2.5 plus lump sum of 0-2.5	10-15 plus lump sum of 35-40	199	168	7	-

* 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 2009.

** G Hill left on approved early retirement and chose to commute some pension for extra lump sum, hence the negative figures for Accrued pension and CETV figures as shown in brackets.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase. However in line with RPI for September 2009 being in the negative, there will be no other increase for any public sector pensions in 2010.

Employee contributions are set at the rate of 1.5 % of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The 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 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 CSP arrangements can be found at the website 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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values)(Amendment) Regulations and do not take account of any actual or potential 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 effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



David Small
Chief Executive
28 June 2010



STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Section 11 (2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Forest Service to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel, 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 departure in the financial statements;
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Department of Agriculture and Rural Development has designated the Chief Executive as the Accounting Officer for Forest Service. 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 the Agency's assets, are set out in Managing Public Money Northern Ireland, published by the Department of Finance and Personnel.



David Small
Chief Executive
28 June 2010

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

Under the terms of the Agency's Framework Document, as the Agency's Chief Executive, I am directly responsible to the Minister for the Agency's operations and performance. The Minister determines the policy framework within which the Forest Service operates and the scope of its activities. The Minister also determines the resources to be made available to the Agency, approves Corporate and Business Plans, sets key performance targets, and monitors performance. The Minister does not normally become involved in the day to day operation of the Agency or in managing risk but expects me to consult her on the handling of operational matters that give rise to significant public or parliamentary concern, including the nature, scale and likelihood of risks occurring in relation to contentious or controversial cases.

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 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 the Agency's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Forest Service for the year ended 31 March 2010 and up to the date of approval of the Agency's annual report and accounts, and accords with DFP guidance.

3. Capacity to handle risk

The Management Board leads the risk management process. A risk register forms the basis of a risk management plan and is reviewed by the Board on a regular basis. Ownership of risk has been appropriately allocated to individual staff who are trained to manage risk in a way appropriate to their authority and duties. The Board is also represented on the Department's Risk Management Forum.

The Agency uses the service provided by DARD Internal Audit Branch, which operates to standards defined in the Government Internal Audit Standards. The terms of reference given to Internal Audit is focused on 'principal risks' identified along with a range of Corporate Governance issues. Their report includes an opinion on the adequacy and effectiveness of the Agency's system of corporate governance, risk management and internal control processes, together with recommendations for improvement.

The Forest Service Corporate Governance and Audit Committee (FSCGAC) meets three times

each year and is chaired by a senior civil servant from the Department for Regional Development who is independent of the Forest Service. The FSCGAC supports me in my responsibilities for issues of governance, business risk, internal control and associated assurance. The other members of the committee are one executive member of the Forest Service and one non-executive member from DARD.

The executive Directors within the Agency have each provided me with signed Stewardship Reports in which they acknowledge their responsibility for ensuring that objectives for which they are responsible are clearly defined and that all members of staff within their Directorates are aware of the objectives relevant to their work. In addition they have each acknowledged their responsibility for developing and maintaining effective internal controls within their Directorates to provide reasonable assurance of achievement of these objectives. They have also provided me with specific details of actions taken in various areas of control. These supporting statements are available for audit inspection.

4. The risk and control framework

Experienced managers throughout the Agency manage risks through a process of inspection and review, and plans are modified to take account of risks in the delivery of business objectives.

Information and information systems as assets are carefully controlled with segmental access provided as required to undertake tasks. The NICS information management systems (TRIM) allows for full audit functionality to minimise and track information risk.

The main strategic risk faced by the Forest Service is the impact of a collapse of the Northern Ireland timber market or loss of major customers. This risk is included in the Agency's Risk Register and the wider Department's Corporate Risk Register. The risk is managed through the implementation of long term contracts with major customers.

The Agency's risk environment involves managing risks that impact on the public. The Agency adopts a duty of care to forest users and has procedures for defining safety arrangements for the protection of users in the vicinity of forestry operations; those recreation users who require special permission for their activities and school parties who learn about environmental issues are advised to carry out their own risk assessments.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency 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 Management Board and the Forest Service Corporate Governance and Audit Committee (FSCGAC). This includes assurances that sound records management practices are in place that ensure the appropriate creation, maintenance and disposal of important information held in paper and electronic formats. The Corporate Governance and Audit Committee's annual report for 2009/10 notes the issues raised by Internal Audit in relation to the Woodland Grant Scheme and

management's engagement with Internal Audit to address the issue. The overall conclusion is a general satisfaction with Internal Control arrangements.

Internal Control Weaknesses

I have noted the "limited" rating in the internal auditors' annual Assurance Report. I have also noted a number of recommendations to Management included in the internal auditors' draft report on the follow-up review of the Woodland Grant Scheme.

This is the subject of separate discussions with internal audit and management responses to issues raised have been provided. One of the issues raised relates to the application of a standard cost approach and the extent to which this process needs to be supported by evidence of payments. Management are reviewing how the audit issues raised can be addressed and will be discussing this further with Internal Audit Branch.

HR Connect – The HR Connect payroll service Contractor had planned to undertake ten quality assurance reviews which, when combined with the direct audit work undertaken by DFP Internal Audit, would facilitate the provision of an overall audit assurance. The Contractor, however, has only completed two of its ten planned reviews and those are considered by DFP Internal Audit to lack rigour, breadth and depth. As such DFP Internal Audit was unable to provide additional assurance on those areas. Therefore, although satisfactory assurance was provided in six audits undertaken by DFP Internal Audit, a limited assurance rating was provided for HR Connect overall. DFP Internal Audit will undertake all audits in HR Connect from 2010-11 onwards.

In summary, my review of the effectiveness of the Agency's system of internal control relies upon the directors' Stewardship Reports and the roles carried out by the FSCGAC, the Northern Ireland Audit Office and Internal Audit. Our Non-Executive Director on the Board fulfils a strong challenge role across the full range of Board issues. The role of Chair of the Audit Committee is undertaken by a senior civil servant from the Department for Regional Development. As reported, internal control issues have been raised in our internal auditors' draft report on the follow-up audit of the Woodland Grant Schemes. Management responses have been provided and further discussions will take place with our internal auditors, if necessary, before the report is finalised. Nevertheless, in overall terms, I am satisfied that the Agency's internal control systems provide reasonable assurance that all risks relating to the achievement of our policies, aims and objectives are being managed effectively.



David Small
Chief Executive
28 June 2010

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Forest Service Agency for the year ended 31st March 2010 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 Chief Executive and auditor

As explained more fully in the Statement of Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements.

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31st March 2010, and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in Directors' Report and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit.
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

The maintenance and the integrity of the Forest Service website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes which may have occurred to the financial statements since they were initially presented on the website.

29 June 2010

OPERATING COST STATEMENT

for the year ended 31 March 2010

				2009-10	2008-09
				£'000	Restated £'000
	Note	Staff Costs	Other Costs	Income	
Income:					
EU Income	4			(629)	(763)
Operating Income	4			(8,685)	(8,754)
Expenditure:					
Staff Costs	3.1	6,661			6,632
Grants	6		1,402		1,607
Rental Costs	6		7		12
Other Expenditure	6		3,355		3,152
Non-Cash Items	6		10,018		8,905
Growing Timber Revaluation	6		(6,643)		(19,939)
Totals		6,661	8,139	(9,314)	(9,148)
Net Operating (Surplus)/Cost				5,486	(9,148)

All income and expenditure are derived from continuing operations.

The entity is acting as an agent for the European Union in making payments to third parties in the UK.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2010

Note	2010 £'000	2009 Restated £'000	1 April 2008 Restated £'000
Non-current assets:			
Property, plant and equipment	8 109,296	96,238	116,564
Intangible Assets	9 613	370	487
Biological Assets	11 116,571	109,928	89,989
Total non-current assets	226,480	206,536	207,040
Current Assets:			
Assets classified as held for sale	12 0	1,839	178
Inventories	15 256	337	357
Trade and other receivables	16 1,559	2,007	2,132
Cash and cash equivalents	17 3	38	40
Total current assets	1,818	4,221	2,707
Total Assets	228,298	210,757	209,747
Current Liabilities			
Trade and other payables	18 (1,780)	(1,224)	(1,615)
Total current liabilities	(1,780)	(1,224)	(1,615)
Non-current assets plus net current assets	226,518	209,533	208,132
Non-current Liabilities			
Provisions	19 (452)	(34)	(141)
Total non-current liabilities	(452)	(34)	(141)
Assets less liabilities	226,066	209,499	207,991
Taxpayers' equity:			
General Fund	178,623	173,462	153,763
Revaluation Reserve	46,845	35,439	53,626
EU Grant Fund	598	598	602
Total Taxpayers' equity	226,066	209,499	207,991



David Small
Chief Executive
28 June 2010

The notes on pages 48 to 60 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 Restated £'000
Cash flows from operating activities			
Net operating surplus/(cost)		(5,486)	9,148
Adjustments for non cash transactions	6	3,375	(11,034)
(Increase)/Decrease in trade and other receivables	16	448	125
(Increase)/Decrease in Inventories	15	81	20
Increase/(Decrease) in trade payables	18	556	(390)
Use of provisions	19	0	(35)
Net cash inflow/(outflow) from operating activities		(1,026)	(2,166)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(589)	(158)
Purchase of intangible assets	9	(74)	(1)
Proceeds of disposal of property, plant and equipment	6,8,9	90	183
Proceeds of disposal of intangible assets		0	
Net cash (outflow)/inflow from investing activities		(573)	24
Net financing			
Gross cash inflow from financing		10,878	11,657
Receipts	4	(9,314)	(9,517)
Net Cash Inflow from Financing		1,564	2140
Net increase/(decrease) in cash and cash equivalents in the period		(35)	(2)
Cash and cash equivalents at the beginning of the period	17	38	40
Cash and cash equivalents at the end of the period	17	3	38

The notes on pages 48 to 60 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	EU Grant Fund £'000	Total Reserves £'000
Taxpayers' equity at 31 March 2008 under UK GAAP		67,206	241,787	602	309,595
Changes in Accounting Policy	2	86,557	(188,161)		(101,604)
Restated balance at 1 April 2008		153,763	53,626	602	207,991
Changes in Taxpayers' equity for 2008-09					
Net gain/(loss) on revaluation of property, plant and equipment	8		(17,955)		(17,955)
Net gain/(loss) on revaluation of intangible assets			0		0
Net gain/(loss) on revaluation of other current assets				(4)	(4)
Release of reserves to the operating cost statement					0
Non-cash charges - cost of capital	6	7,311			7,311
Non-cash charges - auditor's remuneration	6	16			16
Non-cash charges - notional charges	7	852			852
Transfers between reserves		232	(232)		0
Net operating cost for the year		9,148			9,148
Total recognised income and expense for 2008-09		17,559	(18,187)	(4)	(632)
Funding from Parent		2,140			2,140
CFERS payable to the Consolidated Fund					0
Balance at 31 March 2009		173,462	35,439	598	209,499
Changes in Taxpayers' equity for 2009-10					
Net gain/(loss) on revaluation of property, plant and equipment			11,587		11,587
Net gain/(loss) on revaluation of intangible assets					0
Net gain/(loss) on revaluation of other current assets					0
Release of reserves to the operating cost statement					0
Non-cash charges - cost of capital	6	7,425			7,425
Non-cash charges - auditor's remuneration	6	26			26
Non-cash charges - notional charges	7	1,452			1,452
Transfers between reserves		181	(181)		0
Net operating cost for the year		(5,486)			(5,486)
Total recognised income and expense for 2009-10		3,597	11,406	0	15,003
Funding from Parent		1,608			1,608
CFERS payable to the Consolidated Fund		(44)			(44)
Balance at 31 March 2010		178,623	46,845	598	226,066

The notes on pages 48 to 60 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 March 2010

1.0 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by DFP. 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 the choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Forest Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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, intangible assets and inventories.

1.2 Property, plant and equipment

Land is valued on a Fair Value basis. The combined asset value (CAV) of Forestry land and the timber thereon is determined by the Land and Property Services Agency on an annual basis in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors. The fair value of the Timber is calculated as per note 1.4 and deducted from the CAV to provide a fair value for the land. Revaluations are taken to the Revaluation Reserve.

Land at Baronscourt is being handed back to its owner in stages up to the year 2024. Depreciation is charged over the period.

Buildings are valued every 5 years by a professional valuer. The valuations of buildings used in these accounts were provided by the Land and Property Services Agency as at 1 April 2009 in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors. Property disposed of during the year was valued by the LPS before being placed on the market.

For property occupied by, but not owned by the Agency a notional charge for accommodation costs is included in the Operating Cost Statement.

Plant, Machinery and IT assets are capitalised at their cost of acquisition and installation and are restated to current value annually with reference to indices compiled by the Office for National Statistics (ONS), using the MM17 - Price Index Numbers for Current Cost Accounting.

Depreciation is provided on a straight line basis in order to write the assets down to estimated residual value over their estimated useful lives. Asset lives are normally in the following ranges:

Computer equipment and Software	3 to 7 years
Plant and Machinery	4 to 15 years
Buildings	50 years

1.3 Intangible Assets

Purchased computer software licenses are capitalised as intangible non-current assets where expenditure of £5,000 or more is incurred. In addition, similar licenses falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licenses is restated at fair value at the Statement of Financial Position date in accordance with the movement in the Retail Price Index (RPI). Software licenses are amortised over their expected useful life, which can be from 3 to 15 years, depending on the license.

Land Rights are valued every 5 years by a professional valuer. The valuations of Land Rights used in these accounts were provided by the Land and Property Services Agency as at 1 April 2009 in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors. There is no in-year amortisation charge as the life span is land based and therefore assumed to be infinite.

1.4 Biological Assets

The value of trees grown for timber production and other purposes is included in non-current assets on a fair value basis less costs to sell. The Fair Value is determined by applying the present value of expected future cash flows from the asset (future revenues based on the sale of mature timber), discounted at a market determined pre-tax rate to calculate the current fair value of the timber estate in its present form. Revaluations are directly charged to the Operating Cost Statement.

1.5 Employee Benefits including Pension Costs

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using actual staff numbers and average costs applied to the average untaken leave balance determined from the results of a Northern Ireland Statistics and Research Agency survey to ascertain leave balances as at 31 March 2008. It is not anticipated that the level of untaken leave will vary significantly from year to year.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes which are described in Note 3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pensions Schemes (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, the Agency recognises the contributions payable for the year.

1.6 Early Departure Costs

Government policy is to include the full cost of a department's activities in its accounts even where, as in this case, some of these costs are borne elsewhere in Government. Normal accounting practice is to provide for the full cost of early departure of employees in the year in which the early departure decision is made.

100% of early retirement costs in respect of Agency employees are met by the Department of Agriculture and Rural Development and are included as a notional cost.

1.7 Value Added Tax

Apart from VAT which is taken into account for all trade receivables and trade payables, all other items in the accounts are exclusive of VAT that is recoverable on a departmental basis.

1.8 Inventories

General raw material stocks are shown at the lower of average costs and net realisable value.

1.9 Heritage Assets

The Forest Service received 75% funding from the EC to construct a Peace Maze in Castlewellan Forest Park. This has been included in the Statement of Financial Position as a Heritage Asset.

The Forest Service replaced the walkway in Glenariff Forest Park to encourage access to and recreational use of the forest. This is included in the Statement of Financial Position as a Heritage Asset.

Heritage assets are maintained in perpetuity, and consequently are not depreciated. Both Heritage assets are operational.

1.10 Non-Current Assets classified as held for Sale

The Agency classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition, IFRS 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets held for sale are valued on the basis of open market value less any material directly attributable selling costs and are reclassified as current assets held for sale. Current assets are regularly reviewed to ascertain whether they continue to meet the above criteria. Where a current asset no longer meets the criteria, the asset is reclassified as a non-current asset.

1.11 Grants Payable

The Agency received grant aid from the European Agricultural Fund (EAF) to partially fund schemes to promote the expansion of private sector tree planting.

1.12 Administration and Programme Income and Expenditure

The Operating Cost Statement shows only programme income and expenditure. The classification of income and expenditure as administration or programme follows the definition of administration costs set out in FReM by Department of Finance and Personnel Northern Ireland. All of the Agency's income and expenditure is deemed to be programme.

1.13 Cost of Capital

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at a real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

a) property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro-rata for in-year:

- additions at cost
- disposals as valued in the opening Statement of Financial Position (plus any subsequent capital expenditure prior to disposal)
- impairments at the amount of the reduction of the opening Statement of Financial Position value (plus any subsequent capital expenditure)
- depreciation of property, plant and equipment and amortisation of intangible assets

1.14 Taxation

No taxation is chargeable on the financial results of the Agency.

1.15 Accounting standards, interpretations and amendments to published standards adopted to the year ended 31 March 2010

The Agency has reviewed the standards, interpretations and amendments to published standards that became effective during 2009-10 and which are relevant to its operations. The Agency anticipates that the adoption of these standards will have no material impact on Forest Agency's financial position or results of operations.

1.16 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Agency's accounting periods beginning on or after 1 April 2010 or later periods, but which Forest Agency has not adopted early. The Agency does not anticipate that the adoption of these standards will have a material impact on the Agency's accounts in the period of initial application.

2 FIRST TIME ADOPTION OF IFRS

Explanatory Note	General Fund £'000	Revaluation Reserve £'000	EU Grant Fund £'000	Total Reserves £'000
1. Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the date of transition 1 April 2008				
Taxpayers' equity at 31 March 2008 under UK GAAP	67,206	241,787	602	309,595
<i>Adjustments for:</i>				
IAS 16 Property Plant and Equipment I		(46,641)		(46,641)
IAS 41 Biological Assets II	86,663	(141,520)		(54,857)
IAS 19 Employee Benefits III	(106)			(106)
Taxpayers' equity at 1 April 2008 under IFRS	153,763	53,626	602	207,991
2. Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the end of final UK GAAP reporting period 31 March 2009				
Taxpayers' equity at 31 March 2009 under UK GAAP	67,358	250,914	598	318,870
<i>*Adjustments for:</i>				
IAS 16 Property Plant and Equipment I		(64,282)		(64,282)
IAS 41 Biological Assets II	106,209	(151,193)		(44,984)
IAS 19 Employee Benefits III	(105)			(105)
IAS 38 Intangible Assets		0		0
Taxpayers' equity at 1 April 2009 under IFRS	173,462	35,439	598	209,499

* These adjustments should include the cumulative effect of any prior year adjustments.

3. Reconciliation of UK GAAP reported net operating cost to IFRS for year ended 31 March 2009

	Net operating Cost for 2008/09 GAAP £'000	Revaluation charged to Operating Cost Statement £'000	Cost of Capital £'000	Total £'000
Net operating cost for 2008-09 under UK GAAP	14,091			14,091
<i>Adjustments for:</i>				
IAS 16 Property Plant and Equipment IV			(1,941)	(1,941)
IAS 19 Employee Benefits III, IV		(1)	(4)	(5)
IAS 41 Biological Assets II, IV		(19,546)	(1,747)	(21,293)
Net operating (surplus)/cost for 2008-09 under IFRS	14,091	(19,547)	(3,692)	(9,148)

Explanatory Notes:

I) IAS 16 Property Plant and Equipment

Under UK GAAP Forest Service land was valued as agricultural land which reflected the value in use of the asset. IAS 16 requires valuations of land to be at fair value. The fair value of Forestry land is intrinsically linked to the Timber thereon. Therefore Land and Property Services (LPS) have provided a Combined Asset Value (CAV) for all Forest Service land and timber as at 31/03/08 and 31/03/09. The fair value of the Timber is calculated as per explanatory note 2 below and deducted from the CAV to determine the fair value of the land alone. This has resulted in significant reductions in the land valuation as at 31/03/08 and 31/03/09. These movements have been taken to the Revaluation Reserve.

These valuations will be recalculated on an annual basis. All movements in land value will be taken to the Revaluation Reserve."

II) IAS 41 Biological Assets

Under UK GAAP the value of trees grown for timber production and other purposes was included on a replacement cost basis which reflected the value in use of the asset. Changes in revaluation were taken to the Revaluation Reserve. IAS 41 requires agricultural assets to be valued at Fair Value less costs to sell. The Fair Value is calculated by applying the present value of expected future cash flows from the asset (future revenues based on the sale of mature timber), discounted at a market determined pre-tax rate to calculate the current fair value of the timber estate in its present form.

Initial Restatement 1 April 2008: The change in valuation from replacement cost to fair value has resulted in a significant reduction in the Timber valuation which was taken to retained earnings within the General Fund. The Timber Revaluation Reserve was also written off to retained earnings.

Year ended 31/03/09: The in-year increase in the Timber valuation is taken directly to the Operating Cost Statement.

These valuations will be recalculated on an annual basis. All movements in timber value will be taken directly to the Operating Cost Statement."

III) IAS 19 Employee Benefits

Staff annual leave and flexi leave untaken at 31/03/08 has been recognised as an accrual under IAS 19 as at 1 April 2008 and adjusted to reflect the balance at 31/03/09.

IV) Cost of capital

The overall reduction in net assets also reduced the cost of capital charge for the year ended 31 March 2009 (currently charged at 3.5% of net assets).

3 STAFF NUMBERS AND RELATED COSTS

3.1 Staff Costs comprise:

	2009-10 £'000		2008-09 £'000 Restated	
	<i>Total</i>	<i>Permanently employed staff</i>	<i>Others</i>	<i>Total</i>
Wages and Salaries	5,425	5,420	5	5,427
Social Security Costs	379	379	-	363
Other Pension Costs	857	857	-	842
Total net costs	6,661	6,656	5	6,632

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme but Forest Service is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS(NI) Resource Accounts.

For 2009-10, employers' contributions of £857,523 were payable to the PCSPS(NI) (2008/09 £842,366) at one of four rates in the range 16.5% to 23.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 18% to 25%. 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 nil were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of nil, 0% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. As no staff were in a partnership pension account no payments been made during 2009-10.

3.2 Average Number of Persons Employed

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

	2009-10 Number		2008-09 Number	
	<i>Total</i>	<i>Permanently employed staff</i>	<i>Others</i>	<i>Total</i>
Industrial	140	130	10	137
Non Industrial	100	100	-	95
Total	240	230	10	232

4 INCOME

	2009-10 £'000	2008-09 £'000
Grant income:		
EU Income	629	763
Operating Income:		
Timber Sales	7,243	7,606
Other Forest Products	110	4
Recreation	829	740
Rentals	278	315
Other Activities	225	89
	8,685	8,754
	9,314	9,517

The entity is acting as an agent for the European Union in making payments to third parties in the UK.

5 Business Activities Attracting Fees and Charges

The purpose of this note is to provide fees and charges information.

Commercial Recreation encompasses camping and caravanning, as well as game shooting.

Non-Commercial Recreation refers to visits to all of our forests. Entrance charges are only levied for the 9 Forest Parks.

The financial objective of Commercial Recreation is full cost recovery. However in the case of Non-Commercial Recreation, 100% recovery cannot realistically be achieved in the foreseeable future and the short term objective is to recover at the maximum level that the market will bear.

	2009-10			2008-09		
	Income	Cost	Surplus/ (Deficit)	Income	Cost	Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Recreation	453	417	36	416	398	18
Non-Commercial Recreation	376	1,308	(932)	324	1,182	(858)
Total	829	1,725	(896)	740	1,580	(840)

6 PROGRAMME COSTS

	Note	2009-10	2008-09
		£'000	£'000
Grant Payments			Restated
Paid to applicants	EU element	621	763
	National element	781	844
		1,402	1,607
Rentals under operating leases		7	12
Other Expenditure			
Staff related costs		224	259
Accommodation costs		273	242
Office Services		136	135
Contracted out services		1,027	918
Professional costs		21	17
Consultancy costs		134	124
Other costs		1,539	1,457
Non-capital purchases		1	0
		3,355	3,152

Non-cash items:	Note	2009-10 £'000	2008-09 £'000 Restated
Depreciation	8,9	799	784
(Revaluation)/Impairment		(91)	7
Growing Timber (Revaluation)/Impairment	11	(6,643)	(19,939)
(Profit)/Loss on disposal of non-current assets		(11)	7
Cost of Capital		7,425	7,311
Provisions provided for/released in year	19	418	(72)
Auditor's remuneration and expenses		26	16
Notional charges		1,452	852
		3,375	(11,034)
Total Programme Costs		8,139	(6,263)

Grant Payments

The total of Grant Payments for 2009-10 included £35,000 paid to Public sector bodies (2008-09: £13,076). Payments to Private sector recipients for 2009-10 totalled £1,365,687 (2008-09: £1,594,073).

Cost of Capital

Included within Programme Costs is a non-cash charge for interest relating to the use of capital by Forest Service. The basis of the charge is outlined at Note 1.13.

Growing Timber Revaluation

Included within Programme Costs is a non-cash credit for the movement in the fair value of the Biological Growing Timber asset. The basis of the credit is outlined in note 2.

7 NOTIONAL COSTS

Services provided by parent department:		
Central Support	615	572
Compensation Claims	266	10
Early Retirement Costs	0	4
	881	586
Services Provided by other Departments:		
DFP Accommodation charges	180	166
PSMB Payroll Fees	0	1
Recruitment Service Fee	0	41
Business Development Service	36	13
HRMS	0	1
Departmental Solicitors' Office	48	17
AccountNI	158	26
IT	149	0
Other notional charges	0	1
	571	266
Total Notional Costs	1,452	852

Notional Costs

Notional Costs relate to services received for which no actual payment is made. They are included in the accounts so as to reflect the full economic cost of provision.

8 PROPERTY, PLANT AND EQUIPMENT

2009/10	Heritage Assets £'000	Land £'000	Buildings £'000	Plant and Machinery £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
Cost or Valuation							
At 1 April 2009	1,167	88,101	5,881	5,201	279		100,629
Additions			110	408	48	23	589
Disposals		(50)		(413)	(221)		(684)
Reclassifications		1,756	5				1,761
Revaluations		11,981	(442)	(15)			11,524
Impairments					7		7
Indexation			(580)	92			(488)
At 31 March 2010	1,167	101,788	4,974	5,273	113	23	113,338
Depreciation							
At 1 April 2009		348	524	3,293	226		4,391
Charge for year		41	148	520	17		726
Disposals		(32)		(395)	(178)		(605)
Reclassifications							
Revaluations		29	(523)	(15)	(6)		(515)
Impairments							
Indexation			(16)	60	1		45
At 31 March 2010		386	133	3,463	60		4,042
Net Book Value							
At 31 March 2010	1,167	101,402	4,841	1,810	53	23	109,296
At 31 March 2009	1,167	87,753	5,357	1,908	53		96,238
Asset financing:							
Owned	1,167	101,402	4,841	1,810	53	23	109,296
Finance leased							
Net Book Value at 31 March 2010	1,167	101,402	4,841	1,810	53	23	109,296

1) The combined valuation of the Agency's Land and Timber used in these accounts was provided by the Land and Property Services Agency as at 31/03/08, 31/03/09 and 31/03/10 in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors.

2) Buildings are valued every 5 years by a professional valuer. The valuations of buildings used in these accounts were provided by the Land and Property Services Agency as at 1 April 2009 in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors. Property disposed of during the year was valued by the LPS before being placed on the market.

3) Reclassification of assets - included within this reclassification are assets previously held for sale as at 31 March 2009 which no longer satisfy the criteria for classification as current assets and therefore have been reclassified as Property, Plant & Equipment non-current assets as at 31 March 2010.

2008/09 - Restated	Heritage Assets £'000	Land £'000	Buildings £'000	Plant and Machinery £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
Cost or Valuation							
At 1 April 2008	1,172	107,499	6,349	4,945	298		120,263
Additions			50	98	10		158
Disposals		(11)			(10)		(21)
Reclassifications		(1,756)	(85)	(15)	7		(1,849)
Revaluations		(17,630)					(17,630)
Impairments		(1)			(27)		(28)
Indexation	(4)		(433)	173			(264)
At 31 March 2009	1,168	88,101	5,881	5,201	278		100,629
Depreciation							
At 1 April 2008		291	411	2,799	198		3,699
Charge for year		58	153	404	51		666
Disposals		(1)			(9)		(10)
Reclassifications			(2)	(12)	(6)		(8)
Revaluations							
Impairments					(21)		(21)
Indexation			(38)	103			65
At 31 March 2009		348	524	3,294	225		4,391
Net Book Value							
At 31 March 2009	1,168	87,753	5,357	1,907	53		96,238
At 31 March 2008	1,172	107,208	5,938	2,146	100		116,564
Asset financing:							
Owned	1,168	87,753	5,357	1,907	53		96,238
Finance leased							
Net Book Value at 31 March 2009	1,168	87,753	5,357	1,907	53		96,238

1) The combined valuation of the Agency's Land and Timber used in these accounts was provided by the Land and Property Services Agency as at 31/03/08 and 31/03/09 in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors.

2) Reclassification of assets - included within this reclassification is assets held for sale moved to current assets classification.

9.0 INTANGIBLE ASSETS

2009/10	Land Rights £'000	Software Licenses £'000	Software £'000	Total £'000
Cost or Valuation				
At 1 April 2009	212	359	283	854
Additions		74		74
Disposals		(3)	(283)	(286)
Reclassifications				
Revaluations	238			238
Impairments	84			84
Indexation	(84)	15		(69)
At 31 March 2010	450	445	-	895
Amortisation				
At 1 April 2009		218	266	484
Charge for year		57	17	74
Disposals		(3)	(283)	(286)
Reclassifications				
Revaluations				
Impairments				
Indexation		10		10
At 31 March 2010	-	282	-	282
Net Book Value				
At 31 March 2010	450	163	-	613
At 1 April 2009	212	141	17	370

Land Rights held by the Forest Service relate to shooting, turbary rights and wayleaves. They are valued at 5-yearly intervals by the Land and Property Services (LPS), the latest being at 1 April 2009.

2008/09 - Restated	Land Rights £'000	Software Licenses £'000	Software £'000	Total £'000
Cost or Valuation				
At 1 April 2008	212	359	284	855
Additions		1		1
Disposals				
Reclassifications				
Revaluations				
Impairments				
Indexation		(1)	(1)	(2)
At 31 March 2009	212	359	283	854
Amortisation				
At 1 April 2008		167	200	367
Charge for year		52	67	119
Disposals				
Reclassifications				
Revaluations				
Impairments				
Indexation		(1)	(1)	(2)
At 31 March 2009	-	218	266	484
Net Book Value				
At 31 March 2009	212	141	17	370
At 1 April 2008	212	192	83	487

Land Rights held by the Forest Service relate to shooting, turbary rights and wayleaves.

10 DONATED ASSETS

The Forest Service has a number of donated assets that are all valued at below £5,000. As this is below the threshold they have not been capitalised.

11 BIOLOGICAL ASSETS

	Note	2009-10 £'000	2008-09 £'000 Restated
Value at 1 April 2009		109,928	89,989
Revaluation adjustment	7	6,643	19,939
Value at 31 March 2010		116,571	109,928

Growing timber is valued on a fair value basis by applying the present value of expected future cash flows from the asset (future revenues based on the sale of mature timber), discounted at a market determined pre-tax rate to calculate the current fair value of the timber estate in its present form. Revaluations are taken directly to the Operating Cost Statement.

12 CURRENT ASSETS - ASSETS CLASSIFIED AS HELD FOR SALE

		2009-10 £'000	2008-09 £'000 Restated	2007-08 £'000 Restated
Land - Favour Royal	Note 1	-	1,756	4
Buildings	Note 1	-	83	125
Plant		-	-	32
Equipment		-	-	3
Vehicles		-	-	14
Total Assets held for sale		0	1,839	178

"Note 1: Land sited at Favour Royal was identified as surplus and viable for a commercial development. An offer was received for the land however as the offer was significantly below the market value of the land as determined by LPS, the offer was declined. No further offers were received.

Land at Mourne Park was identified as surplus to requirements and offered for sale with Whitewater Cottage (Building). A purchaser was identified but the sale did not complete.

None of these assets are being actively marketed therefore the assets are no longer classified as current assets and have been reclassified as Property, Plant & Equipment within non-current assets."

13 FINANCIAL INSTRUMENTS

As the cash requirements of the Agency are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

14 IMPAIRMENTS / REVALUATIONS

	2009-10 £'000	2008-09 £'000 Restated	2007-08 £'000 Restated
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Charged through Operating Cost Statement	(6,734)	(19,932)	7
Charged to Revaluation Reserve			
Total Impairment charge for year	(6,734)	(19,932)	7

15 INVENTORIES

Inventories	256	337	357
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16 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year:

Trade receivables	1,478	2,062	1,389
Other receivables	3	(47)	(49)
Prepayments and accrued income	35	(70)	391
Government funding receivable	43	62	401
	1,559	2,007	2,132

Amounts falling due after more than one year:

	-	-	-
	1,559	2,007	2,132

17 CASH AND CASH EQUIVALENTS

Balance at 1 April 2009	38	40	40
Net change in cash and cash equivalent balances	(35)	(2)	0

Balance at 31 March 2010	3	38	40
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The following balances as at 31 March were held at:

Commercial banks and cash in hand	3	38	40
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Balance at 31 March 2010	3	38	40
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18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year:

Other taxation and social security	89	16	35
Trade payables	94	358	278
Government Grants Payable	121	171	341
Other payables	207	138	214
Accruals and deferred income	1,172	423	666
VAT	47	115	52
Consolidated Funds extra receipts due to be paid to the consolidated fund	50	3	29
	1,780	1,224	1,615

Amounts falling due after more than one year:

	-	-	-
	1,780	1,224	1,615

19 PROVISIONS FOR LIABILITIES AND CHARGES

	Legal Claims £'000	Equal Pay £'000	2009-10 £'000	2008-09 £'000
Balance at 1 April 2009	34	0	34	141
Provided in the year	13	415	428	0
Provisions not required written back	(10)	0	(10)	(72)
Provisions utilised in the year	0	0	0	(35)
Balance at 31 March 2010	37	415	452	34
<i>Analysis of expected timing of discounted cash flows</i>				
In the remainder of the Spending Review period to 31/03/2011	37	415	452	34
Between 2011-2015				
Between 2016-2020				
Thereafter				
Balance at 31 March 2010	37	415	452	34

Legal Claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The legal claims and other provisions are provided for at the full assessed amount in each case. Expenditure is likely to be incurred over a period of 5 years. The provision is based on the estimated cash flows.

Legal claims which may succeed but which are either not probable, or the liability cannot be estimated reliably, are disclosed as contingent liabilities in Note 23.

Equal Pay

This provision represents the Agency's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as a result of an agreement with NIPSA in respect of Equal Pay.

As over 13,000 staff are affected, each with their own personal circumstances, implementation of the settlement will be a major administrative exercise and will take several months to fully complete. The exact amount to be paid will depend on a number of factors, including the number of staff who agree to the settlement and the amount that HMRC calculate is due from departments to discharge tax obligations.

20 GRANT COMMITMENTS

Grants for the management of existing woodlands are payable annually in arrears, so long as specific objectives and criteria are met. Commitments to future payments in respect of approved plans are estimated to be £8.3m at 31st March 2010 (2008-09 £9.3m).

21 CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2010 not otherwise included in these accounts

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Property, plant and equipment	0	0	0

22 COMMITMENTS UNDER LEASES

Operating leases

Total future minimum lease payments under operating leases are given in the table below.

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Land			
Not later than one year	2	2	2
Later than one year and not later than five years	7	7	7
Later than five years	188	190	192
	197	199	201

23 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Due to the serious prejudice that would be caused to the Agency's position in relation to disputes with other parties, full disclosure of its contingent liabilities is not possible. At 31st March 2010, we estimate other contingent liabilities to be nil. (31st March 2009: £nil).

24 LOSSES AND SPECIAL PAYMENTS

Losses Statement

	2010 £'000	Number of cases	2009 £'000	Number of cases
Forest Fires		0	93	16
Others	4	8	20	41
	4	8	113	57

25 RELATED PARTY TRANSACTIONS

The Forest Service is an executive agency of the Department of Agriculture and Rural Development, (the Department). The Department is regarded as a related party. During the year, Forest Service has had material transactions with the Department and with other entities for which the Department is regarded as the parent Department, including Rivers Agency.

In addition, Forest Service has had a small number of transactions with other Government Departments and other central government bodies including Central Procurement Directorate and Business Development Service.

No Board Member, key manager or other related parties has undertaken any material transactions with Forest Service during the year.

26 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting period which affect these accounts. The date of authorisation for issue by the Agency's Chief Executive is 28 June 2010.



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