

<b>Contents</b>	
Trustees Annual Report 2006/07	<b>39</b>
Financial Overview	
Remuneration Report	<b>42</b>
Statement of Board and Accounting	<b>43</b>
Officer's Responsibilities	
Statement of the system of internal control 2006/07	<b>44</b>
Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament	<b>47</b>
Statement of financial activities	<b>49</b>
Balance sheet	<b>50</b>
Cash flow statement	<b>51</b>
Notes to the accounts	<b>52</b>

## Trustees Annual Report 2006/07 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 is a Non Departmental Public Body (NPDB) sponsored by the Department for Culture, Media and Sport and 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 2006 and 31 March 2007 are as published on page 32.

### ACCOUNTING CONVENTIONS

The basis on which the accounts have been prepared is stated on page 52 at note 1a.

### FINANCIAL RESULTS

The Accounts provide a Statement of the Financial Activities (SOFA) of the Board during the year ended 31 March 2007. 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 his 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 2006/07 was £159.2 million, of which £102.6 million (64%) was Grant in Aid (GIA) from the Department for Culture, Media and Sport. £90.5 million of this was revenue Grant in Aid, with the balance of £12.1 million for capital programmes. The Department holds £15.2 million (£7.4 million capital, £7.8 million operational) of funding from previous years under 'End Year Flexibility' rules.

Income from provision of services was £22.8 million (£24.3 million 2005/06). Document Supply, the Library's principal source of commercial revenue, continued to decline in a competitive and fast changing marketplace and in addition, we experienced a downturn in our licensing and publishing revenues. However, stronger than anticipated revenue performances in our digitisation (£1.2 million) and imaging services however helped to offset the full impact of this decline. The overall position was also balanced by continued improvement in our terms of supply and strict management of operational costs, the net result year on year being an improvement in contribution from our trading activities.

The Library maintained its efficiency programmes in line with the recommendations of the Gershon Review into public sector efficiencies, and has continued to exceed savings targets. In consequence, net expenditure on support activities fell from £45.4 million in 2005/06 to £43.5 million (restated) in 2006/07. Two major building programmes passed significant landmarks, with the opening of the British Library Conservation Centre in St Pancras and building work beginning on the Additional Storage Programme facility at Boston Spa. The Library has continued to invest heavily in building its infrastructure to ingest, hold and provide access to digital material. The London in Maps exhibition proved to be one of the most popular and successful exhibitions yet staged by the Library. Reading room usage has continued to grow and further steps taken to increase efficiency to handle the extra demand. The Library's internet presence has continued to grow rapidly, with total page hits on the British Library website in excess of 60 million, an increase of 25% from the previous year. This resulted in over 25 million searches of the online catalogue and nearly 15 million pages of digitised material being viewed on the Library website.

# Trustees Annual Report 2006/07

## Financial Overview continued

Revenue expenditure on acquisitions for the collections was £15.3 million (£14.4 million 2005/06), and capital expenditure £3.8 million (£1.4 million 2005/06).

There was a net increase in the movement of funds after revaluation in the year of £40.3 million. This was an increase of £42.4 million on the unrestricted funds and an decrease of £2.1 million on the restricted funds. The excess of income over expenditure of £39.4 million, before St Pancras depreciation, notional costs and transfers between funds, was principally a consequence of the fixed assets purchased during the year of £19 million and the receipt of donated heritage assets of £21.3 million.

### RESERVES

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves appropriate to the scale, complexity and risk profile of the Library.

Although Grant in Aid accounts for around 64% of the Library's income, which provides limited exposure to liquidity risk, the remainder of operational costs must be financed by self-generated income, which is volatile. The risk is managed through the Library's policy of ensuring that the level of reserves provides a comfort level for shortfall in income and to underpin cashflow and budgetary risks particularly arising from capital expenditure projects.

Although the Library's total reserves at 31 March 2007 are shown as £592 million on its balance sheet, all but £5 million is tied up in restricted funds, buildings, plant and fixtures. None of which can be used for other purposes.

### 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 2007, 89% of invoices were paid within 30 days (89% 2005/06). Compliance in this matter is in accordance with the Better Payment Practice Code.

### BANKERS, EXTERNAL AUDITORS, SOLICITORS AND INVESTMENT MANAGERS

The following organisations were the Library's principal suppliers of professional financial, legal and investment services during 2006/07:

Lloyds TSB plc  
39 Threadneedle Street  
London  
EC2R 8AU

Treasury Solicitor  
1 Kemble Street  
London  
WC2B 4TS

Comptroller and Auditor General  
National Audit Office  
157 – 197 Buckingham Palace Road  
London  
SW1W 9SP

Legal and General Investment Manager Ltd  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8NH

### INVESTMENTS

Legal and General were appointed as the Trust Fund investment manager in November 2006 taking over from J.P. Morgan (formerly Fleming Private Asset Management). Average yield in 2006/07 was 3.4%. A Board Investment Committee was established to give oversight to the Library's investment portfolios, holding its inaugural meeting in March 2007.

### EQUAL OPPORTUNITIES

The British Library Board is an equal opportunities employer and is committed to promoting diversity. A full time Diversity Manager is 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 34 employees employed by the British Library 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 Disability Discrimination Act (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 20 to 23.

### RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed on page 66 at note 24.

### CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

A Statement on Internal Control is included on pages 44 to 46 and the Library has achieved full compliance in this respect, as at March 2007.

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.



SIR COLIN LUCAS  
CHAIRMAN  
25 JUNE 2007



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
25 JUNE 2007

# 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 (until 31.8.2006)  
Sir Colin Lucas (from 1.9.2006)  
Professor Bob Burgess  
Duncan Lewis (until 25.6.2006)  
Vacancy (from 26.6.2006)  
In attendance: Mary Canavan (Secretary)  
Director of Human Resources  
Lynne Brindley (Chief Executive)

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 £24,000 based on the achievement of four corporate key performance objectives.

In addition they are also eligible for a share of an additional discretionary sum of £6,000 if the Remuneration Committee considers that a high level of performance has been achieved.

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 since 1 October 2006 is age 65. However, those in post prior to 1 October 2006 have a contractual right to retire at age 60, should they so choose. 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 April 2006 to 31 October 2006 totalled £152,602 (this is subject to audit).

For information on pension entitlements of, and the salary paid during the year to, the Chairman and Executive Team please see note 6a(i) (page 56) in the Annual Accounts.



SIR COLIN LUCAS  
CHAIRMAN  
25 JUNE 2007



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
25 JUNE 2007

# 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 Chair 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 Chair 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*.



SIR COLIN LUCAS  
CHAIRMAN  
25 JUNE 2007



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
25 JUNE 2007

# Statement on internal control

## 1 SCOPE OF RESPONSIBILITY

In line with the responsibilities as set out above, the Chair, 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 she is personally responsible are safeguarded in accordance with the responsibilities assigned to her 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 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3 CAPACITY TO HANDLE RISK

Among the activities undertaken this year:

- The review of the Library's risk management process reported in 2005/06 further progressed with the appointment to the post of Head of Integrated Risk, encompassing health and safety, disaster planning, security and business continuity. The newly-formed Risk Team further enhanced the identification, management and mitigation of risk and continued to work with Internal Audit, HM Treasury and other external bodies to produce a more dynamic risk register.
- A Board 'Away Day' in September 2006 provided an opportunity for the Board to focus on risk. As a result, a number of initiatives were developed which helped to strengthen the understanding and management of the strategic and operational risk environment within which the Library operates.
- A further 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 impact the site.
- In conjunction with professional forensic consultants, a review of procedures was undertaken to support the Library's determination to stamp out fraud.
- The Pandemic Flu Action Team formulated an action plan to be implemented in the event of an outbreak.
- The Corporate Programme Office developed project management methodology across the organisation. A number of project health checks, gateway reviews, workshops and training programmes took place during the year.
- During the year, collection security was identified as an area of increasing risk. The Library's Collection Security Steering Group, chaired by the Director of Human Resources, continued inter alia to oversee implementation of the Collection Security Action Plan. In order to give the Board Audit Committee additional assurance that appropriate progress was being achieved against the prioritised Action Plan, Internal Audit included this within their programme of work for the year.
- 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.

## 5 REVIEW OF EFFECTIVENESS

In line with the responsibilities set out above, 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 audits the Library's financial statements and produces an annual management letter. NAO also carries 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.

# Statement on internal control continued

## 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
- the 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 (Chairman)
- Eileen Mackay CB
- Gareth Roberts

The Chief Executive, the Director of Finance & Corporate Services, and the Compliance Officer are in attendance at BAC meetings, 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 Head of Integrated Risk, the Compliance Officer, 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.



SIR COLIN LUCAS  
CHAIRMAN  
25 JUNE 2007



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
25 JUNE 2007

# The 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 2007 under the British Library Act 1972. These comprise 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. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

## RESPECTIVE RESPONSIBILITIES OF THE BOARD, CHIEF EXECUTIVE AND AUDITOR

The Board and the Chief Executive, as Accounting Officer, are responsible for preparing the Trustees' Annual Report, the Remuneration 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 for 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 and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the British Library Act 1972 and directions made thereunder by the Secretary of State for the Department for Culture, Media and Sport with the approval of the Treasury. I report to you whether, in my opinion, certain information given in the Trustees' Annual Report and Remuneration Report is consistent with the financial statements. I also report whether in all material respects the expenditure income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you 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 internal control reflects the British Library's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by 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 and the part of the Remuneration Report to be audited.

# Statement of financial activities

## OPINIONS

### Audit 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 for Culture, Media and Sport with the approval of the Treasury, of the state of the British Library's affairs as at 31 March 2007 and of its incoming resources and application of resources 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 British Library Act 1972 and directions made thereunder by the Secretary of State for the Department for Culture, Media and Sport with the approval of the Treasury; and
- information given within the Trustees' Annual Report and Remuneration Report is consistent with the financial statements.

### Audit opinion on regularity

In my opinion, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Report

I have no observations to make on these financial statements.



JOHN BOURN  
COMPTROLLER AND  
AUDITOR GENERAL  
12 JULY 2007

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

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	Unrestricted funds	Restricted funds	Total 2006/07	Total 2005/06 Restated
		£000	£000	£000	£000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	21,336	10,543	<b>31,879</b>	10,663
Investment income	4	796	1,108	<b>1,904</b>	1,770
<b>Incoming Resources from charitable activities</b>					
Provision of services	3	22,083	685	<b>22,768</b>	24,309
<b>Other Incoming resources</b>					
Grant in Aid		102,639	–	<b>102,639</b>	97,562
Other income		–	–	<b>–</b>	2,602
<b>Total incoming resources</b>		<b>146,854</b>	<b>12,336</b>	<b>159,190</b>	<b>136,906</b>
<b>Resources expended</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income		631	–	<b>631</b>	552
Investment management costs		–	4	<b>4</b>	30
<b>Charitable activities:</b>					
Enrich the user's experience		39,688	1,693	<b>41,381</b>	44,926
Build the digital research environment		2,840	3,507	<b>6,347</b>	3,058
Transform search and navigation		6,014	19	<b>6,033</b>	5,519
Grow and manage the national collection		63,156	1,720	<b>64,876</b>	66,006
Governance costs		554	–	<b>554</b>	659
<b>Total resources expended</b>	<b>6</b>	<b>112,883</b>	<b>6,943</b>	<b>119,826</b>	<b>120,750</b>
<b>Net increase in resources before St Pancras depreciation, notional costs and transfers</b>					
Depreciation on St Pancras assets	7	(12,918)	5,393	<b>39,364</b>	16,156
Notional cost of capital	8	(19,334)	–	<b>(19,334)</b>	(14,902)
Transfer between funds	19	7,905	(7,905)	<b>–</b>	–
<b>Net (outgoing)/incoming resources after St Pancras depreciation, notional costs and transfers</b>		<b>9,624</b>	<b>(2,512)</b>	<b>7,112</b>	<b>(17,183)</b>
Reversal of notional cost of capital		19,334	–	<b>19,334</b>	18,437
<b>Net (outgoing)/incoming resources before recognised gains and losses</b>	<b>9</b>	<b>28,958</b>	<b>(2,512)</b>	<b>26,446</b>	<b>1,254</b>
<b>Other recognised gains/(losses)</b>					
Realised gain/(loss) from fixed asset investments		–	1,547	<b>1,547</b>	337
Unrealised gain/(loss)	13	–	(1,076)	<b>(1,076)</b>	764
Revaluation	11	8,814	–	<b>8,814</b>	–
Current cost adjustment	11	4,618	–	<b>4,618</b>	35,119
<b>Net movement in funds after revaluation</b>		<b>42,390</b>	<b>(2,041)</b>	<b>40,349</b>	<b>37,474</b>
<b>Reconciliation of funds</b>					
Fund balances brought forward at 1 April		527,487	24,267	<b>551,754</b>	514,280
<b>Fund balances carried forward at 31 March</b>		<b>569,877</b>	<b>22,226</b>	<b>592,103</b>	<b>551,754</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 52 to 67 form part of these accounts.

# Balance sheet

AS AT 31 MARCH 2007

	Notes	2006/07 £000	2005/06 Restated £000
<b>Fixed assets</b>			
Intangible assets	10	4	105
Tangible assets	11	532,851	514,854
Heritage assets	12	32,135	7,085
Investments	13	9,947	9,297
		<b>574,937</b>	<b>531,341</b>
<b>Current assets</b>			
Stocks	15	723	976
Debtors and prepayments	16	10,148	10,052
Short-term deposits		–	10
Cash at bank and in hand	17	28,390	33,978
		<b>39,261</b>	<b>45,016</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	(19,273)	(20,364)
		<b>19,988</b>	<b>24,652</b>
<b>Net current assets</b>			
		<b>594,925</b>	<b>555,993</b>
<b>Total assets less current liabilities</b>			
Provision for liabilities and charges	20	(2,822)	(4,239)
		<b>592,103</b>	<b>551,754</b>
<b>Net assets</b>			
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds	19	22,226	24,267
<b>Unrestricted funds:</b>			
General funds	19	569,877	527,487
		<b>592,103</b>	<b>551,754</b>
<b>Total funds</b>			

The notes on pages 52 to 67 form part of these accounts.

The financial statements on pages 49 to 51 were approved by the Board/Trustees on 21 June 2007, and were signed on their behalf by:



SIR COLIN LUCAS  
CHAIRMAN  
25 JUNE 2007



LYNNE BRINDLEY  
ACCOUNTING OFFICER  
25 JUNE 2007

# Cash flow statement

FOR THE YEAR ENDED 31 MARCH 2007

	£000	2005/06 £000	£000	2004/05 £000
<b>Reconciliation of net movement in funds to net cash inflow from operating activities</b>				
Net movement in funds inflow	40,349		37,474	
Depreciation	14,528		17,120	
Donated Assets	(21,276)		(175)	
Loss on asset disposals	48		–	
Realised (gain) on investments	(1,547)		(337)	
Unrealised (gain) on investments	1,076		(764)	
MHCA adjustment net	(4,618)		(35,119)	
Revaluation of property	(8,814)		–	
Provision for liabilities and charges	(1,417)		1,827	
(Increase)/decrease in stocks	252		(97)	
(Increase)/decrease in debtors	(96)		(4,221)	
Increase/(decrease) in creditors	(1,092)		5,663	
<b>Net cash inflow from operating activities</b>		<b>17,393</b>		<b>21,371</b>
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(19,038)		(9,107)	
Purchase of heritage assets	(3,774)		(1,356)	
Purchase of investments	(11,258)		(5,265)	
Receipts from sale of tangible fixed assets	–		3	
Receipts from sales of investments	11,079		3,630	
<b>Net cash outflow from capital expenditure</b>		<b>(22,991)</b>		<b>(12,095)</b>
<b>Increase in cash in the year</b>		<b>(5,598)</b>		<b>9,276</b>
<b>Reconciliation of net cash flow to movement in net funds</b>				
Increase in cash in the year		(5,598)		9,276
Net funds as at 1 April		33,988		24,712
<b>Net funds as at 31 March</b>		<b>28,390</b>		<b>33,988</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 and generally accepted accounting practice so far as considered appropriate or as modified by Treasury guidance.

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.

Provision of Services 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.

### 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 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 bookbinding 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.

Restricted funds are charged for any library services they utilise.

### 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

	2006/07 £000	2005/06 £000
Bequest to the Eccles Fund	–	3,506
Donated assets	21,276	175
Other donations	10,603	6,982
<b>Total donations</b>	<b>31,879</b>	<b>10,663</b>

## 3 Provision of services

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

The provision of services figures for 2005/06 have been restated; refer to note 6 for explanation.

### A) CLASSES OF BUSINESS

	2006/07 £000	2005/06 restated £000
Enrich the user's experience	18,678	19,819
Build the digital research environment	676	522
Transform search and navigation	1,800	2,287
Grow and manage the national collection	744	731
Other	870	950
	<b>22,768</b>	<b>24,309</b>

### B) GEOGRAPHICAL SEGMENTS

	2006/07 £000	2005/06 £000
United Kingdom	13,323	14,225
Overseas	9,445	10,084
	<b>22,768</b>	<b>24,309</b>

## 4 Investment income

	2006/07 £000	2005/06 £000
Interest receivable	1,518	1,536
Dividends receivable	386	234
<b>Total interest</b>	<b>1,904</b>	<b>1,770</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 £102.6m, with £12.1m being allocated for capital projects/improvements (£97.6m received in 2005/06, £9.1m re capital). This money is available for running costs, capital improvements and collection purchases.

## 6 Net cost of resources expended

	Staff costs	Other direct costs	Depreciation <sup>1</sup>	Income	Allocated support cost	2006/07 Net cost <sup>2</sup>	2005/06 Net cost restated
	£000	£000	£000	£000	£000	£000	£000
<b>Direct costs</b>							
Costs of generating funds	478	153	–	(3)	–	628	552
Investment Management fees	–	4	–	–	–	4	29
Enrich the user's experience	19,783	6,347	595	(20,973)	13,992	19,744	22,125
Build the digital research environment	1,784	2,901	167	(4,461)	1,427	1,818	1,145
Transform search and navigation	2,955	889	–	(1,832)	2,090	4,102	2,953
Grow and manage the national collection	16,517	21,016	72	(27,212)	26,033	36,426	53,941
Governance costs <sup>3</sup>	147	407	–	–	–	554	659
	<b>41,664</b>	<b>31,717</b>	<b>834</b>	<b>(54,481)</b>	<b>43,542</b>	<b>63,276</b>	<b>81,404</b>
<b>Support costs</b>							
Information systems	3,916	2,756	21	(63)	(6,630)	–	–
Corporate services	18,503	19,659	755	(2,005)	(36,912)	–	–
	<b>64,083</b>	<b>54,132</b>	<b>1,610</b>	<b>(56,549)</b>	<b>–</b>	<b>63,276</b>	<b>81,404</b>

In accordance with the SORP 2005 to show the income and costs of the organisation's charitable activities, the direct cost categories used in 2006/07 have been changed to be categorised by the Library's strategic priorities. Prior year figures have been restated to the new categories for comparison. 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 provision of services, donated and investment income from total expenditure. This segmental information is not disclosed for the purpose of SSAP 25.

<sup>1</sup> The depreciation cost shown is non St Pancras depreciation, St Pancras depreciation is shown separately, see note 7.

<sup>2</sup> Net cost is calculated by deducting provision of services, donated and investment income from total expenditure.

<sup>3</sup> Governance costs includes the costs of Board Membership fees, legal fees, internal and external audit fees, staff costs associated with the preparation of the statutory accounts.

## A) STAFF COSTS

	BL Staff £000	Other £000	2006/07 Total £000	2005/06 £000
Wages and salaries	47,415	2,634	50,049	51,046
Social security costs	3,689	–	3,689	3,472
Pension disbursements	8,940	–	8,940	8,153
<b>Voluntary redundancy/restructuring programme for former employees</b>				
Current year costs	5,092	–	5,092	3,679
Release of provision	(5,057)	–	(5,057)	(3,637)
Provision for future costs	1,059	–	1,059	7,329
	61,138	2,634	63,772	70,042
Board Members' remuneration	311	–	311	286
<b>See (i) on following page</b>	<b>61,449</b>	<b>2,634</b>	<b>64,083</b>	<b>70,328</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 scheme.

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 2006/07, employers' contributions of £8,876,234 were payable to PCSPS (2005/06 £8,127,137) at one of four rates in the range 17.1 to 26.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full valuation. 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

	2006/07	2005/06
	£000	£000
Fees and salaries	283	261
Other emoluments	28	25
	<b>311</b>	<b>286</b>

### REMUNERATION FOR NON-PENSIONABLE BOARD MEMBERS

	2006/07	2005/06
	£000	£000
Sir Henry Boyd-Carpenter KCVO	8.9	8.3
Robin Broadhurst CBE	8.9	8.3
Professor Robert G Burgess	8.9	8.3
Sheila Forbes CBE	8.9	8.3
Duncan Lewis	2.2	8.3
Eileen Mackay CB	8.9	8.3
Simon Olswang	8.9	8.3
Dr Gareth W Roberts	8.9	8.3
Sir Colin Lucas		8.3
	<b>64.5</b>	<b>74.7</b>

No pension contributions were made on behalf of the above Board Members in the year. The Board Members remuneration is in accordance with The British Library Act. Sir Colin Lucas's remuneration details for 2006/07 are shown in the following table.

During the year a total of £3,200 (£7,500 in 2005/06) has been paid to 6 (6 in 2005/06) Board members for travel expenses.

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

		Remuneration paid	Real increase in pension at 60	Total accrued pension at 60 as at 31 March 2007	Cash Equivalent Transfer Value		
					As at 1 April 2006	As at 31 March 2007	Real increase in year
		£000	£000	£000	£000	£000	£000
Lord Eatwell, Chairman (to 1/9/06)	2006/07	15 – 20	0 – 2.5	2.5 – 5	51	54	3
	2005/06	30 – 35					
Sir Colin Lucas, Chairman (from 1/9/06)	2006/07	20 – 25					
	2005/06	05 – 10					
Lynne Brindley, Chief Executive	2006/07	175 – 180	2.5 – 5	55 – 57.5 Plus lump sum of	1,124	1,217	46
	2005/06	150 – 155		137.5 – 140			
Richard Boulderstone, Director	2006/07	115 – 120	2.5 – 5	15 – 17.5	195	238	23
	2005/06	100 – 105					
Mary Canavan, Director	2006/07	105 – 110	0 – 2.5	42.5 – 45	614	652	19
	2005/06	90 – 95					
Clive Field, Director (to 31/12/06)	2006/07	85 – 90	0 – 2.5	37.5 – 40 Plus lump sum of	775	840	18
	2005/06	95 – 100		112.5 – 115			
Jill Finney, Director	2006/07	120 – 125	0 – 2.5	10 – 12.5	123	149	21
	2005/06	100 – 105					
Steve Morris, Director from (9/1/06)	2006/07	110 – 115	0 – 2.5	45 – 47.5	6	642	74
	2005/06	25 – 30					
Phil Spence, Director from (23/10/06)	2006/07	40 – 45	0 – 2.5	0 – 2.5	0	9	7
Ronald Milne, Director from (5/02/07)	2006/07	10 – 15	0 – 2.5	0 – 2.5	0	4	0

No benefits in kind were received by the Executive Team and Chairman.

The cash equivalent transfer value (CETV) is an 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.

The increase in Steve Morris's CETV value in the year is due to a transfer in of entitlements from other public sector pension schemes.

### 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:

	2006/07	2005/06
	No.	No.
£60,001 – £70,000	12	16
£70,001 – £80,000	5	4
£80,001 – £90,000	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	2006/07 Total (FTE)	2005/06 Total (FTE)
Chief Executives Office	4	–	4	4
e-Strategy and Programmes	118	5	123	114
Finance and Corporate Resources	212	22	234	251
Human Resources	29	7	36	36
Operations and Services	898	21	919	891
Scholarship and Collections	576	2	578	745
Strategic Marketing and Communication	112	5	117	99
	<b>1,949</b>	<b>62</b>	<b>2,011</b>	<b>2,140</b>

### B) OTHER DIRECT COSTS

	2006/07	2005/06
	£000	£000
Acquisitions for the collections	15,334	14,433
Research and other grants	–	–
Conservation and binding services	2,593	2,919
Administration, equipment, supplies and services	35,577	30,347
Non-recoverable VAT (net)	580	505
Loss on disposal of fixed assets	48	–
	<b>54,132</b>	<b>48,204</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 (£12.9m).

## 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. The cost for 2006/07 was £19.3 million (£18.4 million 2005/06).

## 9 Resources expended

This is stated after charging:	2006/07 £000	2005/06 £000
Auditors' remuneration	49	49
Rent on land and buildings	1,423	1,424
Lease/rental payments on equipment	335	407
Depreciation on intangible assets	101	370
Depreciation on St Pancras assets	12,918	14,902
Depreciation on other fixed assets	1,509	1,848

## 10 Intangible assets

	Licences 2006/07 £000	Licences 2005/06 £000
<b>Cost</b>		
At 1 April	1,182	1,182
Additions	–	–
Disposals	(240)	–
At 31 March	942	1,182
<b>Depreciation</b>		
At 1 April	1,077	707
Charge for year	101	370
Disposals	(240)	–
At 31 March	938	1,077
<b>Net book value at 31 March</b>	<b>4</b>	<b>105</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 2006	404,455	143,468	10,965	115	6,899	9,207	575,109
Additions	14	2,396	265	21	980	15,362	19,038
Transfer	13,926	–	–	–	–	(13,926)	–
Revaluation	3,344	5,470	–	–	–	–	8,814
Modified Historic Cost Accounting (MHCA) adjustment	4,694	–	–	–	–	–	4,694
Disposals	(60)	(507)	(253)	(10)	(314)	–	(1,144)
At 31 March 2007	426,373	150,827	10,977	126	7,565	10,643	606,511
<b>Depreciation</b>							
At 1 April 2006	8,334	36,589	10,224	62	5,046	–	60,255
Charge for year	–	–	–	–	–	–	–
– St Pancras assets	5,521	7,296	24	–	77	–	12,918
– Other assets	553	446	50	16	443	–	1,508
MHCA adjustment	76	–	–	–	–	–	76
Disposals	(13)	(507)	(253)	(10)	(314)	–	(1,097)
At 31 March 2007	14,471	43,824	10,045	68	5,252	–	73,660
<b>At 31 March 2007</b>	<b>411,902</b>	<b>107,003</b>	<b>932</b>	<b>58</b>	<b>2,313</b>	<b>10,643</b>	<b>532,851</b>
At 31 March 2006	396,121	106,879	741	53	1,853	9,207	514,854

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. During the year the construction of the Centre for Conservation was completed, the building was valued as at 31 March 2007 using the 'depreciated replacement cost' and the costs reclassified into Land and buildings and Plant and machinery.

### B) VALUATIONS

The land and buildings as at 31 March 2007 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, in addition to the main St Pancras building the St Pancras Centre for Conservation was valued at £17,270,000 on 31 March 2007, for which title has been vested in the British Library Board.

		Land £000	Buildings £000	Totals £000
<b>Site</b>				
St Pancras – Main building	Freehold	63,000	378,660	441,660
St Pancras – Conservation Centre	Freehold	4,500	12,770	17,270
Boston Spa	Freehold	4,000	22,200	26,200
Colindale Avenue	Freehold	2,425	3,095	5,520
		<b>73,925</b>	<b>416,725</b>	<b>490,650</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 St Pancras Centre for Conservation was valued as at 31 March 2007 by Drivers Jonas, Chartered Surveyors, using the 'Depreciated Replacement Cost' 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 2006	6,704	381	<b>7,085</b>
Additions	3,774	21,276	<b>25,050</b>
Disposals	–	–	–
<b>At 31 March 2007</b>	<b>10,478</b>	<b>21,657</b>	<b>32,135</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

	2006/07 £000	2005/06 £000
Market value at 1 April	<b>9,297</b>	6,561
Purchases at cost	<b>11,258</b>	5,265
Disposals at book value	<b>(9,532)</b>	(3,293)
Unrealised (loss)/gain	<b>(1,076)</b>	764
Market value at 31 March	<b>9,947</b>	9,297
<b>Analysed by</b>		
Fixed Interest Securities	<b>2,154</b>	4,851
Listed UK Securities	<b>7,395</b>	4,061
Listed Overseas Securities	<b>398</b>	385
	<b>9,947</b>	9,297
<b>Geographical analysis</b>		
United Kingdom Investments	<b>9,549</b>	8,912
Overseas Investments	<b>398</b>	385
	<b>9,947</b>	9,297

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.

There was significant purchase and disposal activity within the investments during the year this is due to the Library changing investment managers. The change resulted in the old portfolio being liquidated to purchase the new portfolio.

## 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 have and will continue on maintaining the viability of the service at the gross contribution level. We are also actively exploring new income sources for the Library.

### INTEREST RATE RISK

The Library has financial investments which are identified in the table below. 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. The benchmark for the Library's floating rate investments is 0.3% below the bank of England Base Rate.

	2006/07			Total £000	2005/06 Total £000
	Floating Rate £000	Fixed Rate £000	Listed Securities £000		
Sterling	26,539	2,154	7,793	<b>36,486</b>	42,484
Dollar	158	–	–	<b>158</b>	437
Euro	1,652	–	–	<b>1,652</b>	314
Yen	41	–	–	<b>41</b>	50
<b>Total</b>	<b>28,390</b>	<b>2,154</b>	<b>7,793</b>	<b>38,337</b>	<b>43,285</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.

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

	2006/07 £000	2005/06 £000
Stocks for resale	<b>436</b>	680
Raw materials	<b>287</b>	296
<b>Total stocks</b>	<b>723</b>	<b>976</b>

Stocks for resale comprises of printed, microfiche and CD-Rom publications and are available from the Library Bookshop and Library Website.

Raw materials stock are items for the conservation of books including leathers, hides and papers.

## 16 Debtors and prepayments

	2006/07 £000	2005/06 £000
<b>Amounts falling due within one year</b>		
Trade debtors	<b>3,131</b>	3,440
Other debtors	<b>2,037</b>	1,712
Prepayments and accrued income	<b>4,980</b>	4,900
	<b>10,148</b>	<b>10,052</b>

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

# Notes to the accounts continued

## 17 Cash at bank and in hand

	2006/07 £000	2005/06 £000
Restricted funds	12,654	15,530
Monies held on deposit for customers	4,247	4,400
Cash balances	11	13
General funds	11,478	14,035
	<b>28,390</b>	<b>33,978</b>

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

## 18 Creditors

	2006/07 £000	2005/06 £000
<b>Amounts falling due within one year</b>		
Trade creditors	2,695	1,092
Monies held on deposit for customers	4,247	4,400
Other creditors	4,180	3,897
Accruals	6,727	7,293
Deferred income	600	277
Provisions due within one year	824	3,405
	<b>19,273</b>	<b>20,364</b>

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

## 19 Statement of funds

	As at 1 April 2006 £000	Transfers to/(from) £000	Expenditure £000	Incoming resources £000	Realised and unrealised gains and losses £000	As at 31 March 2007 £000
<b>Unrestricted funds</b>						
General funds	527,106	185	125,986	139,010	–	540,315
Donated asset reserve	381	–	–	21,276	–	21,657
<b>Total unrestricted funds</b>	<b>527,487</b>	<b>185</b>	<b>125,986</b>	<b>160,286</b>	<b>–</b>	<b>561,972</b>
<b>Restricted funds</b>						
Eccles	7,675	–	201	364	344	8,180
Shaw Fund	4,830	–	500	303	–	4,633
Dingwall No. 2	1,000	–	16	28	67	1,079
Sacred Planets	88	(2)	304	1,125	–	907
Planets	–	–	765	1,635	–	870
Centre for Conservation	2,346	2,730	5,945	1,537	–	668
Research Libraries Network	(7)	–	587	922	–	328
Sir Henry Thomas	286	–	1	8	19	312
Codex Sinaiticus	151	(47)	28	193	–	269
Sound Archive	2,897	(2,730)	1	92	–	258
The Sir John Ritblat Gallery: Treasures of the British Library	131	–	55	173	–	249
Consolidated Endowment	305	–	140	77	1	243
JISC: British Newspapers	627	(176)	897	673	–	227
Cataloguing Projects Fund	85	(17)	647	798	–	219
Membership/General Donations	372	(263)	–	96	–	205
Chinese Central Asia database	320	21	372	229	–	198
VOC's in Books Project	–	196	11	10	–	195
Bigot French Acquisitions	–	250	73	16	–	193
Condition of Identical books in national libraries	–	196	28	9	–	177
Endangered Archives	202	–	575	546	–	173
European Co-operation Fund	162	–	4	7	–	165
T S Blakeney	144	–	1	4	9	156
Survey of illuminated manuscripts	16	–	4	144	–	156
Special exhibitions	140	–	–	9	–	149
Anthony Panizzi Foundation	138	–	4	3	10	147
Turning the Pages	95	(3)	133	174	–	133
Co-operation and Partnership	101	–	(17)	5	–	124
Workshop Gallery	145	–	64	5	–	86
North American Collections	89	–	7	4	–	86
Sir Adrian Boulton	76	–	1	3	3	81
Bridgewater Fund	73	–	–	2	5	80
Fitzgerald Airmail Fund	68	–	–	2	5	75
Warwick Festivals	70	–	–	3	–	73
Codex Sinaiticus Project II	–	–	45	115	–	70
Hazlitt fund	50	–	–	1	3	54
Web Archive Consortium	108	–	87	33	–	54
Collections Fund	74	(21)	3	3	–	53
National Preservation Office	80	51	165	85	–	51
BIPC	–	–	–	50	–	50
Others	1,310	(383)	1,539	1,579	5	972
<b>Total restricted funds</b>	<b>24,247</b>	<b>(198)</b>	<b>13,186</b>	<b>11,065</b>	<b>471</b>	<b>22,399</b>
Other (deficit funds)	20	13	1,477	1,271	–	(173)
Transfer to general funds	–	–	(7,905)	–	–	7,905
<b>Total funds</b>	<b>551,754</b>	<b>–</b>	<b>132,744</b>	<b>172,622</b>	<b>471</b>	<b>592,103</b>

# Notes to the accounts continued

## 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 2007 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 and 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 totalling £7.9 million. These assets have been transferred from the restricted funds reserve to the unrestricted general fund.

The transfers of £185,000 relate to internal charges applied to the restricted funds for the use of Library facilities and services. Included within the transfers is £2.7 million from the Sound Archive Trust to The British Library Conservation Centre, the Sound Archive Trustees agreed to fund part of the construction of the Conservation Centre relating to the conservation of sound.

**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.

**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.'

**DINGWALL NO. 2**  
Founded by Dr Eric John Dingwall, for the purchase of fine editions or the subscription of foreign periodicals.

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

**PLANETS**  
Funded through the Information Society Technologies (IST) R&D Programme, the Planets Project aims to reduce the loss of digital information and improve our ability to provide access to digital information over the long term.

**CENTRE FOR CONSERVATION**  
Funds raised from external sources for the British Library Centre for Conservation project.

**RESEARCH INFORMATION NETWORK**  
Arising from the recommendations of the Research Support Libraries Group, a new body, the Research Library Network has been created the British Library has three partners in the network the UK Higher Education Funding Council and the National Library of Wales and Scotland. The Network's aim is to develop, prioritise and lead the implementation of a UK-wide strategy for research information provision and is funded for three years.

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

**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: St Catherine's Monastery, Sinai, the British Library, the University of Leipzig and the National Library of Russia.

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

**THE SIR JOHN RITBLAT GALLERY: TREASURES OF THE BRITISH LIBRARY**  
A donation from Sir J H Ritblat.

**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.

**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.

**CATALOGUING PROJECTS FUND**  
A collection of 'mini' projects to support scholarship and collection cataloguing activities.

**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 USA.

**VOC'S IN BOOKS PROJECT**  
The Volatile Organic Compounds (VOCs) in Books project involves the analysis of VOCs emitted by books and their correlation with the mode and degree of deterioration of the books.

**SPRATT-BIGOT BEQUEST**  
For the purchase of works in French by French authors.

**CONDITION OF IDENTICAL BOOKS IN DIFFERENT NATIONALLY SIGNIFICANT LIBRARIES**  
The project will involve assessing the condition of identical books stored in different libraries, and correlating their condition with the environment they have experienced.

**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. The time period will therefore vary according to the society. Any theme or regional interest will be considered, although particularly welcome are applications concerned with non-western societies.

**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 in all the national library partners.

**T S BLAKENEY**  
Founded in 1977 by Thomas Sydney Blakeney, for the purchase of western manuscripts.

**SURVEY OF ILLUMINATED MANUSCRIPTS**  
These funds represents a grant from the Getty Foundation for two catalogues to catalogue the illuminated manuscripts in the Harley collection for the Catalogue of Illuminated 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 in the subject of advanced bibliography.

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

**CO-OPERATION AND PARTNERSHIP**  
Used for fees in respect of advice given by British Library staff on library-related lottery applications.

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

**NORTH AMERICAN COLLECTIONS**  
A fund to enable the strengthening of the resources for American studies in the British Library.

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

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

**FITZGERALD AIR-MAIL FUND**  
The trust was founded in 1953 by Mrs Fitzgerald with the aim to preserve and catalogue the Fitzgerald Airmail Collection of stamps.

**WARWICK FESTIVALS**  
An Arts and Humanities Research Board funded project with the University of Warwick to aid the digitisation of Renaissance Festival books in the collections of the British Library.

**CODEX SINAITICUS PROJECT II**  
For the preservation of Greek written heritage.

**HAZLITT**  
For the purchase of Early English books.

**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.

**GENERAL RESTRICTED FUNDS FOR THE BRITISH LIBRARY COLLECTIONS**  
To support the work of Scholarship and Collections.

**NATIONAL PRESERVATION OFFICE**  
Contributions to the cost of running the office, with the aim of progressing a national preservation policy.

**BUSINESS & IP CENTRE**  
The fund was set up to collect donations/ sponsorship for the BIPC from sources other than London Development Agency. The funds will be used to further the BIPC objectives in supporting entrepreneurs.

# Notes to the accounts continued

## 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 2007/08.

	2006/07	2005/06
	Total	Total
At 1 April	7,644	3,952
Additional provision	1,059	7,329
Utilisation of provision	(5,057)	(3,637)
At 31 March	3,646	7,644
Less: portion included in creditors due within one year	(824)	(3,405)
Amounts falling due after one year	2,822	4,239

## 21 Commitments under operating leases

	Land and buildings		Equipment	
	2006/07	2005/06	2006/07	2005/06
	£000	£000	£000	£000
<b>Operating leases which expire</b>				
Within one year	–	157	7	39
Two to five years	1,238	317	18	33
More than five years	8	901	–	–
	1,246	1,375	25	72

## 22 Analysis of net assets between funds

	Unrestricted funds	Restricted funds	Total
	£000	£000	£000
<b>Fund balances at 31 March 2007 are represented by</b>			
Intangible fixed assets	4	–	4
Tangible fixed assets	532,851	–	532,851
Heritage assets	32,135	–	32,135
Investments	–	9,947	9,947
Current assets	26,607	12,654	39,261
Current liabilities	(18,898)	(375)	(19,273)
Non-current liabilities	(2,822)	–	(2,822)
<b>Total net assets</b>	<b>569,877</b>	<b>22,226</b>	<b>592,103</b>

## 23 Capital commitments

	2006/07	2005/06
	£000	£000
Contracted and not provided for	14,536	10,591
Authorised, but not contracted for	598	22,105

The capital commitment figures include the contracted and authorised costs (£14.9m) for the building in the course of construction, the Additional Storage Programme at Boston Spa.

## 24 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 a number of DCMS-sponsored bodies.

- It loaned material to the National Portrait Gallery, the British Museum, the Victoria and Albert Museum and the Tate Modern.
- It borrowed material from the British Museum and the Museum of London.

During the year a number of Board members have contributed to the Library's 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.

The British Library also entered into material related party transactions with other related parties during the year, as set out below.

Related Party	Relationship	Income 2006/07	Expenditure 2006/07	Nature of transaction
		£000	£000	
Higher Education Funding Council England (HEFCE)	A member of Quality, Learning and Teaching committee at HEFCE served on the Board of the British Library	1,888	24	Contribution to Newspaper Digitisation, Sound Archival recordings and Research Libraries Network project. Payment for Zetoc development.
University of Glasgow	The spouse of the Principal and Vice Chancellor of the related party served on the Board of the British Library	–	31	Payment of the first instalment of funding for the Planets project.

## 25 Post Balance Sheet events

There were no adjusting Post Balance Sheet events.

The accounts were authorised for issue on 24 July 2007 by the Accounting Officer.

## 26 Contingent liabilities

The British Library has no contingent liabilities.

## 27 Trust funds (unaudited)

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 the table below:

	2006/07	2005/06
	£000	£000
Income	13	12
Expenditure	(15)	(16)
Unrealised gains on investments	–	27
<b>Surplus/(deficit) for the year</b>	<b>(2)</b>	<b>23</b>
Investments	309	309
Short-term deposits	4	4
Net debtors	–	1
Cash at bank	39	40
<b>Net assets</b>	<b>352</b>	<b>354</b>

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