



NATIONAL LIBRARY OF SCOTLAND

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 2008

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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

Knowledge and learning are of vital importance to the well-being of our society. The National Library of Scotland (NLS) has a key role in managing the knowledge that Scotland needs now and in the future, as well as preserving our past.

NLS has made enormous strides in recent years and we must continue to develop as an organisation in a rapidly-changing environment. We look forward to the contribution that our staff and all those involved with NLS will make, using their creativity and commitment to achieve the next stage of our development.

The National Library of Scotland has long been recognised for the richness of its collections, breadth of expertise, and support for research and scholarship, across a huge range of fields. In recent years, the Library has built on that record by widening access and increasing the opportunity for new audiences to benefit from this great national resource, while also improving the quality of our services.

This document reports on the work we have done in the previous financial year: April 2007- March 2008. It illustrates our commitment to remain not only one of the world's great research libraries, but also a National Collection for Scotland that is outward looking, dynamic and innovative.

Our main task is to meet the constantly developing needs of our users more effectively, through a planned, evolutionary, but nonetheless far-reaching, approach. This is a task which embraces both traditional library services and emerging digital opportunities. We remain committed to the role we play in nurturing Scotland's cultural life, and we greatly look forward to working closely with other organisations, to supporting collecting activity throughout Scotland, and to celebrating Scotland internationally in the exciting year ahead of us.


.....
National Librarian and Chief Executive

29 September 2008

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 - 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, however 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 2008 the Library was able to make a major instalment payment, of £2.24 million, towards the cost of the Archive. A further, similar payment is planned for March 2009.

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.

4. Significant changes to Fixed Assets

During the year, NLS operations relating to the Scottish Screen Archive transferred ownership to NLS. The prior year comparisons have therefore been restated. NLS also acquired fixed assets to the value of £2.3m. These related mainly to the three major activities: the Trusted Digital Repository project, facilities for the John Murray Archive, and redevelopment of public areas and access to the Library. The National Library continued to bring records up to date and to correct anomalies arising from previous years, this included disposals of obsolete assets with a cost value to £1.3m. As these assets were fully depreciated, there is no net effect on the financial statements.

5. The Board of Trustees

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

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.

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

	Committee Membership
<u>Chairman</u> (appointed by the Crown) Professor M Anderson, OBE, MA, PhD, FBA, FRSE	2, 3, 4
<u>Trustees</u>	
<u>Ex-officio</u>	
The Lord President of the Court of Session	
The Lord Advocate	
The First Minister	
The Dean of the Faculty of Advocates	
The Minister of the High Kirk (St Giles'), Edinburgh	
The Member of the Scottish Parliament for Edinburgh Central	
The Crown Agent	1
The Lord Provost of Edinburgh	
The Lord Provost of Glasgow	
The Lord Provost of Dundee	
The Lord Provost of Aberdeen	
<u>Appointed by the Crown</u>	
A. Lorraine Fannin, BA, DipEd	
Dr Willis Pickard	4
Andrea M Batchelor	

Appointed by the Faculty of Advocates

M G Thomson, QC	1
The Hon Lord Coulsfield, QC	2
M.C.N. Scott, QC	
S Woolman QC (to April 2008)	
J Wolffe, QC (from March 2008)	
Richard Keen QC (to March 2008)	

Appointed by the Universities

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

Appointed by the Convention of Scottish Local Authorities

Councillor W Lamb (to May 2007)	
Councillor A Murray (to May 2007)	
Councillor Greig (from November 2007)	
Councillor K Morrice (from November 2007)	

Co-opted

Lady Balfour of Burleigh, MA, DPhil, FSA Scot, FRSE	2, 5
Ms Ishbel Maclean, MA (to February 2008)	
Ms Moira Methven, MCILIP	3, 4
Professor Jane H. Ohlmeyer, MA, PhD, FRHistS (to June 2008)	

- 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 (started May 2007)
- 5 Member of the Major Projects Committee (started October 2007)

The Culture Bill Committee was subsumed by the Governance Working Party. It did not meet during the financial year.

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

None of the Trustees receives remuneration for their service to the Library. Travel and subsistence expenses amounting to £651 (2007: £4,117) were paid to Trustees in respect of attendance at meetings. Neither the Trustees nor the Directors of the Library receive any benefits in kind.

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

New Board members are provided with an induction pack that contains a range of documentation including the Code of Conduct, Rules on Declaration of Interest and the Corporate Plan, and are invited to tour the Library. An Induction/Development day took place in March 2007 and another is planned for Spring 2009. A Governance Working Party was established during the year to assist Trustees consider appropriate ways to improve governance of NLS, replacing the Culture Bill Committee.

The Board meets six times per annum to effect general management and control over NLS. Its principal function is to approve the Corporate Plan and Annual Budgets. The Audit Committee has delegated responsibility for Finance matters and continues to co-opt Mr Cunison Rankin to provide additional professional financial expertise. Appropriate delegations are also made to the Staffing and Remuneration Committee and the Development Committee. A Major Projects Committee was established during the year.

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

Together with Mr Wade, the Senior Management Team is:

Duncan Campbell	Director of Corporate Services
Cate Newton	Director of Collections and Research
Gordon Hunt	Director of Customer Services (left June 2008)
Alexandra Miller	Director of Communications
Teri Wishart	Director of Development (appointed January 2008)

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 31st March 2008 showed that 80% (2007 - 82%) of invoices were paid within the terms agreed with suppliers.

8. Policy in relation to provision of information to employees

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

9. Policy in relation to disabled employees

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. Changes since 31 March 2008

Gordon Hunt, Director of Customer Services left NLS in June 2008.

11. Future Developments

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

Following the loss of the Director of Customer Services, the roles within the Senior Management Team have been redefined. Responsibility for delivering Strategy now rests with the Directors, who each have responsibility for one of the four Strategic Themes described in the recently published *Expanding our Horizons*. These goals build on those set out in *Breaking Through the Walls* and are Developing the National Collections, Widening Access to Knowledge, Building Relationships and Developing the Organisation.

Appointment of Auditors

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

The agreed fee for audit services was £23,080 (2007 £20,040) 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

12. 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

13. 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.

14. Objectives and Achievements

During the year, the organisation was guided by the strategic goals described in *Breaking Through the Walls*. These goals fell 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

Developing the national collection remains one of the Library's principal functions, with a strategic emphasis placed on building physical and digital collections in tandem. Our work in this area grows increasingly prolific, with more than 20 major new digital resources (many available for use remotely by customers worldwide) complementing the many thousand of new physical items received either by donation, claimed via Legal Deposit or purchased for the nation. An integrated Collection Strategy was prepared during the year, which will be a touchstone for developing detailed policy on a wide range of collections over the years ahead.

New digital collections added covering subjects as diverse as literature (Scottish Women Poets, British and Irish Women's Letters and Diaries), business (Global Reference Solution, Factiva, Frost & Sullivan), parliamentary history (The Records of the Parliaments of Scotland to 1707, 18th Century Official Parliamentary Publications Portal, 1688-1834, House of Commons Parliamentary Papers, Parliamet), the environment (GREENfile), family history (Family Search), maps (Ordnance Survey's MasterMap), law (Making of Modern Law) and specialist resources in alternative formats for people with a disability (Revealweb).

Added to these were a number of major research tools carrying a wealth of information on many aspects of British and American life in the 16th to 20th centuries, including: 19th century periodicals online; Credo Reference; Waterloo Directory of English Newspapers and Periodicals 1800-1900; British History Online; Sabin Americana; Making of the Modern World and Blackwells Compass Journals.

A major new collection arrived at NLS this year. The Scottish Screen Archive formally entered the Library's collections in April 2007. This archive of immense value houses more than 30,000 films and videos presenting over 100 years of Scotland's history. The Archive's first year at the Library culminated in the completion of the final phase of a three year project to restore over a million feet of historic Scottish film. Support from the Heritage Lottery Fund enabled the Archive to acquire a state-of-the-art digital restoration facility. The first film to

be completed using the new technology was *The Wedding of the 4th Marquess of Bute*, one of the earliest known Scottish wedding films, from 1905.

Noteworthy additions to our manuscript collections during the reporting period included the literary manuscripts of poet Don Paterson and a unique collection of artwork by Alasdair Gray. There were several major new manuscript collections acquired on military and political subjects. Among these were the military papers bequeathed by Major-General James Johnston CB CBE (1939-2006). In addition to the papers that chart a military career of over 50 years, General Johnston also bequeathed £250,000 to support the preservation and cataloguing of his archive and others from the period. These funds were used this year to acquire the illustrated archive of former King's Own Scottish Borderers Platoon Commander Peter White, whose memoirs of active service in North-West Europe in 1944-45 are considered essential reading for those studying the Second World War. Also acquired was the archive of Robert John Graham, Baron Boothby, KBE (1900-86), which records all periods of his career as maverick politician and parliamentarian.

Notable rare printed items bought this year included a collection of 58 Scottish football programmes covering League Cup and Scottish Cup semi-finals from 1947-1970, 15 volumes (all printed before 1536, the remnants of an early Scottish library) that had been owned by the Abbots of Cambuskenneth and a limited edition manuscript facsimile of the Papal inquiry into the trials of the Templars.

A grant of £220,000 was awarded by the John R Murray Charitable Trust to conserve and make accessible the Printing Record of the Bartholomew publishing company. The Library has acquired the vast archive of the world-famous mapmaking firm over many years, but this vital new funding provides much-needed resources to sort, repair and catalogue this substantial collection. The Printing Record is a collection of 177 large albums into which a copy of everything the firm printed has been glued, with a note of the date of printing and the number of copies.

A further award of £62,000 came from the Wellcome Trust to support the Medical History of British India project, enabling continued microfilming and digitisation of official medical documents from British India.

ii) Widening Access

A diverse spectrum of exhibitions attracted over 42,000 visitors over the course of the period. Happy Birthday Miffy! brought in families with young children, Crime Scene Edinburgh: 20 Years of Rankin and Rebus capitalised on the long association between the writer and the Library, while Tea and Tigers; Stories of Scotland and South Asia, lent international and multicultural dimensions to our exhibition programme.

Special mention should be made of the John Murray Archive exhibition, which effectively doubled the Library's summer exhibition attendance figures. This innovative exhibition showcased the internationally important archive of the publishing firm behind many of history's greatest figures and made a significant contribution to the Library's public profile.

Education and outreach activity continued to grow in increasingly creative directions. The Crime Scene Edinburgh exhibition sparked a creative writing competition and a crime writing masterclass with Ian Rankin, organised in collaboration with *The Scotsman*. Several anniversaries during the period provided opportunities for the Library to promote its role at the heart of Scottish history and culture. Public events surrounding the tercentenary of the 1707 Act of Union between Scotland and England continued, while Heritage Lottery Funding was secured to carry out a project that celebrated the Abolition of Slavery in 1807. During the year NLS collaborated with musicians and educationalists for an education project (A' Adams Bairns funded by the Craignish Trust) to explore changing attitudes to multiculturalism, via our collection of music and manuscript collections.

There are essentially two principal ways of widening access to our services: taking them to the public and making them ever easier to be found and used by the public. Considerable progress was made on both fronts this year. Facilities and services in our buildings continued to be developed, with the completion of the first phase of the Visitor Centre Project at our George IV Bridge building. In tandem with the new spaces for multimedia events, exhibitions and collection displays, a team of dedicated customer service staff were recruited to welcome and orientate visitors. Existing viewing facilities at the Scottish Screen Archive's Glasgow site were complemented by the installation of similar facilities in our George IV Bridge reading rooms.

Outside of our buildings, we organised a three day roadshow in Perth's AK Bell Library which drew on a wide gamut of talks, sessions and screenings from our collections, while the Scottish Screen Archive outreach programme continued to tour the length and breadth of Scotland.

The provision of digital information and collections in digital formats remains the most fundamental means of reaching our customers worldwide. Along with numerous projects in various stages of development (such as the Trusted Digital Repository and efforts centred on both targeted and mass digitisation initiatives) a number of new web services went online during the period. These included a comprehensive beginner's guide to family history, a variety of in depth mapping, both regional and national, from the 18th century to the present day and re-launched websites for both the Library's business information service SCOTBIS and the Scottish Screen Archive, the latter complete with a popular YouTube style interface for viewing over 1,000 film clips of virtually every aspect of Scottish daily life in the last century or so.

Inspiration from the ways in which commercial websites present information was also taken in the piloting of a new online search facility that enables users to search multiple resources, offered by NLS and externally, with maximum ease and simplicity.

A new online search facility has been piloted that aims to revolutionise the way users can find NLS resources. Taking inspiration from leading commercial websites, users should soon be able to search among a wide range of NLS and external resources at the click of a mouse.

iii) Consultation and Communication

The progress NLS is making in raising awareness among an increasingly diverse audience was reflected this year with a number of communication industry awards, record-breaking media coverage figures and strong customer feedback achieved. Public awareness, as gauged by the annual (statistically and geographically balanced) Omnibus Survey, has risen to 40% in 2008, having grown from 31% in 2005.

From January to March 2008, we recorded our highest ever amount of media coverage for a single quarter, with an advertising value equivalent (AVE) of over £500,000. This gave a total of nearly £1.7 million for 2007-2008, the highest ever achieved. AVE is an industry standard measure that illustrates the equivalent advertising value of media coverage attained in newspapers, magazines and broadcast media.

Communications industry award nominations this year included finalist rankings at the CIPR Scotland Pride Awards in categories for Best Publication (Annual Review 2006-2007) and Outstanding In House Public Relations Team. Discover NLS, the Library's quarterly customer magazine, was shortlisted in three categories at the 2007 PPA Scotland Magazine Awards, while also earning an Award of Excellence at the 2008 UK Communicators in Business Awards.

iv) Building Relationships

Strategically important partnerships continued to proliferate this year. Our long tradition of effective collaboration with other organisations for exhibition content was extended by a joint exhibition with the National Galleries of Scotland, held at the Scottish National Portrait Gallery, on the father of modern engineering Thomas Telford. We strengthened our relationships with the Joint Information Services Committee (JISC) which supports education and research by promoting innovation in new technologies and with American based information services innovators OCLC.

There was a wide range of collaborative events with organisations including the Royal College of Surgeons, the Living Memory Association, the David Livingstone Centre, Edinburgh City of Literature, the Universities of Edinburgh and Stirling, Edinburgh Indian Association, the Ramblers Association, Doors Open Day, Scottish Arts Council and the Edinburgh Bibliographical Society. Alongside our broad programme of education and outreach activities, two particularly innovative projects were executed. The Library welcomed its first Artist in Residence in 2007. Visual artist and theatre practitioner Catriona Taylor spent several months working with curatorial staff from our map, manuscript, foreign and modern collections divisions. The result was Words out of Place, an exhibition inspired by factual and literary collection material associated with Edinburgh and the Highlands and imbued with a strong sense of place. Equally concerned with geography was the Great Escapes project. This education initiative, inspired by explorers' papers from the John Murray Archive and supported by Crerar Hotels, involved NLS working with primary schools in Mull to create multimedia tourist guides to the local area for use by visitors to participating Tourist Information Centres on the island.

Partnerships on digital initiatives included establishing Scotland'sImages.com, a commercially-run image library service set up with other Scottish national collecting institutions, and preparations for the hosting of a repository service for smaller collecting organisations across Scotland. Internationally-driven mass digitisation projects were

explored with organisations in the USA, such as the Internet Archive and the Genealogical Society of Utah, that will allow us to offer thousands of fully digitised texts online for the first time.

Collaborating with other libraries remains a vital part of the NLS remit. One of the many successful projects in this area was our support for the first Edinburgh Festival of Libraries, a public showcase event for library services in the capital, run by the Edinburgh Library and Information Services Agency. At a UK level, we also collaborated with the British Library in hosting a joint launch event at Holyrood for the Scottish winner of their Hidden Treasures competition. This competition invited libraries across the UK to submit proposals to have their greatest physical treasures digitised, and thus made widely available online.

v) Developing the organisation

How the Library organises its staff, resources and facilities for maximum efficiency remains a top priority. One of the key outcomes of the Library's new customer charter, which sets out our commitment to our customers and the standards to which we will work to achieve this, was the recruitment of a dedicated Front of House team to welcome, orientate and assist visitors to both of our buildings.

Significant work in this area also included the integration of the Scottish Screen Archive's 12 staff. This year saw the publication of specific gender, disability and race equality schemes that demonstrate our commitment to the fair and equitable treatment of our staff, customers and partners. In tandem with this policy work, we have made improvements to physical access at our George IV Bridge building for customers with a disability. In March 2008 work was completed to offer wheelchair access to public spaces following the completion of structural alterations to a number of areas to the building. Further work towards corporate social responsibility included the Health at Work Group successfully attaining the Scotland's Health at Work Silver award.

The Library updated its corporate strategy, *Breaking through the Walls*, with a new strategic plan, *Expanding our Horizons*. This builds on recent achievements and presents the case for increasing investment in digital services over the next three years. Organisationally, a review of interlending services resulted in the decision to fully integrate this service with other reference services. Improvements were made in financial planning, with continued exploration of efficiency savings and the scope for beneficial collaboration with other national collecting institutions.

Activities to raise funds towards the acquisition of the John Murray Archive, to generate sponsorship for educational and interpretative projects and to support other important conservation and access work at the NLS continued to prosper. The JMA fundraising campaign was launched in April 2007, with a total of over £2,500,000 pledged or received by March 2008.

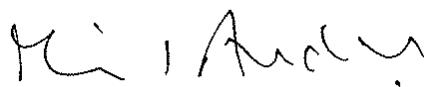
The Trusted Digital Repository, the Library's project to safeguard the future of material in rapidly proliferating digital formats, continues to encourage development of our ICT and on-line resources. Our data storage capacity was greatly enhanced this year with the acquisition of 100 terabytes of storage space.

The rigorous preventative measures employed by the Library's Preservation and Conservation Department paid off in September 2007 when thousands of items were saved from water damage following a flooding incident at our George IV Bridge building. An emergency team assisted by Lothian and Borders Fire and Rescue worked through the night to preventing any significant water damage to collection material and facilities.

The decision to relocate the Agency for Legal Deposit Libraries to our Causewayside premises was taken during the period, with planning now underway to provide suitable accommodation for staff and equipment. The Agency's move to Edinburgh is expected to greatly increase numerous operational efficiencies for all the copyright libraries it will serve.

15. 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.

A handwritten signature in black ink, appearing to read "Gill Anderson". The signature is written in a cursive, flowing style.

.....
Chairman, Board of Trustees

29 September 2008

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.

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 members 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

31st March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2007-08 employers' contributions of £1,325k were payable to the PCSPS (2006-07£1,262k) 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 2008-09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of the benefits accruing during 2007-08 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 £Nil (2007 £Nil). Contributions prepaid at that date were £Nil (2007 £ 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 2006/07 and the start of period CETV for 2007/08.

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 31st March 2008 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	Age	Job Title	2007/8 Aggregate Remuneration £	2006/7 Aggregate Remuneration £
Mr M Wade	53	National Librarian and Chief Executive	85 – 90,000	80 – 85,000
Mrs A Miller	55	Director of Strategy & Communications	55 – 60,000	50 – 55,000
Mr D Campbell	53	Director of Corporate Services	55 – 60,000	50 – 55,000
Ms T Wishart	30	Director of Development	35 – 40,000	20 – 25,000
Mr G Dove (left August 2007)	45	Director of Development	25 – 30,000	60 – 65,000
Mr G Hunt	39	Director of Customer Services	50 – 55,000	45 – 50,000
Mrs C Newton	56	Director of Collections	55 – 60,000	50 – 55,000

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.

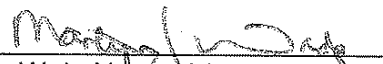
Benefits In Kind

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 2007/8 this value was £Nil (2006/7: £Nil).

Name	Age	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 st March 2007	Cash Equivalent Transfer Value at 31 st March 2008	Real Increase in Cash Equivalent Transfer Value funded by NLS
Mr M Wade	53	National Librarian and Chief Executive	0 – 2,500	0 – 2,500	30 – 35,000	100 – 105,000	602,000	700,000	10,000
Mrs A Miller	55	Director of Strategy & Communications	0 – 2,500	N/A*	0 – 5,000	N/A*	52,000	80,000	19,000
Mr D Campbell	53	Director of Corporate Services	0 – 2,500	N/A*	25 – 30,000	N/A*	374,000	464,000	34,000
Ms T Wishart	30	Director of Development	0 – 2,500	N/A*	0 – 5,000	N/A*	7,000	11,000	2,000
Mr G Dove	45	Director of Development	0 – 2,500	N/A*	15 – 20,000	N/A*	237,000	235,000	12,000
Mr G Hunt	39	Director of Customer Services	0 – 2,500	N/A*	0 – 5,000	N/A*	26,000	43,000	10,000
Mrs C Newton	56	Director of Collections	0 – 2,500	2,500 – 5,000	20 – 25,000	60 – 65,000	394,000	492,000	34,000

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.


 Martyn Wade, National Librarian and Chief Executive

Date: 29 September 2008

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 83 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 Government 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 2008 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 2007/8 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 and up to the signing of the accounts the organisation has continued with the implementation of the recommendations of the Internal Auditors.

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:

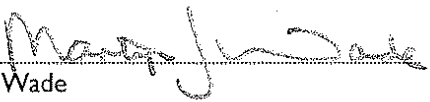
the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;

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;

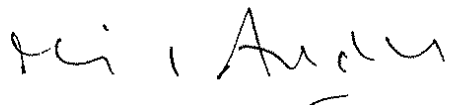
comments made by the external auditors in their management letters and other reports.

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: 29 September 2008


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 2008 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 in relation to the Accounts.

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 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

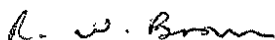
Financial statements

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 2008 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: 7 October 2008

Income and Expenditure Account for the year ended 31 March 2008

		2007/8	Restated
		£000	2006/7
			£000
	Notes		
INCOME			
Gross income from revenue-earning activities	4	107	103
Gross income from grant-aided activities		1,018	1,193
		<u>1,125</u>	<u>1,296</u>
EXPENDITURE			
Staff costs	5	9,964	8,945
Other operating charges	6	4,180	5,547
Depreciation on and permanent diminution in value of fixed assets	7, 8	2,589	2,077
		<u>16,733</u>	<u>16,569</u>
EXCESS OF EXPENDITURE OVER INCOME BEFORE INTEREST	20	(15,608)	(15,273)
Other income	9	-	187
Interest received - General	3	305	310
Loss retained by Scottish Screen		-	751
EXCESS OF EXPENDITURE OVER INCOME BEFORE NOTIONAL COSTS		<u>(15,303)</u>	<u>(14,025)</u>
Notional interest on capital employed	1 (1), 18	(2,592)	(2,244)
EXCESS OF EXPENDITURE OVER INCOME AFTER NOTIONAL COSTS		<u>(17,895)</u>	<u>(16,269)</u>
Reversal of notional interest on capital employed	1 (1), 18	2,592	2,244
Transfers (to)/from Capital Assets Fund:			
Transfer to Trust Funds and Bequests	16	(200)	-
Release in respect of depreciation of tangible fixed assets and in respect of permanent diminution in value of assets	16	2,360	1,889
Release from Revaluation Reserve	16	230	188
Amount transferred to reserves	9	<u>(12,913)</u>	<u>(11,948)</u>
Transfer to Board Reserve Fund	16	33	32
Transfer to General Fund	16	<u>(12,946)</u>	<u>(11,980)</u>
		<u>(12,913)</u>	<u>(11,948)</u>

All activities relate to continuing operations.

The notes on pages 27 to 42 form part of these accounts.

Statement of Financial Activities for the year ended 31 March 2008

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2007/8 Total £000	2006/7 restated £000
INCOMING RESOURCES						
Grant in aid	2	13,984	1,750	-	15,734	14,878
Voluntary Income	3	-	728	-	728	862
Charitable donations	3	-	225	1,010	1,235	1,574
Revenue earning activities	4	107	-	-	107	103
Investment income	3	305	320	-	625	455
Income from charitable activities	3	583	-	-	583	868
Total Incoming Resources		14,979	3,023	1,010	19,012	18,740
RESOURCES EXPENDED						
Cost of generating voluntary income	3	430	-	-	430	451
Cost of Revenue earning activities	3	73	-	-	73	71
Investment management costs	3	-	421	-	421	7
Charitable activities	3	16,180	1,345	-	17,525	17,063
Governance costs	3	248	-	-	248	243
Notional cost of capital	18	2,592	-	-	2,592	2,244
Total Resources Expended		19,523	1,766	-	21,289	20,079
NET INCOMING/(OUTGOING) RESOURCES before transfers						
		(4,544)	1,257	1,010	(2,277)	(1,339)
Transfers between funds	16	434	(435)	1	-	-
Loss retained by Scottish Screen		-	-	-	-	751
Depreciation of fixed assets	7,8	2,589	(2,589)	-	-	-
NET INCOMING/(OUTGOING) RESOURCES after transfers						
		(1,521)	(1,767)	1,011	(2,277)	(588)
Decrease in market value of investments	9	-	-	(263)	(263)	232
Revaluation of assets	7	-	2,540	-	2,540	1,674
Reversal of notional cost of capital		2,592	-	-	2,592	2,244
Net movement in funds		1,071	773	748	2,592	3,562
Fund balances brought forward at 1 April 2007	16	1,098	96,524	7,776	105,398	101,836
Fund balances carried forward at 31 March 2008		2,169	97,297	8,524	107,990	105,398

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment funds £000	2007/8 Total £000	2006/7 Restated £000
Fund balances comprise:						
Capital Assets Fund		-	59,471	-	59,471	61,069
General Fund		1,920	-	-	1,920	882
Board Reserve Fund		249	-	-	249	216
Revaluation Reserve		-	37,347	-	37,347	35,037
Trust Funds and Bequests	9	-	516	8,524	9,040	8,168
Collection Purchase Fund		-	(37)	-	(37)	26
		2,169	97,297	8,524	107,990	105,398

Summary of fund movements

	Balance at 1st April Restated	Incoming resources	Outgoing resources	Gains and Losses	Transfers	Balance at 31 st March
Capital Assets Fund	61,069	744	18	-	(2,360)	59,471
General Fund	882	13,984	(18,128)	2,592	2,590	1,920
Board Reserve Fund	216	107	(74)	-	-	249
Revaluation Reserve	35,037	-	-	2,540	(230)	37,347
Trust Funds and Bequests	8,168	1,555	(421)	(262)	-	9,040
Collection Purchase Fund	26	1,300	(1,363)	-	-	(37)
	105,398	17,690	(19,968)	4,870	(0)	107,990

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

Summary of Trust Fund movements

	Balance at 1st April £000	Gains and Losses £000	Other Movements £000	Balance at 31st March £000
Trust Funds				
Reid Trust Fund	465	(14)	(6)	445
Graham Brown Fund	1,436	(214)	10	1,232
Alexander Grant Fund	1,182	(22)	31	1,191
Bequests				
Miss AN Wilson	97	-	5	102
Johnston	-	-	217	217
Mrs R Ratcliff	311	(10)	9	310
Keppie Bequest Fund	24	-	1	25
Other bequests	51	-	-	51
Other Funds				
Clarke acquisition funds	25	-	3	28
Donations	1,388	-	860	2,248
John Murray	3,143	-	-	3,143
Other	46	-	2	48
	8,168	(260)	1,132	9,040

Of the total investment income, £3k (2007: £5k) related to overseas investments.
The notes on pages 27 to 42 form part of these accounts.

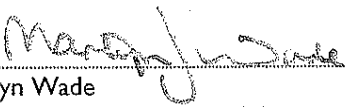
Statement of Recognised Gains and Losses for the year ended 31 March 2008

	Notes	2007/8	2006/7
		£000	£000
Net gain on revaluation of fixed assets		2,540	1,674
Unrealised gains/(losses) on investments		(262)	134
Total recognised gains and losses related to the financial year		<u>2,278</u>	<u>1,808</u>

The notes on pages 27 to 42 form part of these accounts.

Balance Sheet at 31 March 2008

		2007/8 £000	2006/7 Restated £000
FIXED ASSETS	Notes		
Tangible Assets	7	72,741	70,506
Intangible Assets	8	25	51
Collection - capitalised items	20	31,605	31,587
Investments - at market value	9	3,110	3,373
		107,481	105,517
CURRENT ASSETS			
Stocks	10	58	77
Debtors	11	2,125	1,187
Cash at bank and in hand	12	8,545	9,824
		10,728	11,088
CREDITORS - amounts due within one year	13	(4,200)	(3,096)
NET CURRENT ASSETS		6,528	7,992
TOTAL ASSETS LESS CURRENT LIABILITIES		114,009	113,509
CREDITORS - amounts due after one year	14	(5,720)	(7,960)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(299)	(151)
		107,990	105,398
CAPITAL AND RESERVES			
Restricted Funds			
Capital Assets Fund	16	59,471	61,069
Revaluation Reserve - General Fund	16	37,347	35,037
Purchase Fund	16	(37)	26
Trust Funds and Bequests - unspent income	16	516	392
		97,297	96,524
Endowment funds			
Trust Funds and Bequests – capital	16	8,524	7,776
Unrestricted Funds			
General Fund	16	1,920	882
Board Reserve Fund	16	249	216
		2,169	1,098
TOTAL CAPITAL AND RESERVES		107,990	105,398


 Martyn Wade
 National Librarian and Chief Executive and Accountable Officer

The notes on pages 27 to 42 form part of these accounts.

Date: 29 September 2008

Cash Flow Statement for the year ended 31 March 2008

		2007/8	2006/7
		£000	£000
	Notes		
Net Cash outflow from Operating Activities	17	(13,685)	(9,399)
Capital Expenditure	17	(3,622)	(2,885)
		<hr/>	<hr/>
		(17,307)	(12,284)
Financing	17	16,028	15,415
		<hr/>	<hr/>
Increase/(Decrease) in cash		(1,279)	3,131
		<hr/>	<hr/>

The notes on pages 27 to 42 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2008

I. ACCOUNTING POLICIES

a. Basis of accounting

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

The accounts incorporate the transactions and balances of 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.

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. Prior Year Adjustment

On 1 April 2007, the operations relating to the Scottish Screen Archive ("SSA") transferred ownership to NLS. The transfer took place on a going concern basis for zero consideration in line with government accounting guidelines. The transfer included the reassignment of the operating lease agreements for the premises at 39-41 Montrose Avenue in Hillington and Unit 6 McBride Avenue in Kirkintilloch.

Where necessary, prior year comparatives have been restated to reflect the SSA transfer (see note 27).

o. Restatement

All income and expenditure is stated gross, rather than net. This represents a change to accounting policy, as previously income from revenue earning activities was shown net of expenditure (see note 27).

2. GOVERNMENT GRANT-IN-AID

	2007/8 £000	2006/7 Restated £000
Grant-in-Aid Received		
Running Costs	13,984	12,413
Capital	450	1,165
	<hr/> 14,434	<hr/> 13,578
Purchase Grant	1,300	1,300
John Murray Archive		
Total Received during year	<hr/> 15,734	<hr/> 14,878

3. NOTES TO THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds	Restricted Funds	Endowment Funds	2007/8 Total	2006/7 Restated Total
	£000	£000	£000	£000	£000
Voluntary income					
HLF grant	-	728	-	728	862
Donations to Trust Funds and Bequests	-	225	1,010	1,235	1,574
	-	953	1,010	1,963	2,436
Revenue earning activities					
Reprography	83	-	-	83	100
Publications	24	-	-	24	1
Computer services	-	-	-	-	2
	107	-	-	107	103
Investment income					
Interest received	305	224	-	529	310
Endowment income	-	96	-	96	145
	305	320	-	625	455
Income from charitable activities					
Property rent	150	-	-	150	131
Sundry income	433	-	-	433	737
	583	-	-	583	868

Analysis of Resources Expended

	Direct Costs	Support Costs	Total	2006/7 Restated Total
	£000	£000	£000	£000
Charitable activities				
Collection development	4,452	4,232	8,684	9,998
User access to collections	2,916	2,575	5,491	5,239
Strategy and communications	1,049	956	2,005	1,826
	8,417	7,763	16,180	17,063
Cost of generating funds				
Cost of generating voluntary income	214	216	430	451
Cost of Revenue earning activities	67	6	73	71
	281	222	503	522
Investment management costs	-	421	421	7
Collection Purchases	1,345	-	1,345	-
Governance costs	187	61	248	243
Notional cost of capital	-	2,592	2,592	2,244
Total Resources Expended	10,230	11,059	21,289	20,079

4. REVENUE-EARNING ACTIVITIES

	2007/8	2006/7
	£000	£000
Income		
Computer Services	-	2
Reprography	83	100
Publications	24	1
	<u>107</u>	<u>103</u>
Less: costs		
Cost of sales	34	30
Direct wages	36	37
Administration	4	4
Surplus for the year: transferred to Board Reserve Fund	<u>33</u>	<u>32</u>

5. EMPLOYEES

	2007/8	2006/7
	£000	Restated £000
Staff costs during the year were:		
Wages and salaries	7,310	6,960
Social Security costs	498	500
Pension costs	1,325	1,296
Agency staff costs	350	182
Early Retirement costs	481	7
	<u>9,964</u>	<u>8,945</u>

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

	Number	Number
	Restated	Restated
Corporate services - Estates	56	56
Corporate services - Other	19	19
Customer Services	98	90
Collection Development	103	108
Strategy and Communications	17	21
Development	4	4
Other	13	-
	<u>310</u>	<u>298</u>

6. OTHER OPERATING CHARGES

	2007/8 £000	2006/7 Restated £000
General		
Administration expenses	621	1,817
Operating lease rentals (see note below)	23	70
Travel, subsistence and hospitality	163	175
Office equipment and supplies	197	168
Publications & Exhibitions	274	623
Copyright Agency	260	150
Computer Services	533	505
Digitisation and Web Development	60	81
Record purchase	26	23
Audit fees	55	38
Conservation & Preservation	160	70
Consultancy	206	200
	<hr/> 2,578	<hr/> 3,920
Buildings		
Utilities	499	487
Rent, rates & service charges	217	155
Buildings maintenance	740	878
Furniture	93	69
Transport	53	38
	<hr/> 1,602	<hr/> 1,627
Total	<hr/> 4,180	<hr/> 5,547

Notes:

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

Included within Administration expenses is VAT recovered during 2007/8. The increase in VAT recovery occurred following a VAT review where it was established that the majority of VAT incurred can be recovered as NLS is specifically listed in Section 33A of the VAT Act 1994 and HMRC's Notice 998.

Included in Audit fees is £23k in relation to the fees for External Audit services for 2007/8 and provided by Audit Scotland.

7. TANGIBLE FIXED ASSETS

	Land and Buildings	Leasehold Improvements	Motor vehicles	Equipment & Machinery	Computer equipment	2007/8 Total
COST OR VALUATION	£000	£000	£000	£000	£000	£000
Reported at 31 March 2007	74,689	-	71	3,231	1,712	79,703
Transfer from Scottish Screen	-	585	-	391	45	1,021
Restated as at 1 April 2007	74,689	585	71	3,622	1,757	80,724
Additions	1,217	-	-	367	676	2,260
Disposals	-	-	-	(1,347)	(343)	(1,690)
Revaluation	(4,943)	36	-	41	(77)	(4,943)
Balance at 31/3/08	70,963	621	71	2,683	2,013	76,351
DEPRECIATION						
Reported at 31 March 2007	6,400	-	44	2,233	923	9,600
Transfer from Scottish Screen	-	230	-	355	33	618
Restated as at 1 April 2007	6,400	230	44	2,588	956	10,218
Charge for the year	1,774	115	7	290	378	2,564
Disposals	-	-	-	(1,339)	(350)	(1,689)
Revaluation	(7,487)	28	-	8	(32)	(7,483)
Balance at 31/3/08	687	373	51	1,547	952	3,610
NET BOOK VALUE						
At 31/3/08	70,276	248	20	1,136	1,061	72,741
At 31/3/07 (Restated)	68,289	355	27	1,034	801	70,506

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

At 31st 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 (2007 - £5,925k) in respect of land which is not depreciated. The value of the land has dropped because the basis of the valuation was Depreciated Replacement Cost and the valuer considered the use of an alternative replacement site (Granton) within his valuation figures, as permitted by VIPI0.

8. INTANGIBLE FIXED ASSETS

	Computer software £000
COST OR VALUATION	
Reported at 31 March 2007	81
Transfer from Scottish Screen	19
Restated as at 1 April 2007	<u>100</u>
Additions	-
Disposals	(19)
Revaluation	(3)
Balance at 31/3/08	<u><u>78</u></u>
DEPRECIATION	
Reported at 31 March 2007	30
Transfer from Scottish Screen	19
Restated as at 1 April 2007	<u>49</u>
Charge for the year	25
Disposals	(19)
Revaluation	(2)
Balance at 31/3/08	<u><u>53</u></u>
NET BOOK VALUE	
At 31/3/08	<u><u>25</u></u>
At 31/3/07 (restated)	<u><u>51</u></u>

9. TRUST FUNDS AND BEQUESTS

	2007/8 £000	2006/7 £000
Listed investments - at market value	2,876	3,279
Cash deposits held within investment pool	234	94
Capital, at market value	<u>3,110</u>	<u>3,373</u>
Cash balances held by the Library	5,930	4,531
Retained income		
Cash balances	-	264
Total Trust Funds and Bequests holdings	<u><u>9,040</u></u>	<u><u>8,168</u></u>
Listed investments - at cost	<u><u>2,076</u></u>	<u><u>1,741</u></u>

Movements in year	Listed investments	Cash and other balances	Debtor	2007/8 Total	2006/7 Total
	£000	£000	£000	£000	£000
Donations	-	1,223	-	1,223	1,374
Income from investments	100	220	-	320	220
Other trust fund income	2	8	-	10	200
Expenditure	(17)	(403)	-	(420)	(371)
Transfer to general fund	(86)	86	-	-	(99)
Purchase of investments	(1,510)	-	-	(1,510)	-
Disposal of investments	1,547	-	-	1,547	-
Other changes in market value	(298)	-	-	(298)	233
Net movement	(262)	1,134		872	1,557
Balance at 1 April 2007	3,372	4,796	-	8,168	6,611
Balance at 31 March 2008	3,110	5,930	-	9,040	8,168

Analysis of income from investments

	Restricted £000	Unrestrict ed £000	Total £000	2006/7 £000
Income from listed investments	97	-	97	67
Interest on cash deposits held within the investment pool	3	-	3	3
Interest on cash and other balances	220	-	220	150
	320	-	320	220

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

	2007/8	2006/7
	£000	£000
Stock held for resale – publications	2	2
Conservation materials	56	75
	<u>58</u>	<u>77</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

	2007/8	2006/7
	£000	£000
Trade debtors	120	92
Provision for bad debts	(45)	(45)
Prepayments and accrued income	46	(18)
Other debtors	706	1,158
VAT recoverable	1,298	-
	<u>2,125</u>	<u>1,187</u>
Intra Government balances, included in above balances		
Balances with other central Govt bodies	1,315	213

12. CASH AT BANK AND IN HAND

	2007/8	2006/7
	£000	£000
Bank of England (Office of the Paymaster General)	1,666	438
Bank of Scotland	952	64
Board Reserve – Bank of Scotland	-	226
Royal Bank of Scotland (Current Account, John Murray Archive)	5,922	5,147
Royal Bank of Scotland (Special Interest Bearing Account, John Murray Archive)	-	3,562
Citibank (Foreign Payments Account)	-	19
Bank of Scotland (Trust Funds Income Accounts)	-	364
Cash	5	4
Total	<u>8,545</u>	<u>9,824</u>

13. CREDITORS - amounts falling due within one year

	2007/8	2006/7
	£000	£000
John Murray Archive	1,000	1,000
Accruals	979	1,368
Other creditors	843	728
Deferred Pension Costs	80	-
Provision for repayment of VAT to Scottish Government	1,298	-
	<u>4,200</u>	<u>3,096</u>
Intra Government balances, included in above balances		
Balances with other central Govt bodies	1,915	294

A VAT review during 2007/8 established that the majority of VAT incurred can be recovered as NLS is specifically listed in Section 33A of the VAT Act 1994 and HMRC's Notice 998. This resulted in a successful voluntary disclosure to HMRC for £1.3m. NLS is currently in dialogue with the Scottish Government as to whether this VAT refund can be retained and used by NLS.

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

	2007/8	2006/7
	£000	£000
John Murray Archive	5,720	7,960

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

	2007/8
	£000
Opening balance at 1 April 2007	151
Less net amount released during current year	(68)
Charge to current year income and expenditure	296
Closing balance at 31 March 2008	<u>379</u>

	2007/8	2006/7
	£000	£000
Deferred Pension: Amounts due within 1 year	80	-
Deferred Pension: Amounts due outwith 1 year	299	151
	<u>379</u>	<u>151</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)	2007/8 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balances at 1 April 2007 (Restated)	882	216	61,069	35,037	26	7,776	392	105,398
Government Funding received	13,984	-	450	-	1,300	-	-	15,734
HLF Grant - John Murray Archive	-	-	294	-	-	-	-	294
Donations and bequests received	-	-	-	-	-	998	225	1,223
Dividend and interest income	-	-	-	-	-	12	320	332
Expenditure funded by Trust Fund income	-	-	-	-	-	-	(421)	(421)
Changes in market value of holdings	-	-	-	-	-	(262)	-	(262)
Collection items with a value in excess of £5,000	-	-	18	-	(18)	-	-	-
Release to Income & Expenditure Account in respect of depreciation	-	-	(2,360)	-	-	-	-	(2,360)
(Deficit)/surplus arising on revaluation in year	-	-	-	2,540	-	-	-	2,540
Excess depreciation charge over equivalent historic cost depreciation	-	-	-	(230)	-	-	-	(230)
Purchases charged to Purchase Fund	-	-	-	-	(1,345)	-	-	(1,345)
Surplus on revenue earning activities	-	33	-	-	-	-	-	33
Deficit from Income and Expenditure Account	(12,946)	-	-	-	-	-	-	(12,946)
Balance as at 31st March 2008	1,920	249	59,471	37,347	(37)	8,524	516	107,990

17. NOTES TO THE CASH FLOW STATEMENT

	2007/8	2006/7
	£000	£000
Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit for the financial year	(17,895)	(16,269)
Transfer to trust funds	(200)	-
Notional charges	2,592	2,244
Depreciation on tangible and intangible fixed assets	2,589	2,077
Net cash movement in restricted funds held by Trustees	1,135	1,409
(Increase)/decrease in stock	19	(42)
(Increase)/decrease in debtors	360	2,002
(Decrease)/Increase in creditors and provisions	(2,285)	(820)
Net cash outflow from operating activities	(13,685)	(9,399)
Capital Expenditure		
Additions to fixed assets	(2,259)	(1,661)
Purchase of other items for the collections	(1,363)	(1,224)
Net capital expenditure for year	(3,622)	(2,885)
Financing		
Scottish Government funding for year	15,734	14,847
HLF grant received for John Murray Archive	294	568
Total Financing received	16,028	15,415
Analysis of changes in cash during the year		
Opening balance at 1 April 2007	9,824	6,693
Net cash inflow/(outflow) during the year	(1,279)	3,131
Closing balance at 31 March 2008	8,545	9,824

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% (2007 - 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.

	2007/8	2006/7
	£000	£000
Average balance during the year	74,046	64,105
Notional interest at 3.5% (2007 - 3.5%)	2,592	2,244

19. CAPITAL COMMITMENTS

	2007/8	2006/7
	£000	£000
Commitments not provided in the accounts at 31 March 2008 are:	Nil	Nil
At 31 st March 2008 contracts were in progress in relation to the capital developments described elsewhere. Due to the nature of the outstanding commitments it is not considered appropriate to attempt to assign a value to these.		

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.

	2007/8	2006/7
	£000	£000
Balance of capitalised items at 1 April 2007	31,587	31,452
Other additions in year of individual items with a value exceeding £5,000	18	135
Balance at 31 March 2008	31,605	31,587

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 2008 under non-cancellable operating leases are as follows:

	2007/8	2006/7
	£000	£000
Operating leases which expire within one year	-	-
In the second to fifth year inclusive	72	12
In over five years	-	-
	72	12

23. 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.

24. LOSSES AND SPECIAL PAYMENTS

Two cases of Losses and Special Payments for the year amounted to £27k (2006/7: £Nil).

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

25. POST BALANCE SHEET EVENTS

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

26. 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.

27. TRANSFER OF ASSETS AND LIABILITIES FROM SCOTTISH SCREEN

The transfer of Scottish Screen Agency to NLS on 1 April 2007 requires the inclusion of all figures relating to their activities within NLS accounts. Figures reported in NLS accounts for the year ended 31 March 2007 have been amended and restated as comparative figures in the accounts for the year ended 31 March 2008. In addition, certain balances have been restated to reflect gross accounting. These changes are shown below:

	Originally reported £000	Transfers In £000	Restated 2007 £000	Gross Accounting restatement £000	Restated 2007 balance £000
Income and Expenditure					
Income from revenue-earning activities	32	-	-	71	103
Gross income from grant-aided activities	830	363	1,193		1,193
Staff Costs	8,540	368	8,908	37	8,945
Other Operating Charges	4,767	746	5,513	34	5,547
Loss Retained by Scottish Screen	-	751	751		751
Balance Sheet					
Tangible Assets	70,103	403	70,506		70,506
General Fund					
Capital Assets Fund	60,693	376	61,069		61,069
General Fund	855	27	882		882
Number of employees (average whole time equivalent persons employed during the year)	284	14	298		298

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.

A handwritten signature in black ink, appearing to be 'A. Blair', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006