

# THE NATIONAL LIBRARY OF WALES

## ANNUAL ACCOUNTS 2006/2007

### TRUSTEES' ANNUAL REPORT

This Annual Report incorporates the Management Commentary and the Remuneration Report.

### Statutory Background

The National Library of Wales was founded by Royal Charter of Incorporation granted 19 March 1907 (and Supplemental Charter with further provisions for constitution and government on 5 September 1911). Further Supplemental Charters were granted on 27 April 1978 and 19 July 2006. During 2006/2007 it was funded predominantly from Government grants provided from the Welsh Assembly Government. These accounts have been prepared in accordance with the Direction made by ministers of the Welsh Assembly Government with the approval of the Treasury under Section 9(4) of the Museums and Galleries Act 1992. A copy of the Direction is available from the Director of Finance.

The Library is one of six legal deposit libraries in the United Kingdom and Ireland. It has been approved as a repository for manorial records by the Master of the Rolls in 1926; for the Archives of the Church in Wales, deposited in 1934, and the Records of the Church in Wales deposited in 1944. By direction of the Probate Division the Ecclesiastical Probate Records were transferred to the Library in 1945. In 1960 it was appointed a repository for certain records under the Public Records Act 1958. Schedule 4 to the Government of Wales Act 1998 as amended by the Government of Wales Act 2006 names the National Library of Wales as a body that may only gain functions and only with consent.

### Objects

The principal objects of the Library are the collection, preservation and maintenance of printed, graphic and audio-visual material and manuscripts and records relating to the Welsh and Celtic peoples, and materials for the furtherance of higher education and literary and scientific research, as laid down within the Objects of the Library in its Royal Charters. They are regarded as inalienable and primarily comprise books, manuscripts, maps, paintings and sound and moving image material which has been collected since the Library's foundation. The Library has over 4,000,000 items in its collection dating from the 12<sup>th</sup> century. The public has access to these collections.

### Charity

The Library is a registered charity, charity No 525775, VAT No 122 1209 32, under the name of the National Library of Wales. The address is Penglais, Aberystwyth, Ceredigion, SY23 3BU.

### Corporation Tax

The Library is exempt from Corporation Tax under section 505 of the Income and Corporation Taxes Act 1988.

### Core Functions

The operations of the Library are characterised by continuing programmes of work rather than by short-term projects. The following core functions represent the fundamental work the Library must carry out if it is to fulfill its Charter. They

therefore constitute the essential and ongoing business of the Library. It is not envisaged that these core functions will change:

1. provide an effective and timely service to near and remote users by delivery and enquiry services and by the provision of automated and manual catalogues and handlists.
2. collect materials by legal deposit, purchase, donation, bequest, exchange, and deposit, according to defined collection development policies drawn up in accordance with the terms of the Charter, and process and store materials acquired.
3. preserve and conserve materials in the collections.
4. interpret and publicise the collections by means of guides, publications, printed and online bibliographies, exhibitions, lectures and any other appropriate means, and produce and maintain the national bibliographies.
5. provide expert and professional input and collaboration at a Welsh, UK, and international level.

These core functions are supported by appropriate management structures, effective financial controls, and staff training and development programmes.

### **Results and Appropriations**

The accounts are prepared under Section 9(4) of the Museums & Galleries Act 1992 in a form directed ministers of the Welsh Assembly Government with the approval of the Treasury. The Library's consolidated net incoming resources for the financial year was £1.111m (2005-06 £0.985m). The Library's consolidated incoming resources totalled £13.325m (2005-06 £12.754m) and total resources expended before notional costs were £12.214m (2005-06 £11.769m). Fund balances at 31 March 2007 stood at £62.047m (31 March 2006 £64.976m).

The Library's performance against its targets is reported to the Welsh Assembly Government as follows:

		Target	Actual
1	Number of remote network users during the year	355,000	406,711
2	Visitor numbers	100,000	90,268
3	Total number of group visits	250	414
4	Visitor satisfaction with general atmosphere	90%	88%
		Very good or good	Very good or good
5	Reader satisfaction with standard of service	85%	87%
		Very good or good	Very good or good

These are set out with supporting comments in the Library's Annual Report.

## **Review of Activities**

The organisation's principal activities relate to its objects as defined above. Development of activities is reported upon in the Annual Report of which these Annual Accounts form a part.

## **Financial Review**

The Library's strategic objectives are set out in its Corporate Plan entitled "Knowledge, Memory, Identity". The Plan draws on the Objects that are set out in the Royal Charters and also sets out how the Library will continue to develop in a rapidly changing digital environment.

The Library's principal source of funds is grant-in-aid from the Welsh Assembly Government and the Library's financial management must conform to the terms set out in the "Management Statement and Financial Memorandum" (MSFM). Grant-in-aid for running costs is credited to Public Unrestricted funds and for capital and collections purchase grant to Public Restricted funds. The Library generates significant income through its trading activities including its shop, restaurant and photocopying services. The Library's private funds are used to supplement grant-in-aid and in 2006/07 provided additional resources for the capital programme, collections purchases and running costs. During the year the Library has sought contributions from trusts and funds and donations and legacies from individuals.

The Library is the sole member of Culturenet Cymru Ltd, a company limited by guarantee. Culturenet is largely funded by grant from the Welsh Assembly Government and its aim is to use online resources to increase awareness of, and improve access for all to, the culture and history of Wales. Culturenet's financial results have been consolidated with the Library's.

The Library's principal activities to which costs are charged in the Statement of Financial activities are:

- Voluntary income
- Fundraising trading
- Collection and preservation
- Marketing, exhibitions and education
- Conservation, and
- Governance

Costs are allocated using an apportionment system that allocates direct and indirect costs to each of the areas above. Of the total resources expended of £12.664m, Collection and preservation is the most significant area accounting for £4.940m.

## **Charities Statement of Recommended Practice**

The Charity Commissioners issued a Statement of Recommended Practice (SORP) for charities in October 1995 which was updated by the Charities SORP 2005. The Library has complied with the SORP since the 1996/97 accounts.

## **Valuation of Tangible Fixed Assets**

The Library commissioned a revaluation by Cooke and Arkwright, Chartered Surveyors, of the Library's buildings and freehold land as at 31 March 2007. Equipment was revalued as at 31 March 2007 in accordance with Treasury regulations and current cost accounting directions to public bodies. Land and other tangible fixed assets are shown at either existing use value or depreciated replacement cost. Values are adjusted annually by indexation between each formal valuation which takes place every 5 years or where substantial changes in asset values may have happened, a valuation may be requested at an interim period.

## **Fixed Assets**

The most significant changes in fixed assets during the year were:

- i. Purchase of computer hardware and improvements to the network within the Information Systems Strategy.
- ii. Refurbishment of the Library building.

In accordance with the requirements of the Charities SORP 2000, since 1<sup>st</sup> April 2001 the Library has been required to record the value of items purchased for the collections in the balance sheet. These assets are considered to fall within the definition of historic or inalienable assets and are not depreciated or revalued.

## **Future Developments**

The Library has prepared its corporate plan which is entitled “Knowledge, Memory, Identity”. This document identifies the main priorities for the development of the Library in the period to 2009/10 which are:

- Fulfil the requirements of the Charter
- Realise the ambitions for the Library expressed by the respondents to *Choosing the Future*
- Contribute effectively to the plans of the Welsh Assembly Government

The corporate plan sets out a number of key objectives for each of the core functions which includes:

- implementation of the Legal Deposit Libraries Act 2003 for non-print materials
- implementation of the digitisation strategy

## **Employment of Disabled People**

The National Library of Wales operates a non-discriminatory recruitment procedure and is always prepared to consider applications from, and to appoint, disabled persons. Further, the Library makes every effort to ensure that disabled employees are provided with the facilities necessary to carry out their employment effectively.

## **Policy on the Payment of Creditors**

The Library operates a monitoring procedure to measure the Library's performance against the “Better Payment Procedure Code”. During 2006/07, 96.2% of the 6,872 invoices received were paid within 30 days(2005/06 – 95.3%).

## **Consultation with Employees**

The National Library of Wales communicates information to staff by various methods including staff meetings, team briefing sessions, open memoranda, memoranda to Heads of Departments, consultation and negotiation with the Whitley Council and with the Trade Unions.

## **Board Members**

A supplemental Royal Charter was granted by H.M. The Queen in Privy Council on 19<sup>th</sup> July 2006. This resulted in changes to the governance structure of the Library.

Previously, the body authorised to be the executive body of the Library was named as “the Council”: responsible for the management and administration of its finances and property in which was vested all monies contributed by the Treasury or derived from other sources and all lands, buildings, or gifts in kind devised or granted for the

purpose of the institution. For the purpose of compliance with the Statement of Recommended Practice “Accounting by Charities”, the role of Trustee was performed by the Council. There was also a non-executive “Court” provided for under the earlier Charter.

Schedules of Court and Council members who acted during the course of the year under the regime of the previous Charter are appended to this foreword.

The new Supplemental Charter abolished the Court and renamed the executive body as being “the Board of Trustees of the Library”. It made a change in the number of members comprising the Board (reducing from 21 to 15) and the mode of appointment (increasing the number of appointments made by the Welsh Assembly Government from 3 to 8 , including the President and Vice-President, and reducing appointments to be made by the Library itself to 7). It also included transitional provisions to move from the previous number/composition to the new arrangements. Any remaining powers and duties of the former Court are to be undertaken by the Board.

The members of the Court and Council and latterly the Board did not receive any emoluments and the Library depends upon them to attend meetings and other events in a voluntary capacity (although the 2006 Supplemental Charter gives a power of payment, subject to the authorisation of the Charity Commission).

Schedules of Court and Council members who acted during the course of the year under the regime of the previous Charter are appended to this foreword as is a Schedule of those who served latterly as members of the Board under the 2006 Charter.

### **Organisational Structure**

The Librarian is the Accounting Officer designated by the Welsh Assembly Government. He is assisted in his duties by the Senior Management Team whose details are disclosed in note 6.

The Library has established sub-committees of the Board comprising the Planning and Resources Committee, the Audit Committee, the Buildings Committee and the Staffing Committee. These committees consider matters relating to their specific areas and their minutes are laid before the Board for approval.

### **Remuneration Report**

The Library remunerates its entire staff under an agreed pay and grading system designed and introduced specifically to ensure fair and equitable treatment. This system was introduced from August 2001 and replaced the previous system, which had allowed inequalities in pay between men and women to develop. The new system was developed in-house by the Finance Department and was approved by the Library’s Senior Management Team and agreed with the staff unions through the collective bargaining arrangements.

All staff are covered by this system with the exception of the Librarian (whose terms of appointment are agreed with the Welsh Assembly Government). An independent appeals process is in place to consider grading issues. Each year the Library, in consultation with the staff unions, considers the Library’s remuneration package against external comparators, movements in the economy and any internal inequities that may have developed. From this a pay remit or proposal is produced and this is submitted to the Welsh Assembly Government for approval and is then formally

negotiated with the unions. This results in a new pay and conditions package for the whole of the Library which is binding until the next round of negotiation. Incremental increases under the pay remit are dependant upon the Library's system of annual appraisals. Inflationary elements contained within the agreed pay remit are automatically awarded to all staff.

The Librarian's salary consists of a basic salary with an annual unconsolidated bonus. His pay is determined by the officers of the Library (President, Vice President and Treasurer) according to guidelines issued by the Welsh Assembly Government regarding the maximum pay award for Chief Executives. In considering the amount of his pay award the performance of the Librarian is compared against a set of pre-determined objectives and this evaluation of performance is considered by the officers. A percentage of the award is consolidated into his annual salary, and the balance of the award, up to a maximum of 10%, is awarded as an unconsolidated annual payment.

The Librarian has a permanent contract of employment and is an ordinary member of the Library's pension scheme.

Other senior staff receive a gross salary, which is determined as part of the negotiation of the pay remit for all other staff in the Library. The pay remit is approved by the Welsh Assembly Government. The senior staff all have permanent contracts of employment and are ordinary members of the Library's pension scheme. Membership of the Senior Management Team is shown on page 11 and further details of the remuneration and pension benefits are shown in Note 6 (b) to the accounts.

The notice period for the members of the Senior Management Team is 3 months. Provision for compensation for early termination is contained within the Library's standard redundancy arrangement.

### **Charity Reserves Policy**

The Charity SORP 2000 requires the Library to disclose its policy on Charity Reserves. The function of the policy is set out in Note 1h to the accounts.

The Library's reserves policy for its Public funds is to conform to the requirements of the Welsh Assembly Government's MSFM which sets out the financial framework under which the Library is required to operate. The main requirement of the MSFM in relation to reserves is that only 2% of gross Grant-in-Aid can be held as cash balances.

The Library's unrestricted private funds have three main objectives:

- To contribute to the revenue costs of running the Library's services
- To supplement the Collections Purchase Grant to enable the Library to fulfil its collections policy
- To finance the acquisition of capital assets including equipment, buildings and computer hardware and software

The Library's private restricted funds can only be used in accordance with the terms of each specific bequest.

### **Investment Policy**

In the 2006/07 financial year the Library's investment policy has been to maintain a portfolio that is invested in both equities and bonds. The amount that can be invested in different asset classes has been set according to an assessment of risk. The Library's attitude to risk is classified as "moderate", accepting that in order to

achieve higher returns than placing cash on deposit there will be a consequent risk in investing in bonds and equities.

The Library has appointed an investment manager, Rensburg Sheppards who is responsible for investing the private funds portfolio. The manager has been set a benchmark for the performance of the investment portfolio, and in 2006/07 a return of 5.85% was achieved against a benchmark of 5.94% (2005/06 16.75% against benchmark of 16.37%).

During the year the Advisory portfolio valued at £0.246m which had been established to finance the construction of the Visitor Experience capital scheme was transferred to the Discretionary portfolio as the project had been completed. The investments were managed on a discretionary basis according to the requirements of the Trustee Investment Act 1961 and latterly the Trustee Act 2000. The performance of the portfolios is monitored and reported to the Library's Board. At 31<sup>st</sup> March 2007 the market value of the investments and cash was £5.132m (£4.848m at 31 March 2006).

**Advisers**

Bankers	National Westminster Bank, Aberystwyth
Solicitors	Edwards Geldard, Cardiff
Internal Auditors	Bentley Jennison, Cardiff
Investment Brokers	Rensburg Sheppards, London

**Auditor**

The Accounts are audited by the Auditor General for Wales in accordance with Section 9(8) of the Museums and Galleries Act 1992 for Wales.

Andrew M W Green  
LIBRARIAN & ACCOUNTING OFFICER

Conrad L Bryant  
TREASURER

16 July 2007  
The National Library of Wales  
Aberystwyth SY23 3BU

16 July 2007

## **COURT OF GOVERNORS**

The Supplemental charter issued on 19 July 2006 abolished the Court. Membership to that date was as follows:

### **President**

R Brinley Jones, CBE, MA, DPhil, HonDLitt, FSA

### **Vice-President**

W J Phillips, DL, MA, LIB

### **Treasurer**

Conrad L Bryant, CPFA

### **Members of Parliament for Wales**

Professor Hywel Francis MP

### **Appointed by The National Assembly for Wales**

Enid Charles Roberts BSc, MBA, MBCS,CITP, MCMI

J Elfed Evans, BscEcon

Elsa Davies LVO, MA, DipEd, FCMI, FRSA

Ian C Lovecy, MA, PhD, HonFCLIP

### **The University of Wales**

Lynn E Williams BA(Wales), PhD(Wales)

### **The Constituent Institutions of the University of Wales**

#### **University of Wales, Aberystwyth**

Professor Derec Llwyd Morgan, BA, DPhil, DLitt

#### **University of Wales Bangor**

Ms Alison McKenzie BA, MLib

#### **University of Wales Cardiff**

Professor Sioned Davies, BA(Wales), DPhil(Oxon)

#### **University of Wales Swansea**

Chris West BA, MA, DipLib, MCLIP

#### **University of Wales Lampeter**

Dr Jane Cartwright, BA(Wales), PhD(Wales)

#### **University of Glamorgan**

Jeremy Atkinson, BSc, MPhil, DipLib, MCLIP

### **Colleges in Wales recognised by Ordinance as being Public Sector Colleges**

Paul Jeorrett BA, MCLIP

### **The Welsh Joint Education Committee**

Cllr. Ann Holloway

### **The Governing Body of Jesus College, Oxford**

Professor T M O Charles-Edwards, MA, Dphil, FRHistS, FBA

**Appointed by the British Library Board**

Dr Clive Field, MA Dphil, FRHistS

**Welsh Local Government Association**

5 Members

**Ceredigion County Council**

Councillor W Penri James BSc(Cymru)

**Aberystwyth Town Council**

Councillor JM Taylor

**The Chartered Institute of Library and Information Professionals (Wales)**

1 member

**The Arts Council of Wales**

Professor Hazel Walford Davies, BA, MA, PhD(Wales), DipEd(Oxon)

**Welsh Books Council**

Gwerfyl Pierce Jones, MA

**Confederation of British Industry (Wales)**

Robert A Salisbury, LIB, Notary Public

**The Trades Union Congress in Wales**

Geraint Davies

**The Court of Governors of the National Museums and Galleries of Wales**

Susan J Davies, BA, PhD, DAA

**The Association of Friends of the National Library of Wales**

Nesta Lloyd, MA, DPhil, DAA

**Art Galleries in Wales**

Michael Freeman, BSc

**The Workers' Educational Association in Wales**

John Morris

**Co-opted by the Court of Governors**

Professor Ceri Davies, BA, MPhil, DLitt

The Very Reverend J Wyn Evans, BA, BD, FSA, FRHistS

John Watkin, FRSA

## **THE COUNCIL (to 19 July 2006)**

Under the supplementary charter of 19 July 2007 the Council was renamed the “Board”.

### **President**

R Brinley Jones, CBE, MA, DPhil, HonDLitt, DUniv, FSA

### **Vice-President**

W J Phillips, DL, MA, LIB

### **Treasurer**

Conrad L Bryant, CPFA

### **Appointed by The National Assembly for Wales**

Enid Charles Roberts BSc, MBA, MBCS, MCMI

J Elfed Evans, BScEcon

Ian C Lovecy, MA, PhD, HonFCLIP

### **Elected by the Court of Governors**

Gwerfyl Pierce Jones, MA

Professor Hazel Walford Davies, BA, MA, PhD(Wales), DipEd(Oxon)

Professor Derec Llwyd Morgan, BA, DPhil, DLitt

Professor Ceri Davies, BA, MPhil, DLitt

John Watkin, FRSA

Cllr Meirick Lloyd Davies FRICS, FBEng, MWOBO, MIOC

### **Co-opted by the Council**

W Gwyn Williams, OBE, MInstAM, HonFCLIP, FRSA

Emeritus Professor Peter H Morgan, BA, PhD

Professor D Hywel Roberts, MA, DipLib, MCLIP

Professor Roger Earis, BA, MA(Oxon), FSALS, FCMI, Solicitor

W T R Pryce, BSc, MSc(Wales), Phd(CNAA), DipEd(Wales)

David Meredith

## **BOARD OF TRUSTEES OF THE LIBRARY (from 19 July 2006)**

### **President**

R Brinley Jones CBE, MA, DPhil, HonDLitt, DUniv, FSA

### **Vice-President**

W J Phillips DL, MA, LLB

### **Treasurer**

Conrad L Bryant CPFA

Gwerfyl Pierce Jones MA

Professor Ceri Davies BA, MPhil, DLitt *[retired 30/11/2006]*

Professor Hazel Walford Davies BA, MA, PhD (Wales), DipEd (Oxon)

Councillor Meirick Lloyd Davies FRICS, FBEng, MWOBO, MIOC *[retd 30/11/06]*

Professor Derec Llwyd Morgan BA, DPhil, DLitt

John Watkin FRSA

W Gwyn Williams OBE, MInstAM, HonFCLIP, FRSA

Emeritus Professor Peter H Morgan BA, PhD

Professor D Hywel E Roberts MA, DipLib, MCLIP  
Professor Roger Earis BA, MA (Oxon), FSALS, FCMI, Solicitor  
W T R Pryce BSc, MSc (Wales), PhD (CNAA), DipEd (Wales)  
David Meredith, Cymrawd BAFTA Cymru

**Appointed by ministers of the Welsh Assembly Government**

Mr David Barker  
Ms Joanna Davies  
Mrs Elspeth Mitcheson

**SENIOR STAFF**

**Librarian**

Andrew M W Green, MA DipLib, MCLIP

**Director of Collection Services**

Gwyn Jenkins, MA

**Director of Public Services**

W Rhidian M Griffiths, MA, MLitt, PhD, DipLib, MCLIP

**Director of Corporate Services**

Mark W Mainwaring, MA, Solicitor

**Director of Finance**

David H Michael, CPFA.

## **STATEMENT OF BOARD AND LIBRARIAN'S RESPONSIBILITIES**

Under Section 9(4) of the Museums and Galleries Act 1992, the Board of the National Library of Wales is required to prepare a statement of accounts for each financial year in the form and on the basis determined by ministers of the Welsh Assembly Government with the consent of the Treasury. The accounts are prepared to give a true and fair view of the Library's financial activities during the year and of its financial position at the end of the year.

In preparing the Library's accounts the Board is required to:

- Observe the accounts direction issued by ministers of the Welsh Assembly Government including the relevant accounting and disclosure requirements, and apply them on a consistent basis.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the Library will continue in operation.

The Principal Accounting Officer for ministers of the Welsh Assembly Government has designated the Librarian as the Accounting Officer for the Library. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Welsh Assembly Government's Accounting Officer Memorandum.

### **Statement of the Disclosure of Relevant Audit Information**

As far as the Accounting Officer is aware there is no relevant audit information of which the auditors are unaware and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any audit information and to establish that the auditors are aware of that information.

### **Statement of the Disclosure of Relevant Audit Information - Culturenet Cymru Ltd**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## STATEMENT ON INTERNAL CONTROL

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Library's policies, aims and objectives set by the Welsh Assembly Government, whilst safeguarding the public funds and assets of the Library for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting. The Library has processes in place in order that risks can be identified and assessed and the impact of particular risks are, as appropriate, drawn to the attention of the Welsh Assembly Government.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve 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 and prioritise the risks to the achievement of the Library's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. This process was carried out in the Library during the year ended 31<sup>st</sup> March 2007 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

The Library has identified, documented, assessed and considered the key strategic and operational risks relating to the Library's activities. These have been considered by the Senior Management Team and action has been taken as appropriate to manage them. The Library has used the Core Brief system in order to inform staff of their duties in relation to risk management and encourage them to contribute to the process.

The Library maintains a corporate risk register which is reviewed and updated twice per year and each Department of the Library is required to contribute to this process. Risks identified are included in the risk register and assessed as to whether they pose a strategic, operational, financial or compliance risk. Risks are then graded as to whether their impact would be high, medium or low and the same assessment is made of their probability of occurring and the risks are allocated an overall risk score of between 1 and 10 in order to aid comparison. Roles and responsibilities in relation to risk management have been approved for the Audit Committee, internal audit, the Librarian and Heads of Department and their staff. The Audit Committee also receives written reports on the updated risk register twice per year.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Library who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Library's internal audit is provided by an external contractor who complies with the standards defined in the Government Internal Audit Manual and reports independently to me on an annual basis on the adequacy and effectiveness of the Library's system of internal control together with recommendations for improvement.

The Audit Committee receives copies of all internal audit reports for consideration and monitors the adequacy of management responses to those recommendations which address risks and weaknesses in internal control. The minutes of the Audit Committee are reported to the Library's Board for approval.

Andrew M W Green  
Librarian and Accounting Officer  
16 July 2007

Endorsed on behalf of the Board by:

Conrad L Bryant  
Treasurer  
16 July 2007

## **THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES**

I certify that I have audited the financial statements of the National Library of Wales for the year ended 31 March 2007 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Balance Sheet, and the Consolidated 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.

### **Respective responsibilities of the Board, Librarian and Auditor General for Wales**

The Board and the Librarian are responsible for preparing the Trustees' Annual Report, including a Remuneration Report, and the Financial Statements in accordance with section 9 of the Museums and Galleries Act 1992 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions funded by grant-in-aid. These responsibilities are set out in the Statement of Board and Librarian's Responsibilities.

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).

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 Museums and Galleries Act 1992 and Welsh Ministers' directions issued thereunder. I report to you whether, in my opinion, certain information given in the Trustees' Annual Report, which incorporates the Management Commentary and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources funded by grant-in-aid have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them

In addition, I report to you if the National Library of Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control on pages 13 to 14 reflects the National Library of Wales' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the National Library of Wales' corporate governance procedures or its risk and control procedures.

I also read the other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions 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 judgments made by the Board and the Librarian in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Library of Wales' 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, income and resources funded by grant-in-aid have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. 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.

## **Opinions**

### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Museums and Galleries Act 1992 and directions made thereunder by Welsh Ministers, of the state of the affairs of the National Library of Wales and the group as at 31 March 2007 and the incoming resources and application of resources, recognised gains and losses and cash flows 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 Museums and Galleries Act 1992 and Welsh Ministers' directions issued thereunder; and
- information given within the Trustees' Annual Report, which incorporates the Management Commentary and the Remuneration Report, is consistent with the financial statements.

### **Audit Opinion on Regularity**

- In my opinion, in all material respects the expenditure, income and resources funded by grant-in-aid have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.

*Jeremy Colman*  
*Auditor General for Wales*  
*Date: 3 August 2007*

*Wales Audit Office*  
*2-4 Park Grove*  
*Cardiff CF10 3PA*

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE  
YEAR ENDED 31 MARCH 2007**

	Notes	PUBLIC FUNDS		PRIVATE FUNDS		2006/07	2005/06
		Unrestricted £'000	Restricted £'000	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
<b>INCOMING RESOURCES</b>							
Trading Income	4	564	-	-	-	564	610
Donations and bequests	8	-	-	26	86	112	68
Investment Income	8	-	-	146	23	169	154
Other Grants	3	134	4	-	-	138	594
Government Grants	2	10,355	1,987	-	-	12,342	11,328
<b>TOTAL INCOMING RESOURCES</b>		<b>11,053</b>	<b>1,991</b>	<b>172</b>	<b>109</b>	<b>13,325</b>	12,754
<b>RESOURCES EXPENDED</b>							
Cost of Generating Funds	5						
Voluntary Income		187	32	104	2	325	158
Fundraising trading		552	65	-	-	617	611
Direct Charitable Expenditure:							
Collection & Preservation		4,215	719	6	-	4,940	5,078
Marketing, Exhibition & Education		3,685	479	-	86	4,250	4,159
Conservation		1,311	200	-	-	1,511	1,326
Governance		906	115	-	-	1,021	897
<b>Total Resources Expended</b>		<b>10,856</b>	<b>1,610</b>	<b>110</b>	<b>88</b>	<b>12,664</b>	12,229
Pension Finance Costs	5	(450)	-	-	-	(450)	(460)
<b>Total Resources Expended before Notional Costs</b>		<b>10,406</b>	<b>1,610</b>	<b>110</b>	<b>88</b>	<b>12,214</b>	11,769
Notional cost of capital		1,914	-	-	-	1,914	1,957
<b>TOTAL RESOURCES EXPENDED INCLUDING NOTIONAL COSTS</b>		<b>12,320</b>	<b>1,610</b>	<b>110</b>	<b>88</b>	<b>14,128</b>	13,726
<b>NET INCOMING/ (OUTGOING) RESOURCES BEFORE TRANSFERS</b>		<b>(1,267)</b>	<b>381</b>	<b>62</b>	<b>21</b>	<b>(803)</b>	(972)
Reversal of the notional cost of capital		1,914	-	-	-	1,914	1,957
Gross transfers between funds		-	91	(91)	-	-	-
<b>NET INCOMING/ (OUTGOING) RESOURCES FOR THE FINANCIAL YEAR</b>		<b>647</b>	<b>472</b>	<b>(29)</b>	<b>21</b>	<b>1,111</b>	985
Loss on disposal of tangible fixed assets	7	-	(37)	-	-	(37)	-
Gain on acquisition of subsidiary	19	-	-	-	-	-	2
Gain on disposal of assets intended for investments	8	-	-	83	13	96	97
Unrealised Gains/(losses) on:							
Investments	8	-	-	(73)	110	37	492
Tangible Fixed Assets	7	-	3,344	-	-	3,344	1,200
Actuarial gains(losses) on defined benefit pension scheme	211	(7,480)	-	-	-	(7,480)	(90)
<b>NET MOVEMENT IN FUNDS FOR THE FINANCIAL YEAR</b>		<b>(6,833)</b>	<b>3,779</b>	<b>(19)</b>	<b>144</b>	<b>(2,929)</b>	2,686
<b>FUND BALANCES BROUGHT FORWARD AT 1 APRIL</b>	13	<b>1,701</b>	<b>57,969</b>	<b>4,597</b>	<b>709</b>	<b>64,976</b>	62,290
<b>FUND BALANCES CARRIED FORWARD AT 31 MARCH</b>	13	<b>(5,132)</b>	<b>61,748</b>	<b>4,578</b>	<b>853</b>	<b>62,047</b>	64,976

All activities are continuing. All recognised gains and losses are recorded in the Statement of Financial Activities. The notes on pages 20 to 37 form part of these accounts.

The net incoming resources of the Library in 2006/07 was £1,109,000 (2005/06 £965,000)

The net decrease in funds recorded in the Library's own Statement of Financial Activities during 2006/07 was £2,930,000 (2005/06 £2,664,000 increase).

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007**

National Library of Wales				Consolidated	
		31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006	31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006
	Notes	£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible Assets	7	58,321	54,747	58,348	54,760
Collections	7	4,009	3,323	4,009	3,323
Investments	9	4,855	4,599	4,855	4,599
		<u>67,185</u>	<u>62,669</u>	<u>67,212</u>	<u>62,682</u>
<b>CURRENT ASSETS</b>					
Stocks		43	32	43	32
Debtors	11	421	535	424	519
Short-term	10	277	249	277	249
Investments					
Bank		96	436	120	495
		<u>837</u>	<u>1,252</u>	<u>864</u>	<u>1,295</u>
<b>CREDITORS</b>					
Amounts falling due within one year	12	(527)	(297)	(532)	(318)
<b>NET CURRENT ASSETS</b>		<u>310</u>	<u>955</u>	<u>332</u>	<u>977</u>
<b>Creditors falling due after more than 1 year</b>					
Deferred Grant		-	-	(27)	(13)
Net assets excluding pension scheme liability		<b>67,495</b>	63,624	<b>67,517</b>	<b>63,646</b>
Defined benefit pension asset (liability)	21	<b>(5,470)</b>	1,330	<b>(5,470)</b>	<b>1,330</b>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITY</b>		<u><b>62,025</b></u>	<u>64,954</u>	<u><b>62,047</b></u>	<u><b>64,976</b></u>
<b>FUNDS</b>					
Public Unrestricted	13	316	<b>349</b>	338	<b>371</b>
Pension Reserve		(5,470)	<b>1,330</b>	(5,470)	<b>1,330</b>
Total Unrestricted Funds		<u>(5,154)</u>	<u><b>1,679</b></u>	<u>(5,132)</u>	<u><b>1,701</b></u>
Public Restricted		<b>61,748</b>	<b>57,969</b>	<b>61,748</b>	<b>57,969</b>
Private Unrestricted		<b>4,578</b>	<b>4,597</b>	<b>4,578</b>	<b>4,597</b>
Private Restricted		<u><b>853</b></u>	<u><b>709</b></u>	<u><b>853</b></u>	<u><b>709</b></u>
		<u><b>62,025</b></u>	<u><b>64,954</b></u>	<u><b>62,047</b></u>	<u><b>64,976</b></u>

The notes on pages 20 to 37 form part of these accounts

Andrew MW Green  
LIBRARIAN AND  
ACCOUNTING  
OFFICER  
16 July 2007

Conrad L Bryant  
TREASURER  
16 July 2007

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 MARCH 2007**

	Consolidated	
	2006/07	2005/06
	<b>£000</b>	<b>£000</b>
Net cash inflow from operating activities	2,373	2,822
Capital Expenditure and Financial Investment	(2,721)	(1,933)
Management of liquid resources	(27)	(87)
(Decrease)/Increase in Cash	(375)	802

The notes on pages 20 to 37 form part of these accounts.

**1. ACCOUNTING POLICIES**

(a) **Accounting Conventions**

The accounts are prepared under the historical cost convention, modified to include the revaluation of fixed assets, and comply with the Statement of Recommended Practice "Accounting by Charities" issued by the Charity Commissioners for England & Wales and the 2000 Accounts Direction issued to the Library by the Welsh Assembly Government. The accounts are prepared on a going concern basis.

Without limiting the information given, the accounts meet the requirements of Accounting Standards issued or adopted by the Accounting Standards Board in so far as those requirements are appropriate. The Accounts Direction does not require the Library to produce a summary income and expenditure account or note of historical cost on surpluses or deficits.

The Accounting Officer authorised these financial statements for issue on 3 August 2007.

(b) **Incoming Resources**

All income is recognised in the Statement of Financial Activities when the conditions for receipt have been met. Grant in Aid is received from the Welsh Assembly Government for running costs and capital expenditure. All Grant in Aid is recognised in the SOFA in the year of receipt. Donations, legacies and voluntary income are accounted for when received. Transfers from private funds are accounted for after consideration of movements in working capital.

(c) **Expenditure**

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of the financial statements.

Charitable expenditure and administration costs comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with use of the resources.

Transfers from Unrestricted Private Funds are made at the year end to supplement Grant-in-Aid funding.

Fund-raising and publicity costs are those incurred in seeking voluntary contributions for the Library and in publicising the Library.

Management and administration costs are those incurred in connection with the management of the Library's assets, organisational administration and compliance with constitutional and statutory requirements.

- (d) **Collection Purchases**  
Prior to 1<sup>st</sup> April 2001, the Library's collection had not been capitalised in the balance sheet. Purchases for the collection were charged to Restricted Public Funds in the Statement of Financial Activities in the year of acquisition. In accordance with the requirements of the Charities SORP 2005, purchases for the collection are capitalised in the year of acquisition and held at market value; these assets are not revalued or indexed.  
Donations of items to the collections are accounted for when received at an estimate of their market value.
- (e) **Stocks**  
The cost of stocks of resaleable items for the Library's shop has been recognised in the balance sheet at the lower of cost or net realisable value.
- (f) **Foreign Currency Transactions**  
Assets and Liabilities denominated in foreign currencies have been converted at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of transaction.
- (g) **Notional Cost of Capital**  
As directed by the Welsh Assembly Government, a notional capital charge reflecting the cost of capital employed, is included in operating costs and calculated at 3.5% of capital employed.
- (h) **Fund Accounting**  
Public and private unrestricted funds are available for use at the discretion of the Board in furtherance of the general objectives of the Library.  
  
Public restricted funds represents Capital and Purchase Grants received from the Welsh Assembly Government for specific purposes.  
  
Private restricted funds are funds subject to specific restriction imposed by donors or by the purpose of the appeal.
- (i) **Investments**  
Investments are stated at market value at the balance sheet date. Gains and losses on disposal are credited or charged to the Statement of Financial Activities. Movements in the market value of investments held at the year end are also reflected in that statement in accordance with the Statement of Recommended Practice for Accounting for Charities.
- (j) **Fixed Assets**  
Land and Buildings are shown at existing use value or depreciated replacement cost in the case of specialised buildings. An external valuation is obtained every five years and appropriate indices are used to uprate that valuation in the intervening years or where substantial changes in asset values may have happened, a valuation may be requested at an interim period.

Plant, machinery and equipment are shown at current replacement cost less an allowance for depreciation. They are reviewed on a sample basis to ensure that they have not become obsolete. Valuations are updated annually using appropriate indices. Gains and losses arising from revaluations are taken to the Statement of Financial Activities in the year in which they arise.

Depreciation is provided at rates calculated to reduce each asset to its estimated residual value evenly over its expected useful economic life, as advised by the valuers as follows:

Freehold buildings	- up to 100 years
Plant, machinery and equipment	- up to 18 years
Computer equipment	- up to 3 years
Motor Vehicles	- up to 3 years

Freehold land is not depreciated.

Collection Purchases are not depreciated

The threshold for capitalisation is £5,000, but equipment below this threshold is also capitalised where it forms part of a network or project.

(k) **Pension Costs**

The Library operates its own superannuation scheme which provides benefits based on final pensionable pay. Contributions to the scheme are charged to the statement of Financial Activities so as to spread the cost of pensions over employees working lives. The charge to the Statement of Financial Activities is calculated based upon the current service cost as calculated by the scheme actuary.

(l) **Taxation**

The Library has been granted charitable status by the Inland Revenue. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the Statement of Financial Activities or capitalised if related to a fixed asset.

## 2. GOVERNMENT GRANTS

	Consolidated	
	2006/07 £000	2005/06 £000
<b>Unrestricted</b>		
Grant in Aid	10,355	9,370
<b>Restricted</b>		
Purchase Grant	611	611
Capital	1,376	1,347
<b>Total grant received from Welsh Assembly Government</b>	<b>12,342</b>	<b>11,328</b>

## 3. OTHER GRANTS

	Consolidated	
	2006/07 £000	2005/06 £000
<b>Restricted</b>		
Purchases	4	5
Capital	-	31
Other	-	38
	4	74
<b>Unrestricted</b>		
Others	134	520
	138	594

## 4. OTHER INCOME

	Consolidated	
	2006/07 £000	2005/06 £000
<b>Unrestricted</b>		
Sales	292	294
Bank Interest	19	20
Catering	197	214
Miscellaneous	56	82
	564	610

## 5. TOTAL RESOURCES EXPENDED BEFORE NOTIONAL COSTS

### Consolidated

	Staff Costs	Staff Costs - Support	Other Direct Costs	Other Direct Costs - Support	Depre- ciation	2006/07  Total £000	2005/06  Total £000
	£000	£000	£000	£000	£000		
<b>Charitable Expenditure</b>							
Voluntary income	118	32	110	33	32	<b>325</b>	159
Fundraising trading	245	66	172	69	65	<b>617</b>	611
Collection & Preservation	2,705	726	27	763	719	<b>4,940</b>	5,078
Marketing, Exhibitions & Education	2,051	483	710	508	498	<b>4,250</b>	4,158
Conservation	752	202	145	212	200	<b>1,511</b>	1,326
Governance	434	116	234	122	115	<b>1,021</b>	897
	<b>6,305</b>	<b>1,625</b>	<b>1,398</b>	<b>1,707</b>	<b>1,629</b>	<b>12,664</b>	12,229
<b>Pension Finance Cost</b>	<b>(450)</b>	-	-	-	-	<b>(450)</b>	(460)
<b>Total Resources Expended Before Notional Costs</b>	<b>5,855</b>	<b>1,625</b>	<b>1,398</b>	<b>1,707</b>	<b>1,629</b>	<b>12,214</b>	11,769

The amount of £29,042 is included in resources expended for auditors remuneration. Of this amount the sum of £24,275 (2005-06 £23,500) is included in management and administration for external audit work and £3,975 plus VAT (2005-06 £3,850 plus VAT) for other audit work for the National Library of Wales .

## 6. STAFF COSTS

### (a) Total Staff Costs

	The National Library of Wales		Consolidated	
	2006/07	2005/06	2006/07	2005/06
	£000	£000	£000	£000
<b>Salaries and Wages</b>	<b>6,442</b>	6,332	<b>6,623</b>	6,491
Social Security Costs	<b>488</b>	473	<b>505</b>	485
Current Service Cost (i)	<b>800</b>	809	<b>803</b>	812
	<b>7,730</b>	7,614	<b>7,931</b>	7,788
<b>Pension Finance Cost</b>	<b>(450)</b>	(460)	<b>(450)</b>	(460)
	<b>7,280</b>	7,154	<b>7,481</b>	<b>7,328</b>

The average monthly number full time equivalent staff employed by the Library during the year was:

<b>Staff Numbers</b>	<b>The National Library of Wales</b>		<b>Consolidated</b>	
	<b>2006/07</b>	2005/06	<b>2006/07</b>	2005/06
Voluntary income	<b>5.5</b>	3.9	<b>5.5</b>	3.9
Fundraising trading	<b>11.3</b>	11.9	<b>11.3</b>	11.9
Collection & Preservation	<b>125.1</b>	136.1	<b>125.1</b>	136.1
Marketing, Exhibitions and Education	<b>85.6</b>	78.4	<b>93.2</b>	88.4
Conservation	<b>34.8</b>	32.3	<b>34.8</b>	32.3
Governance	<b>20</b>	18.3	<b>20</b>	18.3
<b>Total</b>	<b>282.3</b>	280.9	<b>289.9</b>	290.9

The Board (and formally Court and Council members) do not receive any emoluments. The total amount of travel, subsistence, and hospitality expended by the Library for its committee members was £9,150 (2005-06 £9,632) and this was claimed by 15 members.

**(b) Remuneration of Senior Management**

	<b>2006/07</b>		<b>2005/06</b>	
	<b>Salary £</b>	<b>Benefits in kind £</b>	<b>Salary £</b>	<b>Benefits in kind £</b>
Mr AMW Green Librarian	80,279	-	78,322	-
Mr G Jenkins Director of Collection Services	61,122	-	59,147	-
Mr MW Mainwaring Director of Corporate Services	61,048	1,089	59,075	1,140
Mr Rh Griffiths Director of Public Services	61,122	-	59,289	-
Mr DH Michael Director of Finance	61,048	-	56,411	-

The salary of the Librarian comprised a consolidated salary of £75,014 (2005-06: £73,185) and an unconsolidated award of £5,265 (2005-06: £5,137). His pay is determined by the officers of the Library according to guidelines issued by the Welsh Assembly Government regarding the maximum consolidated pay award for Chief Executives. Other senior staff receive a gross salary, which is determined as part of the negotiation of the pay remit for all other staff in the Library. The senior staff all

have permanent contracts of employment and are ordinary members of the Library's pension scheme.

The pension entitlements of the Library's senior staff with responsibility for running policy-making departments are disclosed as follows:-

	Cash Equivalent Transfer Value at 31/3/06	Total Accrued Pension at 31/3/07	Lump Sum at 31/3/07	Cash Equivalent Transfer Value at 31/3/07	Increase in accrued pension net of inflation	Increase in lump sum net of inflation	Increase in transfer value net of inflation
	£	£	£	£	£	£	£
Mr AMW Green Librarian	106,810	7,640	22,920	132,130	820	2,470	21,470
Mr Rh Griffiths Director of Public Services	295,160	22,460	67,380	342,200	860	2,580	36,410
Mr G Jenkins Director of Collection Services	485,120	26,950	80,850	544,360	900	2,710	41,780
Mr MW Mainwaring Director of Corporate Services	232,990	18,720	56,160	275,810	980	2,950	34,430
Mr DH Michael Director of Finance	52,290	7,910	23,730	70,820	1,330	3,990	16,650

The National Library of Wales Staff Superannuation Scheme is a funded final salary scheme. The accrued pensions and lump sums are the amounts that would be paid from Normal Retirement Date if the member left service at the relevant date. The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalized value of the pension scheme benefits, including any Additional Voluntary Contributions and transfers in of service, accrued by the member at a particular point in time. The transfer values have been calculated in accordance with the guidance note "GN11" published by the Institute of Actuaries and Faculty of Actuaries. The assumed rate of price inflation was 3.6%.

### (c) Pension Scheme

The Library operates a funded pension scheme which is a defined benefit pension scheme providing benefits based on final pensionable pay at a normal retirement age of 60. Members pay contributions at a rate of 6% of pensionable pay. Those members leaving the scheme who have contributed for a period of less than 2 years will receive a refund of contributions. Benefits accrue at the rate of 1/80<sup>th</sup> of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit. Medical retirement is possible in the event of serious ill-health.

The assets of the Scheme are held separately from those of the Library and were invested with Legal and General who manage a passive bonds portfolio and a

property investment and Alliance Bernstein who manage an active equities portfolio. The most recent actuarial valuation was at 31 March 2005. Following the actuarial report, the Library's contribution was increased to 22% of pensionable salary from 1 April 2006, with a further 6% of pensionable pay from staff. The actuarial statement is published in the National Library of Wales' Pension Fund Annual Accounts.

The pension paid for the period was £1.671m (2005-06 £0.888m) The most recent actuarial valuation showed that the market value of the Scheme's assets was £26.977m and that the actuarial value of those assets did not exceed 105% of the value of the liabilities of the Scheme. Note 21 provides further information on the finances of the pension scheme to comply with the requirements of FRS17.

During 2006/07 the Welsh Assembly Government granted the Scheme a Crown Guarantee.

#### (d) Gifts Register

The Library also operates a gifts register. No items noted during the year is considered of material interest to these financial statements.

## 7. TANGIBLE FIXED ASSETS

### (a) Library

	Freehold Land & Buildings	Plant, Fittings & Equipment	Motor Vehicles	Information Technology	Sub Total	Collections	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost &amp; Valuation</b>							
At 1 April 2006	53,734	2,328	34	3,489	59,585	3,323	62,908
Additions	934	301	-	641	1,876	686	2,562
Disposals	-	-	-	(576)	(576)	-	(576)
Revaluation	1,866	57	1	64	1,988	-	1,988
At 31 March 2007	56,534	2,686	35	3,618	62,873	4,009	66,882
<b>Depreciation</b>							
At 1 April 2006	584	1,523	23	2,708	4,838	-	4,838
Charged for the year	733	359	11	508	1,611	-	1,611
Disposals	-	-	-	(540)	(540)	-	(540)
Revaluation	(1,317)	(36)	(14)	10	(1,357)	-	(1,357)
At 31 March 2007	-	1,846	20	2,686	4,552	-	4,552
<b>Net Book Value</b>							
<b>At 31 March 2007</b>	<b>56,534</b>	<b>840</b>	<b>15</b>	<b>932</b>	<b>58,321</b>	<b>4,009</b>	<b>62,330</b>
At 31 March 2006	53,150	805	11	781	54,747	3,323	58,070

During the year the Library received a considerable legacy following the death of Sir Kyffin Williams when a large number of paintings were received and it is expected that further items will be received during 2007/08. Due to the number of items received the value of the legacy has not yet been assessed.

Following the introduction of the new Collections Management System the value of the former GEAC and CAIRS systems was written out of the books.

The Library's buildings and freehold land and equipment with a Net Book Value of £5,000 or more was professionally valued by Cooke and Arkwright, Chartered surveyors at 31 March 2007, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Buildings have been valued on the basis of "open market value" or "depreciated replacement cost", and land is shown at "existing use value". Equipment has been valued on the basis of the value to the Library.

Cooke and Arkwright valued the Library's Freehold Land and Buildings at £56,510m. Included within the figure of £56.534m for Freehold Land and Buildings in Note 7 above is £0.024m for an asset under construction not included within the valuation by Cooke and Arkwright.

Purchases for the collection are capitalised at historic cost. All fixed assets were used for the furtherance of the charitable activities of the Library.

**(b) Consolidated**

	Freehold Land & Buildings £000	Plant, Fittings & Equipment £000	Motor Vehicles £000	Information Technology £000	Sub Total £000	Collections £000	Total £000
<b>Cost &amp; Valuation</b>							
At 1 April 2006	53,734	2,344	34	3,511	59,623	3,323	62,946
Additions	934	312	-	664	1,910	686	2,596
Disposals	-	(3)	-	(579)	(582)	-	(582)
Revaluation	1,866	57	1	64	1,988	-	1,988
At 31 March 2007	56,534	2,710	35	3,660	62,939	4,009	66,948
<b>Depreciation</b>							
At 1 April 2006	584	1,535	23	2,721	4,863	-	4,863
Charged for the year	733	363	11	522	1,629	-	1,629
Disposals	-	(3)	-	(541)	(544)	-	(544)
Revaluation	(1,317)	(36)	(14)	10	(1,357)	-	(1,357)
At 31 March 2007	-	1,859	20	2,712	4,591	-	4,591
<b>Net Book Value</b>							
<b>At 31 March 2007</b>	<b>56,534</b>	<b>851</b>	<b>15</b>	<b>948</b>	<b>58,348</b>	<b>4,009</b>	<b>62,357</b>
At 31 March 2006	53,150	809	11	790	54,760	3,323	58,083

## 8. PRIVATE FUNDS

	Unrestricted	Restricted	Total	Total
	£000	£000	2006/07 £000	2005/06 £000
<b>Incoming Resources</b>				
Bequests	8	2	10	30
University of Wales Estate	13	-	13	35
Other	5	84	89	3
	26	86	112	68
Interest Receivable	146	23	169	154
Profit / (loss) from sale of Investments	83	13	96	97
	229	36	265	251
<b>Total</b>	255	122	377	319
<b>Resources Expended</b>				
Voluntary income	104	2	106	4
Collection and Storage				
Marketing, exhibitions, education	6	86	92	8
Fundraising				
<b>Total</b>	110	88	198	12
<b>Net Incoming/(Outgoing) Resources</b>	145	34	179	307
Transfer to/from Public Funds	(91)	-	(91)	196
	54	34	88	503
Unrealised gain/loss on revaluation of investments	(73)	110	37	492
<b>Net Movement in Private Funds during the year</b>	(19)	144	125	995
Brought Forward at 1 April	4,597	709	5,306	4,311
<b>Carried Forward at 31 March</b>	4,578	853	5,431	5,306

## 9. INVESTMENTS

	2006/07	2005/06
	£000	£000
Market Value at 1 April	4,598	4,146
Acquisitions at Cost	1,141	1,504
Less: Disposal Proceeds and Maturity of Investments	(1,016)	(1,641)
Gain on Disposal	95	97
Unrealised gain/(loss) on revaluation	37	492
<b>Market Value at 31 March</b>	<b>4,855</b>	<b>4,598</b>

The historic cost of investments at 31 March 2007 was £4.254m (2005-06 £4.038m). The listed investments are dealt with on the London Stock Exchange. Treasury gilts comprise 22.9% of the portfolio.

No other investment exceeds 5% of the portfolio. Of the market value of £4.855m, £1.812m was held in gilts, bonds and debentures, and £3.043m in equities and unit trusts.

## 10. CURRENT ASSETS - INVESTMENTS

	The National Library of Wales		Consolidated	
	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000
Brokers Cash Deposit Account	277	249	277	249
	<b>277</b>	<b>249</b>	<b>277</b>	<b>249</b>

The interest rate payable on the Brokers Cash Deposit Account at 31<sup>st</sup> March 2007 was 4.75% (4% at 31 March 2006).

## 11. DEBTORS – due within one year

	The National Library of Wales		Consolidated	
	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000
Trade Debtors	243	150	246	183
Prepayments & Accrued Income	159	156	159	158
Other	5	165	5	165
Pension Fund Prepayment	-	51	-	-
Private Funds	14	13	14	13
	<b>421</b>	<b>535</b>	<b>424</b>	<b>519</b>

## 12. CREDITORS

### Falling due within one year

	The National Library of Wales		Consolidated	
	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000
Trade Creditors	214	93	217	93
Other Creditors	-	-	-	10
Accruals	93	115	95	126
Private Funds Prepayment	220	89	220	89
	<b>527</b>	<b>297</b>	<b>532</b>	<b>318</b>

### Falling due after more than 1 year

	The National Library of Wales		Consolidated	
	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000
Deferred grant	-	-	27	13
	<b>-</b>	<b>-</b>	<b>27</b>	<b>13</b>

The deferred grant has arisen on consolidation with Culturenet Cymru Ltd. Whereas the Library is required to recognise all grant received in the year of receipt, Culturenet Cymru Ltd defers the recognition of a portion of grant equivalent to the Net Book Value of its fixed assets. This deferred grant is then released to the profit and loss account as these assets are depreciated.

### 13. MOVEMENTS IN STATEMENT OF FUNDS

#### (a) National Library of Wales

	At 1 April 2006	Incoming Resources	Resources Expended	Other Movements In Year	At 31 March 2007
	£000	£000	£000	£000	£000
<b>PUBLIC FUNDS</b>					
Restricted - Capital	<b>54,646</b>	1,376	(1,611)	3,329	<b>57,740</b>
- Purchase	<b>3,323</b>	615	-	70	<b>4,008</b>
Total Restricted	<b>57,969</b>	<b>1,991</b>	<b>(1,611)</b>	<b>3,399</b>	<b>61,748</b>
Unrestricted	<b>1,680</b>	10,777	(10,131)	(7,480)	<b>(5,154)</b>
Total Public Funds	<b>59,649</b>	<b>12,768</b>	<b>(11,742)</b>	<b>(4,081)</b>	<b>56,594</b>
<b>PRIVATE FUNDS</b>					
Restricted	<b>709</b>	122	(88)	110	<b>853</b>
Unrestricted	<b>4,597</b>	255	(110)	(164)	<b>4,578</b>
Total Private Funds	<b>5,306</b>	<b>377</b>	<b>(198)</b>	<b>(54)</b>	<b>5,431</b>
<b>TOTAL</b>	<b>64,955</b>	<b>13,145</b>	<b>(11,940)</b>	<b>(4,135)</b>	<b>62,025</b>

#### (b) Consolidated

	At 1 April 2006	Incoming Resources	Resources Expended	Other Movements In Year	At 31 March 2007
	£000	£000	£000	£000	£000
<b>PUBLIC FUNDS</b>					
Restricted - Capital	<b>54,646</b>	1,376	(1,611)	3,329	<b>57,740</b>
- Purchase	<b>3,323</b>	615	-	70	<b>4,008</b>
Total Restricted	<b>57,969</b>	<b>1,991</b>	<b>(1,611)</b>	<b>3,399</b>	<b>61,748</b>
Unrestricted	<b>1,701</b>	11,053	(10,406)	(7,480)	<b>(5,132)</b>
Total Public Funds	<b>59,670</b>	<b>13,044</b>	<b>(12,017)</b>	<b>(4,081)</b>	<b>56,616</b>
<b>PRIVATE FUNDS</b>					
Restricted	<b>709</b>	122	(88)	110	<b>853</b>
Unrestricted	<b>4,597</b>	255	(110)	(164)	<b>4,578</b>
Total Private Funds	<b>5,306</b>	<b>377</b>	<b>(198)</b>	<b>(54)</b>	<b>5,431</b>
<b>TOTAL</b>	<b>64,976</b>	<b>13,421</b>	<b>(12,215)</b>	<b>(4,135)</b>	<b>62,047</b>

#### 14. CAPITAL COMMITMENTS

The Library has a four year Capital Rolling Programme. At the balance sheet date, the outstanding commitments are as follows:

	National Library of Wales		Consolidated	
	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000	31 <sup>st</sup> March 2007 £000	31 <sup>st</sup> March 2006 £000
Contracted	203	241	203	241
	<b>203</b>	241	<b>203</b>	241

It is anticipated that all commitments identified at 31<sup>st</sup> March 2006 will be met during the 2006/07 financial year.

#### 15. RECONCILIATION OF CHANGES IN RESOURCES TO NET FLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2006/07 £000	2005/06 £000
Net incoming resources for the financial year	1,111	985
Depreciation	1,629	1,620
Increase in stock	(11)	(3)
Decrease in debtors	96	352
Increase in creditors and provisions	228	38
Pension Finance Costs	(680)	(170)
	<b>2,373</b>	<b>2,822</b>

#### 16. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Consolidated	
	2006/07 £000	2005/06 £000
Payments to acquire tangible fixed assets	(1,910)	(1,355)
Payments to acquire collections	(686)	(715)
Payments to acquire investments	(1,141)	(1,504)
Proceeds from sale of investments	1,016	1,641
	<b>(2,721)</b>	<b>(1,933)</b>

**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS  
IN NET FUNDS**

	<b>Consolidated</b>	
	<b>2006/07</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
Net funds at 1 April	<b>744</b>	<b>(147)</b>
Net funds on acquisition of subsidiary	-	2
Net Cash Inflow/Outflow	<b>(375)</b>	<b>802</b>
Increase in current asset investments	<b>27</b>	<b>87</b>
Net Funds at 31 March	<b>396</b>	<b>744</b>

**18. RELATED PARTY TRANSACTIONS**

The Welsh Assembly Government is regarded as a related party. During the year the Library received funding from the Government in the form of Grant in Aid, Purchase and Capital Grants as disclosed in note 2.

On 1<sup>st</sup> June 2005 the Library acquired Culturenet Cymru Ltd. During 2006/07 the Library made payments of £12,000 to Culturenet and received income of £31,895 from the company. The following senior staff of the Library are directors of the company:

Mr Gwyn Jenkins	Chairman of the Board
Mr Mark Mainwaring	Company Secretary
Mr David Michael	Director

These staff do not receive any remuneration from Culturenet.

Mr Robert Gray, an independent member of the Library's Audit Committee, is a partner in the firm Francis Gray who have been appointed to audit Culturenet's financial statements.

At 31 March 2007 the Library's had consolidated debtors and creditors with other Government financed bodies as follows:

	<b>£000</b>	<b>£000</b>
	<b>Debtors</b>	<b>Creditors</b>
Central Government bodies	72	28
Local Government bodies	1	-
Total	<u>73</u>	<u>28</u>

## 19. CULTURENET CYMRU

On 1 June 2005 the Library became the sole member of Culturenet Cymru Ltd, a company limited by guarantee. No consideration was paid.

Culturenet is largely funded by grant from the National Assembly for Wales and its aim is to use online resources to increase awareness of, and improve access for all to, the culture and history of Wales. Culturenet's financial results for 2006/07 have been consolidated with the Library's and a summary of the company's results, excluding sales and purchases with the Library is shown below:

### Culturenet Cymru – Summary Profit and Loss Account

	<b>£000</b>
Turnover	33
Cost of sales	-
<b>Gross profit</b>	<b>33</b>
Administrative expenses	(321)
Other operating income	286
<b>Surplus (deficit) on ordinary activities</b>	<b>(2)</b>
Tax on surplus on ordinary activities	2
<b>Surplus for the year</b>	<b>-</b>
Accumulated profit brought forward	22
<b>Retained profit carried forward</b>	<b>22</b>

### Culturenet Cymru – Summary Balance Sheet

Fixed Assets		27
Current Assets	27	
Current Liabilities	(5)	
Net Current Assets		22
Long Term Creditors		(27)
		<b>22</b>
Reserves		<b>22</b>

## 20. DERIVATIVES – FRS13

The Library has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. The only material deposit is disclosed in note 10, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. In 2006/07, £12.342m or 93% of the Library's consolidated income derived from Grant in Aid from the Welsh Assembly Government (2005/06 £11.328m or 89%). The balance, £0.983m or 7% (2005/06 £1.426m or 11%) is derived from income on the Library's private funds, from trading activities and grants from other bodies, as disclosed in Note 3 to these accounts.

## 21. PENSION COSTS

The Library operates a defined benefit scheme with benefits accruing at the rate of 1/80<sup>th</sup> of pensionable salary for each year of service. Members pay contributions at a rate of 6% of pensionable salary.

The latest full actuarial valuation was at 31<sup>st</sup> March 2002. Over the year to 31<sup>st</sup> March 2005 the Library made contributions into the Scheme at a rate of 9.4% of pensionable salaries.

### Financial Assumptions

The financial assumptions made in order to calculate the FRS17 disclosure requirements are as follows:

	<b>31 March 2007</b> %per annum	<b>31 March 2006</b> %per annum
Price Inflation	2.5	2.7
Rate of increase in pay	4.5	4.7
Rate of increase of pensions in payment	2.5*	2.7*
Rate of increase for deferred pensioners	2.5	2.7
Discount rate	4.3**	5.5**

\* in excess of any Guaranteed Minimum Pension (GMP) element

\*\* prescribed by HM Treasury

The discount rate used for FRS 17 disclosures is different to that used by the Actuary for the most recent financial assessment of the Scheme at 31 March 2005. At this date the Scheme was assessed as having a deficit of £1.3M.

### Market value of Assets and Expected Rate of Return on Assets

	<b>31 March 2007</b>		<b>31 March 2006</b>	
	<b>Fair Value</b> £m	<b>Expected rate of Return</b> % per annum	<b>Fair Value</b> £m	<b>Expected rate of Return</b> % per annum
Equities	18.39	7.7	19.45	8.0
Bonds	13.73	4.8	13.31	4.3
Property	2.35	6.2	-	6.5
Other	0.05	3.5	(0.09)	3.7
<b>Total value of assets</b>	<b>34.52</b>	<b>6.4</b>	<b>32.67</b>	<b>6.5</b>

### Components of Defined Benefit Cost for the Year Ended 31 March 2007

	<b>Year Ended 31 March</b> <b>2007</b> £m	<b>Year Ended 31 March</b> <b>2006</b> £m
a. Current service cost	1.05	0.80
b. Past service costs	0.00	0.00
c. Previously unrecognised surplus deducted from past service costs	0.00	0.00
<b>d. Total charged to Resources Expended</b>	<b>1.05</b>	<b>0.80</b>

### Analysis of Other Amounts Charged to Statement of Financial Activities

	Year Ended 31 March 2007 £m	Year Ended 31 March 2006 £m
e. (Gain) loss on settlements	0.00	0.00
f. Previously unrecognised surplus deducted from settlement loss	0.00	0.00
g. (Gain) loss on curtailment	0.00	0.00
h. Previously unrecognised surplus deducted from past service costs		
<b>i. Net (gain) loss charged to Statement of Financial Activities</b>	<b>0.00</b>	<b>0.00</b>

### Analysis of the Amount Charged/Credited to Other Finance Incomes

	Year Ended 31 March 2007 £m	Year Ended 31 March 2006 £m
j. Interest on pension scheme liabilities	1.69	1.58
k. Expected return on assets in the pension scheme	(2.14)	(2.04)
l. Net charge (credit) to other finance income	(0.45)	(0.46)
Total charge to Statement of Financial Activities : d + i + l	<b>0.60</b>	0.34

### Analysis of Amounts Recognised in Reserves

	Year Ended 31 March 2007 £m	Year Ended 31 March 2006 £m
m. (Gain) loss on assets	0.69	(4.1)
n. Experience (gain) loss on liabilities	0.75	(0.92)
o. (Gain) loss on change of assumptions (financial and demographic)	6.04	5.11
<b>p. Total (gain) loss recognised in reserves</b>	<b>7.48</b>	<b>0.09</b>

### History of Experience Gains and Losses

	Year Ended 31 March 2007 £m	Year Ended 31 March 2006 £m
a. (Gain) loss on scheme assets		
Amount (£M)	(0.69)	(4.10)
% of scheme assets at end of year	2.0%	12.6%
b. Experience (gain) loss on scheme liabilities		
Amount (£M)	(0.75)	(0.92)
% of scheme assets at end of year	1.9%	2.9%
c. Total actuarial (gain) loss recognised in reserves		
Amount (£M)	7.48	0.09
% of scheme assets at end of year	18.7%	0.3%

### Reconciliation to the Balance Sheet

	31 March 2007 £m	31 March 2006 £m
a. Market Value of scheme assets	34.52	32.67
b. Actuarial value of scheme liabilities	(39.99)	(31.34)
c. Surplus (deficit) in the scheme	£(5.47)m	£1.33m
d. Irrecoverable surplus	0.00	0.00
e. Pension asset (liability) recognised in balance sheet	£(5.47)m	£1.33m

### Analysis of the Movement in Surplus (Deficit) in the Scheme During the Year

	Year Ended 31 March 2007 £m	Year Ended 31 March 2006 £m
Surplus (deficit) in the scheme at beginning of year	1.33	1.25
Contributions paid	1.28	0.51
Current service cost	(1.05)	(0.80)
Past service cost	0.00	0.00
Settlement cost	0.00	0.00
Curtailment cost	0.00	0.00
Other finance income (charge)	0.45	0.46
Actuarial gain (loss)	(7.48)	(0.09)
<b>Surplus/(deficit) in the scheme at end of year</b>	<b>(5.47)</b>	<b>1.33</b>

## 22. LEASES

The Library paid £2,316 for the lease of vending machines during 2006/07. Lease costs are charged to the Statement of Financial Activities.