

The Accounts

for the year ended 28 February 2003

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Consolidated Statement of Financial Activities

for the year ended 28 February 2003

	Note	UNRESTRICTED FUNDS		TIED FUNDS		Total 2003 £'000	Total 2002 £'000
		General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000		
Incoming resources							
Donations, legacies and similar incoming resources:							
Appeals and gifts	7	159	1,288	13,192	1,327	15,966	7,444
Legacies		-	36,662	8,417	5	45,084	39,026
Revenue grants and contributions	8	237	-	6,189	-	6,426	7,682
Activities in furtherance of the Charity's objects:							
Membership income	9	75,594	-	-	-	75,594	66,823
Capital grants and contributions	8	-	164	29,755	-	29,919	11,868
Direct property income	10	16,494	3,693	16,326	-	36,513	33,736
Activities for generating funds:							
NT Enterprises income	11	68,711	-	-	-	68,711	57,210
Investment income	22	4,879	2,159	14,351	694	22,083	25,874
Net gain on disposal of freeholds and leaseholds		-	561	2,558	165	3,284	1,609
Total incoming resources		166,074	44,527	90,788	2,191	303,580	251,272
Resources expended							
COST OF GENERATING FUNDS:							
NT Enterprises costs	11	57,250	-	-	-	57,250	48,366
Fundraising costs	12	2,114	131	408	-	2,653	2,510
Investment management fees		25	222	347	476	1,070	1,029
		59,389	353	755	476	60,973	51,905
CHARITABLE EXPENDITURE:							
Costs of activities in furtherance of the Charity's objects:							
Routine property running costs	13	61,317	4,558	31,196	38	97,109	93,328
Capital projects expenditure	14	-	25,068	26,843	-	51,911	55,666
Acquisitions	15	-	2,894	28,554	-	31,448	6,255
Conservation and advisory services	16	5,147	1,052	158	-	6,357	5,087
Membership, recruitment and publicity	17	21,483	6,230	94	-	27,807	22,910
Support costs	18	11,902	12,375	-	-	24,277	13,789
Management and administration	19	1,636	10	-	-	1,646	1,632
		101,485	52,187	86,845	38	240,555	198,667
Total resources expended		160,874	52,540	87,600	514	301,528	250,572
Net incoming resources/(resources expended)							
before transfers		5,200	(8,013)	3,188	1,677	2,052	700
Transfers between funds	27	(6,586)	2,828	2,312	1,446	-	-
Net incoming resources/(resources expended)		(1,386)	(5,185)	5,500	3,123	2,052	700
Net losses on investment assets		(2,379)	(4,361)	(30,088)	(64,282)	(101,110)	(69,517)
Net movement in funds		(3,765)	(9,546)	(24,588)	(61,159)	(99,058)	(68,817)
Fund balances brought forward at 1 March	27	13,433	146,988	209,120	315,660	685,201	754,018
Fund balances carried forward at 28 February	27	9,668	137,442	184,532	254,501	586,143	685,201

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 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible fixed assets	21	22,279	20,376
Investments	22	556,411	667,842
		578,690	688,218
CURRENT ASSETS			
Stocks	23	7,311	7,333
Debtors	24	44,540	32,226
Working cash balance	22	5,420	5,213
		57,271	44,772
DEDUCT: CURRENT LIABILITIES			
Creditors: amounts falling due within one year	25	40,094	38,424
		17,177	6,348
NET CURRENT ASSETS			
Total assets less current liabilities		595,867	694,566
Deduct: Life membership equalisation account	26	9,724	9,365
Net assets		586,143	685,201
Represented by:			
Endowment Funds	27	254,501	315,660
Restricted Funds	27	184,532	209,120
Designated Funds			
Committed Maintenance Fund	27	27,539	35,754
Other Designated Funds	27	109,903	111,234
		137,442	146,988
TOTAL OF TIED AND DESIGNATED FUNDS			
		576,475	671,768
General Fund	27	9,668	13,433
Total funds		586,143	685,201

Approved by the Council on 20 June 2003
and signed on its behalf by

WILLIAM PROBY

LAURIE MAGNUS

Consolidated Cash Flow Statement

for the year ended 28 February 2003

	Note	2003 £'000	2002 £'000
Net cash outflow from operating activities	29a	(26,018)	(11,797)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Investment income received	22	22,083	25,874
CAPITAL EXPENDITURE			
Net sales/(purchases) of investments	22	10,321	(13,910)
Acquisitions	15	(31,448)	(6,255)
Capital projects expenditure	14	(51,911)	(55,666)
Sales of freeholds and leaseholds		3,284	1,609
Purchase of tangible fixed assets	21	(7,533)	(7,359)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(77,287)	(81,581)
CASH OUTFLOW BEFORE FINANCING		(81,222)	(67,504)
FINANCING			
Receipts of legacies		45,084	39,026
Receipts of grants and contributions	8	36,345	19,550
CASH INFLOW FROM FINANCING		81,429	58,576
Net increase/(decrease) in working cash balances	29b	207	(8,928)

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 (FRS15) first applied to the Financial Statements for the year ended 28 February 2001. Under FRS15, 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, FRS15 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 FRS15 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 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 FRS15. The auditors note this departure in their report.

The buildings concerned are insured for reinstatement at a value of £4.62 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 2003 was approximately

£203 million (2002: £212 million), of which £180 million (2002: £184 million) related to backlog tasks, £12 million (2002: £14 million) to long-term cyclical tasks (scheduled for 2003-4), and £11 million (2002: £14 million) to short-term cyclical tasks (also scheduled for 2003-4). The backlog figures include approximately £8 million of 'new' backlog acquired during the year, including the Tyntesfield estate. 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. The total spend on backlog in the year totalled £12 million (2002: £16 million).

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 2003 but was partly offset by the impact of the Tyntesfield acquisition. The Trust has excluded from the balance sheet any provision for identified capital and maintenance costs related to the properties, in accordance with Financial Reporting Standard No. 12 Provisions, contingent liabilities and contingent assets.

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.

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 net 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 as unrestricted funds and tied funds 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. It has to pay for the general administration of the Trust, for servicing the membership and for publicity. It also helps to provide resources 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 amount of income is generated to meet the needs of the property concerned.

In the year ended 28 February 2003 £1.4 million has been transferred from income funds to capital endowment funds (2002: £1.2 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.

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 net assets 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.

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.

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 central 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 the lower of cost and valuation. 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:	2003	2002
	£'000	£'000
Depreciation – charge for year	5,160	5,830
Depreciation – movement in permanent diminution	37	365
Loss on disposal of fixed assets	433	467
Operating leases:		
land and buildings	1,620	1,247
motor vehicles	1,442	1,474
Auditors' fees and expenses:		
audit work	132	135
other services (including tax advice)	286	357
Irrecoverable Value Added Tax	4,395	3,827

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 36 individuals totalling £20,406 (2002: 32 individuals totalling £8,576).

6 Staff Costs

	2003	2003	2002	2002
	Regular	Seasonal	Regular	Seasonal
	£'000	£'000	£'000	£'000
Wages and salaries	76,121	11,667	69,613	9,498
Employers' social security costs	4,682	383	4,567	295
Employers' pension contributions	6,093	36	6,367	-
	86,896	12,086	80,547	9,793

The total of Employer's pension contributions includes a sum of £386,000 (2002: £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	
	2003	2002	2003	2002	2003	2002
£160,000 - £169,999	-	2	-	-	-	2
£150,000 - £159,999	-	1	-	-	-	1
£130,000 - £139,999	-	2	-	-	-	2
£120,000 - £129,999	1	-	-	-	1	-
£110,000 - £119,999	1	1	1*	-	2	1
£100,000 - £109,999	1	-	3	1*	4	1*
£90,000 - £99,999	4	1	3	3	7	4
£80,000 - £89,999	2	-	5	1	7	1
£70,000 - £79,999	7	-	2	4	9	4
£60,000 - £69,999	10	-	12	9	22	9
£50,000 - £59,999	5	-	16	17	21	17

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

The figures for the year ended 28 February 2003 include a number of one-off payments made to senior members of staff who left as a result of the reorganisation. 72 of the 73 staff earning in excess of £50,000 participated in the defined benefits pension scheme (see Note 31). In addition an employee within the above bandings received a payment of £150,000 in order to buy out his contractual entitlement under a lease agreement. The amount of the settlement was arrived at on the advice of an independent firm of valuers.

6 Staff Costs (continued)

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

	2003 Headcount	2002 Headcount
Charitable Activities	2,958	2,925
Marketing, Communications and Fundraising	270	277
The National Trust (Enterprises) Ltd	764	735
Support	535	486
	4,527	4,423

During the course of the year 102 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 – 2003: £1,224,000 (2002: £1,027,000) – 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 67 and 68.

8 Grants and Contributions

	2003 £'000	2002 £'000
National Heritage Memorial Fund	19,143	2,303
Heritage Lottery Fund	4,796	2,825
English Heritage	2,095	2,228
Rural Payments Agency	1,256	85
Welsh European Funding Office	1,123	244
DEFRA (formerly Ministry of Agriculture, Fisheries and Food)	650	2,045
Forestry Commission	535	675
Local Authorities	514	284
Welsh Office (CADW)	464	876
National Art Collections Fund	452	47
County Councils	441	585
Department of the Environment, Northern Ireland	317	198
Yorkshire Forward	202	-
Tyne & Wear Single Pot Regeneration Fund	200	-
Agricultural & Rural Affairs Department	196	-
Countryside Agency	165	64
English Nature	161	217
Other (individually less than £150,000 in the current year)	1,577	4,162
	34,287	16,838
Contributions towards property expenditure	2,058	2,712
	36,345	19,550
Revenue grants and contributions	6,426	7,682
Capital grants and contributions	29,919	11,868
	36,345	19,550

9 Membership Income

	2003 £'000	2002 £'000
Annual subscriptions	73,594	65,045
Transfer from life membership equalisation account (Note 26)	2,000	1,778
	75,594	66,823

10 Direct Property Income

	2003 £'000	2002 £'000
Rents	23,595	22,892
Admission fees	10,725	8,475
Other property income	2,193	2,369
	36,513	33,736

Other property income includes produce sales, room hire and management fees.

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 National 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	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Retailing operations	26,813	22,797	24,270	20,444	2,543	2,353
Catering operations	22,520	17,502	19,286	15,606	3,234	1,896
Holiday cottages	5,018	3,832	3,248	2,712	1,770	1,120
Other activities	14,360	13,079	10,446	9,604	3,914	3,475
	68,711	57,210	57,250	48,366	11,461	8,844
Amount payable to the National Trust by Gift Aid					(11,461)	(8,844)
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 net assets of The National Trust (Enterprises) Limited are summarised below:

	2003 £'000	2002 £'000
Stock	6,639	6,651
Debtors	1,329	1,265
Cash	92	78
Creditors	(5,473)	(4,192)
Current account with the National Trust	(2,587)	(3,802)
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:

	2003 £'000	2002 £'000
Staff costs	984	1,141
Depreciation	2	6
Other costs	1,667	1,363
Total	2,653	2,510

13 Routine Property Running Costs

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

	Routine property expenditure £'000	Property management £'000	Total 2003 £'000	Total 2002 £'000
Staff costs	40,945	14,342	55,287	53,799
Repairs and maintenance (including short-term cyclical repairs)	14,980	165	15,145	13,506
Insurance	1,406	1,169	2,575	2,518
Occupancy	4,637	637	5,274	4,466
Equipment	4,728	1,380	6,108	6,170
Depreciation	1,622	830	2,452	2,969
Other costs	8,889	1,379	10,268	9,900
Total	77,207	19,902	97,109	93,328

Other costs include professional fees, staff training, property advertising and other local running costs.

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:

	2003 £'000	2002 £'000
Coast and countryside	20,561	18,649
Historic buildings and collections	29,401	35,307
Gardens	1,949	1,710
	51,911	55,666

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. For the year ended 28 February 2003, the total funds spent or committed to acquisitions were as follows:

	Acquisition costs £'000	Endowment £'000	Initial capital works £'000	2003 Total commitment £'000	2002 Total commitment £'000
Coast and countryside	6,360	463	413	7,236	7,235
Historic buildings	21,217	-	281	21,498	1,375
Collections	3,871	-	-	3,871	1,040
	31,448	463	694	32,605	9,650
Funding					
Grants	22,480	-	-	22,480	2,270
Tied and Designated Funds	8,968	463	694	10,125	7,380
	31,448	463	694	32,605	9,650

Included in the above acquisition costs is the purchase of Tynesfield, which was purchased with the help of grants totalling £17.5 million.

The property is at present unendowed and the cost of the endowment, together with other capital costs, will be the subject of further fundraising activities in 2003-4.

16 Conservation and Advisory Services

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

The expenditure is analysed as follows:

	2003 £'000	2002 £'000
Staff costs	3,678	2,814
Insurance	35	26
Occupancy	187	160
Equipment	164	114
Depreciation	55	113
Other costs	2,238	1,860
Total	6,357	5,087

Conservation staff costs have increased due to the transfer of regional conservation staff (previously included in property running costs) to the centre.

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 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.

This expenditure is analysed as follows:	Membership and Recruitment	Publicity	2003 Total	2002 Total
	£'000	£'000	£'000	£'000
Staff costs	2,561	4,379	6,940	6,297
Depreciation	-	55	55	77
Literature	2,527	1,046	3,573	2,874
Membership processing	6,596	-	6,596	5,671
Recruitment	1,776	53	1,829	1,175
Other	2,145	6,669	8,814	6,816
Total	15,605	12,202	27,807	22,910

Other costs relate to professional fees, staff training, advertising and occupancy costs. Many costs under this heading rise as membership increases.

18 Support Costs

These costs cover management and information technology support costs, including salaries, headquarters expenditure, personnel costs and depreciation of equipment. They also include one-off costs (including redundancy costs) associated with the Organisational Review of £7m (2002: £2.5m) and further costs associated with the implementation of the Information Systems strategy of £5m (2002: £3.4m). The expenditure is analysed as follows:

	2003 £'000	2002 £'000
Staff costs	13,728	7,254
Depreciation	1,000	462
Other costs	9,549	6,073
Total	24,277	13,789

Other costs include information technology maintenance and support costs, insurance, professional fees and central office occupancy costs.

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:

	2003 £'000	2002 £'000
Staff costs	846	1,004
Other costs	800	628
Total	1,646	1,632

20 Analysis of Net Assets between Funds

Fund balances at 28 February 2003 are represented by:	Unrestricted Funds		Tied Funds		Total 2003 £'000	Total 2002 £'000
	General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000		
Tangible fixed assets	-	21,805	389	85	22,279	20,376
Investments	22,766	96,508	182,721	254,416	556,411	667,842
Current assets	36,720	19,129	1,422	-	57,271	44,772
Creditors	(40,094)	-	-	-	(40,094)	(38,424)
Life membership equalisation account	(9,724)	-	-	-	(9,724)	(9,365)
Total net assets	9,668	137,442	184,532	254,501	586,143	685,201

21 Tangible Fixed Assets

	Administrative Freehold £'000	Properties Leasehold £'000	Plant and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost as at 1 March 2002	6,313	490	43,820	5,732	56,355
Additions	-	-	7,145	388	7,533
Transfers	-	80	(80)	-	-
Disposals	(222)	-	(2,133)	(389)	(2,744)
Cost as at 28 February 2003	6,091	570	48,752	5,731	61,144
Accumulated depreciation as at 1 March 2002	897	490	29,575	5,017	35,979
Charge for the year	-	14	4,599	547	5,160
Transfers	-	66	(66)	-	-
Movement in provision for permanent diminution	37	-	-	-	37
Disposals	-	-	(1,938)	(373)	(2,311)
Accumulated depreciation as at 28 February 2003	934	570	32,170	5,191	38,865
Net book amount as at 28 February 2003	5,157	-	16,582	540	22,279
Net book amount as at 28 February 2002	5,416	-	14,245	715	20,376

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

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. This assists the investment managers to work towards maximising the total return from both income and capital growth.

The approach adopted by the Trustees in identifying those of the Trust's funds which were eligible for a total return policy was to allow inclusion within the policy to funds which had generated an unapplied total return (stored up capital growth from earlier years) of at least 35% between the later of 1 January 1987 and their acquisition, and 31 January 2002, being the date on which the analysis was performed. In carrying out this exercise the Trustees were professionally advised by Watson Wyatt and Hewitt Bacon & Woodrow.

The aggregate value of the assets representing the unapplied total return as at 1 March 2002 was £107.4 million. During the year ended 28 February 2003 no part of the unapplied total return assets was allocated to income. The assets representing the unapplied total return declined in value by £46.4 million, resulting in a balance of £61.0 million as at 28 February 2003. These are held within investments of £556.4 million reported in the balance sheet.

Investment policy

The investment policy of the Trust is to satisfy, as far as possible, the income requirements of its properties whilst maintaining the real long-term value of investments. The adoption of a total return policy aims to ensure that funds distributed to properties will rise in line with inflation each year. The Trust's portfolio of investments is divided into a number of pools, or Common Investment Funds (CIFs), which are invested in order to maximise total returns, given the anticipated requirements for capital and income by the underlying restricted or endowment funds.

J P Morgan Fleming Asset Management Limited is responsible for the day-to-day management of the majority of the Trust's investments, including the Short Pool (invested in bonds and cash deposits and managed to meet the Trust's short-term liabilities); the Endowment Fund (invested in a spread of equities, bonds and property and managed to meet the liabilities of those endowment funds which are not subject to the total return policy); and the bulk of the General Pool (see below). Chase Nominees Limited is responsible for the custody of these investments. The remainder of General Pool investments are managed by Baring Asset Management Limited and Citibank N A is responsible for custody of the documents of title.

Investment performance

With the adoption of the total return policy, the Trust set its investment managers a new benchmark, adopted from July 2002, for measuring their performance in managing the General Pool. The General Pool invests in a broad range of equities, bonds and property and is managed to meet the long-term liabilities of the Trust. The benchmark portfolio against which the performance of the investment managers is assessed is as follows:

Asset category	Benchmark allocation	
	%	%
UK Equities	-	48.5
Overseas Equities		
USA	14.5	-
Europe	8.0	-
Japan	2.5	-
Pacific Basin	1.5	26.5
Bonds		
Conventional Gilts	6.0	-
Index-linked	5.5	-
Corporate	6.0	17.5
Property	-	7.5
		100.0

For the calendar year 2002 J P Morgan Fleming Asset Management achieved a total return on its share of General Pool investments of -16.3%, against a composite benchmark return (six months of the old benchmark and six months of the total return benchmark) of -15.1%. Baring Asset Management achieved a total return of -17.8% against a composite benchmark return of -16.5%. The combined return was -16.3% compared to a composite benchmark of -15.0% and the average charity return of -16.7%. It should be noted that the combined return (and benchmark return) only take account of the performance of Baring Asset Management's portion of the General Pool from 1 July 2002, the date when the total return benchmark was adopted for both fund managers.

22 Investments (continued)

Analysis of investments

Investments are analysed as follows:

	2003 £'000	2002 £'000
Investments	556,411	667,842
Working cash balance	5,420	5,213
	561,831	673,055

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.

Analysis by type of investment	Capital			Income	
	Original book cost £'000	Market value as at 28/2/03 £'000	Market value as at 28/2/02 £'000	2003 £'000	2002 £'000
British Government stocks	22,079	23,051	74,494	2,925	5,292
United Kingdom fixed and variable interest stocks	90,441	92,901	108,223	5,421	7,755
Overseas fixed and variable interest stocks	2,460	3,436	6,058	212	-
United Kingdom equities	230,137	208,948	310,740	8,997	9,459
Property unit trusts	26,191	28,120	11,948	739	445
Overseas equities	134,738	100,602	85,062	1,109	513
Investments listed on recognised stock exchanges	506,046	457,058	596,525	19,403	23,464
Deposits and cash	66,980	67,227	42,119	1,287	1,468
Investment properties	1,000	37,546	34,411	1,393	942
	574,026	561,831	673,055	22,083	25,874

	Capital		Income	
	Market value as at 28/2/03 £'000	Market value as at 28/2/02 £'000	2003 £'000	2002 £'000
Cash Pool	4,931	4,754	865	840
Short Pool (Income CIF)	108,495	113,764	3,863	6,662
General Pool (Mixed income and growth CIF)	382,609	511,714	15,528	17,085
Endowment	21,150	-	421	-
Miscellaneous	44,646	42,823	1,406	1,287
	561,831	673,055	22,083	25,874

Movement in market value of investments

	2003 £'000	2002 £'000
Market value at 1 March	673,055	739,599
Less: Disposal proceeds	(339,785)	(575,667)
Transfer from investment properties to fixed assets	-	(2,009)
Add: Purchases at cost	329,464	589,577
Increase/(decrease) in the working cash balance	207	(8,928)
Net losses on investment assets	(101,110)	(69,517)
Market value at 28 February	561,831	673,055

23 Stocks

	2003 £'000	2002 £'000
Trading stocks	6,357	6,283
Building materials	489	479
Other	465	571
	7,311	7,333

Other stocks include livestock and sundry farm stocks.

24 Debtors

	2003 £'000	2002 £'000
Rents	3,521	2,421
Grants	6,465	6,645
Other debtors	12,608	7,001
Legacies receivable	18,853	14,278
Prepayments	1,447	1,789
Tax recoverable	1,646	92
	44,540	32,226

Other debtors include trade debtors, VAT recoverable, investment debtors and an insurance debtor.

25 Creditors

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Taxation and social security	1,768	1,679
Other creditors	16,951	16,576
Deferred membership income	5,331	5,400
Accruals	16,044	14,769
	40,094	38,424

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.

The movements during the year were:

	2003 £'000	2002 £'000
Balance at 1 March	9,365	9,003
Amounts received in the year	2,359	2,140
Transfer to income (Note 9)	(2,000)	(1,778)
Balance at 28 February	9,724	9,365

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.

These can be analysed as follows:	General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds £'000
Balance at 1 March 2002	13,433	146,988	209,120	315,660	685,201
Net incoming resources/(resources expended)	5,200	(8,013)	3,188	1,677	2,052
Investment losses	(2,379)	(4,361)	(30,088)	(64,282)	(101,110)
Transfers:					
To Committed Maintenance Fund	(4,859)	4,859	-	-	-
From Fixed Asset Reserve	207	(207)	-	-	-
Property sale proceeds	(723)	76	647	-	-
To augment endowments	-	(806)	(640)	1,446	-
To support property expenditure	(1,211)	(1,094)	2,305	-	-
Balance at 28 February 2003	9,668	137,442	184,532	254,501	586,143

The Trust's General Fund, which represents its free reserve, has reduced to £9,668,000. 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 2003 is, therefore, one quarter of £168,043,000 or £42,011,000. The current balance of £9,668,000 represents 0.7 months' cover.

Details of the movements on those individual funds whose 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

The only restricted fund exceeding 5% of total restricted funds is the Dunham Massey Investment Fund amounting to £17,297,000. The fund has increased by £4,027,000 as a result of an annual revaluation of the Dunham Massey property. The balance at 28 February 2002 was £13,270,000.

As described in Note 22, the Trust moved to a total return policy in 2002-3. The amount distributed to properties exceeded the £22.1 million actual investment income earned in the year by £5.4 million. This was drawn from available restricted funds.

Designated funds

The Committed Maintenance Fund is 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 from the General Fund. 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 2003 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 1 March 2002	35,754	20,376	17,500	24,265	6,385	42,708	146,988
Net incoming resources*	10,028	-	-	(21,157)	(660)	3,776	(8,013)
Investment losses	(106)	-	20	73	(862)	(3,486)	(4,361)
Transfers:							
From/(to) the General Fund	4,859	(207)	-	-	-	-	4,652
To the Development Fund	(21,194)	-	-	21,194	-	-	-
Property sale proceeds	-	-	-	-	-	76	76
To augment endowments	-	-	-	-	-	(806)	(806)
To support property expenditure	(1,802)	-	-	-	-	708	(1,094)
Balance at 28 February 2003	27,539	20,169	17,520	24,375	4,863	42,976	137,442

* The total net incoming resources are set out in the Consolidated Statement of Financial Activities. Net income to the Committed Maintenance Fund includes £30.6 million of legacies.

The substantial proportion of the net expenditure on the Development Fund is disclosed in the Consolidated 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:

	2003 £'000	2002 £'000
Accumulated total at 1 March	106,201	99,432
Revenue deficits, improvements and provision of amenities	6,544	8,175
Less: Amounts recovered in respect of previous periods	(2,869)	(1,406)
Accumulated total at 28 February	109,876	106,201

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

	2003 £'000	2002 £'000
Net incoming resources (before revaluations and investment asset disposals)	2,052	700
Deduct:		
Legacies	(45,084)	(39,026)
Capital grants and contributions	(29,919)	(11,868)
Net gain on disposal of freeholds and leaseholds	(3,284)	(1,609)
Investment income	(22,083)	(25,874)
Capital projects expenditure	51,911	55,666
Revenue grants and contributions	(6,426)	(7,682)
Acquisitions	31,448	6,255
Depreciation charge for the year and movement in permanent diminution	5,197	6,195
Loss on disposal of fixed assets	433	467
Movement in working capital	(10,622)	4,617
Increase in life membership equalisation account	359	362
Net cash outflow from operating activities	<u>(26,018)</u>	<u>(11,797)</u>

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

	Working cash balances £'000	Investments £'000	Total £'000
Balance at 1 March 2002	5,213	667,842	673,055
Net cash inflow	207	-	207
Net sales on investment portfolio	-	(10,321)	(10,321)
Realised/unrealised losses on investments	-	(101,110)	(101,110)
Balance at 28 February 2003	<u>5,420</u>	<u>556,411</u>	<u>561,831</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 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 2003 (2002: £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 Investment Managers Ltd acts as investment manager to the Trustees of the scheme.

The latest actuarial valuation of the scheme was carried out as at 6 April 2002. The Scheme Actuaries valued the scheme using the projected unit method. The principal assumptions used in the valuation were:

– Investment returns		
before retirement	6.4%	
after retirement	6.15%	
– Salary growth	4.0%	
– Pension increases	2.7%	

The market value of the assets of £202.2 million was less than the value of the liabilities of £212.0 million, which on an on-going basis means that the funding level is 95%. A valuation performed on the Minimum Funding Requirement basis prescribed in the Occupational Pensions Scheme (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 shows a funding level in excess of 120%.

Following the valuation the actuary recommended to the Trustees that the Trust should increase its contribution from 10% to 18.1% of basic salary from 1 March 2003.

The Trust has closed the Scheme to new staff from 31 May 2003. A new, defined contribution scheme has been offered to staff from 1 June 2003. Following consultation with staff, existing members will have the option to increase their contribution from 5% to 7% of basic salary from 1 October 2003, or alternatively they may join the defined contribution scheme.

The next actuarial valuation is due at 6 April 2005.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities of the pension scheme as at the Trust's year end and the items that would appear in the Consolidated Statement of Financial Activities if the full requirements of FRS17 were in place. To produce these statements, the full valuation of The National Trust Retirement and Death Benefits Scheme as at 6 April 2002 was updated to 28 February 2003 by the actuary.

The major assumptions used by the actuary were:

	At 28 Feb 2003 %	At 28 Feb 2002 %
Rate of increase in pensionable salaries	3.50	3.50
Rate of increase in pensions in payment	2.50	2.50
Discount rate	5.50	5.75
Inflation	2.50	2.50

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

	Long-term rate of return expected at 28 Feb 2003 %	Value at 28 Feb 2003 £'000	Long-term rate of return expected at 28 Feb 2002 %	Value at 28 Feb 2002 £'000
Equities	7.5	132,023	7.5	155,680
Gilts	4.5	30,224	5.0	28,608
Cash	3.5	3,855	3.5	12,050
		166,102		196,338

The following amounts were measured in accordance with the requirements of FRS17:

	At 28 Feb 2003 £'000	At 28 Feb 2002 £'000
Total market value of assets	166,102	196,338
Present value of scheme liabilities	(247,998)	(206,142)
Deficit in scheme	(81,896)	(9,804)

If the amounts had been recognised in the financial statements, the Trust's total funds would be:

	At 28 Feb 2003 £'000	At 28 Feb 2002 £'000
Total funds excluding pensions deficit	586,143	685,201
Net pension deficit	(81,896)	(9,804)
Total funds including net pensions deficit	504,247	675,397

Illustrative charge to the Statement of Financial Activities over the financial year:

	2003 £'000
Operating charge	
Current service cost	11,422
Past service cost	-
	11,422
Pension finance costs:	
Expected return on pensions scheme assets	(13,648)
Interest on pension scheme liabilities	12,089
	(1,559)

31 The National Trust Retirement and Death Benefits Scheme (continued)

Illustrative gains and losses for the year ended 28 February 2003:

	2003 £'000
Difference between the expected and actual return on scheme assets	
Amount	(46,951)
Percentage of scheme assets	-28.3%
Experience gains and losses on scheme liabilities	
Amount	15,258
Percentage of the present value of the scheme liabilities	6.2%
Effect of change in assumptions underlying the present value of scheme liabilities	
Amount	(36,208)
Percentage of the present value of the scheme liabilities	-14.6%
Total actuarial loss	(67,901)
Movements in the actuarial deficit during the year	
Deficit in the scheme at the beginning of the year	(9,804)
Movements in the year:	
Current service costs	(11,422)
Contributions	5,672
Past service costs	-
Other financial costs	1,559
Actuarial loss	(67,901)
Deficit in the scheme as at the end of the year	(81,896)

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:

	2003 Land and buildings £'000	2003 Motor vehicles £'000	2002 Land and buildings £'000	2002 Motor vehicles £'000
- within one year	40	230	47	234
- between one and five years	619	970	71	1,290
- after five years	1,090	-	1,049	-
	<u>1,749</u>	<u>1,200</u>	<u>1,167</u>	<u>1,524</u>

33 Associations, Centres and other Support Groups

The 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 £957,000 (2002: £843,000) and has been included as a net donation under appeals and gifts. The amounts of each group have not been consolidated as they are not considered material in the context of the Trust's accounts.

34 Legacies

At 28 February 2003, 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 FRS8 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 £33,152 (2002: £25,234) 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 the Properties Committee and the Council. The balance outstanding at 28 February 2003 was £10,144 (2002: £641).
- (ii) Mr E. Mason, the husband of Mrs S. Mason, a member of the North West Regional Committee until July 2002, is a tenant of a holiday chalet. During the year Mr E. Mason paid an annual rent of £2,200 (2002: £2,150) to the Trust. He was responsible for all normal outgoings (other than insurance), internal repairs and decorations. The balance outstanding at 28 February 2003 was nil (2002: nil).
- (iii) During the year the Trust has used the services of Carter Jonas at a cost of £5,591 (2002: £700). Mr P.C. Godsal, a partner in the firm, is vice chairman of the West Midlands Regional Committee and a former member of the Executive Committee. The balance outstanding at 28 February 2003 was nil (2002: nil).
- (iv) Sir Henry Aubrey-Fletcher, Deputy Chairman of the National Trust, 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 2003 was £57,000 plus interest of £30,249 (2002: £78,600 plus interest of £25,593).
- (v) Mr S. Calver, a member of the Wessex Regional Committee, received the sum of £2,000 (2002: £2,700) to cover the costs of conducting market research. The balance outstanding at 28 February 2003 was nil (2002: £2,700).
- (vi) Mr J. Hamer, a member of Council, received the sum of £350 (2002: nil) for providing educational advice in connection with lifelong learning provision. The balance outstanding at 28 February 2003 was £350 (2002: nil).
- (vii) Mr R. Legg, a member of Council, received the sum of £2,900 (2002: nil) to cover the costs of historical research, text, photography and printing for interpretive panels and other publicity material. The balance outstanding at 28 February 2003 was nil (2002: nil).
- (viii) During the year the Trust has used the services of chartered surveyors Smith-Woolley at a cost of £12,130 (2002: £6,999). Mr R. Beazley, a partner of this firm, is a member of the East of England Regional Committee. The balance outstanding at 28 February 2003 was £3,432 (2002: nil).
- (ix) During the year the Trust has used the services of W. H. Williamson & Sons for ground maintenance and agricultural work at a cost of £6,096 (2002: £12,611). Mr C. H. Williamson, a partner in the firm, is a member of the West Midlands Regional Committee. The balance outstanding at 28 February 2003 was £760 (2002: £4,694).
- (x) During the year the Trust has used the services of Downs Solicitors at a cost of £515 (2002: £423). Mrs S. E. Hawkes, a partner in the firm, is a member of the South East Regional Committee. The balance outstanding at 28 February 2003 was nil (2002: nil).
- (xi) During the year the Trust hired a bandsaw from the Scales Park Estate for use in Hatfield Forest at a cost of £288 (2002: £420). Mr R. E. Dimsdale, the owner of the estate, is a member of the Hatfield Forest Local Committee and a member of the East of England Regional Committee.
- (xii) Anna Pavord, chairman of the Gardens Panel and a member of the Properties Committee, received royalties amounting to £497 (2002: £435) for writing a guidebook for the National Trust. The balance outstanding at 28 February 2003 was £497 (2002: nil).
- (xiii) During the year the Trust has used the services of Jeremy Rye & Co., Fine Art Consultants at a cost of £30 (2002: £125). Mr J.C.B. Rye, the owner of the firm, is a member of the Committee for Wales. The balance outstanding at 28 February 2003 was nil (2002: nil).
- (xiv) During the year, Mr J. St. A. Warde, a member of the South East Regional Committee and owner of Squerries Court, paid £1,689 (2002: nil) as part of a joint venture with the National Trust to reprint Mrs Wolfe's Recipe Books. These books will subsequently be sold both at Squerries Court and Quebec House, which is owned by the Trust.
- (xv) During the year the Trust has used the services of Stags auctioneers and estate agents at a cost of £5,098 (2002: nil). Mr E. D. Fursdon, a partner in the firm, is a member of the Devon and Cornwall Regional Committee. The balance outstanding at 28 February 2003 was nil (2002: nil).
- (xvi) During the year the Trust has used the services of AJT Environmental Consultants at a cost of £6,991 (2002: nil). Mrs A. M. Turner, a partner in the firm, is a member of the Yorkshire and North East Regional Committee. The balance outstanding at 28 February 2003 was £5,875 (2002: nil).
- (xvii) Miss M.J. Temple, a member of the Yorkshire and North East Regional Committee, received the sum of £475 (2002: £1,100) 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.

Independent Auditors' Report to the Council of the National Trust

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.

We have been appointed as auditors under Section 22 of the National Trust 1971 Act and Section 43 of the Charities Act 1993 and report in accordance with Section 21 of the National Trust 1971 Act and the regulations made under Section 44 of the Charities Act 1993. 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.

This report, including the opinion, has been prepared for and only for the Council, as the charity's Trustees, in accordance with paragraph 6 (2) of the 1995 Regulations (as amended by the 2000 Regulations) made under Part VI, Charities Act 1993 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 and Trustees' Statement are 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 Statement, The Financial Picture, 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 (FRS15).

Except for this departure from FRS15, in our opinion the financial statements give a true and fair view of the state of the charity's affairs at 28 February 2003 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 LLP

Chartered Accountants and Registered Auditors
Bristol

20 June 2003

The Trust's Advisers

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