



the National Trust
for Scotland

a place for everyone

Your Trust in Scotland

ANNUAL REVIEW *for 2009-2010*





OUR VISION Is for everyone to enjoy and embrace Scotland's heritage and to place it at the heart of the nation's future.

OUR MISSION The National Trust for Scotland is the charity that informs, inspires and engages everyone in the protection and promotion of Scotland's heritage. We achieve this through conservation, access and education.

OUR CHALLENGE The Trust's activities cover cultural, built and natural heritage. Our challenge is to make this heritage relevant to the lives of the people of Scotland and all others who have an interest in it. Our continued emphasis is to secure recognition of the benefits that heritage conservation can generate for the people of Scotland and all others who share this interest, whether those benefits are social, economic or educational enhancement to environmental, cultural and spiritual gains. The challenge remains to engage with the public in demonstrating these values in a way that is dynamic and inspiring.

CHAIRMAN'S FOREWORD

Richard Balharry



The value of Scotland's magnificent cultural and natural heritage is beyond compare and the Trust's role remains critical in its care. Conservation is at the core of all our activities and people are at the heart of all that we do - the people of this nation whose inspiration gave birth to this distinctive organisation in 1931 for 'places of history and beauty'.

These words still resonate strongly to those who care about the future of our heritage. It is the energy, skills and funding from the people who support this organisation, that allow us the privilege of being in a position to safeguard these treasures for Scotland and its people.

The Board and Council appreciate more than ever the responsibilities vested in them. We have been tested over the past months to ensure that the Trust is strong for the future.

With the support of over 310,000 members, millions of visitors, over 3,000 volunteers, all our affiliates, donors, and a hard working, dedicated and committed staff we are optimistic that, despite economic and other upheavals, we can meet all the challenges which face this organisation.

In last year's report, Shonaig MacPherson wrote:

"Lord Wemyss described two of the Trust's enduring characteristics as audacity and perseverance. We need to stay true to those characteristics as we continue to change with the times, to ensure that we do have universal appeal to our members and all with an interest in Scotland, its heritage and culture. The engagement and commitment to our staff, volunteers, members, supporters and partners has helped to shape our response to our current challenges. With that continued support and enthusiasm, to encourage us to persevere and be audacious, we will thrive far beyond the current recession."

I agree with this wise comment and give thanks to Shonaig for her strong and decisive leadership of the Trust from 2005 until earlier this year, when I had the privilege of succeeding her as interim Chairman.

I would also like to thank those Council and Board members who have stood down throughout the year, and welcome our four new board members to the team.

The conviction of people to safeguard our history, artefacts and the natural world is strong. The desire to ensure that our grandchildren can also be the custodians of this incredible and beautiful country is even stronger.

The Trust must be fit for the future to deliver this desire. An independent Strategic Review of the organisation's resources and governance will report to Council in summer. The remit of the review, led by the Rt Hon George Reid, is to assess the organisation's capability to address current and future challenges. The Board and Council are grateful to the President, the Duke of Buccleuch and Queensberry for facilitating this appointment. We believe this scrutiny will help refresh the Trust's strategic direction and assist the organisation to plan the next stage of its journey - I hope for your continued support as we take those next steps.

Richard Balharry, Chairman, June 2010

CHIEF EXECUTIVE'S REPORT

Kate Mavor



I am pleased to open my contribution to this annual report with the statement that the Trust is in a more secure financial position than it was just one year ago. Having taken some very difficult decisions last Spring, we are able to report improvements in both our operating statement and our level of reserves. Not only was the impact of the recession less than we expected, but

membership, visitor numbers and commercial revenue increased, demonstrating how much people value the work we do.

It is important to realise, however, that although the results for 2009-10 are greatly improved, they disguise the underlying imbalance between regular, predictable income and the combined cost of running the Trust and properly conserving the assets in our care. Our recovery is fragile, particularly given the likelihood that the full effect of the recession and public sector expenditure cuts have yet to be felt in Scotland.

Over the years, in order to balance our income and expenditure, we have relied on windfall legacy income and have underspent on conserving our properties, and staff pay. There is a lot of work still to be done to achieve long-term sustainability. We need to double our reserves to protect us in difficult times, and must continue to look for funding for our cause from supporters in Scotland and world-wide. Membership recruitment and commercial activity are key to underpinning our future.

Our two main fundraising campaigns – the Sole Trading Fund (for mountain footpaths) and the St. Andrew's Day Appeal (I'm In for 30) – raised £134k and £131k. Legacy income was particularly strong this year, with income of over £5.9m part of which has been reserved for future conservation.

Membership numbers hit a new high of 310,000, while visitor numbers rose to 1.49m, a figure which does not include the countless millions of visitors to our countryside properties, such as Glencoe and Ben Lomond.

New partnerships have been born. For example, at Arduaine Garden, we have been working closely with the neighbouring Loch Melfort Hotel to promote the two sites jointly. Local councils have lent us support to keep down costs at the David Livingstone Centre, Barry Mill, Haddo House and Inveresk Lodge Garden, while partnership continues at Culzean and Brodick.

At Bannockburn, we are working with Historic Scotland to upgrade the visitor centre in time for the 700th anniversary in 2014. Our archaeologists have teamed up with the Royal Commission on the Ancient and Historic Monuments of Scotland to share record-keeping. More and more we see the potential in working together with others to share expertise and achieve common objectives.

In October, the Trust concluded missives on the sale of the head office in Charlotte Square, which it has occupied for 11 years. Staff are moving in autumn 2010 to an open-plan building at Hermiston Quay in west Edinburgh in the interests of modernisation and saving costs. The new building will give us a great opportunity to work more closely together as a team and to share knowledge of the enormously diverse activities of the Trust.

Once again this year, we are enormously grateful for the support of our funders who include Historic Scotland, the Scottish Government, the Heritage Lottery Fund, and Scottish Natural Heritage as well as the Trust Members' Centres and Friends Groups and our own Patron's Club. The support and goodwill of all our donors and supporters are essential to all our work and are a great boost to morale in challenging times! Thank you all.

Finally, I would like to register my thanks to my own team and to all staff and volunteers for their commitment, dedication and goodwill over the past 12 months. We find ourselves in a much better place now and continue with determination to invest in the Trust for the future. The findings of the Strategic Review, together with our own vision will shape the organisation for the next decade. 2010-11 will be a year of consolidation after the redundancies of 2009-10. We shall be taking stock and planning a continual programme of income generation and cost control to restore balance to the Trust's long-term finances.

Our priorities are investing in our people, protecting the rare and beautiful things and places in our care and making heritage relevant and engaging for all. We are now building towards a situation where we can generate sufficient funds to meet these and I look forward to developing many new partnerships along the way.

At a time of great uncertainty and economic troubles, there is something marvellous and reassuring about walking in an unspoiled mountainous landscape or contemplating a 700-year old tower. Returning to our communities and the cherished places we visited ourselves as children gives a heartening perspective, reminding us that beautiful things endure if we look after them. A final thank you to all our members who support us in doing what we all care about so passionately – inspiring everyone to protect and promote Scotland's heritage.

The table below shows the key measures used by management within the Trust otherwise known as KPIs. These are measured against budget and the previous year.

KPI	2010	% change	2009
	£m		£m
GIF Balance	8.5	109.8	4.1
Spend on Conservation (including Projects)	7.3	(8.1)	8.0
Membership Subscription Income	10.4	0.4	10.3
Paying Visitors (Admissions)	2.7	6.7	2.6
Legacy Income	5.9	47.6	4.0
Investment Income	6.3	(10.0)	7.0
Commercial Net Income/Contribution	2.0	85.9	1.1
Wages & Salaries (excluding redundancy costs)	15.5	(3.2)	16.1
	000's		000's
Members	310	0.3	309
Total Visitors	1,493	12.6	1,326
Total Visitors (excluding Burns)	1,234	0.2	1,232
Paying Visitors	448	(3.7)	465
Paying Visitors (excluding Burns)	429	(6.3)	458

Kate Mavor, Chief Executive, June 2010

CONSERVATION DIRECTOR'S REPORT

Terry Levinthal



I am delighted to be writing this report as the new Director of Conservation Services & Projects, a post I took up in February 2010. In doing so, I wish to mark the efforts of my predecessor - Andrew Bachell - who left in July and to Professor Christopher Morris who acted as Interim Director from August 2009.

The scale of the Trust's heritage estate is impressive. The charity is the third largest landowner in Scotland, owning iconic, wild landscapes such as Glencoe, Torridon and large parts of the Cairngorms. We own over 16 islands, including the dual World Heritage Site of St Kilda. Just over 6 per cent of the world's total population of flowering plant species can be found in our gardens. Some of Scotland's most important architectural masterpieces can be found amongst the 1,500 buildings we own. Outstanding artworks such as Batoni's *Colonel William Gordon* and Brueghel's *The Bird Trap* can be found in the 50,000+ items in our collections.

During the year, the complex project at Craigievar Castle, involving its reharling and repair, continued. The latest Little Houses Improvement Scheme project at Threadneedle Street, Peterhead started on site in August. Here, three redundant and derelict Georgian houses are being converted to provide special needs accommodation for Tenants First Housing Co-operative. It is a fitting reminder of the success of the LHIS, which celebrates its 50th anniversary in 2010.

However, conservation is not all about big projects. Our core work is not glamorous. Fighting furniture beetle, analysing archaeological remains, planting protective windbreaks, ensuring collections are protected from sunlight, monitoring humidity, cleaning gutters and rhone pipes, etc. – these are the never-ending nuts and bolts of our conservation activity.

A pair of historic mirrors designed by Robert Adam in 1782 especially for use at Culzean Castle were re-hung after being loaned by the Ailsa family.

At Torridon, a project to remove *Rhododendron ponticum* was undertaken, using a pioneering technique of stem treatment developed at our Inverewe Garden.

Crucial to effective conservation is the development of our knowledge and heritage skills. For example, we commissioned an Energy Efficiency in Historic Buildings Pilot Study. This project has increased our knowledge of the thermal performance of historic buildings significantly.

In terms of archaeology, more than ninety cup marks and at least four cup and ring marks were uncovered at Ben Lawers. This is a much higher concentration of markings than is normally found in Scotland. At Iona, a survey in the vicinity of the abbey identified features that could be an early monastic complex associated with St Columba.

The year also saw the implementation of phase one of our Integrated Pest Management programme. The trapping, identification and monitoring of destructive pests such as moths is important in the effective management of our collections.



Craigievar Castle, Aberdeenshire



Budding stonemasons at Culross



Thistle Camp at Culloden



Village Bay, St Kilda

Culloden won a prestigious national award for excellence in its heritage education work with schools, as did Culzean and The Georgian House. The Learning team also developed a groundbreaking transport subsidy scheme that enables us to support school visits to our properties.

Much hard work remains ahead of us, and in looking forward I must commend and thank the outstanding conservation professionals and people at the Trust. Their dedication and integrity is the heart of the Trust. In addition, I thank the experts that sit on our various conservation Advisory Panels who give their time and knowledge freely.

Terry Levinthal, Conservation Services and Projects Director, June 2010

FINANCE DIRECTOR'S REPORT

Lesley Watt



For the last five years, my Finance Director's Report has stated that financial sustainability remains the key priority for the Trust. Whilst it remains so, it clearly must be balanced with conservation needs going forward. Over the last decade we have made efforts to increase income, many of which have been successful in some measure but pressures on costs have at the same time risen inexorably. These pressures include the impact of regulation as well as decades of squeezed spending on major works to maintain our estate, together with the fact that salary levels have been below market. Unfortunately the pressures show through in a steady reduction in our General Income Fund ("GIF") which reached a seriously low point last year. This situation combined with the potential impending impact from a deep recession, left us with no choice but to bring forward our cost control programme and take more drastic action by both reducing the number of staff and the mothballing of three properties. The action we took, combined with sustained membership, improved trading margins and less than expected short term impacts on government funding and the knock-on effect on disposable income from the recession, resulted in a significantly improved performance for the year. The Trust now has breathing space in which to consider its longer term direction, in the light of the results of the Reid Strategic Review. Both the cash position and the general reserves have significantly improved during the year and the future of the Trust as a "going concern" is not under immediate threat. But, the state of government finances carries with it a serious threat of lower levels of economic activity over the next few years together with the likelihood of a reduction in government funding. The impact of recession has not gone away, and may well haunt us in the medium term. We must prepare for that.

GOING CONCERN

The Trust prepares its accounts on a 'going concern' basis which means that the Board must be satisfied that, on reasonable assumptions, the Trust will be able to operate for the foreseeable future within the constraints of its available and projected future funds. The General Income Fund (GIF), which represents the working reserves of the Trust, provides a source of funds to help ensure that the Trust can continue to operate in the event of a shortfall in income or sudden upturn in expenditure. It is the key measure of the financial health of the Trust. The current policy of the Board is to have, in reserve, a General Income Fund (GIF) sufficient to meet at least the budgeted costs of six months' normal operational activity and the estimated costs to be met from the GIF of the major conservation, repair and improvement projects committed for the succeeding twelve month period. The sum would have

amounted to £17m at the year end. At the previous year end however, the GIF was only £4.1m as a result of which we took action to ensure the viability of the Trust. Over the last twelve months, the GIF has more than doubled to £8.5m and the Trust was holding cash in its bank accounts and as part of its investment portfolio of £27m at the year end. The forecast cash flow and GIF position for the next two financial years have been examined and both are forecast to continue to improve during that period. To avoid the pressure we suffered last year, it is essential that the GIF continues to increase over time until it has reached the desired level.

FUNDS

The banking crisis and the subsequent recession led to a significant fall in both the capital markets and property values and the accounts last year showed a reduction in the funds of £34m. However the value has recovered during the year to close at £168m an increase of £38m. Although the total funds held by the Trust are therefore significant and income from them has been maintained, most of these funds are restricted and can only be used for specific purposes chosen by the donors. Only 12 properties are fully endowed with Mar Lodge and Newhailes the only such significant visited properties. Almost half of the "designated" funds represent the cost of new or administrative buildings owned by the Trust which cannot be turned into cash for general purposes without selling the building. General income is therefore essential to support some 90% of Trust properties which were either donated or acquired early on last century without, or with only insufficient, endowment.

STATEMENT OF FINANCIAL ACTIVITIES

The Statement of Financial Activities ("SOFA") records the outgoing and incoming resources of the Trust. During the year the Trust had net incoming resources of £14.6m compared to £9.5m the previous year.

The Trust reports its financial affairs in accordance with the statutory reporting requirements for charities. Accordingly the Trust reports income from grants, appeals and donations in the year in which it is received. The commitment for the associated expenditure is only recognised once there is a contractual arrangement or goods have actually been received. There can therefore be a timing difference between the receipt of income and the actual spend resulting in a distortion of the financial results. Moreover, the spend on large projects is usually capitalised in the Balance Sheet and therefore does not appear as Outgoing Resources in the Statement of Financial Activities. As a result of this "mismatch" the capitalised expenditure is not offset against the income from grants, appeals and donations which have financed it. As illustration of the effect of this, if the capitalised costs of £4.3m on the Burns Birthplace Museum were deducted as outgoing resources, then the inflow of £14.6m shown as "Net Incoming Resources" in the Statement of Financial Activities, would be reduced to £10.3m. Grants, donations and appeals received which are committed to future expenditure amount to £3.4m further reducing this apparent surplus to £6.9m.

VISITOR NUMBERS

During the year the Trust benefited from an increase in visitor numbers of 12.6% although paying admissions were down on the previous year. The Trust took over the management of the Burns National Heritage Park (BNHP) at Alloway in November 2008 and if the visitor numbers there are excluded, then the visitor numbers were in line with the previous year and the fall in paying admissions was higher. The fall was masked by an increase in the admissions to BNHP which will be partly due to the impact of the Homecoming in 2009.

Incoming Resources

INCOME (£000)

Membership	10,365
Commercial Activities	10,287
Grants	9,817
Investment Income	6,281
Legacies	5,904
Admissions	2,725
Appeals & Donations	2,088
Rents	1,500
Other Property Income	1,008
Asset Sales	823
TOTAL	50,798



Income held up during the year much better than was originally feared. The Trust benefited from high legacy income, only slightly reduced investment income and improved revenue from commercial activities.

Membership

Membership income has so far stood up well with numbers increasing slightly compared to the previous year and, at £10.4m, it remains the largest source of income for the Trust. Although the number of lapsed memberships has increased, this has been offset by an increase in new members joining.

Admissions

The underlying decline in paying admissions is in line with other organisations in the heritage sector. In the case of the Trust, the real impact of the decline is partially masked by the increase in paying visitors at BNHP resulting in a net decrease of 6.3%.

Commercial

Commercial income has seen an increase of £0.5m in the year up to £10.3m. However this is largely the result of the impact of BNHP. If the impact of BNHP is excluded, commercial income overall remained relatively static. Retail income and income from holiday accommodation on a like-for-like basis was up 2.4% and 5.7% respectively compared to the previous year which supports the view that more Scots were holidaying at home last year. However, income from catering was down slightly and events income was particularly badly affected by the recession with the corporate market almost disappearing over night although wedding bookings continued. The contribution from commercial activities overall almost doubled during the period with significant margin improvement in both retail and catering.

Legacies

During the period, legacy income totalling £5.9m was received which has been much appreciated. The lead time on legacies is long and they appear not to have been affected by any changes in philanthropic giving. We continue to encourage legacy giving to help secure the future of the Trust and provide long term benefit through the creation of a maintenance reserve.

Investments

The investment portfolio recovered from low levels, which is helpful, but it is maintaining the income from investments that remains of prime concern. During the banking crisis in 2008, the decision was taken by the Investment Committee to increase the holding in Corporate Bonds at the expense of equities. It was always anticipated that there would be a reduction in Investment Income during the year partly because of reduced dividends but also because the decision had been taken at the previous year end to invest the GIF in cash or equivalents to ensure that it did not suffer from significant market losses. As a result the investment earnings for the GIF were significantly lower due to the low interest rates. Investment income for the Trust overall during the year was still almost £6.3m and continues to be a significant source of income.

The decision to split the investments into two pools with one focused more on income growth and the other on total return was successful in focusing the managers more clearly. The Investment Committee usually meets four times a year to monitor the portfolio and performance of the Investment Managers being Martin Currie and Aberdeen Property Investors who are responsible for managing the quoted shares and the direct property investment respectively. Additional meetings were held during the year to look in particular at the options for property which we favour as it produces a relatively stable income stream over the years.

Grants

Grant income at over £9.8m increased by more than £3.8m compared to the previous year but this is due to the timing of funding of major projects, the new Burns museum in particular, which accounts for £7.1m (72%) of the total. Future grant income from both government and the Heritage Lottery Fund is likely to be significantly reduced. There are two main areas of income from the Scottish Government. Firstly the Annual Repair Grant for historic buildings of £350k (which the Trust has to match with £650k) is a three-year Concordat ending in March 2012. Secondly the countryside three-year Concordat with Scottish Natural Heritage is due to end in March 2011. The funding is £2.7m over this period which is fully matched by the Trust. We believe these grants are likely to reduce which will have a direct impact on all countryside projects and ranger activity.

Outgoing Resources

EXPENDITURE (£000)

Property Operating Expenditure	16,431
Commercial Activities	8,298
Capital Projects	6,191
Publicity and Fundraising	2,602
Advisory Services	1,120
Membership and Recruitment	1,002
Governance Costs	474
Other Resources Expended	51
TOTAL	36,169



Overall savings of £2.7m (7%) were achieved on expenditure compared to the previous year. The savings of £1.5m on procurement continue to be achieved accompanied by a reduction in the overall pay bill and in spend on capital projects.

Salaries & Wages

Expenditure on salaries and wages decreased by £0.6k mainly due to the redundancy programme initiated in January 2009. At £15.5m, employment costs are 43% of the total outgoing resources of the Trust. In addition the Trust has around 3,000 volunteers who contribute more than 80,000 hours per annum to the organisation, which equates to an estimated value of at least £1.2m.

Conservation, Repairs and Improvements

The total expenditure on conservation repairs and improvements this year excluding support costs was £4.5m, most of which was funded by grants, specific appeals or restricted funds. Of the total, routine expenditure on conservation and repairs was down £0.6m on 2008/09 at £2.6m. The main reason for this reduction in spend is a reduction in staff capacity during the year. Major projects saw an increase in expenditure compared to the previous year. Capital funding is always non-recurring and its level depends on the success in obtaining funds for projects underway at the time. The main projects carried out in 2009/10 included a 'Little Houses' Scheme, Threadneedle Street in Peterhead, a housing project at Balmacara, and the reharling of Craigievar. Due to the financial position of the Trust over the last few years, conservation spend has been restricted to essential capital projects which are necessary for statutory,

health & safety, risk management or insurance purposes. In addition, commercial projects with a payback period of less than three years were also approved. However there is still a substantial amount of work needing to be done which the Trust has not been able to afford. In view of this, the Committed Maintenance Fund was increased by £2.5m funded from the GIF to finance longer term maintenance projects. In addition, this significant backlog is currently being costed by the Conservation team with a view to establishing an orderly programme for the future following this period of significant restraint.

FIXED ASSETS & HERITAGE ASSETS

During the year, £4.3m of cost for the new Robert Burns Birthplace Museum (RBBM) was added to Assets under Construction. The total cost of the RBBM Project, funded by grants from the Scottish Government and the Heritage Lottery Fund ("HLF") and fundraising by the Trust, is £22m which includes land valued at £2.8m transferred to the Trust at no cost and an endowment of £3m to cover any operating deficit.

As part of its cost saving plan, the decision was taken to sell Wemyss House in Charlotte Square. The decision will save running costs and avoid significant capital expenditure required in the future. The Trust has taken the tenancy of 1 Hermiston Quay on the outskirts of Edinburgh, close to the City Bypass and Edinburgh Park train station. Work on the fit-out of the building, substantially financed from cash from the sale of Wemyss House, has already started. 175 staff will move in to the open-plan offices, which will provide a much more efficient working environment, at the beginning of October.

The Trust bought Wemyss House in 1996 for £5m mainly using grant funding from HLF, the Scottish Government (through Historic Scotland and Scottish Enterprise) and £0.5m of its own funds. The Trust then refurbished Numbers 26-28 but was unable to complete the refurbishment of 29 & 30 as the capital available was insufficient. More than £7m was spent over a five-year period on refurbishment including £2m of the Trust's own money. The property was professionally valued in 2001 on completion of the refurbishment at £8.7m. Although some of the work carried out undoubtedly had conservation value, it was not felt to have added to the overall market value of the buildings. There was thus an impairment write-down in 2001 of £4m with the book value in the accounts being £8.7m despite almost £13m having been spent. There has been no impairment write-down since, despite the falls in the property market resulting in the book value remaining at £8.7m. Due to the special nature of Charlotte Square, it is less vulnerable to the vagaries of the property market and the sale price offered was the book value. A deposit of 10% has already been received with the balance due on 29 October 2010. The conditions attaching to the grants given by both HLF (£6.9m) and the Historic Scotland (£0.7m) will result in the grants being repaid following the sale resulting in net sale proceeds of £1.1m.

During the year, sales of other land and buildings were made. Proceeds totalled just over £1m. £0.5m was raised from the sale of a house at Plewlands in South Queensferry and £0.4m was received from the sale of Northgate House, the former Regional Office in Peebles, following the transfer of staff based there to Edinburgh, with resultant cost savings.

The statutory reporting requirements for charities require 'heritage assets' acquired after 1 March 2000 to be held on the Balance Sheet under FRS15. This definition would include inalienable properties, land and buildings and other properties held for preservation by the Trust. However the Board of the National Trust for Scotland believes that, in the Trust's particular circumstances, complying with this requirement would result in a distorted view of the Trust's financial position. These properties are not 'assets' in the normal sense. Such properties cannot be sold for value, and hence do not contribute to the financial strength of the Trust. Indeed, any value placed on them would be more than offset by a liability which is not recorded in the accounts, being the obligation to maintain them in perpetuity. The Trust has therefore excluded these properties from the balance sheet although for insurance purposes they are

valued at over £1 billion. As in 2008-9, the Auditors' Report on the accounts has been qualified, on this point only, on the basis of this non-compliance with FRS15 which is not expected to be required next year. In response to issues raised by many owners of "heritage assets" including the Trust, a new standard has been created (FRS 30) with which the Trust will comply from next year onwards.

FUNDS

For the Trust, the income stream from its investment funds remains the most important element, particularly for the endowment funds, so the target set for our independent fund managers is to generate real income growth. It is with this in view that most investment changes are made, and the absolute value of income generating investments at any point in time is of a lesser concern than the security of the income flows. At the end of the financial year, additional funds of £2.5m were provided for investment as the income to the Trust was greater than the expenditure over that period.

SUMMARY

Although the general reserves of the Trust (GIF) have more than doubled during the year, they are still only half the level they should be. It is inevitable that grant funding will reduce in the near future and the impact of spending cuts on the Scottish economy, and the potential knock-on effects on our membership and commercial income in particular, are not yet clear. What we do know is that the level of spend on conservation, repairs and improvements must be increased and there will be increasing threats to our properties and their contents from flooding, pests and erosion, all of which require costly preventative and reactive intervention. Our recent actions have provided the Trust with a breathing space but we must not be complacent about what the future holds and must continue to ensure that financial sustainability goes hand-in-hand with conservation.

Lesley F. Watt

Lesley Watt, Finance Director, June 2010

Branklyn Garden, Perth



SUMMARY FINANCIAL STATEMENTS

Summary Statement of Financial Activities and movement in General Income Fund for the year ended 28 February 2010

	Note	Total 2010 £000s	Total 2009 £000s
INCOMING RESOURCES			
Incoming Resources from Generated Funds			
Membership Subscriptions		10,365	10,328
Appeals & Donations		2,088	4,513
Legacies		5,904	4,001
Commercial Activities		10,287	9,776
Investment Income		6,281	6,982
Grants		9,817	5,982
Income from Charitable Activities			
Property & Other Income			
Admissions		2,725	2,554
Rents		1,500	1,920
Other		1,008	1,063
Other Incoming Resources		823	1,303
Total		50,798	48,422
OUTGOING RESOURCES			
Cost of Generating Funds			
Membership and Recruitment		1,002	1,051
Publicity and Fundraising		2,602	3,022
Commercial Activities		8,298	8,706
Charitable Expenditure			
Property Operating Expenditure		16,431	17,788
Conservation, Repairs & Improvements		7,311	7,952
Other Resources Expended		51	-
Governance Costs		474	430
Total		36,169	38,949
NET INCOMING RESOURCES	1	14,629	9,473
Attributed to Endowment, Restricted and Designated Funds		(9,568)	(7,398)
Transfers to Designated and Restricted Funds		(605)	(275)
ATTRIBUTABLE TO THE GENERAL INCOME FUND		4,456	1,800
Realised Losses on Disposals of Investment Assets		-	(118)
Unrealised losses on Revaluations of Investment Assets		(3)	(754)
NET MOVEMENT ON THE GENERAL INCOME FUND	3	4,453	928
Opening Balances		4,056	3,128
CLOSING FUND BALANCES		8,509	4,056

SUMMARY FINANCIAL STATEMENTS

Summary Group Balance Sheet as at 28 February 2010

	Note	Total 2010 £000s	Total 2009 £000s
FIXED ASSETS			
Intangible Fixed Assets		388	513
Tangible Fixed Assets	2	24,888	21,723
Investments		137,531	108,652
		162,807	130,888
NET CURRENT ASSETS			
		5,450	472
TOTAL ASSETS LESS CURRENT LIABILITIES			
		168,257	131,360
Creditors: Amounts falling due after more than one year		(670)	(2,144)
NET ASSETS		167,587	129,216
FINANCED BY FUNDS			
Restricted Funds		131,473	99,883
Designated Funds – Tangible Fixed Assets		18,356	19,508
Designated Funds – Other		9,249	5,769
General Funds		8,509	4,056
		167,587	129,216

NOTES TO THE ACCOUNTS

1. Impact of Timing

When income for Appeals & Donations and Grants, which are offset by capitalised costs of the new Robert Burns Birthplace Museum at Alloway, are taken into consideration, the Net Incoming Resources figure reduces by £7.7m. The income is shown in restricted funds. More detail is shown in the full Annual Accounts.

	2010 £m
Net Incoming Resources	14.6
Capitalised Costs	(4.3)
Future Expenditure	(3.4)
Revised Net Incoming Resources	6.9

2. FRS 15 – Tangible Fixed Assets – Departure from the requirements

Under FRS 15, the Trust is required to capitalise heritage assets if acquired after 1 March 2000. The National Trust for Scotland considers its inalienable properties, land and buildings and other properties held for preservation to fall within the definition of heritage assets.

The Board of the National Trust for Scotland has considered the position and has concluded that, in the Trust's particular circumstances, the application of FRS 15 to heritage assets would result in a distorted view of the Trust's financial position. These properties are not 'assets' in the normal sense, as any value placed on them would be more than offset by a liability, being the obligation to maintain them in perpetuity. The Trust has therefore excluded these properties from the balance sheet and they are not included among the tangible fixed assets. In this respect the Auditors' Report on the financial statements has been modified.

3. Impact of Exceptional Items

During the year the Trust sold assets to the value of £0.8m. If the effect of these exceptional items is removed from the accounts, the net movement on the GIF would be an inflow of £3.6m instead of £4.4m.

The simplified accounts are not statutory accounts but are a summary of the information relating to both the statutory Statement of Financial Activities and the Balance Sheet. The simplified accounts have been externally audited by the Trust's Auditors and their Audit Opinion qualified on the basis of the departure from FRS 15 as referred to in Note 2 above. The full statutory accounts were signed on 10 June 2010 and are available for download from the Trust's website www.nts.org.uk.

INDEPENDENT AUDITORS' STATEMENT TO THE TRUSTEES OF THE NATIONAL TRUST FOR SCOTLAND

We have examined the summarised financial statements of the National Trust for Scotland which comprise the summary Statement of Financial Activities, the summary Balance Sheet and related notes 1 to 3.

Respective responsibilities of trustees and auditors

The trustees are responsible for preparing the summarised financial statements in accordance with the recommendations of the charities SORP.

Our responsibility is to report to you our opinion on the consistency of the summarised financial statements with the full annual financial statements and Trustees' Annual Report and its compliance with the relevant requirements of the charities SORP.

BASIS OF OPINION

We conducted our work in accordance with Bulletin 2008/3 "The auditors' statement on the summary financial statement" issued by the Auditing Practices Board. Our report on the charity's full annual financial statements describes the basis of our audit opinion on those financial statements.

OPINION

In our opinion the summarised financial statements are consistent with the full financial statements and the Trustees' Annual Report of the National Trust for Scotland for the year ended 28 February 2010 and comply with the recommendations of the charities SORP.

Our audit opinion on the full financial statements of The National Trust for Scotland for the year ended 28 February 2010 was modified as follows after a disagreement of accounting treatment:

Opinion

As explained in note 2 of the financial statements, no value is placed on the inalienable property or on other property held for preservation. This is not in accordance with the requirements of Financial Reporting Standard 15 (FRS 15).

Except for this departure from FRS 15, in our opinion

- *the financial statements give a true and fair view of the state of the group and the parent charity's affairs as at 28 February 2010 and of the group's incoming resources and application of resources for the year then ended; and*
- *the financial statements have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.*

Note 2 of the full financial statements is summarised in note 2 of these summarised financial statements.

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

18 June 2009



Rough Island, Rockcliffe



Statue of Robert the Bruce, Bannockburn



Broughton House garden, Kirkcudbright



Puffins

TRUST GOVERNANCE

PATRON

HRH The Prince Charles, Duke of Rothesay KG KT GCB OM

PRESIDENT

The Duke of Buccleuch and Queensberry KBE FRSE DL

VICE-PRESIDENTS

Hugh Cheape, Dr Walter Grant Scott, Mrs June Baxter, Sir William Purves

CHAIRMAN OF COUNCIL AND THE BOARD

Richard Balharry MBE

COUNCIL

The President and Vice-Presidents are ex-officio Members of Council

Elected Members

Unless stated otherwise, members serve for five years, and, except for the Chairman, are not eligible for re-election for one year thereafter. They are listed by date of election.

- 2005** The Marquess of Ailsa, Ian Alexander, Jane Berry, Valerie Bissland, Professor Roger Crofts CBE FRSE, Juliet Edmonstone, Andrew Lewis, Professor Denis Mollison, Clive Pelbrough-Power
- 2006** Richard Balharry MBE, John Beaton, David Gibbon, Keith Irving, Ian Murray, Ruth Payne
- 2007** Marjorie Connell, Angus Findlay, Jenny Harper, Alexander Jamieson, Sandy Macpherson, Robert McKean, Finlay Mckichan, Mike Robinson, Jennifer Sharp
- 2008** David Green, Margaret Alexander and Julian Birchall
- 2009** William McDermott (*Term to end in 2012*)
Rebecca Bailey, Michael Goodwin, Mike Grantham, Keith Griffiths, Angus MacDonald, Fiona Mitchell, Fiona Plumtree (*Terms to end in 2013*)
Margaret Cameron, Lindsay Crofts, Jean Gowans, Richard Hyder, Robin Kent, David MacLehose, Hamish A N McKenzie, Ann Packard, Sir Malcolm Ross, Alan Warner

Members elected in 2005 retire at the AGM in 2010. Names of Members elected at the Annual General Meeting will be published in the issue of *Scotland in Trust* following the meeting and next year's Annual Review.

Representative Members

An Commun Gaidhealach, vacant; *Architectural Heritage Society of Scotland*, Helen Cargill-Thomson; *Association for the Protection of Rural Scotland*, David Cowling; *Association for Scottish Literary Studies*, Professor Alan Riach; *Black Environment Network*, Taja Sidhu; *Botanical Society of Scotland*, Dr David Chamberlain; *British Trust for Conservation Volunteers Scotland*, Russell Hampton; *Community Service Volunteers Scotland*, Vacant; *Council for Scottish Archaeology*, Jack Stevenson; *John Muir Trust*, Steve Green; *Landscape Institute*, James Spence-Watson; *Marine Conservation Society in Scotland*, Calum Duncan; *Mountaineering Council of Scotland*, Beryl Leatherland; *National Trust* †, John Hoare; *Prince's Trust* †, Geraldine Gammell; *Poverty Alliance*, (Vacant); *The Ramblers' Association*, Hilary Graham; *Royal Caledonian Horticultural Society*, David Affleck; *The Royal Highland & Agricultural Society of Scotland*, Adele Thomson; *Royal Incorporation of Architects in Scotland*, Ben Tindall; *Royal Institution of Chartered Surveyors in Scotland*, Sarah Spiers; *Royal Scottish Academy*, William Brotherston; *Royal Scottish Academy of Music and Drama*, (Vacant); *Royal Scottish Forestry Society*, (Vacant); *Royal Scottish Geographical Society*, Mike Robinson; *Royal Society of Edinburgh*, (Vacant); *RSPB Scotland*, Stuart Housden; *Royal Town Planning Institute in Scotland*, (Vacant); *Saltire Society*, Sarah Mason; *Scottish Civic Trust*, Councillor Pat Chalmers; *Scottish Crofting Foundation*, Patrick Krause; *Scottish Wildlife Trust*, Professor David Houston; *Scottish Women's Rural Institutes*, Anne Watson; *Society of Antiquaries of Scotland*, Dr Alison Sheridan.

† has "Observer" Status on Council.

Local Authorities

There are five vacancies from Local Authorities.

EMERITUS/HONORARY POSITIONS

Honorary Oversees Councillors: Alexander Hamilton; Ellice McDonald Jr CBE (Hon)

TRUST GOVERNANCE

BOARD MEMBERS

Non-Executive Members

Members currently serving

Dick Balharry *Chairman (appointed 29 January 2010)*
Margaret Alexander (*appointed 26 September 2009*)
Professor David Houston (*appointed 26 September 2009*)
Andrew Lewis (*appointed 26 September 2009*)
Donald MacDonald
Diana Murray
Christopher Ridgway (*appointed 26 September 2009*)
Dr Lawrence Rolland
Nora Senior

Members who retired during the year or after the year end

Shonaig Macpherson CBE, FRSE *Chairman (resigned 29 January 2010)*

Professor Roger Crofts CBE (*term ended 26 September 2009*)
Professor Michael Moss (*term ended 26 September 2009*)
Jessica Pepper (*term ended 26 September 2009*)
Andrew Salvesen (*term ended 26 September 2009*)

Executive Members and Leadership Team Members

Members currently serving

Kate Mavor, Chief Executive
Terrence Levinthal, *Conservation Services & Projects Director (appointed 22 February 2010)*
Peter Selman, *Property and Visitor Services Director (appointed 30 November 2009)*
Lesley Watt, *Finance Director & Trust Secretary*

Members who retired during the year or after the year end

Andrew Bachel, *Conservation Services & Projects Director (resigned 20 July 2009)*
Michael Hunter, *Property and Visitor Services Director (retired 31 December 2009)*
Professor Christopher Morris, *Acting Conservation Services & Projects Director (14 September 2009 to 8 May 2010)*

LEADERSHIP TEAM MEMBERS

(In addition to the above Executive Directors of the Board)

Members currently serving

Henk Berits, *Director of Commercial Services & Marketing*
Janette Young, *Acting Director of Human Resources & Change (appointed 8 March 2010)*

Members who retired during the year or after the year end

Sandy Batho, *Director of Human Resources & Change (resigned 1 May 2010)*
Dee McIntosh, *Director of Policy & Communications (resigned 22 May 2009)*

COMMITTEE CONVENORS

Frank Hitchman, *Audit & Risk Management Committee*; Professor Roger Crofts, *Conservation Committee (resigned 26 September 2009)*; Diana Murray, *Conservation Committee (appointed 16 March 2010)*; Richard Martin, *Investment Committee (resigned 12 May 2009)*; James Ferguson, *Investment Committee (appointed 12 May 2009)*; Barbara Kelly, DBE, *Nominations Committee*

CONSERVATION ADVISORY PANELS CONVENORS

Professor Richard Fawcett, *Convenor of the Archaeology Panel*; Simon Green, *Convenor of the Architecture Panel*; Professor Michael Moss, *Convenor of the Collections Advisory Panel (from 16 January 2009)*; Professor Jeff Maxwell, OBE, *Convenor of the Countryside and Nature Conservation Panel*; The Hon Michael Shaw, *Convenor of the Economic Development and Communities Panel*; Robin Watson, *Convenor of the Education and Interpretation Panel*; David Mitchell, *Convenor of the Gardens and Designed Landscapes Panel (from September 2008)*

TRUST GOVERNANCE

SOLICITORS

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1 Rutland Court
Edinburgh
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BANKERS

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Edinburgh
EH2 4EQ

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DONATIONS

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CONSERVATION PROJECTS

The National Trust for Scotland gratefully acknowledges the various forms of financial support for conservation projects throughout Scotland. Principal amongst our benefactors are public sector funding partners including the Scottish Government; the European Union, in particular the European Regional Development Fund and the European Social Fund; the National Lottery, in particular the Heritage Lottery Fund; Historic Scotland; Scottish Natural Heritage; the National Heritage Memorial Fund and Scottish Enterprise. Also gratefully appreciated is the financial assistance from local authorities, as well as charitable trusts, foundations, corporate sponsors and individuals. Also gratefully appreciated is the financial assistance from local authorities and Landfill Community Fund.



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