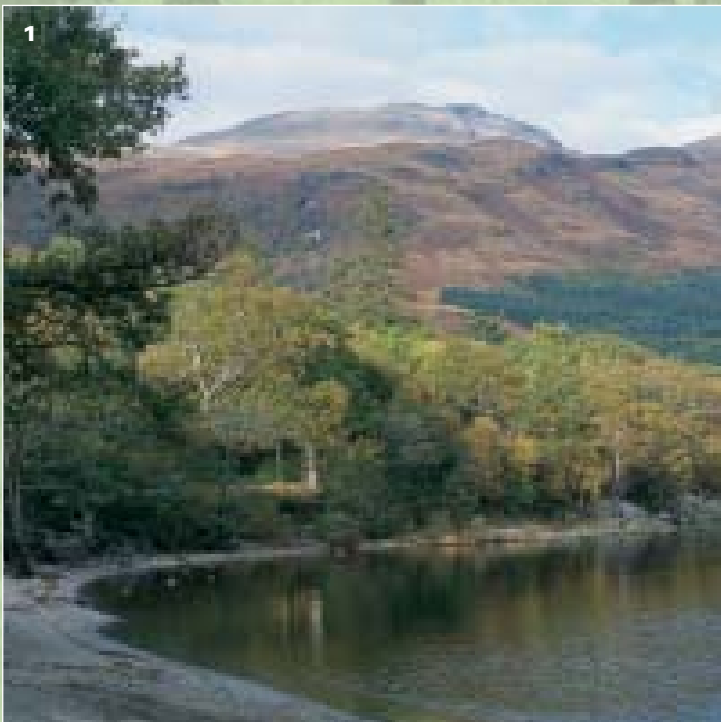


Accounts for the year ended 31 March 2001



- 1 Queen Elizabeth Forest Park, Aberfoyle
- 2 Log parcel at roadside for sale by negotiation
- 3 Foresters studying a management design plan in Strathyre, Aberfoyle



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Foreword

1. Status

Forest Research became an Executive Agency of the Forestry Commission with effect from 1 April 1997. It undertakes the major part of the Commission's research and development programmes as well as providing survey, monitoring and scientific services.

Forest Research remains part of the Forestry Commission, which is a cross border Government Department responsible for forestry throughout Great Britain. The relationship between Forest Research, the Forestry Commissioners and Forestry Ministers is described in the Framework Document published February 1997.

Prior to April 1997, Forest Research was managed as a Division of the Forestry Commission and its assets and financial transactions were included in the departmental accounts presented in the Forestry Commission Annual Report and Accounts.

From 1 April 1997, the Agency assumed ownership of and responsibility for the assets and liabilities appropriate to the research activity which were included in the Forestry Commission Statement of Assets and Liabilities as at 31 March 1997. It also assumed ownership of the building assets it occupies, which were previously owned and managed on behalf of the Forestry Commission by the Forest Enterprise agency, with appropriate intra-departmental charges made, and recorded on the Forest Enterprise balance sheet as at 31 March 1997.

Under the Framework Document, Forest Research is funded from the sale of its services to both the Forestry Commission and external customers. Any annual surplus or deficit is counted in the Forestry Commission's net Grant-in-Aid drawn down from Class X Vote 3 .

Forest Research has been designated a GB entity. For Resource Accounting purposes Forest Research is within the departmental boundary. Its accounts are one of a number of separate accounts produced and audited by the Commission and are consolidated into the overall Forestry Commission England/GB accounts.

2. Aims and Objectives

The aims of Forest Research are set out in the Framework Document. They are to provide:

- a capability to conduct research and development, surveys and related services relevant to the forest industry;
- authoritative advice to support the development and implementation of the Government's forestry policy.

The objectives of Forest Research are listed on page 3 of the Report.

3. Review of Activities

This is Forest Research's fourth year of operation as an Agency. Forest Research produced a net operating surplus of £580,000 on its Income and Expenditure Account, excluding the notional cost of capital. A comparison of income and expenditure with the previous year's results (as restated, see note 1.9) shows that:

- staff costs reduced by £28,000 (0.4%)
- other management costs reduced by £68,000 (3.5%)
- materials and service costs reduced by £155,000 (5%)
- income from external customers fell by £218,000 (16%).

The net surplus for the year after cost of capital of £519,000 was £61,000.

After adjusting the total surplus for items not involving the movement of cash and for capital expenditure and income, the net cash surplus transferred to the Forestry Commission was £362,000.

4. Financial Objective

Forest Research's financial objective set out in the Framework Document is to recover the full economic costs, including cost of capital, of its operations from the sale of services to customers.

5. Supplier Payment Policy

Forest Research observes the principles of the CBI prompt Payers Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services, or the presentation of a valid invoice, whichever is the later. An analysis for 2000–01 indicates that 98.5% of payments to suppliers, including those made using the Government Procurement Card, were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on orders.

6. Employment Policies

Forest Research is committed to the principle of equality of opportunity for employment and advancement for all eligible people on the basis of their ability, qualifications and fitness for the work. Forest Research has systems to ensure that all permanent appointments are made on the basis of fair and open competition and in accordance with the guidance laid down by the Civil Service Commissioners. Further information on the employment of persons with disabilities, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request.

7. Year 2000

The Agency reviewed all its IT systems to ensure that each was capable of operating after 1 January 2000 and has experienced no significant problems.

8. Pension Liabilities

Forest Research staff are part of the Forestry Commission 'by analogy scheme' which is a reserved GB matter. A separate pension scheme statement has been produced.

9. Management

The Ministers who had responsibility for the Commission during the year were:

Nick Brown	<i>Secretary of State</i>
Elliot Morley	<i>Parliamentary Under-Secretary</i>

Members of the Management Board of Forest Research during the year were:

Jim Dewar	<i>Chief Executive</i>
Peter Freer-Smith	<i>Chief Research Officer</i>
Ken Charles	<i>Personnel and Administration Officer</i>
Tony Cornwell	<i>Head of Finance</i>

The Chief Executive is appointed following public advertising of the post.

10. Auditors

These accounts are prepared in accordance with a direction given by the Treasury in pursuance of Section 5(1) of the Exchequer and Audit Departments Act 1921. They are audited by the Comptroller and Auditor General.

J. Dewar

Chief Executive and Agency Accounting Officer
28 September 2001

Statement of Forestry Commission's and Chief Executive's Responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921 the Treasury has directed the Forestry Commission to prepare a statement of accounts for Forest Research for each financial year 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 Forest Research state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Forestry Commission is required to:

- observe the accounts direction, 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that Forest Research will continue in operation.

The Director General of the Forestry Commission, as departmental Accounting Officer, has designated the Chief Executive of Forest Research as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government accounting* (The Stationery Office).

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Forest Research.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Board of Forest Research;
- regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines;
- a programme of accounting inspections.

The Forestry Commission has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Forest Research Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in Forest Research. The report includes the HIA's independent opinion on the adequacy and effectiveness of the body's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the executive managers within the body who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull Report

In September 1999, the Institute of Chartered Accountants of England and Wales published the Report of the Turnbull Committee: *Internal control: guidance for directors on the Combined Code*. The effect of the Turnbull Report was to extend the existing requirement to provide a statement in respect of financial controls to cover all controls including financial, operational, compliance and management of risk.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002.

J. Dewar

Chief Executive and Agency Accounting Officer

28 September 2001

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 88 to 97 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 91 to 92.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 83, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if in my opinion the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 84 to 85 reflects the Agency's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by the Treasury or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Audit Opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Forest Research and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
18 December 2001

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2001

		2001	2000
			as restated
	Notes	£000	£000
Income			
Income from research, development and survey services			
Forestry Commission customers	2	11,254	11,253
Non-Forestry Commission customers		1,116	1,334
Total income		12,370	12,587
Expenditure			
Staff costs	3	7,177	7,205
Other management costs	4 & 5	1,826	1,894
Materials and services	5	2,787	2,942
Total expenditure		11,790	12,041
Net operating surplus/(deficit)		580	546
Notional cost of capital	7	(519)	(520)
Net surplus/(deficit) for the year		61	26
Transferred to General Fund		61	26

Statement of Total Recognised Gains and Losses for the year ended 31 March 2001

	2001	2000
		as restated
	£000	£000
Net surplus/(deficit) for the year	61	26
Revaluation surplus for the year	19	148
Total recognised gains	80	174

The cumulative effect of adjustments made in respect of prior periods is a loss of £100,000.

There have been no discontinued operations during the year.

The notes on pages 91 to 97 form part of these accounts.

Balance Sheet for the year ended 31 March 2001

		31 March 2001	31 March 2000 as restated
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	6	8,393	8,182
Current assets			
Stocks	8	31	110
Debtors	9	604	489
Cash at banks and in hand		1	1
		636	600
Current liabilities			
Creditors – amounts falling due within one year	10	261	252
Net current assets		375	348
Total assets less current liabilities		8,768	8,530
Taxpayers Equity			
General Fund	11	6,160	5,941
Revaluation Reserve	13	2,608	2,589
Total Taxpayers Equity		8,768	8,530

J. Dewar

Chief Executive and Agency Accounting Officer
28 September 2001

The notes on pages 91 to 97 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2001

		2001	2000
	Notes	£000	as restated £000
Reconciliation of net surplus to net cash flow from operating activities			
Net surplus for the year		61	26
Notional cost of capital	7	519	520
Depreciation	4 & 6	396	400
Decrease/(-)Increase in stocks		79	(54)
Decrease/(-)Increase in debtors		(115)	361
Increase/(-)Decrease in creditors		9	4
Net cash inflow from operating activities		<u>949</u>	<u>1,257</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(587)	(258)
Total net cash inflow		<u>362</u>	<u>999</u>
Financing			
Cash surplus transferred to Forestry Commission		362	999
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 April 2000		<u>1</u>	<u>1</u>
Net funds at 31 March 2001		<u>1</u>	<u>1</u>

The notes on pages 91 to 97 form part of these accounts.

Notes to the Accounts

Note 1. Accounting Policies

1.1 Form of Accounts

In accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921, the accounts are drawn up in a format agreed and approved by Treasury. They are prepared under the historical cost convention modified by the inclusion of the valuation of assets. Without limiting the information given, the accounts meet the requirements of the Companies Acts and of the Financial Reporting Standards where relevant.

1.2 Accounting for Fixed Assets

Where the Agency is the principal beneficial user of assets of the Forestry Commission estate they are treated as a fixed asset of the Agency although legal ownership is vested in the Forestry Ministers. The normal threshold for the capitalisation of assets is £1,500, but all IT equipment costing £250 or more is capitalised as a pooled asset, the amount involved being material.

1.3 Valuation of Assets

Land and buildings are revalued every three years by professionally qualified staff employed by the Forestry Commission. Research and office equipment is revalued every three years using prevailing current prices for replacement items. Between revaluations, tangible fixed asset values are updated annually using a general price index.

All revaluation surpluses and deficits are taken to the Revaluation Reserve.

1.4 Depreciation

Depreciation is provided on all tangible fixed assets - except land - at rates calculated to write off the valuation, less estimated residual value, of each asset evenly over its expected useful life.

Buildings - over 20 to 80 years

Research and office equipment - over 2 to 20 years

1.5 Stocks and Works in Progress

Consumable materials and supplies are valued at current replacement cost.

Works in progress on long-term projects is valued at the cost of staff time and other direct costs plus attributable overheads based on the normal level of activity.

1.6 Corporation Tax

Forest Research is not subject to corporation tax.

1.7 Provision for Bad and Doubtful Debts

Specific provisions for bad and doubtful debts are set aside on the basis of a review of individual debts at the end of the year.

1.8 Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. Exchange differences are taken to the Income and Expenditure Account.

1.9 Prior Year Figures

The comparative figures for 1999/2000 have been restated to include adjustments applicable to prior accounting periods arising from the correction of fundamental errors.

Note 2. Income from Forestry Commission and Forest Enterprise

The Agency undertakes a significant proportion of the Forestry Commission's overall annual research programme in the form of specifically commissioned projects to deliver agreed outputs. A separate annual charge is agreed for each project based on full cost recovery. These charges amounted to £9.8 million as originally assessed. Costs established in one year are used to determine project charges for future years. The Agency also provides research and survey services for Forest Enterprise on a full cost recovery basis.

Total income from Forestry Commission customers consisted of:

	2001	2000
	£000	£000
Research, development and other services to:		
Forestry Commission	10,145	10,011
Forest Enterprise	1,109	1,242
	11,254	11,253

Note 3. Staff Costs and Numbers

3.1 Employee costs during the year amounted to:

	2001	2000
	£000	as restated £000
Wages and Salaries	5,820	5,846
Social Security Costs	431	427
Employer's Superannuation Costs	926	932
	7,177	7,205

The Agency's staff are covered by the Forestry Commission Pension Scheme which is a defined benefit pension scheme. Employer's superannuation contributions, calculated as percentages of pensionable pay, are paid to the Forestry Commission Pension Scheme and are included in the Income and Expenditure Account. The rates of employer's contributions were from 15 to 22 per cent according to grade as determined by the Government Actuary. Actual pension payments are met by the Forestry Commission. The receipts and payments of the pension scheme, its status and how it operates, and the valuation of unfunded past service liabilities, are shown in the accounts of the Forestry Commission published in its Annual Reports and Accounts.

3.2 The total remuneration, excluding pension contributions, of the Chief Executive, the highest paid member of the Management Board, was £60,195 (1999/2000: £58,849). The Chief Executive is an ordinary member of the Forestry Commission Pension Scheme.

3.3 The range of salaries of Management Board members, excluding the Chief Executive, is shown below. Management Board members are senior staff and are ordinary members of the Forestry Commission Pension Scheme.

Management Board Members	2001 Number	2000 Number
£30,000–£34,999		2
£35,000–£39,999	2	
£45,000–£49,999	1	1

Pension benefits are provided through the Forestry Commission Pension Scheme, which is run by analogy with the Principal Civil Service Pension Scheme. The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. Pensions increase in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the members pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Disclosures relating to members of the Management Board have been restricted in accordance with the Data Protection Act 1998.

3.4 The average number of employees (full time equivalents) during the year was as follows:

	2001 Number	2000 Number
Permanent Staff	246	256
Casual Staff and Staff on Fixed-Term Appointments	31	34
	277	290

3.5 Benefits in kind are provided under the following schemes:

- (i) Advances of Salary for House Purchase
- (ii) Advances of Salary for purchase of Season Tickets and Bicycles
- (iii) Car Provision for Employees Scheme.

Each scheme is subject to conditions and financial limits.

The Advances of Salary for House Purchase scheme had 11 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2001. The total value of these loans was £82,245.06.

Note 4. Other Management Costs

Other management costs are stated after charging:

	2001	2000
		as restated
	£000	£000
Exchange Rate Losses on EC Contracts	2	8
Auditors' Remuneration	19	12
Depreciation of Fixed Assets	396	400
Travel and Subsistence	399	401
Staff Transfer Expenses	60	90
Training	114	102
Building Maintenance	367	322
Utilities	227	213
Computer Supplies	109	175

Note 5. Charges from the Forestry Commission

Included within Other Management costs and Materials and Services are charges from the Forestry Commission and Forest Enterprise amounting in total to £1,210,743 (2000: £1,171,078).

Charges are made to Forest Research from the Forestry Commission and Forest Enterprise, as appropriate, for assistance with field experiments, hire of machinery and equipment and for personnel, business management, financial and other support services at Headquarters.

Note 6. Fixed Assets

	Land and Buildings as restated £000	Machinery and Equipment £000	Total as restated £000
Valuation:			
At 1 April 2000	7,330	4,074	11,404
Additions	7	580	587
Disposals and transfers		6	6
Revaluation adjustment	106	-128	-22
At 31 March 2001	7,443	4,532	11,975
Depreciation:			
At 1 April 2000	132	3,090	3,222
Provided in year	132	264	396
Disposals and transfers		5	5
Revaluation adjustment	5	-46	-41
At 31 March 2001	269	3,313	3,582
Net book value:			
At 31 March 2001	7,174	1,219	8,393
At 31 March 2000	7,198	984	8,182

Fixed assets were revalued as at 31 March 2001 in accordance with accounting policies. The valuation includes the principal research stations at Alice Holt Lodge near Farnham in Surrey and the Northern Research Station, Roslin near Edinburgh, with net book values of £5.0 million and £1.6 million respectively at 31 March 2001

Note 7. Cost of Capital

Notional cost of capital based on 6% of average total assets less current liabilities employed in 2000/01 amounted to £519,000.

Note 8. Stocks and Works in Progress

	2001	2000
	£000	£000
Stocks	0	52
Research Works in Progress	31	58
	<hr/>	
	31	110

Note 9. Debtors

	2001	2000
	£000	£000
Trade debtors	446	331
Other debtors	104	158
Prepayments	54	
	<hr/>	
	604	489

Note 10. Creditors: amounts falling due within one year

	2001	2000
	£000	£000
Payments received on account	48	45
Trade creditors	211	169
Other creditors including taxation and social security costs	2	38
	<hr/>	
	261	252

Note 11. General Fund

	2001	2000
	£000	£000
Balance brought forward	5,920	6,393
Prior year adjustment	21	
Balance as adjusted	5,941	
Movement in year		
Net surplus for year	61	126
Transfer of fixed assets from/(-) to other Forestry Bodies	1	1
Cash surplus transferred to Forestry Fund	(362)	(1,120)
Notional cost of capital	519	520
	<hr/>	
Balance carried forward	6,160	5,920

Note 12. Prior Year Adjustment

The net surplus for 1999/2000 has been reduced by £100,000, reflecting the net effect of adjustments to income, staff costs and depreciation. Tangible fixed assets have decreased by £21,000 and the cash surplus transferred to the Forestry Commission has decreased by £121,000.

The main element of the adjustment, a decrease in income of £167,000, is the consequence of the correction of a central book keeping adjustment which incorrectly raised duplicate invoices when new sales ledger software was installed. This adjustment, part of a total of £1,337,712 for the Forestry Commission as a whole, was identified during the resolution of a cash ledger reconciliation imbalance, which was identified during the production of the 1999/2000 accounts of the Forestry Commission.

Note 13. Revaluation Reserve

	2001	2000
	£000	£000
Balance brought forward	2,589	2,441
Revaluation surplus for the year ended 31 March 2001		
Land and Buildings	101	170
Machinery and Equipment	(82)	(22)
Balance carried forward	2,608	2,589

Note 14. Contingent Liabilities

There were no contingent liabilities at 31 March 2001 for damages caused to other persons' property or for compensation for personal injury to employees.

Note 15. Related Party Transactions

During the year, Forest Research has had a significant number of material transactions with the Forestry Commission and Forest Enterprise Agency who are regarded as related parties.

In addition, Forest Research has had various material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Department of Environment, Transport and the Regions^a, the Department of Trade and Industry, and the Ministry of Agriculture, Fisheries and Food^b.

Note 16. Financial Performance Measures

The target to recover full resource costs, including capital, from internal and external customers was achieved. The Agency achieved an operating surplus of £580,000 which, after allowing for the cost of capital (£519,000) represented a cost recovery of 101% (2000 –100%).

Editorial update Since the June 2001 General Election, Government Department name changes have occurred:

^a Department for Transport, Local Government and Regions (DTLR).

^b Department of Environment, Food and Rural Affairs (DEFRA).

Accounts Direction given by the Treasury in accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921

1. This direction applies to The Forestry Commission Research Agency.
2. The Forestry Commission Research Agency shall prepare accounts for the year ended 31 March 2001 in compliance with the accounting principles and disclosure requirements of the H.M. Treasury *Resource accounting manual* which is in force for that financial year.
3. The Accounts shall be prepared so as to give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows of the Agency for the financial year and of the state of affairs as at 31 March 2001.
4. Compliance with the requirements of the *Resource accounting manual* will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the *Resource accounting manual* is inconsistent with the requirement to give a true and fair view, the requirements of the *Resource accounting manual* should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the *Resource accounting manual*. Any material departure from the *Resource accounting manual* should be discussed in the first instance with the Treasury.
5. This direction replaces any previous direction issued to the Agency.

David Loweth

Head of the Central Accountancy Team, Her Majesty's Treasury

Dated 30 May 2001

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