

The Accounts

for the year ended 28 February 2002

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Consolidated Statement of Financial Activities

for the year ended 28 February 2002

	Note	UNRESTRICTED FUNDS		TIED FUNDS		Total	Total
		General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2002 £'000	2001 (as restated) £'000
Incoming resources							
Donations, legacies and similar incoming resources:							
Appeals and gifts	7	19	53	7,343	29	7,444	9,890
Legacies		-	28,625	10,271	130	39,026	38,820
Revenue grants and contributions	8	166	63	7,453	-	7,682	5,308
Activities in furtherance of the Charity's objects:							
Membership income	9	66,823	-	-	-	66,823	62,806
Capital grants and contributions	8	-	91	11,777	-	11,868	10,584
Direct property income	10	16,230	3,164	14,342	-	33,736	33,129
Activities for generating funds:							
NT Enterprises income	11	57,210	-	-	-	57,210	58,109
Investment income	22	4,214	3,149	17,775	736	25,874	25,878
Net gain on disposal of freeholds and leaseholds		-	482	892	235	1,609	2,864
Total incoming resources		144,662	35,627	69,853	1,130	251,272	247,388
Resources expended							
COST OF GENERATING FUNDS:							
NT Enterprises costs	11	48,366	-	-	-	48,366	48,136
Fundraising costs	12	1,945	122	443	-	2,510	3,219
Investment management fees		80	151	314	484	1,029	1,166
		50,391	273	757	484	51,905	52,521
CHARITABLE EXPENDITURE:							
Costs of activities in furtherance of the Charity's objects:							
Routine property running costs	13	58,981	3,741	30,593	13	93,328	84,552
Capital projects expenditure	14	-	29,868	25,798	-	55,666	50,822
Acquisitions	15	-	1,748	4,378	129	6,255	5,569
Conservation and advisory services	16	4,204	489	394	-	5,087	4,527
Membership, recruitment and publicity	17	18,508	4,402	-	-	22,910	20,361
Support costs	18	7,577	6,212	-	-	13,789	8,147
Management and administration	19	1,625	7	-	-	1,632	1,618
		90,895	46,467	61,163	142	198,667	175,596
Total resources expended		141,286	46,740	61,920	626	250,572	228,117
Net incoming resources/(resources expended)							
before transfers		3,376	(11,113)	7,933	504	700	19,271
Transfers between funds	27	(10,771)	10,508	(43)	306	-	-
Net incoming resources/(resources expended)		(7,395)	(605)	7,890	810	700	19,271
Net losses on investment assets		(1,834)	(6,494)	(21,453)	(39,736)	(69,517)	(12,796)
Net movement in funds		(9,229)	(7,099)	(13,563)	(38,926)	(68,817)	6,475
Fund balances brought forward at 1 March							
(as restated)	27	22,662	154,087	222,683	354,586	754,018	747,543
Fund balances carried forward at 28 February	27	13,433	146,988	209,120	315,660	685,201	754,018

All amounts above derive from continuing operations and the National Trust has no recognised gains or losses other than those passing through the Consolidated Statement of Financial Activities.

Consolidated Balance Sheet

as at 28 February 2002

	Note	2002 £'000	2001 (as restated) £'000
FIXED ASSETS			
Tangible fixed assets	21	20,376	17,670
Investments	22	667,842	725,458
		688,218	743,128
CURRENT ASSETS			
Stocks	23	7,333	7,083
Debtors	24	32,226	32,742
Working cash balance	22	5,213	14,141
		44,772	53,966
DEDUCT: CURRENT LIABILITIES			
Creditors: amounts falling due within one year	25	38,424	34,073
		6,348	19,893
NET CURRENT ASSETS			
Total assets less current liabilities		694,566	763,021
Deduct: Life membership equalisation account	26	9,365	9,003
Net assets		685,201	754,018
Represented by:			
Endowment Funds	27	315,660	354,586
Restricted Funds	27	209,120	222,683
Designated Funds			
Committed Maintenance Fund	27	35,754	44,090
Other Designated Funds	27	111,234	109,997
		146,988	154,087
TOTAL OF TIED AND DESIGNATED FUNDS			
		671,768	731,356
General Fund	27	13,433	22,662
Total funds		685,201	754,018

Approved by the Council on 21 June 2002
and signed on its behalf by

CHARLES NUNNELEY

DUDLEY FISHBURN

Consolidated Cash Flow Statement

for the year ended 28 February 2002

	Note	Total 2002 £'000	Total 2001 £'000
Net cash outflow from operating activities	29a	(11,797)	(4,867)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Investment income received	22	25,874	25,878
CAPITAL EXPENDITURE			
Net purchase of investments	22	(13,910)	(18,718)
Acquisitions	15	(6,255)	(5,569)
Capital projects expenditure	14	(55,666)	(50,822)
Sales of freeholds and leaseholds		1,609	2,864
Purchase of tangible fixed assets	21	(7,359)	(4,913)
Sales of tangible fixed assets		-	64
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(81,581)	(77,094)
CASH OUTFLOW BEFORE FINANCING		(67,504)	(56,083)
FINANCING			
Receipts of legacies		39,026	38,820
Receipts of grants and contributions	8	19,550	15,892
CASH INFLOW FROM FINANCING		58,576	54,712
Net decrease in working cash balances	29b	(8,928)	(1,371)

1 Assets and liabilities not recognised in the Annual Accounts

The National Trust's purpose is to preserve places of historic interest or natural beauty permanently for the benefit of the nation. This is mainly achieved by declaring properties 'inalienable'. This unique power is the cornerstone of the Trust's work. Property declared inalienable cannot be voluntarily sold, mortgaged or compulsorily purchased against the Trust's wishes without invoking a special parliamentary procedure. Inalienable properties and other properties held for preservation are not assets in the normal sense and bring with them a permanent responsibility for their future care that imposes perpetual financial liabilities, the full extent of which cannot be quantified.

Financial Reporting Standard No. 15 (FRS 15) first applied to the Financial Statements for the year ended 28 February 2001. Under FRS 15, the Trust would be required to capitalise on its balance sheet all tangible fixed assets, including inalienable assets. As a transitional arrangement, providing certain conditions apply, FRS 15 would permit the Trust to exclude from its balance sheet those inalienable assets acquired prior to 1 March 2000. However, any assets acquired, or any improvements made, after 1 March 2000 would have to be capitalised.

The Council of the National Trust has considered the position carefully and has concluded that, in the Trust's particular

circumstances, the application of FRS 15 to inalienable properties and properties held for preservation would result in a distorted view of the Trust's financial position. As stated above, these properties are not 'assets' in the normal sense as any value placed on them would be offset by the liability for maintaining them in perpetuity. The Trust has therefore excluded these properties and associated liabilities from the balance sheet.

This position was specifically recognised by the National Trust Act 1971 which permitted the Trust to exclude from the accounts assets held for preservation and any long-term obligation for their future maintenance. However, the Council has been advised that this permission does not override the requirements of FRS 15. The auditors note this departure in their report.

The buildings concerned are insured for reinstatement at a value of £4.4 billion.

The Trust continues to make progress on the identification and categorisation of outstanding capital and maintenance expenditure tasks on buildings and their contents, including those funded by the Committed Maintenance Fund and tied funds. These are now analysed into categories of cyclical and backlog tasks. Cyclical tasks are defined as requiring

repetition at regular intervals to ensure the maintenance of agreed standards and are sub-divided into short-term (up to five years) and long-term. Backlog tasks are defined as tasks that have gone past their cyclical date.

The total of such expenditure identified at 28 February 2002 was approximately £212 million (2001: £225 million), of which £184 million (2001: £197 million) related to backlog tasks, £14 million (2001: £15 million) to long-term cyclical tasks (scheduled for 2002–3), and £14 million (2001: £13 million) to short-term cyclical tasks (also scheduled for 2002–3). These figures have been compiled from existing survey information. Building surveys for major buildings are normally carried out at intervals of five years. As new surveys of our liabilities are completed, the list of outstanding tasks is expected to increase.

Additionally, every property in the Trust (including open-space properties) has undertaken to produce a Property Management Plan which will contain estimates of outstanding conservation tasks. The Council has set a target of reducing the identified backlog by an average of 5% per annum over 10 years. The backlog was reduced by approximately 7% in the year ended 28 February 2002.

2 Form of the Accounts

The provisions of the Statement of Recommended Practice, Accounting and Reporting by Charities, issued by the Charity Commission with the approval of the Accounting Standards Board in October 2000, and The Charities (Accounts and Reports) Regulations 1995 and 2000 have been adopted. As a consequence certain comparative figures in the financial

statements have been restated for consistency with the current year's presentation.

The accounts comprise three principal statements supported by notes. These statements are:

i Consolidated Statement of Financial Activities

This analyses all resources arising and expended and shows all movements in the Funds for the year. Income and costs relating to Special Trust properties (see Note 28) have been allocated to the General Fund and Designated Funds where those properties have insufficient funds to meet expenditure.

2 Form of the Accounts (continued)

ii Consolidated Balance Sheet

This summarises the working assets used by the Trust to achieve its objective of preserving places of historic interest or natural beauty.

iii Consolidated Cash Flow Statement

This shows how the net cash inflow from operating activities and investment income is used to finance capital projects and fixed assets. The resulting shortfall, or cash outflow, is met from legacies and grants.

The National Trust's accounts are a consolidation of more than 2,500 individual funds. These divide into two distinct categories which have been analysed in accordance with the Statement of Recommended Practice (SORP) as follows:

Unrestricted Funds

The use of these funds has not been restricted to a particular purpose by the donor or their representatives. They are divided into the General Fund and Designated Funds.

General Fund

The General Fund is the free fund of the Trust. It is not tied or designated as are the other funds for use on a particular property or in a particular area or for some other defined or designated purpose. The General Fund has to provide for the net deficit of all properties that have inadequate income of their own to meet the costs of their maintenance, improvement and management (see Note 28). It has to pay for the general administration of the Trust, for servicing the membership and for publicity. It also acts as an emergency reserve fund to ensure that the Trust is able to continue with its obligations in the event of a shortfall in income or sudden upturn in expenditure.

Designated Funds

Designated Funds are those which have been allocated by the Trust for particular purposes. The largest such fund is the Committed Maintenance Fund, which pays for conservation projects at properties supported by the General Fund, after allowing for grants and other contributions. The Development Fund has been established to fund projects (such as Information Systems) which do not strictly fall into the category of maintenance or conservation. The balances on these funds at the end of the year equate to the estimated future cost of projects which had commenced prior to the year end and those planned for the forthcoming year. The Trust has also established a Fixed Asset Reserve to meet its requirements for fixed asset investment and an Under-endowed Property Reserve to help support properties which either have inadequate endowment or no endowment at all. Appropriations are made to these funds from surplus income arising on the General Fund. Where donors or their representatives have not specified a particular purpose to which their donation or bequest must be put, the Finance Committee may appropriate such income into the Committed Maintenance Fund, Fixed Asset Reserve, Under-endowed Property Reserve, Development Fund or other Designated Funds.

Tied Funds

These are funds tied to particular purposes. They are divided into Restricted Funds and Endowment Funds.

Restricted Funds

These include gifts and legacies which have been given or bequeathed to the Trust to be used in accordance with the wishes of the donors or their

representatives. Both the capital and the income may be applied for the purposes for which the funds were donated. The use of these funds is generally restricted to the maintenance, improvement and management of specific properties or to the purchase of a specific property or a property in a named locality. Until they are expended, the funds are invested in stocks, shares, deposits and property.

Endowment Funds

These relate to properties and chattels held for preservation. Many of the properties held for preservation have been endowed. Endowments have either been given to the Trust by the donors and grant-giving bodies on condition that the capital will not be spent or they have been created by the Trust under the powers contained in Section 10 of the National Trust Act 1937. Under this section the Trust has the power to determine that the capital or income of selected funds may be devoted exclusively to defraying the expenses of particular properties. This explicit power has been used to supplement some endowments from unrestricted funds to ensure that an adequate income is generated to meet the needs of the property concerned.

In the year ended 28 February 2002 £1.2 million was transferred from income funds to capital endowment funds (2001: £0.7 million).

The funds are represented by stocks, shares, deposits, farms and other property. They are used only for the purpose of earning income to pay for the upkeep, improvement and management of the property or properties to which they relate. In some cases any income then remaining may be used for the general or defined purposes of the Trust.

3 Accounting Policies

Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of investment properties and the annual revaluation of listed investments to market value, and in accordance with applicable accounting standards. Following the introduction of the new SORP and FRS 18 Accounting Policies, the National Trust has revised its accounting policies regarding legacies and annual membership income and the comparative figures have been restated accordingly. The impact of these changes is set out in Note 27.

Basis of consolidation

The consolidated accounts consist of the Charity and its subsidiary, The National Trust (Enterprises) Limited. No separate balance sheet is shown for the Charity as its subsidiary retains no assets. The subsidiary's results and balance sheet are disclosed in note 11 of the financial statements.

Accounting for income

Appeals and gifts

Appeals and gifts are accounted for when the income is received.

Legacies

Legacies are accounted for on a receivable basis. In previous years legacies were accounted for on a received basis. Note 27 sets out the impact on the opening reserves.

Grants and contributions

Revenue and capital grants and contributions are accounted for on a receivable basis.

Membership income

The estimated element of the annual membership income considered to be a donation is accounted for as and when the income is received. The balance of membership income is deferred and

released to the Consolidated Statement of Financial Activities (SOFA) over the period to which the membership relates.

Life membership subscriptions are credited to the life membership equalisation account and from there to income in ten equal annual instalments. Gift aid and deed of covenant income resulting from membership is accounted for on a receivable basis. In previous years membership income was accounted for on a received basis. Note 27 sets out the impact on the opening reserves.

Rents

Rents are included as income in the period in which they become due for payment.

Investments and investment income

All investments are stated at market value, and the movement shown in the Consolidated Statement of Financial Activities comprises both realised and unrealised gains and losses.

Investment properties are included at valuation on an open market, existing-use basis. Valuations are carried out by the Trust's own professionally qualified surveyors. Income from deposits is accounted for on a receivable basis; all other investment income is accounted for when received.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the Charity and include head office projects. Management and administration costs are those incurred in connection with administration of the

Charity and compliance with constitutional and statutory requirements.

Pension costs

The defined benefit scheme provides benefits based on final pensionable salary. The expected costs of providing these benefits are charged so as to spread the cost over the service lives of the employees in the scheme.

Operating leases

Rentals applicable to operating leases are charged to the Consolidated Statement of Financial Activities over the period in which the cost is incurred.

Fixed assets

Fixed assets include properties owned and occupied for administrative purposes, which are stated at cost. No depreciation has been charged on administrative properties as the lives of the properties are considered to be so long and residual values based on cost or subsequent revaluation to be so high that there is no significant annual depreciation. An annual review is made to establish any permanent diminution in the value of such properties. Expenditure on plant and equipment costing over £1,000 is capitalised. Depreciation has been calculated on plant and equipment so as to write off the cost of the assets in equal annual instalments over their useful lives, as follows:

Plant and equipment	4 - 10 years
Motor vehicles	4 years
IT systems	3 - 5 years

Depreciation is first charged in the calendar quarter following acquisition or on the bringing into use of the asset, whichever is the later.

Stocks

Stocks are stated at the lower of cost and net realisable value.

4 Expenditure

Expenditure includes the following charges:	2002	2001
	£'000	£'000
Depreciation – charge for year	5,830	5,147
Depreciation – movement in permanent diminution	365	(336)
Loss on disposal of fixed assets	467	-
Operating leases:		
land and buildings	1,247	906
other	1,474	1,249
Auditors' fees and expenses:		
audit work	135	123
other services (including tax advice)	357	330
Irrecoverable Value Added Tax	3,827	3,588

5 Remuneration of Council Members

No remuneration has been paid to the Chairman, members or former members of Council in respect of their duties. Expenses were repaid to 32 individuals totalling £8,576 (2001: repaid to 23 individuals £11,539).

6 Staff Costs

	2002	2002	2001	2001
	Regular	Seasonal	Regular	Seasonal
	£'000	£'000	£'000	£'000
Wages and salaries	69,613	9,498	62,469	9,442
Employers' social security costs	4,567	295	4,193	285
Employers' pension contributions	6,367	-	5,094	-
	80,547	9,793	71,756	9,727

The total of Employers' pension contributions includes a sum of £858,000 paid into The National Trust Retirement and Death Benefit Scheme in respect of certain members of staff who retired early as a result of the reorganisation.

The numbers of full-time/regular employees (including those who left as a result of the reorganisation) whose pay and taxable benefits exceed £50,000 fell within the following bands:

	Leavers		Continuing Employees		Total	
	2002	2001	2002	2001	2002	2001
£160,000 - £169,999	2	-	-	-	2	-
£150,000 - £159,999	1	-	-	-	1	-
£130,000 - £139,999	2	-	-	-	2	-
£110,000 - £119,999	1	-	-	-	1	-
£100,000 - £109,999	-	1	1*	1	1*	2
£90,000 - £99,999	1	-	3	1	4	1
£80,000 - £89,999	-	-	1	3	1	3
£70,000 - £79,999	-	1	4	2	4	3
£60,000 - £69,999	-	1	9	10	9	11
£50,000 - £59,999	-	-	17	19	17	19

* The highest paid post in the National Trust is the Director-General.

The figures for the years ended 28 February 2001 and 2002 include a number of one-off payments made to senior members of staff who left as a result of the reorganisation. 41 out of the 42 staff earning in excess of £50,000 participated in the defined benefits pension scheme (see Note 31).

6 Staff Costs (continued)

The average number of regular employees, including part-time employees and employees on fixed-term contracts, is analysed as follows:

	2002 number	2001 number
Charitable Activities	2,925	2,863
Marketing, Communications and Fundraising	277	271
The National Trust (Enterprises) Ltd	735	514
Support	486	476
	4,423	4,124

During the course of the year 210 seasonal staff were transferred to the regular payroll.

7 Appeals and gifts

Appeals and gifts income is held in the appropriate fund until it can be spent for the purpose for which it was given. Sponsorship and other corporate promotional income - 2002: £1,027,000 (2001: £1,779,000) - is included as part of the income from The National Trust (Enterprises) Limited in the Consolidated Statement of Financial Activities. Details of major gifts, donations and corporate promotional income are shown on pages 64 and 65.

8 Grants and Contributions

	2002 £'000	2001 £'000
Heritage Lottery Fund	2,825	2,917
National Heritage Memorial Fund	2,303	1,225
English Heritage	2,228	2,058
DEFRA (formerly Ministry of Agriculture, Fisheries and Food)	2,045	1,648
Welsh Office (CADW)	876	487
Forestry Commission	675	707
County Councils	585	182
European Structural and Development Funds	488	1,041
Local Authorities	284	881
Welsh European Funding Office	244	16
English Nature	217	96
Department of the Environment, Northern Ireland	198	236
Countryside Council for Wales	167	42
Other (individually less than £150,000 in the current year)	3,703	2,025
	16,838	13,561
Contributions towards property expenditure	2,712	2,331
	19,550	15,892
Revenue grants and contributions	7,682	5,308
Capital grants and contributions	11,868	10,584
	19,550	15,892

9 Membership Income

	2002 £'000	2001 £'000
Annual subscriptions	65,045	60,965
Transfer from life membership equalisation account (Note 26)	1,778	1,841
	66,823	62,806

10 Direct Property Income

	2002 £'000	2001 £'000
Rents	22,892	22,873
Admission fees	8,475	8,348
Other property income	2,369	1,908
	33,736	33,129

11 The National Trust (Enterprises) Limited's Net Contribution

The National Trust owns 100% of the share capital of The National Trust (Enterprises) Limited, which is responsible for those activities of a commercial nature, such as retailing, catering and the operation of holiday cottages and camp sites at properties, which do not enjoy exemption from income tax as does most of the Trust's income. Arrangements are in place to donate by Gift Aid the whole of the company's surplus income to the Trust each year. The turnover, costs and net contribution of The National Trust (Enterprises) Limited to Trust funds were:

	Turnover		Costs		Contribution	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Retailing operations	22,797	23,894	20,444	21,290	2,353	2,604
Catering operations	17,502	17,123	15,606	14,834	1,896	2,289
Holiday cottages	3,832	3,923	2,712	2,331	1,120	1,592
Other activities	13,079	13,169	9,604	9,681	3,475	3,488
	57,210	58,109	48,366	48,136	8,844	9,973
Amount payable to the National Trust					(8,844)	(9,973)
Retained in subsidiary					-	-

Other activities include income from advertising generated by the Trust's magazine. The contribution represents the operating profit of The National Trust (Enterprises) Limited before any charge is made for the use of the Trust's property assets. The balance sheet of The National Trust (Enterprises) Limited is summarised below:

	2002 £'000	2001 £'000
Stock	6,651	6,275
Debtors	1,265	833
Cash	78	57
Creditors	(4,192)	(3,736)
Current account with the National Trust	(3,802)	(3,429)
Net assets	-	-

The current account with the National Trust is secured on the assets of the company, is repayable on demand and interest is charged at 2% over Barclays base rate on the monthly balance.

12 Fundraising

Fundraising expenditure relates to direct campaign expenditure and fundraising staff costs, and is analysed as follows:

	2002 £'000	2001 £'000
Staff costs	1,141	1,021
Depreciation	6	10
Other costs	1,363	2,188
Total	2,510	3,219

13 Routine Property Running Costs

Recurring expenditure on properties held for preservation is analysed as follows:

	Routine property expenditure £'000	Property management £'000	Total 2002 £'000	Total 2001 £'000
Staff costs	38,172	15,627	53,799	48,464
Repairs and maintenance (including short-term cyclical repairs)	13,426	80	13,506	13,305
Insurance	1,368	1,150	2,518	2,243
Occupancy	3,733	733	4,466	4,137
Equipment	4,189	1,981	6,170	4,063
Depreciation	1,784	1,185	2,969	2,728
Other costs	8,684	1,216	9,900	9,612
Total	71,356	21,972	93,328	84,552

14 Capital Projects Expenditure

These costs comprise restoration works (improvements, long-term cyclical and backlog [see note 1]) on preservation properties and other major projects of a conservation nature.

The expenditure is analysed as follows:

	2002 £'000	2001 £'000
Coast and countryside	18,649	17,389
Historic buildings and collections	35,307	31,839
Gardens	1,710	1,594
	55,666	50,822

15 Acquisitions

This note shows the costs of acquiring land, buildings and chattels held for preservation. All new properties acquired are endowed according to a formula which takes account of the information available at the date of acquisition. The build up of an endowment and initial capital works on a property may cover more than one year. It is therefore not always possible to agree these items to any figure in the accounts. For the year ended 28 February 2002, the total funds spent or committed to acquisitions were as follows:

	Acquisition costs £'000	Endowment £'000	Initial capital works £'000	2002 Total commitment £'000	2001 Total commitment £'000
Coast and countryside	4,159	857	2,219	7,235	9,517
Historic buildings	1,056	131	188	1,375	998
Collections	1,040	-	-	1,040	850
	6,255	988	2,407	9,650	11,365
Funding					
Grants	2,130	-	140	2,270	602
Tied and Designated Funds	4,125	988	2,267	7,380	10,763
	6,255	988	2,407	9,650	11,365

16 Conservation and Advisory Services

Conservation and other advisory services consist of the extensive advisory and research services provided by the National Trust in relation to conservation of its historic buildings and contents, and its coast, countryside and garden properties.

Recurring expenditure on properties held for preservation is analysed as follows:	2002 £'000	2001 £'000
Staff costs	2,814	2,556
Insurance	26	26
Occupancy	160	323
Equipment	114	102
Depreciation	113	87
Other costs	1,860	1,433
Total	5,087	4,527

17 Membership, Recruitment and Publicity

Membership and recruitment

These expenses relate to the costs of three issues of the National Trust magazine sent to all our members, local newsletters, maintaining and processing membership details and the recruitment of new members.

Publicity

These costs relate to the marketing and publicising of the National Trust in general and of specific events, including the Young National Trust Theatre, education programmes, exhibitions and publicity material.

Communication expenditure is analysed as follows:	Membership and recruitment £'000	Publicity £'000	2002 Total £'000	2001 Total £'000
Staff costs	2,163	4,134	6,297	5,043
Depreciation	-	77	77	91
Literature	1,879	995	2,874	2,346
Membership processing	5,671	-	5,671	5,402
Recruitment	1,125	50	1,175	1,177
Other	197	6,619	6,816	6,302
Total 2002	11,035	11,875	22,910	
Total 2001	10,647	9,714		20,361

18 Support Costs

These costs are management and information technology support costs, including salaries, headquarters expenditure, personnel costs and depreciation of equipment. They include the one-off costs associated with the Organisational Review (£2.5 million) and the implementation of the Information Systems strategy (£3.4 million).

The expenditure is analysed as follows:	2002 £'000	2001 £'000
Staff costs	7,254	4,600
Depreciation	462	163
Other costs	6,073	3,384
Total	13,789	8,147

19 Management and Administration

Administration represents expenditure on the National Trust's governance and comprises certain senior management salaries, external and internal audit costs, committee expenses, Annual General Meeting costs and similar expenses.

These costs are analysed as follows:

	2002 £'000	2001 £'000
Staff costs	1,004	848
Other costs	628	770
Total	1,632	1,618

20 Analysis of Net Assets between Funds

Fund balances at 28 February 2002 are represented by:	Unrestricted Funds		Tied Funds		Total 2002 £'000	Total 2001 (restated) £'000
	General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000		
Tangible fixed assets	-	20,376	-	-	20,376	17,670
Investments	45,887	100,239	206,056	315,660	667,842	725,458
Current assets	15,335	26,373	3,064	-	44,772	53,966
Liabilities	(47,789)	-	-	-	(47,789)	(43,076)
Total net assets	13,433	146,988	209,120	315,660	685,201	754,018

21 Tangible Fixed Assets

	Administrative Properties		Plant and equipment £'000	Motor vehicles £'000	Total £'000
	Freehold £'000	Leasehold £'000			
Cost as at 1 March 2001	3,304	490	47,225	6,152	57,171
Additions	443	-	6,070	289	6,802
Transfers from alienable properties	557	-	-	-	557
Transfers from investment properties	2,009	-	-	-	2,009
Disposals	-	-	(9,475)	(709)	(10,184)
Cost as at 28 February 2002	6,313	490	43,820	5,732	56,355
Accumulated depreciation as at 1 March 2001	532	490	33,397	5,082	39,501
Charge for the year	-	-	5,186	644	5,830
Movement in provision for permanent diminution	365	-	-	-	365
Disposals	-	-	(9,008)	(709)	(9,717)
Accumulated depreciation as at 28 February 2002	897	490	29,575	5,017	35,979
Net book amount as at 28 February 2002	5,416	-	14,245	715	20,376
Net book amount as at 28 February 2001	2,772	-	13,828	1,070	17,670

Disposals include fully depreciated assets no longer in use. A charge for the use of tangible fixed assets is made by the National Trust to The National Trust (Enterprises) Limited.

22 Investments and Working Cash Balance

Investment Powers

The investment powers of the National Trust are set out in various Charity Commission Schemes. With effect from April 2002 the Charity Commission has approved a scheme authorising the Trust to pursue a policy of total return on its investments.

Investment Performance

The performance of the various investment pools is monitored on a quarterly basis by the Trust's investment panel against agreed benchmarks.

Investment Policy

The policy is to satisfy, as far as possible, the income requirements of our properties whilst maintaining or growing the real value of investments. With effect from April 2002 the policy is to maximise the total return from which a distribution will be made to properties.

J P Morgan Fleming Asset Management Limited is responsible for the day-to-day management of the majority of the National Trust's investments, excluding property. Long Pool investments are managed by Baring Asset Management Limited. Chase Nominees Limited is responsible for the custody of the majority of the documents of title of the Trust's investments. Citibank N A is responsible for the custody of the documents of title of those investments which relate to the Long Pool. Investments are analysed as follows:

	2002 £'000	2001 £'000
Investments	667,842	725,458
Working cash balance	5,213	14,141
	673,055	739,599

The working cash balance represents the deposits and cash used to finance the National Trust on a day-to-day basis. The following is a summary of the investments of all the funds of the Trust and the income arising therefrom.

	Capital			Income	
	Original book cost £'000	Market value as at 28/2/02 £'000	Market value as at 28/2/01 £'000	2002 £'000	2001 £'000
Analysis by type of investment					
British Government stocks	76,069	74,494	87,403	5,292	6,108
United Kingdom fixed and variable interest stocks	113,172	114,281	120,104	7,755	6,678
United Kingdom equities	276,437	310,740	348,493	9,459	8,709
Property unit trusts	10,459	11,948	12,029	445	614
Overseas equities	91,053	85,062	89,628	513	448
Investments listed on recognised stock exchanges	567,190	596,525	657,657	23,464	22,557
Deposits and cash	36,828	42,119	41,326	1,468	2,800
Investment properties	1,000	34,411	40,616	942	521
	605,018	673,055	739,599	25,874	25,878

Analysis by investment pool

The National Trust's portfolio of investments is divided into a number of pools, or Common Investment Funds (CIFs), which are invested in such a way as to maximise income and capital returns, given the anticipated requirements for capital and income by the underlying restricted or endowment funds.

	Capital		Income	
	Market value as at 28/2/02 £'000	Market value as at 28/2/01 £'000	2002 £'000	2001 £'000
Cash Pool	4,754	14,140	840	1,303
Short Pool (Income CIF)	113,764	104,993	6,662	6,609
General Pool (Mixed income and growth CIF)	380,183	420,532	13,775	14,156
Long Pool (Capital growth CIF)	131,531	149,975	3,310	2,944
Miscellaneous	42,823	49,959	1,287	866
	673,055	739,599	25,874	25,878

22 Investments and Working Cash Balance (continued)

	2002 £'000	2001 £'000
Movement in market value of investments		
Market value at 1 March	739,599	735,048
Less: Disposal proceeds	(575,667)	(264,449)
Transfer from investment properties to fixed assets	(2,009)	-
Add: Purchases at cost	589,577	283,167
Decrease in the working cash balance	(8,928)	(1,371)
Net losses on investment assets	(69,517)	(12,796)
Market value at 28 February	<u>673,055</u>	<u>739,599</u>

23 Stocks

	2002 £'000	2001 £'000
Trading stocks	6,283	6,253
Building materials	479	496
Other	571	334
	<u>7,333</u>	<u>7,083</u>

24 Debtors

	2002 £'000	2001 £'000
Rents	2,421	1,988
Grants	6,645	8,032
Other debtors	7,001	5,079
Legacies receivable	14,278	14,251
Prepayments	1,789	1,788
Tax recoverable	92	1,604
	<u>32,226</u>	<u>32,742</u>

25 Creditors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Taxation and social security	1,679	1,533
Other creditors	16,576	15,664
Deferred membership income	5,400	5,000
Accruals	14,769	11,876
	<u>38,424</u>	<u>34,073</u>

Deferred membership income is the element of annual membership income received prior to the year end deemed to relate to the following year.

26 Life Membership Equalisation Account

Life membership subscriptions are credited to an equalisation account and released over ten years.

	2002 £'000	2001 £'000
The movements during the year were:		
Balance at 1 March	9,003	8,721
Amounts received in the year	2,140	2,123
Transfer to income (Note 9)	(1,778)	(1,841)
Balance at 28 February	<u>9,365</u>	<u>9,003</u>

27 Movements in Funds

The National Trust comprises more than 2,500 individual funds and it is therefore considered to be impractical to disclose the movement on all funds. As a result of changes both in accounting policies (see Note 3) and the reclassification of certain properties between fund types, the opening reserves have been restated as follows:

	General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds £'000
Balance at 28 February 2001 – as previously reported	18,554	152,696	215,888	357,629	744,767
Change in accounting policy:					
– Legacies	9,108	-	5,143	-	14,251
– Membership	(5,000)	-	-	-	(5,000)
Reclassification	-	1,391	1,652	(3,043)	-
Balance at 28 February 2001 – as restated	22,662	154,087	222,683	354,586	754,018
Net incoming resources	3,376	(11,113)	7,933	504	700
Investment losses	(1,834)	(6,494)	(21,453)	(39,736)	(69,517)
Transfers:					
To Committed Maintenance Fund	(6,660)	6,660	-	-	-
To Fixed Asset Reserve	(2,706)	2,706	-	-	-
Property sale proceeds	(1,073)	556	1,379	(862)	-
To augment endowments	-	(20)	(1,148)	1,168	-
To support property expenditure	(332)	606	(274)	-	-
	(10,771)	10,508	(43)	306	-
Balance at 28 February 2002	13,433	146,988	209,120	315,660	685,201

The Trust's General Fund, which represents its free reserve, has reduced to £13,433,000. This reserve helps to ensure that the Trust is able to continue with its obligations in the event of a shortfall in income or sudden upturn in expenditure.

The target set by the Council is to reach a figure for the General Fund equivalent to three months' annual ordinary income (total incoming resources excluding capital receipts less Enterprises expenditure). The target as at 28 February 2002 is, therefore, one quarter of £150,403,000 or £37,601,000. The current balance of £13,433,000 represents 1.1 months' cover.

Details of the movements on those individual funds in which the value during the year exceeded 5% of the total value of funds in each category are shown below.

Endowment Funds

There is no endowment fund which individually exceeds 5% of the total of such funds.

Restricted Funds

There is no restricted fund which individually exceeds 5% of the total of such funds.

Designated funds

The Committed Maintenance Fund was established to pay for conservation projects at properties supported by the General Fund (see Note 2). The Fixed Asset Reserve reflects the Trust's investment in fixed assets. The Under-endowed Property Reserve would cost many hundreds of millions of pounds if it was to endow fully every under-endowed Trust property. In view of the extent of the Trust's financial obligations, it is unlikely that the target will ever be reached. The Development Fund has been established to fund projects which do not strictly fall into the category of maintenance or conservation. The Levy Capital Retained Fund was designated from a General Fund legacy by the Finance Committee to support conservation activities.

27 Movements in Funds (continued)

The movements on these funds in the year ended 28 February 2002 were as follows:	Committed Maintenance Fund £'000	Fixed Asset Reserve £'000	Under- endowed Property Reserve £'000	Development Fund £'000	Levy Capital Retained Fund £'000	Other Designated Funds £'000	Total £'000
Balance at 28 February 2001							
– as previously reported	44,090	17,670	19,500	17,624	7,221	46,591	152,696
Reclassification/other adjustments	-	-	-	-	-	1,391	1,391
Balance at 28 February 2001							
– as restated	44,090	17,670	19,500	17,624	7,221	47,982	154,087
Net incoming resources*	2,995	-	-	(10,685)	(40)	(3,383)	(11,113)
Investment losses	(425)	-	(2,000)	(161)	(796)	(3,112)	(6,494)
Transfers:							
From the General Fund	6,660	2,706	-	-	-	-	9,366
To the Development Fund	(17,487)	-	-	17,487	-	-	-
Of Property sale proceeds	-	-	-	-	-	556	556
To augment endowments	-	-	-	-	-	(20)	(20)
To support property expenditure	(79)	-	-	-	-	685	606
Balance at 28 February 2002	35,754	20,376	17,500	24,265	6,385	42,708	146,988

* The total net incoming resources are set out in the Consolidated Statement of Financial Activities. Net income to the Committed Maintenance Fund includes £27 million of legacies.

The substantial proportion of the net expenditure on the Development Fund is disclosed in the Statement of Financial Activities within either 'Membership, recruitment and publicity' or 'Support costs' in the case of expenditure on both the Organisational Review and the Information Systems strategy.

These funds are the only designated funds which exceed 5% of the total value of such funds.

28 Special Trust Properties Financed from the General Fund

Special Trust properties are those which are given to the National Trust upon trusts distinct from the general purposes of the National Trust.

Generally there is an endowment tied to the property, with a condition that the endowment income and all the other income arising from the ownership of the property, and the activities carried on there, can be spent only on that particular property. Such Special Trusts are usually declared in a will or in a declaration of trust by the National Trust at the time of acceptance of a property. If such a Special Trust property has insufficient funds to meet expenditure, its deficit has to be met from the General Fund. The total deficit, which has been borne by the General Fund less amounts recovered retrospectively, is as follows:

	2002 £'000	2001 £'000
Accumulated total at 1 March	99,432	95,967
Revenue deficits, improvements and provision of amenities	8,175	5,910
Less: Amounts recovered in respect of previous periods	(1,406)	(2,445)
Accumulated total at 28 February	106,201	99,432

The deficit includes a proportion of property management costs. No interest is charged except in cases where the Special Trusts have had funds in hand.

29 Cash Flow

Note 29a - Net cash outflow from operating activities

	2002 £'000	2001 £'000
Net incoming resources (before revaluations and investment asset disposals)	700	19,271
Deduct:		
Legacies	(39,026)	(38,820)
Capital grants and contributions	(11,868)	(10,584)
Net gain on disposal of freeholds and leaseholds	(1,609)	(2,864)
Investment income	(25,874)	(25,878)
Capital projects expenditure	55,666	50,822
Revenue grants and contributions	(7,682)	(5,308)
Acquisitions	6,255	5,569
Depreciation charge for the year	6,195	4,811
Loss on disposal of fixed assets	467	-
Movement in working capital	4,617	(2,168)
Increase in life membership equalisation account	362	282
Net cash outflow from operating activities	<u>(11,797)</u>	<u>(4,867)</u>

Note 29b - Reconciliation of net cash outflow to movements in investments

	Working cash balance £'000	Investments £'000	Total £'000
Balance at 1 March 2001	14,141	725,458	739,599
Net cash outflow	(8,928)	-	(8,928)
Net purchases on investment portfolio	-	13,910	13,910
Transfer from investment properties to fixed assets	-	(2,009)	(2,009)
Realised/unrealised losses on investments	-	(69,517)	(69,517)
Balance at 28 February 2002	<u>5,213</u>	<u>667,842</u>	<u>673,055</u>

30 Insurance

Insurance cover has been arranged to provide for the full replacement cost of a building to a standard substantially the same as that existing before the insured event occurred. Contents are insured against repairable damage only, and not against total loss unless there are particular requirements to insure for replacement.

The National Trust maintains a Trustees Indemnity insurance policy both to protect itself and to indemnify the Trustees from the consequences of any neglect or default on the part of the Trustees, employees or agents of the Trust. The cost of such insurance amounted to £1,380 in the year ended 28 February 2002 (2001: £1,380).

31 The National Trust Retirement and Death Benefits Scheme

The Trust operates a funded group pension scheme, established under trust, providing defined benefits based on final salary, which is open to all regular employees.

The assets of the scheme are held separately from those of the Trust. Merrill Lynch acts as investment manager to the Trustees of the scheme.

The latest actuarial valuation of the scheme was carried out as at 6 April 1999. The Scheme Actuaries valued the scheme using the projected unit method. The principal assumptions used in the valuation were:

- Investment returns	6.0%
- Salary growth	4.0%
- Pension increases	3.0%

The market value of the assets of £191 million exceeded the value of the liabilities of £151 million, which on an ongoing basis means that the funding level is 126%. A valuation performed on the Minimum Funding Requirement basis

prescribed in the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 shows a funding level of 134%.

Following the valuation the level of spouse's death after retirement pension was increased and the actuary to the Trustees was able to recommend that the Trust reduce its contribution from 11.4% to 10% of basic salaries. Members will continue to contribute at the rate of 5% of basic salary.

The benefit improvement reduced the past service surplus of £39 million by £6 million to £33 million and the ongoing funding level to 121%.

The next actuarial valuation is due as at 6 April 2002.

The full valuation of The National Trust Retirement and Death Benefits Scheme as at 6 April 1999 was updated to 28 February 2002 by the actuary.

The major assumptions used by the actuary were:

	%
Rate of increase in salaries	3.50
Rate of increase in pensions in payment	2.50
Discount rate	5.75
Inflation	2.50

The assets of the scheme and the expected rate of return were were:

	£'000	%
Equities	155,680	7.5
Gilts	28,608	5.0
Cash	12,050	3.5
Total	196,338	6.9

The following amounts at 28 February 2002 were measured in accordance with the requirements of FRS 17.

	£'000
Total market value of assets	196,338
Present value of scheme liabilities	(206,142)
Deficit in the scheme	(9,804)

If the amounts had been recognised in the financial statements, the Trust's total funds at 28 February 2002 would be as follows:

	£'000
Total funds excluding pension deficit	685,201
Pension deficit	(9,804)
Total funds including pension deficit	675,397

32 Financial Commitments

The Trust's commitments for operating lease payments in the next year, analysed according to the lease expiry dates, are as follows:

	2002 Land and buildings £'000	2002 Motor vehicles £'000	2001 Land and buildings £'000	2001 Motor vehicles £'000
- within one year	47	234	7	362
- between one and five years	71	1,290	55	949
- after five years	1,049	-	720	-
	1,167	1,524	782	1,311

33 Associations, Centres and other Support Groups

The National Trust receives donations from various groups of supporters who raise funds as unincorporated associations to support the work of the Trust. The total amount of such donations is £843,000 (2001: £875,000) and has been included as a net donation under appeals and gifts. The accounts of each group have not been consolidated as the amounts are not considered material.

34 Legacies

At 28 February 2002, no legacies in excess of £1 million to which the National Trust is entitled had not been brought to account.

35 Related Party Transactions

The Trust has considered the disclosure requirements of the Statement of Recommended Practice for Charities and of FRS 8 and believes that the following related party transactions, all of which were made on an arm's length basis, require disclosure:

(i) The Trust has made purchases during the year on an arm's length basis costing approximately £25,234 (2001: £54,877) from an agricultural and horticultural machinery company, Medland, Sanders & Twose Limited. This company is controlled by the family of Sir Ian Heathcoat Amory, Bt, a member of the Council. The balance outstanding at 28 February 2002 was £641 (2001: £746).

(ii) Mr E. Mason, the husband of Mrs S. Mason, a member of the North West Regional Committee, is a tenant of a holiday chalet. During the year Mr E. Mason paid an annual rent of £2,150 (2000: £2,100) to the

Trust. He is responsible for all normal outgoings (other than insurance), internal repairs and decorations. The balance outstanding at 28 February 2002 was nil (2001: nil).

(iii) The Trust used the services of the property surveyors Bruton Knowles during the year at a cost of £4,208 (2001: £2,500). Mr P.H. Joseland, a member of the Mercia Regional Committee, is an equity partner in the firm. The balance outstanding at 28 February 2002 was nil (2001: £2,500).

(iv) During the year the Trust has used the services of Carter Jonas at a cost of £700 (2001: £5,034). Mr P.C. Godsall, a partner in the firm, is a member of the Executive Committee. The balance outstanding at 28 February 2002 was nil (2001: nil).

(v) Sir Henry Aubrey-Fletcher, a member of the Council, the Executive Committee and the Properties Committee, is a shareholder in Aubrey-Fletcher Estates Ltd. This company

loaned the sum of £125,000 to the Trust to help fund improvements to Boarstall Tower. The loan is being repaid with interest at 2% above base rate, at the rate of £1,800 per month. The balance outstanding at 28 February 2002 was £78,600 plus interest of £25,593 (2001: £100,200 plus interest of £16,229).

(vi) Mr S. Calver, a member of the Wessex Regional Committee, received the sum of £2,700 (2001: £2,600) to cover the costs of conducting market research. The balance outstanding at 28 February 2002 was £2,700 (2001: nil).

(vii) During the year the Trust has used the services of chartered surveyors Smith-Woolley at a cost of £6,999 (2001: £6,750). Mr R. Beazley, a partner of this firm, is a member of the East Anglia Regional Committee. The balance outstanding at 28 February 2002 was nil (2001: £1,750).

(viii) During the year the Trust has used the services of W.H. Williamson & Sons for ground maintenance and agricultural work at a cost of £12,611 (2001: £3,709). Mr C.H. Williamson, a partner in the firm, is a member of the Mercia Regional Committee. The balance outstanding at 28 February 2002 was £4,694 (2001: £3,709).

(ix) During the year the Trust employed Heritage Consultancy Services to undertake market research at a cost of £1,255 (2001: nil). Mr J.J.B. Wood, a director of this organisation, is a member of the North West Regional Committee. The balance standing at 28 February 2002 was nil (2001: nil)

(x) During the year the Trust has used the services of Downs Solicitors at a cost of £423 (2001: £435). Mrs S.E. Hawkes, a partner in the firm, is a member of the Southern Regional Committee. The balance outstanding at 28 February 2002 was nil (2001: £30).

(xi) During the year the Trust hired a bandsaw from the Scales Park Estate for use in Hatfield Forest at a cost of £420 (2001: nil). Mr R.E. Dimsdale the owner of the estate, is a member of the Hatfield Forest Local Committee and a member of the Thames & Chilterns Regional Committee.

(xii) Anna Pavord, chairman of the Gardens Panel, received royalties amounting to £435 (2001: £435) for writing a guidebook for the National Trust.

(xiii) Mr R. Haslam, a member of the Properties Committee and Architectural Panel, received the sum of £1,180 (2001: nil) for producing a Conservation Plan for part of the Sheringham estate.

(xiv) Mrs A.L. Casement, wife of Mr P. J. Casement, a member of the Council, the Executive Committee and the Committee for Northern Ireland, received the sum of £625 (2001: nil) for consultation on the provision of interpretation facilities at Mount Stewart.

(xv) During the year the Trust has used the services of Jeremy Rye & Co, Fine Art Consultants, at a cost of £125 (2001: nil). Mr J.C B. Rye, the owner of the firm, is a member of the Committee for Wales. The balance outstanding at 28 February 2002 was nil (2001: nil).

(xvi) Miss M.J. Temple, a member of the Yorkshire & the North East Regional Committee, received the sum of £1,100 (2001: nil) for work carried out in her capacity as a barrister on the instructions of Dickinson Dees Solicitors.

In addition, transactions between the Trust and its wholly owned subsidiary, The National Trust (Enterprises) Limited, are fully disclosed in Note 11. There are no other related party transactions which require disclosure.

Auditors' Report to the Council of the National Trust for Places of Historic Interest or Natural Beauty

We have audited the financial statements which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of the Council's responsibilities on page 54.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. We have been appointed as auditors under Section 22 of the National Trust Act 1971 and report in accordance with Section 21 of that Act and the regulations made under Section 44 of the Charities Act 1993.

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 National Trust Act 1971 and the Charities Act 1993. We also report to you if, in our opinion, the Accounts Commentary is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only The Chairman's Statement, The Director-General's Review of the Year, The Financial Picture, The Accounts Commentary and The Governance of the National Trust.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the National Trust'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 1 of the Financial Statements no value is placed on inalienable property or on other property held for preservation. While this is permitted by the National Trust Act 1971, it is not in accordance with the requirements of Financial Reporting Standard No. 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 charity's affairs at 28 February 2002 and of its net incoming resources and cash flows for the year then ended and have been properly prepared in accordance with The National Trust Act 1971 and the Charities Act 1993.

PricewaterhouseCoopers

Chartered Accountants and
Registered Auditors
Bristol

21 June 2002

The Trust's Advisers

Bankers

Barclays Bank Plc
50 Pall Mall
PO Box 15162
London
SW1A 1QB

Investment Advisers

J P Morgan Fleming Asset Management Limited
20 Finsbury Street
London
EC2Y 9AQ

Baring Asset Management Ltd
155 Bishopsgate
London
EC2M 3XY

Auditors

PricewaterhouseCoopers
31 Great George Street
Bristol
BS1 5QD