

# Annual Accounts 2005/06

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# Trustees Annual Report 2005/06

## Financial Overview

### CONSTITUTION

The British Library was established under Section 1(1) of the British Library Act 1972 (the Act) as the national library of the United Kingdom. Section 1(2) of the Act placed it under the control and management of the British Library Board, the duty of which is to manage the Library as a national centre for reference, study and bibliographical and other information services, in relation both to scientific and technological matters and to the humanities. The British Library has exempt charitable status.

### OBJECTIVES

Under Sections 1(3) and 1(4) of the Act the Board is required to make the services of the British Library available to the public (in particular to institutions of education and learning, other libraries and industry). It may carry out and sponsor research, contribute to the expenses of library authorities or other persons providing library facilities, and make any part of its collections, or of its premises, available in connection with events of an educational, literary or cultural nature. Under Section 2, the Schedule to the Act empowers the Board to impose charges for any services provided or for the loan or use of any item from its collections subject to the approval of the Secretary of State for Culture, Media and Sport.

### BOARD MEMBERSHIP

Details of Board members who served between 1 April 2005 and 31 March 2006 are as published on pages 34 to 35.

### ACCOUNTING CONVENTIONS

The basis on which the Accounts have been prepared is stated on page 54 at note 1a.

### FINANCIAL RESULTS

The accounts provide a Statement of the Financial Activities (SOFA) of the Board during the year ended 31 March 2006. In accordance with Section 5(1) of the Act, as amended by Statutory Instrument 1986 No. 600, the Secretary of State paid to the Board such sums as were necessary to defray expenses incurred with her approval, so far as those expenses exceeded the receipts derived from the exercise of the Board's functions and applied in such manner as required by Section 5(2) of the Act.

The Accounts have been prepared to take account of the Statement of Recommended Practice (SORP) 2005 *Accounting for Charities*. A Statement of Financial Activities for the year is set out on page 51. This shows all resources made available to the British Library Board and all expenditure incurred by it and reconciles all changes in its funds.

The British Library's income for 2005/06 was £136.9m, of which £97.6m (71%) was grant in aid from the Department for Culture, Media and Sport. £88.5m of this was operational grant in aid, with the balance of £9.1m for capital programmes. The Department continues to hold £4.4m of funding which is to be applied to the design and construction of a Centre for Conservation to the north of the St Pancras building.

# Trustees Annual Report 2005/06

## Financial Overview continued

Income from trading activities was £24.3m (£24.5m 2004/05) with a further £2.6m non-trading income resulting from a Section 33A VAT adjustment following a successful appeal. Document Supply activity, the Library's principal source of commercial revenue, continued to decline, but efforts to stimulate additional trading generated a further £1m in one-off digitisation projects. Sustained operational restructuring and cost reduction measures ensured that contribution from these activities was maintained.

Net expenditure on support activities fell to £39.8m in 2005/06 from £41.7m in 2004/05 as the Library continued its restructuring programmes in line with the recommendations of the Gershon review into public sector efficiencies. Resources were reorganised to further expand the use of Secure Electronic Delivery service (SED), enabling researchers to receive copies of documents electronically at their desktops, and web usage continued to develop following the introduction of British Library Direct online ordering system and the major success of *Alice's Adventures Under Ground* and Mozart on Turning the Pages. Reading Room usage also showed growth on previous years and steps were taken to increase efficiency to handle the extra demand.

Revenue expenditure on acquisitions for the collections was £14.4m (£13.9m 2004/05), and Capital expenditure £1.4m (£1.97m 2004/05).

There was a net increase in the movement of funds after revaluation in the year of £37.5m. This was an increase of £29.7m on the unrestricted funds and an increase of £7.8m on the restricted funds. The excess of income over expenditure of £16.2m, before St Pancras depreciation, notional costs and transfers between funds, was principally a consequence of the fixed assets purchased during the year of £9.1m.

### RESERVES

The Library's policy on reserves is disclosed on page 54 at note 1k.

### PAYMENT OF CREDITORS

It is the policy of the British Library Board to pay all creditors within 30 days of the invoice date unless there is a specific payment date agreed with the supplier. For the year ended 31 March 2006, 89% of invoices were paid within 30 days (2004/05: 90%). Compliance in this matter is in accordance with the Better Payment Practice Code.

### BANKERS, AUDITORS, SOLICITORS AND INVESTMENT MANAGERS

The following organisations were the Library's principal suppliers of professional financial, legal and investment services during 2005/06:

Lloyds Bank  
39 Threadneedle Street  
London  
EC2R 8AU

Treasury Solicitor  
1 Kemble Street  
London  
WC2B 4TS

National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

J. P. Morgan Private Bank Limited  
15th Floor  
125 London Wall  
London  
EC2Y 5AJ

#### INVESTMENTS

J.P. Morgan (formerly Fleming Private Asset Management) was appointed as the Trust fund investment manager in 1991 to pursue the best total return compatible with acceptable risk. The yield on the portfolios was required not to fall below 5%. Average yield in 2005/06 was 5.6%.

#### EQUAL OPPORTUNITIES

The British Library Board is an equal opportunities employer and is committed to promoting diversity. A full time Diversity Manager is now in post. The Library's policy for training, career development and promotion are in line with its equal opportunities policy and, in this regard, disabled employees are treated the same as all other staff with respect to their aptitudes and abilities. The Library aims to develop an adaptable, well motivated and well trained staff, possessing a complex blend of knowledge and skills in managerial, technical, scholarly and specialist disciplines.

There are 38 employees who have notified the British Library that they are disabled. However, this figure is likely to be lower than the true figure as a number of employees may well satisfy the legal definition of disabled within the DDA, without knowing or without wishing to disclose this information.

#### COMMUNICATIONS WITH EMPLOYEES

The Library is committed to developing effective communications between all employees in order to keep them informed, motivated and able to support the Library's users. Main communications channels include a staff newsletter, team briefing system and employee intranet.

#### KEY OBJECTIVES

Details of the Library's strategic priorities can be found on pages 24 to 27.

#### RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed in note 25 on page 67.

#### CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

A Statement of Internal Control is included on pages 44 to 47 and the Library has achieved full compliance in this respect, as at March 2006.

So far as the Accounting Officer is aware, there is no relevant audit information of which the British Library's auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the British Library's auditors are aware of that information.



LORD EATWELL  
CHAIRMAN  
29 JUNE 2006



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
29 JUNE 2006

# Remuneration Report

## Remuneration policy

The Remuneration policy for the Library's senior managers is set by the Board's Remuneration Committee. The current terms of reference for the Committee are as follows:

1

The Remuneration Committee is a main committee of the Board without executive powers, comprising three non-executive Board members and chaired by an independent non-executive Board member. The Committee reports to the Board.

2

Members of the Committee are appointed by the Board.

3

The Director of Human Resources acts as Secretary to the Committee.

4

At the request of the Chairman of the Committee, the Chief Executive and other Executives of the Library may be in attendance at meetings of the Committee, or for selected agenda items. No Executive of the Library will be in attendance or play any part in discussions and decisions about their own remuneration.

5

The Committee is able to obtain external professional advice and, if necessary, to invite external advisors to its meetings.

6

The Committee normally meets twice a year.

7

The quorum necessary for the transaction of business shall be two.

8

Minutes of Committee meetings will be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

9

The Committee fulfils the following responsibilities:

- (i) to keep under continuous review the terms and conditions of the Chief Executive
- (ii) to undertake an annual review of the Chief Executive's salary and performance bonus and make recommendations to the Board
- (iii) to consider the recommendations of the Chief Executive in relation to the annual review of the salary and performance

bonuses of the Executive Team and similarly for any other equivalent paid senior staff

- (iv) to represent the Board in relation to considerations relating to the terms and conditions of all other Library employees
- (v) to carry out any other review, and make any other recommendations, which in its opinion, or at the request of the Chief Executive, it believes to be relevant to the Board's statutory responsibilities in relation to the terms and conditions of the Library's employees.

10

The Committee will, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11

The current members of the Remuneration Committee are:

Sheila Forbes (Chair)  
Lord Eatwell  
Professor Bob Burgess  
Duncan Lewis  
In attendance: Mary Canavan (Secretary)  
Director of Human Resources.

In reaching its decisions, the Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement to meet the outputs and levels of performance that the Library is expected to deliver in order to achieve ministerial objectives;
- the funds available to the Library;
- the Government's inflation target.

The Remuneration Committee is informed in its decisions by external benchmarking and through the Library's performance management process. The Chief Executive and members of the Executive Team are eligible for contractual non-consolidated annual bonus payments; in the case of the Chief Executive this is up to 25% of basic salary with up to 3% available for consolidation for pension purposes. Members of the Executive Team are eligible for non-consolidated annual bonuses of up to 10% of basic salary and in addition are eligible for a share of an annual team bonus of up to 5% of basic salary based on the achievement of set objectives.

The Remuneration Committee considers the achievement of objectives of the Executive Team in respect of the team bonus and of the Chief Executive. The Chief Executive considers the achievement of objectives of the Executive Team in respect of individual bonuses.

## Service contracts

Although members of Library staff are not civil servants, appointments are made in accordance with the Civil Service principle that requires appointments to be on merit and on the basis of fair and open competition.

The Library's senior managers covered by this report hold appointments which are open ended until they reach the normal retiring age, which is currently 60. The Chief Executive has a six month notice period, other senior managers have a three month notice period. All are members of the Principal Civil Service Pension Scheme and as such early termination of their contract would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

## Salary and pension entitlements

During the year a third party has been paid for the services of a senior manager, the Interim Director of Operations and Services, the amount paid to the third party for the period 1 October 2005 to 31 March 2006 totalled £146,652.

For information on pension entitlements of and the salary paid during the year to the Chairman and Executive Team please see note 6(i) (page 58) in the Annual Accounts.



LORD EATWELL  
CHAIRMAN  
29 JUNE 2006



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
29 JUNE 2006

# Statement of Board and Accounting Officer's Responsibilities

The British Library's Management Statement and Financial Memorandum with DCMS sets out the roles and responsibilities of the Board, the Chairman and the Accounting Officer. It includes the following points:

- Board members have a corporate responsibility to the Secretary of State for ensuring that the Library fulfils the aims and objectives set out in legislation and complies with any statutory or administrative requirements for the use of public funds.
- The Chairman is responsible to the Secretary of State, on behalf of the Board, for ensuring that where appropriate the Library's policies are consistent with those of the Secretary of State, and that the Library's affairs are conducted with probity. (S)he will ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their other duties, rights and responsibilities. (S)he is responsible for advising the Secretary of State of the needs of the Library with a view to ensuring a proper balance of professional and financial expertise.
- The Accounting Officer is personally responsible for safeguarding the public funds for which (s)he has charge, for propriety and regularity in the handling of those public funds and for the day to day operations and management of the Library. (S)he should act in accordance with the terms of the Management Statement and Financial Memorandum and with the instructions and guidance in Government Accounting and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office – in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*.



LORD EATWELL  
CHAIRMAN  
29 JUNE 2006



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
29 JUNE 2006

# Statement on the system of internal control 2005/06

## 1 SCOPE OF RESPONSIBILITY

In line with the responsibilities as set out above, the Chairman, on behalf of the Board, is responsible for ensuring that appropriate arrangements exist to implement and maintain the Library's internal control framework. The Accounting Officer is responsible for making sure that a sound system of internal control exists and is maintained and that the public funds and assets for which we are personally responsible are safeguarded in accordance with the responsibilities assigned to us in Government Accounting; and ensuring compliance with the requirements of the British Library's Management Statement and Financial Memorandum.

## 2 THE 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 the risks to the achievement of British Library 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. The system of internal control has been in place in the British Library for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

## 3 CAPACITY TO HANDLE RISK

The Library's risk management process underwent a major review during the year with the aim of further developing the approach to strategic risks and horizon scanning. Using external consultants and engaging new staff with experience of risk management, the Library has been able to combine a strategic level approach with a number of practical improvements. The Executive Team have undertaken a 'Strategic Risks' workshop to identify the high level organisation-wide risks, together with a structured self-assessment based on HM Treasury's Risk Assessment guide. Drawing on a range of external models a categorisation and high level summary of risks has been developed to demonstrate the Library's risk profile.

A Major Incident Plan exercise was carried out at St Pancras to test the capability of the Major Incident Team to respond to a significant event which could have an impact on the site.

The Pandemic Flu Action Team was formed in March 2006 to identify likely impacts on the Library and consider immediate measures which could be taken as well as future actions. This cross-directorate group will continue to meet regularly throughout the year.

The Corporate Programme Office undertook a number of project health-checks and Gateway Reviews during 2005/06 to identify project risks and make improvements to correct them. Lessons were provided to help all key British Library projects contain risk effectively. Three specific projects, *Three Faiths*, Additional Storage Programme and the Centre for Conservation were identified as having applied appropriate elements of best practice to manage their risks.

The restructuring of Financial Operations during 2005/06 continued the measures which the Library has put in place to meet the strategic objectives set out in the business plan. A core element of this was the streamlining of processes and working towards increased efficiencies wherever possible. An internal audit of Oracle Ledger and Financial Systems will be undertaken in quarter one of the 2006/07 programme to ensure that internal financial controls continue to be robust following the staff restructure.

At its meeting in May 2005 the Board agreed to establish a Capital Projects Committee. The role of the Capital Projects Committee is to assist the Board to satisfy itself as to the adequacy and effectiveness of the arrangements for project management of the Library's two current multi-million pound capital construction projects, namely, the British Library Centre for Conservation project and the Additional Storage Programme.

Following a reappraisal, the Library's Collection Security Steering Group was re-established with revised terms of reference and the Director of Human Resources was appointed as its Chair in order to provide independent and senior leadership to the Group. A Collection Security Operational Group was also established. Good progress was achieved during the year in implementing the Collection Security Action Plan and further resources were allocated for 2006/07. A key element will be the development of an intellectual framework to rationalise and systemise our approach to managing the risks surrounding the Library's collection security, thus to inform the development and promulgation of policy. This Framework is to incorporate categories of collections, volume, value, risk assessment (maintain/accept, reduce/mitigate, exit/eliminate), preventative security measures versus reactive (management) security measures (evidential), audit frequency, escalation protocols, etc.

The Board Audit Committee received annual stewardship reports on the Health and Safety, Security, Freedom of Information, Data Protection and pension scheme activity as well as a formal report on the stewardship of the Library's collections.

#### **4 THE RISK AND CONTROL FRAMEWORK**

The Library's risk management policy seeks to meet the requirements in paragraph 2 and to embed them within its strategic and operational plans. The approach adopted meets the requirements of the HM Treasury guidance on *Management of Risk – A Strategic Overview (The Orange Book)* and will be enhanced with best practice from other organisations as opportunities arise.

Risks are assessed against estimation criteria approved by the Board. These criteria cover the potential impact of the risk and the likelihood of its occurrence. The risk is considered for its effect on strategy, operations, finances or reputation and whether it is external or internal.

Risks are managed in accordance with an agreed approach decided for each risk ranging from terminating the risk, through possible reduction measures, acceptance and monitoring or passing the risk on.

The Library's major areas of risk identified by this process are its funding streams, its adaptability to changing market conditions and its management of the impacts of legislation.

Each level of the Library has a responsibility for risk awareness and management. Risk reviews are carried out by the assigned manager responsible.

Management of risk will be further embedded at all levels of the organisation and supported by an active training and education programme.

Risks are reviewed:

- annually by the Board;
- half yearly by the Executive Team in the context of the Business Plan;
- by the Board Audit Committee at each of its meetings;
- by the Executive Team on an exception basis;
- by Directorate Management teams for their own subset of risks.

# Statement on the system of internal control 2005/06 continued

## 5 REVIEW OF EFFECTIVENESS

In line with the responsibilities set out above, the Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control, and is informed by the work of the internal auditors and the executive managers within the department 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 reports. The Accounting Officer is advised on the implications of the result of the reviews of the effectiveness of the system of internal control by the Board, the Board Audit Committee, and the Risk Group (see below), and plans to address weaknesses and ensure continuous improvement systems are put in place as necessary.

Additional assurance is gained from:

### INTERNAL AUDIT

An annual internal audit programme is drawn from the three year programme which has been developed based on the risk register.

### EXTERNAL AUDIT

The National Audit Office reviews the Library's accounts and produces an annual management letter. NAO also carry out value for money reviews on Library activities.

### BOARD

The Board is responsible for confirming that the risk management approach will aid the achievement of policy aims and for advice and guidance on proposals.

### BOARD AUDIT COMMITTEE (BAC)

The Board Audit Committee advises the Board on:

- the strategic processes for risk, control and governance;
- the accounting policies and the accounts of the organisation;
- the planned activity and results of both internal and external audit; and
- adequacy of management response to issues identified by audit activity.

The current members of BAC, being non-executive members of the British Library Board, are:

- Sir Henry Boyd-Carpenter KCVO (Chair)
- Eileen Mackay CB
- Gareth Roberts

The Chief Executive, the Director of Finance and Corporate Services, and the Compliance Officer are in attendance at BAC meetings or for selected agenda items, and representatives of the Library's internal and external auditors are also in attendance. The Board Secretary is Secretary to the BAC.

BAC approves the three-year Strategic Internal Audit Plan and Annual Operational Internal Audit Plans. It receives reports on the reviews completed and monitors progress made in completing the annual internal audit plan and also advises the Board on the appointment of the institution's internal auditors. It also reviews, and advises the Board on, the Library's statutory accounts prior to their formal sign-off by the Chief Executive and the Board Chairman.

## EXECUTIVE TEAM

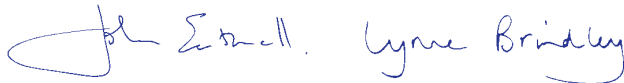
The Executive Team is responsible for operational management and for risk review in their own areas of responsibility and for championing the required culture change. Each Director is required to support the Accounting Officer by submitting a Self Certificate confirming that the Library's systems of internal control have been applied through the year in the areas under their control.

## RISK GROUP

This group comprises the Compliance Officer, the Head of Estates Risk, the IT Security Officer and the Directorate Finance Managers. It is responsible for the maintenance and management of the risk register and for ensuring that changes are reflected on a timely basis when necessary. The group is also responsible for providing advice and organising training for managers on risk management issues.

## MANAGERS

Managers at all levels are responsible for ensuring that controls are applied and that risks to their activities are identified, recorded, assessed and managed on an agreed basis. They flag these risks and any issues through their appropriate Directorate Finance Manager.



LORD EATWELL  
CHAIRMAN  
29 JUNE 2006

LYNNE BRINDLEY  
ACCOUNTING OFFICER  
29 JUNE 2006

# Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the British Library for the year ended 31 March 2006 under the British Library Act 1972. These comprise the Summary Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## **Respective responsibilities of the Board, the Chief Executive and auditor**

The Board and the Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report and the financial statements in accordance with the British Library Act 1972 and directions made thereunder by the Secretary of State for the Department of Culture, Media and Sport with the approval of the Treasury and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant in aid). These responsibilities are set out in the Statement of Board and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the British Library Act 1972 and directions made thereunder by the Secretary of State for the Department of Culture, Media and Sport with the approval of the Treasury. 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 Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the British Library 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 pages 44 to 47 reflects the British Library's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Board and Accounting Officer's Statement on Internal Control cover all risks and controls, or form an opinion on the effectiveness of the British Library's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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. It also includes an assessment of the significant estimates and judgments made by the Board and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the British Library's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements 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 Parliament 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.

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the British Library Act 1972 and directions made thereunder by the Secretary of State for the Department of Culture, Media and Sport with the approval of the Treasury, of the state of the British Library's affairs as at 31 March 2006 and of the incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the British Library Act 1972 and directions made thereunder by the Secretary of State for the Department of Culture, Media and Sport with the approval of the Treasury; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



JOHN BOURN  
COMPTROLLER AND  
AUDITOR GENERAL  
12 JULY 2006

NATIONAL AUDIT OFFICE  
157-197 BUCKINGHAM PALACE ROAD  
VICTORIA  
LONDON SW1W 9SP

The maintenance and integrity of the British Library's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# Summary income and expenditure account

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2005/06 £000	2004/05 Restated £000
Total income from continuing operations		136,906	121,006
Operating expenditure		120,750	115,630
Operating surplus before St Pancras depreciation, notional costs and realised gains/losses		16,156	5,376
Depreciation on St Pancras assets (full year)	7	(14,902)	(9,548)
Realised gain from fixed asset investments		337	440
Notional Cost of Capital	8	(18,437)	(17,205)
Operating deficit on ordinary activities		(16,846)	(20,937)
Reversal of notional Cost of Capital		18,437	17,205
<b>Retained surplus/(deficit) for the year</b>		<b>1,591</b>	<b>(3,732)</b>

All of the British Library's activities are derived from continuing operations.

# Statement of total recognised gains and losses

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2005/06 £000	2004/05 £000
Retained surplus/(deficit) for the year		1,591	(3,732)
Current cost adjustment	11	35,119	4,295
Revaluation		-	35,357
Unrealised gain	13	764	360
<b>Total recognised gains for the year</b>		<b>37,474</b>	<b>36,280</b>

The notes on pages 54 to 67 form part of these accounts.

# Statement of financial activities

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	Unrestricted funds £000	Restricted Total funds £000	Total 2005/06 £000	2004/05 Restated £000
<b>Incoming resources</b>					
<b>Incoming Resources from generated funds</b>					
Voluntary Income	2	237	10,426	10,663	6,399
Investment Income	4	900	870	1,770	1,586
<b>Incoming Resources from Charitable Activities</b>					
Trade Income	3	23,915	394	24,309	24,520
<b>Other Incoming Resources</b>					
Grant in aid	5	97,562	–	97,562	88,501
Other Income		2,602	–	2,602	
<b>Total incoming resources</b>		<b>125,216</b>	<b>11,690</b>	<b>136,906</b>	<b>121,006</b>
<b>Resources Expended</b>					
<b>Costs of Generating Funds</b>					
Costs of generating voluntary income		552	–	552	564
Investment Management costs		–	30	30	40
<b>Charitable Activities:</b>					
Collection Management		30,412	738	31,150	29,747
Collection Development		28,359	3	28,362	26,977
Access to Collection		39,437	26	39,463	37,288
Wider Public Access		6,176	2,515	8,691	9,361
Bibliographic Services		2,401	19	2,420	2,246
Reference/Information Services		5,100	94	5,194	4,868
Leadership, Partnership and Co-operation		2,964	1,265	4,229	3,631
Governance Costs		659	–	659	908
<b>Total resources expended</b>	<b>6</b>	<b>116,060</b>	<b>4,690</b>	<b>120,750</b>	<b>115,630</b>
<b>Net increase in resources before St Pancras depreciation, notional costs and transfers</b>					
		9,156	7,000	16,156	5,376
Depreciation on St Pancras assets	7	(14,902)	–	(14,902)	(9,548)
Notional cost of capital	8	(18,437)	–	(18,437)	(17,205)
Transfer between funds	19	330	(330)	–	–
<b>Net (outgoing)/incoming resources after St Pancras depreciation, notional costs and transfers</b>					
		(23,853)	6,670	(17,183)	(21,377)
Reversal of notional cost of capital		18,437	–	18,437	17,205
<b>Net (outgoing)/incoming resources before recognised gains and losses</b>	<b>9</b>	<b>(5,416)</b>	<b>6,670</b>	<b>1,254</b>	<b>(4,172)</b>
<b>Other Recognised gains</b>					
Realised gain from fixed asset investments		–	337	337	440
Unrealised gain	13	–	764	764	360
Revaluation		–	–	–	35,357
Current cost adjustment	11	35,119	–	35,119	4,295
<b>Net movement in funds after revaluation</b>		<b>29,703</b>	<b>7,771</b>	<b>37,474</b>	<b>36,280</b>
<b>Reconciliation of Funds</b>					
Fund balances brought forward at 1 April		497,784	16,496	514,280	478,000
<b>Fund balances carried forward at 31 March</b>		<b>527,487</b>	<b>24,267</b>	<b>551,754</b>	<b>514,280</b>

All recognised gains and losses are included within the Statement of Financial Activities and all the Library's activities are classed as continuing. The notes on pages 54 to 67 form part of these accounts.

# Balance sheet

AS AT 31 MARCH 2006

	Notes	2005/06 £000	2004/05 Restated £000
<b>Fixed assets</b>			
Intangible assets	10	105	475
Tangible assets	11	514,854	487,379
Heritage assets	12	7,085	5,554
Investments	13	9,297	6,561
		<b>531,341</b>	<b>499,969</b>
<b>Current assets</b>			
Stocks	15	976	879
Debtors and prepayments	16	10,052	5,831
Short-term deposits		10	8
Cash at bank and in hand	17	33,978	24,704
		<b>45,016</b>	<b>31,422</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(20,364)	(14,700)
		<b>24,652</b>	<b>16,722</b>
<b>Net current assets</b>			
		<b>555,993</b>	<b>516,691</b>
<b>Total assets less current liabilities</b>			
Provision for liabilities and charges	20	(4,239)	(2,411)
		<b>551,754</b>	<b>514,280</b>
<b>Net assets</b>			
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds	19	24,267	16,496
Unrestricted funds:			
General funds	19	527,487	497,784
		<b>551,754</b>	<b>514,280</b>
<b>Total funds</b>			

The notes on pages 54 to 67 form part of these accounts.

The financial statements on pages 50 to 53 were approved by the Board/Trustees on 22 June 2006, and were signed on their behalf by:



LORD EATWELL  
CHAIRMAN  
29 JUNE 2006



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
29 JUNE 2006

# Cash flow statement

FOR THE YEAR ENDED 31 MARCH 2006

	2005/06	2004/05
£000	£000	£000
<b>Reconciliation of net movement in funds to net cash inflow from operating activities</b>		
Net movement in funds inflow	37,474	36,280
Depreciation	17,120	12,439
Loss on asset disposals	–	38
Realised (gain) on investments	(337)	(440)
Unrealised (gain) on investments	(764)	(360)
MHCA adjustment net	(35,119)	(4,295)
Revaluation of Property	–	(35,357)
Provision for liabilities and charges	1,827	717
(Increase)/decrease in stocks	(97)	160
(Increase)/decrease in debtors	(4,221)	4,544
Increase in creditors	5,663	61
<b>Net cash inflow from operating activities</b>	<b>21,546</b>	<b>13,787</b>
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	–	(49)
Purchase of tangible fixed assets	(10,463)	(8,484)
Purchase of investments	(5,265)	(4,757)
Assets in Lieu of Tax	(175)	–
Donation of investments	–	(1,580)
Receipts from sale of tangible fixed assets	3	3
Receipts from sales of investments	3,630	4,656
<b>Net cash outflow from capital expenditure</b>	<b>(12,270)</b>	<b>(10,211)</b>
<b>Increase in cash in the year</b>	<b>9,276</b>	<b>3,576</b>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the year	9,276	3,576
Net funds as at 1 April	24,712	21,136
<b>Net funds as at 31 March</b>	<b>33,988</b>	<b>24,712</b>

Net funds comprise cash at bank, cash in hand and short-term deposits

# Notes to the Accounts

## 1 Accounting policies

### A) ACCOUNTING CONVENTION

The Accounts have been prepared in accordance with the accounts direction given by the Secretary of State for Culture, Media and Sport with the approval of the Treasury, in accordance with Section 5(3) of the British Library Act 1972. A copy of the accounts direction can be obtained from The British Library, 96 Euston Road, London NW1 2DB.

Accordingly, the Accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings and take account of the Statement of Recommended Practice *Accounting and Reporting by Charities*, issued March 2005, (the SORP), the Charities Act 1993, the Charities (Accounting and Reports) Regulations 2005, the Financial Reporting Manual 2005 and generally accepted accounting practice so far as considered appropriate or as modified by Treasury guidance.

Comparative figures in the financial statements and relevant notes have been restated to take account of the revised disclosure requirements of SORP 2005.

In addition, modified historic cost accounting has been utilised to more fairly represent the current cost of the Library's most significant assets, where the comparison with historic values shows a material difference.

### B) INCOMING RESOURCES

Grant in aid received from the DCMS is allocated to unrestricted funds in the year to which it relates.

Trading income is recorded on an accruals basis and is shown net of Value Added Tax.

Donations are included in the Statement of Financial Activities on a cash received basis, or where they are assured with certainty and receivable by the Balance Sheet date.

Investment income relates to interest received on daily bank balances and dividends from the Fixed Asset Investments. These are recorded on an accruals basis.

### C) TAXATION

The British Library has no sources of income liable to corporation tax and no provision has therefore been made.

### D) VALUATIONS

In line with Government Accounting, regular professional valuations of land and property are required to be carried out, having regard to the importance of the estate to the operation of the department, but in any event, at least once in every five years. Such a valuation was undertaken as at 31 March 2005 for St Pancras, with the other two freehold properties having been revalued as at 31 March 2004.

### E) FIXED ASSETS

The threshold for capitalising assets is £10,000.

In accordance with the Financial Reporting Manual additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet under Heritage Assets. The cost or value of the acquisition is used, where such a cost or valuation is reasonably obtainable. Such items are not depreciated or revalued. Collection items with values below the capitalisation threshold are written off when the expenditure is incurred.

Depreciation is provided on all intangible and tangible fixed assets costing £10,000 and above, other than freehold land and collection items. Depreciation rates are calculated to write off the cost or valuation of each asset, less estimated residual value, evenly over its expected useful life, as follows:

#### Freehold buildings

Over the remaining useful life as at the valuation date, up to a maximum of 50 years.

#### Leasehold buildings

Over the lease term, up to a maximum of 25 years.

#### Plant and machinery, office and computer equipment

3 to 20 years

#### Motor vehicles

4 years

#### Assets in the Course of Construction

No depreciation is charged, until the building is operational and supporting the activities of the Library.

#### Intangible/Licences

3 to 10 years

### F) GOVERNMENT GRANT

Grant in aid from the Department for Culture, Media and Sport is allocated to general purposes and is taken to the Statement of Financial Activities and recognised in the appropriate period.

### G) STOCKS

Stocks are stated at the lower of cost or net realisable value. Provision is made against slow-moving and obsolete stock. Any stocks of consumables held are considered written off at the time of purchase.

Stocks held in respect of book-binding activities are recorded at cost. As this stock is not of a general nature it would not be cost effective to test the realisable value in determining which provides the lower valuation.

### H) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end, unless a corresponding forward exchange contract is in place. Transactions in foreign currencies are translated at the rate ruling at the time of the transaction. All exchange differences are taken to the Statement of Financial Activities.

### I) OPERATING LEASES

Costs relating to operating leases are charged to the income and expenditure account over the life of the lease.

### J) FUND ACCOUNTING

General funds are available for use at the discretion of the Board in furtherance of the general objectives of the Library.

Restricted funds are resources subject to specific restrictions imposed by donors or by the purpose of the appeal.

### K) RESERVES

The Library does not hold accumulated surpluses in the form of reserves. Grant in aid funding is provided on an annual basis and is drawn down according to forecasted spending patterns.

Any funds arising from an excess of income over expenditure are fully earmarked in the purchase of fixed assets or are fully earmarked to meet commitments in future years.

### L) NOTIONAL COSTS

In accordance with Treasury guidance a notional cost of capital of 3.5% is charged to the Statement of Financial Activities (SOFA) in arriving at a net incoming/(outgoing) resources figure.

## 2 Donations

	2005/06 £000	2004/05 £000
Bequest to the Eccles fund	3,506	1,580
Grants received from 'New Opportunities Fund'	–	1,269
Other donations	7,157	3,550
<b>Total donations</b>	<b>10,663</b>	<b>6,399</b>

## 3 Trading income

Trading income includes document supply services and associated activities, computer information search and retrieval and publications. Trading income can be further analysed by both business and geographical segments.

### A) CLASSES OF BUSINESS

	2005/06 £000	2004/05 £000
Access to Collection	16,501	16,885
Wider Public Access	3,241	3,199
Reference/Information Services	290	270
Bibliographic Services	2,333	2,300
Other	1,944	1,866
	<b>24,309</b>	<b>24,520</b>

### B) GEOGRAPHICAL SEGMENTS

	2005/06 £000	2004/05 £000
United Kingdom	14,225	14,888
Overseas	10,084	9,632
	<b>24,309</b>	<b>24,520</b>

## 4 Investment income

	2005/06 £000	2004/05 £000
Interest receivable	1,536	1,404
Dividends receivable	234	182
<b>Total interest</b>	<b>1,770</b>	<b>1,586</b>

# Notes to the accounts continued

## 5 Other incoming resources

### Grant in aid

Total Grant in aid drawn down by the British Library Board was £97.6m, with £9.1m being allocated for capital projects/improvements (£88.5m received in 2004/05, £7.1m re capital), this included £3.4m for restructuring programmes. This money is available for running costs, capital improvements and collection purchases.

### Other income

During the year the Library submitted a successful appeal to HM Revenue and Customs under section 33A VATA 1994 which resulted in the Library being able to reclaim more of its input VAT. The appeal was backdated to 1 April 2001 and resulted in the Library receiving a VAT refund of £2,602,659.

## 6 Net cost of resources expended

	Staff Costs	Other Direct Costs	Depreciation	Income	Allocated Support Cost	2005/06 Net Cost <sup>1</sup>	2004/05 Net Cost restated
	£000	£000	£000	£000	£000	£000	£000
<b>Direct Costs</b>							
Costs of generating funds	418	134	–	–	–	552	441
Investment Management Fees	–	29	–	–	–	29	40
Collection management	14,420	4,111	41	(1,380)	10,436	27,628	28,098
Collection development	1,728	14,536	–	(453)	10,038	25,849	25,785
Access to collection	19,885	2,933	534	(16,542)	13,368	20,178	19,384
Wider public access	3,098	2,726	20	(5,128)	2,362	3,078	2,798
Bibliographic services	647	794	–	(2,333)	813	(79)	(113)
Reference/information services	2,931	175	–	(289)	1,733	4,550	4,462
Leadership, partnership, and co-operation	1,784	1,140	–	(5,047)	1,083	(1,040)	1,322
Governance Costs <sup>2</sup>	158	501	–	–	–	659	908
	<b>45,069</b>	<b>27,079</b>	<b>595</b>	<b>(31,172)</b>	<b>39,833</b>	<b>81,404</b>	<b>83,125</b>
<b>Support Costs</b>							
Information systems	4,882	2,980	909	(69)	(8,702)	–	–
Corporate services	12,739	17,370	714	(8,050)	(22,773)	–	–
Directorate costs	7,638	775	–	(55)	(8,358)	–	–
	<b>70,328</b>	<b>48,204</b>	<b>2,218</b>	<b>(39,346)</b>	<b>–</b>	<b>81,404</b>	<b>83,125</b>

The categories used in 2005/06 have been based on the Library's strategic objectives. When costs cannot be directly attributed to one of the Library's objectives, they have been allocated to activities on a basis consistent with the use of resources. The support costs have been allocated using the overhead allocation model in place within the British Library. The model allocates the costs based on usage and percentage expenditure incurred in directly undertaking an activity.

In accordance with HM Treasury disclosure requirements, in respect of fees and charges, the above table identifies the net cost of the Library's activities, which is derived by deducting trading, donated and investment income from total expenditure. This segmental information is not disclosed for the purpose of SSAP 25.

<sup>1</sup> Net cost is calculated by deducting trading, donated and investment income from total expenditure.

<sup>2</sup> Governance costs includes the costs of Board Membership fees, legal fees, internal and external audit fees and staff costs associated with the preparation of the statutory accounts.

## A) STAFF COSTS

	BL Staff £000	Other £000	2005/06 Total £000	2004/05 £000
Wages and salaries	49,266	1,780	51,046	51,098
Social security costs	3,472	–	3,472	3,612
Pension disbursements	8,153	–	8,153	6,105
<b>Voluntary redundancy/restructuring programme for former employees</b>				
Current year costs	3,679	–	3,679	1,224
Release of provision	(3,637)	–	(3,637)	(1,330)
Provision for future costs	7,329	–	7,329	2,883
	68,262	1,780	70,042	63,592
Board Members' remuneration	286	–	286	303
<b>see (i) on page 58</b>	<b>68,548</b>	<b>1,780</b>	<b>70,328</b>	<b>63,895</b>

Staff of the British Library are eligible to become a member of one of the Principal Civil Service Pension Schemes (PCSPS), these being pension schemes that provide retirement and related benefits to all eligible employees. Pension benefits are provided on a final salary basis, at a normal retirement age of 60. Benefits accrue, depending upon the pension scheme chosen, at the rate of one sixtieth or one eightieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% or 3.5% of pensionable earnings, depending upon the respective scheme the member is in.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the beneficiary receives a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the case of serious ill health.

All staff pay either 1.5 or 3.5% of pensionable earnings to the PCSPS. The rate of 3.5% applies to staff who joined on or after 1 October 2002 and existing staff who have opted for the Premium or Classic Plus pensions, rather than the Classic pension.

The PCSPS is an unfunded multi-employer defined benefit scheme but the British Library is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office:

Civil Superannuation  
([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

Pension disbursements relate to:

- the Accruing Superannuation Liability Contributions payable to the Principal Civil Service Pension Scheme in respect of existing eligible employees;
- compensation lump sums, service enhancements and annual compensation payments in respect of employees who were retired early under the terms of PCSPS.

For 2005/06, employers' contributions of £8,127,137 were payable to PCSPS (2004/05: £6,059,565) at one of four rates in the range 16 to 25.6% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full valuation. The rates will increase from 2006/07, to between 17.1 to 26.5%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions are paid to one of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirements of these employees.

# Notes to the accounts continued

## 6 Net cost of resources expended continued

### i) BOARD MEMBERS' REMUNERATION

	2005/06 £000	2004/05 £000
Fees and salaries	261	276
Other emoluments	25	27
	<b>286</b>	<b>303</b>

### REMUNERATION FOR NON-PENSIONABLE BOARD MEMBERS

	2005/06 £000	2004/05 £000
Sir Henry Boyd-Carpenter KCVO	8.3	8.3
Robin Broadhurst CBE	8.3	8.3
Professor Robert G Burgess	8.3	8.3
Sheila Forbes CBE	8.3	8.3
Duncan Lewis	8.3	8.3
Sir Colin Lucas	8.3	8.3
Eileen Mackay CB	8.3	8.3
Simon Olswang	8.3	8.3
Dr Gareth W Roberts	8.3	8.3
	<b>74.7</b>	<b>74.7</b>

No pension contributions were made on behalf of the above Board Members in the year.  
During the year a total of £7,500 has been paid to six Board members for travel expenses.

The remuneration paid and pension entitlements of the Executive Team and the Chairman, were as follows:

		Remuneration paid £000	Real increase in pension at 60 £000	Total accrued pension at 60 as at 31 March 2006 £000	Cash Equivalent Transfer Value		
					As at 1 April 2005 £000	As at 31 March 2006 £000	Real increase in year £000
Lord Eatwell, Chairman	2005/06	30 – 35	0 – 2.5	2.5 – 5	35	49	9
	2004/05	30 – 35					
Mrs Lynne Brindley, Chief Executive	2005/06	150 – 155	2.5 – 5	50 – 52.5 Plus lump sum of 132.5 – 135	863	1124	55
	2004/05	165 – 170					
Richard Boulderstone, Director	2005/06	100 – 105	2.5 – 5	12.5 – 15	117	187	22
	2004/05	100 – 105					
Mary Canavan, Director	2005/06	90 – 95	0 – 2.5	37.5 – 40	32	614	33
	2004/05	90 – 95					
Clive Field, Director	2005/06	95 – 100	0 – 2.5	35 – 37.5 Plus lump sum of 107.5 – 110	569	734	29
	2004/05	100 – 105					
Jill Finney, Director	2005/06	100 – 105	0 – 2.5	7.5 – 10	73	121	21
	2004/05	105 – 110					
Steve Morris, Director (from 9/1/06)	2005/06	25 – 30	0 – 2.5	0 – 2.5	–	5	5
Robert Kirton, Interim Director (from 1/11/04 to 31/1/06)	2005/06	95 – 100	0 – 2.5	25 – 27.5	8	414	50
	2004/05	35 – 40					
Natalie Ceeney <sup>3</sup> , Director (to 20/11/05)	2005/06	65 – 70					
	2004/05	115 – 120					

The cash equivalent transfer value (CETV) is a new additional disclosure requirement resulting from *The Directors' Remuneration Report Regulations 2002*. The CETV is the actuarially assessed capitalised value of the pension schemes benefits accumulated by a member at a particular point in time.

<sup>3</sup> There are no pension details shown for Natalie Ceeney as she chose to opt out of the Library scheme.

ii) SENIOR EMPLOYEES

The following number of employees, excluding the executive team, members of the British Library Board and the Chairman, received remuneration falling within the following ranges:

	2005/06	2004/05
	No.	No.
£60,001 – £70,000	16	11
£70,001 – £80,000	4	3

In accordance with the SORP 2005, for 2005/06 emoluments are reported in bands from £60,000.

The average full time equivalent (FTE) staff during the year was:

	Staff directly employed by the British Library	Others	2005/06 Total (FTE)	2004/05 Total (FTE)
Chief Executive's Office	4	–	4	4
e-Strategy and Programmes	110	4	114	99
Finance and Corporate Resources	233	18	251	261
Human Resources	30	6	36	36
Operations and Services	882	9	891	968
Redeployment Pool	–	–	–	16
Scholarship and Collections	740	5	745	772
Strategic Marketing and Communications	96	3	99	96
	<b>2,095</b>	<b>45</b>	<b>2,140</b>	<b>2,252</b>

B) OTHER DIRECT COSTS

	2005/06	2004/05
	£000	£000
Acquisitions for the collections	14,433	13,909
Research and other grants	–	51
Conservation and binding services	2,919	2,463
Administration, equipment, supplies and services	30,347	31,284
Non-recoverable VAT (net)	505	1,101
Loss on disposal of fixed assets	–	36
	<b>48,204</b>	<b>48,844</b>

The above table is exclusive of staff costs.

# Notes to the accounts continued

## 7 Depreciation on St Pancras assets

Due to the significant amount involved, depreciation on the total value of assets transferred in December 1997 from the Department for Culture, Media and Sport, for no consideration, is shown separately in the Statement of Financial Activities. This amount represents a full year's depreciation.

## 8 Notional cost of capital

Notional cost of capital is calculated as 3.5% of the average capital employed in the year, excluding collection assets purchased and donated and is required by the Financial Reporting Manual.

## 9 Resources expended

This is stated after charging:

	2005/06	2004/05
	£000	£000
Auditors' remuneration	49	48
Rent on land and buildings	1,424	1,359
Lease/rental payments on equipment	407	272
Depreciation on Intangible assets	370	390
Depreciation on St Pancras assets	14,902	9,548
Depreciation on other fixed assets	1,848	2,501

## 10 Intangible assets

	Licences 2005/06	Licences 2004/05
	£000	£000
<b>Cost</b>		
At 1 April	1,182	1,133
Additions	–	49
Disposals	–	–
At 31 March	1,182	1,182
<b>Depreciation</b>		
At 1 April	707	317
Charge for year	370	390
At 31 March	1,077	707
<b>Net book value at 31 March</b>	<b>105</b>	<b>475</b>

All intangible assets have been valued on the basis of purchase price. The assets are all depreciated over a period of three years which is consistent with the IT equipment that the licence supports.

## 11 Tangible fixed assets

### A) MOVEMENTS

	Land and Buildings £000	Plant and Machinery £000	Office Equipment £000	Motor Vehicles £000	Computer Equipment £000	AICC £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2005	374,356	135,151	11,305	83	6,824	2,407	530,126
Additions	–	2,090	–	47	169	6,800	9,106
(MHCA) adjustment	30,099	6,297	93	–	–	–	36,489
Disposals	–	(70)	(433)	(15)	(94)	–	(612)
At 31 March 2006	404,455	143,468	10,965	115	6,899	9,207	575,109
<b>Depreciation</b>							
At 1 April 2005	1,724	26,314	10,455	65	4,189	–	42,747
Charge for year							
– St Pancras assets	5,521	9,136	49	–	196	–	14,902
– Other assets	553	507	21	12	755	–	1,848
MHCA adjustment	536	702	132	–	–	–	1,370
Elimination on disposal	–	(70)	(433)	(15)	(94)	–	(612)
At 31 March 2006	8,334	36,589	10,224	62	5,046	–	60,255
<b>At 31 March 2006</b>	<b>396,121</b>	<b>106,879</b>	<b>741</b>	<b>53</b>	<b>1,853</b>	<b>9,207</b>	<b>514,854</b>
At 31 March 2005	372,632	108,837	850	18	2,635	2,407	487,379

Assets in the Course of Construction (AICC) represent work on the design and build of two separate building projects, being the Centre for Conservation at St Pancras and the Additional Storage Programme at Boston Spa.

### B) VALUATIONS

The land and buildings as at 31 March 2006 include two properties valued at £31,720,000 on 31 March 2004 and one building, St Pancras, valued at £441,660,000 (including £102.7m of mechanical equipment that has been classified as Plant and Machinery) on 31 March 2005, for which title has been vested in the British Library Board.

Site		Land £000	Buildings £000	Totals £000
St Pancras	Freehold	63,000	378,660	441,660
Boston Spa	Freehold	4,000	22,200	26,200
Colindale Avenue	Freehold	2,425	3,095	5,520
		<b>69,425</b>	<b>403,955</b>	<b>473,380</b>

The St Pancras site was valued as at 31 March 2005 by Drivers Jonas, Chartered Surveyors, using the 'Depreciated Replacement Cost' basis of valuation.

The Boston Spa and Colindale sites were revalued as at 31 March 2004 by Drivers Jonas, using the 'Worth for Existing Use' basis of valuation.

The methodology of valuing properties is in line with HM Treasury and DCMS guidance to Non-Departmental Public Bodies.

# Notes to the accounts continued

## 12 Heritage assets

	Collections purchased £000	Collections donated £000	Total £000
<b>Heritage assets</b>			
Cost or valuation at 1 April 2005	5,348	206	5,554
Additions	1,356	175	1,531
Disposals			
<b>At 31 March 2006</b>	<b>6,704</b>	<b>381</b>	<b>7,085</b>

In accordance with the FREM additions to the collection acquired/donated since 1 April 2001 are capitalised and recognised in the balance sheet under Heritage assets. Heritage Assets are items held by the Library for preservation and conservation purposes and do not attract any depreciation as they have an infinite life.

Donated assets are valued using an independent valuation.

## 13 Investments

	2005/06 £000	2004/05 £000
Market Value at 1 April	6,561	4,080
Purchases at Cost	5,265	4,757
Disposals at Book Value	(3,293)	(4,216)
Gifted Investments	-	1,580
Increase in Market Value	764	360
<b>Market Value at 31 March</b>	<b>9,297</b>	<b>6,561</b>
Historical Cost at 31 March	8,002	6,019
<b>Analysed by</b>	<b>£000</b>	<b>£000</b>
Fixed Interest Securities	4,851	1,503
Listed UK Securities	4,061	4,868
Listed Overseas Securities	385	190
<b>Market Value as at 31 March</b>	<b>9,297</b>	<b>6,561</b>
Geographical Analysis		
United Kingdom Investments	8,912	6,371
Overseas Investments	385	190
	<b>9,297</b>	<b>6,561</b>

Investments are only held for the purpose of the Library's restricted funds, with their aim to achieve an appropriate balance between income generation and capital growth particular to the fund.

## 14 Financial instruments

FRS 13 'Derivatives and other financial instruments', requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Library faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months of the balance sheet, have been omitted from this note.

### LIQUIDITY RISK

Apart from Grant in aid, the Library's other major source of income is from Document Supply Services. Remote document supply is demand-led and due to competition from other providers and an increase in the availability of electronic media from publishers, the income from this service has continued to decline. Efforts to maintain the viability of the service at the gross contribution level will continue. We are also actively exploring new income sources for the Library.

### INTEREST RATE RISK

The Library has financial investments which are identified in the following table. In addition, the Library budgets conservatively for investment income and is therefore not exposed to significant interest rate risk.

## INVESTMENT INCOME PROFILE

The following table shows the interest rate profile of the Library's financial assets. As the Library has no finance leases or loans, financial liabilities have been omitted from this table.

	2005/06			Total £000	2004/05 Total £000
	Floating Rate £000	Fixed Rate £000	Listed Securities £000		
	Sterling	33,187	4,851		
Dollar	437	–	–	437	775
Euro	314	–	–	314	149
Yen	50	–	–	50	40
<b>Total</b>	<b>33,988</b>	<b>4,851</b>	<b>4,446</b>	<b>43,285</b>	<b>31,274</b>

## FOREIGN CURRENCY RISK

The British Library has an international customer and supplier base. Accordingly, the Library both receives and makes payment for goods and services in a number of foreign currencies.

As part of the Library's Treasury Management Strategy, the risk of fluctuations in currency values is minimised through a variety of policies including currency accounts and forward exchange.

Foreign currency balances are reviewed on a regular basis and these are either recycled to meet the Library's immediate foreign payment commitments or, they are translated into sterling and returned to the Library's interest-bearing Sterling bank account.

## 15 Stocks

	2005/06 £000	2004/05 £000
Stocks for resale	680	570
Raw Materials	296	309
<b>Total Stocks</b>	<b>976</b>	<b>879</b>

Stocks for resale comprise printed, microfiche and CD-Rom publications and are available from the British Library Shop and Library website.

## 16 Debtors and prepayments

	2005/06 £000	2004/05 £000
<b>Amounts falling due within one year</b>		
Trade debtors	3,440	3,552
Other debtors	1,712	1,454
Prepayments and accrued income	4,900	825
	<b>10,052</b>	<b>5,831</b>

For the purpose of the Whole of Government Accounts (WGA), there are no material debtors.

## 17 Cash at bank and in hand

	2005/06 £000	2004/05 £000
Restricted fund	15,530	10,083
Customer deposit accounts	4,400	4,345
Cash balances	13	19
General fund	14,035	10,257
	<b>33,978</b>	<b>24,704</b>

Customer deposit account balances represent payments from customers in advance of supply of goods/services.

# Notes to the accounts continued

## 18 Creditors

	2005/06 £000	2004/05 £000
<b>Amounts falling due within one year</b>		
Trade creditors	5,492	4,729
Other creditors	3,897	3,625
Accruals	7,293	4,513
Deferred income	277	292
Provisions due within one year	3,405	1,541
	<b>20,364</b>	<b>14,700</b>

For the purpose of the Whole of Government Accounts (WGA), there are no material creditors.

## 19 Statement of funds

	As at 1 April 2005 £000	Transfers To/(From) £000	Expenditure £000	Incoming Resources £000	Realised and Unrealised Gains and Losses £000	As at 31 March 2006 £000
<b>Unrestricted funds</b>						
General Funds	497,578	218	131,180	160,160	–	526,776
Donated Asset Reserve	206	–	–	175	–	381
<b>Total unrestricted funds</b>	<b>497,784</b>	<b>218</b>	<b>131,180</b>	<b>160,335</b>	<b>–</b>	<b>527,157</b>
<b>Restricted funds</b>						
Eccles	3,343	–	43	3,713	662	7,675
Shaw Fund	4,536	–	–	294	–	4,830
Sound Archive	2,703	–	3	123	74	2,897
Centre for Conservation	452	–	295	2,189	–	2,346
Dingwall No. 2	788	–	12	29	195	1,000
JISC: British Newspapers	647	(206)	337	523	–	627
C & P Restricted Fund	18	–	–	396	–	414
Membership/General Donations	147	(59)	–	284	–	372
Chinese Central Asia Database	303	7	370	380	–	320
Consolidated Endowment	348	–	112	62	7	305
Sir Henry Thomas	225	–	2	8	55	286
Endangered Archives	12	–	573	763	–	202
European Co-operation Fund	48	111	–	3	–	162
Codex Sinaiticus	4	–	4	151	–	151
Workshop Gallery	184	–	46	7	–	145
T.S. Blakeney	116	–	1	4	25	144
Special Exhibitions	132	–	–	8	–	140
Anthony Panizzi Foundation	114	–	4	3	25	138
JISC: Archival Sound Recordings	205	(1)	473	402	–	133
Treasures Gallery	293	(1)	190	29	–	131
Web Archive Consortium	122	–	19	5	–	108
Co-operation and Partnership	106	–	29	24	–	101
Folio Society Gallery	–	–	–	100	–	100
Turning the Pages	120	–	147	122	–	95
North American Collections	85	–	–	4	–	89
Three Faiths exhibition	–	(2)	85	175	–	88
Cataloguing Projects Fund	59	–	34	60	–	85
National Preservation Office	75	48	161	118	–	80
Sir Adrian Boulton	64	–	–	3	9	76
Collections Fund	69	–	11	16	–	74
Bridgewater Fund	58	–	–	2	14	74
Pearson Gallery	122	–	296	247	–	73
Warwick Festivals	67	–	–	3	–	70
Fitzgerald Airmail Fund	53	–	–	2	13	68
Others	828	(113)	313	324	22	748
<b>Total restricted funds</b>	<b>16,446</b>	<b>(216)</b>	<b>3,560</b>	<b>10,576</b>	<b>1,101</b>	<b>24,347</b>
Other (deficit funds)	50	(2)	1,242	1,114	–	(80)
Transfer to general funds	–	–	(330)	–	–	330
<b>Total funds</b>	<b>514,280</b>	<b>–</b>	<b>135,652</b>	<b>172,025</b>	<b>1,101</b>	<b>551,754</b>

## 19 Statement of funds *continued*

Restricted funds are given to the Library for specific purchases for the collection or projects, which are related to the aims and objectives of the Library. All the funds with balances of over £50,000 at 31 March 2006 are listed above, with a brief description as to the aims of the fund shown below, 'Other' restricted funds comprise individual amounts less than £50,000.

The restricted funds in deficit at the year end represent 11 funds for which due to the administration restrictions of these funds costs are expended first and then reclaimed from the external funding organisations. All future income streams should more than cover the shortfall and future costs involved in the projects.

Included within the Restricted Fund expenditure are costs in relation to the purchase of fixed assets. These assets have been transferred from the restricted funds reserve to the unrestricted general fund.

### THE DAVID AND MARY ECCLES CENTRE FOR AMERICAN STUDIES

Founded by the late Viscount and Viscountess Eccles, to further the establishment of a Centre for American Studies. A bequest from the Estate of Lady Eccles for £3.5m was received on 4 October 2005.

### SHAW FUND

Established by a Charity Commission order dated 13 September 2000, with the income being available for the general purpose of the British Library Board. At a meeting in September 2003, the Board adopted the following expenditure policy for the Shaw fund income: 'To be applied as an addition to other sources of funding, for the benefit of the readership of the British Library; for the acquisition of manuscripts and other materials, to support specific projects of a scholarly or research nature, and for other similar purposes as the Board may determine'.

### SOUND ARCHIVE

For the promotion of and assistance in the study, understanding, communication and recording of sound.

### CENTRE FOR CONSERVATION

Funds raised from external sources for the British Library Centre for Conservation project.

### DINGWALL NO. 2

Founded by Dr Eric John Dingwall, for the purchase of fine editions or the subscription of foreign periodicals.

### JISC: BRITISH NEWSPAPERS 1800 – 1900

To digitise two million pages of British national, regional and local newspapers from microfilm and to offer access to that collection via a sophisticated searching and browsing interface on the web.

### C & P RESTRICTED FUND

Donations and grants to assist preservation.

### MEMBERSHIP AND GENERAL DONATIONS

A range of externally received funds, with the funds being available for the general purpose of the British Library, as decided upon by the Executive Team.

### CHINESE CENTRAL ASIA DATABASE

Contributions to support the International Dunhuang Project in its aim to catalogue, digitise and facilitate scholarly research on the Dunhuang manuscripts held by the Library and other institutions in Europe, Asia and the US.

### CONSOLIDATED ENDOWMENT ACCOUNT

Founded in 1975, the fund is to be used for any purpose approved by the Board where there has not been adequate provision made through Government grant in aid.

### SIR HENRY THOMAS

Founded in 1981 by Miss Amy Thomas, for the purchase of books relating to the culture and literature of Spain.

### ENDANGERED ARCHIVES

The programme's aim is to safeguard archival material relating to societies before modernisation or industrialisation generated institutional and record-keeping structures for the systematic preservation of historical records. Any theme or regional interest is considered, although applications concerned with non-western societies are particularly welcome.

### EC FUND: THE EUROPEAN LIBRARY

A collaboration between a number of European national libraries, to establish a professionally designed and maintained single access point to the collections of all the national library partners.

### CODEX SINAITICUS

A team of experts from the UK, Europe, Egypt, Russia and the US have joined together to reunite the Codex in virtual form. This unprecedented collaborative approach to achieve reunification involves all four of the institutions at which parts of the manuscript are held: Saint Catherine's Monastery, Sinai,

the British Library, the University of Leipzig and the National Library of Russia.

### WORKSHOP GALLERY

Sponsorship from commercial companies, used to assist the running and maintenance of the Gallery.

### TS BLAKENEY

Founded in 1977 by Thomas Sydney Blakeney, for the purchase of western manuscripts.

### SPECIAL EXHIBITIONS

Funding for future exhibitions.

### ANTHONY PANIZZI FOUNDATION

Founded in 1982 by an anonymous donor, for the advancement of public education by funding a lecture or series of lectures on the subject of advanced bibliography.

### JISC: ARCHIVAL SOUND RECORDINGS

To provide: 12,000 items totalling 3,900 hours of segmented recordings and associated images accessible to higher education and further education users over the web and a series of instructive audio-visual recordings entitled *Records and record players*.

### THE SIR JOHN RITBLAT GALLERY: TREASURES OF THE BRITISH LIBRARY

A donation from Sir J H Ritblat.

### WEB ARCHIVE CONSORTIUM

A programme to review the capability to discover and select, capture and store material relevant to the national collection published only in web form. The programme is to be developed via a series of collaborative projects with international partners.

### CO-OPERATION AND PARTNERSHIP

Used for fees in respect of advice given by British Library staff on library-related lottery applications.

### FOLIO SOCIETY GALLERY

Sponsorship for the Folio Gallery to improve Front Hall exhibitions.

# Notes to the accounts continued

## TURNING THE PAGES

To fund the development of the Turning the Pages electronic facsimile and licence to Northumberland County Council.

## NORTH AMERICAN COLLECTIONS

A fund to enable the strengthening of the resources for American studies in the British Library.

## THREE FAITHS EXHIBITION

Funding for an exhibition and related public programmes on the subject of Judaism, Christianity and Islam.

## CATALOGUING PROJECTS FUND

A collection of small projects to support scholarship and collection cataloguing activities.

## NATIONAL PRESERVATION OFFICE

Contributions to the cost of running the Office, with the aim of progressing a national preservation policy.

## SIR ADRIAN BOULT

Founded through a public appeal, for commissioning and production of recordings of musical lectures or similar functions.

## GENERAL RESTRICTED FUNDS FOR THE BRITISH LIBRARY COLLECTIONS

To support the work of Scholarship and Collections.

## BRIDGEWATER FUND

The trust was founded in 1829, by Francis Henry, Earl of Bridgewater, and is for the purchase of manuscripts for addition to the Bridgewater collection.

## PEARSON GALLERY

Sponsorship for the exhibitions programme in the Pearson Gallery.

## WARWICK FESTIVALS

A project funded by the Arts and Humanities Research Council with the University of Warwick to aid the digitisation of Renaissance Festival books in the collections of the British Library.

## FITZGERALD AIRMAIL FUND

The trust was founded in 1953 by Mrs Fitzgerald to preserve and catalogue the Fitzgerald collection of airmail stamps.

## 20 Provision for liabilities and charges

A provision has been made in full for employees leaving the organisation under early retirement or early severance terms. The provision represents the estimated future costs to the Library, for both staff that have left and staff that are known to be leaving in 2006/07.

	2005/06	2004/05
	Total	Total
At 1 April	3,952	2,399
Additional Provision	7,329	2,883
Utilisation of Provision	(3,637)	(1,330)
At 31 March	7,644	3,952
Less: portion included in creditors due within one year	(3,405)	(1,541)
Amounts falling due after one year	4,239	2,411

## 21 Commitments under operating leases

	Land and Buildings		Equipment	
	2005/06 £000	2004/05 £000	2005/06 £000	2004/05 £000
<b>Operating Leases which expire</b>				
Within one year	157	–	39	53
Two to five years	317	457	33	41
More than five years	901	901	–	–
	1,375	1,358	72	94

## 22 Analysis of net assets between funds

	Unrestricted Funds £000	Restricted Funds £000	Total £000
<b>Fund balances at 31 March 2006 are represented by</b>			
Intangible fixed assets	105	–	105
Tangible fixed assets	521,939	–	521,939
Investments	–	9,297	9,297
Current assets	29,467	15,549	45,016
Current liabilities	(19,785)	(579)	(20,364)
Non-current liabilities	(4,239)	–	(4,239)
<b>Total net assets</b>	<b>527,487</b>	<b>24,267</b>	<b>551,754</b>

## 23 Capital commitments

	2005/06 £000	2004/05 £000
Contracted and not provided for	10,591	1,678
Authorised, but not contracted for	22,105	22,009

The capital commitment figures include the contracted and authorised costs for the two buildings in the course of construction, the Centre for Conservation at St Pancras and the Additional Storage Programme at Boston Spa.

## 24 Endowment fund and Trust funds

The British Library Board do not act as Trustees for the Gilson and Saga Trusts, however because of the shared management and close relationship to the Library the aggregated results for these funds are shown in table below:

	2005/06 £000	2004/05 £000
Income	12	29
Expenditure	(16)	(5)
Unrealised gains on investments	27	11
<b>Surplus/(deficit) for the year</b>	<b>23</b>	<b>35</b>
Investments	309	283
Short Term Deposits	4	4
Net Debtors	1	20
Cash at Bank	40	24
<b>Net Assets</b>	<b>354</b>	<b>331</b>

## 25 Related party transactions

The British Library is a Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport.

The Department for Culture, Media and Sport is regarded as a related party. During the year the Library has had a number of transactions in the normal course of business and at full arm's length with the Department.

The Library has also had a number of transactions in the normal course of business and at full arm's length with most of the DCMS sponsored bodies.

- It loaned material to the National Portrait Gallery, the British Museum, the National Maritime Museum, the Victoria and Albert Museum, the Royal Armouries, the Tate Modern, the Horniman Museum, the Imperial War Museum and the Wallace Collection.
- It borrowed material from the Victoria and Albert Museum, the National Portrait Gallery and the British Museum.

During the year a number of Board members have contributed to the Adopt a Book appeal.

The Library sets aside space for the Friends of the British Library to undertake some of their duties, however there is no direct financial support from the Library to the Friends of the British Library.

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