



National Archives of Scotland
Accounts
For the year ended 31 March 2010

SG/2010/217

THE NATIONAL ARCHIVES OF SCOTLAND

ACCOUNTS

For the year ended 31 March 2010

These accounts reflect the assets and liabilities and the results of the National Archives of Scotland Only.

LIST OF CONTENTS

	Page
Foreword	3
Statement of Keeper of Records of Scotland's and Accountable Officer's Responsibilities	10
Statement on System of Internal Control	11
Independent Auditor's Report to the Scottish Parliament and the Auditor General for Scotland	14
Operating Cost Statement	16
Balance Sheet	17
Statement of Cash Flows	18
Statement of Changes in Taxpayers' Equity	19
Notes to the Accounts	20
Accounts Direction	30

THE NATIONAL ARCHIVES OF SCOTLAND

FOREWORD TO THE ACCOUNTS

For the year ended 31 March 2010

Basis of Accounts

1. In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual (FReM), which follows generally accepted accounting practice as defined in International Financial reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The accounts direction is reproduced at page 30 of these accounts.

Brief History

2. The National Archives of Scotland (NAS) (formerly the Scottish Record Office) was established on 1 April 1993 as an Executive Agency. The sponsoring Directorate of the Scottish Government is Economy, Europe, External Affairs and Culture Group. The NAS is headed by the Keeper of the Records of Scotland who is responsible to the Minister for Europe, External Affairs and Culture for its management, performance and future development, within the terms of the Framework Document which defines the terms and relationships within which NAS operates.

3. NAS is responsible for the selection, preservation and making available the national archives of Scotland to the highest standards; promoting the growth and maintenance of proper archive provision throughout the country; and leading the development of archival practice in Scotland.

4. Since 1982, The National Archives of Scotland has had common arrangements with The Scottish Office and subsequently The Scottish Government for the provision of human resource and finance functions. The National Archives of Scotland is part of Scottish Government main bargaining unit for pay and conditions of service.

Departmental Accounting Boundary

5. There are no associated bodies that require to be included within the departmental boundary.

Principal Activities

6. The mission of the NAS is:

To preserve, protect and promote the nation's records; to provide the best possible inclusive and accessible archive that educates, informs and engages the people of Scotland and the world.

Our principal activities, based on the mission, are:

- to select public records worthy of permanent preservation; acquire other historical records of national importance, and make suitable arrangements for the disposal of other material including transfer to another appropriate repository;
- to preserve to archival standards all records selected for permanent preservation in the NAS;
- to increase sustainable public access to the records;
- to provide advice to custodians of records outwith the NAS, and facilitate access to such records;
- to take the lead in the development of archival and records management practice in Scotland; and
- to deploy the resources available to the NAS in the most effective and efficient manner.

Review of Financial Results

7. The results for the year are reported in the attached accounts. They record a Net Resource Outturn of £7.5m, compared to the Resource Budget of £7.9m. The underspend was mainly derived from greater than anticipated income levels (£380k greater than budgeted for). In view of the impending financial constraints on the public sector, we kept a very tight control on staffing levels and did not recruit permanent replacements when staff left during the year.

8. Capital expenditure was £2.1m compared to a Capital Budget of £2.7m. The underspend was directly attributable to our digitisation programme, as the resources we had to support this constrained what we could spend. We had flagged up the likely underspend to Scottish Government finance colleagues at the Autumn Budget Revision exercise, but they were content for the monies to remain in our Budget.

9. Looking forward to 2010-11, the Resource Budget allocation is the same in cash terms as it was in 2009-10. We continue to keep a tight control over our two major items of expenditure. Formal post control measures are now in operation to cap staffing costs. Accommodation costs are being kept under strict control through regular meetings with our new Facilities Management contractor. We are confident that we can keep within provision in 2010-11 financial year.

10. We face a much tighter financial settlement in 2011-12 and subsequent years. To plan for this, we have been undertaking a strategic review of our business and organisational structure. This will inform where our resources have to be targetted. We have started discussions with our HR team on the processes and procedures to be followed if, as is likely, there will have to be significant reductions in staffing numbers to cope with a reduced Resource Budget provision.

Departmental Report

11. The Scottish Government published a Departmental Report that includes a section on The National Archives of Scotland. This contains information that is additional to that shown in these accounts. The Departmental Report sets out the performance for the last complete financial year and the plans for the next three years. NAS worked during the year to support the government's purpose and in particular:

- contributed significantly to Homecoming 2009 by showcasing the ScotlandsPeople service at ‘The Gathering’ event in Holyrood Park and, together with our partners in GROS, running a series of 6 Famous Scots exhibitions featuring the family history of a Scottish celebrity;
- added two million new records from the Scottish Catholic Archives to the ScotlandsPeople website and launched this at an event in September attended by the First Minister and Cardinal O’Brien;
- in partnership with RCAHMS, created and launched ScotlandsPlaces, a new online service focussing on the history and heritage of places in Scotland. This is an innovative project to bring place related data together from a variety of government funded organisations, so that the public can find these data in one convenient place;
- completed a review of public records legislation on behalf of Ministers and prepared a proposal for new legislation to be enacted in 2011;
- administered the new Scottish Register of Tartans, processing 169 new registrations;
- created 1.4 million images from our Valuation Rolls record series;
- continued to work with Registers of Scotland to digitise paper records and provide a more efficient service to the legal profession and property market;
- delivered 25 education workshops to 619 pupils, ranging from P4 – S2, delivered 8 Glow sessions to P7 pupils and hosted a National Glow event for Historic Scotland, attended by Mike Russell, MSP, Cabinet Secretary for Education attended and with about 1200 pupils logged on across Scotland;
- provided National Qualifications with digital resources to support the teaching of Scottish history topics at Higher level;
- provided direct access to historical records to almost 12,000 visitors, answered 8,000 inquiries by email and phone and reached over 1.7 million people through its historical websites.

Ministers and Senior Officers

12. The Scottish Government Minister responsible for the National Archives of Scotland is:

Minister for Europe, External Affairs and Culture Fiona Hyslop MSP

Senior Management for NAS during the year was as follows:

Mr George MacKenzie	Keeper of the Records of Scotland
Mr David Brownlee	Deputy Keeper of the Records of Scotland (Corporate)

The post of Deputy Keeper of the Records of Scotland (Records) has remained unfilled since the retirement of Dr Peter Anderson on 30th January 2009.

Remuneration Report

13. The Keeper of the Records of Scotland holds a statutory office and as such the relationship between Scottish Ministers and NAS differs from that of other Executive Agencies. The Minister for Europe, External Affairs and Culture answers to Parliament for the functions of NAS but receives no specific remuneration in that regard.

14. The Keeper of the Records of Scotland’s remuneration is set by Scottish Ministers.

15. For all other staff remuneration was determined by pay arrangements covering staff in The Scottish Government and Associated Departments.

16. The salary and pension entitlements of the National Archives of Scotland Management Group were as follows:

	Salary Including Performance pay	Real Increase in pension at age 60	Total Accrued pension at 60 as at 31/3/10 and related lump sum	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV after adjustment for inflation and changes in market investment factors	Benefits in Kind
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
G.P. McKenzie Keeper of the Records of Scotland	70-75	2.5-5	30-35 90-95	720	629	49	0
D.B.L.Brownlee Deputy Keeper of the Records of Scotland (Corporate)	65-70	0-2.5	25-30 85-90	692	627	31	0

Salary

17. 'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Civil Service Pensions

18. Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus 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).

19. Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For premium benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on

his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

20. 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).

21. 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 classic plus and 65 for members of nuvos.

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

Cash Equivalent Transfer Values

23. 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 arrangements 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.

24. 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 buying additional pension benefits at their own cost. CETV's are worked out 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.

Real increase in CETV

25. This reflects the increase in CETV effectively funded by the employer. It takes account of 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 factors for the start and end of the period.

Benefits in kind

26. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Employment of People with Disabilities

27. The National Archives of Scotland follows the Civil Service Code of Practice on the employment of people with disabilities. This aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement within NAS is based solely on ability, qualifications and suitability for the work. As required by the Disability Discrimination Act 1995, we have published our Gender Equality Scheme on our website.

Staff Relations and Equal Opportunities

28. The National Archives of Scotland is an equal opportunities employer. Policies are in place to guard against discrimination and aim to ensure that there are no unfair or illegal discriminatory barriers to employment or advancement in the National Archives of Scotland and the wider Scottish Government.

29. The Cabinet Office is responsible for developing, formulating and promulgating equal opportunities for the civil service as a whole, but operational responsibility rests with individual departments. The Scottish Government has an Equal Opportunities Officer who is responsible for developing and promulgating equal opportunities policies and acting as an inter-departmental liaison officer with the Cabinet Office.

30. The Scottish Government Equal Opportunities policy states that all staff should be treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disablement or religion. Employment and promotion are solely on merit. Staff who have alternative working patterns are assessed on exactly the same basis as those working full time.

31. As required by the Race Relations (Amendment) Act 2000 we have published our Race Equality Scheme on our website. Similarly, as required by the Equality Act 2006, we have published our Gender Equality Scheme on our website.

Payments of Suppliers

32. In line with Scottish Government policy, NAS requires that all suppliers' invoices not in dispute are paid within the terms of the relevant contract (normally 30 days). In November 2008, Scottish Ministers reduced the target for payment from 30 days to 10 days to help small and medium sized businesses during the economic slowdown.

33. NAS aims to pay 100% of invoices, including disputed invoices once the dispute has been settled on time. During the year ended 31 March 2010 NAS paid 99.9% (2009 - 98.17%) within the 30 days target and 97% (2009 - 83.64%) within the 10 days target of all invoices within the terms of its payment policy.

Related Parties

34. The Scottish Government is regarded as a related party with which the National Archives of Scotland has had various material transactions during the year.

Auditors

35. The accounts of The National Archives of Scotland are audited by auditors appointed by the Auditor General for Scotland.

Disclosure of Information to Auditors

36. As Accountable Officer, I am unaware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also made aware of this information.

David Brownlee
Accountable Officer
30 September 2010

STATEMENT OF KEEPER OF RECORDS OF SCOTLAND'S AND ACCOUNTABLE OFFICER'S RESPONSIBILITIES

In accordance with an accounts direction issued under article 19(4) of The Public Finance and Accountability (Scotland) Act 2000 the National Archives of Scotland is required to prepare resource accounts for each financial year in the form and on the basis set out in the FReM, detailing the resources acquired, held, or disposed of during the year and the use of resources by the department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Archives of Scotland, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the NAS was required to comply with the FReM and in particular to:

- observe the accounts direction 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 have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis; and
- make available all the information and explanations required by our appointed external auditors for their audit.

Section 70 of the Scotland Act 1998 requires Scottish legislation to provide for members of staff of the Scottish Administration to be designated as answerable to the Scottish Parliament in respect of expenditure and receipts. Such members of staff are called Accountable Officers. The Keeper of the Records of Scotland is a statutory office-holder who is a member of the Scottish Administration and not part of the staff of the Scottish Administration. A consequence of Section 70 is that the Keeper cannot be designated as Accountable Officer. The Deputy Keeper has been appointed by the Principal Accountable Officer as Accountable Officer.

The Keeper, as statutory office-holder, remains accountable to the Parliament for the performance of his duties, including that of preparing accounts. The Accountable Officer has a separate, and independent, duty to ensure certain standards and to take action if these are not met.

The responsibilities of the Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records and for safeguarding the Department's assets, are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer.

STATEMENT ON SYSTEM OF INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer for the National Archives of Scotland, I have the responsibility for maintaining a sound system of internal control that supports the achievement of our Department's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am responsible.

The Keeper of the Records of Scotland is a statutory office-holder within the Scottish Administration and, as such, cannot be the Accountable Officer for our Department. As Deputy Keeper (Corporate Services) I have this role, and I am personally answerable to the Scottish Parliament in accordance with Section 15 of the Public Finance and Accountability (Scotland) Act 2000.

I must ensure that our Department operates in accordance with the Scottish Public Finance Manual (SPFM) which is issued by the Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements; to promote value for money and high standards of propriety; to secure effective accountability; and to deliver a good system of internal control.

Purpose of the System of Internal Control

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 risks to the achievement of our 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 is integral to our business planning and progress monitoring regime; it accords with the SPFM; and it has been in place for the year ended 31 March 2010, and up to the date of approval of the annual accounts. The supervision of the regime is undertaken by the executive managers of business areas within our Department.

Control and Risk Framework

The NAS Corporate Plan is the key document used in our Department for setting objectives and monitoring progress throughout the year. The Plan forms the basis for all subordinate planning and objective setting, and is available to all staff on our Intranet. Our business planning and review is based on:-

- identifying outcomes and setting objectives and targets at appropriate levels to deliver these outcomes;
- identifying and managing risks, including information risks;
- agreeing an annual budget with our Management Board and regularly reviewing income and expenditure with business area managers;
- regularly reviewing progress, performance, risk and financial status at Management Board; and
- where appropriate, using formal project management disciplines, including risk management, to manage capital investments and other major activities.

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. Risk management is an important part of our office-wide programme management regime and is also applied in key stand-alone projects. Each major project has its own risk register.

Our Audit Committee meets at least three times each year and considers reports from Internal Audit and External Audit. The Audit Committee also reviews key risks selected from our corporate risk register. The Committee agreed during the year that a fundamental review of the risk register was required to take account the strategic challenges facing the NAS in a tighter financial climate and this will be completed in summer 2010. The membership of our Audit Committee changed in 2009 as we recruited a further external member to serve alongside our two non-executive directors. The Keeper of the Records, Accountable Officer and NAS Finance Manager attend all meetings, as do representatives from SG Finance, Internal and External Audit.

Our Department is committed to a process of continuous development and improvement, revising systems in response to any relevant reviews and advances in best practice in this area. For example, in the period to 31 March 2010, working with our partners in RCAHMS we created ScotlandsPlaces, a new online service focussing on the history and heritage of places in Scotland. ScotlandsPlaces is an innovative project to bring place related data together from a variety of government funded organisations so that the public can find these data in one convenient place. Just as ScotlandsPeople (the service which we opened in partnership with the General Register Office for Scotland and Lord Lyon' Office in the period to March 2009) brings together the main official resources for family history, ScotlandsPlaces aspires to bring together resources to help people to discover information about places in Scotland that interest them. It is aimed at all members of the public, both at home and abroad, who are interested in Scottish ancestry, history and the geography of places in Scotland. The project builds on the existing and planned programmes of digitisation undertaken by the partner organisations rather than embarking on new ones, with ScotlandsPlaces providing an innovative and joined-up way in which to disseminate and make information available. It is a flagship project for the Scottish public sector in organisations sharing GIS data to improve customer service.

We reviewed our security arrangements and are improving procedures to protect the priceless information we look after. We have also started work on the implementation of improved Business Continuity systems that can be applied across all our key services.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. Our Department is relatively small and I have direct involvement in many of our business areas. For example, I was a member of the Programme Board which oversaw development of the flagship ScotlandsPlaces project and attended all meetings of the ScotlandsPeople Executive, which oversaw the operation of this service. I also chair the Project Boards of two other key projects: the Registers Archive Conversion project, a joint venture with Registers of Scotland to digitise the sasine register and improve the operation of property transactions, and the Digital Data Access project, which is implementing a system to deal with long-term preservation of electronic records. Frequent and direct exposure to the control processes in these business areas gives me the confidence that the Department's system of internal control is sound. My review is also informed in a more formal way by:-

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

- the work of the internal auditors, who submit to me, and our Department's Audit Committee, regular reports on the adequacy and effectiveness of our Department's system of internal control, together with recommendations for improvement;
- the comments made by the external auditors in their management letters and other reports;
- the results of Gateway Reviews on our main programme of work; and
- others specific reviews that are commissioned from time to time.

I was aware from the start of the financial year that expenditure would run close to budget. We kept a very tight control on staffing numbers and at an in-year budget revision accepted a transfer of £200k from the GROS, one of our ScotlandsPeople partners, to offset costs of running the ScotlandsPeople Centre. Once final audit adjustments have been processed our final outturn figure is some £300k inside our expenditure limit. I know that in an increasingly difficult financial climate we must improve further our budgeting and monitoring procedures to ensure that expenditure keeps closer in line with budgets. To this end we are paying even closer attention to our two major items of expenditure, staffing and accommodation costs. The latter by monthly progress meetings with our Facilities Management contractor and the former with strict operation by senior managers of the post control measures introduced previously and which are now in operation throughout core Scottish Government. Other budget centre managers receive monthly prints of expenditure incurred and must confirm with our finance team that these are accurate.

We rely on the Scottish Government (SG) for the provision of many important aspects of our corporate services. For example, most of our Human Resource related support comes from the SG's 'OneHR' service. I receive assurances on the robustness of these services from the SG Directors who are responsible for their delivery. In general, I am satisfied that these services meet our requirements and I recognise that economies of scale have been achieved from their use. Aspects of these services are not tailored to our needs and can cause frustration (for example, the SG system which we had to adopt for administering annual leave does not cope with part-time workers nor the particular public holiday arrangements which operate in NAS), but none of these issues have a material impact on the overall system of internal control.

Appropriate actions have and will continue to be taken to address any weaknesses that have been identified.

I am satisfied that during the year the system of internal control was effective in helping us meet our Department's policies, aims and objectives.

David Brownlee
Accountable Officer
30 September 2010

Independent Auditors' report to the National Archives of Scotland, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the National Archives of Scotland for the year ended 31 March 2010 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. We 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, we do not undertake to have responsibilities to members, in their individual capacities, or to third parties.

Respective responsibilities of the National Archives of Scotland, Keeper of the Records of Scotland, Accountable Officer and auditor

The National Archives of Scotland, the Keeper of the Records of Scotland, and the Accountable Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Keeper of the Records of Scotland and the Accountable Officer are also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of the Keeper of the Records of Scotland's and the Accountable Officer's Responsibilities.

Our 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.

We report to you our 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 Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the Foreword included in the Annual Accounts, is consistent with the financial statements. We 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, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

In addition, we report to you if, in our opinion, the National Archives of Scotland has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the National Archive of Scotland's compliance with Scottish Government guidance and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the National Archive of Scotland's corporate governance procedures or its risk and control procedures.

We 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 Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our 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 National Archives of Scotland, the Keeper of the Records of Scotland and the Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Archives of Scotland's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 our opinion we 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

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of the National Archives of Scotland as at 31 March 2010 and the net operating cost, changes in taxpayers' equity 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 Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises the Foreword included with the Annual Report is consistent with the financial statements.

Regularity

In our 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, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Grant Thornton UK LLP
1-4 Atholl Crescent
Edinburgh
EH3 8LQ

30 September 2010

The National Archives of Scotland
Operating Cost Statement for the Year Ended 31 March 2010

PROGRAMME	2009-10			2008-09 (restated)
	Outturn £000s	Budget £000s	Variance £000s	Outturn £000s
Departmental Expenditure Limit (DEL)				
Staff Costs (note 2)				
Directly Employed Staff	3,203	3,200	3	3,294
Casual Staff Costs	287	300	(13)	276
Other Staff Costs	850	800	50	915
Administration Expenditure				
Accommodation	1,683	1,623	60	1,443
Travel	29	27	2	25
Transport	0	5	(5)	3
Supplies & Services	1,251	1,300	(49)	1,217
Training	35	39	(4)	18
Hospitality	10	10	0	35
Depreciation	920	800	120	884
Release from Donated Asset Reserve	(94)	0	(94)	(64)
Cost of Capital Charges	460	477	(17)	492
Auditors Remuneration	65	65	0	72
Impairment of Fixed Assets	0	0	0	2,904
Other Office	0	0	0	9
Grants	25	25	0	25
Administration Income				
Accommodation Charges	(87)	(87)	0	(73)
Fees & Charges	(1,093)	(713)	(380)	(1,028)
Total DEL	7,544	7,871	(327)	10,447
Net Operating Cost	7,544	7,871	327	10,447

The notes on pages 20 to 29 form part of these accounts

The National Archives of Scotland
Balance Sheet
As at 31 March 2010

	Note	2009-10 £000's	2008-09 £000's	2007-08 £000's (restated)
Non-Current Assets				
Property, plant & equipment	7	11,614	13,403	15,441
Intangible Assets	7	3,210	50	170
		14,824	13,453	15,611
Current Assets				
Inventories	9	16	0	0
Trade and other receivables	10	549	491	437
Cash and cash equivalents	11	6	6	6
		571	497	443
Total Assets		15,395	13,950	16,054
Current Liabilities				
Trade and other payables	12	580	524	912
		580	524	912
Non-Current Assets Plus/Less Net Current Assets/Liabilities		14,815	13,426	15,142
Non-Current Liabilities				
Provisions for Liabilities and Charges	13	90	105	240
Net Assets/Liabilities		14,725	13,321	14,902
Taxpayers' Equity				
General Fund		11,314	9,830	10,470
Revaluation Reserve		2,634	2,620	3,497
Donated Assets Reserve		777	871	935
Total Taxpayers' Equity		14,725	13,321	14,902

David Brownlee
Accountable Officer
30 September 2010

**The National Archives of Scotland
Statement of Cash Flows
for the year ended 31 March 2010**

	Not e	2009-10 £000's	2008-09 £000's (Restated)
<u>Cash flows from operating activities</u>			
Net operating cost		7,544	10,447
<u>Adjustments for non cash transactions</u>			
- depreciation	7	(920)	(885)
- release from donated asset reserve		94	64
-impairment of property		0	(2,904)
- audit fee		(65)	(72)
-cost of capital		(460)	(492)
<u>Movements in working capital</u>			
- Movement in inventories		16	0
- Movement in trade and other receivables		58	54
- Movement in trade and other payables		(56)	389
- Movements in provisions		15	135
Net cash outflow from operating activities		6,226	6,736
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	7	453	2,295
Purchase of intangible assets		1,637	0
Acquisition of Fixed Assets via previously donated funds		0	0
Donated Assets		0	0
Net cash flow from investing activities		2,090	2,295
<u>Cash flows from financing activities</u>			
Funding		8,316	9,031
Net cash flow from financing		8,316	9,031
<u>Net increase/(decrease) in cash and cash equivalents</u>		0	0
Cash and cash equivalents at beginning of period	11	6	6
Cash and cash equivalents at end of period	11	6	6

Note: The exact sum of parliamentary funding drawn during 2009/2010 was £8,316,075.42

The National Archives of Scotland
Statement of Changes in Taxpayers' Equity
For year ended 31 March 2010

	General Fund £'000	Donated Asset Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2008 (under UK GAAP)	10,598	935	3,497	15,030
Changes in accounting policy	(128)	0	0	(128)
Restated balance at 1 April 2008 (under IFRS)	10,470	935	3,497	14,902
Net Gain/(loss) on revaluation of property	0	0	(665)	(665)
Release of reserves to operating cost statement	0	(64)	0	(64)
Non cash charges - cost of capital	492	0	0	492
Non cash charges - auditors remuneration	72	0	0	72
Transfer between reserves	212	0	(212)	0
Net operating cost for the year	(10,447)	0	0	(10,447)
Net funding	9,031	0	0	9,031
Balance at 31 March 2009	9,830	871	2,620	13,321
Balance at 31 March 2009 (under IFRS)	9,830	871	2,620	13,321
Changes in accounting policy				
Restated balance at 1 April 2009 (under IFRS)	9,830	871	2,620	13,321
Net Gain/(loss) on revaluation of property	0	0	201	201
Release of reserves to operating cost statement	0	(94)	0	(94)
Non cash charges - cost of capital	460	0	0	460
Non cash charges - auditors remuneration	65	0	0	65
Transfer between reserves	187	0	(187)	0
Net operating cost for the year	(7,544)	0	0	(7,544)
Net funding	8,316	0	0	8,316
Balance at 31 March 2010 (under IFRS)	11,314	777	2,634	14,725

NATIONAL ARCHIVES OF SCOTLAND

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

1. Statement of Accounting Policies

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual. The 2009-10 FReM applies International Financial Reporting Standards, as adapted or interpreted for the public sector context.

First time adoption of International Financial Reporting Standards

These financial statements have been prepared under International Financial Reporting Standards for the first time and the comparatives have been restated from UK Generally Accepted Accounting Policy (UK GAAP) where required.

Change of Accounting Policy – Prior Year Adjustments

The prior year comparative figures have also been restated to reflect the effect of changes due to the adoption of IFRS Accounting Standards.

The reconciliation to IFRS from the previously published GAAP accounts is shown in Note 20.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets associated with land and buildings at their value to the business by reference to their current costs. Other asset classes are carried at depreciated historical cost.

1.2 Basis of Accounting

These accounts reflect the assets and liabilities and the results for the year of The National Archives of Scotland.

1.3 Non Current Assets – Property, Plant & Equipment

Title to the freehold land and buildings shown in the accounts is held as follows:

- i) property on the departmental estate, title to which is held by Scottish Ministers (Thomas Thomson House);
- ii) property, not being part of the departmental estate, held by the National Archives of Scotland in the name of the Scottish Ministers (General Register House);

The accounts also reflect property held on a long term lease from the City of Edinburgh Council (West Register House).

Freehold land and buildings are shown at fair value (existing use basis) less subsequent depreciation using professional valuations every 5 years and appropriate reviews in intervening years. Other non current assets are shown at historic cost net of depreciation, as a proxy for fair value. Other tangible assets, excluding IT systems were previously stated at current cost using appropriate indices, however, this practice ceased at the beginning of the 2007-08 financial year and they are now carried at historic cost. Generally, the minimum level for capitalisation of a tangible fixed asset is £1,000.

The National Archives of Scotland hold a number of items such as portraits, furniture and shelving. These assets are regarded as non-operational heritage assets as they relate directly to the cultural and historical development of the National Archives

of Scotland from the 18th century to the present day. These assets have not been capitalised as it is not practicable to obtain a reliable valuation.

1.4 Depreciation

Freehold land is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Asset lives are normally in the ranges:

Freehold buildings	30 to 50 years
Equipment and computers	3 to 10 years
Fixtures & Fittings	10 to 15 years
Furniture	10 years
Vehicles	5 to 10 years

1.5 Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt, and this value is credited to the donated assets reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Operating Cost Statement.

1.6 Intangible Assets

Purchased software is valued on a historic cost basis. Amortisation is applied at rates calculated to write off the valuation of purchased software by equal instalments over its estimated useful life. Where appropriate, salary costs relating to capital projects are capitalised and depreciated in line with the asset created. Major digitisation projects are capitalised on the basis that they will provide future revenue streams and written down over 60 years.

Purchased Software	3 to 10 years
Digitised Images	60 years

1.7 Third Party Assets

The National Archives for Scotland holds as custodian or trustee certain assets belonging to third parties. These are not recognised in the accounts since neither the National Archives nor government more generally has a direct beneficial interest in them.

1.8 Research and Development

Expenditure on research and development has been treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project or according to the asset category if the asset is to be used for subsequent production work.

1.9 Operating Income

Operating income is income that relates directly to the operating activities of The National Archives of Scotland. It includes fees and charges for services provided, on a full cost basis, to external customers.

1.10 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.11 Grants

Grants payable or paid are recorded as expenditure in the period in which the recipient carries out the activity which creates

the entitlement. Where necessary obligations in respect of grant schemes are recognised as liabilities.

1.12 Capital Charges

In accordance with the Financial Reporting Manual, a charge, reflecting the cost of capital utilised by The National Archives of Scotland, is included in outturn expenditure. The charge for each item in the balance sheet is calculated on the basis of the average net book value of that item over the year. The charge is calculated at the Government's standard rate of 3.5% in real terms on all assets less liabilities, except for:

- non current assets which are investments in a public sector body outside the departmental boundary, the amount of the charge represents the appropriate rate, as determined by the Treasury, applied to the underlying net assets of the body in question.
- donated assets, assets financed by grants, and cash balances with the Office of HM Paymaster General, where the charge will be at a nil rate; and
- liabilities for amounts to be surrendered to the Consolidated Fund, where the credit will be at a nil rate.

1.13 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. National Archives of Scotland recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from the employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

2. Staff Numbers

The average number of whole-time equivalent persons employed during the year, analysed across departments, was as follows:

	2009-10			2008-09
	Temporar y w.t.e.	Permanen t w.t.e.	Total w.t.e	w.t.e.
To select records for permanent preservation	0	20.7	20.7	23
To preserve records to archival standards	0	24.6	24.6	23
To promote and provide public access to records	20.3	78.3	98.6	97
To provide advice and support to record holders	0	11.5	11.5	10
To lead development of archival practice	20.3	8.4	8.4	8
	20.3	143.5	163.8	161

The aggregate payroll costs of these persons were as follows:

	Officials £000	Ministers £000	Special Advisers £000	Total 2009-10 £000	Total 2008-09 £000
Wages and salaries	3,567	0	0	3,567	3,656
Social Security costs	225	0	0	225	238
Pension & Other costs	548	0	0	548	591
TOTAL PAYROLL COSTS	4,340	0	0	4,340	4,485

For 2009-10 contributions of £548,146.81 were paid to the PCSPS at rates determined by the Government Actuary and advised by the Treasury. These rates were in the range 12-20% of pensionable pay. Where appropriate, salary costs relating to capital projects are capitalised and depreciated in line with the asset created. Major digitisation projects are capitalised.

Staff costs amounting to £622k (2008-09 : £464k) were capitalised during the year and are not included in the above table. Capitalised staff costs were based on estimated staff time spent on digitising activities multiplied by average hourly rates.

MINISTERIAL RESPONSIBILITIES

The Minister for Europe, External Affairs and Culture exercised these responsibilities, in the light of appropriate advice, by:

- allocating resources;
- approving the Framework Document and any revisions to it;
- approving the Corporate Plan; and
- setting targets and monitoring NAS's performance.

The Minister for Europe, External Affairs and Culture received no specific remuneration for the exercising of her responsibilities in relation to the National Archives of Scotland.

3. Operating Expenditure

3a) Analysis of Programme Expenditure

	2009-10 £000	2008-09 £000
Business Archive Grants	25	25
Total Programme Outturn	25	25

3b) Administration Expenditure includes the following items:

	2009-10 £'000	2008-09 £'000
Depreciation	920	884
Cost of capital	460	496
Audit fee	65	72
Total	1,445	1,452

4. Operating Income

Income not applied (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that included in public expenditure and that which is not (Note 6).

4a) Operating income analysed by classification and activity, is as follows:

	2009-10 Total Income £'000	2009-10 Income Not Applied £'000	2009-10 Income Applied £'000	2008-09 Income Applied £'000
Administration income:				
Allowable within cost limit	0	0	0	0
Other:				
Fees and charges to external customers	1,180	0	1,180	1,101
Total Administration Income	1,180	0	1,180	1,101

There is no interest receivable falling to be reported within the accounts.

4b) Operating Income received from external and public sector customers analysed by services provided is as follows:

	Income Received £'000	Full Cost £'000	Surplus/ (Deficit) £'000
To select, preserve and make available the national archives of Scotland.	380	398	(18)

This reporting of income received on a segmental basis complies with the requirements of HM Treasury's "Fees and Charges Guide".

5. Reconciliation of Net Operating Cost to control total and Net Resource Outturn.

	2009-10 £'000	2008-09 £'000
Net Operating Cost	7,544	10,447
<i>Less: Non-Supply expenditure/ income including income scored as Consolidated Fund Extra Receipts (CFER's)</i>	<i>0</i>	<i>0</i>
Net Resource Outturn	7,544	10,447
Of Which:		
Departmental Expenditure in DEL	7,544	10,447
Main Departmental Programmes in AME		

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Budget Document. The outturn against Budget is shown in the Operating Cost Statement.

6. Analysis of Capital Expenditure, Financial Investment and associated income

	Capital Expenditure £'000	Donated Assets £'000	Capital Income £'000	2009-10 Net £'000	2008-09 Net £'000
National Archives of Scotland	2,090	0	0	2,090	2,295

7. Property, Plant and Equipment

	Non Residential Buildings £'000	Other Structures £'000	Office Equipment £'000	Vehicles £'000	Equipment £'000	ICT Systems £'000	Fixtures & Fittings £'000	Heritage Assets £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2009	9,466	29	576	17	238	2,616	2,313	1,606	0	16,861
Additions	8	0	0	0	125	235	0	85	0	453
Reclassifications	0	0	0	0	0	(1,593)	0	0	0	(1,593)
Revaluations	(498)	(5)	0	0	0	0	0	0	0	(503)
Cost at 31 March 2010	8,976	24	576	17	363	1,258	2,313	1,691	0	15,218
Depreciation										
At 1 April 2009	342	3	484	13	89	893	1,569	65	0	3,458
Charged in year	357	2	59	3	25	120	161	128	0	855
Reclassifications	0	0	0	0	0	(5)	0	0	0	(5)
Revaluations	(699)	(5)	0	0	0	0	0	0	0	(704)
At 31 March 2010	0	0	543	16	114	1,008	1,730	193	0	3,604
NBV at 31 March 2010	8,976	24	33	1	249	250	583	1,498	0	11,614
Cost or valuation										
At 1 April 2008	7,440	29	574	17	151	1,049	2,313	1,606	5,117	18,296
Additions	125	0	2	0	87	1,511	0	0	570	2,295
Transfer	5,687	0	0	0	0	56	0	0	(5,687)	56
Impairments	(3,801)	0	0	0	0	0	0	0	0	(3,801)
Revaluations	15	0	0	0	0	0	0	0	0	15
At 31 March 2009	9,466	29	576	17	238	2,616	2,313	1,606	0	16,861
Depreciation										
At 1 April 2008	194	0	403	10	78	735	1,403	32	0	2,855
Charged in year	366	3	81	3	11	158	166	33	0	821
Transfers	0	0	0	0	0	0	0	0	0	0
Impairments	-219	0	0	0	0	0	0	0	0	(219)
Revaluation	1	0	0	0	0	0	0	0	0	1
At 31 March 2009	342	3	484	13	89	893	1,569	65	0	3,458
NBV 31 March 2009	9,124	26	92	4	149	1,723	744	1,541	0	13,403
NBV 31 March 2008	7,246	29	171	7	73	314	910	1,574	5,117	15,441

Basis of Valuation

All freehold land and buildings were valued independently as at 31st March 2010 by GVA Grimley, International Property Advisers, on the basis of existing use value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Non-residential buildings include West Register House. This property is held on a long-term lease against which a nominal sum is charged by the lessor.

7. (Cont'd)

Intangible Assets

	Digitised Images £'000	Computer Software £'000	Total £'000
Cost or Valuation			
At 1 April 2009	0	176	176
Reclassifications	1,593	0	1,593
Additions	1,632	5	1,637
At 31 March 2010	3,225	181	3,406
Amortisation			
At 1 April 2009	0	126	126
Reclassifications	5	0	5
Charged in year	37	28	65
At 31 March 2010	42	154	196
NBV 2010	3,183	27	3,210
Cost or Valuation			
At 1 April 2008	0	232	232
Transfers	0	(56)	(56)
At 31 March 2009	0	176	176
Amortisation			
At 1 April 2008	0	62	62
Charged in year	0	64	64
At 31 March 2009	0	126	126
NBV 2009	0	50	50
NBV 2008	0	170	170

8. Movements in Working Capital other than Cash

	2009-10 £'000	2008-09 £'000 (restated)
Increase in inventories	16	0
Increase in trade and other receivables	58	54
(Increase)/decrease in trade and other payables	(56)	389
Total	18	443

9. Inventories

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Inventories	16	0	0
Total	16	0	0

10. Trade and other receivables

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Trade debtors	69	39	54
VAT	74	48	185
Prepayments and accrued income	281	44	14
Other debtors	82	317	141
Debtor with SG relating to donation	43	43	43
Total	549	491	437

There were no amounts falling due after more than one year.

11. Cash at Bank and in Hand

	2009-10 £'000	2008-09 £'000	2007-08 £'000
At 1 April	6	6	5
Movement	0	0	1
At 31 March	6	6	6

12. Trade and other payables

	2009-10 £'000	2008-09 £'000	2007-08 £'000
Trade creditors	144	40	527
Employee Benefit accrual	166	114	128
Accruals and deferred income	270	370	257
Total	580	524	912

There are no amounts falling due after more than one year. (31st March 2009 : nil).

13. Provisions for liabilities and charges

During the 2008/09 financial year, a provision of £105k was allowed in respect of early retirement costs. During the 2009/10 £15k of this provision was utilised, leaving a balance of £90k.

14. Capital Commitments

	2009-10 £'000	2008-09 £'000
Contracted capital commitments for which no provision has been made	0	0
Authorised but not contracted capital commitments for which no provision has been made	2,700	2,700
Total	2,700	2,700

Provision has been made by the Scottish Parliament within the approved budget for 2010-11 for expenditure of £2.7million on major digitisation projects and acquisition of ICT and office equipment.

15. Commitments under Operating Leases

There are no commitments under operating leases.

16. Other Commitments

There are no other commitments.

17. Contingent Liabilities

At 31 March 2010 there were a number of unquantifiable contingent liabilities. These relate to long term indemnity cover on various collections held on deposit by the National Archives of Scotland. Such collections are held for an unspecified time and remain under the ownership of the depositor. No new indemnities have been entered into during 2009-10.

18. Related party transactions

The National Archives of Scotland (formerly the Scottish Record Office) was established in 1 April 1993 as an Executive Agency. The sponsoring directorate of the Scottish Government is Economy, Europe, External Affairs and Culture Group.

The Scottish Government is regarded as a related party with which The National Archives of Scotland has had various material transactions during the year.

In addition, the National Archives of Scotland has had a small number of transactions with other government departments and other central government bodies.

The National Archives of Scotland, in the furtherance of its aims, was instrumental in setting up the Scottish Archive Network (SCAN) Ltd. SCAN Ltd is a company limited by guarantee which is undertaking the digitisation of archival records. This project is being undertaken with the support of the National Lottery Heritage Fund and involves a number of organisations within the archival community. SCAN Ltd is regarded as a related party with which The National Archives of Scotland has had various material transactions during the year.

None of the board members, key managerial staff or other related parties has undertaken any material transactions with The Scottish Government during the year.

19. Financial Instruments

As the cash requirements of NAS are met through the Scottish Parliament's Budget Act process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non financial items in line with NAS's expected purchase and usage requirements and NAS is therefore exposed to little credit, liquidity or market risk.

20. First Time Adoption of International Financial Reporting Standards (IFRS)

For all periods up to and including the year ended 31 March 2009, NAS prepared its annual accounts in accordance with UK GAAP. For the year ended 31 March 2010, NAS is required to prepare its annual accounts in accordance with IFRS, as interpreted by the 2009-10 FReM.

IFRS1 requires that where an entity adopted IFRS for the first time, comparative amounts should be restated to reflect the new accounting policies, and that the date of transition to IFRS is the beginning of the earliest comparative year reported in the financial statements. For NAS applying the IFRS from 2009-10, this means that the effective date of transition to IFRS is 1 April 2008. IFRS requires that accounting policies are applied retrospectively.

Reconciliation of Taxpayers Equity from UK GAAP to IFRS at 31 March 2008 and 31 March 2009:

	General Fund £'000	Donated Asset Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Taxpayers Equity at 31 March 2008 under UK GAAP	10,598	935	3,497	15,030
IAS 19 Employee benefits	(128)	0	0	(128)
Taxpayers Equity at 1 April 2008 under IFRS	10,470	935	3,497	14,902
Taxpayers Equity at 31 March 2009 under UK GAAP	9,944	871	2,620	13,435
IAS 19 Employee benefits	(114)	0	0	(114)
Taxpayers Equity at 1 April 2009 under IFRS	9,830	871	2,620	13,321



NATIONAL ARCHIVES OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

1. The statement of accounts for the financial year ended 31 March 2006 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 15 July 2002 is hereby revoked.

A handwritten signature in blue ink, appearing to read 'Hysan' followed by a stylized name.

Signed by the authority of the Scottish Ministers

Dated 17 January 2006