



the National Trust
for Scotland
a place for everyone

The Report of the Board and Financial Statements for the Year Ended 28 February 2009

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CHAIRMAN'S REPORT – Shonaig Macpherson

“At this date finance is a clamouring cause for concern.....We rely on membership subscriptions, donations and legacies for the sustenance of the General Fund, our one free fund. It is disconcerting to see the gap widen, apparently inexorably, between outgoings on properties and revenue from the specific funds with which they are endowed..... The necessity for thrift and discretion has never been more plain. But crises pass”

These words were written by our last President Emeritus, the Earl of Wemyss and March KT in 1976 but they are equally relevant today. Our last financial year has brought great challenges to the National Trust for Scotland. While those challenges of falling income and rising costs are being addressed, their cause lies firmly in the past. Over a protracted period of time the Trust endeavoured to conduct a broad range of activities across its diverse range of properties without adequate resource. That situation cannot be allowed to continue and steps have been taken over the last 3 years to improve our financial situation.

While the National Trust for Scotland has continued on its journey to provide a sustainable future for the properties in our care, few would have predicted the scale of the current recession. It is of a magnitude that the Trust has never witnessed before. As our annual accounts to 28th February 2009 demonstrate, our plans to improve financial performance are now beginning to bring their expected benefits to the Trust, indeed the balance on the GIF has increased by £928k to £4.05m over that year. However, it has been necessary to further reduce costs since the end of the year to ensure that we can respond to the recession and its impact on our income. Notwithstanding that, our conservation work remains at the heart of everything that we do and we must remember all of the good work that we deliver every day in fulfilling our core purposes. Much has been made of the Trust being in crisis but recent months have confirmed the resilience of the Trust. Just as Lord Wemyss was confident over 30 years ago that the crisis would pass, I share his view. 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 of 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.

At our Annual General Meeting in September Jess Pepper, Professor Roger Crofts, Professor Michael Moss and Andrew Salvesen will retire as Board Members. Each of them has served on the Board since its creation in 2003 and we are grateful to them for their contribution to the Trust over the last 6 years.

We were all saddened by the death of our President Emeritus, Earl of Wemyss and March KT, in December 2008. It is impossible adequately to pay tribute to his boundless contribution to the work of the Trust over 70 years, whether as Vice Chairman, Chairman, President or President Emeritus, setting the highest standards for all who have been fortunate enough to follow in his shadow. Without his personal stewardship the Trust would not be with us today.



Shonaig Macpherson CBE FRSE, Chairman, June 2009

CHIEF EXECUTIVE'S REPORT – Kate Mavor

Although I took up the post of Chief Executive in March 2009, I am delighted to have the opportunity to present to you a review of the past year. Our focus remains on the delivery of world-class conservation and the support of educational work to inspire, in particular, younger people from all backgrounds to enjoy and value their heritage.

The Trust has continued to deliver across its extraordinarily wide range of activities. While it is the built properties and their gardens which are most in the public eye, our excellent conservation work, in partnership with Scottish Natural Heritage, has enhanced the countryside, mountains and coastline of Scotland.

We were delighted that Scottish Government support for the new Robert Burns Birthplace Museum in Alloway was complemented by a successful Heritage Lottery Fund bid. The award of £5.8 million marked the beginning of a partnership which will help deliver a fitting tribute to the nation's Bard. Burns Cottage will close briefly for refurbishment and re-open in November 2009, along with a new education pavilion. The Robert Burns Birthplace Museum opens at the end of the summer in 2010.

We have continued to focus internally on making the organisation more efficient. Centralising our procurement, rationalising our retailing operations and investing in technology all serve to reduce costs, improve productivity and free up funds for our important conservation work.

We have worked hard on generating income for conservation projects from our own commercial activity. Better liaison with the travel trade boosted admissions and generated holiday bookings so that income from this source increased by 18% year on year. We held many sell-out events and have benefited from new partnerships with Historic Scotland, the Historic Houses Association, the National Trust, Cadbury's, VisitScotland and many tourist organisations. Partnership is surely the best way to do more!

Improvements to our website have resulted in an 81% increase in online revenue. 4,000 separate individuals visit our website daily and 16,000 of our new podcasts have now been downloaded.

2008/09 was a good year for membership, in spite of the recession. Online recruitment through our website generated 8,000 new recruits, a 74% increase, bringing the total number of people demonstrating their support through membership to 309,000.


The latter part of the year was taken up for the Leadership Team with the difficult process of preparing a significantly reduced budget for 2009/10. It is with great regret that we will be losing many loyal and valued staff, who have made an enormous contribution to the Trust. Safeguarding the financial stability of the Trust is rightly our first priority in order that we can continue to protect the treasures in our possession for future generations.

We will need to look forward, however, to a world in which there is less funding everywhere for heritage and conservation work. The Trust recognises that it has been funding activity beyond its means for some time. While our resolve to protect and promote Scotland's heritage for the benefit of the nation remains unshaken, we will need to look to different ways of achieving that.

The recent response to properties being threatened with closure due to funding constraints has demonstrated that there are other parties keen to join with us in partnership to support their local heritage. This shows us a way forward where we do not try to do everything ourselves, but bring our own expertise to bear in a partnership with local communities and organisations from the private, public and voluntary sectors to secure the future of our many treasures.

I should like to pay particular tribute to our thousands of loyal and dedicated volunteers. Without them, we could not accomplish half of what we do and we look forward to welcoming many more, from all walks of life, to support us in our ambitious plans for the future.

I look forward in the year ahead, to forge and develop more partnerships, to work jointly with others to make sure that we remain resilient and visionary during this period. Our new strategy will be unveiled later in 2009, demonstrating our ambition to inspire more people, particularly the younger generation, to take an interest in and derive enjoyment from their heritage. The enormous goodwill and passionate response to our recent difficulties gives me absolute confidence that we can tap into a groundswell of support and ensure a bright and robust future for the Trust.

A handwritten signature in black ink, appearing to read 'Kate Mavor', written in a cursive style.

Kate Mavor, Chief Executive, June 2009

FINANCE DIRECTOR'S REPORT – Lesley Watt

Obtaining financial sustainability continues to be the key priority for the Trust for the foreseeable future. Since last year the Trust has taken necessary, albeit painful, steps to reduce its cost base even further than had originally been planned in order to meet the worsened economic circumstances.

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. This sum would have amounted to £17m at the year end, but the Trust currently only holds £4.1m in the GIF. A three-year plan had been introduced in 2007 to reduce annual expenditure by £3m and to increase revenue. The plan had already produced annual savings on procurement of £1.5m but the impact of the recession on income, particularly retail, and a forecast of further significant reductions in other areas of income, meant that more drastic action had to be taken to remain viable. The purpose of reserves is to provide a 'buffer' to deal with a situation such as recession and it is vital that the reserves are rebuilt from the present low base as soon as is practicably possible.

FUNDS

Although the total funds held by the Trust are significant at £129m, most of these can only be used for specific purposes chosen by the donors. Only 8 properties are fully endowed. Almost half of the designated funds represent the cost of properties owned by the Trust, and cannot be turned into liquid funds. General income is therefore essential to support some 90% of Trust properties which were either donated or acquired without an endowment or an endowment which is insufficient.

GENERAL INCOME FUND (GIF)

The GIF represents the free resources of the Trust. During the year the GIF increased by £928k to £4.1m as a result of one-off benefits from legacy income, the sale of assets totalling £1.3m, offset by an unrealised loss of £800k on the market value of investments relating to the fund. It is important that the Trust ensures that the level of liquid reserves is stabilised and then increased and this can only be achieved if the Trust generates an operating surplus.

KEY PERFORMANCE INDICATORS

Of all the properties owned by the Trust, only 8 are fully endowed and only one of these is a large property, with all the others generating an operating deficit.

There are only 8 properties which have more than 50k visitors per annum with Culzean the largest (182k visitors) followed by Culloden at 169k. The others are Brodick, Inverewe, Crathes, Threave, Bannockburn and Burns. There are 20 properties which receive 10-50k visitors per annum and a further 24 properties which have less than 10k visitors per annum. In addition the Trust manages 5 properties on behalf of others which it does not own. These include the David Livingston Centre and Pollok House. These 57 properties are the only ones where there is a charge to get in. There are a further 26 properties where visitors are not recorded and these include all the countryside and island properties ranging from Rockcliffe and St Abbs Head to Ben Lomond, Fair Isle and St Kilda. There are also a further 16 properties which do not have recorded visitors and are mainly monuments or stones requiring minimal maintenance.

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	2009	% change	2008
	£m		£m
GIF Balance	4.056	29.7	3.128
Spend on Conservation (including Projects)	8.359	3.4	8.088
Membership Subscription Income	10.328	10.3	9.365
Paying Visitors (Admissions)	2.554	10.6	2.310
Legacy Income	4.001	18.5	3.376
Investment Income	6.710	10.5	6.071
Commercial Net Income/Contribution	1.070	(17.2)	1.292
Wages & Salaries (excluding redundancy costs)	16.1	2.5	15.7
	000's		000's
Members	309	1.0	306
Total Visitors	1,326	2.2	1,301
Total Visitors (excluding Culloden & Burns)	1,108	(8.6)	1,212
Paying Visitors	456	(3.1)	470
Paying Visitors (excluding Culloden & Burns)	381	(7.8)	413

Although the majority of the revenue measures appear positive, if the impact of taking ownership of the Burns Memorial Heritage Park and the increase in trading for the first year of the Battlefield Memorial at Culloden are excluded then the trend shows a decrease of 8.6% on total visitors and 7.8% on paying visitor numbers. This reflects the decreases being felt across the heritage sector. This combined with the uncertainty over the impact of the recession on legacy, investment and commercial income necessitated a re-examination of its cost base by the Trust.

When considering the difficult issue of reducing running costs the Trust had to take into consideration many aspects including the number of visitors, the size of any endowment, the operating deficit and the significance of the property. Having considered all these factors the Trust took the difficult decision after the year end to close the Mansion Houses at Hill of Tarvit and Leith Hall, the Visitor Centre at Ben Lawyers, and Hutcheson's Hall. Changes were also made at Haddo House, Inveresk Gardens, Barry Mill and Arduaine Gardens in order to improve the financial position.

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 £9.5m compared to £6m the previous year.

However the Trust reports in accordance with the Charities Reporting Requirements which require income and expenditure to be recorded when they are respectively received or incurred. As a result there is a mismatch where, as is normally the case, funds earmarked for major expenditure are built up from income before the related expenditure is incurred. Moreover, in this case, grants, appeals and donations income for the Culloden Battlefield Memorial and the Robert Burns Birthplace Museum received in the year were spent on assets whose costs are held in the Balance Sheet and amortised over the assumed lifetime of the building. As a result there was apparently £4m of income with no corresponding expenditure recorded through the SoFA so the underlying net incoming resources position is in fact £5.5m rather than £9.5m as shown.

During the year the Trust benefited from increased visitor numbers. This year included the first year of the new Culloden Battlefield Memorial, and also saw the Trust take over the management of the Burns Birthplace Visitor Centre at Alloway in November 2008. As a result of these activities, most areas of income and expenditure increased compared to the previous year. If the visitor numbers from these two new visitor experiences are excluded, the underlying impact on visitor numbers for the trust was a decrease of 8% when compared against prior year numbers.

Incoming Resources - Income

The full impact of the recession has yet to be felt by the Trust. Indeed the strength of both the dollar and the euro may encourage more foreign visitors to Scotland and more Scots to stay at home, both of which may ultimately benefit the Trust. Early season visitor numbers for Spring 2009 would suggest that this may be the case. However the Trust cannot rely on this view, and in any event the recession has already adversely affected our commercial income, retail in particular, and is expected to reduce other sources of income, particularly legacies and investment income in the coming months.

Membership

Membership income has so far stood up well with numbers increasing slightly compared to the previous year and, at £10.3m, it remains the largest source of income for the Trust.

Admissions

The underlying trend in admissions, which is in line with other organisations in the heritage sector, continues to show a slight decline in numbers. In the case of the Trust the real decline is masked by the increase in paying visitors at Culloden resulting in an overall increase of 11%.

Commercial

Although commercial income also appears to have increased, this is due to the impact of Culloden and Burns which accounted for about £0.5m of income and which masks an underlying reduction in commercial income of 3%, with retail income particularly badly hit by reduced spending patterns (down 8%).

Legacies

During the period, legacy income totalling £4m was received. The majority of legacy income is however donated in the form of property and shares, the value of both of which has recently fallen significantly. This income may continue to fall until asset values rise.

Investments

The other area which may be affected by the recession is investment income although it increased last year by £639k to a total of £6.7m. Much of the income growth in previous years had come from banking sector dividends and during the year money was transferred out of this sector mainly into corporate bonds. Net income benefited significantly from the reduction in loan interest payments on the properties held for investment. This was due to several loans being repaid during the year and a significant fall in interest rates. 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 last five months of 2008 in order to respond to the worsening market conditions and ensure that prudent changes in asset allocation were taken timeously.

Grants

Grant income at almost £6m fell by more than £1m compared to the previous year but this is due to the timing of funding of major projects, Culloden in particular, as referred to above. Grant income from both government and the Heritage Lottery Fund which will be available in future is expected to be significantly reduced.

Assets Sales

During the year asset sales of land and buildings deemed to have no significant heritage value were made. Proceeds totalled £1.3m with a significant portion of this from the sale of a house in Rubislaw Terrace in Aberdeen.

Outgoing Resources - Expenditure

Annual savings of £1.5m on procurement across the main categories of expenditure have been achieved during the year but these have been partly offset by the increases in costs for both Culloden and Burns.

Salaries & Wages

Expenditure on salaries and wages increased by over £1m mainly due to the pay award and redundancy costs. At £16.9m this is 43% of the total outgoing resources of the Trust. In order to achieve necessary cost reductions it was inevitable that savings had to be found in staffing costs and a redundancy programme was initiated in January 2009. This has resulted in projected annual savings from 2010/11 onwards of £3.2m on salaries and wages compared to the budget in 2008/09 after necessary increases in pay rates towards market levels have been taken into account.

Conservation, Repairs and Improvements

The total expenditure on conservation repairs and improvements this year was £5.3m, most of which was funded by grants, specific appeals or restricted funds. Of the total, routine expenditure on conservation and repairs was consistent with 2007/08 at £3.7m. The apparent reduction in expenditure compared to the previous year is due to the completion of several projects, most notably £500k on mountain footpaths for 'sustainable tourism'. Capital funding is always non-recurring and its level depends on the Trust's success in obtaining funds for projects underway at the time. The main projects carried out in 2008/09 included two 'Little Houses' Schemes, namely the repairs to the Logie Schoolhouse and at Threadneedle Street in Peterhead.

PRIOR PERIOD ADJUSTMENT

A prior period adjustment has arisen as a result of a change in accounting policy during the year in respect of membership subscriptions in order to comply with Financial Reporting Requirements. The Trust previously recorded membership subscriptions in the year in which they were received. However the portion which is not a donation and is the benefit deemed to relate to the following year is now shown as deferred income. This change in accounting policy has resulted in a restatement of the net incoming resources of £104k. In addition, as a result, the balance of the General Income Fund has been reduced by £589k and £693k at the end of February 2007 and 2008 respectively representing the deferred income for membership at each period end.

FIXED ASSETS & HERITAGE ASSETS

The new Visitor Centre at Culloden officially opened in April 2008 and assets totalling £9.4m previously classified as Assets Under Construction were transferred into Buildings, Fit-outs and Fixtures and Fittings. During the year £1.3m of cost for the new Robert Burns Birthplace Museum was added to Assets Under Construction. The total cost of the Burns Project is £21m which includes land valued at £2.8m transferred to the Trust at no cost and an endowment of £3m to cover any operating deficit. The Robert Burns Birthplace Museum, costing £16m to build, is funded by grants totalling £12m with the Trust having a fundraising target of £4m towards the cost of the project and a further £3m for the endowment.

The Charity Financial Reporting requirements require 'heritage assets' acquired after 1 March 2000 to be held on the Balance Sheet. 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. The accounts have been qualified on this point only by the auditors on the basis of this non-compliance.

CASH

At the year end the Trust had £4.7m of cash in the bank with a further £7.7m held in cash as part of the investment portfolio which could be used on a loan basis by the Trust giving a total cash figure of £12.4m. During the year the cash position fluctuates significantly due to seasonality. However throughout the year, cash held never fell below £2.4m.

CREDITORS

As part of its investment portfolio, the Trust directly holds a small portfolio of commercial properties which were partly funded through individual loans secured against them (not against the Trust). Five of the loans fell due for repayment during the year and the decision was taken to repay the loans in full given the very high costs of re-financing following the turmoil in the banking sector. In addition a part repayment was made on the remaining loans to ensure that the "Loan to value" covenant was not breached during the year should the values of property fall even further. As a result, such loans on investment properties reduced by £10m down to £4.8m. The remaining loans on investment properties expire in 2010 and are expected also to be repaid.


FUNDS

The overall value of the funds has fallen considerably over the year by £34m with losses on investments totalling £43m. However it should be noted that only £6m of the loss is a 'realised' loss meaning that the shares have been sold following their decline in value. The remaining £37m reduction in value is an 'unrealised' loss which means that there is the potential for values to recover over time. For the Trust, the income stream from its investment funds is 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. The portfolio was split into two during the year. One portfolio currently amounting to 75% of the total funds is designed to deliver real income growth and the other portfolio currently amounting to 25% will continue to be managed on a total return basis. Funds are allocated to either one of the pools based on the restrictions attached to the spending of capital. There has been a shift of emphasis from equities to corporate bonds, which now comprise 17.5% of the value of investments at the year end.

Most funds are measured on a total return basis and the total return fund performed in line with market comparators. The fund designed to deliver real income growth does not have any direct market comparators and although the value of the capital fell substantially, partly due to the banking sector stocks held, the income has shown real growth. The performance of the portfolio is reviewed independently by WM Company and has outperformed other charity income-focused funds.

SUMMARY

The general reserves of the Trust have, in real terms, been in decline for several years. The three-year plan that commenced in 2007 has generated significant savings, particularly on procurement, but the impact of falling visitor numbers and the recession necessitated further major cost reductions that can only be achieved by a reduction in staffing levels. Achieving financial sustainability continues to be the key priority for the Trust for the foreseeable future and the actions which have been taken since the end of this financial year and which will continue to be taken are designed to ensure that this is the case.



Lesley Watt, Finance Director, June 2009

THE REPORT OF THE BOARD

The Board is pleased to present its report for the year ended 28 February 2009. This report is prepared in accordance with the requirements of Statement of Recommended Practice – Accounting and Reporting by Charities (2005) and complies with applicable law.

CONSTITUTION

The Trust operates under The National Trust for Scotland Order Confirmation Acts 1935 to 1973.

OBJECTIVES, ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

Objectives

The Trust's Vision: Scotland's rich and diverse heritage is truly inspiring. By championing this heritage, and through excellent stewardship, the Trust will create exciting opportunities to benefit everyone.

The Trust's Mission: The National Trust for Scotland is the conservation charity that protects and promotes Scotland's natural and cultural heritage for present and future generations to enjoy.

Activities, Achievements and Performance

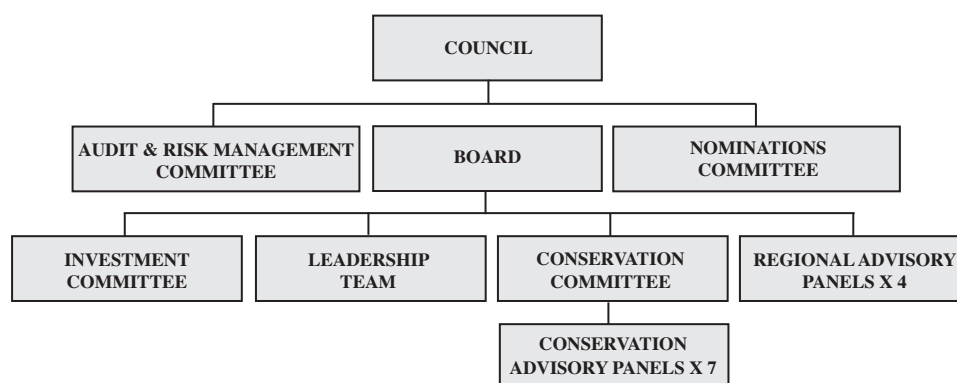
A three-year financial plan to achieve long-term financial sustainability was approved by the Board in April 2007.

The Trust's strategic aims are set out under five headings:

- **Conservation:** Deliver core conservation work to the standards of our Conservation Principles
- **Access, Enjoyment & Education:** Inspire the widest possible audience to enjoy Trust properties and support our conservation values in line with our Access, Enjoyment & Education Principles
- **Influence & Reputation:** Champion the cause of Scotland's heritage and build awareness of the full range of our activities
- **Organisation & Resources:** Develop our skills, culture and systems to operate more effectively, efficiently and sustainably
- **Financial Sustainability:** To increase our means to provide a financially sustainable future and a reasonable standard of life for our people

ORGANISATIONAL STRUCTURE

The organisational structure is outlined diagrammatically below:



THE COUNCIL

The Council of the National Trust for Scotland stands at the head of the Trust's governance. Its membership is made up of a President, up to six Vice-Presidents, 50 members elected by the members of the Trust, who are known as the Elected Members, and representatives nominated by societies and public bodies with an interest in the work of the Trust, known as the Representative Members. The identity of the societies and public bodies are reviewed regularly. In accordance with the constitution of the Trust, the number of Representative Members must not exceed the total number of Elected Members. The maximum membership is 100 but, at present, the Council has 71 members, 42 of whom are elected and is actively seeking new members. The Council holds a full-day meeting three times a year.

The Council's principal role is to act as the guarantor of the integrity of the Trust's operations. To this end, the Council approves the terms of reference of the Board. The Council is responsible for monitoring the Board's performance and appoints and can remove from office, the non-executive members of the Board. In addition, the Council is responsible for approving the establishment of all other bodies involved in the Trust's governance and the members of, and the terms of reference of, the Nominations Committee and the Audit & Risk Management Committee.

THE BOARD

The Board of the Trust is specifically entrusted with the general responsibility for the oversight of the running of the Trust and the power to make decisions on behalf of the Trust, subject to a requirement to report regularly to the Council on its stewardship. It makes use of a number of committees to advise it on various areas of the Trust's activities and certain responsibilities may be delegated to them. So far as possible, Board members are represented on each of these committees.

Board members appointed during the year on 1 October were Dick Balharry and Diana Murray, both of whom are non-Executive Directors. Mark Adderley, the Chief Executive resigned on 8 September 2008. With these exceptions, members of the Board held office throughout the year. Subsequent to the year end, Kate Mavor joined the Trust as Chief Executive and a member of the Board on 2 March 2009 and Andrew Bachell resigned from the Board on 20 July 2009. Full details of the current members of the Board are listed on page 34.

THE BOARD'S RESPONSIBILITIES

The National Trust for Scotland Order Confirmation Acts 1935 to 1973 require that annual financial statements are prepared and audited. The Council of The National Trust for Scotland has directed that the Board will be responsible for the preparation and approval of the financial statements. In having these financial statements prepared, the Board is required to:

- select suitable accounting policies and then ensure they are applied consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with regulations set out in The National Trust for Scotland Order Confirmation Acts 1935 to 1973; Regulation 8 of the Charities Accounts (Scotland) Regulations 2006. It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the web site in relation to the contents of the financial statements is the responsibility of the Board of the National Trust for Scotland. The work carried out by the auditors does not involve consideration of these matters and, accordingly, they accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

THE NOMINATIONS COMMITTEE

The Nominations Committee reports directly to the Council but operates independently of the Trust's governance. It identifies and recommends nominees for all appointments to be made by Council including those of the Board members. Skill gaps which will be left following the resignation of Board members are identified and the recruitment process aims to ensure that the gaps are filled. These include specific areas of conservation or business experience. The Nominations Committee is responsible for the appointments process to the Trust's Board and Committees.

THE AUDIT & RISK MANAGEMENT COMMITTEE

The Audit & Risk Management Committee is a standing Committee of Council, with an independent Convenor, which has been established and operates in accordance with current best practice relating to corporate governance.

The role of the Committee is to assess the integrity of the Trust's financial recording and reporting systems and the effectiveness of its internal controls, risk management systems and internal and external audit functions and to report to Council on its findings.

THE LEADERSHIP TEAM

The responsibility for managing the operations of the Trust in accordance with the Board's policies and for monitoring progress through the monthly and quarterly reporting systems lies with the Leadership Team. It reports regularly to the Board.

With the exception of Mark Adderley and Lorna Stoddart (who resigned on 8 August 2008), members held office throughout the year. Subsequent to the year end, Kate Mavor joined the Trust as Chief Executive on 2 March 2009, Dee McIntosh and Andrew Bachell resigned on 22 May and 20 July 2009 respectively. Full details of the current members of the Leadership Team are listed on page 34.

PERSONAL DEVELOPMENT AND SUPPORT TO COUNCIL AND BOARD MEMBERS

All members of the Trust's Council and Board receive an induction detailing members' roles and responsibilities and attend face-to-face group briefings. Regular reports are sent to each member including data relevant to any specific role they hold and generic information about the operations of the Trust. Where particularly complex or contentious issues are encountered, members are invited to attend specific briefings. A process of annual evaluation of the performance of the Board at both a corporate and individual level has been implemented.

RELATED PARTIES

The National Trust for Scotland has one wholly owned subsidiary undertaking, The National Trust for Scotland Enterprises Limited, the results of which are consolidated with those of the Trust. The Company's principal activities are the running of retail, catering, holiday cottages, cruises, hospitality and other sundry trading activities at The National Trust for Scotland properties.

POLICIES

Funds Policy

The General Income Fund (GIF), which represents the working reserves of the Trust, helps to ensure that the Trust can continue to comply with its obligations in the event of a shortfall in income or sudden upturn in expenditure. 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 during the succeeding twelve month period. At the year end this amounted to £17m and the target minimum amount is reviewed annually. The Trust currently only held £4.1m at the year end in the GIF. Its aim is to generate sufficient funds to fill this gap as soon as possible.

A number of the Trust's properties held for conservation have been endowed and such endowments have been given to the Trust either by donors or grant-making bodies on the condition that the capital will not be spent. It is the Trust's policy to seek adequate endowments for all new acquisitions and when circumstances permit to raise funds for those properties that are insufficiently endowed.

Unrestricted funds may from time to time be earmarked by the Board as 'designated' to meet future specific expenditure and to represent the present capital requirements of the Trust. Of the £25.3m of designated funds only £5.8m represented income earning investments, the balance represents tangible fixed assets funds mainly in relation to the new visitor attraction at Culloden and the administration buildings owned by the Trust which cannot be sold to support the Trust's operations.

Investment Policy

The Trust holds substantial funds for endowments and other restricted and designated purposes and the Board is advised by the Investment Committee on the management of the quoted and property investments.

The investment powers of the Trust are contained in The National Trust for Scotland Order Confirmation Act 1973 allowing investment in '...Such stocks, funds, shares, securities and any other investments... as the Council shall, in their absolute discretion, think fit'. Funds are currently invested mainly in UK equities and bonds, cash, overseas investments and property. Martin Currie Investment Management Limited has been appointed as the Trust's investment manager responsible for quoted securities. The Trust also holds directly a commercial property portfolio which is managed by Aberdeen Property Investors Ltd. In addition the Trust holds commercial property indirectly through a number of pooled funds. The asset allocation of the quoted and property funds is considered by the Committee on an annual basis or more frequently during periods of changing investment market conditions.

The objective is to meet income targets approved on an annual basis by the Board and to achieve an increase in the value of the income and investment portfolio in real terms over time, while maintaining prudent diversification of assets. During the year the investments were split into two portfolios. One portfolio currently amounting to £77.8m is designed to deliver real income growth over time and the other portfolio currently amounting to £25.6m will continue to be managed on a total return basis without regard to the split of returns between income and capital. Funds are allocated to either one of the pools based on the restrictions attached to the spending of capital. The performance of the portfolios is measured against appropriate benchmarks and reviewed regularly by the Investment Committee and the Board.

GOING CONCERN

The Audit & Risk Management Committee reviews the position in relation to Going Concern and advises the Board accordingly. The General Income Fund has increased by £928k during the accounting period and, based on assumptions which the Board has agreed, is expected to increase by £2m in 2009-10 following reductions in staffing levels and the sale of certain land and buildings which are not of continuing heritage interest to the Trust. The Trust has £4.7m of cash in banks and a further £7.7m held in deposits and cash included in investments which is readily available totalling £12.4m which the Board considers is more than sufficient to cover the forecast cash requirements in 2009-10.

TIMING OF INCOME AND EXPENDITURE

In accordance with the Charities Reporting Requirements, the Trust reports income from 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.

Similarly, as is required, the Trust reports income from grants in the year in which it is received. However the spend on large projects is usually capitalised and therefore does not appear as Outgoing Resources in the Statement of Financial Activities. As a result of the "mismatch" the capitalised expenditure is not offset against the income from grants and appeals and donations as the costs are held in the Balance Sheet usually, pending completion, under Assets Under Construction. If the capitalised costs on the Culloden Battlefield Memorial and the Robert Burns Birthplace Museum were taken into consideration then the net inflow of £9.5m would be reduced by £4.2m down to £5.3m.

RISK MANAGEMENT

The Board is responsible for ensuring that the Trust has effective systems of internal control and risk management and recognises that the management of risk is an integral aspect of all the Trust's activities. However, such systems can only provide reasonable, rather than absolute, assurance against material failure or loss.

The Trust operates a single consolidated risk register and risk management process and the Board is fully cognizant of the risks. In the normal course of business, there is a monthly Risk Management report reviewed and updated as relevant by the Leadership Team which monitors the Trust's risk management systems and raises awareness and understanding of the risks facing the Trust and how they are being managed. The risk register is on the Leadership Team agenda monthly and the Board agenda every two meetings for information, with a full review every 6 months. Risks are tracked with a target risk level agreed for risk mitigation over time. However the impact of the recession on the Trust forced the Trust to focus on the major risk being the financial one of failing to meet the requirements of a going concern. Since August, the focus of the Board has been to ensure that this risk has been fully mitigated. To that end Board Meetings have been held monthly instead of every second month. Both the Audit & Risk Management Committee and the Investment Committee have held additional meetings to review the position regularly. A formal review of the Risk Register is again being carried out and the normal more broadly based risk monitoring has resumed.

The Trust maintains an Internal Audit Service provided by the University of Edinburgh that regularly reviews areas of the Trust's operations and reports its findings and recommendations for improvement to the Audit & Risk Management Committee.

TAXATION

The Trust is a Scottish registered charity and is recognised as such by the Inland Revenue for UK taxation purposes. As a result there is no liability to UK taxation on any of its income or capital gains.

AUDITORS

The Council of the National Trust for Scotland recommends that Baker Tilly UK Audit LLP be re-appointed as auditors at the Annual General Meeting on 26 September 2009.

Approved by the Board on 11 June 2009 and signed on its behalf by:



Shonaig Macpherson CBE FRSE
Chairman

18 June 2009

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

We have audited the financial statements of the National Trust for Scotland for the year ended 28 February 2009 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Trust Balance Sheets, the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

We have been appointed auditors under section 27 of the National Trust for Scotland Order 1935. This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The responsibilities of the trustees for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the Trustees' Report is inconsistent with the financial statements, if the charity has not kept proper accounting records, if the financial statements do not accord with those records, or if we have not received all the information and explanations we require for our audit.

We read other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Report, the Chief Executive's Report, the Finance Director's Report and the Board Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

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 2009 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.

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

18 June 2009

Consolidated Statement of Financial Activities for the year ended 28 February 2009

	<i>Note</i>	Unrestricted Funds		Restricted Funds			Restated
		General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	Total 2009 £000s	Total 2008 £000s
INCOMING RESOURCES							
Incoming Resources from Generated Funds							
Membership Subscriptions		10,328	-	-	-	10,328	9,365
Appeals & Donations	3	833	-	2,113	1,567	4,513	3,273
Legacies		3,668	-	333	-	4,001	3,376
Commercial Activities	4	7,369	-	2,407	-	9,776	9,469
Investment Income	5	2,653	11	4,046	-	6,710	6,071
Grants	6	1,035	-	4,947	-	5,982	7,095
Income from Charitable Activities							
Property and Other Income	7	3,502	-	2,035	-	5,537	4,861
Other Incoming Resources							
Gain on Sale of Fixed Assets		1,300	-	3	-	1,303	342
		<u>30,688</u>	<u>11</u>	<u>15,884</u>	<u>1,567</u>	<u>48,150</u>	<u>43,852</u>
OUTGOING RESOURCES							
Cost of Generating Funds							
Membership and Recruitment		1,051	-	-	-	1,051	970
Publicity and Fund Raising		2,461	1	560	-	3,022	3,158
Commercial Activities	4	6,692	-	2,014	-	8,706	8,177
Charitable Expenditure							
Property Operating Expenditure	8	13,727	-	3,382	-	17,109	16,940
Conservation, Repairs & Improvements	9	4,252	-	4,107	-	8,359	8,088
Purchase of Property		-	-	-	-	-	65
Governance Costs							
		430	-	-	-	430	499
		<u>28,613</u>	<u>1</u>	<u>10,063</u>	<u>-</u>	<u>38,677</u>	<u>37,897</u>
Net Incoming Resources		2,075	10	5,821	1,567	9,473	5,955
Transfers between Funds		(275)	8,909	(8,770)	136	-	-
Realised (Losses) / Gains on Disposals of							
Investment Assets	5	(118)	(292)	(2,224)	(3,239)	(5,873)	11,149
Unrealised Losses on Revaluations of							
Investment Assets	5	(754)	(1,872)	(14,242)	(20,742)	(37,610)	(23,115)
Net Movement in Funds		<u>928</u>	<u>6,755</u>	<u>(19,415)</u>	<u>(22,278)</u>	<u>(34,010)</u>	<u>(6,011)</u>
Opening Fund Balances as previously reported		3,821	18,522	66,372	75,204	163,919	169,237
Prior period adjustment	28	(693)	-	-	-	(693)	-
Opening balance as restated		3,128	18,522	66,372	75,204	163,226	169,237
Closing Fund Balances	17	<u>4,056</u>	<u>25,277</u>	<u>46,957</u>	<u>52,926</u>	<u>129,216</u>	<u>163,226</u>

There were no acquired or discontinued activities during the year.

The Notes on Pages 20 to 33 form part of these Financial Statements

Consolidated Balance Sheet as at 28 February 2009

		2009		Restated 2008	
	<i>Notes</i>	£000s	£000s	£000s	£000s
NET ASSETS					
Fixed Assets					
Intangible	<i>11</i>		513		639
Tangible	<i>12</i>		21,723		20,818
Investments	<i>5</i>		108,652		154,075
Current Assets					
Stock	<i>13</i>	1,168		1,067	
Debtors	<i>14</i>	3,489		3,834	
Cash and Bank		4,696		3,724	
		9,353		8,625	
Current Liabilities					
Creditors: Amounts falling due within one year	<i>15</i>	(8,881)		(14,552)	
Net Current Assets / (Liabilities)			472		(5,927)
Total Assets less Current Liabilities			131,360		169,605
Creditors: Amounts falling due after more than one year	<i>16</i>		(2,144)		(6,379)
			129,216		163,226
FINANCED BY FUNDS					
Restricted Funds					
Endowments	<i>18</i>	52,926		75,204	
Other Restricted	<i>19</i>	46,957		66,372	
			99,883		141,576
Unrestricted Funds					
Designated – Tangible Fixed Assets	<i>20</i>	19,508		10,923	
Other Designated	<i>20</i>	5,769		7,599	
		25,277		18,522	
General Income		4,056		3,128	
			29,333		21,650
			129,216		163,226

The financial statements were approved by the Board on 11 June 2009 and signed on its behalf and authorised for issue by:



Shonaig Macpherson CBE, FRSE,
Chairman
18 June 2009

The Notes on Pages 20 to 33 form part of these Financial Statements

Trust Balance Sheet as at 28 February 2009

		2009		Restated 2008	
	<i>Notes</i>	£000s	£000s	£000s	£000s
NET ASSETS					
Fixed Assets					
Intangible	<i>11</i>		513		639
Tangible	<i>12</i>		21,723		20,818
Investments	<i>5</i>		108,652		154,075
Current Assets					
Stock	<i>13</i>	135		105	
Debtors	<i>14</i>	3,790		3,981	
Cash and Bank		4,696		3,724	
		8,621		7,810	
Current Liabilities					
Creditors: Amounts falling due within one year	<i>15</i>	(8,173)		(13,771)	
Net Current Assets / (Liabilities)			448		(5,961)
Total Assets less Current Liabilities			131,336		169,571
Creditors: Amounts falling due after more than one year	<i>16</i>		(2,120)		(6,345)
			129,216		163,226
FINANCED BY FUNDS					
Restricted Funds					
Endowments	<i>18</i>	52,926		75,204	
Other Restricted	<i>19</i>	46,957		66,372	
			99,883		141,576
Unrestricted Funds					
Designated – Tangible Fixed Assets	<i>20</i>	19,508		10,923	
Other Designated	<i>20</i>	5,769		7,599	
		25,277		18,522	
General Income		4,056		3,128	
			29,333		21,650
			129,216		163,226

The financial statements were approved by the Board on 11 June 2009 and signed on its behalf and authorised for issue by:



Shonaig Macpherson CBE, FRSE,
Chairman
18 June 2009

The Notes on Pages 20 to 33 form part of these Financial Statements

Consolidated Cash Flow Statement for the Year Ended 28 February 2009

		2009		Restated 2008	
	<i>Note</i>	£000s	£000s	£000s	£000s
Net Cash Inflow from Operating Activities			1,156		(185)
Investing Activities					
Purchase of Assets/New Buildings	12	(2,046)		(7,575)	
Endowment Fund		1,567		-	
Returns from Investments		6,710		6,071	
Receipts from Sales of Assets		1,615		347	
Purchase of Investments		(61,551)		(43,802)	
Sale of Investments		63,491		45,367	
Redemption of Investment Property Loans		(9,970)		-	
			(184)		
Increase in Cash			972		223

Notes to the Consolidated Cash Flow Statement

		2009	Restated 2008
	<i>Note</i>	£000s	£000s
RECONCILIATION OF MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Incoming Resources		9,473	5,955
Amortisation	11	126	113
Depreciation	12	829	365
Endowment Funds		(1,567)	-
Net Gain on Disposal of Assets		(1,303)	(342)
Returns from Investments		(6,710)	(6,071)
(Increase) in Stock		(101)	(105)
Decrease / (Increase) in Debtors		345	(272)
Increase in Creditors		64	172
Net Cash Inflow from Operating Activities		1,156	(185)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Opening Cash Balances as at 1 March		3,724	3,501
Closing Cash Balances as at 28 February		4,696	3,724
Increase in Cash		972	223

The Notes on Pages 20 to 33 form part of these Financial Statements

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and Statement of Recommended Practice – Reporting & Accounting by Charities 2005 (SORP).

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, the annual revaluation of listed investments to market value and in accordance with applicable accounting standards with the exception of FRS 15 in respect of inalienable and alienable assets (see Note 2 on page 22).

(b) Basis of consolidation

The results include those of the National Trust for Scotland, and those of National Trust for Scotland Enterprises Limited, the wholly-owned subsidiary of the Trust.

(c) Going Concern

Financial Reporting Standard 18 requires that the accounting policies of the Trust must be based on the “going concern” concept which means that the organisation is able to operate for the foreseeable future, on the basis of known and reasonably projected resources. The Trust has reviewed its cash requirements and is satisfied that there is sufficient cash available for at least the next twelve months following the date of approval of the accounts in line with the Charity reporting requirements. The accounts have therefore been prepared on a Going Concern basis.

(d) Incoming Resources

With the exception of membership subscriptions, income is recognised when the Trust has legal entitlement, there is reasonable certainty of receipt and the income is measurable. Income is shown within three categories in the Consolidated Statement of Financial Activities. Incoming resources from generated funds include voluntary income comprising membership subscriptions, appeals, donations and legacies. Income from charitable activities includes income from grants, admissions and rents from non-investment properties. Other incoming resources comprise mainly the net gain on the disposal of property.

(e) Membership Subscriptions

The element of annual membership subscriptions which is not regarded as a donation is deferred and released to the Statement of Financial Activities over the period to which the membership subscription relates. The element which is deemed to be a donation, is recognised on receipt. This represents a change in accounting policy from prior periods where annual membership subscriptions were included in full in the year in which they were received. A prior period adjustment has been made to reflect this change in accounting policy (Note 28). Life membership subscriptions are recognised in 15 equal annual instalments.

(f) Grants

Grants relating to core funding or which are of a general nature, even though they may be restricted for specific properties or projects, are treated as voluntary income.

(g) Legacies

Specific legacies are allocated to the relevant properties or funds following the wishes of the donor. All other legacies are credited to the General Income Fund. Legacies are recognised on receipt or when there is sufficient evidence to provide the necessary certainty that the legacy will be received and the value of incoming resources can be measured with sufficient reliability.

(h) Outgoing Resources

Expenditure is recognised when a liability falls due. Outgoing resources include the costs of support departments based in Edinburgh which relate directly to the preservation of properties. Where possible, expenditure has been charged directly to charitable expenditure or governance costs. Where this is not possible, the expenditure has been allocated on the basis of time spent by staff on each activity.

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its charitable activities and services for its beneficiaries.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- Cost of generating funds comprises those costs which are associated with the generation of income from sources other than from undertaking charitable activities, and includes fundraising, trading and investment management costs.

(i) Funds & Reserves

The summarised movements of funds analysed by category are shown in the Statement of Financial Activities.

The National Trust for Scotland's financial statements are a consolidation of over two hundred individual funds. These divide into two legally distinct categories, each with subcategories, which are defined as follows:

Restricted Funds

Restricted funds are funds subject to specific trusts or conditions, which are declared or made by the donor, or with authority of the donor (e.g. an appeal). Restricted funds can be restricted income funds or restricted capital funds. The Statement of Financial Activities identifies two main headings for restricted funds as follows:

Endowment Funds are capital funds where only the income from the invested money can be spent on work at properties. The income arising from these funds is either restricted or unrestricted and is accounted for accordingly in the Statement of Financial Activities.

Other Restricted Funds includes monies raised from specific appeals and legacies given for specific purposes. This also includes reserves created for use at specific properties either from prior year surpluses or from specific donations.

Unrestricted Funds

Unrestricted funds can be used at the discretion of the Board in furtherance of the objects of the Trust. In order to ensure that money is available for specific projects, certain funds are put aside and designated by the Board into separate funds and used accordingly. The Statement of Financial Activities splits unrestricted funds between designated funds and general funds. Designated funds include funds represented by costs of certain properties built by the Trust or occupied for administration purposes.

Transfers between Funds

Transfers are made between funds to reflect either the allocation of revenue and costs or a designation of funds for a specific purpose. Transfers are effected to ensure that only related investment income and income from each of specific legacies, donations and grants, remain in restricted funds. The balance on the restricted fund relating to appeals, donations and grant income for Newly Constructed Buildings is transferred to a designated fund on capitalisation.

General Income Fund

The General Income Fund ('GIF') is the working reserve of the Trust. When the expenditure of an individual property exceeds its income, and where it has no reserves of its own, the GIF covers the deficit. In addition, subject to the availability of funds, the GIF may be used to help fund an acquisition or to pay for a special project where no other sources of funding can be found. After making these transfers, the balance of the operating contribution is retained by the GIF as part of the Trust's reserves.

(j) Fixed Assets - Intangible

Single Farm Payments Entitlements are capitalised at cost and amortised over its useful life which is deemed to end in 2012. These were previously included in tangible fixed assets.

(k) Fixed Assets - Tangible

Fixed assets costing less than £5,000 are not capitalised.

Administrative offices at Charlotte Square, Edinburgh, are included at market value and are reviewed periodically and re-valued every five years. These offices are not depreciated as the residual value on disposal is expected to be equal to or in excess of the most recent valuation. Other administrative offices are held at cost and not depreciated, as there is a long estimated useful life and the residual value at disposal is expected to be equal to or in excess of acquisition cost; a review is carried out annually to confirm the values.

No value is put in the accounts on land and other properties held for conservation including heritage assets or on their contents. When these assets are sold, the full amount of the sale proceeds is recognised as a gain on sale in the Statement of Financial Activities.

The costs of material additions to new buildings are capitalised and written off over their estimated useful life.

Two new categories of fixed assets have been created to deal with newly constructed buildings which are deemed to have a finite life and the associated fit-out costs.

Depreciation is charged to write off the cost less estimated residual value of fixed assets over the expected useful life as follows:

Newly Constructed Buildings	30 years
Fit-out Costs	10 years
Office furniture and equipment	8 years
Fixtures and fittings	5 years
Motor vehicles	4 years
Computers	4 years

(l) Finance Leases

Assets obtained under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives.

(m) Investments

Investments are shown at market value. Directly held investment properties are valued at market value at 31 December each year by Colliers CRE who are independent surveyors. Unquoted investments are shown at the Board's valuation on advice. Additions are shown at cost with the exception of gifts which are shown at valuation on the date of gift. Gains and losses are recognised in the period in which they arise

(n) Stock

Stock is stated at the lower of cost and net realisable value. Cost is stated at the purchase price incurred by the Trust.

(o) Pension Schemes

The Trust operated a defined benefit scheme, which closed on 30 September 2001 and is currently in the course of being wound up. On that date, a defined contribution scheme was introduced through a Group Personal Pension Scheme. Contributions are expensed on a basis that spreads the cost of providing pensions over the employees' working lives with the Trust. Further detail is provided in Note 25.

(p) VAT

The Trust is registered for VAT, with partial exemption due to the nature of incoming resources. Expenditure is stated inclusive of any irrecoverable input tax.

2. FRS 15 – TANGIBLE FIXED ASSETS – DEPARTURE FROM THE REQUIREMENTS

The reporting requirements set out for Charities within the Statement of Recommended Practice (revised 2005) refer to a category of assets termed 'Heritage Assets'. Heritage assets are defined as assets which a charity holds in pursuit of preservation or conservation objectives. 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.

Financial Reporting Standard 15 (FRS 15) first applied to financial statements for the year ended 28 February 2001. Under FRS 15, the Trust is required to capitalise heritage assets if acquired after 1 March 2000.

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. Moreover the vast majority of the Trust's properties were acquired prior to 2000 and therefore the application of FRS 15 would result in the accounting treatment being fundamentally inconsistent and produce further distortion. In addition it would be extremely expensive to revalue the properties with no apparent additional benefit. The Trust has therefore excluded these properties from the balance sheet and they are not included among the tangible fixed assets disclosed in Note 12. In this respect the financial statements have been qualified by the auditors.

3. INCOME FROM APPEALS & DONATIONS

	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	Total 2009 £000s	Total 2008 £000s
Appeals and Donations	833	-	2,113	1,567	4,513	3,273
	<u>833</u>	<u>-</u>	<u>2,113</u>	<u>1,567</u>	<u>4,513</u>	<u>3,273</u>

During the year amounts raised through appeals and donations for the Culloden Battlefield Memorial and the Robert Burns Birthplace Museum totalled £49,994 and £1,435,930 respectively.

4. COMMERCIAL ACTIVITIES

The National Trust for Scotland Enterprises Limited is wholly owned by the Trust and incorporated in Scotland. Its results are consolidated with the results of the National Trust for Scotland. It is responsible for those activities of a commercial nature, such as retailing and catering at properties and the cruises operation, which, unlike most of the Trust's income, does not enjoy exemption from taxation. The company donates the whole of its net contribution to the Trust each year under Gift Aid. At 28 February 2009, the amount due to the Trust was £995k (2008: £1,123k).

The Turnover and Net Contributions to Trust Funds were:

	Turnover		Costs		Contribution	
	2009 £000s	2008 £000s	2009 £000s	2008 £000s	2009 £000s	2008 £000s
Retail	3,483	3,505	3,492	3,430	(9)	75
Catering	2,753	2,537	2,734	2,450	19	87
Holiday Cottages	957	970	661	555	296	415
Cruises	1,745	1,429	1,433	1,285	312	144
Other Income and events	838	1,028	386	457	452	571
	<u>9,776</u>	<u>9,469</u>	<u>8,706</u>	<u>8,177</u>	<u>1,070</u>	<u>1,292</u>

The Net Assets of the company are summarised as follows:

	2009 £000s	2008 £000s
Stock	1,033	961
Debtors	694	976
Creditors	(732)	(814)
Loan Account with the Trust	(995)	(1,123)
Net Assets	<u>-</u>	<u>-</u>

5. INVESTMENTS AND INVESTMENT INCOME

	Group and Trust	
	2009 £000s	2008 £000s
Opening Market Value	154,075	167,606
Additions at cost	61,551	43,802
Disposal proceeds	(63,491)	(45,367)
Unrealised (loss) / gain	(5,873)	11,149
Unrealised (loss)	(37,610)	(23,115)
Closing Market Value	108,652	154,075
Less: Bank loans (Note 16)	(4,833)	(14,803)
Market Value of Net Investments	<u>103,819</u>	<u>139,272</u>
Book Cost of Investments at 28 February	120,283	133,269

The following is a summary of the investments of all the funds of the Trust and the income arising from them:

	Capital Market Value		Investment Income	
	2009 £000s	2008 £000s	2009 £000s	2008 £000s
UK Equities	33,475	77,765	3,375	3,334
Property Investments	22,325	29,375	975	952
Overseas Investment	21,107	23,268	721	338
UK Fixed and Variable Interest Stocks	19,059	1,531	692	77
Deposits and Cash	7,726	3,707	314	457
Unit Trusts and Open Ended Securities	4,960	8,053	366	401
British Government Stocks	-	10,376	267	512
Total Market Value	108,652	154,075	6,710	6,071
Less Bank loans attributable to Property Investments	(4,833)	(14,803)		
Market Value of Net Investments	103,819	139,272		

No individual investment exceeds 5% of the total value of the portfolio. Commercial Property Investments have been funded using secured bank loans (see Note 16).

6. GRANTS

The National Trust for Scotland received grants from the following bodies:

	2009 £000s	2008 £000s
Scottish Government	2,862	2,890
Historic Scotland (on behalf of The Scottish Ministers and on the advice of the Historic Buildings Council for Scotland)	1,325	416
Scottish Natural Heritage	816	1,073
Local Authorities and Enterprise Companies	602	1,088
Heritage Lottery Fund (on behalf of National Heritage Memorial Fund)	273	370
European Union	76	1,157
Forestry Authority and Millennium Forest Scheme	28	101
	5,982	7,095

During the year grants totalling £2,049,175 and £652,326 were received for the Culloden Battlefield Memorial and the Robert Burns Birthplace Museum respectively. Further detail describing the impact of timing on expenditure and further commitments is contained in the Board Report.

7. PROPERTY & OTHER INCOME

	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	Total 2009 £000s	Total 2008 £000s
Admissions	1,392	-	1,162	-	2,554	2,310
Rents	1,325	-	595	-	1,920	1,246
Other	785	-	278	-	1,063	1,305
	3,502	-	2,035	-	5,537	4,861

Property and Other Income comprises income arising at properties including income from sponsorship and advertising revenue from the Scotland in Trust magazine.

8. PROPERTY OPERATING EXPENDITURE

Property Operating Expenditure consists of the following main areas of resources expended.

	2009	Re-classified
	£000s	2008
		£000s
Salaries & Wages	8,618	8,685
Support Costs (Note 10)	3,437	3,454
Other Overheads	1,474	1,443
Utilities	1,445	1,207
Maintenance & Equipment	1,160	841
Insurance	508	792
Travel & Subsistence	467	518
Total	<u>17,109</u>	<u>16,940</u>

9. CONSERVATION, REPAIRS AND IMPROVEMENTS

The National Trust for Scotland spent the following on conservation, repairs and improvements:

	2009	Re-classified
	£000s	2008
		£000s
Major projects	1,627	2,294
Routine conservation & repairs	3,681	3,798
Support costs (Note 10)	3,051	1,996
Total	<u>8,359</u>	<u>8,088</u>

Major projects vary year on year and as such spending will increase or decrease in accordance with the projects ongoing during each year. As stated in the Board Report the timing of related funding may not necessarily match related expenditure. Routine expenditure on conservation and repairs was consistent with 2008 at £3.7m.

10. SUPPORT COSTS

Support costs have been allocated to the following areas of resources expended. The basis of allocation is on the estimated time spent by the appropriate support service.

	Admin. &				2009	Re-classified
	Other	HR	Finance	ICT	£000s	2008
	£000s	£000s	£000s	£000s		£000s
Membership & Recruitment	77	107	87	35	306	316
Publicity & Fundraising	139	107	123	35	404	457
Property Operating Expenditure	1,921	749	558	209	3,437	3,454
Conservation, Repairs & Improv.	2,700	107	174	70	3,051	1,996
Governance	234	-	73	-	307	413
Total	<u>5,071</u>	<u>1,070</u>	<u>1,015</u>	<u>349</u>	<u>7,505</u>	<u>6,636</u>

11. INTANGIBLE FIXED ASSETS

	Single Farm Payment Entitlement £000s
Group and Trust Re-classified	
Cost and Valuation	
At 1 March 2008	752
At 28 February 2009	<u>752</u>
Amortisation	
At 1 March 2008	113
Charge for period	126
At 28 February 2009	<u>239</u>
Net Book Amount	
At 28 February 2009	<u>513</u>
At 29 February 2008	<u>639</u>

Single Farm Payment Entitlement represents amounts for the purchase of Single Farm Payments (SFP). These entitlements, when attached to eligible land, allow the owner to claim subsidies for farming and land management.

12. TANGIBLE FIXED ASSETS

Group and Trust	Assets under Construction £000s	Admin Offices £000s	Motor Vehicles £000s	Buildings £000s	Building Fit-outs £000s	Office Furniture £000s	Computer Equipment £000s	Fixtures & Fittings £000s	Total £000s
Cost and Valuation									
At 1 March 2008	10,699	9,395	1,786	-	-	708	1,072	686	24,346
Additions	1,331	-	160	-	-	-	274	281	2,046
Disposals	-	-	(83)	-	-	-	(305)	(22)	(410)
Transfers	(9,815)	-	-	6,165	2,826	-	368	456	-
At 28 February 2009	<u>2,215</u>	<u>9,395</u>	<u>1,863</u>	<u>6,165</u>	<u>2,826</u>	<u>708</u>	<u>1,409</u>	<u>1,401</u>	<u>25,982</u>
Depreciation									
At 1 March 2008	-	-	1,197	-	-	708	1,046	577	3,528
Charge for period	-	-	277	171	236	-	26	119	829
Disposals	-	-	(83)	-	-	-	-	(15)	(98)
At 28 February 2009	<u>-</u>	<u>-</u>	<u>1,391</u>	<u>171</u>	<u>236</u>	<u>708</u>	<u>1,072</u>	<u>681</u>	<u>4,259</u>
Net Book Amount									
At 28 February 2009	<u>2,215</u>	<u>9,395</u>	<u>472</u>	<u>5,994</u>	<u>2,590</u>	<u>-</u>	<u>337</u>	<u>720</u>	<u>21,723</u>
At 29 February 2008	<u>10,699</u>	<u>9,395</u>	<u>589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>109</u>	<u>20,818</u>

During the year the Culloden Visitor Centre was transferred from Assets Under Construction to Buildings, Building Fit-out and Fixtures and Fittings. The assets for the Robert Burns Birthplace Museum, which are included in Assets Under Construction, relate to fees and construction work for the project which is due for completion in 2010: further details are given in Note 26. The impact of timing of grants and appeals is detailed in the Board's Report.

Heritage assets are not capitalised: further detail is provided in Note 2.

The Trust's Administrative Offices in Charlotte Square, Edinburgh, were last valued as at 28 February 2009 by Rydens Chartered Surveyors on the basis of current use value. Note 26 details the associated contingent liability.

The Net Book Amount of the Assets held under Finance Lease agreements in the table above is nil (2008: £22,000). Accumulated depreciation at the year end was £88,000 (2008: £66,000) with £22,000 charged in the year (2008: £22,000). Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and written off over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is expended over the period of the lease. Insurance valuations of land and buildings which are not capitalised in these accounts currently amounts to £1.25 billion.

13. STOCK

	Group		Trust	
	2009 £000s	2008 £000s	2009 £000s	2008 £000s
Stocks for Resale	1,023	875	-	-
Farm Stocks	135	105	135	105
Raw Materials, Consumables and Work in Progress	10	87	-	-
	<u>1,168</u>	<u>1,067</u>	<u>135</u>	<u>105</u>

14. DEBTORS

	Group		Trust	
	2009 £000s	2008 £000s	2009 £000s	2008 £000s
Trade Debtors	447	553	447	553
Other Debtors including Tax Recoverable	866	780	866	780
Prepayments and Accrued Income	2,176	2,501	1,482	1,525
Amounts due from Subsidiary Undertakings	-	-	995	1,123
	<u>3,489</u>	<u>3,834</u>	<u>3,790</u>	<u>3,981</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2009 £000s	Restated 2008 £000s	2009 £000s	Restated 2008 £000s
Trade Creditors	2,031	2,810	2,031	2,810
Other Creditors	1,933	1,342	1,225	561
Taxation and Social Security	337	306	337	306
Accruals	420	279	420	279
Deferred Income (Note 28)	751	693	751	693
Life Members Account	87	82	87	82
Bank Loans	3,322	9,040	3,322	9,040
	<u>8,881</u>	<u>14,552</u>	<u>8,173</u>	<u>13,771</u>

16. CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2009 £000s	2008 £000s	2009 £000s	2008 £000s
Between one and two years				
Bank Loans	1,511	3,612	1,511	3,612
Life Members Account	83	79	83	79
Other Creditors	24	34	-	-
Between two and five years				
Bank Loans	-	2,151	-	2,151
Life Members Account	212	207	212	207
Between five and fifteen years				
Life Members Account	314	296	314	296
	<u>2,144</u>	<u>6,379</u>	<u>2,120</u>	<u>6,345</u>

Bank Loans: Bank loans referred to in Note 15 were taken out to support the purchase of certain property investments. The loans are secured independently against specific properties, analysed in the table below. Five bank loans totalling £9.04m were repaid in full during the period with an additional £930k repaid on the remaining loans to ensure that there was no breach of the Loan to Value covenants during the year.

	Group and Trust			
	2009		2008	
	Loan Amount £000s	Loan % to Market Value	Loan Amount £000s	Loan % to Market Value
Nurseries Portfolio	2,045	54.5	2,265	50.9
Hounstone Business Park, Yeovil	1,277	54.3	1,347	45.7
National Park, Leeds	851	54.2	1,191	55.4
Westpoint, Manchester	660	54.4	960	60.0
Cambrian Way Shopping Centre, Carmarthen	-	-	2,790	40.6
Dewsbury Road, Leeds	-	-	2,110	55.5
Lowfields, Elland	-	-	1,860	64.7
North Street, Glenrothes	-	-	1,200	46.2
Croset Avenue, Huddersfield	-	-	1,080	52.0
	<u>4,833</u>		<u>14,803</u>	

17. ANALYSIS OF NET ASSETS AMONG FUNDS

The Fund Balances at 28 February 2009 are represented by:

	General Funds £000s	Designated Funds £000s	Restricted Funds £000s	Endowment Funds £000s	Total £000s
Intangible Fixed Assets	513	-	-	-	513
Tangible Fixed Assets	-	19,508	2,215	-	21,723
Investments	6,334	4,747	42,237	55,334	108,652
Net Current Assets	(2,070)	1,088	3,109	(1,655)	472
Creditors due in more than one year	(721)	(66)	(604)	(753)	(2,144)
At 28 February 2009	<u>4,056</u>	<u>25,277</u>	<u>46,957</u>	<u>52,926</u>	<u>129,216</u>
At 29 February 2008	<u>3,128</u>	<u>18,522</u>	<u>66,372</u>	<u>75,204</u>	<u>163,226</u>

18. ENDOWMENT FUNDS

The following Endowment funds individually exceed 5% of the total of such funds:

Property	2008 £000s	Incoming Resources £000s	Resources Expended £000s	Changes in Market Value £000s	2009 £000s
Mar Lodge Estate	15,276	684	(684)	(4,862)	10,414
Newhailes	7,819	350	(350)	(2,488)	5,331
Threave	4,532	203	(203)	(1,442)	3,090
Fyvie Castle	3,903	175	(175)	(1,242)	2,661

19. OTHER RESTRICTED FUNDS

The Trust has in excess of 100 specifically restricted funds other than endowments and property reserves. The following funds individually exceed 5% of the total of such funds:

Fund Name	2008 £000s	Incoming Resources £000s	Resources Expended £000s	Changes in Market Value £000s	Transfers out £000s	2009 £000s
Tangible Fixed Asset Funds	10,699	683	-		(9,167)	2,215
Under Endowed Properties	5,443	305	(304)	(1,732)	-	3,712
H & Miss M Alexander	3,230	127	(14)	(1,054)	-	2,289

The Tangible Fixed Assets Fund relates to the Assets Under Construction for the Culloden Battlefield Memorial and the Robert Burns Birthplace Memorial which were funded through grants and appeals and donations. The Fund relating to Culloden totalling £8.8m was transferred into Designated Funds on completion of the project. In addition funds for the EPOS system were transferred into Designated Funds. The Under Endowed Properties fund supports the operating costs of those Trust properties which do not have an endowment or where the income from the endowment is insufficient to cover the operating costs of the property over the next ten years.

The H & Miss M Alexander fund is used for the purchase and restoration of collections and maintaining the collections donated by the Alexanders to the Trust over the next fifteen years.

20. DESIGNATED FUNDS

The following designated funds individually exceed 5% of the total of such funds:

Fund Name	2008 £000s	Transfers in £000s	Incoming Resources £000s	Resources Expended £000s	Changes in Market Value £000s	2009 £000s
Tangible Fixed Asset Funds	10,119	9,167	1,363	(1,141)	-	19,508
Committed Maintenance Fund	4,285	-	192	(192)	(1,364)	2,921
Maintenance for Geilston	2,023	-	91	(91)	(644)	1,379

Details of the Tangible Fixed Asset fund which supports the properties owned and occupied for administrative purposes are contained in Note 12 along with the associated contingent liability in Note 26. A designated fund for the Newly Constructed Buildings for Culloden was also established by transferring the amount capitalised from restricted funds to match the depreciation on the fixed assets. The Newly Constructed Buildings fund is amortised over the same period. The fund also supports a number of other tangible fixed assets against which depreciation is charged.

The Committed Maintenance Fund was established to support the back log of maintenance costs at the Trust's properties for the next ten years. The Maintenance for Geilston Fund was created from a bequest by EC Hendry and is to provide for maintenance for Geilston House and Gardens.

21. AUDITOR'S REMUNERATION

Remuneration for the 12 months to 28 February 2009 was £31,500 (2008: £28,650) for audit services and £2,060 for non-audit services (2008: £18,016).

22. NON-AUDIT SERVICES

In common with many other organisations of a similar size, the Trust's advisors prepare and submit returns to the tax authorities.

23. REMUNERATION OF TRUSTEES

The emoluments paid during the period to the Trustees who were employees of the Charity during the period were:

	2009		2008	
	Emoluments £000s	Employer's Pension Contribution £000s	Emoluments £000s	Employer's Pension Contribution £000s
Mark Adderley	135,660	8,437	170,100	12,798
Andrew Bachell	99,250	8,694	25,560	5,471
Michael Hunter	85,443	31,931	78,458	13,200
Lesley Watt	97,175	-	99,650	6,249

24. REMUNERATION OF COUNCIL MEMBERS AND EMPLOYEES

No remuneration has been paid to members or former members of Council in respect of their duties as Council members. Expenses totalling £21,739 (2008: £21,491) were reimbursed to 23 (2008: 33) Committee, Board and Council Members.

The average number of full time equivalent employees, on permanent and fixed term contracts, was 466 (2008: 460). The average number of seasonal employees was 626 (2008: 592). Redundancy costs totalling £800,004 have been included in 2009. Details of staff costs and emoluments for the year are as follows:

	2009		2008	
	Permanent Staff £000s	Seasonal Staff £000s	Permanent Staff £000s	Seasonal Staff £000s
Gross Pay	11,070	3,892	10,469	3,487
Employers NI	1,057	156	999	137
Employers Pension	666	18	593	16
	<u>12,793</u>	<u>4,066</u>	<u>12,061</u>	<u>3,640</u>

The numbers of employees whose annual emoluments were above £60,000 were:

	2009		2008	
	Number of Employees	Employer's Pension Contribution	Number of Employees	Employer's Pension Contribution
Between £60,000 and £69,999	3	-	3	£17,530
Between £70,000 and £79,999	1	£6,379	1	£3,055
Between £80,000 and £89,999	2	£31,931	2	£13,200
Between £90,000 and £99,999	2	£8,694	2	£11,720
Between £130,000 and £139,999	1	£8,437	-	-
Between £170,000 and £179,999	-	-	1	12,798

25. THE NATIONAL TRUST FOR SCOTLAND PENSION SCHEMES

The Trust now operates a defined contribution group personal pension scheme for employees. This scheme was established on 1 October 2001 and is administered by Standard Life. Prior to that date, the Trust operated a defined benefit scheme. The defined benefit scheme is currently being wound up and members have been offered the opportunity to transfer their benefits to the defined contribution scheme.

Defined Contribution Scheme

Total pension contributions paid during the year were £892,663 (2008: £837,257) to the defined contribution scheme.

Defined Benefit Scheme

To comply with accounting standards, the following information is disclosed.

A formal actuarial valuation was undertaken on 1 November 1999 using the projected unit method. This valuation showed that the total market value of assets was £15,775,000 and that this represented 130% of the value of benefits that had accrued to members after allowing for expected future increases to earnings. The main assumptions used for the valuation were as follows:

Discount rate for valuing liabilities

Pre-Retirement	6.5% pa
Post-Retirement	5.0% pa
Increases to Pensionable Salaries	4.0% pa
Price Inflation	2.5% pa

The liabilities of the Pension Fund as at 29 February 2008 and 28 February 2009 have been assessed by valuing the benefits that could have been purchased at that date from the insurance company with whom the assets of the Scheme have been placed pending wind up. The liabilities have therefore been valued using the financial assumptions that would have been used by the insurance company had the Scheme been wound up on either of these two dates. As such, the liabilities are equal to the estimated value of the assets of the Scheme. It should be noted that the value placed on the liabilities does not allow for the benefits to be secured in full.

The expected long-term rates of return and market values of the assets which are all held in bonds were:

	2009		2008	
	Expected Long Term Rate of Return	Market Value £000s	Expected Long Term Rate of Return	Market Value £000s
Bonds	7.10%	16,471	6.55%	15,596
Present Value of Scheme Liabilities	-	(16,471)	-	(15,596)
		-		-

Since the defined benefit scheme is closed and the Pension Scheme Trustees consequent decision to proceed to wind up, the Trust has been in discussion with the Scheme Trustees regarding its obligations to meet any statutory debt. An actuarial assessment on 12 July 2004 estimated that there would be no statutory debt in winding up at that date in terms of the debt regulations that applied when the Plan was put into wind up on 26 November 2001 and no such debt would have arisen at 28 February 2009.

Such a debt may however arise and increase in future depending on movements in the value of the scheme's assets or liabilities until the scheme is formally wound up. The scheme did not previously qualify for the Financial Assistance Scheme which is the Government Scheme to underpin the shortfall on qualifying schemes. However the scope was extended in August 2008 to include the Trust's scheme and this is of significant benefit to affected members. The scheme is expected to be wound up by the end of August 2009.

There were no pension charges in the year in respect of the Defined Benefit Plan.

	2009 £000s	2008 £000s	2007 £000s	2006 £000s	2005 £000s
Analysis of amount in Statement of Financial Activities (SoFA)					
Actual Return less expected return on Pension Scheme Assets	141	(870)	(988)	1,226	714
Experience Gains and Losses arising on the Scheme Liabilities	(141)	870	1,069	(71)	43
Change in Assumption Underlying the Present Value of the Scheme Liabilities	-	-	-	(526)	(695)
Actuarial / gain to be recognised in SoFA	<u>-</u>	<u>-</u>	<u>81</u>	<u>629</u>	<u>62</u>
Movement in (Deficit) during year					
Opening Deficit in Scheme	-	-	-	(563)	(526)
Actuarial Losses	-	-	(81)	(66)	(99)
Net Return on Assets	-	-	81	629	62
Closing Deficit in Scheme	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

26. COMMITMENTS & CONTINGENT LIABILITIES

Commitments

At 28 February 2009, the Group had the following commitments:

	£
• In respect of charter fees for cruise holidays	1,365,000
• In respect of the building for the Robert Burns Memorial Birthplace Museum	10,465,685

Contingent Liabilities

As at 28 February 2009, the Group had the following contingent liabilities:

- A clawback in the event of any sale of Wemyss House of acquisition and refurbishment grants totalling £6,897,500 from the Heritage Lottery Fund (on behalf of the National Heritage Memorial Fund) and of an acquisition grant of £700,000 from Historic Scotland on behalf of the Scottish Ministers and on the advice of the Historic Buildings Council for Scotland).

- Northgate Information Solutions UK Limited which was the supplier of the Information Technology Managed Service provided to the Trust is in dispute with the Trust. This contract was terminated by the Trust for breach of contract by Northgate.

27. DERIVATIVES

The Trust has entered into a number of interest rate swap agreements to limit its exposure to rising interest rates in respect of floating rate loans amounting to £4,833,000 (see Note 16) used to finance purchases in investment properties. At the balance sheet date, £3,612,000 of interest rate swaps were held in order to fix the interest rates payable. Interest rates on these swaps vary between 4.87% and 4.91% with termination in January 2010.

28. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has arisen as a result of a change in accounting policy during the year in respect of membership subscriptions in order to comply with the Financial Reporting Requirements. This change in accounting policy has reduced the balance of the General Income Fund by £589k as at 28 February 2007 and by £693k as at 29 February 2008. This represents the deferred income for membership at each period end. The net incoming resources of the charity for the year ended 29 February 2008 has been restated and has decreased by £104k to £5,955k to reflect the increase in the deferral during 2007/08.

29. RELATED PARTY TRANSACTIONS

The Trust has considered the disclosure requirements of the Statement of Recommended Practice – Reporting & Accounting by Charities 2005 (SORP), and of FRS 8. The Trust facilities are used by connected parties on a commercial basis and the Trust believes that only the following related party transactions require disclosure:-

Marjorie Connell is an Elected Member of Council whose spouse is a Partner of the Law Firm Turcan Connell which has provided staff on secondment to the Trust and provided legal advice.

The President, the Duke of Buccleuch and Queensberry is Chairman of the Buccleuch Group of companies which hold a controlling stake in Alba Trees Ltd. Alba Trees Ltd has been a supplier of trees to a number of Trust properties.

Tom Duff, an Elected Member of Council, is a partner in the architectural practice of LDN Architects LLP, which is assisting the Trust with projects at Threadneedle Street, Peterhead and Newhailes. Payments received in the year by LDN Architects LLP were £76,235. No creditor was outstanding at year end. He has no personal involvement in this project. He is however helping a partnership of four charities – one of which is the Trust – in their attempt to save the former Glen o’ Dee Sanatorium in Banchory. His appointment was originally with one of the other trusts and predates his election as a Member of Council.

Beryl Leatherhead is a Representative Member of the Trust’s Council and represents the Mountaineering Council of Scotland (MCofS). The MCofS rent a property from the Trust at the Old Granary building in Perth and pays the Trust £9,350 per annum; no amounts were outstanding at the year end.

The Chairman, Shonaig Macpherson is a member of the Princes Trust Council who carry out some joint work with the Trust.

Professor Michael Moss, an Elected Member of Council, is a member of the Lord Chancellor’s Advisory Council and Non-Executive Director of the National Archives of Scotland that, amongst its duties, allocates manuscripts in lieu of tax and gives advice about “Freedom of Information” requests which can include information that relates to heritage.

Diana Murray, an Elected Member of Council and a member of the Board, is Chief Executive of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS). In the year RCAHMS undertook survey work in partnership with the Trust at Balmerino, Craigievar and on St Kilda. Two members of staff at RCAHMS – Jack Stevenson and Simon Green, serve on NTS specialist committees. No remuneration is received for this work.

Dr Jeffrey Stone, an Elected Member of Council, is Chairman of the St Kilda Club, an independent registered charity and limited company which donates funds towards projects of its choosing on St Kilda.

Andrew Wright, a member of the Conservation Committee, was in receipt of the total sum of £3,875 for undertaking the preparation of conservation plans for Inverewe House and Canna House. This work had been commissioned by the Trust in August 2006.

Rebecca Bailey is a member of the senior management team of the Royal Commission on the Ancient and Historical Monuments of Scotland and that organisation has received the following payments from the Trust during the period 1 March 2008 to 28 February 2009:

£17,500 as partnership contribution to Scotland’s Rural Past (Rebecca Bailey is on the management board for this project); £400 as partnership contribution to a shared design project for the Heritage Education Forum (Rebecca Bailey directly managed this project); £3,669 as partnership contribution to the survey costs of recording carvings at Craigievar Castle (Rebecca Bailey had no direct involvement with this project).

BOARD MEMBERS

Non-Executive Members

Shonaig Macpherson CBE, FRSE *Chairman*
Major General John Barr CB, CBE (*term ended 30 September 2008*)
Dick Balharry (*appointed 1 October 2008*)
Professor Roger Crofts CBE
Nora Senior
Alison Loudon (*term ended 30 September 2008*)
Donald McDonald
Professor Michael Moss
Diana Murray (*appointed 1 October 2008*)
Jessica Pepper
Dr Lawrence Rolland
Andrew Salvesen

Executive Members and Leadership Team Members

Kate Mavor, *Chief Executive (appointed 2 March 2009)*
Mark Adderley, *Chief Executive (resigned 8 September 2008)*
Andrew Bachell, *Conservation Services & Projects Director (resigned 20 July 2009)*
Michael Hunter, *Property and Visitor Services Director*
Lesley Watt, *Finance Director & Trust Secretary*

Leadership Team Members

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

Sandy Batho, *Director of Human Resources & Change*
Henk Berits, *Director of Commercial Services & Marketing*
Dee McIntosh, *Director of Policy & Communications (resigned 22 May 2009)*
Lorna Stoddart, *Director of Development (resigned 8 August 2008)*

Committee Convenors

Professor Roger Crofts, *Conservation Committee*
Christopher Fletcher, *Finance Committee (until 15 August 2008 when the function of the Committee was directly assumed by the Board)*
Barbara Kelly, DBE, *Nominations Committee*
Richard Martin, *Investment Committee*
Frank Hitchman, *Audit & Risk Management Committee*

Conservation Advisory Panels Convenors

Dr David Chamberlain, *Convenor of the Gardens and Designed Landscapes Panel (until October 2008)*
David Mitchell, *Convenor of the Gardens and Designed Landscapes Panel (from September 2008)*
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 Michael Moss, *Convenor of the Archives & Libraries Panel (until 15 January 2009 when it merged to form the Collections Advisory Panel)*
Fiona Walker, *Convenor of the Interiors and Collections Panel (until 15 January 2009 when it merged to form the Collections Advisory Panel)*
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*

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