



NATIONAL LIBRARY OF SCOTLAND

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2009

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

National Librarian and Chief Executive's Introduction to the Annual Report

Introduction

Homecoming has been a prevalent theme in much of our exhibition and outreach activity this year, and the global potential for making our collections and knowledge accessible to people throughout the world continues to drive so much of what we do at the Library.

During the same year in which we celebrated the birth and growth of Scottish printing, we also embarked on our biggest digitisation project to date. This project is making thousands of books relating to Gaelic language available online. Alongside our efforts to put more of our resources online, we continue to do all that we can to make finding them easier. The addition of our catalogue records this year to WorldCat, a leading global 'master catalogue', is one example of this, while another is the adoption of the latest, intuitive search technologies on our own site.

The publication of our Integrated Collecting Strategy* is a clear and fresh indication of the direction in which the National Library of Scotland is moving. In this, we stress the importance of working collaboratively, not just with other collecting and memory institutions, but also with the wide range of organisations involved in putting material online. In essence, we aim to meet our customers' expectations of finding a wealth of resources quickly and easily, and to explore the rich potential of these collections, wherever they may be in the world, and at whatever level of research they are doing.

As our collections continue to grow (to at least 16 million items at the time of writing) their research potential and the expertise of our staff grows with them. This is an area in which we have invested much time this year with highly promising results. Collaborative research projects with numerous universities have won funding and have charted exciting new waters in the academic realm.

I hope you enjoy this report and discover more about our recent progress and the enormous potential the future holds for the Library, just as much as we have taken pleasure in helping our customers discover our national collections and the vast potential these hold.

*www.nls.uk/about/policy/



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Martyn Wade
National Librarian & Chief Executive

14 September 2009

Report of the Board of Trustees

1. 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 14 million printed items, 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 and increasingly important digital collections. 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 with some degree of particular focus on Scotland and the Scots - 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 libraries.

The Scottish Ministers have responsibility for the Library, which is sponsored by the Scottish Government. The Library is administered 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 NLS "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 Government.

NLS 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.

3. Financial Results for the Current Year

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. Investments

dropped in value, but continued to provide a satisfactory income. The level of charitable donations received, in the context of the John Murray Archive fundraising campaign, continued to be encouraging although much remains to be done to meet the target. In March 2009 the Library was able to make a further major instalment of £2.24 million, towards the cost of the Archive. A further, similar payment is planned for March 2010.

During 2008/9 Exceptional Income received amounted to £1.6m. The majority of this amount relates to a VAT Refund received during the year. During 2008 it was established that NLS has special VAT status as it is specifically listed in Section 33a of the VAT Act 1994, and HMRC's Notice 998. This VAT status allows NLS to recover (in full) any VAT incurred on expenses linked to free rights of admission. As a result of this review it was concluded that NLS had incorrectly restricted its recovery of input tax. As a result, on 22 May 2008, NLS received a refund of overpaid VAT. Scottish Government have supported NLS' view that these funds should be used to fund significant improvements to buildings. This commitment is articulated through designation of general reserves.

During the year the Library continued its use of devolved budget management, enabling managers to operate flexibly within overall financial and operational targets. This is intended to enable the Library to improve operational efficiency and delivery of services across the whole organisation.

In 2009, the Agency for the Legal Deposit Libraries was established as a legal entity and is an Associate to National Library of Scotland. The Chief Executive and National Librarian represents National Library of Scotland as one of the 5 Directors of the Agency. There are five customers who are the Legal Deposit Libraries. These are the National Library of Scotland; the National Library of Wales; Cambridge University Library; the Bodleian Library, Oxford and the Library of Trinity College, Dublin.

During 2008-9 significant work was carried out to set up the Agency in Edinburgh, previously all activities were carried out by Cambridge University Library from a base in London. The company started trading and became fully operational from Causewayside, Edinburgh on 2 March 2009.

4. Significant changes to Fixed Assets

Fixed Assets of £1,371k were capitalised during the year. Additions to Fixed Assets during the year included work to create a Visitors Centre which opened on 22 June 2009. In addition, NLS renovated an area in Causewayside, this area will provide an income stream to NLS as it is now let to ALDL.

5. The Board of Trustees

NLS has a statutory requirement for thirty two Trustees, of whom eleven are ex officio, five (including the Chairman) appointed by the Crown, five appointed by the Faculty of Advocates, four appointed by the Universities, two appointed by CoSLA and five, "being persons of eminence in literature or public life", being co-opted. At the date of this report there are two vacancies on the Board of Trustees. Arrangements are being made to fill these vacancies.

Crown appointments are made by the Scottish Government after advertising vacancies in the national press. The Board seeks to co-opt individuals that fill gaps in the skills/knowledge base, and does this also by public advertisement. The names of the Board Members who served during the year are as follows:

	Committee Membership
Chairman (appointed by the Crown) Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4
Trustees	
Ex-officio	
The Lord President of the Court of Session	
The Lord Advocate	
The First Minister	
The Dean of the Faculty of Advocates	4
The Minister of the High Kirk (St Giles'), Edinburgh	
The Member of the Scottish Parliament for Edinburgh Central	
The Crown Agent	1
The Lord Provost of Edinburgh	4
The Lord Provost of Glasgow	

The Lord Provost of Dundee
The Lord Provost of Aberdeen

Appointed by the Crown

A. Lorraine Fannin, OBE, BA, DipEd	1
Dr Willis Pickard	4
Andrea M Batchelor (one vacancy)	3

Appointed by the Faculty of Advocates

Mungo Bovey QC (from July 2008)	
The Hon Lord Coulsfield, QC	2
M.C.N. Scott, QC	
M G Thomson, QC	1
J Wolffe, QC	5

Appointed by the Universities

Professor G D Caie, MA, PhD, FRSA, FEA, FRSE	2, 5
Dr P Kemp, MA, PhD	3, 4
I G Lloyd, BA, DipLib, MLib, ALA (until 30 March 2009)	1, 3, 5
Dr Judith Vincent, BA, PhD	5

Appointed by the Convention of Scottish Local Authorities

Councillor Greig (until 22 June 2009)
Councillor K Morrice
(One vacancy)

Co-opted

Lady Balfour of Burleigh, MA, DPhil, FSA Scot, FRSE	2, 5
Ms Moira Methven, MCILIP	3, 4
S Dunn (from 7 April 2009)	3
C Lovatt (from 7 April 2009)	1
M Mehdi (from 7 April 2009)	

- 1 Member of Audit Committee
- 2 Member of Development Committee
- 3 Member of the Staffing and Remuneration Committee
- 4 Member of the Governance Working Party
- 5 Member of the Major Projects Committee

Mr Cunison Rankin was a co-opted member of the Audit Committee until November 2008
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 £1,533 (2008: £651) 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 and is available for inspection on the National Library of Scotland website. Trustees are required to update the register within 28 days of a change to their registerable interests.

New Board members are provided with an induction pack that contains a range of documentation including the Responsibilities of the Board of Trustees, Code of Conduct, Rules on Declaration of Interest and the Corporate Plan, and are invited to tour the Library. An Induction/Development day occurred in April 2009.

The Board met six times during the year to effect general management and control over NLS. Its principal function is responsibility for the stewardship and governance of the National Library of Scotland, this includes approval of the Corporate Plan and Annual Budget. The Audit Committee has delegated

responsibility for Finance matters. Appropriate delegations are also made to the Staffing and Remuneration Committee, the Development Committee and the Major Projects Committee. In addition, a Governance Working Party has continued to consider appropriate ways to improve governance of NLS.

Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian and Chief Executive (Martyn Wade), supported by his Senior Management Team. The Senior Management Team is:

Duncan Campbell	Director of Corporate Services
Cate Newton	Director of Collections and Research
Alexandra Miller	Director of Customer Services
Teri Wishart	Director of Development and External Relations

6. Investments

The Trustees Act 2000 governs the Trustees' investment powers. The Trustees have agreed the NLS 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 21 days to settle invoices. A random sample of invoices taken from those paid during the year ended 31 March 2009 showed that 71% (2008 - 80%) of invoices were paid within the terms agreed with suppliers. The Library is working towards paying suppliers within the 10 day target.

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

NLS 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. Sickness Absence

NLS introduced a more robust attendance management process in November 2008 which has led to tighter and faster management of both short-term and long-term absence cases. The process makes use of the Bradford Factor and includes full involvement of line managers and regular case reviews. Sickness absence was an average of 13.5 days during 2008/9 (2008 - 14.6 days). Absence rates reduced by 31% in the last quarter of the year, following the introduction of the new policy, and it is anticipated that further reductions will be achieved.

11. Information Risk

In line with the Cabinet Office's policy and guidance, NLS has appointed a Senior Information Officer ("SIRO"), a Junior Information Officer ("JIRO"), an Information Technology Security Officer ("ITSO") and Information Asset Owners ("IAO").

In 2008/9, the Scottish Government commissioned a data handling review and as part of this, NLS ensured that procedures were in place to report, manage and recover from information risk incidents.

There was one known Data Handling issue during 2008/9 which was resolved quickly and with no resulting damage.

12. Equal Opportunities and Diversity

The National Library of Scotland is committed to advancing equality and diversity as key features in all its activities and in the way it treats customers and employees. All of our strategies and actions are underpinned by our belief in fairness for all and we promote equal opportunities in all that we do. We believe that diversity is ethically right and socially responsible. More, we believe that equality and diversity

enrich the Library by enhancing the skills base of its staff and by bringing fresh ideas and perceptions into its services. We acknowledge and promote the following basic rights for everyone associated with the Library:

- To be treated with respect and dignity; and
- To be treated fairly at all times.

The Library has an Equalities Group, chaired by a member of the Senior Management Team and which has representatives from both service and support divisions, including Human Resources; the Group is responsible for ensuring equality and diversity in both employment and services. It reports formally to the Board of Trustees once a year. The Group manages the production and oversight of the Library's statutory Equality Schemes for disability, gender and race. All these documents can be accessed on the Library's website.

13. Employee Consultation

The Library places great emphasis on employee consultation and engagement. It recognises four trade unions, Bectu, FDA, PCS, and Prospect, and works closely with both local and national union officials on matters such as health and safety, training and development and employee well-being. In addition, there is a formal joint consultative mechanism with the trade unions, the Whitley Council, which meets four times a year, chaired by the National Librarian and Chief Executive. A union representative attends meetings of the Board of Trustees as an observer. For direct communication and consultation with staff, the Library organises two all-staff meetings a year and ensures that all units and divisions hold regular and minuted staff meetings. There is a cascade system for decisions from senior management groups as well as a staff circular system and the intranet is also heavily used for both formal and informal communication. There are well-maintained and current notice boards in all buildings.

14. Environmental matters and social and community issues

NLS has developed a Sustainable Development Policy which tackles policy areas of energy, waste, transport and travel, supplier performance and purchasing and implementation.

NLS hosts an extensive education programme as part of its core theme to "Widen Access" – more information is included under 20 (iv) below.

15. Changes since 31 March 2009

There have been no significant changes since 31 March 2009.

16. Future Developments

The Library's corporate strategy 'Expanding our Horizons' commits the Library to a number of ambitious, but achievable, goals. The three years to 2012 will involve a great deal of change, some highly-visible to our users such as the Visitor Centre and more remote digital services. Other changes will be less visible as we continue to develop our organisational capacity, skills and culture which place a high value on innovation, customer focus and continuous improvement. This will bring about better services, greater responsiveness to users' needs and further efficiencies in the way we organise ourselves. Out of such gains in efficiency, we will give priority to developing services which meet the needs of the public, the Scottish library community and other partners and we are committed to a rolling programme of investment in digital services.

17. Appointment of Auditors

The Accounts of NLS are audited by an auditor appointed by the Auditor General for Scotland. Audit Scotland was appointed from 1 April 2006.

The agreed fee for audit services was £19,930 (2008 - £23,080) 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 Baker Tilly, 139 Fountainbridge, Edinburgh

18. Other Professional Advisors and Bankers

Investment advisers	Brewin Dolphin Securities Ltd, 7 Drumsheugh Gardens, Edinburgh Lindsays WS, Caledonian Exchange, 19A Canning Street, 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, The Mound, Edinburgh Royal Bank of Scotland, St Andrew Square, Edinburgh Citigroup, PO Box 4341, Worthing

19. Risk Management

NLS 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 and Trustees.

20. Objectives and Achievements

During 2008/9, the National Library of Scotland (NLS) was guided by the strategic goals outlined in 'Expanding our Horizons' our corporate strategy for 2008-2011. These goals fall into broad themes: Developing the Collections, Widening Access to Knowledge, Consultation and Communication, Building Relationships and Developing the Organisation and Infrastructure.

i) Developing the Collections

Perhaps the most significant collection development this year was a clear change in our approach to collecting material. An Integrated Collecting Strategy (www.nls.uk/about/policy/index.html#collection) was developed in December 2008 in response to changes in the creation of knowledge and publishing. Collecting can now simply mean 'giving access to content', while digital formats present new preservation challenges. The strategy will create a more distributed approach to collecting, working with a vast range of suppliers of digital material, as well as the nation's libraries, archives and other collections. There will be a greater emphasis placed on digital material and presenting more of our collections in surrogate form. We will give precedence to the long-term preservation of UK and (especially) Scottish material, recognising that the preservation of other material is the responsibility of national libraries elsewhere.

Following the acquisition of a major archive of historic Scottish sound recordings in March 2008, work is progressing on the Scottish discography that the donor of the collection, Mr William Dean-Myatt, has compiled over many years. The discography, entitled 'Scottish Vernacular Discography, 1888-1960', will be published on the NLS website in 2009.

Generous funding from the John R Murray Charitable Trust has continued to open up the archive of Edinburgh map makers and publishers, Bartholomew. A new website www.nls.uk/bartholomew went online in January to promote the archive, featuring the history of the firm, highlights of selected publications and a curator's blog. The conservation and cataloguing of the Printing Record (a copy of everything the firm printed from 1877 to 2002) continued, with more than 50 volumes conserved and 20 fully catalogued.

Additional thanks are given to the John R Murray Charitable Trust for the generous donation of photograph albums and plans compiled by Heinrich Schliemann during his excavations at Mycenae in

Greece. These were the source of the illustrations for his book, 'Mycenae: a narrative of researches and discoveries at Mycenae and Tiryns', which was published by John Murray in 1878. Coming from a private collection, the acquisition made them publicly accessible for the first time.

In February NLS acquired the only known manuscript of a Robert Burns poem. Written in 1790, 'The Battle of Sherra-moor', or 'On the Battle of Sheriff-Muir', gives two viewpoints of a 1715 Jacobite conflict. The manuscript dates from after the poem's initial publication in 1790 and shows changes made for the 1800 edition of 'Works of Robert Burns'. After years in private hands in Switzerland and the USA, the document was sold to NLS at auction for \$45,000.

Also in February, following on from the success of the 500 Years of Printing in Scotland project, the early records of the Scottish Print Employers Federation (SPEF) were donated to the Library. The collection complements the wide range of printing company and print union records already held by the Library and dates back to the formation of SPEF's predecessors, the Scottish Alliance of Masters in the Printing and Kindred Trades in 1910.

This year saw the completion of our Scottish theatre programmes database, allowing customers to search our growing collection of over 7,500 items from Scottish theatre, from the 19th century to the present day. It can be searched by year, venue, keyword or title of production.

Research

The Library has made significant progress this year by working collaboratively with universities on research projects which demonstrate the vast potential of our collections. Arts and Humanities Research Council (AHRC) funding has been secured for projects with Edinburgh, Strathclyde, Glasgow and Queen Margaret Universities, among others.

Social networking was the subject of two such projects, with one comparing 19th century correspondence from our manuscripts collections to modern-day family blogs and websites, while another saw staff being trained to create films about the Library's work to put on social media sites.

Several projects explored the specialist nature of our collections. These included a studentship drawing on recently digitised papers made available on the Medical History of British India website (www.nls.uk/indiapapers) and the legal book collections of Charles Erskine (1680–1763).

Geography, travel and exploration were also strongly represented, with several projects exploiting the research potential of Bartholomew and John Murray archives. These projects will aim to reveal much about how the world has changed since the time of the British Empire, how map and travel publishing developed, and how maps chart the social and cultural growth of Edinburgh in the 19th and 20th early centuries.

ii) Consultation and Communication

The Library has responded to the explosion of social media websites this year with a pilot project to establish a presence on a number of sites relevant to our services. Videos from the Scottish Screen Archive can now be found on YouTube, a selection of digitised collection material can be found on photo hosting site Flickr, while we also maintain a presence on Facebook, and are exploring social bookmarking sites which allow people to share and discuss web content. Additionally, collection staff have started their own blogs, picking out personal acquisition highlights in areas such as modern Scottish collections, the India Papers, and the archives of Bartholomew and John Murray publishing firms. Links to all of these sites can be found on our website at: www.nls.uk/about/social-networking

Overall media coverage for the Library for the period had an Advertising Value Equivalent of nearly £2.4 million, up almost 50% on the previous year. Significant stories included 500 Years of Printing in Scotland, the 'Local Heroes' exhibition, the launch of JK Rowling's book, 'Tales of Beedle the Bard', and its accompanying exhibition and the launch of the touring exhibition, 'Zig-Zag: The Paths of Robert Burns'.

NLS won three awards at the 2008 Chartered Institute of Public Relations Pride Scotland Awards in November. Silver awards were won in publication categories for 'Discover NLS' and the Annual Review 2006/7, while a gold Award was scooped in the Outstanding In-house PR team category. The Scottish Screen Archive website won the Web Marketing Association award for 'Outstanding achievement in

website development'. The category was 'Design Standard of Excellence, General Interest Standard of Excellence'. NLS was also awarded the Partnership with a Small Business award at the Arts and Business Scotland Awards in October. The award was given in recognition of the Library's work with business writers Henzteeth in sponsoring the work of NLS artist in residence Catriona Taylor in 2007.

iii) Building Relationships

As part of our mission to take the Library to the people of Scotland, NLS held another successful three-day road show in September at the Carnegie Library in Ayr. Facsimiles of locally relevant rare books and manuscripts went on show, while staff gave free talks for adults, local history workshops for primary schoolchildren, while Scottish Screen Archive showed footage of 'Auld Ayrshire.'

A full colour facsimile of John Thomson's 'Atlas of Scotland' (1832), was published by Birlinn, in association with NLS. The facsimile includes introductory essays by Map Collections staff and images from the original Atlas, and continues the successful collaboration between NLS and Birlinn through their Limited Editions series.

NLS took a lead role in the celebrations surrounding 500 years of Scottish printing in 2008, starting with a special public showing in April of the earliest surviving dated book printed in Scotland, John Lydgate's 'The Complaint of the Black Knight'. We also launched a website on 'The Spread of Scottish Printing', which we believe to be internationally unique.

iv) Widening Access

Exhibitions

The exhibition programme opened this year with a focus on modern collections. 'Local Heroes: the Art of the Graphic Novel' opened in April, and attracted more than 15,000 visitors. The exhibition charted the evolution of 'children's comic books' to a serious medium for adults, drawing on our extensive collections of graphic novels.

This was followed by the 'Imprintit: 500 Years of Printing in Scotland' exhibition, visited by over 21,000 people. The exhibition was accompanied by a number of events run as part of the Library's cultural programme, including talks on the book in Scotland and print workshops.

Our winter exhibition previewed in November. 'Zig Zag: The Paths of Robert Burns' was created jointly with the National Burns Collection and funded by Homecoming Scotland. It attracted 14,499 visitors during its 3-month run; a significant increase on any previous winter NLS exhibition. Following its run at NLS, it went on tour to Aberdeen, Dumfries and Glasgow. NLS' collaboration with the Lighthouse Gallery in Glasgow, on the theme of 'film and the 1938 Empire Exhibition', proved very popular. Over the 3-month run in the summer the temporary exhibition attracted over 27,000 visitors.

The year closed with an exhibition on 'Scots Music Abroad'. The exhibition was devised to complement the Homecoming 2009 programme and gave us an opportunity to showcase under-exposed material from our growing collections of printed and manuscript music and audio.

Education and Outreach

The 'Local Heroes' exhibition provided the inspiration for an innovative outreach project working with disadvantaged 14 to 21 year olds from East Lothian's Bridges Project. The group worked with comic artist Gary Erskine and storyteller Michael Williams to develop their own graphic novels.

The A' Adams Bairns education project, which explored themes of multiculturalism and diversity in Scotland was completed this year. A music CD and teachers' pack was created and sent to every school in Scotland, with the project culminating in a concert at Edinburgh's Queens Hall with many of Scotland's top folk musicians performing songs based on material from the NLS music collections.

The potential for the John Murray Archive (JMA) to ignite creative research was realised this year with the appointment of dramatist Peter Arnott as JMA playwright in residence. The major outcome of the

residency will be a series of workshops and a play for schools, touring in 2009, as part of the celebrations both of Darwin's bi-centenary.

Registration processes were streamlined in February, making it easier than ever for customers to join the Library.

Digital Services

Additional funding from JISC for the Institutional Repository Infrastructure for Scotland (IRIScotland) project enabled the Library to help learning institutions that do not have their own repositories to archive their own research outputs. Stirling University adopted the service, making them one of the first universities in Scotland to require academics to deposit publications in an institutional repository.

Digital mapping remains one of our most popular online features, fuelling a number of new projects this year. A new map website was launched for viewing early Ordnance Survey six-inch to the mile maps of Scotland from the 1840s-1880s using a simple, zoomable mapping application. Two new town plan websites also went online in January. The Ordnance Survey town plans website overlays Scottish Victorian town plans upon modern satellite imagery.

In August we started work with the Internet Archive on a mass digitisation project to put over 1,600 volumes from our Gaelic book collections online. At the time of writing, a total of 1843 volumes are now available to view via the Internet Archive site. [www.archive.org/search.php?query=collection:"gaelic"](http://www.archive.org/search.php?query=collection:)

The NLS Digital Archive (<http://digital.nls.uk/>) went online in February providing free access to some of the many resources that the Library has digitised over the last few years. Items of particular note are the complete Gutenberg Bible digital facsimile that Keio University created for the Library in July 2005 and the complete Aberdeen Breviary digital facsimile completed last year.

In December 2008, the Library adopted the latest technology to make searching our vast online resources as easy as possible. The intuitive new search facility allows users to search all our holdings and websites from one point and even suggests alternative search terms to help with research.

v) Developing the Organisation and Infrastructure

Some important investment milestones have been reached this year in our infrastructure. A new mass digital storage system has been implemented. The new system provides the Library with approximately five times more digital storage space, greatly strengthening our position to deliver digital services to customers. The new system has capacity for over 4 billion pages of text, although we expect to acquire this much digital content in the next seven years.

A new Agency for the Legal Deposit Libraries came into place in March 2009. The agency collects and distributes material to NLS and four of the five other legal deposit libraries in the British Isles. The body is owned and managed by NLS and operates out of purpose-designed facilities in Causewayside. The new arrangements provide much improved security, capacity and claiming processes for the agency. The agency processed over 210,000 items from going live in March 2009 to 31 July 2009.

In February 2009 there was a flooding incident in the Library's George IV Bridge building. In line with our business continuity plan, the situation was swiftly brought under control with staff working extremely hard to minimise the impact on the collections. Of the six million items held in the building, only 400 items were affected, with most back on the shelves within days. Our staff's response to the situation demonstrated their considerable expertise and commitment in safeguarding the national collections.

Fundraising

Work to raise funds from a variety of sources continued apace this year. The John R Murray Charitable Trust maintained its support for the educational, conservation and interpretative elements of the JMA, while also funding the conservation, cataloguing and promotion of the Bartholomew Archive Printing Record.

To date, £30 million has been pledged and received for the Campaign to secure the John Murray Archive and provide public access to its riches. Gifts in 2008/9 included a single private donation of £320,000 and major donations from the Badenoch Trust and the Cordis Trust.

The project to refurbish our George IV Bridge building and create a more 'visitor friendly' environment attracted major gifts from Wolfson Foundation (£75,000) and Foyle Foundation (£50,000) with a total of £875,000 received from philanthropic and Scottish Government sources.

Building upon our strong relationship with supporters in the US, the American Associates of the National Library of Scotland was established in October 2008. The group celebrated with a launch courtesy of the Forbes Galleries, New York City, with a special display of Burns treasures. The Associates have received \$70,000 in donations from individuals to date.

21. Disclosure of relevant audit information

As Accountable Officer, the National Librarian and Chief Executive 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.



Chairman, Board of Trustees

14 September 2009

Remuneration Report

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

UNAUDITED INFORMATION

Policies

Trustees receive no remuneration but are reimbursed for travel expenses and any childcare expenses.

The remuneration of the National Librarian and Chief Executive complies with the Scottish Government's Pay Policy for Senior Public Appointments and is approved and monitored by the Scottish Government. The remuneration of other Senior Managers is based on the overall pay policy of NLS which is subject to the approval of the Scottish Government.

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 are entitled to join the Civil Service pension arrangements. Notice periods are set by the Library and are those generally in use in the public sector. Termination payments are paid in accordance with the Civil Service Compensation Scheme. All senior managers in post during the year were employed on permanent contracts.

Pension scheme

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (**classic, premium or classic plus**) or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic and nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at a rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. Benefits in **classic** accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium** benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

The Principal Civil Service Pension Scheme (PSCPS) is an unfunded multi-employer defined benefit scheme but the Library is unable to identify its share of the underlying assets and liabilities. The scheme was actuary valued as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2008/9 employers' contributions £1,372k were payable to the PCSPS (2008 - £1,325k) at one of the four rates in the range 17.1% to 25.5% of pensionable pay based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, the salary bands and rates will be revised. The contribution rates are set to meet the cost of the benefits accruing during 2008/9 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Contributions due to the partnership pension providers at the balance sheet date were £1k (2008 - £Nil). Contributions prepaid at that date were £Nil (2008 - £ Nil).

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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn. Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2007/8 and the start of period CETV for 2008/9.

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 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 31 March 2009 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.

AUDITED INFORMATION

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

Name	Job Title	2008/9 Aggregate Remuneration £	2007/8 Aggregate Remuneration £
Mr M Wade	National Librarian and Chief Executive	90 – 95,000	85 – 90,000
Mrs A Miller	Director of Strategy & Communications	55 – 60,000	55 – 60,000
Mr D Campbell	Director of Corporate Services	55 – 60,000	55 – 60,000
Ms T Wishart	Director of Development	50 – 55,000	35 – 40,000
Mr G Hunt (left July 2008)	Director of Customer Services	10 – 15,000	50 – 55,000
Mrs C Newton	Director of Collections	55 – 60,000	55 – 60,000

Salary

Salary includes gross salary, and overtime. Amounts relate to NLS employment only and do not include earnings from positions elsewhere in the civil service.

Benefits In Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. In 2008/9 this value was £Nil (2007/8: £Nil).

Name	Job Title	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 March 2008	Cash Equivalent Transfer Value at 31 March 2009	Real Increase in Cash Equivalent Transfer Value funded by NLS
Mr M Wade	National Librarian and Chief Executive	0 – 2,500	5 – 7,500	35 – 40,000	115 – 120,000	690,000	784,000	42,000
Mrs A Miller	Director of Strategy & Communications	0 – 2,500	N/A*	5 – 10,000	N/A*	73,000	93,000	12,000
Mr D Campbell	Director of Corporate Services	0 – 2,500	N/A*	25 – 30,000	N/A*	437,000	484,000	13,000
Ms T Wishart	Director of Development	0 – 2,500	N/A*	0 – 5,000	N/A*	9,000	19,000	8,000
Mr G Hunt	Director of Customer Services	0 – 2,500	N/A*	0 – 5,000	N/A*	40,000	42,000	2,000
Mrs C Newton	Director of Collections	0 – 2,500	2,500 – 5,000	20 – 25,000	65 – 70,000	457,000	506,000	9,000

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

* Where members have no disclosed lump sum, this is due to them being members of the premium rather than classic pension scheme. The figure may be different from the closing figure in last year's accounts. This is due to the CETV factor being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.


 Martyn Wade, National Librarian and Chief Executive

Date: 14 September 2009

Statement of Responsibilities of the Board and the National Librarian and Chief Executive 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 46 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 Administration has designated the National Librarian and Chief Executive 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 Government 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 Government 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 2009 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 2008/9 responsibility for Corporate Risk Management continued to be managed by the Senior Management Team, which comprised the five directors and the Accountable Officer. Corporate Risk Management is overseen by the Audit Committee. Operational risk management was delegated to the directors responsible for the five departments 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 2009 and up to the signing of the accounts the organisation has continued with the implementation of the recommendations of the Internal Auditors.

In line with the Cabinet Office's policy and guidance, NLS has appointed a Senior Information Officer ("SIRO"), a Junior Information Officer ("JIRO"), an Information Technology Security Officer ("ITSO") and Information Asset Owners ("IAO"). As part of the Scottish Government commissioned data handling review, NLS ensured that procedures were in place to report, manage and recover from information risk incidents.

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.

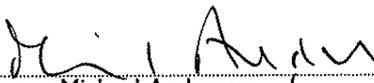
Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

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. We believe the system of internal control has worked well throughout the year.



Martyn Wade
National Librarian and Chief Executive and Accountable Officer

Date: 14 September 2009



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 of Scotland for the year ended 31 March 2009 under the National Heritage (Scotland) Act 1985 and section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. These comprise the Statement of Financial Activities, the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 of Trustees, Accountable Officer and auditor

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

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 to you 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) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulation 2006. I report to you whether, in my opinion, the information which comprises the Report of the Board of Trustees, included in the Annual Report, is consistent with the financial statements. 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.

In addition, I report to you if, in my opinion, any information contained in the statement of accounts is inconsistent with the trustees' Annual Report, the body has not kept proper accounting records, if the charity's statement of accounts is not in agreement with these 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 Government's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or 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 only the National Librarian's Introduction to the Annual Report, 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 most 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 National Library of Scotland as at 31 March 2009 and of its incoming resources and application of resources including its income and expenditure for the year then ended;
- 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 and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations; and
- information which comprises the Report of the Board of Trustees included in the Annual Report is consistent with the financial statements.

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.



Auditor: Ruth Brown CPFA

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

Date: 23 September 2009

Income and Expenditure Account for the year ended 31 March 2009

	Notes	2008/9 £000	2007/8 £000
INCOME			
Gross income from revenue-earning activities	4	108	107
Gross income from grant-aided activities		603	1,018
		<u>711</u>	<u>1,125</u>
EXPENDITURE			
Staff costs	5	9,992	9,964
Other operating charges	6	4,448	4,180
Depreciation on and permanent diminution in value of fixed assets	7, 8	2,963	2,589
		<u>17,403</u>	<u>16,733</u>
EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST		(16,692)	(15,608)
Other income		1,614	-
Interest received - General	3	282	305
EXCESS OF EXPENDITURE OVER INCOME BEFORE NOTIONAL COSTS		<u>(14,796)</u>	<u>(15,303)</u>
Notional interest on capital employed	1(i), 18	(2,547)	(2,592)
EXCESS OF EXPENDITURE OVER INCOME AFTER NOTIONAL COSTS		(17,343)	(17,895)
Reversal of notional interest on capital employed	1(i), 18	2,547	2,592
Transfer to Trust Funds and Bequests	16	(200)	(200)
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	16	2,154	2,360
Release from Revaluation Reserve	16	525	230
Amount transferred to reserves		<u>(12,317)</u>	<u>(12,913)</u>
Transfer to Board Reserve Fund	16	31	33
Transfer to General Fund	16	(12,348)	(12,946)
		<u>(12,317)</u>	<u>(12,913)</u>

All activities relate to continuing operations.

The notes on pages 29 to 46 form part of these accounts.

Statement of Financial Activities for the year ended 31 March 2009

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2008/9 Total £000	2007/8 £000
INCOMING RESOURCES						
Grant in aid	2	14,064	1,300		15,364	15,734
Voluntary Income	3	5	742		747	728
Charitable donations	3	5	50	722	777	1,235
Revenue earning activities	4	108			108	107
Investment income	3	282	256		538	625
Income from charitable activities	3	2,209			2,209	583
Total Incoming Resources		16,673	2,348	722	19,743	19,012
RESOURCES EXPENDED						
Cost of generating voluntary income	3	16,623	1,157		359	430
Cost of Revenue earning activities	3	359			77	73
Investment management costs	3	77			371	421
Charitable activities	3		371		17,780	17,525
Governance costs	3	345			345	248
Notional cost of capital	18	2,547			2,547	2,592
Total Resources Expended		19,951	1,528	-	21,479	21,289
NET INCOMING/(OUTGOING) RESOURCES before transfers						
		(3,278)	820	722	(1,736)	(2,277)
Transfers between funds	16	(200)		200	-	-
Release in respect of depreciation		2,678	(2,678)		-	-
NET INCOMING/(OUTGOING) RESOURCES after transfers						
		(800)	(1,858)	922	(1,736)	(2,277)
Decrease in market value of investments	9			(752)	(752)	(263)
Revaluation of assets	7,8		(1,207)		(1,207)	2,540
Reversal of notional cost of capital		2,547			2,547	2,592
Net movement in funds		1,747	(3,065)	170	(1,148)	2,592
Fund balances brought forward at 1 April 2008	16	2,169	97,297	8,524	107,990	105,398
Fund balances carried forward at 31 March 2009		3,916	94,232	8,694	106,842	107,990

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2008/9 Total £000	2007/8 £000
Fund balances comprise:						
Capital Assets Fund			58,040		58,040	59,471
General Fund		3,636			3,636	1,920
Board Reserve Fund		280			280	249
Revaluation Reserve			35,616		35,616	37,347
Trust Funds and Bequests	9		610	8,694	9,304	9,040
Collection Purchase Fund			(34)		(34)	(37)
		3,916	94,232	8,694	106,842	107,990

Summary of fund movements

	Balance at 1st April	Incoming resources	Outgoing resources	Gains and Losses	Transfers	Balance at 31 March
Capital Assets Fund	59,471	723			(2,154)	58,040
General Fund – free reserves	1,920	14,064	(12,063)		(4,065)	(144)
General Fund – designated repairs					1,385	1,385
General Fund – designated assets					2,395	2,395
Board Reserve Fund	249	108	(77)			280
Revaluation Reserve	37,347			(1,206)	(525)	35,616
Trust Funds and Bequests	9,040	1,186	(370)	(752)	200	9,304
Collection Purchase Fund	(37)	1,451	(1,448)			(34)
	107,990	17,532	(13,958)	(1,958)	(2,764)	106,842

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 31 March £000
Trust Funds				
Reid Trust Fund	445	(127)	(17)	301
Graham Brown Fund	1,232	(273)	19	978
Alexander Grant Fund	1,191	(282)	27	936
Bequests				
Miss AN Wilson	102	-	(1)	101
Johnston	217	-	6	223
Mrs R Ratcliff	310	(66)	6	250
Keppie Bequest Fund	25	(1)	1	25
Other bequests	51	(3)	1	49
Other Funds				
Clarke acquisition funds	28		(4)	24
Donations	2,248		981	3,229
John Murray	3,143		(3)	3,140
Other	48		-	48
	9,040	(752)	1,016	9,304

The notes on pages 29 to 46 form part of these accounts.

Statement of Recognised Gains and Losses for the year ended 31 March 2009

	Notes	2008/9	2007/8
		£000	£000
Net gain on revaluation of fixed assets		(1,206)	2,540
Unrealised gains/(losses) on investments		(733)	(262)
Total recognised gains and losses related to the financial year		<u>(1,939)</u>	<u>2,278</u>

The notes on pages 29 to 46 form part of these accounts.

Balance Sheet at 31 March 2009

		2008/9	2007/8
		£000	£000
FIXED ASSETS	Notes		
Tangible Assets	7	69,960	72,741
Intangible Assets	8	-	25
Collection - capitalised items	20	31,896	31,605
UK Investments - at market value	9	1,472	3,110
Overseas Investments – at market value	9	905	-
		<hr/> 104,233	<hr/> 107,481
CURRENT ASSETS			
Stocks	10	76	58
Debtors	11	1,347	2,125
Cash at bank and in hand	12	7,922	8,545
		<hr/> 9,345	<hr/> 10,728
CREDITORS - amounts due within one year	13	<hr/> (3,118)	<hr/> (4,200)
NET CURRENT ASSETS		6,227	6,528
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 110,460	<hr/> 114,009
CREDITORS - amounts due after one year	14	(3,480)	(5,720)
Provisions for Liabilities and Charges	15	(138)	(299)
		<hr/> 106,842	<hr/> 107,990
CAPITAL AND RESERVES			
Restricted Funds			
Capital Assets Fund	16	58,040	59,471
Revaluation Reserve - General Fund	16	35,616	37,347
Purchase Fund	16	(34)	(37)
Trust Funds and Bequests - unspent income	16	610	516
		<hr/> 94,232	<hr/> 97,297
Endowment funds			
Trust Funds and Bequests – capital	16	<hr/> 8,694	<hr/> 8,524
Unrestricted Funds			
General Fund	16	3,636	1,920
Board Reserve Fund	16	280	249
		<hr/> 3,916	<hr/> 2,169
TOTAL CAPITAL AND RESERVES		<hr/> 106,842	<hr/> 107,990


 Martyn Wade
 National Librarian and Chief Executive and Accountable Officer
 The notes on pages 29 to 46 form part of these accounts.

Date: 14 September 2009

Cash Flow Statement for the year ended 31 March 2009

		2008/9	2007/8
		£000	£000
	Notes		
Net Cash outflow from Operating Activities	17	(13,751)	(13,685)
Capital Expenditure	17	(2,819)	(3,622)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		(16,570)	(17,307)
Financing	17	15,947	16,028
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Increase/(Decrease) in cash		(623)	(1,279)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The notes on pages 29 to 46 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2009

1. 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 NLS, 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 (FRoM) 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 NLS is held in the name of the Scottish Ministers. NLS 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
Leasehold Improvements	over 5 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. Depreciated historic cost has been used as a proxy for the current value of motor vehicles, plant and equipment and computer equipment. All of the assets in these categories have:

- low values and short economic lives which realistically reflect the life of the asset, and
- a depreciation charge which provides a realistic reflection of consumption

c. Incoming resources

(i) Government and other grants

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

FReM requires grants for running costs to be treated as financing and to be 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. Income from Revenue Earning Activities is now disclosed within the accounts on a gross accounting basis.

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.

NLS has special VAT status. It is specifically listed in Section 33A of the VAT Act 1994 and HM Revenue & Customs Notice 998. This VAT status allows NLS to recover (in full) any VAT that is incurred on expenses linked to free rights of admission. There are a couple of specific instances which are not covered by Section 33a and in these circumstances non-recoverable Value Added Tax arising from expenditure 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, 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 18.

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. Changes in accounting policy

The valuation policy on Motor Vehicles, Equipment & Machinery and Computer Equipment has been amended to reflect historic cost as a proxy for the current value.

o. Relationship between NLS and the Agency for the Legal Deposit Libraries

As NLS has an undertaking, other than a subsidiary undertaking, in which it has an investment representing 20% of the voting rights and over which it exerts significant influence, this is treated as an associated undertaking.

2. GOVERNMENT GRANT-IN-AID

	2008/9	2007/8
	£000	£000
Grant-in-Aid Received		
Running Costs	13,934	13,984
Capital	130	450
	<hr/> 14,064	<hr/> 14,434
Purchase Grant	1,300	1,300
Total Received during year	<hr/> 15,364	<hr/> 15,734

3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2008/9 Total £000	2007/8 Total £000
Voluntary income					
Grant In Aid	14,064	1,300		15,364	
HLF grant	5	742		747	728
Donations to Trust Funds and Bequests	5	50	722	777	1,235
	<u>14,074</u>	<u>2,092</u>	<u>722</u>	<u>16,888</u>	<u>1,963</u>
Revenue earning activities					
Reprography	80			80	83
Publications	28			28	24
	<u>108</u>			<u>108</u>	<u>107</u>
Investment income					
Interest received	282	256		538	529
Endowment income					96
	<u>282</u>	<u>256</u>		<u>538</u>	<u>625</u>
Income from charitable activities					
Property rent	105			105	150
Sundry income	2,104			2,104	433
	<u>2,209</u>			<u>2,209</u>	<u>583</u>
Total	<u>16,673</u>	<u>2,348</u>	<u>722</u>	<u>19,743</u>	

Analysis of Resources Expended

	Direct Costs £000	Support Costs £000	2008/9 Total £000	2007/8 Total £000
Charitable activities				
Collection development	3,837	4,517	8,354	8,684
User access to collections	2,794	3,289	6,083	5,491
Strategy and communications	1,004	1,182	2,186	2,005
	<u>7,635</u>	<u>8,988</u>	<u>16,623</u>	<u>16,180</u>
Cost of generating funds				
Cost of generating voluntary income	159	200	359	430
Cost of Revenue earning activities	77		77	73
	<u>236</u>	<u>200</u>	<u>436</u>	<u>503</u>
Investment management costs				
		371	371	421
Collection Purchases				
		1,157	1,157	1,345
Governance costs				
		345	345	248
Notional cost of capital				
		2,547	2,547	2,592
Total Resources Expended		<u>9,399</u>	<u>21,479</u>	<u>21,289</u>

4. REVENUE-EARNING ACTIVITIES

	2008/9	2007/8
	£000	£000
Income		
Reprography	80	83
Publications	28	24
	<u>108</u>	<u>107</u>
Less: costs		
Cost of sales	35	34
Direct wages	35	36
Administration	7	4
Surplus for the year: transferred to Board Reserve Fund	<u>31</u>	<u>33</u>

5. EMPLOYEES

	2008/9	2007/8
	£000	£000
Staff costs during the year were:		
Wages and salaries	7,352	7,310
Social Security costs	515	498
Pension costs	1,640	1,325
Agency staff costs	485	350
Early Retirement costs	-	481
	<u>9,992</u>	<u>9,964</u>

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

	Number	Number
Corporate services – Estates	79	75
Customer Services	103	98
Collection Development	94	103
Strategy and Communications	-	17
Development	12	4
Other	17	13
	<u>305</u>	<u>310</u>

Pension costs of £1,640k included a payment made to cover a shortfall due to the transfer of Scottish Screen Archive staff into PCSPS. There were no individuals who retired early on health grounds during the year.

6. OTHER OPERATING CHARGES

	2008/9	2007/8
	£000	£000
General		
Administration expenses	660	621
Operating lease rentals (see note below)	8	23
Travel, subsistence and hospitality	188	163
Office equipment and supplies	249	197
Publications & Exhibitions	321	274
Copyright Agency	144	260
Computer Services	647	533
Digitisation and Web Development	54	60
Record purchase	28	26
Audit fees	31	55
Conservation & Preservation	92	160
Consultancy	291	206
	<hr/> 2,713	<hr/> 2,578
Buildings		
Utilities	651	499
Rent, rates & service charges	212	217
Buildings maintenance	739	740
Furniture	71	93
Transport	62	53
	<hr/> 1,735	<hr/> 1,602
Total	<hr/> 4,448	<hr/> 4,180

Notes:

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

Included in Audit fees is £19,930 in relation to the fees for External Audit services for 2008/9 and provided by Audit Scotland.

7. TANGIBLE FIXED ASSETS

	Land and Buildings	Leasehold Improvements	Motor vehicles	Equipment & Machinery	Computer equipment	2008/9 Total
COST OR VALUATION	£000	£000	£000	£000	£000	£000
Reported at 31 March 2008	70,963	621	71	2,683	2,013	76,351
Additions	1,239		24	52	56	1,371
Disposals				(24)	(35)	(59)
Indexation Adjustment	(1,236)	(11)	(2)	(253)	310	(1,192)
Balance at 31/3/09	70,966	610	93	2,458	2,344	76,471
DEPRECIATION						
Reported at 31 March 2008	687	373	51	1,547	952	3,610
Charge for the year	2,154	124	8	282	369	2,937
Disposals				(17)	(35)	(52)
Indexation Adjustment	(47)	(9)	(2)	(211)	285	16
Balance at 31/3/09	2,794	488	57	1,601	1,571	6,511
NET BOOK VALUE						
At 31/3/09	68,172	122	36	857	773	69,960
At 31/3/08	70,276	248	20	1,136	1,061	72,741

At 31 March 2008 all Land and Buildings were revalued by District Valuer Services, 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. The qualification of the District Valuer undertaking the valuation was BSc MRICS. 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 £925k (2008 - £925k) in respect of land which is not depreciated.

8. INTANGIBLE FIXED ASSETS

	Computer software
COST OR VALUATION	£000
Reported at 31 March 2008	78
Additions	
Disposals	
Revaluation	4
Balance at 31/3/09	<u>82</u>
DEPRECIATION	
Reported at 31 March 2008	53
Charge for the year	26
Disposals	
Revaluation	3
Balance at 31/3/09	<u>82</u>
NET BOOK VALUE	
At 31/3/09	<u>-</u>
At 31/3/08	<u>25</u>

9. TRUST FUNDS AND BEQUESTS

	2008/9	2007/8
	£000	£000
Listed investments - at market value	2,108	2,876
Cash deposits held within investment pool	269	234
Capital, at market value	<u>2,377</u>	<u>3,110</u>
Cash balances held by the Library	6,927	5,930
Retained income		
Cash balances		-
Total Trust Funds and Bequests holdings	<u>9,304</u>	<u>9,040</u>
Listed investments - at cost	<u>2,075</u>	<u>2,076</u>

Movements in year	Listed investments	Cash and other balances	2008/9 Total	2007/8 Total
	£000	£000	£000	£000
Donations		922	922	1,223
Income from investments	100		100	320
Other trust fund income		365	365	10
Expenditure	(12)	(358)	(370)	(420)
Transfer to general fund	(68)	68	-	-
Purchase of investments	(1,323)		(1,323)	(1,510)
Disposal of investments	1,432		1,432	1,547
Other changes in market value	(862)		(862)	(298)
Net movement	(733)	997	264	872
Balance at 1 April 2008	3,110	5,930	9,040	8,168
Balance at 31 March 2009	2,377	6,927	9,304	9,040

Analysis of income from investments

	Restricted £000	Unrestricted £000	Total £000	2007/8 £000
Income from listed investments	97		97	97
Interest on cash deposits held within the investment pool	3		3	3
Interest on cash and other balances	156	282	438	220
	256	282	538	320

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 NLS 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

	2008/9	2007/8
	£000	£000
Stock held for resale – publications	12	2
Conservation materials	64	56
	<u>76</u>	<u>58</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

	2008/9	2007/8
	£000	£000
Trade debtors	490	120
Provision for bad debts	(35)	(45)
Prepayments and accrued income	146	46
Other debtors	416	706
VAT recoverable	330	1,298
	<u>1,347</u>	<u>2,125</u>
Intra Government balances, included in above balances, Balances with other Central Govt bodies	512	1,315

12. CASH AT BANK AND IN HAND

	2008/9	2007/8
	£000	£000
Bank of England (Office of the Paymaster General)	4,147	1,666
Other current accounts	64	952
Term Deposits	3,660	5,922
Citibank (Foreign Payments Account)	47	-
Cash	4	5
Total	<u>7,922</u>	<u>8,545</u>

13. CREDITORS - amounts falling due within one year

	2008/9	2007/8
	£000	£000
John Murray Archive	1,000	1,000
Accruals	687	979
Other creditors	1,282	843
Deferred Pension Costs	149	80
Provision for repayment of VAT to Scottish Government		1,298
	<u>3,118</u>	<u>4,200</u>
Intra Government balances, included in above balances, Balances with other Central Govt bodies	540	1,915

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

	2008/9	2007/8
	£000	£000
John Murray Archive	3,480	5,720

15. PROVISIONS FOR LIABILITIES AND CHARGES**Early Retirement Provision**

	2008/9
	£000
Opening balance at 1 April 2008	379
Less net amount released during current year	(2)
Charge to current year income and expenditure	(90)
Closing balance at 31 March 2009	<u>287</u>

	2008/9	2007/8
	£000	£000
Deferred Pension: Amounts due within 1 year	149	80
Deferred Pension: Amounts due outwith 1 year	138	299
	<u>287</u>	<u>379</u>

16. RESERVES

	General Fund	Board Reserve Fund	Capital Assets Fund	Revaluation Reserve	Collection Purchase Fund	Trust Funds & Bequests (Capital)	Trust Funds & Bequests (unspent income)	2008/9 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balances at 1 April 2008	1,920	249	59,471	37,347	(37)	8,524	516	107,990
Government Funding received	14,064				1,300			15,364
Other Restricted funding received			432		151		208	791
Collection items with a value in excess of £5,000			291		(291)			-
Donations and bequests received						722		722
Dividend ,interest income and other							256	256
<u>Expenditure / Use of Reserves</u>								
Release to Income & Expenditure Account in respect of depreciation			(2,154)	(525)				(2,679)
Collection items with a value in excess of £5,000					291			291
Purchases funded by restricted funding					(1,448)		(370)	(1,818)
Changes in market value of holdings						(752)		(752)
Surplus/(Deficit) from Income and Expenditure Account	(12,348)	31		(1,206)		200		(13,323)
Balance as at 31 March 2009	3,636	280	58,040	35,616	(34)	8,694	610	106,842

17. NOTES TO THE CASH FLOW STATEMENT

	2008/9	2007/8
	£000	£000
Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit for the financial year	(17,343)	(17,895)
Transfer to trust funds	(200)	(200)
Notional loss on fixed assets	7	
Notional charges	2,547	2,592
Depreciation on tangible and intangible fixed assets	2,963	2,589
Net cash movement in restricted funds held by Trustees	998	1,135
(Increase)/decrease in stock	(18)	19
(Increase)/decrease in debtors	778	360
(Decrease)/Increase in creditors and provisions	(3,483)	(2,285)
Net cash outflow from operating activities	<u>(13,751)</u>	<u>(13,685)</u>
Capital Expenditure		
Additions to fixed assets	(1,371)	(2,259)
Purchase of other items for the collections	(1,448)	(1,363)
Net capital expenditure for year	<u>(2,819)</u>	<u>(3,622)</u>
Financing		
Scottish Government funding for year	15,364	15,734
HLF grant received for John Murray Archive	583	294
Total Financing received	<u>15,947</u>	<u>16,028</u>
Analysis of changes in cash during the year		
Opening balance at 1 April 2008	8,545	9,824
Net cash inflow/(outflow) during the year	(623)	(1,279)
Closing balance at 31 March 2009	<u>7,922</u>	<u>8,545</u>

18. 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% (2008 - 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.

	2008/9	2007/8
	£000	£000
Average balance during the year	72,759	74,046
Notional interest at 3.5% (2008 - 3.5%)	2,547	2,592

19. CAPITAL COMMITMENTS

	2008/9	2007/8
	£000	£000
Commitments contracted but not provided for in the accounts at 31 March 2009 are:	300	Nil

20. 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.

	2008/9	2007/8
	£000	£000
Balance of capitalised items at 1 April 2008	31,605	31,587
Other additions in year of individual items with a value exceeding £5,000	291	18
Balance at 31 March 2009	31,896	31,605

21. RELATED PARTY TRANSACTIONS

NLS is a Non-Departmental Public Body sponsored by the Scottish Government, which is regarded as a related party. During the year the National Library has had various material transactions with the Scottish Government. During the year, none of the Trustees, members of key management staff or other related parties has undertaken any material transactions with NLS.

22. LEASE COMMITMENTS

Annual commitments as at 31 March 2009 under non-cancellable operating leases are as follows:

	2008/9	2007/8
	£000	£000
Operating leases which expire within one year	-	-
In the second to fifth year inclusive	60	72
In over five years	-	-
	60	72

23. FINANCIAL INSTRUMENTS

National Library of Scotland holds no investments in other public sector bodies. NLS does hold an investment in the Agency for the Legal Deposit Libraries ("ALDL") which is a non-public sector body. NLS has not entered into any quantifiable guarantees, indemnities or provided letters of comfort.

24. 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.

Items on loan to NLS are subject to government indemnity if included within a documented database. Due to problems during the year, the database was not kept up to date. Had there been a problem with those deposits a Contingent Liability would have arisen.

Steps have now been taken to ensure that all deposits are documented to ensure that if there is a loss that there is no contingent liability.

25. LOSSES AND SPECIAL PAYMENTS

Losses and Special Payments during the year amounted to £Nil (2008: £27k).

There were no individual losses or special payments of more than £250,000.

26. POST BALANCE SHEET EVENTS

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

27. 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.

28. ASSOCIATE COMPANY

During 2008/9 National Library of Scotland became the parent company of the Agency for the Legal Deposit Libraries. It is considered that the Agency for the Legal Deposit Libraries is an Associate of the National Library of Scotland rather than a Subsidiary for the following reasons.

National Library of Scotland as the sole member has the sole vote, but that vote confers no effective power due to the following:

- The appointment and removal of directors is set out in the articles of association paragraph 32 as one appointment for each Legal Deposit Library
- Paragraph 79 prohibits the articles from being altered or disapplied without the consent of all five Legal Deposit Libraries;
- The National Library of Scotland's liability in case of insolvency of the Agency is £1;
- Should the Agency be wound up, National Library of Scotland does not have any rights of residual assets.

The Agency for the Legal Deposit Libraries is incorporated in Scotland. Its principal place of business is 161 Causewayside, Edinburgh EH9 1PH. Accounts for the Agency for the Legal Deposit Libraries are available from that address.

As NLS has not prepared consolidated financial statements, the following disclosure shows the effects of including them. NLS holds a stake of 20% in the Agency for the Legal Deposit Libraries ("ALDL"), insofar as ALDL holds not share capital, it is controlled by the five Legal Deposit Libraries.

The share of NLS in the net assets and results of ALDL is 20% of the company and is summarised below:

	2008/9	2007/8
	£000	£000
Net assets at 31 March 2009	46	-
Turnover	109	-
Surplus for the year	46	-

29. FINANCIAL REVIEW

The table below shows the outturn for the year against the Scottish Government grant in aid offer letter. Non cash items are not paid out by the Scottish Government but we are expected to have resource budget cover for these items. This has been funded within the Culture resource budget by the Scottish Government and no grant-in-aid for 2008/9 or 2009/10 will be clawed back in respect of this.

	2008/9	2008/9
	Outturn	Offer
	£000	Letter
	£000	£000
Cash Items		
Running Costs	13,834	13,834
Scottish Screen Archive Pensions Transfer	100	100
Purchase Grant	1,300	1,300
Capital – Lawnmarket Repairs	130	130
	<u>15,364</u>	<u>15,364</u>
Non Cash Items (notional)		
Notional Interest on Capital Employed	2,547	2,592
Depreciation	2,963	2,589
	<u>5,510</u>	<u>5,181</u>
Total Grant in Aid	<u>20,874</u>	<u>20,545</u>

In relation to the non-cash items, assurance have been given by the Scottish Government that there will be no recovery of the excess non-cash items against the cash items in the 2009/10 year.

Appendix - National Library of Scotland Accounts Direction



NATIONAL LIBRARY OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of 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, 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 (FRM) which is in force for the year for which the statement of accounts are 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 21 November 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006