



NATIONAL LIBRARY OF SCOTLAND

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2007

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The National Library of Scotland is a registered charity - number SC011086

National Librarian's Introduction to the Annual Report

The National Library of Scotland has a remit to collect Scotland's culture, and to tell people about it. As the forms of cultural material become ever more diverse, so too do the ways in which people can choose to engage with it. Our aim and our challenge is to make sure the National Library of Scotland (NLS) is one of the key points through which the people of the people of Scotland engage with their culture. This means constant activity and improvement in all areas of our work, be it making physical access to material in the reading rooms easier or interpreting the collections to bring them to life whether through events and exhibitions or digital projects.

In terms of physical access, refurbishment work has been taking place throughout the year in our George IV Bridge Building as we move towards the completion of our new Visitor Centre in 2008. One of the major catalysts for the evolution of the Library into a vibrant, modern visitor attraction in line with vision outlined in our *Breaking through the Walls* strategy has been the acquisition of the John Murray Archive, which arrived at NLS in March 2006. A project team was put in place and work has been going on throughout the year on cataloguing, preservation, digitisation, curation, interpretation and promotion of the Archive. As part of the refurbishment programme, space has been created for a permanent exhibition devoted to the archive. The exhibition is due to open in June 2007 and will use 21st century technology to bring to life the stories of the 19th century ideas that shaped the world. Refurbishment work has also taken place in the Reading Rooms to create an expanded reading space for manuscript collections in anticipation of increased visitor numbers to view items from the Archive.

There is little point investing large amounts of time and resources in increasing accessibility if people do not know about it. In this regard NLS has made great strides over the past year, attracting significant national interest and recognition for its efforts. Over the last year we have secured media coverage with an equivalent advertising value of over £1 million. Our website triumphed over those of both the Library of Congress and the US Postal service to win the Web Marketing Association award for Best Government Website. We have replaced our two existing publications, *Quarto* and *Folio*, with a new quarterly magazine called *Discover NLS*. It has received excellent feedback from readers and stakeholders, and was Highly Commended at the Scottish Magazine Awards. At the Communicators in Business Scotland awards in February, our website was again a winner; our Annual Review was recognised as Best One Off Publication and we also won the award for Best Communications Team. Market research in the form of our annual independent public awareness survey shows that 50% of respondents are aware of the Library. This is a remarkable improvement on the 20% who had heard of us when we first did the survey two years ago.

This is cause for celebration, but not for complacency. After all, it means that there is still a large proportion of the population that we have still to reach, and there is a great deal of work to do in terms of bridging the gap between being aware of the National Library of Scotland and actually engaging with it. Accordingly, we will continue our efforts to promote the Library to a diverse range of audiences: the exhibition programme for the coming year will include themes as varied as Ian Rankin, graphic novels and the stories of Scots and their influence and activities in South East Asia. This will be accompanied by a comprehensive package of cultural events, promotion, education and outreach and digital activity.

It is unrealistic to expect to be able to do all of this alone, and so we have been continually seeking opportunities to work with other institutions, groups and partners, from national to local levels. We have worked with our fellow NDPBs in creating Fonn's Dutchas, a collaborative exhibition to celebrate 2007 as the Year of Highland Culture. The exhibition features material from NLS, the National Galleries and the National Museums and will be seen in the Highlands and Islands as well as both Edinburgh and Glasgow. Our partnership with Aberdeen Libraries brought the opportunity to take a 'Spy School' workshop based on our 2005 exhibition, 'Scotland's Secret War' to the city as part of their Storytelling Festival. We later returned to Aberdeen Central Library with a 'roadshow' where we were able to showcase our collections and services to a new group of potential users. We look forward to repeating this worthwhile exercise in other locations in the future. Other collaborations included two major exhibitions. One was *The New Scots*, a photographic depiction of the stories of immigrants to Scotland from South East Asia, whilst the other celebrated the experiences in Edinburgh of the great American naturalist and artist, John James Audubon. The Library also hosted a well-received symposium on the Spanish Civil War and participated in the Edinburgh UNESCO City of Literature city-wide reading campaign centred on Robert Louis Stevenson's *Kidnapped*.

The National Library of Scotland of Scotland's collection numbers over 13 million printed items, and this grows at a weekly rate of some 6,000 items. Storing, conserving and granting access to this vast collection is challenge enough, but when it comes to preserving Scotland's literary and cultural heritage, there is another, arguably even more daunting challenge to meet: an increasing amount of culturally significant material is 'born digital', which is to

say that there is no printed, published version that will end up in our collection through the usual processes. The Legal Deposit Libraries Act of 2003 will in due course give us the right to collect such material. However, the practical questions of how to go about this enormous task are another matter. It was with these questions and challenges in mind that we approached the Scottish Executive and we were delighted to receive funding of £1.8 million from them to begin work on the design, structure and scope of a Trusted Digital Repository: an electronic resource that will allow us to capture information in a multitude of formats, to make them accessible and to preserve them in perpetuity for future generations. A project team has been appointed and work is already underway: work that will mark the National Library of Scotland out once more as being at the cutting edge in its fields of operation.

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National Librarian

14 November 2007

Report of The Board of Trustees

I. History of The National Library Of Scotland

The National Library of Scotland has a history of 300 years, being successor to the historic Library of the Faculty of Advocates, founded in the late 17th century on the initiative of the King's Advocate, Sir George Mackenzie of Rosehaugh. During the 18th and 19th centuries, by their administration and by the service they gave not only to Faculty members but also to scholars in general, Keepers like Thomas Ruddiman, David Hume and their successors established the Advocates' Library as the national library of Scotland in all but name. With the provision of a very generous endowment by Sir Alexander Grant of Forres, the Government in 1925 accepted the Faculty's offer to present its Library, with the exception of the law books and manuscripts, to the nation to become the National Library of Scotland.

The National Library is the largest library in Scotland, with over 13 million books, and it is among the half dozen largest libraries in the British Isles. It has extensive and varied collections of printed material (maps, music, newspapers, etc, as well as books) and large collections of manuscripts. Its special characteristics derive from its status as a national and legal deposit library. Since 1710 the Library has had the right, under successive Copyright Acts, to acquire all books published in the United Kingdom, and it now seeks to obtain, through legal deposit, books and other publications that are within the scope of the Library's collection development policy. By reciprocal legislation the British Copyright Libraries have similar rights in the Republic of Ireland. The Library also acquires, mainly by purchase, but also by gift and deposit, older books, maps and music, modern foreign publications, and manuscripts.

Although its primary function remains what it has long been - that of a large general research library - it is conscious of the need to adapt its services to changing conditions. Over the past two decades the Library has acquired a number of additional functions, and has taken its place at the hub of Scottish librarianship, as the British Library has for the United Kingdom as a whole.

The Scottish Ministers have responsibility for the Library, which is sponsored by the Scottish Executive. The actual administration is supervised by the Board of Trustees, with members appointed by the Crown, the Faculty of Advocates, the Scottish Universities, and the Convention of Scottish Local Authorities together with ex-officio and co-opted members.

2. Statutory Background

The National Library of Scotland Act 1925 established the National Library of Scotland "on the foundation of the Library gifted for that purpose by the Faculty of Advocates, and for purposes connected therewith". The National Heritage (Scotland) Act 1985 made the Library a Non-Departmental Public Body, grant-aided by the Scottish Executive.

The National Library of Scotland is a registered charity. The Charities Statement of Recommended Practice (SORP 2005) on accounting for charities requires certain additional disclosures in the Trustees' Annual Report as follows:

The name of the charity is National Library of Scotland
Its principal address is George IV Bridge, Edinburgh

Trustees are appointed under the terms of the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985 and the Scotland Act 1998.

The Trustees also act as trustee for a number of trust funds and bequests as explained in note 9 to the accounts.

The Library's policy on reserves is largely governed by the requirement of its sponsoring body to spend grant-in-aid received. Endowment funds are held under the restrictions imposed by the donors. Unlike grant-in-aid, the trustees are not bound by NLS's sponsoring body, the Scottish Executive, over the use of the Board Reserve Fund. The policy is to use this fund for the benefit of the Library and the levels of reserves are disclosed in the Accounts. Income from the Alexander Grant Fund is for the general purposes of the Library and is therefore treated as general income.

3. Financial Results for the Current Year

New technical guidelines on the treatment of Government grant funding require that this is shown as a receipt of financing for the organisation, rather than as income. The effect of this is that the income and expenditure statement shows the organisation as incurring a large deficit, equivalent in general terms to the amount of grant received.

In reality, during the year the Library operated within its financial resources, while pursuing vigorously the different major projects and modernisation initiatives described elsewhere in this report. Performance of investments was satisfactory, and the level of charitable donations received, in the context of the John Murray Archive fundraising campaign, was encouraging although much remains to be done to meet the target. In March 2007 the Library was able to make a major instalment payment, of £2.24 million, towards the cost of the Archive. A further, similar payment is planned for March 2008.

During the year the Library initiated a two year programme of introducing devolved budget management to service managers, enabling them to operate flexibly within overall financial and operational targets. This is intended, and expected, to enable the Library to improve operational efficiency and delivery of services across the whole operation.

4. Significant changes to Fixed Assets

During the year, the National Library acquired fixed assets to the value of £1,661,000. These related mainly to the three major activities: the Trusted Digital Repository project, facilities for the John Murray Archive, and redevelopment of public areas and access to the Library. Further, in order to bring records up to date and to correct anomalies arising from previous years, records of obsolete assets with a cost value to £667,000 were deleted. As these assets were fully depreciated, there is no net effect on the financial statements.

5. The Board of Trustees

The National Library of Scotland has thirty Trustees at the date of this report, of whom eleven are ex officio, four (including the Chairman) appointed by the Crown, five appointed by the Faculty of Advocates, four appointed by the Universities, two appointed by CoSLA and four, "being persons of eminence in literature or public life", being co-opted. In view of the statutory requirement for thirty-two Trustees, at the date of this report there are two vacancies on the Board of Trustees.

Crown appointments are made by the Scottish Executive after advertising vacancies in the national press. The Board seeks to co-opt individuals that fill gaps in the skills/knowledge base.

The names of the Board Members who served during the year are as follows:

	Committee Membership
Chairman	
Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4
Trustees	
<u>Ex-officio</u>	
The Lord President of the Court of Session	
The Lord Advocate	
The First Minister	
The Dean of the Faculty of Advocates	
The Minister of the High Kirk (St Giles'), Edinburgh	
The Member of the Scottish Parliament for Edinburgh Central	
The Crown Agent	
The Lord Provost of Edinburgh	3
The Lord Provost of Glasgow	
The Lord Provost of Dundee	
The Lord Provost of Aberdeen	
<u>Appointed by the Crown</u>	
Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4

A. Lorraine Fannin, BA, DipEd	1
Dr Willis Pickard	2
Andrea M Batchelor	
<u>Appointed by the Faculty of Advocates</u>	
M G Thomson, QC	1
The Hon Lord Coulsfield, QC	3
M.C.N. Scott, QC	
S Woolman, QC	2
Richard Keen QC	
<u>Appointed by the Universities</u>	
Professor G D Caie, MA, PhD, FRSA, FEA, FRSE	3, 4
Dr P Kemp, MA, PhD	
I G Lloyd, BA, DipLib, MLib, ALA	1, 2, 4
Dr Judith Vincent, BA, PhD	
<u>Appointed by the Convention of Scottish Local Authorities</u>	
Councillor W Lamb	4
Councillor A Murray (from August 2006)	
<u>Co-opted</u>	
Lady Balfour of Burleigh, MA, DPhil, FSA Scot, FRSE	1, 3
Ms Ishbel Maclean, MA	
Ms Moira Methven, MCILIP	2, 4
Professor Jane H. Ohlmeyer, MA, PhD, FRHistS	

- 1 Member of Audit Committee
- 2 Member of Culture Bill Committee
- 3 Member of Development Committee
- 4 Member of the Staffing and Remuneration Committee

Mr Cunison Rankin is a co-opted member of the Audit Committee
 Dr Bill Zachs is a co-opted member of the Development Committee

None of the Trustees receives remuneration for their service to the Library. Travel and subsistence expenses amounting to £4,117 were paid to Trustees in respect of attendance at meetings. Neither the Trustees nor the Directors of the Library receive any benefits in kind.

The Library maintains a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002. Trustees are required to update the register within 28 days of a change to their registerable interests. The Register is available for inspection at the National Library on application to the Head of Strategy and Communications.

New Board members are provided with an induction pack that contains a range of documentation including the Code of Conduct, Rules on Declaration of Interest and the Corporate Plan, and are invited to attend a one day induction seminar, which took place this year on March 14th 2007. Further proposals for ongoing training and support for Trustees were agreed by Trustees in June 2007. At the same time, Trustees agreed to set up a Governance Working Party to deal with governance issues, both associated with proposed legislation (such as any Culture Bill which may be brought forward) or non-statutory improvements.

The Board meets six times per annum. Its principal function is to approve the Corporate Plan and Annual Budgets. The Audit Committee has delegated responsibility for Finance matters and has co-opted Mr Cunison Rankin to provide additional professional financial expertise. Appropriate delegations are also made to the Staffing and Remuneration Committee and the Development Committee. A Culture Bill Committee was also established during the year to consider proposals brought forward by the Scottish Executive for a draft Culture Bill.

Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian, supported by his Senior Management Team of five directors.

The National Librarian and Accountable Officer is Martyn Wade.

Together with Mr Wade, the Senior Management Team is:

Duncan Campbell	Director of Corporate Services
Cate Newton	Director of Collections Development
Alexandra Miller	Director of Strategy and Communications
Gordon Hunt	Director of Customer Services
Giles Dove	Director of Development

The link between Strategy and Operational activities is achieved through Strategy Groups chaired by Directors, covering the six Strategic Goals of Collection, Access, Partnership & Communications, Infrastructure, Fund-raising and Organisational Development.

6. Investments

The Trustees Act 2000 governs the Trustees' investment powers. The Trustees have agreed the National Library of Scotland's investment policy and review the content of the portfolio and its performance on an annual basis.

7. Suppliers Payment Policy

It is the Library's policy that creditors are paid within the agreed commercial terms. These normally range from 7 days to 30 days for individual creditors. During the year the Library took an average of 20 days to settle invoices. A random sample of invoices taken from those paid during the year ended 31st March 2007 showed that 82% (2005/06 - 83%) of invoices were paid within the terms agreed with suppliers.

8. Policy in relation to provision of information to employees

The Library is committed to developing effective communications with all employees in order to keep them informed, motivated and able to support the Library's users. Main communication channels include regular staff meetings, information circulars and employee intranet.

9. Policy in relation to disabled employees

The National Library of Scotland is an equal opportunities employer and is committed to promoting diversity. The Library's policy for training, career development and promotion are in line with its equal opportunities policy and in this regard disabled employees are treated the same as all other staff. The Library aims to develop an adaptable, well-motivated and well-trained staff, possessing a complex blend of knowledge and skills in managerial, technical and specialist disciplines.

10. Changes since 31 March 2007

The Director of Development, Mr. Giles Dove, left the Library at the end of August 2007 to follow a different career path. His efforts over two years to develop an effective fundraising presence have been highly successful and the Trustees wish to record their appreciation. A decision on a replacement will be made as part of a strategic review, initiated in June 2007, of management structures within the Library.

On 1st April 2007 the National Library of Scotland merged with the Scottish Screen Archive, taking over responsibility for the custodianship of the film media heritage of Scotland. The financial statements for the year 2007/08 will include the full impact of this major change.

11. Future Developments

The process of recruiting a Development Director to succeed Mr. Dove has been initiated, and in conjunction with the Development Committee of the Board of Trustees, efforts will continue to raise the profile of the Library's fundraising programme.

A Capital Asset Strategy has been developed for discussion, the key features of which include the potential for developing new services in Granton, Edinburgh, and the opportunities for rationalising the properties occupied by the National Library and the Scottish Screen Archive.

12. Appointment of Auditors

The Accounts of the National Library of Scotland are audited by an auditor appointed by the Auditor General for Scotland.

Audit Scotland was appointed from 1st April 2006.

The agreed fee for audit services was £20,040, (2005-06 £19,880) which relates wholly to the provision of statutory audit services.

All of the accounting records have been made available to our auditors for the purposes of their audit and all transactions undertaken have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements, including minutes of the Board and other relevant management meetings, have been made available and no such information has been withheld.

Internal Audit services during the year were supplied by Scott-Moncrieff, 17 Melville Street, Edinburgh. With effect from 1st April 2007, Internal Audit services will be supplied by Baker Tilly.

13. Other Professional Advisors and Bankers

Investment advisers	Brewin Dolphin Securities Ltd, 7 Drumsheugh Gardens, Edinburgh
Legal advisers	Dundas and Wilson CS, Saltire Court, 20 Castle Terrace, Edinburgh Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh Pinsent Masons, 18 - 22 Melville Street, Edinburgh
Bankers	Bank of England, Threadneedle Street, London Bank of Scotland, 600 Gorgie Road, Edinburgh Royal Bank of Scotland, 6 - 8 George Street, Edinburgh Citigroup, PO Box 4341, Worthing

14. Risk Management

The National Library of Scotland maintains a Corporate Risk Register that is monitored regularly by the Library's Senior Management Team (SMT). Risks are reported to the Audit Committee, which monitors progress and success of the actions identified by SMT (with the help of internal auditors) as necessary for mitigating identified risks.

This high-level risk register provides the platform for ensuring that all major business risks are adequately controlled, thereby reducing the risk that NLS does not achieve its objectives.

The Corporate Risk Register is supplemented by Departmental and Project Risk Registers.

The Library's approach to and management of risk is regularly reviewed by its Internal Auditors.

15. Objectives and Achievements

The work of the National Library of Scotland is guided by the strategic goals described in *Breaking through the Walls*, the strategy adopted by NLS in 2004. These goals fall into six broad categories: Developing the Collections, Widening Access, Consultation and Communication, Collaboration and Partnerships, Organisational Development and Infrastructure.

15.1. Developing the Collections

A core activity of NLS is preserving and developing our collections, and this remit has historically pertained to printed items, whether books, maps, manuscripts, posters and so on and continues apace with a series of significant acquisitions, most notably the John Murray Archive. In the past year, however, there have been two significant developments which will the NLS' areas of collecting expand dramatically. It was agreed in November 2006 that the National Library of Scotland would merge with the Scottish Screen Archive. The

merger formally took effect from April 1 2007, with much of the preceding time spent harmonising corporate functions such as HR, ICT infrastructure and Finance between the two organisations. The archive contains everything from home movies and advertisements to educational films and documentaries.

In tandem with the addition of this fantastic resource of 20th century cultural heritage, NLS has been increasingly focussed on capturing our 21st century heritage. This represents a whole new challenge: a great deal of this material is 'born digital' and, if it is not collected and preserved in a timely fashion, has a limited lifespan. NLS has long been working in partnership with, among others, the Digital Preservation Coalition and the UK Web Archiving Consortium to address this issue, but our efforts have increased in scale and scope with approval and funding from the Scottish Executive to build a Trusted Digital Repository (TDR). The TDR will be a resource that will enable us to capture our digital cultural history, storing it in perpetuity for future generations whilst granting access to it for the present generation with all of the expertise, skill and care that goes into our work with printed material.

An exciting new online resource was purchased in the form of the Readex Digital Evans, which permits remote access to digital versions of early printed American books. This complements existing electronic resources held by the Library including Early English Books Online and Eighteenth Century Collections Online. It must be stressed that none of this new activity will take away any focus or resources from the Library's existing core activity of developing its printed collections. Aside from the John Murray Archive, other notable new acquisitions in the past year have included the last papers of George Mackay Brown and Dame Muriel Spark as well as a manuscript Sherlock Holmes short story from the hand of Sir Arthur Conan Doyle.

15.2. Widening Access

Our work to promote access to the collections continues, both in terms of the Library's buildings and also remote access. The physical changes to George IV Bridge will create a more welcoming, visitor friendly first impression of the building, encouraging people to come in and look around. Displays and exhibitions will enable visitors to interact with many of the Library's collections without having to cross the perceived and physical barriers of having to a register formally as a Reader. The Library's major new acquisition has of course been the John Murray Archive, and our five year strategy to bring the archive to life for the widest possible audience has really started this year as we begin cataloguing and digitising items, creating online resources and designing the permanent exhibition space devoted to the Archive.

Major digital projects have included the digitisation of the 'Medical History of British India', a collection from NLS' India Papers, an extensive collection of official publications from British India. The digitisation of the medical history volumes was funded by awards from the Wellcome Trust. A fully digitised version of the first edition *Kidnapped* was also made available online as part of the Edinburgh-wide City of Literature reading campaign.

Another way of widening access to our collections is to lend items to other institutions for events and exhibitions. Two notable examples of this in terms of reaching new audiences were the mounting of a display on Sorley MacLean at the Filmhouse to coincide with the screening of a film on the poet, and another was the loan of Wedderburn's *Vocabula*, which went on display at an exhibition in Hamburg to coincide with last year's football World Cup.

15.3. Consultation and Communication

Fundamental to providing a high level of service and improved access for our users is listening to what they want and need from us. A programme of monthly visits from independent 'Mystery shoppers' tells us how well we serve our registered Readers. Each time a visit takes place, a score is awarded based on how well we have delivered on various aspects of our services. The average score for last year was well over 90%. Our rebranding activities have continued with our new customer magazine *Discover NLS* and this, along with our enhanced digital presence and positive media coverage have served to substantially increase awareness of NLS and its range of services.

The Library has also formed a Quality Service Team which, with assistance from the Centre for Customer Awareness, has been working on developing customer service standards and will be developing a new Customer Charter for roll out in summer 2007. An example of responding well to customer feedback came when a survey of users found that there was a demand for a single resource with which one would be able

to trace which newspapers were held in which libraries across Scotland. As host and chair of NEWSPLAN Scotland, an organisation which is committed to preserving local Scottish newspapers for our nation and to promoting awareness of and access to these invaluable historical resources, NLS has now produced a comprehensive Guide to Scottish Newspaper Indexes which allows people to search over 180 different newspaper titles from a single resource.

15.4. Collaboration and Partnerships

The partnership agreement made last year with Aberdeen libraries bore fruit as NLS took a roadshow to the city, attracting numerous visitors and garnering favourable local media coverage. Close working relationships have been maintained with other national bodies such as the Scottish Museums Council and Scottish Arts Council, through the Heritage Officers' Group and of course our fellow NDBPs. The relationship with the latter took the form of a collaborative exhibition, Fonn's Dutchas, which showcased material from the collections of NLS, the National Museums of Scotland and the National Galleries of Scotland. The exhibition is themed around 2007 as Highland Year of Culture and throughout 2007 will be seen by people in Inverness, Glasgow, Edinburgh and Stornoway. We have also staged events in association with, among others, the University of Edinburgh, the National Trust for Scotland, Edinburgh UNESCO City of Literature Trust, the RSPB, The Scottish Seabird Centre, Glasgow City Council and the Mitchell Library.

As another means of bringing the collections to life, the Library has also relaunched publishing operations. So far this has meant working in partnership with NMS publishing, Birlinn and others to produce works such as golf history *A Swing Through Time* and a facsimile of the Blaeu Atlas.

As the drive to widen access continues, it should not be overlooked that the National Library of Scotland is and will remain one of Europe's leading centres of learning and research. In this vein and as part of the AHRC-funded 'Landscape & Environment' programme, with research supervised by Edinburgh University Institute of Geography and the NLS Map Library, a Ph.D research studentship started in September 2006 on *Constructing the Military Landscape: Board of Ordnance Maps and Plans of Scotland c.1707 - c.1815*.

15.5. Organisational Development

NLS aims to be efficient, well managed and accountable. With this aim in mind, the Library has been carrying out work with a view to responding to the Scottish Executive's drive for shared services. The Library has also continued work towards attaining Investors In People status, with a particular focus on management competencies. Workshops were held for managers in February 2007 on continuous improvement, with a focus on Equalities, Sustainability and Joint working, and a corporate approach to project management has been agreed and implemented.

The arrival of the John Murray Archive led to the creation of several new posts, including curators and cataloguers and, as the Visitor Centre Project continues, plans were put in place for the introduction of a dedicated Front of House team to be implemented once the John Murray Archive exhibition opens to the public. The arrival of the Scottish Screen Archive has led preparatory to work being done to integrate functions such as HR, ICT and Finance from the merger in April 2007.

New cataloguing process, structures and workstreams have been implemented to improve efficiency and productivity, whilst work has also be done to define and develop the role of curators in NLS.

15.6. Infrastructure

NLS has been developing the infrastructure needed to meet the growing demand for our services and the technological challenges arising from electronic publishing, and the Trusted Digital Repository (TDR – under 'Developing the Collections' above) is expected to provide lasting capacity to meet those challenges. New equipment, servers and some 120 Terabytes of digital storage have been purchased.

There has been significant physical work carried out in George IV Bridge, with accommodation created for the John Murray Archive exhibition as well as work in the main exhibition hall This is part of the continuing Visitor Centre Project which is due for completion in 2008. Work was also carried out the Reading Room area to create more invigilated space in the manuscripts area in anticipation of increased visitor numbers to the Archive.

NLS adopted a sustainable development policy in July 2006. A team was appointed to oversee the implementation of the policy and measures adopted in the review period include energy savings through investment in plant machinery and the use of more environmentally friendly ICT equipment.

16. Disclosure of relevant audit information

As Accountable Officer, the National Librarian has declared that he is not aware of any relevant audit information of which our auditors are unaware. He has taken all necessary steps to ensure that he is personally aware of any relevant audit information and to establish that the auditors are also aware of this information.

A handwritten signature in black ink, appearing to read "Neil Anderson", written over a horizontal dotted line.

Chairman, Board of Trustees

14 November 2007

Remuneration Report

The Staffing and Remuneration Committee is appointed by the Board of Trustees.

Policies

Trustees receive no remuneration but are reimbursed for travel expenses.

Remuneration of Senior Managers is based on the National Library of Scotland's overall pay policy which is approved by the Scottish Executive.

Report

Most of the staff are employed on permanent contracts. There is a small number of staff who are employed on short term contracts which match the duration of the projects on which they are engaged. All staff employed on contracts of more than one year are entitled to join the Principal Civil Service Pension Scheme, a defined benefit scheme. The notice period and termination payments are in line with Scottish Executive guidelines. All senior managers in post during the year were employed on permanent contracts.

Pension scheme

Pension benefits are provided to senior management on the same basis as all other staff through the Principal Civil Service Pension Scheme (PCSPS.), which operates three defined benefit schemes and a defined contribution scheme ("partnership") under the Stakeholder pension framework.

The defined benefit schemes provide benefits on a "final salary" basis at normal retirement age of 60. The newer scheme "Premium" was introduced in 2002, while the older scheme "Classic" remains open only to existing members as at 1 October 2002. Benefits in the Premium scheme accrue at the rate of 1/60th of pensionable salary for each year of service. Members pay contributions of 3.5% of pensionable earnings. The defined benefit schemes are unfunded, the cost of benefits being voted by Parliament each year.

Benefits in the Classic scheme accrue at the rate of 1/80th of pensionable salary for each year of service. Members pay contributions of 1.5% of pensionable earnings. Under both schemes, a lump sum equivalent to three years pension is payable on retirement.

Pensions in both schemes increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse (Classic) or partner (Premium) at the rate of half the member's pension. On death in service, the schemes pay a lump sum benefit of twice pensionable pay and also provide a service enhancement on computing the Spouse's (partner's) pension. The enhancement depends on the length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill-health.

The PCSPS is an unfunded multi-employer defined benefit scheme and the Library is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31st March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2006-07 employers' contributions of £1,262,000 were payable to the PCSPS (2005-06: £1,145,000) at one of the four rates in the range 17.1% to 25.5% of pensionable pay based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The next full scheme valuation is being undertaken during 2007-08. From 2007-08, the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay are payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £Nil. Contributions prepaid at that date were £Nil.

The figures in the tables below include all sums paid during the year in respect of remuneration to members of the Senior Management Team, together with the pension entitlements accruing to those individuals at 31st March 2007 both by way of lump sum and annual amounts payable from the due date of retirement. Remuneration excludes any sums paid on early retirement or in respect of pay protection.

Cash Equivalent Transfer Value

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme as their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.


Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The salary and pension entitlements of Senior Management were as follows:

Name	Age	Job Title	Aggregate Remuneration	Real Increase in Pension at age 60	Real Increase in Lump Sum at age 60	Value of Accrued pension at age 60	Value of related lump sum at age 60	Cash Equivalent Transfer Value at 31 st March 2006	Cash Equivalent Transfer Value at 31 st March 2007	Real Increase in Cash Equivalent Transfer Value funded by NLS
Mr M Wade	52	National Librarian	80 – 85,000	0 – 2,500	0 – 2,500	30 – 35,000	90 – 95,000	555,000	582,000	14,000
Mrs A Miller	54	Director of Strategy & Communications	50 – 55,000	0 – 2,500	N/A	0 – 5,000	N/A	34,000	50,000	13,000
Mr G Hunt	38	Director of Customer Services	45 – 50,000	0 – 2,500	N/A	0 – 5,000	N/A	17,000	24,000	6,000
Mr D Campbell	52	Director of Corporate Services	50 – 55,000	0 – 2,500	N/A	20 – 25,000	N/A	345,000	361,000	8,000
Mrs C Newton	55	Director of Collections	50 – 55,000	0 – 2,500	0 – 2,500	15 – 20,000	50 – 55,000	353,000	379,000	10,000
Mr G Dove	45	Director of Development	60 – 65,000	0 – 2,500	N/A	15 – 20,000	N/A	197,000	204,000	4,000

Details of pensions and Cash Equivalent Transfer Values are disclosed based on information supplied by the Department for Work and Pensions.


 Martyn Wade
 National Librarian and Accountable Officer

Date: 14 November 2007

Statement of Responsibilities of the Board and the National Librarian in relation to the Accounts

Under paragraph 8(3) of the Schedule to the National Library of Scotland Act 1925, as amended by section 18(6) of the National Heritage (Scotland) Act 1985, the Board of Trustees is required to prepare a statement of accounts for each financial year in conformity with the Accounts Direction on page 41 of these financial statements.

The accounts are prepared on an accruals basis and must show a true and fair view of the Library's state of affairs at the year-end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Board is required to:

- comply with the requirements of the Government Financial Reporting Manual and in particular to:
- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the financial statements, and;
- prepare the financial statements on the going concern basis

The Principal Accountable Officer of the Scottish Executive has designated the National Librarian as Accountable Officer for the Library. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Library's assets, are set out in his letter of appointment and the Memorandum to Accountable Officers issued by the Scottish Ministers.

Statement on Internal Control

Scope of Responsibility

As Accountable Officer and Chairman, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which we are personally responsible, in accordance with the responsibilities assigned to us.

As Accountable Officer, I am personally answerable to the Scottish Parliament in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for the propriety and regularity of financial transactions under my control and for the economical, efficient and effective use of resources provided to the Library, for ensuring that arrangements have been made to secure best value and for signing the Library's annual accounts. I am also responsible for providing the necessary assurances to the Principal Accountable Officer to enable them to sign the Statement on Internal Control contained within the Scottish Executive consolidated accounts. I have responsibility for ensuring that effective management systems are in place within the Library and that all risks are identified, assessed and managed appropriately.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Ministers.

Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

During 2006-07 responsibility for Corporate Risk Management continued to be managed by the Audit Committee and the Senior Management Team, which comprised the five directors and the Accountable Officer. Operational risk management was delegated to the directors responsible for the four divisions of the Library's operations and was kept under review by the SMT. During the year the Corporate Risk Register was reviewed and updated and a system of recording Departmental and Divisional risk as part of the corporate planning process was put in place. Detailed departmental and divisional risks are being managed at division level and, where necessary, included in the Corporate Risk Register.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March and up to the signing of the accounts the organisation has continued with the implementation of the recommendations of the Internal Auditors and specifically:

Departmental directors have conducted risk workshops within their departments and the risk register has been revised to reflect the results of the workshop and in response to any other significant changes in circumstances or controls at any other time during the year. Where risks are perceived to have increased above acceptable levels, directors are required to identify additional control mechanisms to mitigate those increased risks.

The Senior Management Team has met to review internal control and risks, based on the results of the workshops, focusing particularly on changes.

The Accountable Officer has reported on risks and controls to the Audit Committee before reporting to the full Board.

The Audit Committee receives reports from internal and external auditors at each of its meetings and advises the Accountable Officer on risk and control matters. The Audit Committee will consider the Accountable Officer's draft report to the Board prior to signing of the accounts.

The Board will consider an annual report from the Accountable Officer on internal control at an appropriate time each year.

Review of Effectiveness

As Accountable Officer and Chairman, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by:

the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;

the work of the internal auditors, who submit to the organisation’s Audit Committee regular reports which include the Head of Internal Audit’s independent and objective opinion on the adequacy and effectiveness of the organisation’s systems of internal control together with recommendations for improvement;


comments made by the external auditors in their management letters and other reports.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Specifically, we have taken initiatives in the area of financial management and control to review the effectiveness of processes and the appropriateness of resources employed in this connection.


Martyn Wade
National Librarian and Accountable Officer

Date: 14 November 2007


Professor Michael Anderson
Chairman, on behalf of the Board

Independent Auditor's Report to the Board of Trustees of the National Library of Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the National Library for Scotland for the year ended 31 March 2007 under the National Heritage (Scotland) Act 1985. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the Statement of Financial Activities. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board, Accountable Officer and Auditor

The Board and Accountable Officer are responsible for preparing the Annual Report and the financial statements in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) 1985 Act and directions made thereunder by the Scottish Ministers. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the body has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Executive's guidance. I report if, in my opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Report of the Board of Trustees and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether

caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

the financial statements give a true and fair view, in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, of the state of affairs of the body as at 31 March 2007 and of its incoming resources and application of resources, excess of expenditure over income, total recognised gains and losses and cash flows for the year then ended; and

the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers.

Regularity

In my opinion in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

R. W. Brown

Auditor: Ruth Brown CPFA

Address Senior Audit Manager, Audit Scotland, 1-5 Osborne Terrace, Edinburgh, EH12 5HG

Date 19 November 2007

Income and Expenditure Account for the year ended 31 March 2007

	Notes	2006-07 £000	Restated 2005-06 £000
INCOME			
Donations and Bequests received	3		4
Net income from revenue-earning activities	4	32	29
Gross income from grant-aided activities		830	214
		<u>862</u>	<u>247</u>
EXPENDITURE			
Staff costs	5	8,540	8,038
Other operating charges	6	4,767	4,159
Expenditure funded by Trust Funds & Bequests	9		102
Depreciation on and permanent diminution in value of fixed assets	7, 8	2,077	1,965
		<u>15,384</u>	<u>14,264</u>
EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST	19	(14,522)	(14,017)
Other income	9	187	135
Interest received - General	3	310	99
Interest received - John Murray Collection funds			274
Realised gains/(losses) on disposal of investments	9		38
EXCESS OF EXPENDITURE OVER INCOME BEFORE NOTIONAL COSTS		<u>(14,025)</u>	<u>(13,471)</u>
Notional interest on capital employed	1(i), 17	(2,244)	(2,269)
EXCESS OF EXPENDITURE OVER INCOME AFTER NOTIONAL COSTS		<u>(16,269)</u>	<u>(15,740)</u>
Reversal of notional interest on capital employed	1(i), 17	2,244	2,269
Transfers (to)/from Capital Assets Fund:			
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	15	1,889	1,849
Release from Revaluation Reserve	15	188	116
Amount transferred to reserves	9	<u>(11,948)</u>	<u>(11,506)</u>
Transfer to Trust Funds and Bequests	15		75
Transfer to Board Reserve Fund	15	32	29
Transfer to General Fund	15	(11,980)	(11,610)
		<u>(11,948)</u>	<u>(11,506)</u>

All activities relate to continuing operations.

The notes on pages 26 to 40 form part of these accounts.

Statement of Financial Activities for the year ended 31 March 2007

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2006-07 Total £000	2005-06 £000
INCOMING RESOURCES						
Grant in aid	2	12,382	2,465		14,847	21,832
Voluntary Income	3		568		568	19,821
Charitable donations	3		200	1,374	1,574	
Revenue earning activities	4	103			103	91
Investment income	3	310	145		455	508
Income from charitable activities	3	830			830	214
Total Incoming Resources		13,625	3,378	1,374	18,377	42,466
RESOURCES EXPENDED						
Cost of generating voluntary income	3	451			451	731
Cost of Revenue earning activities	3	71			71	62
Investment management costs	3	7			7	17
Charitable activities	3	14,683	1,250	16	15,949	14,182
Governance costs	3	243			243	268
Notional cost of capital	17	2,244			2,244	2,269
Total Resources Expended		17,699	1,250	16	18,965	17,529
NET INCOMING/(OUTGOING) RESOURCES before transfers						
		(4,074)	2,128	1,358	(588)	24,937
Transfers between funds	15	39	(39)			
Depreciation of fixed assets	9	2,077	(2,077)			
Transfer of retained trust income to general reserve	9	187	(187)			
NET INCOMING/(OUTGOING) RESOURCES after transfers						
		(1,771)	(175)	1,358	(588)	24,937
Realised gains on disposal of investments	9					38
Increase in market value of investments	9			232	232	648
Revaluation of assets	7		1,674		1,674	3,938
Reversal of notional cost of capital		2,244			2,244	2,269
Net movement in funds		473	1,499	1,590	3,562	31,830
Fund balances brought forward at 1 April 2006	15	598	94,649	6,186	101,433	69,603
Fund balances carried forward at 31 March 2007		1,071	96,148	7,776	104,995	101,433

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2006-07 Total £000	2005-06 £000
Fund balances comprise:						
Capital Assets Fund			60,693		60,693	60,714
General Fund		855			855	414
Board Reserve Fund		216			216	184
Revaluation Reserve			35,037		35,037	33,560
Trust Funds and Bequests	9		392	7,776	8,168	6,611
Collection Purchase Fund			26		26	(50)
		1,071	96,148	7,776	104,995	101,433

Summary of fund movements

	Balance at 1st April	Incoming resources	Outgoing resources	Gains and Losses	Transfers	Balance at 31st March
Capital Assets Fund	60,714	1,733			(1,754)	60,693
General Fund	414	12,382	(12,012)	71		855
Board Reserve Fund	184	103	(71)			216
Revaluation Reserve	33,560			1,665	(188)	35,037
Trust Funds and Bequests	6,611	1,794	(371)	232	(98)	8,168
Collection Purchase Fund	(50)	1,300	(1,089)		(135)	26
	101,433	17,312	(13,543)	1,968	(2,175)	104,995

All incoming resources derive from activities in furtherance of the Library's objectives, all gains and losses for the year are included in the Statement of Financial Activities, and all activities are classed as continuing.

Summary of Trust Fund movements

	Balance at 1st April £000	Gains and Losses £000	Other Movements £000	Balance at 31st March £000
Trust Funds				
Reid Trust Fund	533	28	(96)	465
Graham Brown Fund	1,429	131	(124)	1,436
Alexander Grant Fund	1,125	36	21	1,182
Bequests				
Miss AN Wilson	92		5	97
Mrs R Ratcliff	268	36	7	311
Keppie Bequest Fund	17		7	24
Other bequests	49	1	1	51
Other Funds				
Clarke acquisition funds	25			25
Donations	14		1,374	1,388
John Murray	3,000		143	3,143
Other	59		(13)	46
	6,611	232	1,325	8,168

Of the total investment income, £5,000 related to overseas investments.

The notes on pages 26 to 40 form part of these accounts.

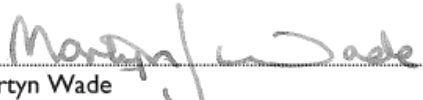
Statement of Total Recognised Gains and Losses for the year ended 31 March 2007

	Notes	2006-07	2005-06
		£000	£000
Excess of expenditure over income		(11,948)	(11,506)
Net gain on revaluation of fixed assets		1,674	3,938
Unrealised gains/(losses) on investments		134	648
Total recognised gains and losses related to the financial year		<u>(10,140)</u>	<u>(6,920)</u>

The notes on pages 26 to 40 form part of these accounts.

Balance Sheet at 31 March 2007

		2006-07 £000	2005-06 £000
FIXED ASSETS	Notes		
Tangible Assets	7	70,103	68,889
Intangible Assets	8	51	16
Collection - capitalised items	19	31,587	31,452
Investments - at market value	9	3,373	3,186
		105,114	103,543
CURRENT ASSETS			
Stocks	10	77	35
Debtors	11	1,187	3,189
Cash at bank and in hand	12	9,824	6,693
		11,088	9,917
CREDITORS - amounts due within one year	13	(3,096)	(1,659)
NET CURRENT ASSETS		7,992	8,258
TOTAL ASSETS LESS CURRENT LIABILITIES		113,106	111,801
CREDITORS - amounts due after one year	14	(8,111)	(10,368)
		104,995	101,433
CAPITAL AND RESERVES			
Restricted Funds			
Capital Assets Fund	15	60,693	60,714
Revaluation Reserve - General Fund	15	35,037	33,560
Purchase Fund	15	26	(50)
Trust Funds and Bequests - unspent income	15	392	425
		96,148	94,649
Endowment funds			
Trust Funds and Bequests - capital	15	7,776	6,186
Unrestricted Funds			
General Fund	15	855	414
Board Reserve Fund	15	216	184
		1,071	598
TOTAL CAPITAL AND RESERVES		104,995	101,433


 Martyn Wade
 National Librarian and Accountable Officer

Date: 14 November 2007

The notes on pages 26 to 40 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2007

		2006/07	2005/06
		£000	£000
Net Cash outflow from Operating Activities	Notes 16	(9,399)	(11,533)
Capital Expenditure	16	(2,885)	(21,957)
		<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
		(12,284)	(33,490)
Financing	16	15,415	31,962
Increase/(Decrease) in cash		<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
		3,131	(1,528)
		<hr style="width: 100%; border: 1.5px solid black;"/>	<hr style="width: 100%; border: 1.5px solid black;"/>

The notes on pages 26 to 40 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2007

I. ACCOUNTING POLICIES

a. Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the inclusion of investments at market value, in accordance with directions given by the Scottish Ministers under paragraph 8(3) of the schedule to the National Library of Scotland Act 1925 as amended by the National Heritage (Scotland) Act 1985. The Accounts Direction given by the Scottish Ministers is produced as an appendix to these accounts.

The accounts incorporate the transactions and balances of the National Library of Scotland, its Trust Funds, Bequests and other acquisition and cataloguing funds up to 31 March each year. Of these Trust Funds and Bequests, only the income from the Alexander Grant Fund is available for the general purposes of the Library, the other funds being restricted in use by the relevant Trust Deeds, Bequests etc.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board as far as those are appropriate. They also comply with the Government Financial Reporting Manual (FRM) and the Charities Statement of Recommended Practice (SORP 2005).

b. Tangible and Intangible fixed assets and depreciation

(i) Title to the Land and Buildings administered by the Board is held in the name of the Scottish Ministers. The Board occupies these premises under licence. On the direction of the Scottish Ministers, these assets have been valued and are included in the Balance Sheet. The method of valuation for properties of a specialised nature, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties have been valued at open market value for existing use. Full valuations of land and buildings are undertaken every five years and updated in intervening years by applying appropriate cost indices. Fixed assets other than land and buildings are revalued annually by the use of appropriate cost indices.

(ii) All items of capital expenditure costing in excess of £5,000 are treated as additions to fixed assets and, with the exception of capitalised collection items (see below), are subject to annual revaluation.

(iii) The Library's collections existing at 31 March 2001 have not been capitalised in these accounts in line with HM Treasury guidance for non-operational heritage assets because the cost would outweigh the benefit. Individual items acquired or donated after 1 April 2001 with a value at the date of acquisition in excess of £5,000 are capitalised. The amount of any grants received towards the purchase of such items is transferred to the Capital Assets Fund on the balance sheet. Under HM Treasury guidance, capitalised collection items are not depreciated or revalued.

(iv) Depreciation is provided in equal annual instalments on all fixed assets over their estimated useful lives, as follows:

Buildings	over 10 to 50 years
Motor Vehicles	over 8 years
Equipment and Machinery	over 4 to 10 years
Computer Equipment	over 4 to 5 years
Intangible Fixed Assets	over 3 years

No depreciation is provided on land or capitalised collection items. All assets are subject to impairment reviews where there is an indicator of potential impairment. Such reviews are conducted by reference to market value of the related asset or its value to the Library.

c. Incoming resources

(i) Government and other grants

All grants received and receivable are included in the Statement of Financial Activities as incoming resources.

Under a new requirement introduced in the FReM 2006-07 issued by HM Treasury, grants for running costs are treated as financing and are thus credited to the General Fund in the Balance Sheet. Grants utilised in the purchase of fixed assets are credited to the Capital Asset Fund, and amounts are subsequently transferred back to the General Fund as the related assets are depreciated.

Purchase Grants and donated cash or assets to be held in perpetuity are credited to the Purchase Fund and Trust Funds respectively, and are not included in the Income & Expenditure Statement. Donations and bequests received to defray the cost of the John Murray Archive are included in this category.

(ii) Other income

All other income is accounted for on a receivable basis and recognised in both the Income and Expenditure Account and the Statement of Financial Activities. If the Library receives any donations of fixed assets, including items for the collections, their market value (if it exceeds of the capitalisation limit) will be credited to a donated assets reserve and amortised over the expected useful lives of the assets acquired. Legacy income is regarded as receivable when the conditions for its receipt have been met.

d. Resources expended

Expenditure is classified in the Statement of Financial Activities under the principal categories of charitable activities, costs of generating income and governance. Charitable expenditure comprises direct expenditure attributable to the principal functions of the Library and support costs. Expenditure has been attributed to departments, where possible on an actual basis and otherwise in proportion to the staff costs of each of those departments.

The Library's principal functions are collection development, providing user access and the development of the Library's functions and appeal.

The costs of the Library's corporate services department are allocated across the charitable expenditure. These costs include the cost of maintaining the Library's buildings and providing other support services within the Library.

Governance costs are those incurred in connection with the management of the Library's assets, organisational administration and compliance with statutory requirements. All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay.

e. Investments

The Library's Trust Funds have listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities SORP 2005. Amounts realised on disposal of assets are reinvested within the funds. Realised and unrealised gains are included in the Statement of Financial Activities; only realised gains are included in the Income and Expenditure Account. The investment policy is determined by the trustees in accordance with the wishes of the donors and is implemented by professional investment managers.

f. Stocks

Stocks are stated at the lower of cost and net realisable value, or if this is different by a material amount, their value to the Library by reference to current costs.

g. Board Reserve Fund

The net proceeds derived from profit-making activities and other sources excluding grant-in-aid are taken to the Board Reserve Fund. This fund may be used at the discretion of the Board.

h. Taxation

The Board has been granted charitable status by HM Revenue & Customs and as a result is able to recover tax on endowment income. The amount shown in the Income and Expenditure Account includes the tax recovered during the year.

HM Revenue & Customs has classified the Library as partially exempt for VAT purposes. VAT expenditure on trading activities is recovered in full and a proportion of the VAT on other expenditure is also recovered. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged in the Income and Expenditure Account.

i. Foreign currency

Income and expenditure in foreign currencies are converted to sterling at rates approximate to those ruling at the date of each transaction.

j. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, which is a defined benefit scheme and is unfunded. The Library recognises the expected cost of providing future pensions over the period during which it benefits from employees' services.

Ascertained future costs connected with early retirement or early departure are recognised in full in the year in which an individual leaves the Library's service.

k. Leases

Leases where substantially all the risks and rewards of ownership of the related asset do not pass to the Library are treated as operating leases. Rentals are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

l. Notional costs

In accordance with the requirements of the FReM 2006-07, the Income and Expenditure Account includes notional costs where this is necessary to the disclosure of the full cost of the Library's activities. The calculation of notional interest on capital employed is explained in note 17.

m. Reserves

The Library's policy on reserves is largely governed by the requirement of its sponsoring body to spend grant-in-aid received. Endowment funds are held under the restrictions imposed by the donors. The trustees have discretion over the use only of the Board Reserve Fund and Alexander Grant Fund. The policy is to use these funds for the benefit of the Library and the levels of reserves are disclosed in the Accounts.

n. Prior Year Adjustment

As a result of the change referred to in Note 1c(i) above, and as described in Note 2, the 2005-06 Income & Expenditure account has been restated to reflect this change. The effect of this is to change the Income & Expenditure Account from showing an operating surplus to showing an operating deficit, financed on the Balance Sheet by the grant income.

2. GOVERNMENT GRANT-IN-AID

	2006-07 £000	2005-06 £000
Grant-in-Aid Received		
Running Costs	12,382	11,354
Capital	1,165	1,120
	<hr/> 13,547	<hr/> 12,474
Purchase Grant	1,300	1,058
John Murray Archive		1,800
Total Received during year	<hr/> 14,847	<hr/> 15,332

Prior year restatement

HM Treasury Financial Reporting Manual (FreM 2006-07) introduced changes in the way Government funding is presented. Grant-in-aid for revenue purposes is regarded as a contribution from controlling parties and is accounted for as financing by crediting it direct to the General Fund. Previously, such grants had been accounted for as income. Government funding for capital purposes is credited to a capital reserve and released to the income and expenditure account over the useful life of the asset. The table below shows the restated surplus/ (deficit) for the year 2005/06 compared to the published figure for that year.

	2005-06 £000
Deficit reflecting FreM changes	(11,506)
Surplus/(deficit) without FreM changes	37

3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2006-07 Total £000	2005-06 Total £000
Voluntary income					
HLF grant		568		568	16,630
Donations to Trust Funds and Bequests		200	1,374	1,574	3,004
Interest on Deferred Grant					187
		768	1,374	2,142	19,821
Revenue earning activities					
Reprography	100			100	86
Publications	1			1	1
Computer services	2			2	4
	103			103	91
Investment income					
Interest received	310			310	99
John Murray Interest					274
Endowment income		145		145	135
	310	145		455	508
Income from charitable activities					
Property rent	131			131	112
Sundry income	699			699	102
	830			830	214

Analysis of Resources Expended

	Direct Costs £000	Support Costs £000	Total £000	2005-06 Total £000
Charitable activities				
Collection development	4,670	4,214	8,884	8,265
User access to collections	2,754	2,485	5,239	4,429
Strategy and communications	960	866	1,826	1,488
	8,384	7,565	15,949	14,182
Cost of generating funds				
Cost of generating voluntary income	237	214	451	731
Cost of Revenue earning activities		71	71	62
	237	285	522	793
Investment management costs	7		7	17
Governance costs	243		243	268
Notional cost of capital		2,244	2,244	2,269
Total Resources Expended	8,871	10,094	18,965	17,529

4. REVENUE-EARNING ACTIVITIES

	2006-07	2005-06
	£000	£000
Income		
Computer Services	2	4
Reprography	100	86
Publications	1	1
	<u>103</u>	<u>91</u>
Less: costs		
Cost of sales	30	26
Direct wages	37	32
Administration	4	4
Surplus for the year: transferred to Board Reserve Fund	<u>32</u>	<u>29</u>

5. EMPLOYEES

	2006-07	2005-06
	£000	£000
Staff costs during the year were:		
Wages and salaries	6,642	6,312
Social Security costs	484	453
Pension costs	1,262	1,145
Agency staff costs	182	117
Early Retirement costs	7	43
	<u>8,577</u>	<u>8,070</u>
Charged to revenue-earning activities (note 4)	37	32
Transferred to Income & Expenditure Account	<u>8,540</u>	<u>8,038</u>
	<u>8,577</u>	<u>8,070</u>

The average number of full-time equivalent employees during the year was as follows:

	Number	Number
Corporate services - Estates	56	58
Corporate services - Other	19	21
Customer Services	90	85
Collection Development	94	95
Strategy and Communications	21	17
Development	4	3
	<u>284</u>	<u>279</u>

6. OTHER OPERATING CHARGES

	2006-07 £000	Restated 2005-06 £000
General		
Administration expenses	1,130	1,021
Operating lease rentals (see note below)	14	14
Travel, subsistence and hospitality	175	149
Office equipment and supplies	138	152
Publications & Exhibitions	623	229
Copyright Agency	150	162
Computer Services	505	444
Digitisation and Web Development	81	93
Record purchase	23	20
Audit fees	38	39
Conservation & Preservation	70	96
Consultancy	200	146
	3,147	2,565
Buildings		
Utilities	487	416
Rent, rates & service charges	148	140
Buildings maintenance	878	919
Furniture	69	64
Transport	38	55
	1,620	1,594
Total	4,767	4,159

Notes:

Operating lease rentals are paid in respect of canteen vending machines.

The presentation of Operating Costs has been redefined for 2006-07 in order to give a clearer view of how expenditure is incurred, and as a result the Operating Costs figures for 2005-06 have been restated to maintain comparability.

7. TANGIBLE FIXED ASSETS

	Land and Buildings	Motor vehicles	Equipment & Machinery	Computer equipment	Total
COST OR VALUATION	£000	£000	£000	£000	£000
Balance at 1/4/06	72,692	90	3,168	1,116	77,066
Adjustments		(1)		(8)	(9)
Additions	325		572	703	1,600
Disposals		(19)	(629)	(19)	(667)
Revaluation	1,672	1	120	(80)	1,713
Balance at 31/3/07	74,689	71	3,231	1,712	79,703
DEPRECIATION					
Balance at 1/4/06	4,709	55	2,539	874	8,177
Adjustments		(1)		1	
Charge for the year	1,687	8	226	130	2,051
Disposals		(19)	(629)	(19)	(667)
Revaluation	4	1	97	(63)	39
Balance at 31/3/07	6,400	44	2,233	923	9,600
NET BOOK VALUE					
At 31/3/07	68,289	27	998	789	70,103
At 31/3/06	67,983	35	629	242	68,889

The high level of recorded disposals reflects work that is being undertaken in 2007/08 to correct identified anomalies in fixed assets records arising from previous years. There is no net financial effect on, or implication for, the accounts.

At 31st March 2003 all Land and Buildings were revalued by the Valuation Office, an executive agency of HM Revenue & Customs, on the basis of Depreciated Replacement Cost for buildings of a specialised nature and on the basis of Open Market Value for existing use for other buildings. In addition, the Lawnmarket and Causewayside properties were subject to interim valuations on 6 June 2006 and 1 September 2005 respectively. Depreciated replacement costs were derived by the valuers on the basis of land values and estimated current construction costs, including professional fees and finance costs for each individual property. The amount by which replacement cost for each property was discounted to arrive at depreciated replacement cost was assessed by the valuers on the basis of the current condition and state of repair of the property concerned (rather than by time apportioning over the estimated total life of the property).

Land and buildings include £5,925,000 (2006 - £5,825,000) in respect of land which is not depreciated.

8. INTANGIBLE FIXED ASSETS

COST OR VALUATION	Computer software £000
Balance at 1/4/06	21
Additions	61
Revaluation	(1)
Balance at 31/3/07	<u>81</u>
DEPRECIATION	
Balance at 1/4/06	5
Charge for the year	25
Revaluation	
Balance at 31/3/07	<u>30</u>
NET BOOK VALUE	
At 31/3/07	<u>51</u>
At 31/3/06	<u>16</u>

9. TRUST FUNDS AND BEQUESTS

	2006-07 £000	2005-06 £000
Listed investments - at market value	3,279	3,023
Cash deposits held within investment pool	94	163
Capital, at market value	<u>3,373</u>	<u>3,186</u>
Cash balances held by the Library	4,531	
Endowment debtor		3,000
Retained income		
Cash balances	264	532
Debtor - income receivable		13
Creditors		(120)
Net Retained Income	<u>264</u>	<u>425</u>
Total Trust Funds and Bequests holdings	<u>8,168</u>	<u>6,611</u>
Listed investments - at cost	<u>1,741</u>	<u>1,820</u>

Movements in year

	Listed investments	Cash held within investment pool	Cash and other balances	Debtor	2006-07 Total	2005-06 Total
	£000	£000	£000	£000	£000	£000
Donations			1,374		1,374	3,004
Income from investments		4	216		220	119
Other trust fund income			3,200	(3,000)	200	16
Expenditure		(50)	(321)		(371)	(102)
Transfer to general fund			(99)		(99)	(14)
Purchase of investments	992	(992)				0
Disposal of investments	(969)	969				38
Other changes in market value	233				233	648
Net movement	256	(69)	4,370	(3,000)	1,557	3,709
Balance at 1 April 2006	3,023	163	425	3,000	6,611	2,902
Balance at 31 March 2007	3,279	94	4,795		8,168	6,611
Net movements through income and expenditure account			187		187	75

Analysis of income from investments

	Restricted £000	Unrestricted £000	Total £000	2005-06 £000
Income from listed investments	67		67	111
Interest on cash deposits held within the investment pool	3		3	2
Interest on cash and other balances	150		150	22
	220		220	135

With the exception of the Professor T Graham Brown Trust, for which the firm of Lindsays WS act as an additional, external, Trustee, the Trustees and management of the National Library of Scotland have operational control of the balances of Trust Funds and Bequests, and for this reason they are included in these Accounts. All funds, excluding smaller charitable donations, are treated as endowment funds, in that the capital is preserved, in accordance with Trustees' policy and where applicable, the conditions associated with the original gift or bequest. The income arising from the funds is applied in accordance with the wishes of the donors, primarily for making appropriate additions to the collections of Books and Manuscripts. The main exceptions to this are the Alexander Grant Fund which is for the general purposes of the Library, and the Ratcliff Fund which is for the educational benefit of the people of, and visitors to, Scotland. Detailed Accounts for the Trust Funds and Bequests are prepared separately and can be produced for inspection on request.

10. STOCKS

	2006-07 £000	2005-06 £000
Stock held for resale - publications	2	8
Conservation materials	75	27
	<u>77</u>	<u>35</u>

The current cost value of stocks is not materially different from historic cost and accordingly no adjustment has been made to reflect current costs.

11. DEBTORS

	2006-07 £000	2005-06 £000
Trade debtors	92	123
Provision for bad debts	(45)	(14)
Prepayments and accrued income	(18)	13
Other debtors	1,158	54
Endowment debtor		3,000
Trust funds		13
	<u>1,187</u>	<u>3,189</u>
Intra Government balances, included in above balances		
Balances with other central Govt bodies	213	33

12. CASH AT BANK AND IN HAND

	2006-07 £000	2005-06 £000
Bank of England (Office of the Paymaster General)	438	497
Bank of Scotland (Credit Card Merchant account)	64	35
Board Reserve – Bank of Scotland	226	222
Royal Bank of Scotland (Current Account, John Murray Archive)	5,147	4,948
Royal Bank of Scotland (Special Interest Bearing Account, John Murray Archive)	3,562	433
Citibank (Foreign payments account)	19	22
Bank of Scotland (Trust Funds income accounts)	364	532
Cash	4	4
Total	<u>9,824</u>	<u>6,693</u>

13. CREDITORS - amounts falling due within one year

	2006-07 £000	2005-06 £000
John Murray Archive	1,000	1,000
Accruals	1,368	324
Other creditors	728	335
	<u>3,096</u>	<u>1,659</u>
Intra Government balances, included in above balances		
Balances with other central Govt bodies	294	308

14. CREDITORS - amounts falling due after more than one year

John Murray Archive	7,960	10,200
Deferred Pension costs	151	168
	<u>8,111</u>	<u>10,368</u>

15. RESERVES

	General Fund	Board Reserve Fund	Capital Assets Fund	Revaluation Reserve	Collection Purchase Fund	Trust Funds & Bequests (Capital)	Trust Funds & Bequests (unspent income)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balances at 1 April 2006	414	184	60,714	33,560	(50)	6,186	425	101,433
Transfers between Reserves accounts from prior year	39			(9)		(16)	(82)	(68)
Government Funding received	12,382		1,165		1,300			14,847
HLF Grant - John Murray Archive			568					568
Donations and bequests received						1,374	200	1,574
Dividend and interest income							220	220
Expenditure funded by Trust Fund income							(371)	(371)
Changes in market value of holdings						232		232
Collection items with a value in excess of £5,000			135		(135)			
Release to Income & Expenditure Account in respect of depreciation (Deficit)/surplus arising on revaluation in year			(1,889)					(1,889)
Excess depreciation charge over equivalent historic cost depreciation				1,674				1,674
Purchases charged to Purchase Fund				(188)				(188)
					(1,089)			(1,089)
Surplus on revenue earning activities	(32)	32						
Deficit from Income and Expenditure Account	(11,948)							(11,948)
Balance as at 31st March 2007	855	216	60,693	35,037	26	7,776	392	104,995

16. NOTES TO THE CASH FLOW STATEMENT

	2006-07	Restated
	£000	2005-06
		£000
Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit for the financial year	(16,269)	(15,740)
Notional charges	2,244	2,269
Depreciation on tangible and intangible fixed assets	2,077	1,965
Net cash movement in restricted funds held by Trustees	1,409	
Investment management costs		(10)
(Increase)/decrease in stock	(42)	(3)
(Increase)/decrease in debtors	2,002	247
(Decrease)/Increase in creditors and provisions	(820)	(261)
Net cash outflow from operating activities	(9,399)	(11,533)
Capital Expenditure		
Additions to fixed assets	(1,661)	(931)
Payments to acquire John Murray Archive		(20,000)
Purchase of other items for the collections	(1,224)	(1,026)
Net capital expenditure for year	(2,885)	(21,957)
Financing		
Scottish Executive funding for year	14,847	15,332
HLF grant received for John Murray Archive	568	16,630
Total Financing received	15,415	31,962
Analysis of changes in cash during the year		
Opening balance at 1 April 2006	6,693	8,221
Net cash inflow/(outflow) during the year	3,131	(1,528)
Closing balance at 31 March 2007	9,824	6,693

17. INTEREST ON CAPITAL EMPLOYED

In accordance with the accounting requirements laid down for Non-Departmental Public Bodies (NDPBs), the deficit for the year is shown in the Income and Expenditure Account after charging notional interest on Capital Employed, calculated, as set out below, on the stated balances in respect of grant-aided activities at a rate of 3.5% (2006 - 3.5%) applied to the average balance during the year.

The purpose of including notional costs is to enable disclosure of the full cost of the NDPB's activities that would have been incurred if the NDPB had been a commercial organisation. However, there is no related funding, to match these notional costs and therefore the deficit or surplus for the financial year after notional costs, as disclosed in the Income and Expenditure Account, is not indicative of the result for the year in terms of under- or over-spending in relation to grant income.

	2006-07 £000	2005-06 £000
Average balance during the year	64,105	64,831
Notional interest at 3.5% (2006 - 3.5%)	2,244	2,269

18. CAPITAL COMMITMENTS

	2006-07 £000	2005-06 £000
Commitments not provided in the accounts at 31 March 2007 are:	Nil	165

At 31st March 2007 contracts were in progress in relation to the capital developments described elsewhere. Due to the nature of the outstanding commitments it is not considered appropriate to attempt to assign a value to these.

19. COLLECTIONS - CAPITALISED ITEMS

In accordance with accounting policy note 1b(iii), acquisitions for the collections of individual items with a value at date of acquisition in excess of £5,000 have been capitalised. No collection items were capitalised before 31 March 2001.

	2006-07 £000	2005-06 £000
Balance of capitalised items at 1 April 2006	31,452	218
John Murray Archive		31,200
Other additions in year of individual items with a value exceeding £5,000	135	34
Balance at 31 March 2007	31,587	31,452

20. RELATED PARTY TRANSACTIONS

The National Library of Scotland is a Non-Departmental Public Body sponsored by the Scottish Executive, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Executive.

During the year, none of the Trustees, members of key management staff or other related parties has undertaken any material transactions with NLS.

21. LEASE COMMITMENTS

At 31 March 2007, the Library was committed under a non-cancellable operating lease of equipment to make payments totalling £12,000 during the following year (2006 - £12,000). The lease expires in 2008.

22. CONTINGENT LIABILITY

Significant progress has been achieved in resolving disputes, including court action, with contractors related to major refurbishment works, and on this basis and with guidance from professional advisors, no provision in relation to these has been made in these accounts.

23. LOSSES AND SPECIAL PAYMENTS

There were no losses or special payments in the year. (2005/06: Nil).

24. POST BALANCE SHEET EVENTS

There are no material post balance sheet events that require to be adjusted in the accounts or to be disclosed.

25. DATE OF ISSUE OF ACCOUNTS

The accounts are authorised for issue on the date they are signed by the external auditor and must be laid before Parliament before being released.

Appendix - National Library of Scotland Accounts Direction

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 8(3) of the Schedule 8(3) of the Schedule to the National Library of Scotland Act 1925 as amended by section 18(6) of the National Heritage (Scotland) Act 1985 hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts is prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 2 November 2002 is hereby revoked.

Signed by authority of the Scottish Ministers

Dated: 31 March 2006