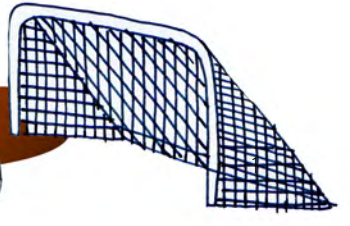


ANNUAL REPORT

2007-08





GLOBAL NETWORK

We have 7,400 staff in offices, teaching centres, libraries, and information and resource centres in the UK and 110 countries and territories worldwide.

Afghanistan Kabul	Colombia Bogotá	Iran Tehran	Mauritius Rose Hill	Romania Bucharest, Cluj-Napoca, Iasi	Syria Damascus, Aleppo
Albania Tirana	Croatia Zagreb	Iraq Baghdad (and Amman), Erbil	Mexico Mexico City	Russia Moscow	Taipei Kaohsiung, Taipei
Algeria Algiers	Cuba Havana	Ireland Dublin	Montenegro Podgorica	Saudi Arabia Riyadh, Al Khobar, Jeddah	Tanzania Dar es Salaam
Argentina Buenos Aires	Cyprus Nicosia	Israel Tel Aviv, Nazareth, West Jerusalem	Morocco Rabat, Casablanca	Senegal Dakar	Thailand Bangkok, Chiang Mai
Armenia Yerevan	Czech Republic Prague, Brno	Italy Rome, Milan, Naples	Mozambique Maputo	Serbia Belgrade	Trinidad and Tobago Port of Spain
Australia Sydney, Melbourne	Denmark Copenhagen	Jamaica Kingston	Namibia Windhoek	Sierra Leone Freetown	Tunisia Tunis
Austria Vienna	Egypt Cairo, Alexandria, Heliopolis	Japan Tokyo, Osaka	Nepal Kathmandu	Singapore Singapore	Turkey Ankara, Istanbul, Izmir
Azerbaijan Baku	Eritrea Asmara	Jordan Amman	Netherlands Amsterdam	Slovakia Bratislava	Uganda Kampala
Bahrain Manama	Estonia Tallinn	Kazakhstan Almaty, Astana	New Zealand Wellington	Slovenia Ljubljana	Ukraine Kyiv, Donetsk, Kharkiv, Lviv, Odessa
Bangladesh Dhaka, Chittagong, Sylhet	Ethiopia Addis Ababa	Kenya Nairobi, Mombasa	Nigeria Abuja, Kano, Lagos, Port Harcourt	South Africa Cape Town, Durban, Johannesburg	United Arab Emirates Abu Dhabi, Dubai, Sharjah
Belgium Brussels	Finland Helsinki	Republic of Korea Seoul	Norway Oslo	Spain Madrid, Barcelona, Valencia, Bilbao, Alcalá de Henares, Alcobendas, Las Rozas, Palma de Mallorca, Segovia, Pozuelo, Villaviciosa de Odón	United States of America Los Angeles, Washington DC
Bosnia and Herzegovina Sarajevo	France Paris	Kosovo Pristina	Oman Muscat	Sri Lanka Colombo, Kandy	Uzbekistan Tashkent
Botswana Gaborone	Georgia Tbilisi	Kuwait Kuwait City	Pakistan Islamabad, Faisalabad, Karachi, Lahore, Multan, Peshawar, Quetta	Sudan Khartoum	Venezuela Caracas
Brazil Brasília, Recife, Rio de Janeiro, São Paulo	Germany Berlin	Latvia Riga	Palestinian Territories East Jerusalem, Gaza, Hebron, Khan Yunis, Nablus, Ramallah	Sweden Stockholm	Vietnam Hanoi, Ho Chi Minh City
Bulgaria Sofia	Ghana Accra, Kumasi	Lebanon Beirut	Philippines Manila	Switzerland Berne	Yemen Sana'a
Burma Rangoon, Mandalay	Greece Athens, Thessaloniki	Libya Tripoli	Poland Warsaw, Kraków		Zambia Lusaka
Cameroon Yaoundé, Douala	Hong Kong (China)	Lithuania Vilnius	Portugal Lisbon, Coimbra, Oporto		Zimbabwe Harare, Bulawayo
Canada Ottawa, Montréal	Hungary Budapest	Macedonia Skopje	Qatar Doha		United Kingdom Belfast, Cardiff, Edinburgh, London, Manchester
Chile Santiago	India New Delhi, Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai, Pune	Malawi Lilongwe			
China Beijing, Chongqing, Guangzhou, Hong Kong, Shanghai	Indonesia Jakarta	Malaysia Kuala Lumpur, Kota Kinabalu, Kuching, Penang			
		Malta Valletta			

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THE Rt HON. LORD KINNOCK OF BEDWELLY



FOREWORD BY THE CHAIR

This annual report covers a year of further significant success for the British Council. Through a huge variety of cultural and educational relations activities we have created and pursued more ambitious and productive projects and, consequently, reached more people across the world than ever before. We have significantly increased our financial turnover, and strengthened our ability to enable millions to add to their knowledge, skills and ideas and to express their talents and opinions.

At the core of these achievements is the consistent ability of the British Council and its staff to innovate in order to sustain relevance, to secure additional participation – especially among young people – and to win durable positive appreciation of the UK.

A few examples, which I have been fortunate enough to see for myself in the last year, illustrate the diversity and effectiveness of those innovations:

- The Transatlantic Network 2020 programme is bringing together

young emerging leaders from business, civil society, media and politics in Europe and North America to revitalise links for the future at a time when the associations inherited from previous generations are fading.

- Our Peacekeeping English Project (PEP), funded by the Foreign and Commonwealth Office, the Ministry of Defence and the Department for International Development, is now operational in 19 countries and new projects in Colombia and Vietnam are due to start this year. PEP enables military and police forces that are engaged in peacekeeping assignments to develop the common language that is essential in their multinational operations and it has the support of the United Nations Development Programme, NATO and 35 national governments in four continents.
- The British Council's Living Together programme is building a network of leaders from politics and non-governmental bodies who seek to foster the ability of migrant populations to fully engage in the public life of their

new countries and to experience equal opportunity and diversity policies that widen freedoms and strengthen stability. The Living Together summit, in London, in March, attracted more than 200 decision-makers from over 20 central and eastern European nations who are committed to these objectives.

- Our support for the UK's creativity has never been stronger. Our involvement in the National Theatre of Scotland's award-winning production of *Black Watch* gives just one instance of our sustained willingness to encourage provocative performing to stimulate public debate of moral and cultural pressures and dilemmas.
- The Media in Society project in the countries of the Near East and North Africa region connects media professionals to help them to improve their reporting of social and economic issues. Leading practitioners such as *Guardian* cartoonist Steve Bell have been working in the region to encourage journalistic expertise in environments that do not always facilitate free expression.



- As part of a wider public diplomacy project, Supporting Democratic Development encourages greater social inclusion for marginalised groups. Pursuing that objective, the British Council has helped to establish Jordan's first ever forum on people with disabilities, which engages professionals and parents in efforts to apply best practice and to work with counterparts in the UK. This is a ground-breaking programme that will extend into other countries in the coming years.

All of these and innumerable other achievements testify to the inventiveness and resolution of the people from multiple national and cultural backgrounds who work for the British Council. Those qualities of originality and dedication are also manifest – indeed, particularly so – in conditions of difficulty and danger. Our staff in Iraq and Afghanistan show special courage in their efforts to increase opportunity and expertise in those war-wounded countries. In Gaza, our Palestinian colleagues have striven to maintain services despite appalling siege conditions. In Zimbabwe and Burma British Council people continue with substantial educational and cultural

projects despite the very grave political and economic circumstances. And, in this past year, the organisation was drawn into the very public and continuing disagreement between the British government and the government of Russia. When our Russian staff were put under direct intimidating pressure by the federal authorities we were forced to close our offices in St Petersburg and Ekaterinburg and to conduct all of our activities from Moscow. Over a million Russian people benefited from the services of the British Council in 2006–07, and it is clear that they were the main victims of the changes imposed upon us. Naturally, many of our associates in Russia share our conviction that strong educational and cultural connections are increasingly vital at times of political tension. We will therefore maintain our contacts and work with them to try to restore normal relations.

This annual report demonstrates the breadth and quality of our work and it also shows how, in his first year as Chief Executive, Martin Davidson has made changes and set directions that reinforce the excellence of the British Council. The Board of Trustees offers justified gratitude to him and to the

worldwide staff of the British Council for their unceasing efforts to fulfil the enlightened and practical mission of our unique organisation.

Fostering understanding between peoples and cultures and earning the enduring trust that can be built on that foundation, are essential to stability and peace in this increasingly mobile and pressurised century. The public diplomacy efforts of the British Council are, therefore, more crucial than ever and we will continue to use all of the artistic, scientific, educational, intriguing, enabling and entertaining components of cultural relations to construct long-term relationships that not only flourish in favourable conditions but also endure in testing times.

That is what has given us purpose and momentum over seven decades. We will sustain that vitality as we mark our 75th anniversary in 2009 by celebrating the past in order to inspire fresh advances for the future.

Aeri Kinnock



MARTIN DAVIDSON



This report marks my first year as Chief Executive but more importantly it marks, as Neil Kinnock has mentioned, a year during which our programmes have reached 128 million people, the highest number in the British Council's history and 25 million more than last year. In doing so we have been able to enrich lives in the UK and around the world. At the heart of our work is the principle of mutuality so, while our overall aim is to bring benefit to the UK, the way we work also ensures that the countries where we operate gain from our programmes.

The last year has been one of our best, yet most challenging, to date. We have continued to respond to the needs of our many varied customers and partners – delivering life-changing projects across the world, but we also had to deal with the Russian authorities' increasing attacks on our work as political tension grew between the UK and Russia.

We are reaping the rewards of the regional approach to managing our overseas network that we established three years ago. At the same time we have begun to move resources out of Western Europe to other regions, leading to the closure of a number of public access offices. However, our new ways of working are leading to greater impact and we have increased our reach across the whole of Europe.

Our work in international cultural relations matters more today than ever. A long-term response to difficult and seemingly intractable global issues will require more than government-to-government action and must include bringing people together to share ideas, skills and knowledge and to experience one another's culture. The resulting connections and relationships challenge misperceptions and foster co-operation as well as build trust in the UK. And we have set ourselves the challenge of doing so at a greater level than before.

Achieving greater impact

Over the last year we have moved resources from small-scale local projects into larger-scale regional and global activities. In 2007–08, 41 per cent of programme resources focused on larger-scale products, compared with 11 per cent the year before. The lower development and management costs of these activities allows us to reach more people and achieve greater impact for the same investment, while still being tailored to suit local needs. In our *Corporate plan* for 2008–11 we have set ourselves the target of moving 80 per cent of our programme spend into larger-scale products and we are confident that this will significantly improve our impact.

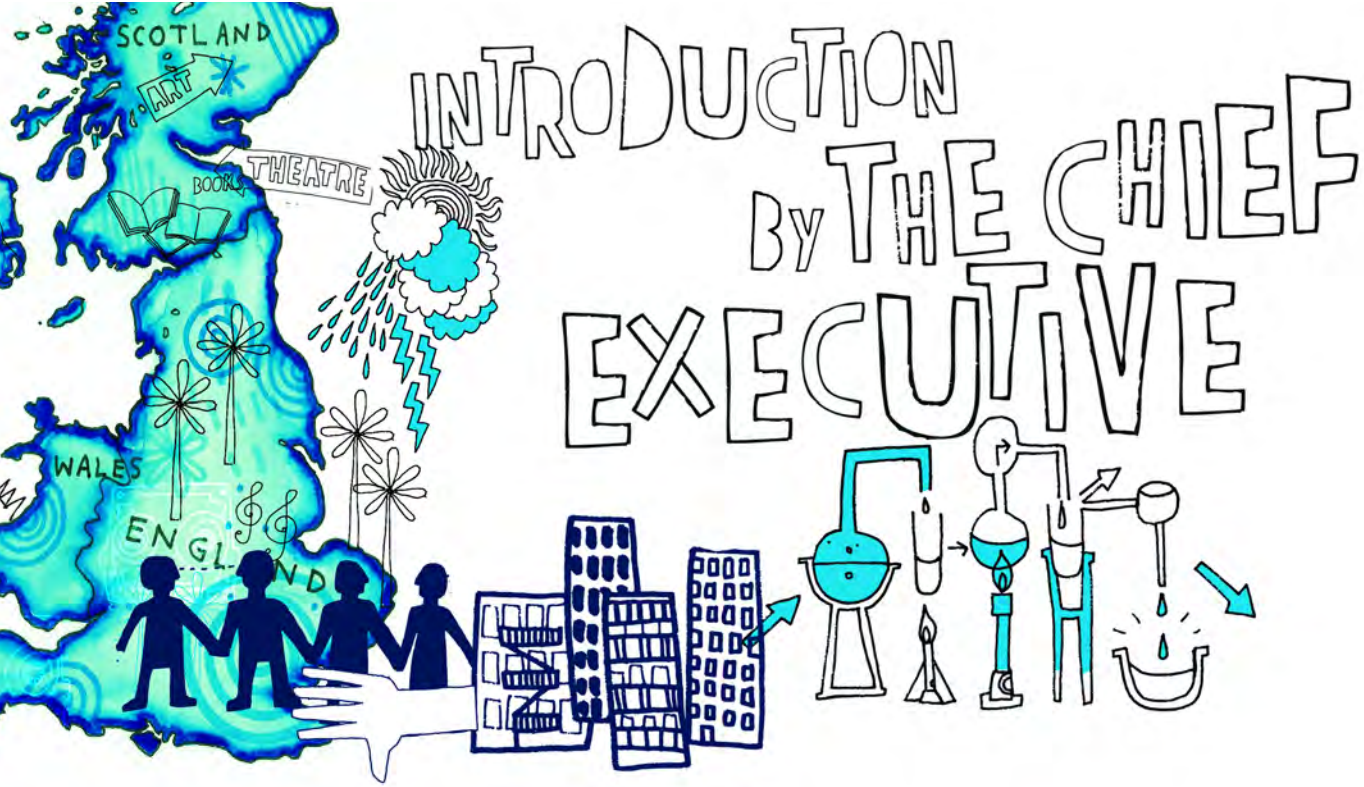
Another way of increasing our impact is to run more programmes in partnership with others. For example

UKIERI is a unique programme involving 11 funding partners including the Department for Innovation, Universities and Skills, the Department of Science and Technology, the Foreign and Commonwealth Office, the Department for Employment and Learning, the Scottish Executive and the Welsh Assembly Government, and corporate partners BAE Systems, BP, GlaxoSmithKline and Shell. If we are to achieve our growth objectives, we recognise that we need to increase our ability to develop successful partnerships such as UKIERI.

We met our government-set Gershon efficiency targets, making in-year savings of £4.5 million to achieve our target of £13 million over the three-year spending period. We have reduced the proportion of our funding that we spend on overheads and, in 2007–08, we reduced corporate overheads by five per cent of total corporate costs. We will continue to find efficiency savings during the next three years, in order to live within our flat cash Comprehensive Spending Review settlement.

In 2007–08 we also earned £16.3 million from contracts delivered on behalf of organisations such as the EU or DFID. We bid for these on a competitive basis where they align with our long-term cultural relations objectives. To remain competitive and relevant we are focusing on





expanding our commercial expertise by developing new models of English language provision and by winning new contracts.

This year we focused our work on a combination of programme and geographical priorities that are both important to the UK and deliver projects of real value to the countries in which they operate. These priorities are set out on pages 8 and 9, with examples of the type of work that we undertake.

Over the last year we have been looking at our approach to arts and creativity. Recognising that we had not consulted as effectively as we should, we undertook a major discussion with over 600 individuals and institutions between January and April 2008, which allowed us to understand better what they want from us. Our plans, which emphasise operating on an ambitious and global scale with real arts expertise, have been shaped by their energy and knowledge. The arts will remain as central to our cultural relations work as they have always been.

Benefit for the UK

All our work has a connection with the UK and many projects make a difference to thousands of lives across Scotland, Wales, Northern Ireland and England.

In Northern Ireland for example, Global Xchange is getting under way. The first exchange between

the cities of Newry and Mombasa was launched in March 2008, giving 18 volunteers the opportunity to work together in each other's countries. Global Xchange is a worldwide partnership with VSO, which gives the volunteers from the UK a strong appreciation of the country and culture they have visited. But the programme also gives those from developing countries the opportunity to recognise that they have skills and experience of real value to a developed country like ours.

Reporting the Elections brought young journalists from around the world to Wales and Scotland to see and report on the elections to the National Assembly for Wales and Scottish Parliament in May 2007. The project gave the media professionals a first-hand insight into the democratic processes of the UK, Wales and Scotland in particular, and showed how devolution actually works here. The journalists shadowed prominent candidates during their election campaigns and gained a good understanding of the local political landscape and the concerns of the voters. The young international journalists shared their impressions of the elections with counterparts from the BBC and other media and sent reports to newspapers in their home countries.

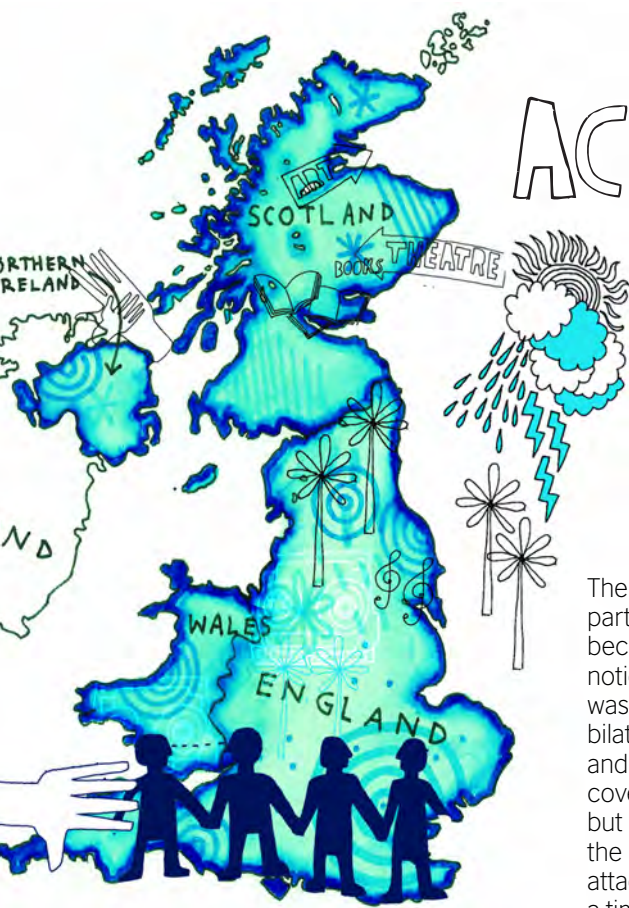
Young people from Wales and the north-west and south-east of England joined 36 other climate

change champions travelling to Japan as part of the British Council's International Climate Champions (ICC) project. Selected for their enthusiasm and active role in addressing climate change they will present their climate change challenge to the G8 Environment Ministers' meeting in Kobe. Through their involvement in ICC, they will continue to encourage other young people and community leaders to engage directly in climate change issues.

I am particularly proud of our school linking activity, which will be expanded through the global roll-out of our Connecting Classrooms programme. The programme enabled over one million young people in 900 schools in the UK and around the world to learn together in joint curriculum projects, online discussions and lessons linked by webcams. By working together the schools are broadening their horizons, breaking down stereotypes and building understanding between cultures, as well as giving young people opportunities to develop the skills they need for life and employment in our global society. We have set ourselves the challenge of increasing the number of schools involved to 6,000 worldwide by the end of 2011-12.

International education market

We work hard to ensure that the UK is positioned as a leader in the international education market,



INTRODUCTION BY THE ACHIEVING IMPACT FOR THE CHIEF EXECUTIVE UK



and is able to maintain its share of that market. Attracting international students to study in the UK is an important part of this work, and worth, according to our research, £8.5 billion to the UK. Moreover, the experience of studying in another country is invaluable in enabling young people to develop the level of cultural insight and understanding they will need to prosper in a world that requires a more global skill set.

However, the dynamics of the international education market are changing and we must broaden our approach. Our ability to continue to attract students increasingly depends on our reputation and standing in the international arena. Not only is this about the quality and value of our education, it is also about the contribution we make globally. We must think in terms of developing long-term relationships that lead to mutually beneficial outcomes.

The operating environment in particular countries sometimes becomes very difficult at short notice. In Russia the British Council was drawn into the deteriorating bilateral relationship between the UK and Russia. The circumstances are covered in more detail on page 15 but I was deeply disappointed that the Russian authorities chose to attack cultural and education links at a time of political tension. In spite of demand for our services, I reluctantly decided to suspend our work in St Petersburg and Ekaterinburg in January 2008 to protect our staff from intimidation. Our staff worked exceptionally hard to keep our services running in the face of state pressure but, ultimately, to remain open would have exposed colleagues to unjustifiable risk. We continue to operate from our Moscow office and we look forward to working with the Russian authorities to restart our work in St Petersburg and Ekaterinburg.

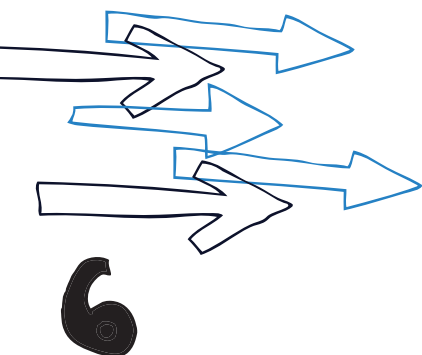
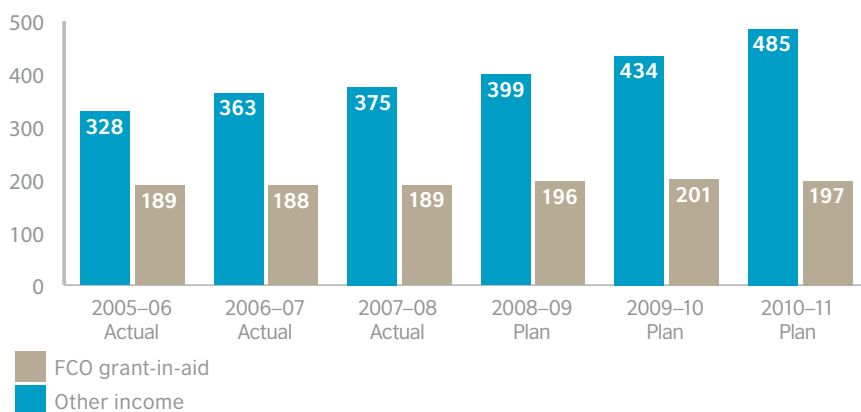
Income trends

In 2007–08, we received grant-in-aid of £189 million from the Foreign and Commonwealth Office. We increased significantly the scale, scope and reach of our operations by providing English language teaching and access to UK examinations and qualifications to customers around the world, generating £202 million.

Last year the number of examinations was increased to 1.7 million, provided for 1.3 million customers. We intend, over the new spending plan period to 2011, to increase the relationship between earned income and government grant from £2 per £1 of grant to £2.50 to £1 of grant.

Income trends

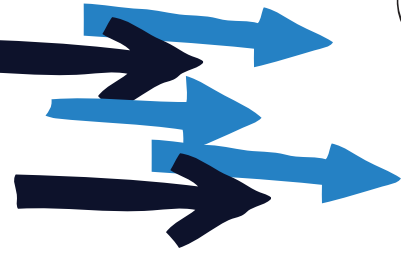
Measured in £ millions



INT

MARTIN DAVIDSON

EXECUTIVE



CULTURAL RELATIONS: A PEOPLE BUSINESS

Our people

Of course, most of our success is due to the people we employ and I am immensely proud of and grateful for their energy and commitment. There are 5,000 foreign nationals in our network of over 200 offices in 110 countries and territories. Their expertise makes us unique and enables us to really understand the countries in which we work. Our pre-eminence in high-quality English language teaching around the world is based on a core of experts in English teaching techniques and a team of over 1,800 experienced teachers.

Our staff survey shows again that our staff are strongly committed to the overall purpose of the organisation. However, our staff have told us that we are not as good at engaging them in the process of change as we should be. The pace of change in some parts of the British Council, including our arts group, meant we did not always consult fully enough and we are responding to this and other feedback with a range of actions to improve engagement across the organisation.

The Board of Trustees agreed that we should recruit a team of four executive directors to work with me to manage the organisation and develop our strategy for the future. We recruited one member of the

team internally and have brought into the British Council three directors from outside the organisation with the perspectives and skills that we need for the future. The new executive board has established a closer working relationship with the Board of Trustees. I would like to take this opportunity to thank the Board of Trustees, who give freely of their time, for their support and commitment over the last year.

The benefits of cultural relations

Sometimes, from a distance, the public benefits of cultural relations work can seem unclear. But seen close up, through the enthusiasm of staff, customers, partners and beneficiaries, it is obvious that our work does make a positive difference to millions of people's lives and directly benefits the UK. Just one example of this is the InterAction leadership programme that I attended in Malawi, where members of the Malawi Cabinet were joined by a cross-party delegation from the UK: Baroness Valerie Amos, former Secretary of State for International Development and former Leader of the House of Lords; Sally Keeble MP, former minister at DFID; and Mark Lancaster MP, current Shadow Minister for International Development. This has

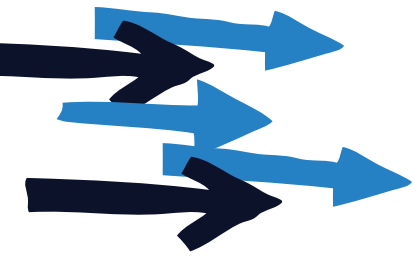
strengthened the relationship between the UK and Malawi at a senior level and was an effective response to a direct request from the President of Malawi to strengthen links with and the skills of his cabinet.

Looking ahead

There is much to do over the coming years, but I feel we have achieved plenty to be proud of. I want even more people in the UK and overseas to benefit from our work and I am confident that we are on track to do this. In the UK I would like a wider public to be touched by our programmes and to be proud that the British Council is working on behalf of the UK around the world. As the Board of Trustees recently articulated: 'The future for the UK in this crowded, dangerous, beautiful world depends on people of all cultures living and working together on the foundations of education, mutual understanding, respect and trust.' I believe that the British Council and its staff and partners, through our work in cultural relations, can make a significant and growing contribution to building those foundations for a more successful future.

PRODUCTION BY THE
CHIEF EXECUTIVE





INTRODUCTION BY THE
CHIEF EXECUTIVE

PROGRAMME PRIORITIES

Over the last year the British Council has refocused its activity on three programme areas of central importance to the international interests of the UK: intercultural dialogue, especially with countries and communities where the UK is less trusted; supporting the UK's creative and knowledge economy; and highlighting the case for tackling climate change.

Intercultural dialogue

Africa 07 This was a year-long celebration of culture and identity marking the 200th anniversary of The Slave Trade Act, which abolished slavery in the British Empire, and the 50th anniversary of Ghana's independence.

Springboard We adapted the Springboard self-development programme for Saudi Arabia, and to date, 600 women have completed the programme. We have now trained ten Saudi women as Springboard trainers and are launching a programme in women's universities. By 2010 we will train over 4,500 women.

Supporting the UK's creative and knowledge economy

TeachingEnglish This is a website that provides teachers with access to a comprehensive set of resources from the UK and the British Council, including lesson plans and worksheets, teaching tips and teacher communities, web links and teaching articles. Users can customise their home page to provide personalised content to meet development needs.

WaPi (short for word and pictures) This monthly day-long event in Nigeria gives over the British Council's outdoor premises to young creatives. Working mainly within hip hop and other youth culture, these events attract in excess of 4,000 for each event. Young people can watch performances by internationally famous artists, take to the stage themselves, sell their products or even learn skills that will allow them to make more of their creative potential.

Contributing to the case for tackling climate change

Climate Cool A major new initiative to raise awareness of climate change and encourage action to tackle it, Climate Cool has reached over 100 million people, including television audiences, across China and Hong Kong since its launch in March 2007.

Schools Ecological Footprint Challenge 2007 A joint project with the British Embassy in Thailand, this gives schools the opportunity to measure and reduce their impact on the environment. The ecological footprint calculator is now being used by the Thai Ministry of Education within Thai model schools.





GEOGRAPHICAL PRIORITIES

We are focusing our work on three broad geographical priorities: major emerging economies; countries where the UK is less trusted; and countries cut off from international discourse. In Europe our priority is to work with partners to address shared issues facing Europe.

Major emerging economies

Connections through Culture This programme forges partnerships between Chinese and British cultural institutions in a range of services including online market intelligence, networking events and support for project development. So far 948 cultural institutions in the UK, mainland China and Hong Kong have become members.

Brazil We engage with young audiences across Brazil – a major player in climate change – to build understanding of their country's role in contributing to climate security and to encourage integration of climate change into Brazilian policy-making. We hold public discussions, debates and lectures, send young Brazilian climate 'ambassadors' to participate in international conferences and encourage decision-makers to listen to public concerns. Our work supports the UK government's public diplomacy climate change initiative.

Countries where the UK is less trusted

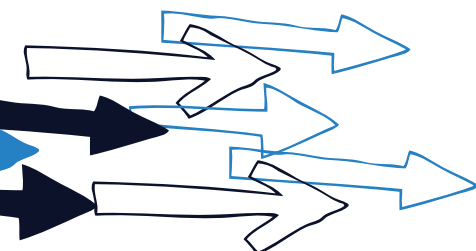
Iraq In spite of the difficult security situation in the country, the British Council is giving Iraqi universities access to vital contacts and networks with UK universities and supporting the Ministry of Education to develop their curricula and particularly their approach to English language teaching.

Pakistan We are helping to build trust among the younger generation by two means – an ambitious programme of school partnerships with the UK, which is aiming to reach one million children; and ensuring our work also involves faith-based schools alongside those in the state and private sectors.

Countries where we offer connections to the rest of the world for societies cut off from international discourse

Zimbabwe We provide support to young professionals who want to improve their skills and employment prospects through our learning centres in Bulawayo and Harare, and through our examinations service, encouraging them to stay in Zimbabwe. Future young leaders take part in our pan-African leadership programme, InterAction.

Burma We provide access to the world through our information centres in Rangoon and Mandalay with uncensored web and media access and by providing a space for free discussion. Over 246,000 people pass through our facilities every year and we have over 7,000 library members. In addition over 4,000 people took examinations with us this year.



OUR PERFORMANCE

This year's report

The British Council is an executive non-departmental public body and a charity audited by the National Audit Office. Our charitable objects, set out in our Royal Charter are to:

- promote a wider knowledge of the United Kingdom
- develop a wider knowledge of the English language
- encourage cultural, scientific, technological and other educational co-operation between the United Kingdom and other countries
- promote the advancement of education.

Our annual report meets the requirements of Her Majesty's Treasury for the reporting of non-departmental public bodies and the requirements of the Charity Commission. It is the public record of our achievements over the last financial year. It identifies the government grants we have received and demonstrates how we have used this money, along with income we generate from our own activities, to provide benefits for the UK.

This report sets out the progress we have made towards the targets in our *Corporate plan* for 2006–08. The plan was informed by the strategic priorities of the Foreign and Commonwealth Office as our sponsoring department and the requirements of our Board of Trustees.

Measuring progress

Our scorecard measures our performance in the following areas: the impact we make; the audiences we engage with and reach; and the level of satisfaction of our customers and stakeholders.

In this report we show our performance in 2007–08 compared with our results in the previous year (2006–07) and the targets we set for ourselves in our *Corporate plan* for 2006–08.

How to read the data

All scores are reported out of 100. The majority of scores we record are in the range 75–85 indicating a level of performance that can be classed as 'good' or 'very good'. However, what is more important is progress against established baselines, our trends, and improving future levels of performance.

We are again using a traffic light system to highlight areas of success or concern:

- target not met; more than five per cent at variance
- target partly met; up to five per cent variance
- target met or exceeded.

Our story for the year: scorecard results for 2007–08

Overall, we have made good progress this year against a background of significant organisational change. Our combined audience figure was 128 million, an increase of almost 25 million on last year. Our engagement figure of 15.6 million is slightly lower than last year, as is the combined score against our Evaluation of long-term outcomes (ELTO) measure. Encouragingly, our customer satisfaction score remains at the high level of 80, the figure achieved last year. We have set ourselves demanding targets to drive high performance. Next year there will be further improvements and refinements to our measurement system.

Impact

We measure our impact against five corporate outputs through a worldwide sample survey that collated data from 270,000 of our customers in 2007–08. These outputs are:

1 Internationalism: relationships brokered by the British Council broaden the international views of young people.

2 Long-term relationships: an increase in the number of quality relationships between the UK and other countries.

3 Positive partnerships: the UK is increasingly recognised as a country of choice for partnering positive social change.

4 Self-development: the UK is increasingly recognised as a country able to satisfy aspirations for self-development.

5 Creative ideas and achievements: the UK is increasingly seen as the country of choice for its creative ideas and achievements.

The corporate level results for these five outputs are shown on the chart on the next page and by region on pages 49 and 50.

We increased our impact score against four out of five of our corporate outputs and met our target for the first three. Projects reporting against these outputs fall almost entirely into the grant- and partnership-funded segment of our work. Our self-development and creativity outputs results are in line with 2006–07 but we did not reach the stretch improvement targets we had set for ourselves.

Audience

We measure our audience in terms of: engagement – the target audience we interact with on a personal basis; and reach – the larger audience with whom we interact online or through other broadcast means.

The slight reduction in our engagement figure is in part because of the period of significant organisational change we have gone through and because we have started to target our work in some regions more tightly on influencers to maximise indirect impact and widen our networks.

Customer satisfaction

These results are drawn from the 270,000 sample mentioned above and comprise two component metrics: meeting expectations and quality of delivery. This year's combined corporate score of 80 is strong and in line with the previous year, although slightly behind our target of 82. Of the two components we scored more strongly on quality of delivery. We believe that our more customer-focused, new product-development process and the move to larger-scale products will help us improve our results against meeting customer expectations. We will be reporting separately on these two satisfaction measures in the future.

Evaluation of long-term outcomes (ELTO)

We track the benefits and value to the UK of long-term relationships among our audience of decision-makers and senior influencers by undertaking a sample survey in a rolling selection of countries in a region. This year the total survey population was 1,200. The overall ELTO score is made up of three separate measures: strengthening

of ties with the UK, personal beneficial changes and organisation beneficial changes.

The corporate level results from this ELTO study are shown below. ELTO results at a regional level are discussed in the relevant regional sections.

On the basis of the sample size, our overall result for the year (78) is statistically in line with last year (80). However, our result for the individual component – strengthening of ties with the UK, is significantly lower than last year, having fallen to 68. We believe that this result partly reflects a need to work more consistently over time through our projects with our senior level audiences.

National Audit Office study of scorecard

In its value-for-money study of the British Council carried out in 2007, the National Audit Office endorsed our performance measurement system as a benchmark for public diplomacy organisations. We aim to use the insights from this study

to develop and further improve our measurement systems in 2008 and beyond.

About the scorecard and changes in 2008–09

In the 12 regional sections of this report we focus on the measures we will continue to report from 2008–09 onwards. These are audience, customer satisfaction and our ELTO measure.

From 2008 we will measure the impact of what we do over a longer period of time, drawing on both qualitative and quantitative data of customer experiences after our engagement with them. Evidence will track progress towards larger and more strategic changes that have made a difference to individuals, institutions and their understanding of the UK. This will be supportive of overall public diplomacy reporting following recommendations in the Carter review.

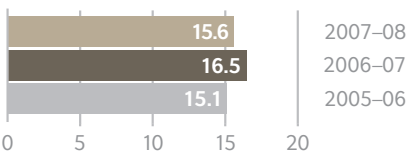
Performance scorecard reporting in 2008–09 will be in the context of the new programme areas described in the Chief Executive's introduction.

OUTPUT RESULTS

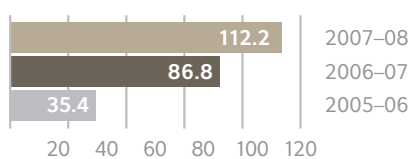
Performance 2007–08 Index value 0–100

	Result 2006–07	Result 2007–08	Target 2007–08	Result against previous year	Result against target
Internationalism	79	83	79	● Met	● Met
Long-term relationships	78	80	78	● Met	● Met
Positive partnerships	76	80	78	● Met	● Met
Self-development	77	76	80	● Partly met	● Not met
Creative ideas and achievements	75	76	78	● Met	● Partly met
Evaluation of long-term outcomes	80	78	83	● Partly met	● Not met

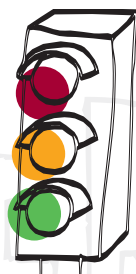
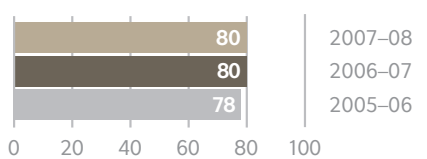
Engagement



Reach



Customer satisfaction



PERFORMANCE



© Corbis

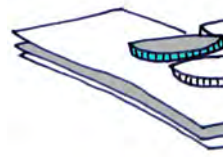
The 12 countries of the region are the UK's closest political and strategic partners. There has been a significant shift in our focus across the region towards developing partnerships and building networks of influential young people who will work together on shared issues facing Europe and North America. This region generates over 44 per cent of the British Council's teaching revenue.

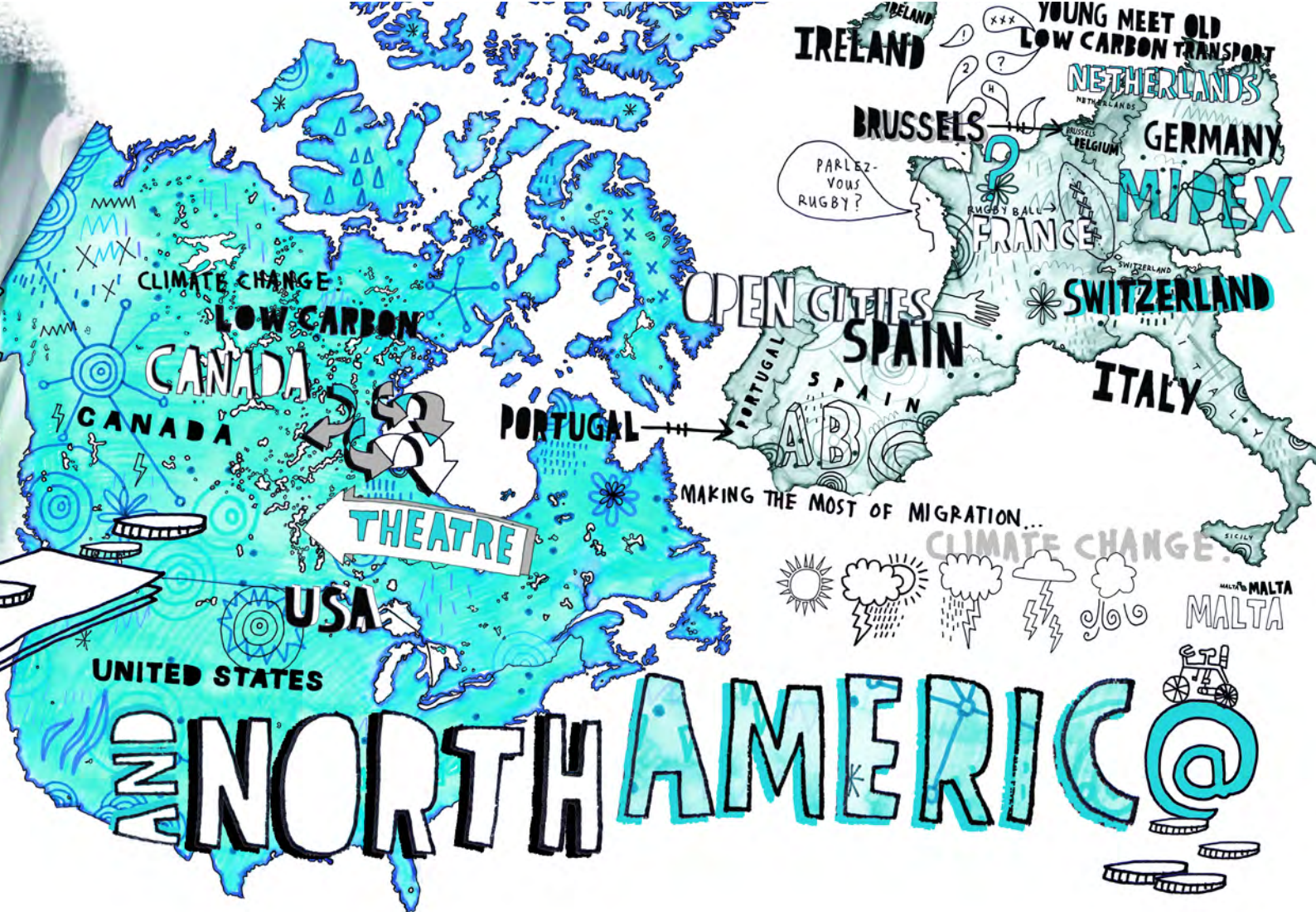
Young people are making a difference around the world. They are no longer passive consumers or learners – they engage in society and work for change. This year young people from 43 countries were given the opportunity to discuss global issues with world leaders at the World Economic Forum (WEF).

With The Road to Davos, a project led by our Swiss office, we identified passionate young people from across the world and helped them present their case to world leaders. In 2008 we brought 60 16- to 19-year-olds to Guildford in the UK for a week-long

training session to prepare them for the WEF. They elected the following six representatives to present their conclusions at Davos: Rhadeena, who works with street children in Sri Lanka; Whitney, from the USA, who raised money to build schools in Sierra Leone; Juan, from Argentina, who helps rural schools with education and skills; Gillion, from South Africa, who explores youth identities through performing and visual arts; Yunan, from China, who speaks out and acts against CO₂ emissions; and Nick, from Scotland, who works on lesbian, gay, bisexual and transgender rights for the disenfranchised.

At their WEF panel session – Future Shifts: The Voice of the Next Generation – they presented their findings to 250 policy-makers, opinion-formers and panel members, including Sadako Ogata, the former UN High Commissioner for Refugees, actress Emma Thompson, and Becky Anderson of CNN. Among other messages, they said we needed to give children 'the opportunity to be children, to go to school and not worry about having to go find work and support their family, but to enable them to get a good education, as it means access to a whole lot of opportunities'.



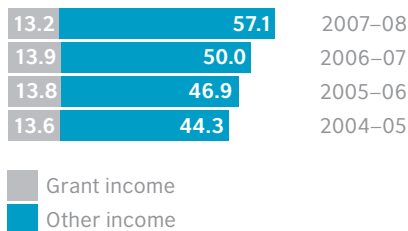


Since Davos some have launched a global fund for youth activism, some are working with us on climate change through our International Climate Champions projects, and others have spoken at the WEF Middle East Forum in Sharm El Sheikh. One of this year's participants will share a stage with Kofi Annan at the first annual meeting of the Global Humanitarian Forum in Geneva, Switzerland.

In 2007, the issue chosen was education for all and participants shared a platform with Her Majesty Queen Rania Al-Abdullah of Jordan and Gordon Brown, who invited the six to Brussels to discuss issues of education with European Commissioner Louis Michel, the former World Bank President Paul Wolfowitz, and a wider conference of donors. They also went on to meet George Soros and members of the Clinton Global Initiative.

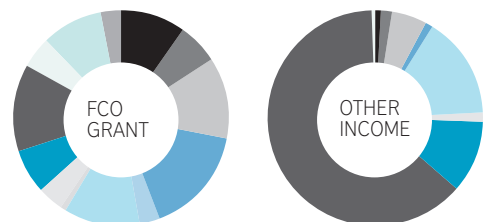
The Road to Davos is about developing young people's skills and ensuring that world leaders fully listen to the next generation. It is good to see this network of young people growing and continuing to actively engage in world challenges.

Income trends Measured in millions



Grant-in-aid for the region has been reduced in line with a corporate shift of resources towards priority regions in the Middle East and Central Asia. This trend will continue with further significant savings realised in 2008-09. Growth in overall income can be attributed to the success of our teaching and examinations work across the region.

Country share of income Measured in millions Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● BELGIUM	1.3	0.6	1.9
● CANADA	0.8	0.9	1.7
● FRANCE	1.6	3.0	4.6
● GERMANY	2.1	0.6	2.7
● IRELAND	0.4	0.0	0.4
● ITALY	1.5	8.7	10.3
● MALTA	0.1	0.0	0.2
● NETHERLANDS	0.5	0.8	1.2
● PORTUGAL	0.9	6.2	7.1
● SPAIN	1.7	35.9	37.6
● SWITZERLAND	0.6	0.2	0.8
● UNITED STATES	1.2	0.0	1.3
● REGIONAL BUDGET	0.4	0.0	0.4
TOTAL	13.2	57.1	70.3



3,500

children in ten countries helped build a Schools' Charter and White Paper for improved inclusion in the classroom

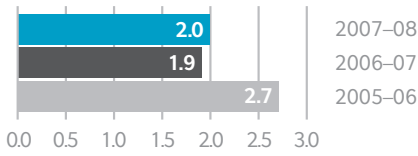
20 offices in 12 countries

53,000 young learners and adults taught in our centres annually

5 national parliaments and a media audience of 80 million citizens engaged with our migration study

Audience engagement

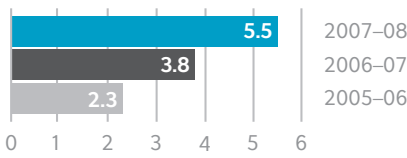
Measured in millions



In much of the region, public access and events for the general public have been discontinued. As a result, our engagement numbers fell significantly in 2006-07 and have remained stable in 2007-08 at around two million. We are increasingly targeting future decision-makers and influential young people through our work. Our increased engagement with these next-generation leaders is particularly evident in our programmes in Germany, the USA and Belgium.

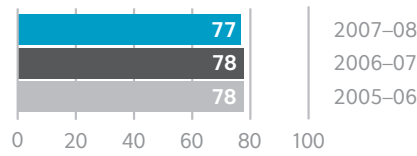
Audience reach

Measured in millions



As we have scaled back our public access in the region we have increased our remote reach through new, larger-scale projects with higher quality and better targeted online capability. Our BritLit project, which aims to help teachers from around the world exploit English literature in the ELT classroom, is an example.

Customer satisfaction scores



Customer satisfaction scores remain high and reflect efforts made in the customer service excellence project.

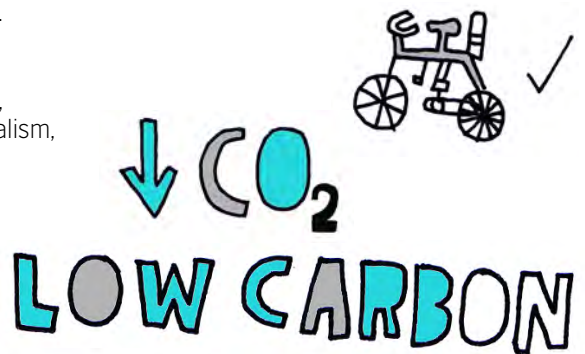
Performance impact and looking ahead

Interviews for the evaluation of long-term outcomes were carried out with people involved in INDIE (Inclusion and Diversity in Education), and participants in some of our education work. The results, while positive, suggest we could do more to follow-up these important contacts to facilitate further engagement with the UK. We will also look at customer relationship management across the region.

The scores for impact have improved significantly this year, particularly against internationalism,

and long-term relationships. In the case of internationalism, this result reflects two very well-received local projects in France and the Netherlands as well as a climate change project in Canada, but the large-scale projects implemented across the region are also clearly achieving impact under long-term relationships and positive partnerships.

The creative ideas and achievements score for new regional projects is much higher, at an average of 73 compared with 65. We will move further in this direction as we engage with the creative community in Western Europe and North America in the coming year with the development of a new project in the field of cultural leadership.



DAVOS

14



RUSSIA AND NORTHERN EUROPE



The region is a diverse grouping of 14 countries, all of whom are seeking, in different ways, to define their futures in the context of a next-generation Europe. Our focus is on creating and sustaining networks of young, influential people who will play a part in shaping the new Europe.

This year our staff in Russia were subject to intimidation and undue pressure from the Russian government. In light of this we took the difficult decision to suspend operations in St Petersburg and Ekaterinburg. Despite this, we continued to deliver arts, education and English programmes for our customers and partners in Moscow and through our online presence. We remain committed to our work in Russia.

The BRIDGE programme facilitated 53 active partnerships including 46 dual degrees and seven research collaborations between Russian and UK universities. The aims of the project are to increase collaboration, build sustainable partnerships and agree on mutual agendas in line with the Bologna Process. The project is sponsored by the UK's Department for Innovation, Universities and Skills and is supported by Russia's National Training Foundation.

In July, we brought Lily Allen to St Petersburg for the British–Russian Music Festival as part of our UK Flavours Festival. The concert celebrated the diversity of popular

music in the city and was attended by 4,500 people. Our Russia–UK Film Festival premiered 11 films in seven cities and was seen by 12,000 people. We linked the UK's National Film and Television School with the Moscow International Film School and facilitated a number of industry networking events, resulting in the sale of three British films to Russian distributors. We supported a sister Russian film festival in the UK, with a producers' and directors' networking event at the British Academy of Film and Television Arts. Following the success of the Whistler and Russia exhibition, in 2006–07, a collaboration between the State Russian Museum and the British Council, the Foundation for Art and Sport (Moscow) has offered sponsorship of £1.5 million to bring a major exhibition of J.M.W. Turner to the Pushkin State Museum of Fine Arts in 2008. We have been working with Tate Britain and the Pushkin Museum throughout the year on this high-profile event.

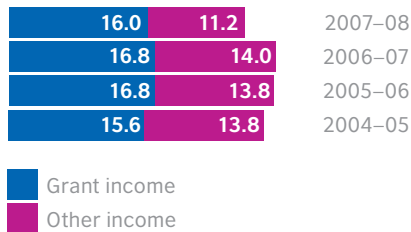
Work in English language training continued. We ran a summer educational school, sponsored by the Hornby Educational Trust, for English language specialists from

across Europe and Asia, which focused on using online resources and, in particular, British Council global websites, more effectively. We also initiated a three-year programme in partnership with the Goethe-Institut and the Moscow State Linguistic University on using the Common European Framework for teaching modern foreign languages. This programme will increase the UK's contribution to international co-operation in the implementation of the European multilingual policy. However, through the year, we came under renewed scrutiny from the Russian authorities as a result of the escalating political tension between the UK and Russia. Finally, in January 2008, out of a duty of care to our staff, we decided to suspend operations in St Petersburg and Ekaterinburg. The British Council continues to work on a not-for-profit basis and is committed to full compliance with Russian and international legislation. Most importantly, we believe that our work as a cultural relations agency is more important than ever when political tensions rise.



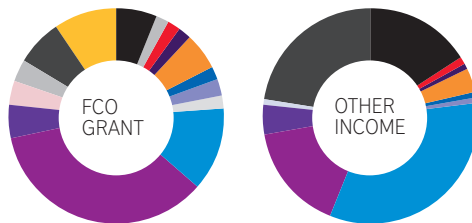
© Ekaterina Bespalova

Income trends
Measured in millions



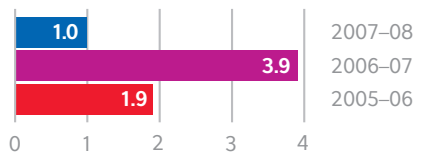
Grant-in-aid for the region has been reduced in line with the corporate shift of resources to geographical priorities and the reduction of our presence in Russia. Since December 2007 we have ceased all income-generating activity in Russia and this has led to the resulting reduction in income.

Country share of income
Measured in millions
Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● CZECH REPUBLIC	1.0	1.8	2.8
● DENMARK	0.3	0.0	0.3
● ESTONIA	0.3	0.1	0.4
● FINLAND	0.3	0.1	0.4
● HUNGARY	0.9	0.4	1.4
● LATVIA	0.3	0.1	0.4
● LITHUANIA	0.4	0.1	0.5
● NORWAY	0.3	0.0	0.3
● POLAND	2.0	3.7	5.7
● RUSSIA	5.6	1.8	7.4
● SLOVAKIA	0.8	0.5	1.2
● SLOVENIA	0.6	0.1	0.7
● SWEDEN	0.5	0.0	0.5
● UKRAINE	1.1	2.5	3.6
● REGIONAL BUDGET	1.5	0.0	1.5
TOTAL	16.0	11.2	27.2

Audience engagement
Measured in millions



Our change of focus in Europe has instigated a move from direct engagement with wider audiences towards interaction with the talented and influential young people who will build the next generation. This emphasis on quality rather than quantity is reflected in the significant drop in overall engagement figures, which have also been affected by the forced retrenchment of our operations in Russia. Reduced public access in the region has also led to a drop in engagement as anticipated. A hugely successful climate change photographic exhibition in Denmark contributed 1.5 million to the 2006-07 figures.

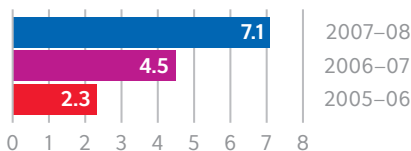
RUSSIA
AND

UK

FILM FESTIVAL

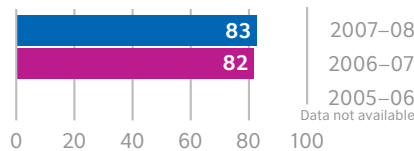


Audience reach
Measured in millions



We have expanded our web presence in line with the strategy of reducing direct public access. Our success in reaching wider audiences through online activity and broadcast media has continued. Great BritMania in Hungary, the New Drama Festival in Russia, and the regional English Language Outreach project were major contributors to this strong trend.

Customer satisfaction scores



Our score for customer satisfaction remained strong, reflecting the importance we place on good customer service. Particularly strong contributors were a number of education projects in Russia (scores 98 and 95) and the Dreams + Teams global programme in the Czech Republic (95).

Performance impact and looking ahead

The evaluation of long-term outcomes exercise was carried out in Denmark, Finland, Norway, Russia and Sweden. Partners recognised our innovative way of working by connecting people and building networks, and placed a high value on our links with the UK. The results underline the role that relationship building has as the foundation of our work.

Our impact scores against outputs have in general remained steady. There was a strong increase in our score for internationalism, owing largely to the success of the regional Dreams + Teams project.

10,784

online English courses have been started in central Europe as a direct result of the English Language Outreach project



4.3

million examinations income and £3.4 million teaching centre income was earned across the region

1,550

young leaders participated in Dreams + Teams

17



Our programmes support economic development and administrative reform as a means of building a stable European neighbourhood. They develop skills in individuals and capacity in institutions – and address issues of conflict in communities across the region. Our work in Turkey and the Balkans focuses on supporting integration with the European Union.

In a region characterised by strong ethnic and religious differences, Living Together creates real conversations between communities in conflict.

Living Together is our intercultural dialogue programme for this region. It strives to develop societies that are accepting and welcoming of difference, where people are able to participate fully, positively and on equal terms with one another. The programme has a focus on new migrant communities and their impact on societies in the region and on minority communities, some of whom are excluded from public life. Working across 27 countries, Living Together seeks to create a

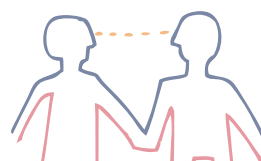
network of future leaders who are committed to working in and shaping societies where people are treated with equal respect.

The opening summit in London was attended by 180 politicians, policy-makers, civil society leaders and representatives of the media as well as Dr Danilo Türk, President of Slovenia and the UK Minister for Europe, Jim Murphy MP. Participants began planning ways to deal with issues relating to the impact of new migrant communities on their home and receiving societies; and on the ability of minority communities to participate in public life. Working sessions resulted in plans for constructive action on a range of issues, from promoting citizenship

through the school curriculum to tackling extremism among young people.

Living Together used the power of the arts to foster debate and dialogue with a photography and film exhibition bringing to life many of the themes of the summit. Eight artists presented work covering displacement, integration, assimilation and exclusion. The powerful images provoked a reaction in viewers, challenging them, and highlighting new and different perceptions.

The debate reached a global audience of millions when the BBC World Service broadcast two live editions of *World Have Your Say* on



FORUM THEATRE



© British Council

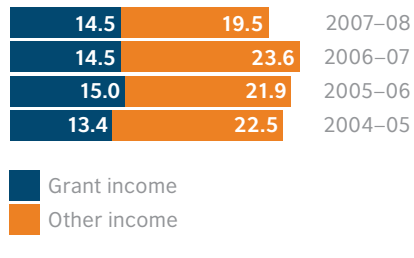
the subject of multiculturalism from the summit.

Regional debates, intercultural training events and school links have started to offer skills development and networking opportunities for the 6,000 students, 200 teachers and 500 young leaders that the project team will work with over the next two years. The programme has also started to develop links with UK regions that have large migrant communities, to explore common themes. In addition, the photography and film exhibition will reach more than 100,000 people across the region.

Young volunteers from the UK have been working with their counterparts from the region on projects to support excluded groups in South-East Europe and in the UK. A group of Romanians and young Scots worked on renovating an orphanage and a young offenders centre in Edinburgh. In addition, a report has been compiled on the economic and social impact of immigrants on the cities they leave and those they settle in – including six cities in the region and Glasgow, Cardiff, Nottingham and Belfast in the UK.

Income trends

Measured in millions

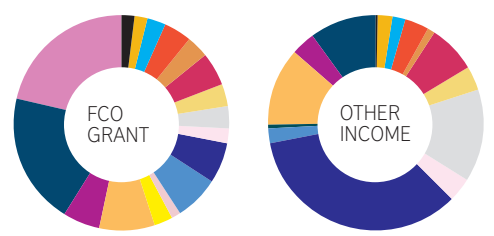


Grant has been maintained in this region compared with last year. Some of the countries within the region have had a reduction in grant in line with the Europe strategy; other recent accession countries have had a small increase. Overall, income has decreased owing to the closure of teaching centres in Istanbul, Tel Aviv and Baku and the end of four EU contracts in Turkey and Macedonia.

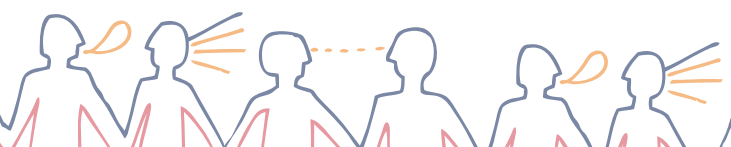
360
young scientists participated in our FameLab event

Country share of income

Measured in millions
Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● ALBANIA	0.3	0.1	0.4
● ARMENIA	0.3	0.4	0.6
● AUSTRIA	0.4	0.4	0.8
● AZERBAIJAN	0.6	0.7	1.3
● BOSNIA-HERZEGOVINA	0.5	0.2	0.7
● BULGARIA	0.7	1.4	2.1
● CROATIA	0.5	0.7	1.2
● CYPRUS	0.5	2.7	3.2
● GEORGIA	0.3	0.7	1.1
● GREECE	0.9	6.7	7.5
● ISRAEL	1.0	0.4	1.3
● KOSOVO	0.2	0.0	0.3
● MACEDONIA	0.4	0.1	0.5
● ROMANIA	1.2	2.3	3.5
● SERBIA AND MONTENEGRO	0.8	0.7	1.6
● TURKEY	2.9	1.9	4.8
● REGIONAL BUDGET	3.1	0.0	3.1
TOTAL	14.5	19.5	34.0



LIVING TOGETHER

174,197

individuals accessed international qualifications through our examinations work

743,803

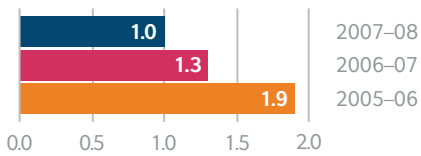
enquiries about the UK were answered

2.4

million visits were made to our websites

Audience engagement

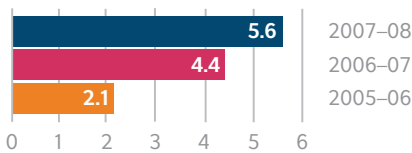
Measured in millions



While there has been a decrease in our audience engagement figures, there has been a corresponding increase in our audience reach figures. This is in line with our customer strategy of shifting our focus from direct engagement with a wider public to strengthened interaction with a more targeted audience of young influential professionals.

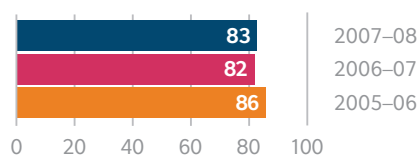
Audience reach

Measured in millions



As some of our regional projects have moved into their second year, there has been a significant growth in our audiences, reaching over a million more people than last year. Our Beautiful Science project reached 700,000 people, while Skills@Work, Living Together and Creative Collaborations reached a further 14,000. Here, our principal contact audiences are leaders and people who influence others. Greater interaction at this level has enabled us better to identify mutual goals, develop partnerships and indirectly reach larger audiences of aspiring young individuals.

Customer satisfaction scores



Our work has generated a customer feedback score with a small overall increase on 2006-07. However, we have acknowledged the need to build on the scores achieved by the new regional projects (generating markedly higher averages from 81 to a particularly strong score of 87 for the Skills@Work project), in order to restore our 2005-06 levels of satisfaction.

Performance impact and looking ahead

The evaluation of long-term outcomes surveys were carried out this year in Turkey, Macedonia and Israel, three countries that reflect the ethnic and cultural diversity of South-East Europe. Our results continue to be very strong (statistically on a par with 2006-07) and reflect the level of impact the British Council is making in all three countries.

We have achieved improved impact scores against the positive partnerships (73 to 80) and our long-term relationships (76 to 78) outputs. This reflects a successful move towards the new partnership model, which underlies our large-scale projects.

Our only result to show a decrease is against the creative ideas and achievements output (from 77 to 74). This partly reflects the unpredictable response to creative events in a very diverse region. Where we have variable scores for a single larger project (as is the case with Beautiful Science), we will be addressing the issue in 2008-09.

48,634

hours of English were taught

3,800

young people engaged in sports, outdoor education and environmental activities

20





© Adel Myas

The Middle East continues to be a priority region, with Saudi Arabia, Iraq and Yemen of particular importance. Our focus over the next few years will be on supporting educational reform across the region. We will also be introducing new leadership programmes and expanding our work around creativity. Security will continue to be an issue for the foreseeable future.

An innovative art exhibition – Classroom Portraits – which explores the life of children in the Middle East and the UK, has added a new element to our school linking programme in the region.

In 2007 the British Council commissioned British photographer Julian Germain to take classroom portraits in schools in the region and in the UK. In Yemen, Bahrain, Qatar and Saudi Arabia, in towns and villages, and a variety of private, public, primary and secondary schools, he met and recorded the lives of schoolchildren.

As well as collecting the images, the British Council gathered data from all the classes, giving the children questionnaires on what they think and talk and dream about – What's your favourite food? What time did you go to bed last night? What are you most afraid of? What do you talk to your friends about? What will you be when you grow up? What word best describes you?

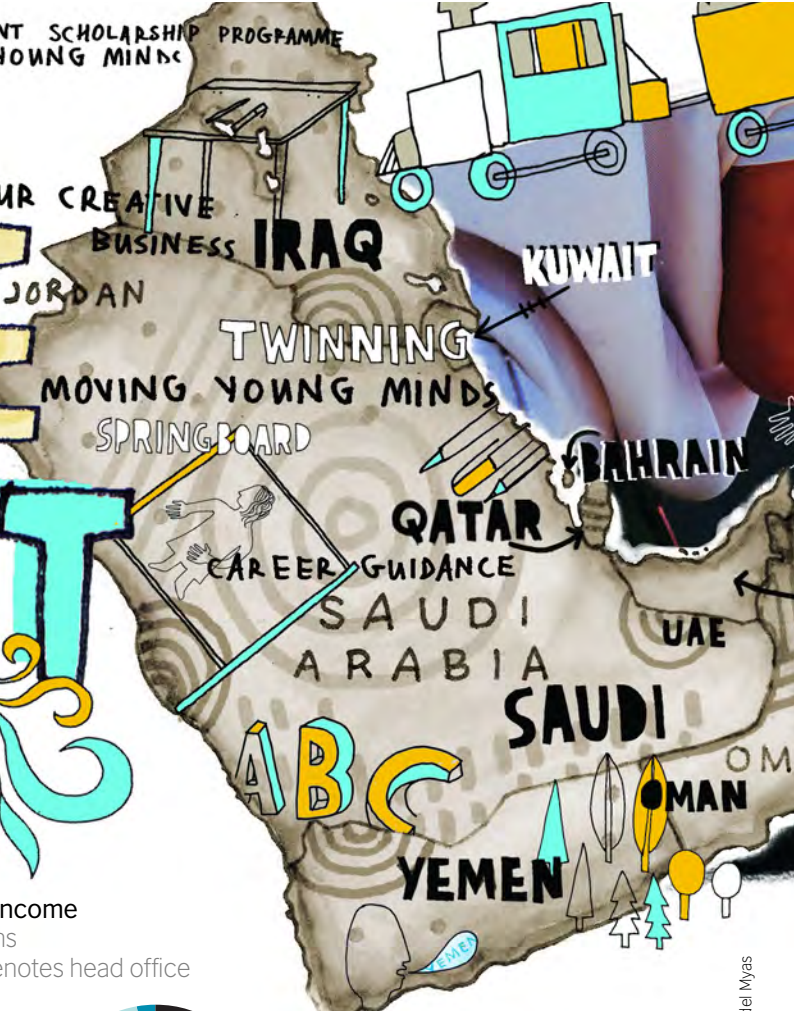
The resulting exhibition was opened by Education Minister Abdulsalam al-Jawfi in the National Museum Yemen, in December 2007, and is now touring Qatar, Saudi Arabia, Bahrain and the UK, reaching over 15,000 people. In each country, an activity programme invites school classes to visit, to work with and to think about the pictures and the lives of children in schools in their own and other countries. By using art to illustrate this shared experience, young people in the UK and the Middle East have an unusual and engaging opportunity to find out more about each other's lives, to explore different cultures and exchange ideas.

The art exhibition complements Connecting Classrooms, our school partnerships project, which aims to increase dialogue and understanding between young people in the Middle East and the UK. In joint curriculum projects, children share experiences and increase their international awareness, so preparing

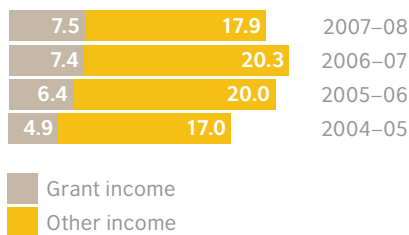
thousands of them for their role as global citizens of the future. The project also supports teacher development and leadership in schools. Experience is shared with teachers and heads around the region and in the UK. All existing Connecting Classrooms schools are fully involved in Classroom Portraits' activities. Schools work together with a specially designed education pack, a quiz, and an essay competition on the child's idea of the perfect classroom.

The Connecting Classrooms project has been running since 2006 and currently has 182 schools working in 65 partnerships. The project reached over 9,000 people in 2007–08 and 97 per cent of participants now have improved perceptions of the UK and the Middle East. In 2008–09 67 more partnerships will be formed from another 190 schools.

MIDDLE EAST



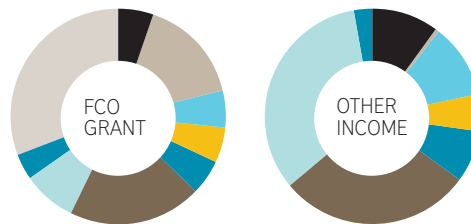
Income trends
Measured in millions



Grant-in-aid has increased in the region as resources are channelled through to the region from Western Europe. The real impact of this shift will be seen in 2008-09 when the grant will increase to £10 million. The decrease in overall income reflects the end of the Department for International Development's Political Participation contract in Iraq. Demand for examinations remains high across the region as the economy continues to diversify and young people wish to gain international education skills.



Country share of income
Measured in millions
Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● BAHRAIN	0.4	1.8	2.1
● IRAQ	1.2	0.1	1.3
● KUWAIT	0.4	2.0	2.4
● OMAN	0.4	1.0	1.5
● QATAR	0.4	1.4	1.8
● SAUDI ARABIA	1.5	5.2	6.7
● UNITED ARAB EMIRATES	0.6	6.0	6.6
● YEMEN	0.3	0.5	0.8
● REGIONAL BUDGET	2.3	0.0	2.3
TOTAL	7.5	17.9	25.4

297 teachers attended Connecting Classrooms' activities and approximately 12,000 students were reached through the project

CONNECTING CLASSROOMS

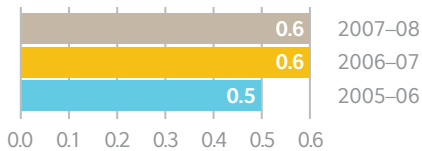
6 large-scale projects were run in English, vocational education, higher education, schools education, science and arts

38 new school partnerships were formed this year between 106 new schools in the Middle East and the UK



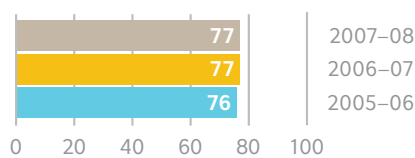
Audience engagement

Measured in millions



Over 50 per cent of the people we engage with across this region are in Saudi Arabia, reflecting the size and strategic importance of the country.

Customer satisfaction scores



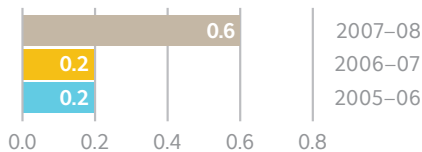
We have maintained last year's overall score of 77 for customer satisfaction with high scores in two of our priority countries.

Performance impact and looking ahead

We exceeded or equalled all 2006-07 impact scores on corporate outputs. There was a particularly marked gain on long-term relationships (75 to 79). A high score for internationalism (86) was reinforced by strong results from the Connecting Classrooms programme.

Audience reach

Measured in millions



We have significantly increased our remote reach owing to increased access to our new regional bilingual website and promotion of our go4english.com website, which provides online support to teachers and learners of English.

48,000

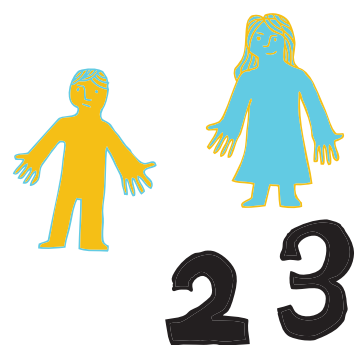
students undertook English language courses spanning over a million student hours, generating more than £8.5 million

100,000

candidates took examinations with us

200,000

people visited our regional bilingual website



MEDIA IN SOCIETY WOMEN @ WORK AL-AZHAR UNIVERSITY



NEAR EAST AND

Our focus is on building social and creative partnerships to improve levels of understanding between the UK and the region and to advance social inclusion and participation by young people. We are responding to new opportunities in Libya and Algeria and maintaining successful programmes in the Palestinian Territories despite a challenging operating environment.

The British Council in Egypt has forged a new partnership with Al-Azhar University, the world's leading seat of Sunni learning.

Al-Azhar University in Cairo is one of the oldest universities in the world and is a global centre of Islamic teaching, theology and jurisprudence. Its 400,000 students are drawn from over 70 countries and many graduates join the worldwide network of imams and authorities on Islam.

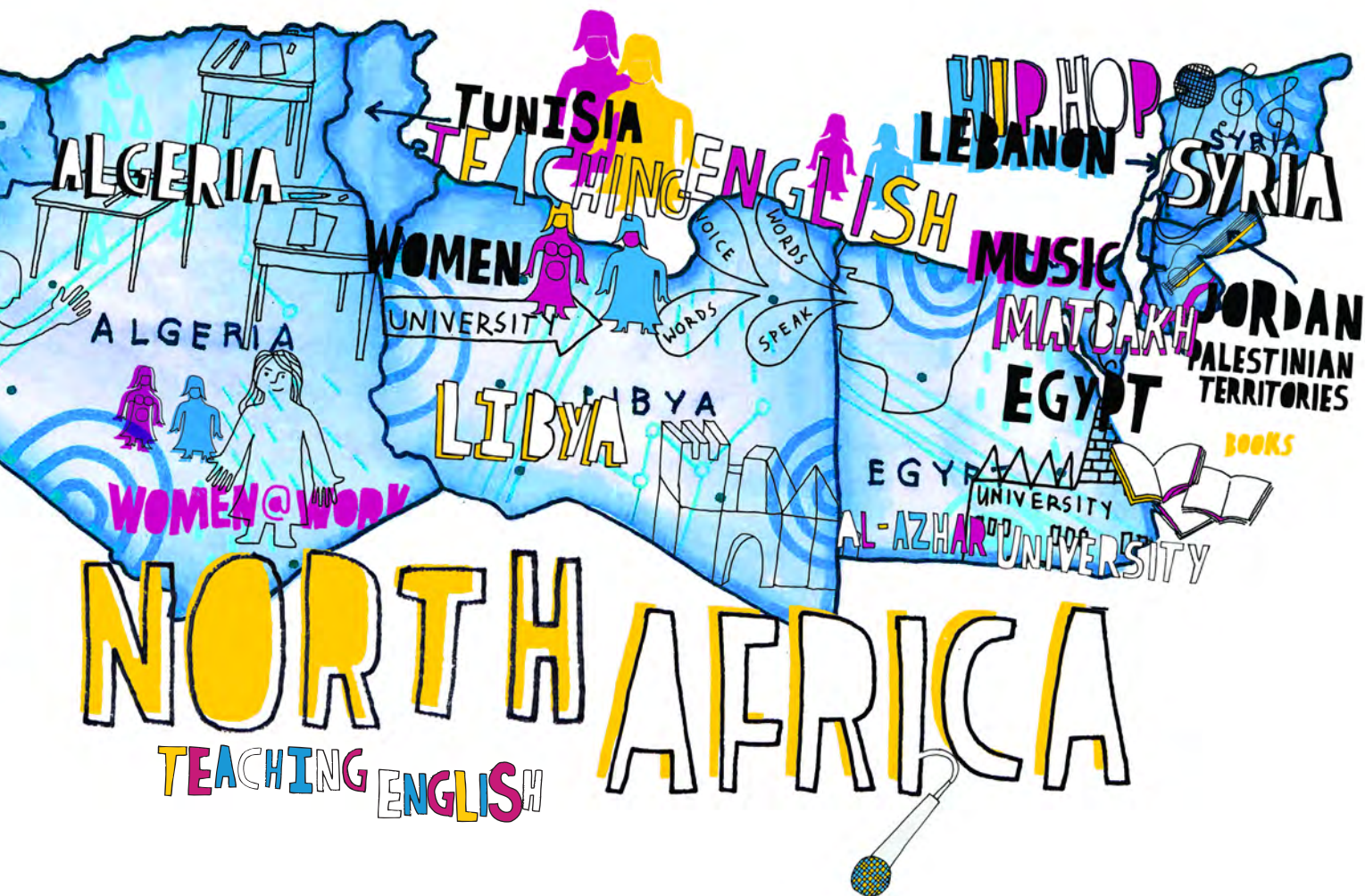
Last year the management of Al-Azhar approached us with a view to working together on a small programme of common interest. The timing of the approach was

perfect and the keen interest from Al-Azhar took us by surprise. Al-Azhar was facing a problem that the British Council was in a unique position to help it overcome.

How could Al-Azhar succeed in its stated mission of promoting an accurate understanding of Islam when its alumni were unable to communicate effectively at international conferences about religion and culture or engage in international conversations about Islam? As Dr Abdel Dayem Nossair, Vice-President of graduate studies and research at Al-Azhar said: 'Al-Azhar has been acknowledged for its tolerance and acceptance of others. If this view and methodology of Islam

are absent, then this gap could be possibly filled by unqualified people. Therefore, the right image of Islam and Muslims needs to be projected. This is our duty and it is people's right to learn the true spirit of Islam.'

Working with us was a new step for the university's authorities. Some faculties were concerned that the university's independence might be unduly influenced. But the British Council ensured that it was Al-Azhar who set the strategic direction of the project to meet their identified needs for greater international outreach and improved international communication. On 23 February 2008, we opened a teaching centre in the heart of Al-Azhar's campus in



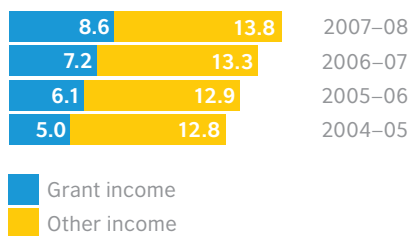
the centre of Cairo and started teaching English to 125 students from the Islamic Studies department. The project aims to produce graduates who not only excel in Islamic studies but are also able to communicate a moderate Islam around the world.

The Al-Azhar project also includes a quality assurance dimension, helping the university to achieve international benchmark standards in its teaching and curriculum design. This is resulting in a number of new UK university relationships, including an exchange programme between the University of Sheffield and the Department of Medicine for Women at Al-Azhar and an exchange of Al-Azhar deans with British academic institutions, focusing on quality assurance.

Al-Azhar is keen to develop the current project with us to engage other Islamic studies centres across the region. In doing so we would be creating new opportunities for thousands of students in the region, improving the quality of education and increasing intercultural understanding around the world.

Income trends

Measured in millions

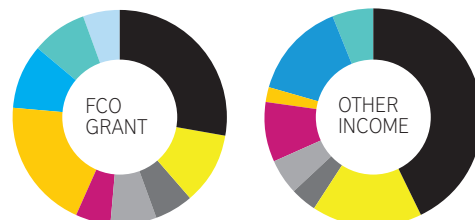


The region has received a significant increase in grant in line with corporate priorities. This will further increase in 2008-09. Overall, income has grown owing to an increase in English teaching across the region and an increase in client-funded project work in Libya.

Country share of income

Measured in millions

Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● EGYPT	2.0	5.0	7.0
● JORDAN	1.0	2.3	3.3
● LEBANON	0.6	0.5	1.1
● LIBYA	0.6	1.6	2.2
● MOROCCO	0.9	1.3	2.2
● PALESTINIAN TERRITORIES	1.6	0.1	1.7
● SYRIA	0.9	2.0	2.9
● TUNISIA AND ALGERIA	0.7	1.0	1.7
● REGIONAL BUDGET	0.4	0.0	0.4
TOTAL	8.6	13.8	22.4

IMPROVING
THE
QUALITY
OF
EDUCATION



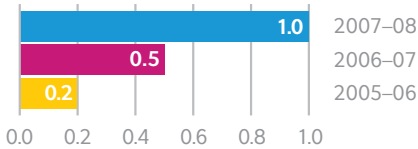
1,500 people received help from us to take part in an international activity

5,450 scholars from the region study in the UK

68,500 students were taught in our nine teaching centres

Audience engagement

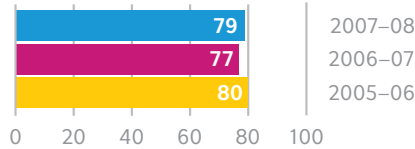
Measured in millions



Our audience engagement has increased as we have rolled out our projects in English teacher development and in education to reach far larger numbers of teachers, trainers and students. The main projects that contributed to the increase are Teacher Development, Innovative Approaches in Education, and ICT in Education.

We engaged with large numbers of young people and professionals by our innovative projects to develop the role of media in society and promote intercultural dialogue through new writing.

Customer satisfaction scores



Our work continues to generate very positive feedback in terms of customer satisfaction and British Council reputation. Our 2007-08 scores against these indicators are 79 and 82 respectively. In particular we improved our results in Libya and the Palestinian Territories significantly. We have achieved a marked increase in customer satisfaction in five countries and we are now rolling out our customer service excellence project throughout the region. This will include country audits, consultancy visits and customer service excellence awards.

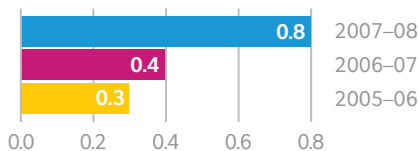
Performance impact and looking ahead

Our consistent result of 77 in the evaluation of long-term outcomes study provides continuing evidence that our projects meet our partners' expectations in terms of institutional change and capacity building.

Our scorecard result against the positive partnerships corporate output has shown a large increase this year (87 compared with 79 last year), reflecting the success of the partnership model that underlies all our larger projects in the region. The Media in Society regional project brought together local and UK media partners to address issues of reporting on social issues, for example working with Palestinian television on the first Palestinian animation series. The project also gave participants the chance to interact and network with different UK and regional institutions and experts.

Audience reach

Measured in millions



The increase in audience reach has been achieved by our main web products: the go4english.com website, the Music Matbakh website and country websites.

In contrast, there has been some decline in our result against the internationalism output. This is because in 2007-08 our main priority for the region was education and employability.

MEDIA IN SOCIETY



26

62,000 UK examinations were administered

300,000 were reached through the go4english.com project



EAST AND WEST AFRICA

East and West Africa is one of the poorest regions in the world. We work in 12 countries, having expanded our programme into Rwanda in 2007. Our priorities are promoting intercultural dialogue and democratic development, supporting professional and creative links between Africa and the UK, and ensuring Africa is an active player in the global conversation on climate security.

Our Africa 07 programme was a year-long celebration of culture and identity marking both the 200th anniversary of The Slave Trade Act, which abolished slavery in the British Empire, and the 50th anniversary of Ghana's independence.

Our aim was to build stronger relationships between the UK and Africa through a series of artistic and educational projects that explored the meaning of the past, its relationship to the present and the possibilities for the future. The programme was launched with a commemorative event at Elmina Castle in Ghana – one of the first European slave-trading posts in sub-Saharan Africa. Musicians, poets and artists from Africa, the UK and the African diaspora enacted the emotional journey of struggle, abolition and emancipation that comprised the slave experience. The President of Ghana, John Kufuor, and Baroness Amos, then Leader of the UK's House of Lords, both gave personal views of the effects of the slave trade, and the audience received a pre-recorded message from Tony Blair, then UK Prime Minister. The

event was broadcast to seven million people through the BBC.

In September and October 2007, musicians, artists and film-makers from across sub-Saharan Africa worked with UK artists in London on a collaborative project to explore themes of culture and identity called *Bring the Noise*. It increased appreciation of African music in the UK and highlighted the power and the beauty of creative fusions between Africa and the UK. The result was a series of high-profile performances to more than 5,000 people, including a prestigious appearance at the Commonwealth Heads of Government Meeting. Around 200 young people from Africa and the UK took part in a series of international exchanges – called the Belongings project – which developed leadership skills and intercultural understanding. The young people worked with networks throughout their local communities to explore issues of community and belonging.

One outstanding success of Africa 07 was a youth debate on slavery held in the Grand Committee Room of the House of Commons. Fifty

young adults from 11 countries debated the impact of the slave trade in the 21st century. The event was hosted by the Speaker of the House of Commons, the Rt Hon. Michael Martin MP, and broadcast on BBC Parliament. It was attended by Ghana's Nana Kodwo Conduah VI, Chief of the Edina Traditional Area, and as a direct result, he announced a reversal of the ban on flying the British flag in Elmina, which had been in place for over 100 years following the bombing of Elmina by British troops in 1873. In doing so, he said: 'From this day onwards, it is no longer a taboo to fly the British flag in Elmina – we will lift the ban to symbolise our commitment to the healing process and to creating new partnerships and collaborations that this event seeks to bring us.'

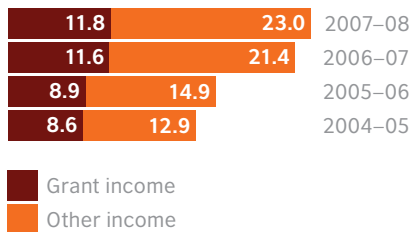
The relationships built up over the year with large numbers of young people will be sustained through our continuing regional programmes, including our school linking initiative Connecting Classrooms; the global volunteering partnership Global Xchange; and our young creative artists and entrepreneurs programme.





Income trends

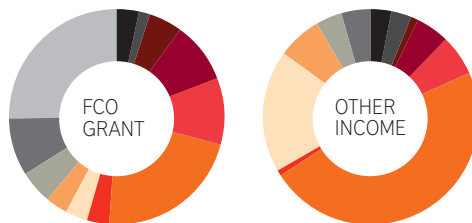
Measured in millions



Grant across the region has remained steady. Overall, income in the region has grown by 78 per cent since 2004-05. This is a result of an increase in development contracts, particularly in Nigeria, Sierra Leone and Sudan. The English and examinations business in this region has also increased.

Country share of income

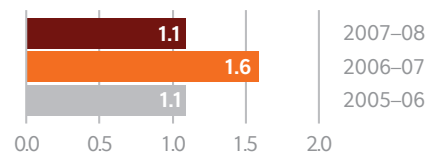
Measured in millions
Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● CAMEROON	0.4	0.7	1.1
● ERITREA	0.2	0.7	0.9
● ETHIOPIA	0.6	0.3	0.9
● GHANA	1.1	1.1	2.2
● KENYA AND RWANDA	1.2	1.4	2.6
● NIGERIA	2.6	10.9	13.6
● SENEGAL	0.4	0.2	0.6
● SIERRA LEONE	0.4	4.2	4.6
● SUDAN	0.4	1.5	1.9
● TANZANIA	0.6	0.9	1.5
● UGANDA	1.0	1.0	2.0
● REGIONAL BUDGET	3.0	0.0	3.0
TOTAL	11.8	23.0	34.8

Audience engagement

Measured in millions



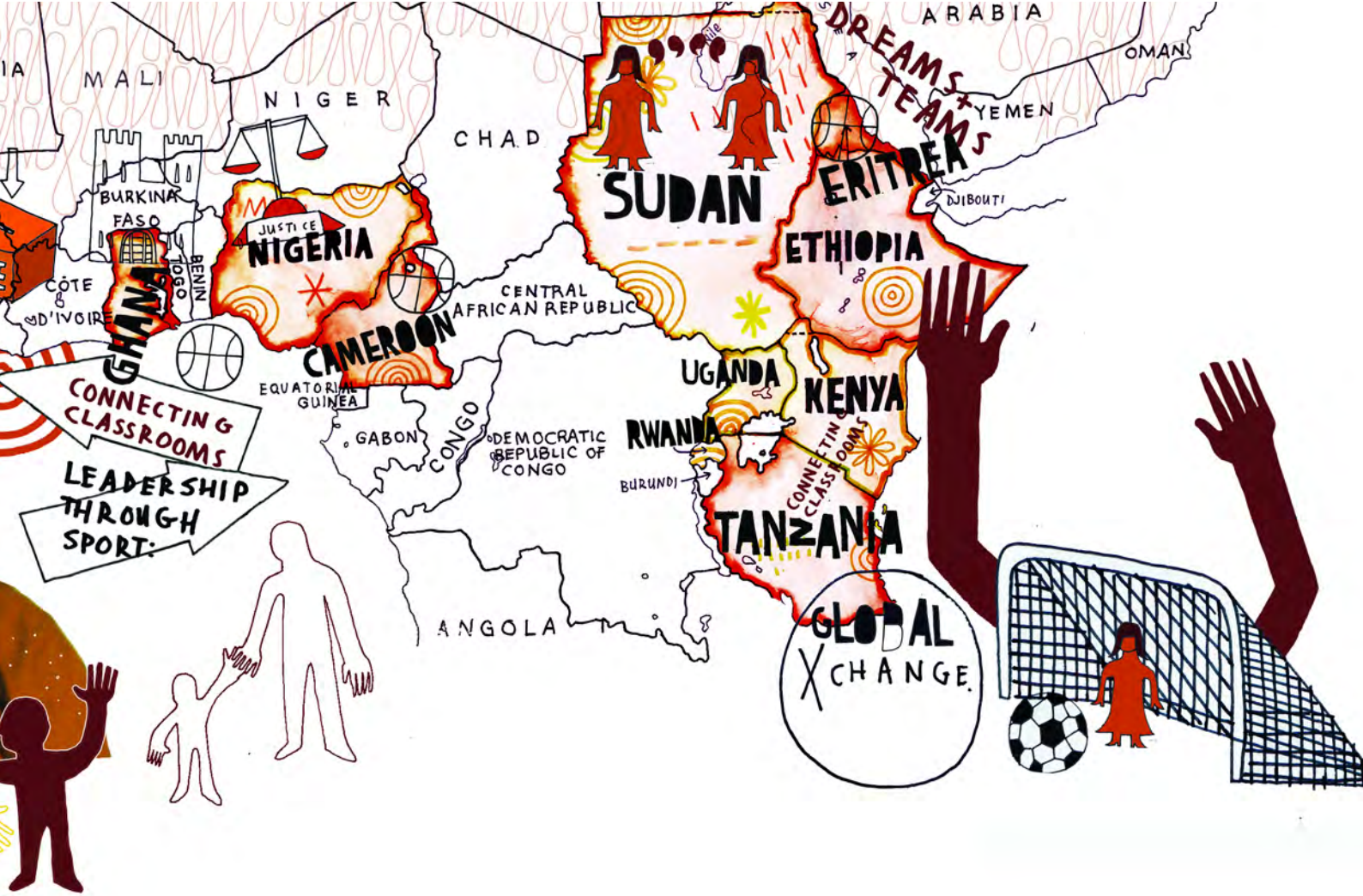
We anticipated a downward trend in our engagement figures this year due to the closure of public access in many of our centres. As a consequence there has been a reduction of 30 per cent in our audience engagement figures.

Our strategy has been to shift our programming away from 'passive' engagement through centre activity where customers come to visit us, to an 'active' outreach engagement, through big regional projects such as InterAction, Debate to Action and Connecting Classrooms.

28

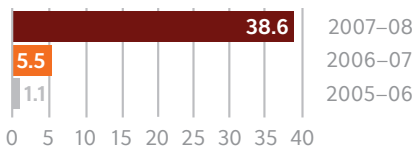
300,000 schoolchildren were involved in Connecting Classrooms

2,000 young leaders were trained through Debate to Action, our youth leadership and development initiative



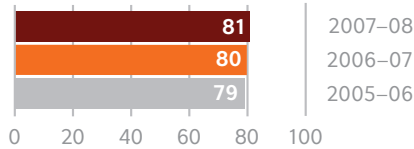
© Yeast Culture

Audience reach Measured in millions



The result of our shift to outreach programmes can be seen in the audience reach figures, which have increased by 700 per cent from last year. This is a result of the regional strategy to introduce online and broadcast products for wider audiences. For example, in Ghana a reality television initiative promoting Education UK reached 5.8 million people.

Customer satisfaction scores



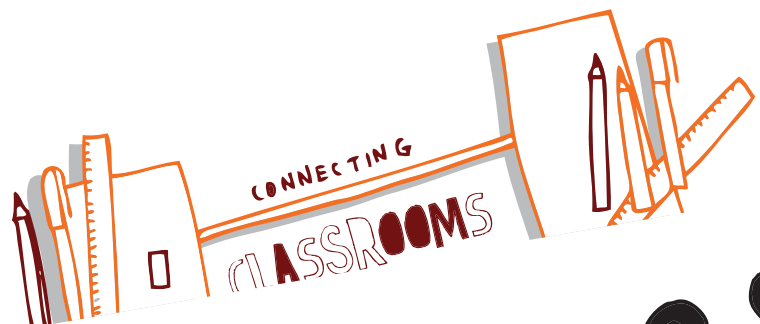
Our customer service results show continuing year-on-year gains. This also ties in with significant improvements in our 'mystery shopper' scores. During the course of 2007-08 we introduced a training programme for staff, which has a strong emphasis on business development and customer care. We also introduced customer service awards for staff and we improved our telephone technology.

Performance impact and looking ahead

The 2007-08 evaluation of long-term outcomes was carried out in Nigeria. The overall result fell from last year but remains high at 81. This is based on high score levels for both benefits of working with the British Council and increased links with the UK.

There are improvements against last year's very high results on all corporate output impact scores, even on long-term relationships, where an already exceptionally high 87 was pushed up to 88. There is clear evidence for the success of regional products in delivering this greater impact.

150,000 were reached through Debate to Action





© Corbis

Our priorities are supporting and strengthening democracy, increasing awareness of climate change and building connections between Africa and the UK. In both South Africa and Zimbabwe we will extend our work with the young leaders of the future. We manage Peacekeeping English projects in Angola, Mozambique and the Democratic Republic of Congo.

The British Council's Dreams + Teams programme uses sport to engage, enrich and empower young people across Southern Africa. It supports International Inspiration, a new ground-breaking project that aims to implement the London 2012 bid's promise to 'reach young people all around the world and connect them to the inspirational power of the Games so they are inspired to choose sport'.

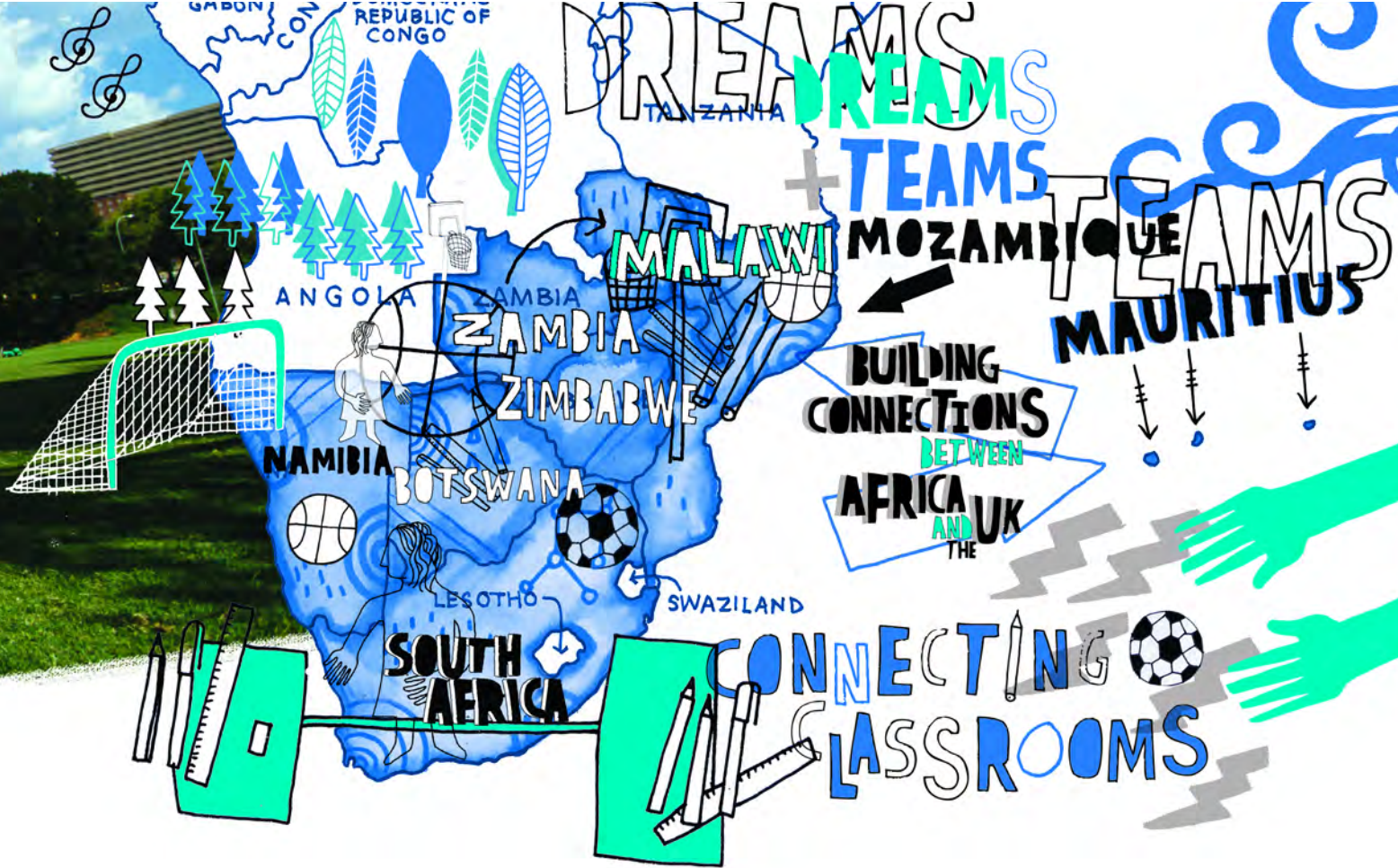
In this region, roughly 50 per cent of the population is aged under 15. Sport is an important way to connect with thousands of these young people – both male and female. Dreams + Teams Africa has

partnered 150 schools in 19 African countries with 150 schools in the UK. In total 230,000 students and 23,000 teachers have been involved in the programme.

Young people in the UK and across Africa build their awareness of citizenship and develop leadership and other skills by organising sports festivals and other events and working on joint projects with their partner schools. By direct contact with pupils from a school in a different country we help increase young people's intercultural and international understanding. At the same time teachers come together to share professional expertise.

Eighty-six per cent of young leaders and 90 per cent of teachers say their understanding of other cultures has been broadened as a result of their involvement with the programme. Ninety per cent of teachers believe Dreams + Teams has been effective in partnering positive social change between the UK and overseas.

The programme has been influential at a policy level too. In South Africa, Dreams + Teams has inspired the Department of Education and the Department of Sports and Recreation to produce a range of programmes using sport as a tool for curriculum development. In Mauritius, 28 young leaders



organised a 'festival of inclusion' with 40 disabled children and 20 non-disabled children. This festival was so successful it will now take place annually.

The Dreams + Teams model of reaching young people through sport is set to create further impact across Africa as one of the main elements of International Inspiration. This is a new project, which aims to contribute to the realisation of the 'Singapore Vision' – the promise made by the London 2012 bid team to reach young people all around the world.

The British Council leads on the 'PE and school links' strand of the International Inspiration project. In 2007–08 British Council Zambia rolled out training events based on the Dreams + Teams model as part of a wide-ranging approach to skills and educational development through sport. Mozambique and South Africa are set to join phase two of International Inspiration. In total the programme will give 12 million young people life-changing access to sport by 2012.

Income trends

Measured in millions

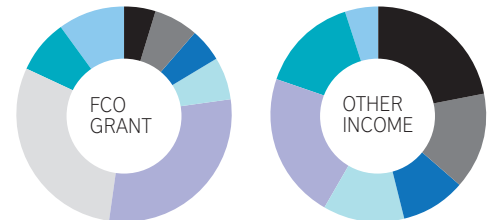
6.1	4.3	2007–08
6.2	4.2	2006–07
8.5	4.2	2005–06
6.5	4.6	2004–05

■ Grant income
■ Other income

Grant-in-aid and overall income for the region has remained steady. Increasingly Southern Africa and East and West Africa are working together on programmes across sub-Saharan Africa and this will lead to a further redistribution of grant-in-aid in the next year.

Country share of income

Measured in millions
Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● BOTSWANA	0.3	0.9	1.2
● MALAWI	0.4	0.6	1.0
● MAURITIUS	0.3	0.4	0.7
● MOZAMBIQUE	0.4	0.5	0.9
● SOUTH AFRICA AND NAMIBIA	1.8	0.9	2.8
● ZAMBIA	0.5	0.6	1.1
● ZIMBABWE	0.6	0.2	0.8
● REGIONAL BUDGET	1.8	0.0	1.8
TOTAL	6.1	4.3	10.3

325,818 people visited our regional website 'e-Africa'

577 local tutors trained through Dreams + Teams

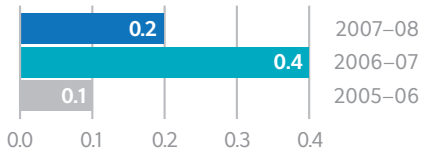
DREAMS + TEAMS

31

8,179 young leaders trained to date through Dreams + Teams in South Africa

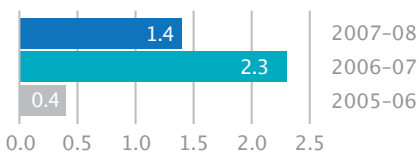
464 leaders and just under two million aspirants worked with us

Audience engagement
Measured in millions



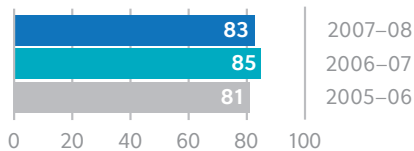
The 50 per cent fall in engagement is primarily the result of changes in our delivery of information services. Last year's enquiry numbers were more than halved from 280,000 to 129,000. We have reduced the number of public enquiries in favour of information services more carefully aligned with our target groups. This was part of our regional approach to reaching influential young people.

Audience reach
Measured in millions



We are increasingly working with East and West Africa on joint sub-Saharan projects. One of our priorities for 2008-09 is to replicate East and West Africa's success in increasing audience reach through online and broadcast products for wider audiences.

Customer satisfaction scores



Our customer satisfaction score (83) was two points lower than last year's. We attribute this to inconsistent standards across our information operations (including a particular problem with the South Africa call centre) and lower scores in the Botswana, Malawi and Zambia examinations programmes. We are undertaking a review of these operations in order to identify issues and improve customer perceptions.

Performance impact and looking ahead

The evaluation of long-term outcomes survey took place in Zimbabwe, South Africa and Zambia. Overall, scores were in a similar statistical range to last year, with a notably strong score for increased links with the UK.

Results for impact in the region (already at high levels) were extremely positive with only self-development falling a little behind last year's results. Two regional projects – Connecting Classrooms and Africa Dreams + Teams – supported a high score for internationalism (87), and in the case of positive partnership (86), the principal contribution came from the all-Africa InterAction young leadership programme. This is in line with results in East and West Africa, and generally high results for Connecting Classrooms in all parts of the world where the programme is being delivered.

AFRICA DREAMS + TEAMS



CENTRAL AND SOUTHERN ASIA



© Andrew Jones

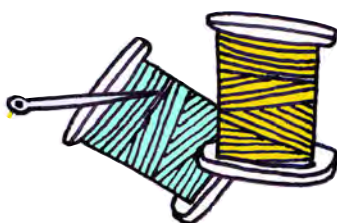
In an insecure, unstable region with low economic growth, our priority is to provide lifelong learning opportunities, particularly in English and education, to young people from varied backgrounds, both in and outside large cities. Our challenge is to help improve understanding and trust between the UK and countries in the region.

Building partnerships between schools in Pakistan and the UK helps to tackle stereotyping and prejudice at their roots.

Forging school partnerships across cultural and social divides, the Connecting Classrooms project encourages young people and teachers to broaden their international horizons and challenge their perceptions of other societies.

Our search for schools to participate in the project showed a huge appetite in Pakistan and the UK to take part. Groups of schools in each country were at liberty to select those they wanted to work with in the other country. School representatives attended a 'partner fair' and set out their stalls to attract potential partners.

Clusters of schools in Sindh and Punjab teamed up with partners in Birmingham. Schools from Swabi in the North-West Frontier Province (NWFP) and Nottingham joined together. Clusters from Bradford and Peshawar in NWFP also formed a partnership.



The first encounters led to each side tackling the preconceptions of the other. Typical attitudes of the Pakistani groups were that the British were unfriendly towards guests, had tasteless food and lived in an aristocratic society. Before visiting Pakistan, many UK participants said they thought Pakistan meant 'extremism, corruption, a male-female divide, and acute political unrest and crisis' not to mention an association by some of Pakistan with al-Qaeda.

Contact seminars and study tours involved teachers and education officials from the two countries visiting each other's schools, identifying their needs in terms of professional development, and scoping projects for pupils to work on in the future. Schools on both sides have now developed a better understanding of each other's cultures and systems, and the needs of the communities they are based in.

The project goes beyond traditional school linking, by building partnerships within countries too, bridging socio-economic and cultural divides. Schools from differing backgrounds – state, private and faith-based – have to work collaboratively in building the partnership with clusters of schools from the other country. One Pakistani

teacher said: 'This is the first time people of different streams got a chance to get together. It is very rare. We did not know what teaching practices were like in the other schools. Now we know, we can think and work together.'

Involving faith-based schools has been an innovation of the project, which involved overcoming initial suspicion on the part of madrassah boards. 'We were initially sceptical and thought this was a well-planned scheme to take children away from their religion. But after we got together as a cluster we respected each other and don't think that way any more,' one madrassah teacher commented.

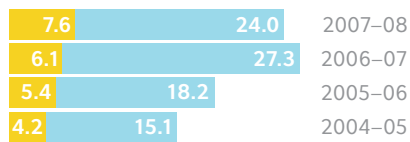
Over the next four years, the programme will aim to raise standards in teaching, learning, and school development. The partners will develop curriculum-based projects, enhance use of ICT and work on social action projects with their wider communities.

Twenty schools in Pakistan took part in the 2007–08 pilot. By 2010 we aim to have over 400 schools linked across the region. In 2008–09 Connecting Classrooms will be extended to Bangladesh and Afghanistan with Kazakhstan possibly joining in 2009–10.



Income trends

Measured in millions



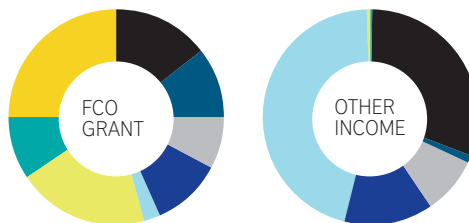
■ Grant income
■ Other income

There has been a substantial increase in grant to this region in line with the corporate shift in resources. This is set to increase to £10.5 million in 2008-09. In particular grant for Pakistan has increased by 50 per cent. There has been a 60 per cent increase in income generated in the region since 2004-05. The decrease from 2006-07 is the result of the conclusion of a large programme in Kazakhstan.

Country share of income

Measured in millions

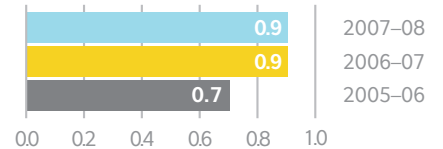
Country in **bold** denotes head office



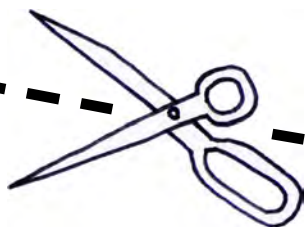
	FCO GRANT	OTHER INCOME	TOTAL
● AFGHANISTAN	1.1	0.1	1.2
● BANGLADESH	0.8	7.3	8.1
● IRAN	0.6	0.3	0.9
● KAZAKHSTAN	0.8	2.0	2.8
● NEPAL	0.2	3.2	3.5
● PAKISTAN	1.5	10.9	12.5
● UZBEKISTAN	0.7	0.1	0.8
● REGIONAL BUDGET	1.9	0.0	1.9
TOTAL	7.6	24.0	31.6

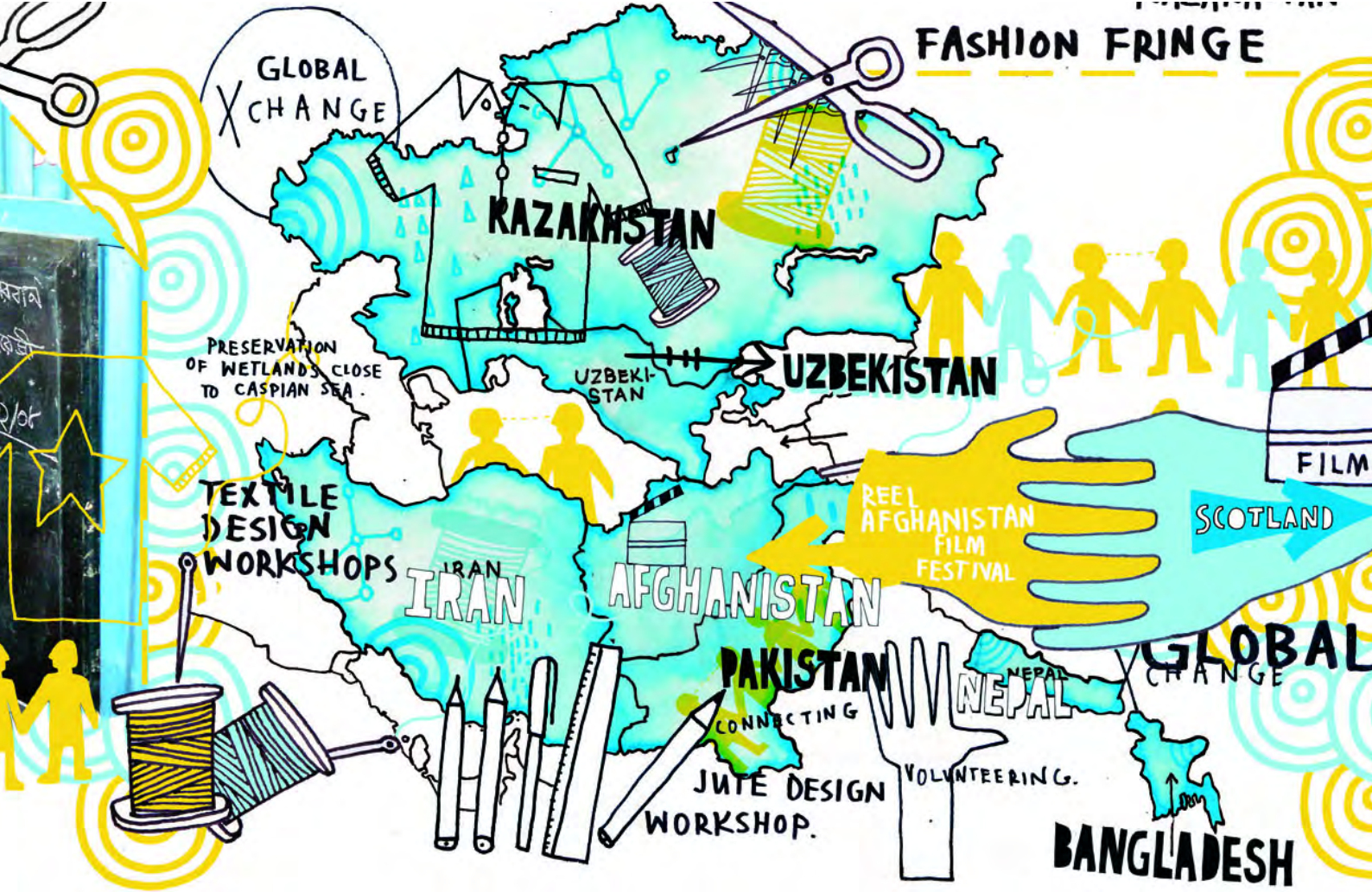
Audience engagement

Measured in millions



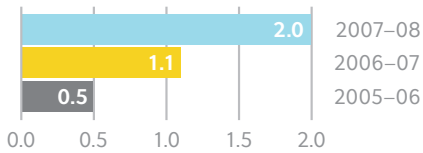
After a large increase in 2005-06, audience engagement shows a level result. We are now at the beginning of a new project cycle rolling out regional products in English language teaching, vocational education and school education, which we expect will deliver increased numbers next year.





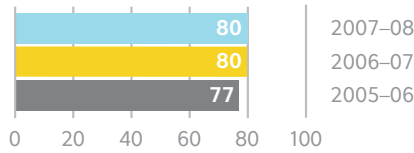
© Andrew Jones

Audience reach
Measured in millions



We have nearly doubled our audience reach figures compared with last year. This is a result of increased connectivity in the region and our improved ability to reach larger audiences through electronic means such as e-zines and e-newsletters.

Customer satisfaction scores



We have maintained customer satisfaction at the same level as in 2006-07. Underlying this result were variable country scores ranging from 74 to 92. We are identifying best practice in high-performing countries to apply elsewhere in the region.

Performance impact and looking ahead

Our overall evaluation of long-term outcomes score for 2007-08 is four index points lower than last year. While this result is within the same statistical range, an important finding was that many of our senior contacts wanted more active alumni and professional associations linking their country with the UK. We are placing the development of such networks at the heart of a number of new regional projects.

There has been a substantial improvement in positive partnerships mainly as a result of regional projects such as English for Teaching: Teaching for English and Skills for Employability. We have identified areas for improvement in self-development where the score fell by five points, particularly in our examinations operations in Pakistan and Nepal. We aim to strengthen the impact of creative work through our regional arts project, New Silk Road, in 2008-09.

132 new school links were developed between the UK and the region

GLOBAL XCHANGE





© Corbis

India's importance as a world power is already a given. To fuel continuing growth, the country is committed to a major expansion in its higher and vocational education and there is growing demand for English skills. Both are areas where the UK can position itself as India's preferred partner. Opportunities for closer engagement also exist in climate security and promoting the UK's creative and knowledge economy.

Young Indians and the Indian government turn to the British Council for English language skills.

This year, Prime Minister Gordon Brown challenged the British Council to train 750,000 teachers of English over the next five years. Alongside Indian Prime Minister Dr Manmohan Singh, he outlined our plans to develop a website that will offer learners and teachers around the world ready access to the materials, resources and qualifications they need to develop their skills in English.

Demand for our English language services outstrips supply in many parts of the world. We are known to provide world-class teachers and learning materials. In India alone it is estimated that 5.5 million teachers

and 200 million children will require English training over the next five to ten years.

In response to this and the Prime Minister's challenge we developed a partnership with the State of West Bengal and created an English teachers' handbook for 200,000 teachers working with 2.3 million children. In Punjab we have developed a programme for master trainers to work with 200,000 English language teachers reaching two million pupils. In New Delhi we have developed training for 5,000 English teachers, and in Andhra Pradesh, we have been working with 40,000 teachers to deliver vocational skills to 100,000 young adults. We have started to develop the training programmes to allow us to meet our target of 750,000

trained teachers, whom we believe will ultimately reach millions of children over the next five years.

We are also working with the corporate sector in India on consultancy projects and teacher training. In September 2007 we worked with Barclays, who had low customer satisfaction scores in two of their contact centres in India. We have delivered the first trainer training course to improve standards of English language skills with call centre staff, with a further two programmes planned in 2008.

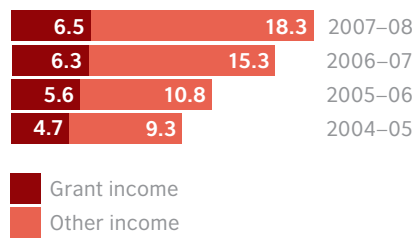
This work is supported by the new range of innovative English resources we have been piloting. These include: resources that can be accessed specifically by mobile phone; MP3 and new online audio



materials; and a learning zone on *Second Life* with interactive LearnEnglish activities and quests based upon UK culture. All of these are free to access at www.learnenglish.org.uk. In addition we launched a new site in partnership with the BBC – www.teachingenglish.org.uk – for teachers, with resources that include lesson plans and worksheets, information on training and conferencing, podcasts and videos. So far the site is on track to receive one million unique users every month.

Income trends

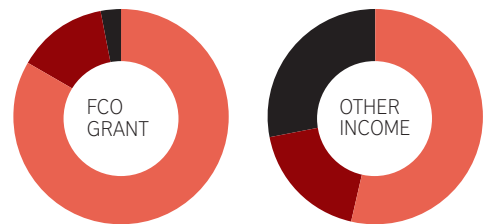
Measured in millions



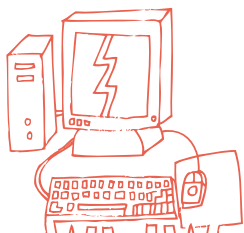
Levels of grant to the region remain steady. The increase in our overall income can be attributed to the increased success of our examinations business. In particular there has been a 15 per cent growth in the market for IELTS, as interest has grown in the region for an international test leading to work or study abroad.

Country share of income

Measured in millions
Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● INDIA	5.5	8.5	13.9
● SRI LANKA	0.2	4.6	4.7
● REGIONAL BUDGET	0.9	3.3	4.2
TOTAL	6.5	16.3	22.8



WWW.
LEARNENGLISH.
ORG.UK

105,000

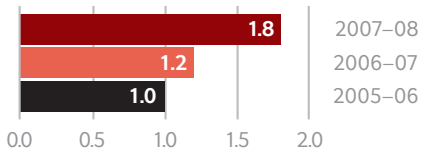
examinations were administered on behalf of UK examination boards

27,000 Indian students currently studying in the UK

100,000 enquiries about studying in the UK were answered

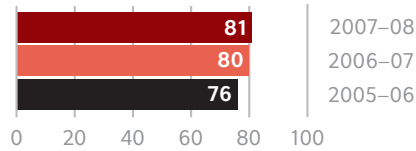
Audience engagement

Measured in millions



Our overall audience engagement this year has increased owing to the large number of enquiries received via our customer service department with relation to our teaching centre, examinations and library operations. This is in line with our customer strategy of increasing our direct engagement with aspiring young individuals, and moving to larger-scale projects such as UKIERI, Project English and climate security programmes.

Customer satisfaction scores



The British Council's work in the region continues to generate positive feedback, and our customer satisfaction scores are in line with last year. India and Sri Lanka were judged as one of the best entries for the National Customer Service Week contest in 2007.

Performance impact and looking ahead

Our evaluation of long-term outcomes results are slightly below last year's. Across the region, the association and relationship with the British Council is valued and considered beneficial to decision-makers, and senior influencers in their personal, professional or organisational capacities. Projects such as Global School Partnerships, the International School Award, the UK-India Education and Research Initiative and Dreams + Teams have achieved the best impact on contacts at these levels.

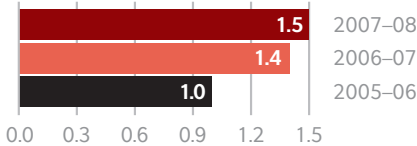
We achieved improvements in three of our five output scores. In internationalism the result was principally due to school links work in India and education projects in Sri Lanka. Creative ideas and achievements was a second area of major improvement. Here the strongest contributor was science work in Sri Lanka.

Smaller gains in positive partnerships came from social justice and youth work projects.

A two-point fall in the self-development score can be attributed to weaker results in our information services. We are undertaking a review of the results in this area.

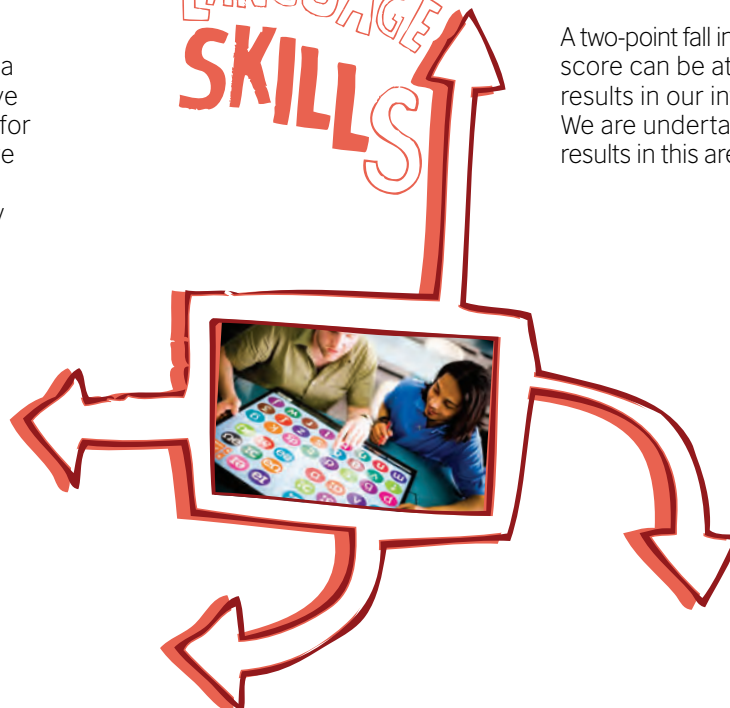
Audience reach

Measured in millions



Our virtual audiences have increased especially in the area of Education UK, where we have introduced online registration for our Education UK fairs. We have used web-based channels of communication more vigorously to stimulate interest in our scholarship work and in our climate change projects.

ENGLISH LANGUAGE SKILLS





LOVE AND MONEY EXHIBITION

East Asia is vital to the UK's economy, with an aggregate gross domestic product double that of India and China combined. We also face critical challenges; to support positive social change in Burma and intercultural dialogue with every country in the region, from Indonesia to Japan. With vibrant English teaching and examination services, our task now is to engage emerging leaders with the UK to tackle regional and global priorities in education, creative cities and climate security.

In 2007 we launched Creative Cities, a new three-year, £2 million programme to support the development of creative and open cities with successful knowledge economies in 11 countries in East Asia, and in the UK.

Creative Cities draws on the UK's reputation as a successful knowledge economy built on a network of creative urban population centres. The programme focuses on four broad themes: working with artists and designers to reimagine our cities; promoting accessibility and participation; transforming public spaces; and supporting creative entrepreneurs.

Working with D-Fuse, a collective of London-based artists, we developed *Surface*, a ground-breaking, pan-East Asian audio-visual work that explores how artists are both influenced by, and can help shape, cities, by the use of digital and other emergent technologies. In each city we create a unique event, which captures the essence of its urban expansion. In addition to the performance, we host a debate on how creative talents shape our cities and we screen an innovative moving image work – *Graphic Cities* – curated by onedotzero, a London-based production company.

We launched our accessibility and participation programme at an international forum on

interculturalism and the arts in Melbourne in association with the Australia Council for the Arts. London 2012 World Cultural Festival leader Keith Khan shared his vision of diversity with delegates from five countries who will develop this area of work. The initial focus of this programme will be on the city leader's role in promoting inclusion and the role of cultural organisations in promoting wider participation in the arts and creative industries.

We launched a two-year exploration into transforming public spaces asking UnitedVisualArtists, to work in Tokyo. Their installation, *Content*, launched JapanUK 2008, a year-long celebration of the creative, contemporary and collaborative



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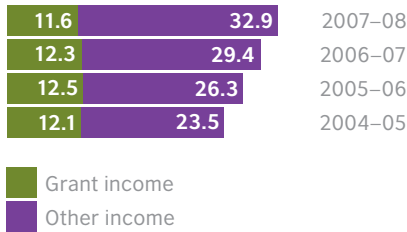
aspects of Japan and the UK. In the first three months, more than 100,000 people participated at events and online.

To strengthen creative entrepreneurship we provided professional development support for 1,000 outstanding young creative entrepreneurs and established new links between leading policy-makers across the region. In addition we supported creative industries' mapping exercises in Thailand and Indonesia, helping their governments create the right policy frameworks to let these grow.

As a result of the Creative Cities programme the UK is now perceived by city leaders across East Asia as the partner of choice for their creative city strategies.

Income trends

Measured in millions

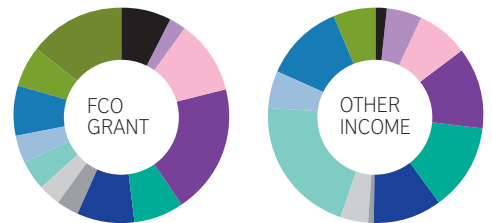


An increase in income reflects the expansion of teaching and examinations business and a number of new development contracts in the region. Grant is scheduled to grow in 2008-09 to fund the expansion of large-scale projects in the region, particularly in education and English.

Country share of income

Measured in millions

Country in **bold** denotes head office



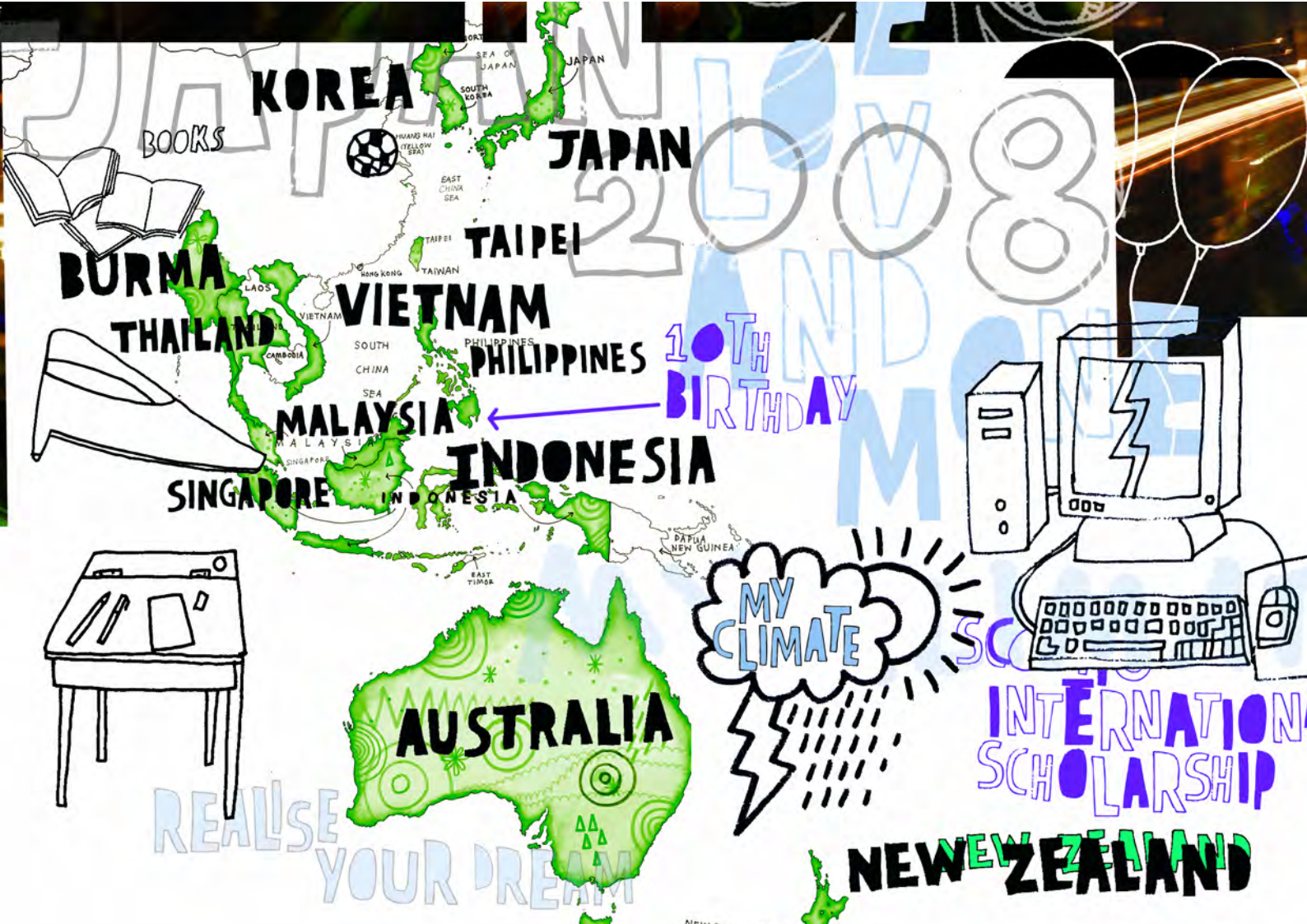
	FCO GRANT	OTHER INCOME	TOTAL
● AUSTRALIA	0.9	0.6	1.5
● BURMA	0.3	1.7	2.0
● INDONESIA	1.3	2.6	3.9
● JAPAN	2.3	4.0	6.3
● KOREA	0.9	4.3	5.2
● MALAYSIA	1.0	3.4	4.3
● NEW ZEALAND	0.4	0.3	0.6
● PHILIPPINES	0.4	1.3	1.6
● SINGAPORE	0.5	6.9	7.4
● TAIPEI	0.5	1.8	2.2
● THAILAND	0.9	3.9	4.8
● VIETNAM	0.7	2.1	2.9
● REGIONAL BUDGET	1.7	0.0	1.7
TOTAL	11.6	32.9	44.5

2.2 million people engaged directly with knowledge and ideas from the UK

13.2 million people were reached online

40

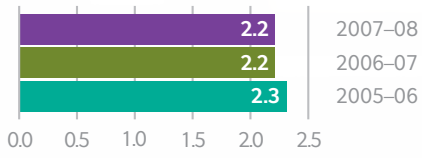
98,000 people were taught English in our centres



REALISE YOUR DREAM

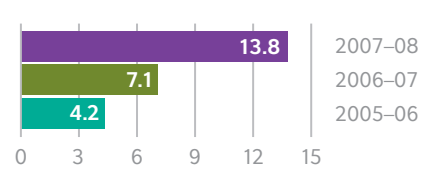
NEW ZEALAND

Audience engagement
Measured in millions



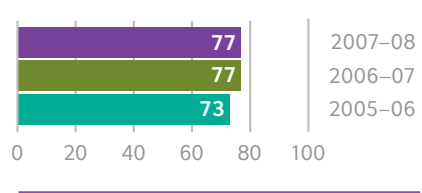
Our regional projects have begun to achieve greater influence with policy-makers, principally in English language learning, education and the creative industries. At the same time we have reached far larger numbers of teachers, trainers and students.

Audience reach
Measured in millions



Audience reach has almost doubled, driven by large increases in demand in Indonesia, Taipei and Vietnam. As some of our projects have moved into their second year, there has been a 16 per cent growth in audience reach.

Customer satisfaction scores



Customer satisfaction scores have remained steady in spite of a large increase in the total number of customers served.

Performance impact and looking ahead

Evaluation of long-term outcomes surveys were carried out in Malaysia, Indonesia, Taipei and Japan. The results are consistent with previous high scores, except in Indonesia, where we closed our library services because of security concerns.

All output scores for the period were either equalled or exceeded, with improvement for internationalism, self-development and creative ideas and achievements. The scorecard result for positive partnerships has shown a significant increase reflecting the emphasis that the region has placed this year on developing partnerships as a starting point for all new larger-scale projects. The strong score of 78 for creative ideas and achievements underlines the priority that our target audiences place on our ability to provide greater access to the UK's expertise in the creative industries.



41

HONG KONG ANNIVERSARY
- CELEBRATED 2008.

60TH

CHINA

HONG KONG

- HANGING IDEAS

WISH

We are contributing to China's own efforts to put economic growth on a more socially and economically sustainable path through work in climate change and social innovation. We offer self-development opportunities by improving English standards, administering examinations and supporting UK education in China. Connections through Culture – our flagship arts programme – fosters links between arts institutions in China and the UK.

Climate Cool, a major new initiative to raise awareness of climate change and encourage action to tackle it has reached over 100 million people, including television audiences, across China and Hong Kong since its launch in March 2007.

The Climate Cool programme was developed in response to international calls for action to tackle climate change and to increase UK-China collaboration in this area. Climate Cool offers an innovative and creative approach to raising awareness of climate change through targeted programmes aimed at schoolchildren, journalists and the general public.

The education strand of the programme focuses on educating and engaging high school students about the cause and impact of climate change and by increasing the professional capacity of teachers. The Climate Cool Green Your School competition has been rolled out to 130 schools across the region, engaging 100,000 school pupils. The students develop and implement plans to improve their school's environmental performance and save money, while teachers learn creative teaching methods for communicating climate change issues. The 2007 Beijing competition final was broadcast to a nationwide audience of over ten million. Hong Kong's Climate Cool E-

Learning Platform uses education technology from the UK, which enables schoolchildren in Hong Kong to discuss Climate Cool issues with their peers in Hong Kong and the UK.

Each year a group of 15- to 19-year-olds from mainland China and Hong Kong are selected to be Young Climate Change Awareness Ambassadors. Their programmes have ranged from running a series of lectures in their schools to interviewing the UK Foreign Secretary, David Miliband, in Beijing, in February 2008.

The media strand of the programme focuses on enhancing the skills and



providing the resources needed by journalists in China to enable them to report accurately on climate change.

A series of specially devised workshops on climate change, led by UK experts and journalists, has provided Chinese media with an understanding of the social, economic, security and political issues arising from climate change and given them the necessary professional skills to report on climate change-related issues. Since March 2007 more than 400 journalists from 83 media organisations in mainland China have received this training. Workshop participants can apply for the UK-China Climate Change Media Award Scheme, which gives successful applicants the opportunity to undertake a study tour to the UK.

The programme also aims to provide the general public with information on and guidance about climate change. Over 375,000 people visited the Climate Cool By Design Exhibition in Shanghai, Chongqing and Guangzhou, which aimed to educate visitors on how to change personal behaviour to mitigate the future impact of climate change. Ninety-four per cent of those visitors

surveyed agreed that the exhibition had increased their understanding of how their behaviour affected climate change.

In its first year the Climate Cool programme has reached more than half a million people directly; ten million through the dissemination of training and information; and millions more through the online, print and broadcast media.

Income trends

Measured in millions

5.9	34.9	2007-08
5.9	27.2	2006-07
5.9	22.3	2005-06
5.9	21.1	2004-05

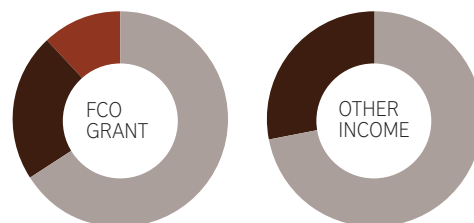
■ Grant income
■ Other income

Grant to this region remained steady but will substantially increase in 2008-09 to reflect China's importance as an emerging economy. Overall, income has increased significantly owing to a 25 per cent growth in our examinations business.

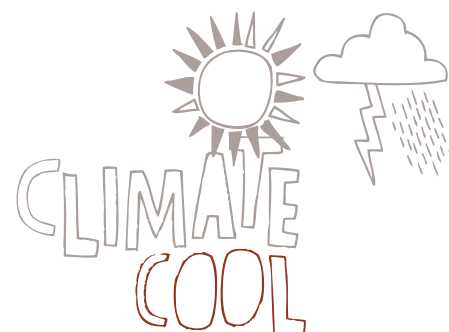
Country share of income

Measured in millions

Country in **bold** denotes head office



	FCO GRANT	OTHER INCOME	TOTAL
● CHINA	3.9	25.2	29.0
● HONG KONG	1.3	9.8	11.1
● REGIONAL BUDGET	0.7	0.0	0.7
TOTAL	5.9	34.9	40.8



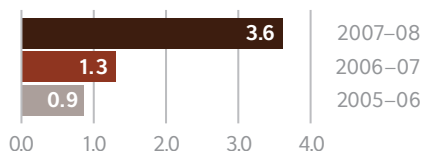
245,789 enquires about the UK and British Council activities were answered

326,031 candidates took examinations across the region

25,998 students were taught in our teaching centres

Audience engagement

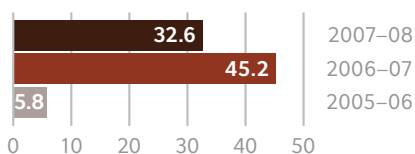
Measured in millions



Our engagement result is up by 2.3 million – a 177 per cent increase. This arises primarily from the impact of targeting our resources and energies on a selective number of events and activities where we are confident that audiences will be receptive to what the UK can offer them.

Audience reach

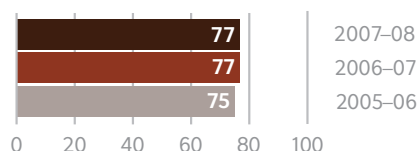
Measured in millions



Our audience reach figures have fallen by 12.6 million, a drop of 28 per cent. At face value this is disappointing but the reality is that much of the shift can be attributed to the transition period of our most successful website – www.in2English.com – which was run in partnership with a British Council-led website, English Online.

Strategic transition to a more effective delivery model is a price worth paying in the long term, even though it has resulted in a short-term decline in our remote audience figures. We are confident of a reversal in figures next year. In fact, English Online, our new community website, which is aimed at anyone learning or teaching English throughout mainland China and Hong Kong, has reached over 380,000 people since it was launched six months ago.

Customer satisfaction scores



Alongside increasing numbers for audience engagement, China still maintains high levels of customer satisfaction. As an illustration of this, our work in teaching and examinations showed rapid growth in 2007–08. While the number of examination candidates has increased significantly from last year, the customer satisfaction score for examinations remains at 76, reflecting our emphasis on high quality while we engage with larger audiences.

Performance impact and looking ahead

We are encouraged by our improved performance in the evaluation of long-term outcomes survey and the positive feedback received from long-term partners. The positive shift was particularly evident in the field of education and specifically from our partners in school linking, where we have run extensive programmes for many years and have shifted from isolated school-to-school links to a more sustainable model based on district links.

Our impact results show that internationalism has the highest index score of 89, an increase from 83 in 2006–07. This was owing to the success of our school links programme.

Scores towards positive partnerships and creative ideas and achievements also show improvement in comparison with last year.

Against the self-development output our teaching and examinations scores were weaker than in the majority of education projects, accounting for a lower result than last year's. We are identifying points of good practice from higher performing areas and projects to achieve greater consistency and a restoration of the previous score in 2008–09.





In Latin America and the Caribbean we deepen engagement with the UK by contributing to national agendas in education, English language teaching and national responses to the global climate change agenda. Increasingly, our projects are large in scale and delivered across a number of countries. Our challenge is to increase the visibility and impact of the UK in all that we do.

Tens of thousands of schoolchildren in South America and the UK are benefiting from the British Council's new regional education project. The School Leadership and New Tools for Learning project (SLANT) was launched in response to the desire of governments in Latin America and the Caribbean to develop and improve school education.

The project was launched in 2006 and runs in all of the nine countries in which the British Council has a presence.

In 2007–08, 190 head teachers from across the region and the UK were involved in the project, which aims to transform their leadership skills through an exchange of good

practice and recent innovations. The project has already brought benefits to thousands of schoolchildren in the region and in the UK. Over the coming year this will increase to over one million students.

The project enjoys the enthusiastic commitment and participation of ministries of education in all nine countries as well as head teachers from the region and the four countries of the UK. From its conception, SLANT has demonstrated a collaborative approach, demonstrating the active engagement of our partners at all levels. For example, directors of school education in national ministries of education are responsible for the strategic direction of the project, ensuring that its activities are in tune with national needs and agendas. Project implementation at state,

regional and municipal levels of government is the responsibility of directors of school education, heads of teacher training faculties, school inspectors and ICT advisers. Head teachers from schools in the UK and Latin America are the major project participants, developing ideas, methodologies and materials in a series of workshops, meetings, training and exchanges.

This is the British Council's first large-scale regional project in Latin America and, as a result of its impact, we have strengthened our profile in the region. The disseminating effect of our approach has been welcomed enthusiastically by our project partners. In the past year, the participation of head teachers in the region has attracted the interest of more than 850 fellow head teachers



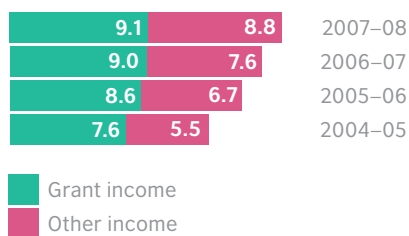
LATIN AMERICA

from other schools and, in Brazil, the project is being extended to 500 more schools. According to Maria Auxiliadora Seabra Rezende, President of the National Council of State Secretaries of Education, Brazil: 'The project is of considerable importance because it contributes to a clear perspective of leadership in school management and the role of head teachers, through sharing of experiences. The fresh approach that is brought to the project by UK head teachers enables critical analysis of Brazilian practices.'

Feedback to date has already indicated the valuable role of the UK, with head teacher standards and school self-evaluation processes improving and participants and partners viewing us as an authority on the international dimensions of education.

Income trends

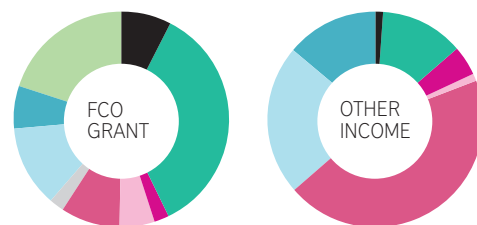
Measured in millions



Over a third of the grant to this region is allocated to Brazil, in recognition of its importance as an emerging economy. It also reflects resourcing for a large climate change project in Brazil as part of our work with public diplomacy partners. Overall, turnover has increased owing to greater income for our English and examinations business.

Country share of income

Measured in millions
Country in **bold** denotes head office



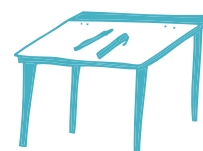
	FCO GRANT	OTHER INCOME	TOTAL
● ARGENTINA	0.7	0.1	0.8
● BRAZIL	3.2	1.1	4.4
● CHILE	0.5	0.2	0.7
● COLOMBIA	0.8	3.9	4.7
● CUBA	0.2	0.0	0.2
● JAMAICA AND TRINIDAD AND TOBAGO	0.2	0.4	0.6
● MEXICO	1.1	2.0	3.1
● VENEZUELA	0.6	1.2	1.7
● REGIONAL BUDGET	1.8	0.0	1.8
TOTAL	9.1	8.8	17.9

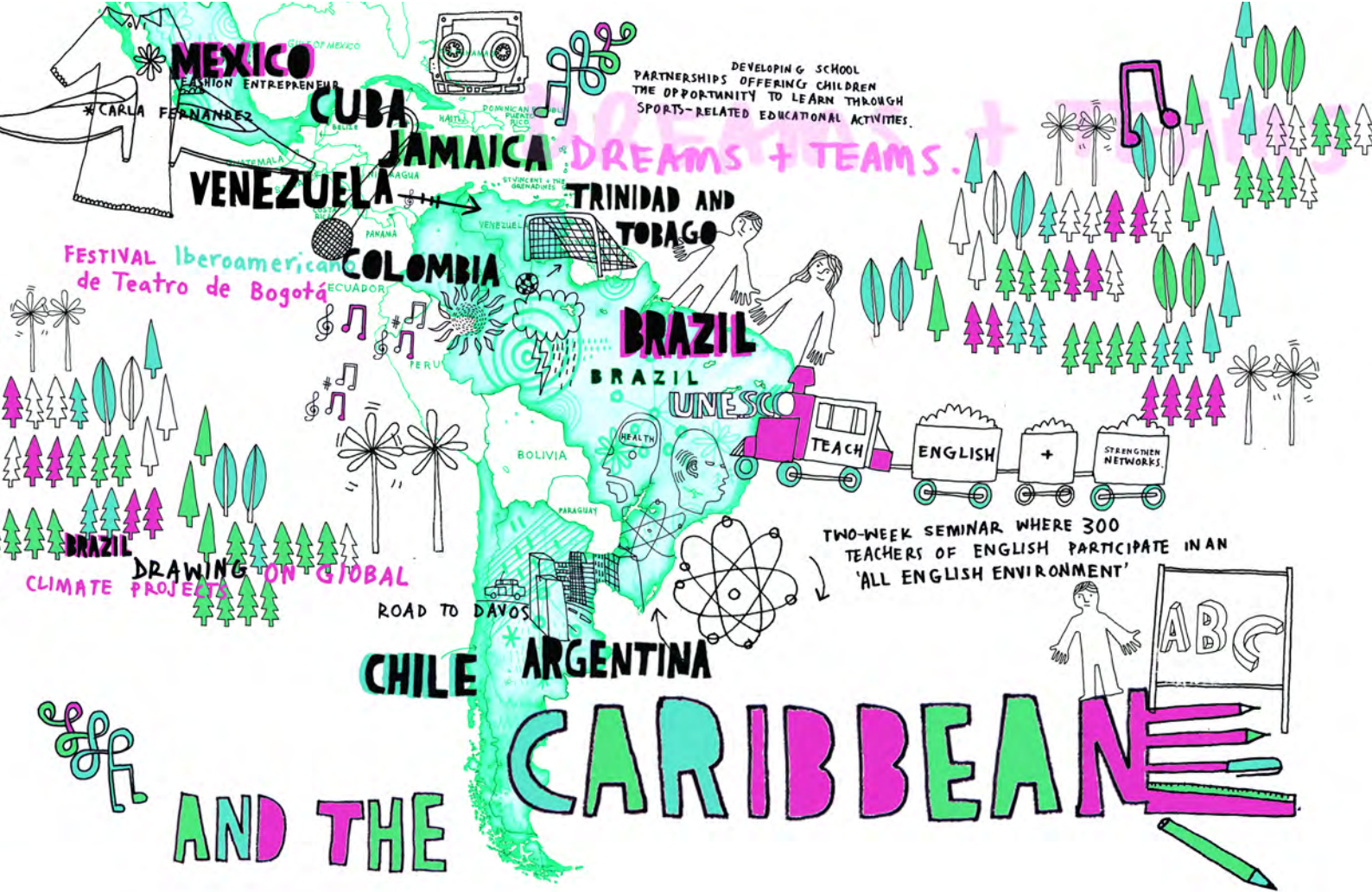
6,520 students in UK higher education

169,945 enquiries answered about the UK

46

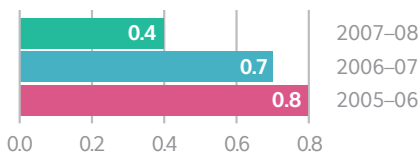
SLANT





Audience engagement

Measured in millions



Increasingly we are developing and delivering projects with tighter alignment to our regional strategy of engaging with more targeted senior-level contacts. An example of this is the school leadership regional project in Argentina, Brazil, Chile, Jamaica, Mexico and Trinidad and Tobago, where interaction with 250 decision-makers and influential senior contacts and 500 professional leaders has led to the building of a network of an estimated 24,000 people.

The higher 2006-07 engagement figure reflects two major and exceptional events during the year – participation as guest nation in a major arts festival in Mexico, where the UK was the country of honour, and the delivery of an interregional conference on human rights and justice systems in Brazil.

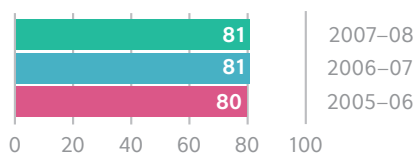
Audience reach

Measured in millions



There has been continuing underlying growth in audience reach over the three-year period. Large-scale, online participation in the Brazil and Mexico events gave a one-off boost to the 2006-07 numbers.

Customer satisfaction scores



Overall, customer satisfaction rates have been maintained. We expected our result to be higher to reflect the region's commitment to customer excellence. Analysis showed that in some underperforming projects, such as our alumni groups in Mexico and Venezuela, there was a mismatch between customer expectations and our delivery. Findings are being used to inform future project design.

Performance impact and looking ahead

This year's evaluation of long-term outcomes surveys were carried out in Mexico, Trinidad and Tobago and Venezuela. There has been strong affirmation of our work in all countries surveyed and praise for our ability to offer contact with other countries within the region as well as, for most, directly with the UK. Although the level of engagement with the UK is appreciated by our senior contacts, some concerns were expressed about sustainability of activities. Some of those surveyed expressed concern about follow-up. These important points of feedback will be worked into future project strategies.

Regional scores were weaker than expected, particularly in internationalism, where a fall of eight points can largely be attributed to a broadcast project in Colombia. Here analysis revealed problems of shared understanding with partners.

Fuller analysis showed that there was a wide range of scores across our projects. We will be taking action to bring them up to the level of some of our better results.

EQUAL OPPORTUNITY

AND DIVERSITY

ENVIRONMENTAL POLICY

Environmental policy

The British Council recognises that its activities can have an impact on the environment and is committed to minimising its own impact by preventing pollution and continually improving its environmental performance. This will be achieved through the setting and review of objectives and targets within the framework of a broader Environmental Management System (EMS).

A formal certified EMS has been developed and will be maintained to cover the activities at our three largest UK premises: Spring Gardens, Bridgewater House and Telford Way. The principles of environmental management and the objectives of the British Council will all apply at our other UK premises and an Environmental Framework will be rolled out to our overseas sites. Among our staff we have over 100 green champions globally and green office teams throughout the network.

Equal opportunity and diversity

We continue to demonstrate our commitment to equality of opportunity and diversity and the contribution they make to our cultural relations work.

Our progress in bringing equality and diversity into the mainstream is supported by our Global Diversity Network and our Diversity Assessment Framework (DAF), a comprehensive evaluation and

assessment tool that feeds into the corporate scorecard report. This is championed by our Chief Executive, Martin Davidson, who set an organisational target of level 2. Ninety-six out of 110 countries participated, reflecting the level of engagement, and an organisational average of 1.4 fell short of our level 2 target but provides an excellent platform for future development and progression.

Particularly noteworthy are the achievements of the British Council in Beijing, which this year became the first office to meet level 5, and the achievements of South Africa and Egypt, both of whom attained a level 4. The efforts of the South-East Europe region are also worthy of commendation, boasting 100 per cent participation across all 16 counties and producing a regional average of above level 2.

UK equality monitoring data shows overall progress

The percentage of minority ethnic staff has risen slightly to 16.8 per cent and in respect of pay band 10 is up from 5.3 per cent to 8.2 per cent, exceeding our 2008 target.

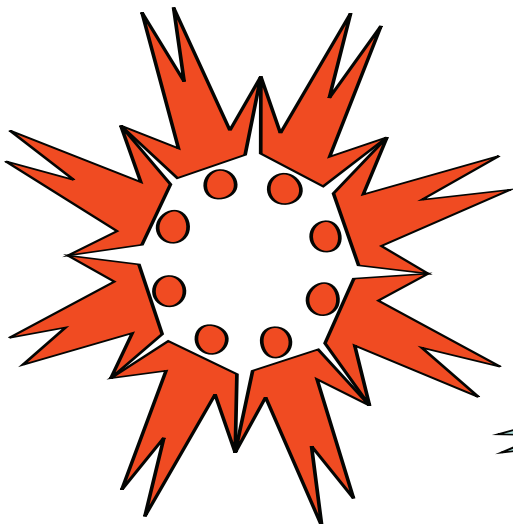
Gender representation within the organisation has remained consistent, with women making up 53.4 per cent of the workforce. There has been an increase of 0.5 per cent in the number of staff declaring a disability over the past year, so the proportion now stands at 2.6 per cent.

Equality monitoring addressed other areas, for example sexual orientation, religion and belief and flexible working.

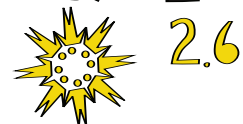
We reported progress against the action points of our Integrated Equality Scheme and have worked with our Disability Advisory Panel in this context. Panel members act as a valuable resource and continue to include Chevening scholars.

In February 2008 diversity specialists from around the world gathered at the British Council headquarters in London for an international event aimed at exploring and sharing good practice. More than 90 participants attended the event, including 30 British Council colleagues representing eight of the 12 regions. In the morning there were presentations in plenary with speakers from ORC Worldwide, our event partners, the British Council, Sodexo, and Equality Research and Consulting, while in the afternoon, delegates had the chance to attend one of five interactive workshops, each focusing on a different part of the world. Feedback from the event was overwhelmingly positive, with many people commenting on the depth of knowledge and experience displayed by so many of the British Council delegates.

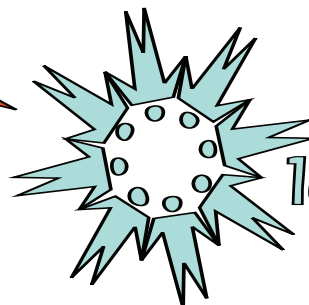
WOMEN
53.4



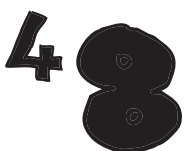
DISABLED



2.6



MINORITY ETHNIC
16.8



REGIONAL PERFORMANCE

Impact scores by corporate output for 2007–08 and previous year

INDICATOR
● Not met
● Partly met
● Met

		2006–07	2007–08	RESULT AGAINST PREVIOUS YEAR
WESTERN EUROPE AND NORTH AMERICA	Internationalism	68	91	●
	Long-term relationships	71	79	●
	Positive partnerships	68	69	●
	Self-development	67	64	●
	Creative ideas and achievements	68	65	●
	Evaluation of long-term outcomes	78	81	●
RUSSIA AND NORTHERN EUROPE	Internationalism	75	90	●
	Long-term relationships	72	71	●
	Positive partnerships	72	72	●
	Self-development	73	70	●
	Creative ideas and achievements	69	71	●
	Evaluation of long-term outcomes	82	79	●
SOUTH-EAST EUROPE	Internationalism	78	82	●
	Long-term relationships	76	78	●
	Positive partnerships	73	80	●
	Self-development	75	74	●
	Creative ideas and achievements	77	74	●
	Evaluation of long-term outcomes	82	79	●
MIDDLE EAST	Internationalism	83	86	●
	Long-term relationships	75	79	●
	Positive partnerships	85	85	●
	Self-development	75	77	●
	Creative ideas and achievements	78	80	●
	Evaluation of long-term outcomes	77	79	●
NEAR EAST AND NORTH AFRICA	Internationalism	86	77	●
	Long-term relationships	81	80	●
	Positive partnerships	79	87	●
	Self-development	77	75	●
	Creative ideas and achievements	80	81	●
	Evaluation of long-term outcomes	76	77	●
EAST AND WEST AFRICA	Internationalism	83	84	●
	Long-term relationships	87	88	●
	Positive partnerships	83	84	●
	Self-development	80	82	●
	Creative ideas and achievements	82	82	●
	Evaluation of long-term outcomes	86	81	●

REGIONAL PERFORMANCE (CONTINUED)

		2006-07	2007-08	RESULT AGAINST PREVIOUS YEAR
SOUTHERN AFRICA	Internationalism	88	87	●
	Long-term relationships	89	91	●
	Positive partnerships	86	86	●
	Self-development	81	78	●
	Creative ideas and achievements	84	83	●
	Evaluation of long-term outcomes	82	79	●
CENTRAL AND SOUTHERN ASIA	Internationalism	77	82	●
	Long-term relationships	85	87	●
	Positive partnerships	84	92	●
	Self-development	84	79	●
	Creative ideas and achievements	86	84	●
	Evaluation of long-term outcomes	80	76	●
INDIA AND SRI LANKA	Internationalism	89	93	●
	Long-term relationships	87	85	●
	Positive partnerships	85	88	●
	Self-development	81	79	●
	Creative ideas and achievements	81	87	●
	Evaluation of long-term outcomes	81	78	●
EAST ASIA	Internationalism	77	79	●
	Long-term relationships	73	73	●
	Positive partnerships	73	77	●
	Self-development	74	75	●
	Creative ideas and achievements	76	78	●
	Evaluation of long-term outcomes	84	77	●
CHINA	Internationalism	83	89	●
	Long-term relationships	79	77	●
	Positive partnerships	76	79	●
	Self-development	77	71	●
	Creative ideas and achievements	75	76	●
	Evaluation of long-term outcomes	66	70	●
LATIN AMERICA AND THE CARIBBEAN	Internationalism	74	66	●
	Long-term relationships	76	70	●
	Positive partnerships	79	76	●
	Self-development	75	74	●
	Creative ideas and achievements	72	73	●
	Evaluation of long-term outcomes	87	80	●

CORPORATE PERFORMANCE

INDICATOR

- Not met
- Partly met
- Met

Impact perspective corporate outputs	RESULT 2006-07	RESULT 2007-08	TARGET 2007-08	RESULT AGAINST PREVIOUS YEAR	RESULT AGAINST TARGET
Internationalism Relationships brokered by the British Council broaden the international view of young people	79	83	79	●	●
Long-term relationships An increase in the number of quality relationships between the UK and other countries*	78	80	78	●	●
Positive partnerships The UK is increasingly recognised as a country of choice for partnering social change	76	80	78	●	●
Self-development The UK is increasingly recognised as a country able to satisfy aspirations for self-development	77	76	80	●	●
Creative ideas and achievements The UK is increasingly recognised for its creative ideas and achievements	75	76	78	●	●
ELTO (Evaluation of long-term outcomes) Evidence from senior decisions-makers and influencers – T1 and T2*	80	78	83	●	●
Strengthening of ties with the UK resulting from new or continuing engagement with the British Council	74	68	78	●	●
Personal/organisational beneficial changes resulting from new or continuing engagement with the British Council	83	82	88	●	●

*We use the following definitions for our target audiences:

T1 High-level decision-maker; T2 Influencer or leading professional; T3 People with potential.

CORPORATE PERFORMANCE

(CONTINUED)

INDICATOR
 ● Not met
 ● Partly met
 ● Met

	RESULT 2006-07	RESULT 2007-08	TARGET 2007-08	RESULT AGAINST PREVIOUS YEAR	RESULT AGAINST TARGET
Reputation and satisfaction perspective					
Customers satisfied with the British Council	80	80	82	●	●
Customers perceive the British Council as innovative	81	81	82	●	●
Foreign and Commonwealth Office satisfied with the British Council [†]	87	76	87	●	●

Audience perspective

	RESULT 2006-07	RESULT 2007-08	RESULT AGAINST PREVIOUS YEAR
Engaged through British Council projects, programmes and services*			
Remote reach (millions)	86.8 million	112.2 million	●
Engagement (millions)	16.5 million	15.6 million	●
A high proportion of T1 (high-level decision-makers and leaders) significantly engaged with the British Council	9,063	12,353	●
More international students in UK higher education	HE 356,080 (2005-06 results)	HE 376,190 (2006-07 results)	●
More international students in UK further education	FE 87,175 (2005-06 results)	FE 84,340 (2006-07 results)	●
Increasing numbers of participants pursuing British Council-offered opportunities for self-development			
Numbers of teaching centre students and examinations candidates (millions)	1.4 million	1.5 million	●
Increasing numbers of young people involved in links leading to broader international views (millions)	7.5 million	8 million	●

[†]The results from the Heads of Mission survey for 2007-08 are not strictly comparable with those for 2006-07 owing to differences in the survey coverage and data collection methodology.

TRUSTEES' ANNUAL

REPORT AND

ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2008

TRUSTEES' ANNUAL REPORT AND ACCOUNTS FOR

THE BOARD OF TRUSTEES

The British Council is a charity and an executive non-departmental public body audited by the National Audit Office. The rules for Board membership are set out in the Royal Charter. Members are elected by the Board following an open recruitment process. They must be British citizens and are chosen for their ability to contribute experience and expertise to the British Council.

The term of appointment to the Board is three years, with the possibility of renewal for a further three years. Appointment to the offices of Chair and Deputy Chair requires the prior approval of the Foreign Secretary.

The Chair, Deputy Chair and members of the Board are not remunerated but are reimbursed out-of-pocket expenses necessarily incurred on British Council business. If a Board member undertakes work in a professional capacity at the request of the British Council, fees for such work may be paid. The Board Code of Practice requires members to declare any interest that may conflict with their responsibilities as Board members. This information is available for inspection.

Principal address

10 Spring Gardens, London SW1A 2BN
Telephone +44 (0)20 7930 8466

Auditors

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
London SW1W 9SS

Bankers

HSBC, 129 New Bond Street
London W1A 2JA

Charity registration number 209131 (England and Wales);
SC037733 (Scotland)

THE BOARD MEMBERS (TRUSTEES)

CHAIR

Rt Hon. Lord Neil Kinnock † ††

DEPUTY CHAIR

Gerard Lemos CMG † ††
Partner, Lemos & Crane

MEMBERS

Nihal Arthanayake
Musician, broadcaster and DJ

Zeinab Badawi

Broadcaster and journalist

Alan Buckle

 †

Chief Executive-Advisory
KPMG

Professor Elan Closs Stephens

CBE † ††

Professor of Communications and
Creative Industries, University of Wales
Aberystwyth

Charles Grant

Director, Centre for European Reform

Claire Ighodaro

CBE †

Independent Director

Professor Steve Jones

Professor of Genetics

Jude Kelly

OBE

Artistic Director, South Bank Centre and
Founder and Artistic Director, Metal

Professor Sir Timothy O'Shea

 †

Principal and Vice-Chancellor
University of Edinburgh

BOARD MEMBERS WHO SERVED DURING PART OF THE REPORTING YEAR IN THE PROFESSIONAL CAPACITY SHOWN

Richard Haythornthwaite

Managing Director
Star Capital Partners Ltd

AUDIT COMMITTEE MEMBER

Roger Chovil

SECRETARY

Julia Race

† Member of the Audit Committee

‡ Member of the Nominations
Committee

†† Member of the Remuneration
Committee

ANNUAL REPORT

THE YEAR ENDED 31 MARCH 2008

BRITISH COUNCIL ADVISORY BOARD (AT 31 MARCH 2008)

The role of the Advisory Board is to provide a wider view of, and different perspectives on, the external context of our work and to stimulate innovative thinking about all dimensions of that work. Members of the Advisory Board may be either British citizens or from overseas.

CHAIR

Rt Hon. Lord Neil Kinnock

MEMBERS

Membership of the Advisory Board comprises Board members (Trustees), Chairs of the country committees, Chairs of the sectoral advisory groups, and those listed here.

Professor Giuliano Amato

Senator and Italian Minister of the Interior

The Hon. Anson Chan GBM GCMG CBE

Patron of the English-Speaking Union
Hong Kong

Bruno Delaye

French Ambassador to Spain

Julie Kirkbride MP

Conservative MP for Bromsgrove

Edwin Laurent

Head of Trade and Regional
Co-operation, Economic Affairs Division
Commonwealth Secretariat

Professor Dr Jutta Limbach

President, Goethe-Institut, Germany

Michael Moore MP

Liberal Democrat MP for Berwickshire,
Roxburgh and Selkirk and Liberal
Democrat Shadow Secretary of State for
International Development

Abdul Mu'ti

Secretary to Council of Primary and
Secondary Education, Central Board
of Muhammadiyah

Sir David Normington KCB

Permanent Secretary
Home Office

Professor Amartya Sen

Lamont University Professor
Harvard University, USA

Rt Hon. Lord Smith of Finsbury

Director, Clore Cultural Leadership
Programme, Clore Foundation

Wole Soyinka

Writer

Mark Thompson

Director-General, BBC

ADVISORY BOARD MEMBERS WHO SERVED DURING PART OF THE REPORTING YEAR

Rakesh Nangia

Acting Vice-President, World Bank
Institute

SENIOR EXECUTIVES

The Senior Management Team was
disbanded on 31 October 2007 and
replaced by the Executive Board
on 1 November 2007

EXECUTIVE BOARD MEMBERS (AT 31 MARCH 2008)

Martin Davidson CMG

Mark Robson

Appointed 12 November 2007

Bidesh Sarkar

Cathy Stephens OBE

John Worne

SENIOR MANAGEMENT TEAM (AT 31 OCTOBER 2007)

Kate Board OBE

Martin Davidson CMG

Adrian Greer

Until 15 October 2007

Margaret Mayne

Richard Phillips

Cathy Stephens OBE

Rebecca Walton

Anne Wozencraft

TRUSTEES' ANNUAL REPORT AND ACCOUNTS

COUNTRY COMMITTEES

NORTHERN IRELAND COMMITTEE

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Brian Hanna CBE

MEMBERS

Professor Richard Barnett
Professor Kenneth Brown
David Cargo
The Hon. Mr Justice Deeny
Professor Brice Dickson
Rita Duffy
Will Haire
Roisin McDonough
Dr Aideen McGinley OBE
Seamus McKee
Helen Osborn
Trevor Ringland
Professor Gillian Robinson
Paul Sweeney

SECRETARY

Colm McGivern

SCOTLAND COMMITTEE

CHAIR

Dr Andrew Cubie CBE FRSE

MEMBERS

The Hon. Lord Clarke QC
Sir David Edward
Leslie Evans
Nick Kuenssberg OBE
Sheena McDonald
Rt Hon. George Reid MSP
Professor Seona Reid
Professor Joan Stringer CBE FRSE
Professor John Wallace OBE FRSE

SECRETARY

Roy Cross

WALES COMMITTEE

CHAIR

Professor Elan Closs Stephens CBE

MEMBERS

Gary Davies
Richard J. Davies
Aled Eirug
Andrew Green
John Howells
Judith Isherwood
Euryngwen Williams
Professor Teresa Rees CBE
Professor Stephen Tomlinson

SECRETARY

Dr Kevin Higgins

ADVISORY GROUPS EDUCATION AND GOVERNANCE

CHAIR

Professor Geoff Whitty

MEMBERS

Dr Rob Berkeley
David Cargo
Professor Lynn Davies
Dr Rita Gardner CBE
Steve Grainger MBE
Jacqui Henderson CBE
Rajiv Joshi
Professor Liz Kelly CBE
Graham Leicester
Nina Panayis
Professor Sir Peter Scott
Professor Michael Worton

JOINT SECRETARIES

Steve Shaw
Gordon Slaven

ENGLISH LANGUAGE

CHAIR

Dr Catherine Walter

MEMBERS

Steve Brent
Professor Chris Kennedy
John McGovern
Peter Mothersole
Professor Alison Phipps
Dr Philida Schellekens
Andrew Thompson
Professor Brian Tomlinson

SECRETARY

Barbara Hewitt

SCIENCE AND ENGINEERING

CHAIR

Dr Gill Samuels CBE

MEMBERS

Anjana Ahuja
Professor Steve Albon
Professor Jim Al-Khalili
Professor Polina Bayvel
Professor Neil Champness
Professor Mike Hulme
Tony Juniper
Professor Mike Lamb
Dr Vicky Pope

SECRETARY

Dr Lloyd Anderson

ANNUAL REPORT

FOR THE YEAR ENDED

31 MARCH 2008

1 LEGAL STATUS

The British Council is registered as a charity under registration numbers 209131 (England and Wales) and SC037733 (Scotland). The British Council was established in 1934 and incorporated by Royal Charter in 1940. A Supplemental Charter of Incorporation was granted in 1993.

Patron Her Majesty the Queen

Vice-Patron His Royal Highness The Prince of Wales

Principal address 10 Spring Gardens, London SW1A 2BN

2 OBJECTS

The objects (as defined in its Royal Charter) for which the British Council is established and incorporated are to advance any purpose that is exclusively charitable and that shall:

- promote a wider knowledge of the United Kingdom
- develop a wider knowledge of the English language
- encourage cultural, scientific, technological and other educational co-operation between the United Kingdom and other countries
- otherwise promote the advancement of education.

The purpose of the British Council is to:

- build mutually beneficial relationships between people in the UK and other countries and to increase appreciation of the UK's creative ideas and achievements.

The outcomes it seeks are:

- improved perceptions of the UK in other countries
- greater mutual understanding between the UK and other countries
- stronger ties between the UK and other countries.

3 GOVERNANCE

The Royal Charter vests all the powers of the British Council in a Board of Trustees. Details of the terms of appointment of the Trustees can be found on page 54. The Board has three sub-committees: Audit, Remuneration and Nominations, to which it has delegated certain responsibilities (see paragraphs 18–20). The Board receives reports on the work of these sub-committees. The Board also delegates certain authorities to the Chair and to the Chief Executive, who in turn can delegate them wholly, or in part.

The Board of management for the British Council is the Executive Board. Details of membership of the Executive Board can be found on page 55.

The identification of candidates with the appropriate balance of skills and experience for both the non-executive and executive roles is undertaken by open recruitment. Members of both the Board of Trustees and the Executive Board are provided with induction and training in their roles.

The British Council is also an executive non-departmental public body sponsored by the Foreign and Commonwealth Office (FCO) under the responsibility of the Rt Hon. Jim Murphy MP, but with operational independence. The FCO/British Council management statement and financial memorandum were renegotiated and agreed in November 2007.

The British Council has robust governance arrangements to promote high performance and safeguard propriety and regularity. Corporate governance was reviewed in 2007.

A value for money study was undertaken by the National Audit Office in 2007–08. Its overall conclusion is that 'the British Council's performance is strong and valued by its customers and stakeholders, although it is a challenge to secure consistently good performance across such a dispersed global network. The British Council is flexibly allocating its resources to align with new UK priorities, and continues to implement numerous and extensive change programmes aimed at increasing its effectiveness and efficiency.'

4 DETAILED RESULTS

Total income for the year has increased by 2.5 per cent (£13.5 million) to £564.6 million. Grant income has increased by 1.3 per cent (£2.6 million) to £197.8 million, an increase of £1.3 million in grant-in-aid and £1.2 million in other grant income. Fee income for services has increased eight per cent (£18.7 million) to £250.5 million and now accounts for 44 per cent of total income.

The £18.7 million increase in income generated from fees and other services is as a result of an increase in activities under 'promotion of English language learning', which mostly represents English teaching and examinations. These operations were particularly strong in Central and Southern Asia, East Asia, South-East Europe and the Middle East. Activities under 'increasing learning opportunities and strengthening educational co-operation' resulted in a decrease mainly owing to a reduction in non-IELTS (International English Language Testing System) examination income.

Funding for contract activity (restricted funds) fell slightly to £113.7 million, owing to a delay in the disbursement of grants on

TRUSTEES' ANNUAL REPORT AND ACCOUNTS

specific contracts. The majority of this contract activity in 2007–08 (88 per cent: £100 million) supports the objective 'increasing learning opportunities and strengthening educational co-operation'. Contract activity generated £16.2 million management fee income, an increase of three per cent on last year.

This year we have started moving grant-funded resources away from locally developed small-scale cultural relations activities to large-scale global and regional products in order to consolidate the use of resources and achieve greater impact.

Investment in our infrastructure has continued through the year, focusing on customer-facing facilities in overseas premises, further rationalisation of the UK estate, investment in information systems projects to improve efficiency and effectiveness of our networks, and the continued roll-out of the global finance and business system, which at 30 June 2008, was live in the UK and 69 countries overseas, with the final roll-out scheduled for May 2009.

The targets set by the government following the Gershon review were slightly exceeded, achieving a cost reduction over a three-year period of £13.1 million against a target of £13 million. These savings have been redirected into customer-facing work and investment priorities.

Overall there is a net surplus for the year of £7.2 million, which is 1.3 per cent of turnover and an increase of £1.8 million compared with the previous year. The general reserve now stands at £22.3 million, a net increase of £14 million, which is further explained under the Reserves policy in paragraph 7.

BC Trading International Ltd carries out general commercial activities predominantly generating sponsorship income through British Council events. The turnover for the year was £1.7 million with expenses of £1.1 million. The surplus was paid to the British Council in the form of gift aid. The turnover represents an increase of 19 per cent (£265,000) on last year mainly as a result of increased activity with VisitBritain.

The interest earned in 2007–08 amounted to £2.6 million (2006–07: £1.6 million).

5 AIMS AND OBJECTIVES

From 2008–09 we will focus on three areas of central importance to the international interests of the UK: intercultural dialogue, especially with countries and communities where the UK is less trusted; supporting the UK's

creative and knowledge economy; and highlighting the case for tackling climate change.

Intercultural dialogue: our aims are to strengthen understanding and trust between and within different cultures and to encourage people to play an active, constructive part in their society. Our priority is on programmes for young people and young leaders in the UK, the Middle East, the Near East and North Africa, and Central and Southern Asia.

The UK's creative and knowledge economy: our work here promotes the UK as a global hub for education, knowledge, skills and creativity; building relationships and networks that benefit the UK economy; strengthening the UK's position as a centre of culture; and enabling talent and ideas to be shared freely across national boundaries.

Climate change: in this area we aim to strengthen understanding of the need to tackle climate change among decision-makers, influencers and future leaders. We advance this work by building networks and relationships between influencers around the world.

In each of these areas we will continue to engage in a wide range of activities to meet our objectives, within the fields of education, English language, arts, science and society.

6 GRANT-MAKING POLICY

Part of our charitable activity is undertaken by making grants to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve our objectives. The grants are made to successful applicants both from overseas and from across the United Kingdom who fulfil the published criteria for each scheme and who are best suited to deliver the outputs intended by the activity.

7 RESERVES POLICY

At 31 March 2008 the general reserve was £22.3 million. This is a net figure combining the reserves related to both the full-cost recovery activities (teaching, examinations and contract delivery that generates funds to invest in the business) and reserves related to the grant- and partnership-funded activities.

The policy, agreed by the Board of Trustees in November 2004, is to accumulate sufficient reserves from full-cost recovery activities to cover fluctuations in income over the business cycle and ultimately protect grant-funded activities. The Board of Trustees regularly reviews the reserves policy to reflect any

FOR THE YEAR ENDED 31 MARCH 2008

change in the size of the business, any changes in risks and to undertake prudent investment of surplus reserves. The level of full-cost recovery reserves at the end of the year was above target, and therefore sufficient to cover assessed risk.

The British Council must also manage its affairs to ensure that the level of reserves and associated cash balances related to activity substantially funded by government grant are kept at an acceptable level through its responsibilities under government accounting rules. The general reserve related to this activity was first identified when the accounting basis was changed from cash to accruals on 1 April 1995 when the liabilities for terminal gratuities and continuing early retirement schemes were brought into the accounts on the Balance Sheet for the first time. Accordingly a debit balance on the general reserve was recorded. The British Council undertakes to spend on its activity at a rate closely equivalent to the annual grant received from the Foreign and Commonwealth Office (FCO) and therefore surpluses will not emerge to eliminate this debit balance. As the Trustees, management and the FCO are committed to funding continuing activities at their current level there is no immediate requirement to restrict operations to cover these liabilities.

8 RISK MANAGEMENT

The British Council has a system of internal control based on a continuing process designed to identify and prioritise the risks to the achievement of British Council 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. For each identified type of risk an Executive Board member has specific responsibility to monitor the situation, take action to mitigate its impact and report on its status.

Risks are identified via the global risk reporting process and discussed by the Executive Board quarterly, the Audit Committee three times a year and the Board of Trustees annually. In addition, any specific material risks emerging are addressed as required.

We operate in many countries where statutes do not provide for clear legal status or taxation of foreign cultural organisations. Our legal and tax status tends to become an issue where there is a complex political environment, where there are difficulties in the bilateral relationship and where our trading activities draw us to the attention of authorities. We have put in place a robust programme to resolve status in all countries and to reduce the level of corporate risk across the

world. Priority is given to countries where the risk is high and where status resolution will strengthen our bilateral relationships, business platform and operating logistics.

9 FINANCIAL INSTRUMENTS AND CURRENCY RISK

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks the British Council faces in undertaking its activities. As part of the British Council's approach to risk the following risks are required to be considered under FRS 13:

Currency risk: the British Council operates in 110 countries and territories and carries out transactions in UK sterling, US dollars, euros and many local currencies. Some currencies are more stable than others. The British Council manages its exposure to foreign currency risk by keeping operational funding in local currency bank accounts to the minimum business needs where possible. Where countries have deregulated foreign exchange controls any excess funds are either repatriated to the UK, invested and/or held in convertible hard currency accounts.

Currently, the British Council does not engage in hedging activities or forward foreign currency contracts.

Liquidity risk: core grants from government departments, principally the Foreign and Commonwealth Office, comprise 35 per cent of total incoming resources; the remainder is funded via self-generating income. Any liquidity risk is minimal as a result of maintaining sufficient cash balances.

Interest rate risk: the British Council does not hold significant investment assets and has no long-term borrowing, and therefore is not exposed to significant interest rate risk. Cash balances are held to meet the needs of the following month; any balances surplus to immediate requirements are invested in short-term, interest-bearing accounts.

10 CONNECTED CHARITIES AND ORGANISATIONS

The British Council co-operates with many organisations in the pursuit of its charitable objectives. Other than related parties the British Council has no direct relationship with any organisation other than by way of normal contract.

The British Council is the sole corporate trustee of a number of small trusts of which the three largest are the United Kingdom 9/11 Scholarships Fund, the Lefèvre Trust and the Sir Shiu Kin Tang Educational Trust.

TRUSTEES' TRUST

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2008

11 DISABLED EMPLOYEES

The British Council continues its commitment to ensuring disabled employees are able to progress and develop their careers.

We have achieved the Disability Symbol (Positive about disabled people) and this is displayed on our recruitment advertisements as well as on all our web pages, in an attempt to encourage disabled people to consider applying to work with us and to reflect our commitment to existing employees. We guarantee an interview to all disabled people who meet the required criteria.

Our policy is to ensure, in all terms and conditions of service, that staff with disabilities are not discriminated against and, where appropriate, reasonable adjustments are made to enable them to carry out their duties and to compete for other jobs and promotion.

We have a Disability Working Group whose remit includes raising awareness of disability-related issues across the organisation, and a range of training and development materials to explore disability issues in the workplace have been developed including e-learning modules and a video about working in the British Council with a disability.

The British Council's Integrated Equality Scheme outlines how we promote disability equality (and gender and race equality) across all areas of our work worldwide, and our website contains full details of our scheme, related action plans and progress reports (www.britishcouncil.org/home-diversity-what-we-do.htm). We have established a Disability Advisory Panel, drawn from people with a wide range of personal and/or professional experience of disability, who meet with us face to face twice a year to advise and share good practice about disability equality.

Across our global network we continue to mark the annual UN International Day of Disabled Persons by a wide range of activities involving disabled people and decision-makers.

12 EQUAL OPPORTUNITY AND ENVIRONMENTAL ISSUES

Reports on our equal opportunity and diversity commitment and environmental policy can be found in the annual report on page 48.

13 CONSULTATION WITH EMPLOYEES

Our managers are responsible for consulting with unions and

associations, and also for communicating with and consulting staff directly.

The British Council recognises advantages in its staff joining trade unions and/or staff associations, and taking part in their activities. For staff overseas, there are mechanisms for consulting staff that reflect local practice and employment legislation and in the UK the British Council Partnership Agreement facilitates regular consultation and negotiation between Trade Union Side and management on issues affecting British Council staff.

The British Council produces a range of internal communications to inform and involve our staff. A monthly bulletin of strategic and management information is sent by e-mail to regional and country directors and UK managers.

The British Council publishes weekly online news and information on its BC World intranet site. We also keep staff informed through *British Council LiFE*, our quarterly print magazine, and *Horizons*, our biannual video magazine. All staff, including part-time and temporary staff, have access to e-mail and the intranet.

14 INFORMATION ON PAYMENT POLICY

The British Council's payment policy in respect of third-party creditors is to settle on the contractual payment date or within 30 days from the date of the invoice, provided that the relevant goods and/or services have been supplied (in line with the Better Payment Practice Code).

In the UK, during the financial year 2007–08, 96 per cent (2006–07: 97 per cent) of valid invoices were paid within this target period. This figure includes payment of grants and stipends. The total number of payments transactions processed in 2007–08 was 112,987 (2006–07: 183,039).

15 REMUNERATION REPORT

In 2002 the Senior Civil Service (SCS) moved to a government centralised pay system. The British Council, as an executive non-departmental public body (NDPB), is not required to apply this system to its SCS equivalent staff at pay bands 10 and above. However, the British Council does mirror some of the broad principles of the system.

Since 2002, the British Council applies the SCS pay ranges for pay band 10, members of the Senior Management Team (disbanded on 31 October 2007), and members of the





Executive Board. There are three SCS pay ranges, which are determined using the Job Evaluation of Senior Posts (JESP) system. As a general rule:

- all British Council pay band 10 jobs fall into the SCS pay band 1
- jobs on the Executive Board fall into SCS pay bands 2 and 3.

Each year the Review Body on Senior Salaries (SSRB) provides independent advice to the government on the remuneration of senior civil servants. The report gives recommendations on increases that might be applied to the pay ranges as well as a percentage range within which individual pay awards should lie. The British Council uses these recommendations as a basis on which to agree the pay award applicable to staff in pay band 10 and the Executive Board.

Executive Board members' annual salary increases are determined by their position in the pay band and performance rating. There are three performance ratings: exceptional, successful and transitional. Performance is assessed on how far objectives and targets have been met or exceeded in a job plan and how far duties have been completed to agreed standards as given in the job description. One of the three ratings is then given, which will determine the level of pay award given each year. In addition a member of the Executive Board could be eligible to a non-consolidated bonus if he or she successfully delivers on a number of targets and objectives. Details of the Senior Management Team remuneration up to 31 October 2007 and the Executive Board Remuneration are disclosed in note 6c to the financial statements.

An overview of retirement benefits can be found in the Accounting Policies section 2.11 and full details in note 6 to the financial statements.

16 AUDIT

These accounts have been audited by the Comptroller and Auditor General by agreement with HM Treasury and are, with the annual report and Trustees' annual report, laid in the Library of the House of Commons. The audit fee 2007–08 was £128,000. In addition the accounts of BC Trading International Ltd were audited by Horwath Clark Whitehill LLP, Chartered Accountants, St Bride's House, 10 Salisbury Square, London EC4Y 8EH with a fee of £5,950. Through his staff, the Chief Executive has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Chief Executive is aware, there is no relevant audit information of which the auditors are unaware.

17 STATEMENT OF THE TRUSTEES' AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Charities Act, the Trustees are responsible for the preparation of financial statements for each financial year in the form and on the basis prescribed by regulations made by the Secretary of State for the Home Department. The accounts are prepared on an accruals basis and must give a true and fair view of the British Council's incoming resources and application of resources during the year and of its state of affairs at the end of the year. In preparing those financial statements the Trustees are required to:

- observe the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs, including the relevant accounting and disclosure requirements, select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the British Council will continue in operation.

The Trustees' responsibilities include keeping proper accounting records. These disclose with reasonable accuracy at any time the financial position of the British Council and enable it to ensure that the financial statements comply with *Accounting and Reporting by Charities: Statement of Recommended Practice* (revised 2005) (SORP) and United Kingdom Generally Accepted Accounting Practice (UK GAAP). The Trustees are also responsible for safeguarding the British Council's assets and hence for taking reasonable steps for the prevention and detection of fraud and breaches of law and regulations.

Details of any related party transactions undertaken by the Trustees are detailed in note 18 to the accounts.

The Accounting Officer for the Foreign and Commonwealth Office has designated the Chief Executive as the Accounting Officer for the British Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

TRUSTEES' TRUST

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2008

18 AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Trustees, chaired by Alan Buckle, a non-executive Trustee. The principal functions of the committee are to report to the Board on the adequacy of the British Council's internal control, including reviewing and monitoring the embedded process of risk management, to review arrangements for compliance with regulatory and financial reporting requirements, to agree a programme for internal audit and to report on any other financial or accounting matters that the Board might specify.

19 REMUNERATION COMMITTEE

The Remuneration Committee of the British Council is a sub-committee of the Board of Trustees, chaired by the Chair of the British Council. The principal functions of the committee are to set annual performance measures and policy for total remuneration and benefits for the Chief Executive and agree the annual performance assessment. The committee also determines the policy for remuneration of members of the Executive Board, and reviews and agrees the performance assessment reports, ratings and eligibility for bonus for those members of staff who are directly managed by the Chief Executive. Finally the committee considers the impact of its work on remuneration policy for the organisation as a whole and to address any other matters referred to it by the Board.

20 NOMINATIONS COMMITTEE

The Nominations Committee is a sub-committee of the Board of Trustees, chaired by the Chair of the British Council. On behalf of the Board it maintains an overview of the composition of the Board of Trustees and ensures that the Trustees collectively provide the expertise and experience required for the governance of the British Council, as determined by the Board and the Royal Charter. It also leads recruitment of the Chair, Deputy Chair and Chief Executive, ensuring that these persons hold the expertise and experience required.



Rt Hon. Lord Neil Kinnock

Chair
30 June 2008

STATEMENT OF INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of the British Council's policies, aims and objectives while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

I am responsible for ensuring compliance with parliamentary requirements and to the Foreign and Commonwealth Office (FCO) for the financial affairs of the British Council.

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; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of British Council 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 Council for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

CAPACITY TO HANDLE RISK

I chair the British Council Executive Board, which has overall responsibility for leading on risk management for both strategic and operational risks. The Executive Board has assigned responsibility for each strategic risk to an individual member and meets every quarter as the British Council's risk committee to review, discuss and ensure appropriate action is being taken to mitigate principal risks. In addition any new emerging risks that are considered to be significant are discussed and assigned an owner responsible for managing them.

Staff in the organisation are given appropriate skills training and resources to manage the risks appropriate to their level of delegated authority. Guidance is updated regularly to take account of changes and improvements to risk and control practices.

The Board of Trustees undertakes an annual review of the risks, assesses whether they reflect the major strategic risks facing the British Council and endorses the approach to mitigate the risks reported. In addition, the Board of Trustees, through the Audit Committee, has an oversight of how the risk

management process is operating and being evaluated.

THE RISK AND CONTROL FRAMEWORK

The organisation's risk management process starts at country/UK department level where risks and opportunities are identified, analysed and assessed.

Process owners report risks and opportunities at monthly Business Risk Management meetings in countries and UK departments, stating the actions being taken to mitigate risks or to take the opportunities identified. There is a risk score process in place to help distinguish between low-, medium- or high-level risks in the country or UK department.

High-level risks, and where risks cannot be resolved in a country or UK department, they are escalated to the region/UK directorate, to agree how to resolve the risk or ask for appropriate support. Nil returns are required to provide assurance that risks have been reviewed.

Exceptional risks and opportunities from the region or UK directorate are escalated to the Executive Board who formally consider and report upon these and strategic risks on a quarterly basis.

The Board of Trustees is annually asked to review the risks and assess whether they reflect the major strategic risks facing the British Council and endorse the approach to mitigate.

ASSESSMENT OF CURRENT RISK

The British Council works in 110 countries and territories globally and a principal risk continues to be that one or more of our overseas or UK offices could experience a loss of information technology services, a loss of the building, a threat of public disorder or a terrorist attack, with consequent injury to staff. Any of these could lead to a reduction in the capacity to undertake business, to make financial transactions, and to meet contractual requirements. Business Continuity Plans are in place globally and guidance is regularly reviewed and updated as appropriate.

This year new software has been implemented in South-East Europe, Russia and Northern Europe and East Asia. These implementations were more successful than previously where there were problems with the banking solution and end-to-end bank reconciliation process. This had caused delays in the region returning to business as usual.

The risk to operational and financial control continues to be

STATEMENT OF INTERNAL CONTROL

heightened until the finance and business system has been fully implemented globally, is working efficiently and core skills for finance and operational staff have been developed in line with the change requirements.

The organisation remains vulnerable where activities are in cash economies during this period of substantive change and, as a consequence, there is a specific risk of loss through fraud until all treasury and financial control measures are in place. A fraud took place during the year in Sierra Leone that had an impact on a programme managed by the British Council on behalf of the Department for International Development. We have taken appropriate action to reduce the loss and to pursue legally those responsible. Lessons have been learned and further control and compliance measures have been put in place to reduce the risk of reoccurrence.

Owing to the nature of its operations, the British Council is exposed to fluctuations in exchange rates. In some cases the organisation operates in countries with hyperinflation. The British Council has been able to rely on additional funds from the FCO to offset gains and losses as a result of foreign exchange movements on grant-funded activity; however, this will no longer be available from April 2008 and, in response, the organisation is putting in place a number of improved measures. A new cash forecast process is being introduced to improve visibility of expected bank balances to identify and mitigate exchange rate risks, a foreign exchange strategy and policy is being implemented and existing relationships with banks, the FCO and UK non-governmental organisations are being reviewed to identify opportunities to co-operate with the management of overseas cash assets.

The British Council operates in many countries where statutes do not provide for clear legal status or taxation of foreign cultural organisations. Our legal and tax status tends to become an issue where there is a complex political environment, where there are difficulties in the bilateral relationship and where our trading activities draw us to the attention of authorities. We have put in place a robust programme to resolve status in all countries and to reduce the level of corporate risk across the world. Priority is given to countries where the risk is high and where status resolution will strengthen our bilateral relationships, business platform and operating logistics.

The organisation is reviewing and updating its records management policies, developing a strategy for information and knowledge management and planning a Freedom of

Information and Data Protection Acts' awareness campaign to comply with stipulated data handling standards. This will ensure no misuse of data and compliance with the National Archives record management standards.

The organisation is currently undergoing substantial and complex changes to respond to the global opportunities and challenges it faces. This includes the introduction of regional and matrix operating models, and the implementation of shared services hubs. We have updated processes, policies and procedures in the areas of risk management, fraud management and internal audit. We have also reviewed the governance arrangements for the business change programmes and a number of improvements are being implemented that will increase the oversight of the programme, seek to identify and mitigate risks more effectively and also stringently control any further amendments to the business change programme.

The British Council will continue its programme of work to strengthen risk management, fraud management, internal audit and the governance of change programmes and is confident that this will ensure that control and risk management continue to deliver an effective system of internal control.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system is informed by the work of the internal auditors and members of the Executive Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my annual review of the effectiveness of the system of internal control by the Audit Committee and, when required, agree a plan to address identified weaknesses and to ensure continual improvement of the system in place.

The effectiveness of the system of internal control was maintained and reviewed through:

- The Executive Board, which met regularly to consider strategic direction and performance against objectives and, on a quarterly basis, reviewed the outputs from the Global Risk process.
- The work of the Internal Audit department, which provides an independent and objective opinion on the adequacy of processes on risk, control, governance and systems. Head

FOR THE YEAR ENDED

31 MARCH 2008

Internal Audit also reports three times each year to the Audit Committee on the conclusions reached for each audit.

- The provision of an annual year end return from all country and UK directors giving assurance that our organisation's accounting procedures have been understood and adhered to in the country/department.
- The Audit Committee, which provides oversight and guidance where necessary on the work of Finance and Internal Audit department, providing an interface between the organisation and the National Audit Office.
- The work of the National Audit Office, as external auditor, in forming an opinion on the financial statements and in reporting the results of value for money examination.
- Discussion and approval by the Executive Board of any changes that are proposed to the existing systems of control.

Based on the above, I am satisfied that I can sign the Statement of Internal Control.



Martin Davidson CMG
Chief Executive
30 June 2008



Rt Hon. Lord Neil Kinnock
Read and accepted
30 June 2008

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BRITISH COUNCIL

I have audited the financial statements of the British Council for the year ended 31 March 2008 under the Charities Act 2006. These comprise the Group Statement of Financial Activities, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

The Board of Trustees and Chief Executive as Accounting Officer are responsible for preparing the annual report and the Trustees' annual report and the financial statements in accordance with the Charities Act 2006 and directions made by the Secretary of State for Foreign and Commonwealth Affairs and for ensuring the regularity of financial transactions funded by Parliamentary grant-in-aid. These responsibilities are set out in the Statement of 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 Charities Act 2006 and directions made by the Secretary of State for Foreign and Commonwealth Affairs. I report to you whether, in my opinion, the information, which comprises the 'Detailed Results' commentary within the Trustees' annual 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 Council 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 of Internal Control reflects the British Council'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 Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the annual report and the Trustees' annual report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINIONS

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 of Trustees and Chief Executive as Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the British Council'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.

FOR THE YEAR ENDED 31 MARCH 2008

OPINIONS

In my opinion:

- the financial statements give a true and fair view, in accordance with the Charities Act 2006 and directions made by the Secretary of State for Foreign and Commonwealth Affairs, of the state of the British Council's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended
- the financial statements have been properly prepared in accordance with the Charities Act 2006 and directions made by the Secretary of State for Foreign and Commonwealth Affairs
- information, which comprises the 'Detailed Results' commentary, included within the Trustees' annual report, is consistent with the financial statements.

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.

I have no observations to make on these financial statements.

T.J. Burr

Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria, London SW1W 9SS

1 July 2008

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE
YEAR
ENDED
31 MARCH 2008

		UNRESTRICTED	RESTRICTED	2007-08 TOTAL	2006-07 TOTAL
	NOTES	£'000	£'000	£'000	£'000
INCOMING RESOURCES					
Grants receivable	3	197,831	–	197,831	195,267
Fees and gross income from services and other sources	4	250,502	–	250,502	231,808
Interest earned		2,600	–	2,600	1,564
Funding for contract activity	2.14	–	113,654	113,654	122,427
Total incoming resources		450,933	113,654	564,587	551,066
RESOURCES EXPENDED					
Charitable expenditure					
Cost of activities and grants in furtherance of the objects:					
Promotion of English language learning		192,417	3,180	195,597	205,911
Increasing learning opportunities and strengthening educational co-operation		180,719	99,963	280,682	235,213
Building appreciation of and strengthening engagement with UK creativity		48,163	73	48,236	70,791
Strengthening good governance and human rights		19,339	10,438	29,777	31,481
Governance costs		3,110	–	3,110	2,293
Total resources expended	5	443,748	113,654	557,402	545,689
Notional cost of capital	8	4,343	–	4,343	4,049
Total resources expended including notional costs		448,091	113,654	561,745	549,738
Net incoming/(outgoing) resources for the year after notional costs		2,842	–	2,842	1,328
Reversal of notional cost		4,343	–	4,343	4,049
Net incoming/(outgoing) resources for the year after reversal of notional costs		7,185	–	7,185	5,377
Actuarial gain recognised in the retirement benefits scheme	15	1,565	–	1,565	3,106
Valuation account movement – on general fixed assets	15	44	–	44	(495)
Net movement in funds		8,794	–	8,794	7,988
Funds brought forward at 1 April 2007		119,678	–	119,678	111,690
Funds carried forward at 31 March 2008		128,472	–	128,472	119,678

The British Council's non-consolidated total incoming resources for 2007–08 were £563,667,000; total resources expended were £556,485,000; and total net incoming resources after reversal of notional costs were £7,182,000.

There are no other recognised gains and losses other than those passing through the Statement of Financial Activities. All activities are continuing. The notes on pages 71 to 91 form part of these accounts.



CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED

31
MARCH
2008

	NOTES	GROUP		BRITISH COUNCIL	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible fixed assets	9	3,761	3,606	3,761	3,606
Tangible fixed assets	10	98,086	105,551	98,086	105,551
Investment	11	157	148	157	148
		102,004	109,305	102,004	109,305
CURRENT ASSETS					
Stock		341	323	341	323
Debtors	12	72,844	61,494	72,987	62,119
Cash at bank and in hand		110,714	91,661	110,512	90,946
		183,899	153,478	183,840	153,388
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	13	(140,644)	(131,515)	(140,597)	(131,434)
Short-term provisions for liabilities and charges* 14a		(8,228)	–	(8,228)	–
Net current assets		35,027	21,963	35,015	21,954
Total assets less current liabilities		137,031	131,268	137,019	131,259
LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Long-term provisions for liabilities and charges 14b		(12,921)	(13,870)	(12,921)	(13,870)
Net assets excluding retirement benefits scheme asset		124,110	117,398	124,098	117,389
Retirement benefits scheme asset/(deficit) 6(f)		4,362	2,280	4,362	2,280
Net assets		128,472	119,678	128,460	119,669
FUNDS AND RESERVES					
Capital account		95,390	103,007	95,390	103,007
Revaluation account		6,457	6,150	6,457	6,150
General account		22,263	8,241	22,251	8,232
Retirement benefits scheme reserve		4,362	2,280	4,362	2,280
	15	128,472	119,678	128,460	119,669

*Short-term provisions for liabilities and charges were shown in creditors in 2006–07.

Approved by the Board of Trustees and signed on its behalf on 30 June 2008.



Rt Hon. Lord Neil Kinnock
Chair
Trustee



Martin Davidson CMG
Chief Executive
Accounting Officer

The notes on pages 71 to 91 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR
ENDED
31 MARCH 2008

	2007-08		2006-07	
	£'000	£'000	£'000	£'000
Net incoming/(outgoing) resources for the year		7,185		5,377
Retirement benefits scheme servicing cost	–		283	
Less: contribution made to scheme	(517)	(517)	(3,565)	(3,282)
		6,668		2,095
Add/(deduct):				
Interest receivable	(2,600)		(1,564)	
Depreciation charge including impairments	10,825		10,641	
Loss on sale of tangible fixed assets	(281)		224	
Unrealised loss/(gain) on exchange	(827)		(788)	
Increase in stocks	(18)		(83)	
(Increase)/decrease in debtors	(11,349)		7,806	
(Decrease)/increase in creditors	14,553		2,364	
Movement in provisions including short-term element	2,681	12,984	3,398	21,998
Net cash inflow from operating activities		19,652		24,093
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest receivable	2,600		1,564	
		2,600		1,564
CAPITAL EXPENDITURE AND INVESTMENTS ACTIVITIES				
Payments to acquire intangible fixed assets	(641)		–	
Payments to acquire tangible fixed assets	(7,273)		(8,690)	
Receipts from sales of tangible fixed assets	4,715		393	
Investment in joint venture	–		–	
		(3,199)		(8,297)
Increase/(decrease) in cash		19,053		17,360
Cash at 1 April 2007		91,661		74,301
Cash at 31 March 2008		110,714		91,661

These financial statements were authorised for issue by the Chair of the Trustees and the Chief Executive for issue on 30 June 2008.

The notes on pages 71 to 91 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

1 BASIS OF PREPARATION AND CONSOLIDATION

The accounts have been prepared under the historical cost convention modified by the inclusion of certain fixed assets at their current cost. They comply with *Accounting and Reporting by Charities: Statement of Recommended Practice* (revised 2005) (SORP), and applicable accounting standards. They are also prepared to comply with the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs.

The British Council's financial statements consolidate the results of its wholly-owned subsidiary, BC Trading International Ltd, under merger accounting.

Intra-group transactions are eliminated on consolidation and all income and expenditure figures in the Statement of Financial Activities relate to external transactions only.

The results of a joint venture, IELTS Inc., in which the British Council has a long-term interest and over which it exercises joint control, have not been consolidated as they are not material.

2 ACCOUNTING POLICIES

2.1 FEES AND INCOME

Fees and income are credited to the Statement of Financial Activities when they are earned.

2.2 GRANTS RECEIVABLE AND PAYABLE

Grants receivable and payable from own resources are taken to account when due.

2.3 BASIS OF ALLOCATION OF EXPENDITURE

Charitable expenditure comprises all expenditure directly relating to charitable activities of the British Council, resources expended on managing and administering the charity and to the support infrastructure, in the UK and overseas, which enables these activities to take place.

Support costs have been allocated to our charitable objects based on a combination of corporate drivers and pro rata basis on total expenditure. Corporate drivers (such as income, staff numbers, square metreage, etc.) have been applied to the activity 'promotion of English language learning'. The balance has then been apportioned between the remaining three categories of charitable activity on a pro rata basis.

Governance costs are directly attributable costs that represent salaries, overheads and expenditure related to central departments involved in the management of the business

including the Secretarial, Internal Audit, Legal and Communications departments.

Irrecoverable VAT is allocated to the principal areas in which it is incurred.

The British Council, as a registered charity, is exempt from corporation tax under Section 505 ICTA 1988. BC Trading International Ltd paid £800 of corporation tax for 2007–08, which is included in total resources expended under governance costs.

2.4 DEVELOPMENT OF NEW PRODUCTS AND SERVICES

The cost of development of new products and services is taken to expenditure in the year in which it is incurred.

2.5 VALUATION, CAPITALISATION AND DEPRECIATION OF INTANGIBLE AND TANGIBLE FIXED ASSETS

Software licences, valued at cost, have been treated as intangibles. All intangible fixed assets are amortised on the straight-line method over ten years.

All tangible fixed assets are included at their value to the business by reference to current costs, except the permanent collection of works of art, which are included at the cost of acquisition, and land and property, which are included at periodic valuations.

Freehold and long-leasehold land and buildings were valued externally on the basis of open market value for existing use as at 31 March 2004. Subsequent additions will be included at cost.

Land and buildings revaluation on a yearly basis is not practicable because this category of fixed assets is held globally and there are no indices that would account for this meaningfully.

All tangible fixed assets, other than freehold land, the permanent collection of works of art and assets in progress, are depreciated on the straight-line method over their estimated useful lives as follows:

Freehold and long-leasehold buildings	30–50 years
Building improvements	5–25 years
Furniture and equipment	4 years
Plant and machinery	7 years
Motor vehicles	4–7 years
Major IT projects	4–5 years

NOTES TO THE ACCOUNTS

Major IT projects include system developments. The useful life for each has been set to end on the expected date of replacement.

Fixed assets costing less than £3,000 are charged to the income and expenditure account in the year of purchase.

2.6 INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

2.7 STOCKS

Stocks of items for resale are valued at the lower of historical cost and net realisable value. Replacement cost is not materially different from historical cost. Purchases of consumable items are taken to expenditure as incurred.

The British Council does not recognise any value for work-in-progress for contract and restricted funds.

2.8 GIFTS IN KIND

Companies, organisations and individuals have provided the use of facilities, equipment and premises mainly supplied at no cost to the donor to facilitate specific activities organised by the British Council. The value of these gifts, which is not considered material, is not included in the accounts.

2.9 LEASES

Land and buildings held under finance leases are capitalised and included in tangible fixed assets at fair value. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors: amounts falling due within or after more than one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to expenditure as incurred.

2.10 EXCHANGE DIFFERENCES

Transactions in foreign currencies are recorded in sterling on a monthly basis at rates approximating to the average rate of exchange for the month. Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling on the Balance Sheet date. All exchange differences incurred in the year are taken to the Statement of Financial Activities.

2.11 RETIREMENT BENEFITS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded. The British Council recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability to pay future benefits is a charge on the PCSPS rather than the British Council. In respect of the defined contribution schemes, the British Council recognises the contributions payable for the year in accordance with *Financial Reporting Standard 17*.

There is also a defined benefit scheme, which is funded and contributory, for UK-appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges. The expected cost of providing pensions as calculated periodically by independent actuaries is charged so as to spread the cost over the expected average remaining service lives of current employees.

2.12 STRUCTURED RETIREMENT AND TERMINAL GRATUITY SCHEMES

Provision is made for future liabilities on the basis of costs estimated at the Balance Sheet date in respect of payments to employees in the UK who have retired, or are expected to retire, early as part of structured retirement schemes. Payments are due from the British Council from the date of early retirement until age 60 when the liability is assumed by the Principal Civil Service Pension Scheme.

In many overseas offices the British Council operates terminal gratuity schemes for its locally engaged employees. The value of the final payment is based on final salary and length of employment. Full provision is made in the accounts for the British Council's liability on the basis of service accrued as at the Balance Sheet date.

2.13 CAPITAL ACCOUNT AND REVALUATION ACCOUNT

Each year an amount equivalent to the costs expended by the British Council on tangible fixed assets less depreciation or impairment, adjusted for disposals, is transferred to or from the capital account.

All current cost accounting adjustments to reflect modified historic cost accounting are recorded in, or transferred to, a revaluation account. In addition any upward revaluation

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adjustments for existing properties are held in the revaluation account. When a property is sold the revaluation adjustment is released to capital account to offset the adjustment for disposals mentioned above.

2.14 REVENUE AND EXPENDITURE UNDER CONTRACTS OR AGREEMENTS (RESTRICTED FUNDS)

These relate to activities falling within the objects of the British Council executed by it on behalf of third parties under contract or agreement. The contract or agreement will specify the purpose of the activities. The British Council may collect receipts and pass them on to a third party, or monies may be disbursed by the British Council and subsequently reimbursed by the client.

Expenditure on activities under contracts or agreements is brought to account when incurred. Revenue is recognised as an incoming resource on the Statement of Financial Activities as an amount equivalent to the expenditure on the activity.

The difference between receipts and expenditure is carried forward in the Balance Sheet as debtor or creditor balances depending on the status of the balance for each individual contract or overall client agreement.

In order to achieve a clearer presentation of activities, detailed analysis of agency contracts and the objectives they relate to has taken place during 2007–08.

NOTES TO THE ACCOUNTS

3 GRANTS RECEIVABLE

The principal grant-in-aid is received from the Foreign and Commonwealth Office. There are also specific grants to deliver education activity on behalf of the education departments of England, Wales and Northern Ireland.

	2007-08		2006-07	
	£'000	£'000	£'000	£'000
Foreign and Commonwealth Office				
Revenue grant-in-aid	186,962		183,124	
Capital grant-in-aid	2,500		5,000	
		189,462		188,124
Education and grants				
Grants receivable from:				
Department for Education and Skills*	–		6,236	
Department for Children, Schools and Families	5,437		–	
Department for Innovation, Universities and Skills	2,000		–	
Department of Education, Northern Ireland	359		351	
Scottish Executive Education Department	373		364	
Department for Children, Education, Lifelong Learning and Skills (Wales)	200		192	
Total grants receivable		8,369		7,143
		197,831		195,267

*There has been a change to government departments during 2007–08 and the Department for Education and Skills no longer exists. The related education grant is now received from the Department for Children, Schools and Families and the Department for Innovation, Universities and Skills.

4 FEES AND INCOME FROM SERVICES AND OTHER INCOME

	2007-08	2006-07
	£'000	£'000
Fees for educational services to promote English language learning	152,985	131,290
Fees for educational services to increase learning opportunities and strengthen educational co-operation	74,403	77,182
Sponsorship and other revenue from creative arts events	4,347	3,938
Management fees from contract and agency activity	16,259	15,779
Miscellaneous	2,508	3,619
	250,502	231,808

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5 ANALYSIS OF TOTAL RESOURCES EXPENDED

	GRANTS PAYABLE	STAFF COSTS	OTHER DIRECT COSTS	SUPPORT COSTS	2007-08 TOTAL	2006-07 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of activities in furtherance of the objects:						
Promotion of English language learning	221	71,615	89,111	34,650	195,597	205,911
Increasing learning opportunities and strengthening educational co-operation	9,077	50,499	149,822	71,284	280,682	235,213
Building appreciation of and strengthening engagement with UK creativity	2,822	9,333	16,891	19,190	48,236	70,791
Strengthening good governance and human rights	286	2,858	18,928	7,705	29,777	31,481
Governance costs	–	1,247	1,863	–	3,110	2,293
Total	12,406	135,552	276,615	132,829	557,402	545,689

Included in total resources expended are amounts in respect of:

	2007-08	2006-07
	£'000	£'000
Audit services	134	127
Taxation advice	475	111
Consultancy	148	140
Financial advice and accountancy	160	177
	917	555
Payments for travel, subsistence, etc.	7,756	6,819
Property rental costs relating to operating leases	18,544	20,768
Depreciation charged (including impairments)	10,824	10,641

NOTES TO THE ACCOUNTS

6 STAFF EMOLUMENTS AND RELATED COSTS

(a) Total staff costs:

	2007-08	2006-07
	£'000	£'000
Wages and salaries	166,772	154,736
Social security costs	13,309	12,320
Other pension costs	11,011	12,410
Early retirement costs	3,202	11,704
	194,294	191,170

(b) The average monthly number of employees during the year was 7,395 analysed as follows:

	2007-08	2006-07
	NUMBER OF STAFF	NUMBER OF STAFF
Home		
Management and administrative (senior managers – 127)	1,010	1,097
Overseas		
Management and administrative (senior managers – 113)	4,560	5,019
Teachers	1,825	1,809
	7,395	7,925

It is not practicable to calculate full-time equivalents as casual staff are employed by the British Council at various times during the year. Casual staff are excluded from the above figures.

(c) The Chief Executive's total actual emoluments plus pension were £200,800 comprising salary and travel allowance of £160,000 and pension contributions of £40,800. The Chief Executive is a member of the Principal Civil Service Pension Scheme.

(i) The following number of other employees (excluding members of the Executive Board) received annual remuneration falling within the following ranges:

	2007-08	2006-07
	NUMBER OF STAFF	NUMBER OF STAFF
£40,001–£50,000	130	139
£50,001–£60,000	61	42
£60,001–£70,000	24	14
£70,001–£80,000	10	11
£80,001–£90,000	4	7
£90,001–£100,000	5	2
£100,001–£110,000	1	0

Of staff with remuneration over £60,000, one is a member of a defined contribution pension scheme and 43 are members of a defined benefit pension scheme. Contributions of staff in this range to defined contribution pension schemes during the year were £8,017.

(ii) Emoluments (salaries, including allowances subject to UK taxation), paid to members of the Senior Management Team and the Executive Board and their pension entitlements are set out on the next page. All those individuals are members of the Principal Civil Service Pension Scheme. The Senior Management Team was disbanded on 31 October 2007 and replaced by the Executive Board on 1 November 2007. Emoluments relate to the period served on the team. Executive Board members are appointed on a fixed-term contract of three years. The notice period for termination, for either side, is three months. Early termination, other than for misconduct, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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Name and position	Emoluments 2006-07 (in bands of £5,000)	Emoluments 2007-08 (in bands of £5,000)	Accrued pension as at 31/03/08 (in bands of £5,000)	Accrued lump sum as at 31/03/08 (in bands of £5,000)	Real increase in pension (in bands of £2,500)	Real increase in lump sum (in bands of £2,500)	CETV [†] at 31/03/07 (to nearest £1,000)**	CETV at 31/03/08 (to nearest £1,000)	Real increase in CETV funded by employer (to nearest £1,000)
EXECUTIVE BOARD (from 1 November 2007)									
Davidson, M.S. Chief Executive	150-155*	160-165*	45-50	145-150	10-12.5	35-37.5	645	983	241
Robson, M.W. *** Director Operations	n/a	50-55 (full-year equivalent 125-130)	0-2.5	n/a	0-2.5	n/a	n/a	17	16
Sarkar, B. Director Resources	n/a	45-50 (full-year equivalent 105-110)	0-2.5	n/a	0-2.5	n/a	n/a	12	11
Stephens, C.A. Director Innovation	85-90	110-115	50-55	150-155	12.5-15	35-37.5	799	1,189	273
Worne, J.P. Director Strategy and External Relations	n/a	55-60 (full-year equivalent 105-110)	20-25	n/a	2.5-5	n/a	179 (at 23/09/07)	241	28
SENIOR MANAGEMENT TEAM (to 31 October 2007)									
Board, K.M. Geographical Director	115-120*	60-65 (full-year equivalent 125-130)*	20-25	60-65	0-2.5	0-2.5	407	425 (at 31/10/07)	17
Greer, A. Director Learning, Creativity and Society	125-130*	70-75 (full-year equivalent 125-130)*	30-35	95-100	0-2.5	2.5-5	545	577 (at 31/10/07)	16
Mayne, M. Director Finance and Resources	120-125	70-75 (full-year equivalent 120-125)	10-15	40-45	0-2.5	2.5-5	180	206 (at 31/10/07)	14
Phillips, R.P. Director Customer Services and Innovation	20-25	50-55 (full-year equivalent 85-90)	25-30	85-90	2.5-5	7.5-10	574	654 (at 31/10/07)	63
Walton, R.H.E. Director Corporate Affairs	80-85	50-55 (full-year equivalent 85-90)	20-25	70-75	0-2.5	2.5-5	395	422 (at 31/10/07)	14
Wozencraft, A.O. Director Human Resources	90-95	50-55 (full-year equivalent 90-95)	25-30	55-60	0-2.5	0-2.5	402	416 (at 31/10/07)	16

The Senior Management Team also included Martin Davidson and Cathy Stephens who are members of the Executive Board.

† Cash equivalent transfer value.

*Salaries including allowances.

**Please note that owing to certain factors being incorrect in last year's CETV calculator there may be a slight difference between the final period CETV for 2006-07 (published last year) and the start of period CETV for 2007-08.

***Robson, M.W. appointed 12 November 2007.

NOTES TO THE ACCOUNTS

(d) Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (classic, premium, or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good-quality money purchase stakeholder pension with a significant employer contribution (partnership pension account).

(i) Classic, premium, classic plus and nuvos schemes

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of his or her pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

(ii) Partnership pension account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between three per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where he or she does make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when he or she reaches pension age, or immediately on ceasing to be an active member of the scheme if he or she is already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by the member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in his or her former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total membership of the pension scheme, not just service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of purchasing additional pension benefits at his or her own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the British Council is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

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For 2007–08, employers contributions of £8,521,627 were payable to the PCSPS (2006–07: £8,452,272) at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008–09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009.) The contribution rates are set to meet the cost of the benefits accruing during 2007–08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account – a stakeholder pension with an employer contribution. Employer contributions of £33,897 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from three to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer contributions of £2,910 – 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £3,191. Contributions prepaid at that date were nil.

During the year there were no retirements on ill-health grounds.

(e) The British Council operates a number of insured schemes for overseas appointed staff. None of these schemes is of a significant size.

(f) There is a specific defined benefit scheme for UK appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges (CBEVE). *Financial Reporting Standard 17 Retirements Benefits* has been adopted in full. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2005 and this has been updated on an approximate basis to 31 March 2008.

The contributions made by the employer over the financial year have been £517,000. This is made up of regular contributions of £174,000 and a special contribution of £343,000 paid on 31 March 2008. The level of contributions payable was set with effect from 1 April 2007. Contributions

are currently 35.4 per cent of pensionable salaries, plus a lump sum contribution of £343,000 per annum, subject to review following the actuarial valuation due at 1 April 2008. As the scheme is closed to new entrants, the current service costs as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

The assets of the scheme have been taken at market value. The liabilities have been calculated using the following principal actuarial assumptions:

	2008	2007	2006
	% per annum	% per annum	% per annum
Inflation	2.75	3.25	3.00
Salary increases	4.00	4.50	4.50
Rate of discount	5.32	5.40	5.00
Pension in payment increases	5.00	5.00	5.00
Revaluation rate for deferred pensioners on the pension in excess of the guaranteed minimum pension	5.00	5.00	5.00

The mortality assumptions adopted at 31 March 2008 imply the following life expectancies:

Male currently age 40	44
Female currently age 40	50
Male currently age 60	25
Female currently age 60	27

Amounts included in Balance Sheet for scheme:

	2008	2007	2006
	£'000	£'000	£'000
Assets (being investments)	18,109	17,045	10,849
Liabilities (future liability as computed by actuary)	(13,747)	(14,765)	(14,957)
Surplus/(deficit)	4,362	2,280	(4,108)
Recoverable surplus/(deficit)	1,310	–	–

NOTES TO THE ACCOUNTS

Investments are made by the pension fund administrator in a unitised group defined benefit scheme and are invested as follows:

	2008	2007	2006
	£'000	£'000	£'000
Equities	9,616	9,153	5,902
Bonds	3,984	3,494	2,419
Property	3,332	3,563	1,953
Cash	1,177	835	575
Total investments	18,109	17,045	10,849

Expected long-term rate of return:

	2008	2007	2006
	%	%	%
Equities	7.57	7.65	7.25
Bonds	5.32	5.40	5.00
Property	7.57	7.65	7.25
Cash	5.00	5.00	4.00

Charge to the Statement of Financial Activities over the financial year:

	2007-08	2006-07
	£'000	£'000
Operating charge:		
Current service cost	233	252
Total operating charge	233	252
Other finance charges:		
Interest on pension scheme liabilities	747	769
Expected return on pension scheme assets	(980)	(738)
Net finance charge	(233)	31
Total charge	-	283

Amounts included within the Statement of Financial Activities as fund movements:

	2007-08	2006-07	2005-06
	£'000/%	£'000/%	£'000/%
Difference between expected and actual return on scheme assets:			
Amount	1,036	2,084	(426)
Percentage of scheme assets	5.7%	12.2%	3.9%
Experience gains and losses arising on the scheme liabilities:			
Amount gain/(loss)	515	(79)	210
Percentage of present value of scheme liabilities	3.7%	0.5%	1.4%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:			
Amount gain/(loss)	14	1,101	(3,363)
Percentage of present value of scheme liabilities	0.1%	7.5%	22.5%
Total amount recognised:			
Amount gain/(loss)	1,565	3,106	(3,579)
Percentage of present value of scheme liabilities	11.4%	21.0%	23.9%

Movement in surplus/(deficit) during the year:

	2007-08	2006-07
	£'000	£'000
Surplus/(deficit) in scheme at beginning of year	2,280	(4,108)
Movement in year:		
Current service cost	(233)	(252)
Net finance charge	233	(31)
Contributions	517	3,565
Actuarial (gain)/loss	1,565	3,106
Surplus/(deficit) in scheme at end of year	4,362	2,280



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History of experience gains and losses:

	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004
	£'000/%	£'000/%	£'000/%	£'000/%
Difference between expected and actual return on scheme assets:				
Amount gain/(loss)	2,084	(426)	300	637
Percentage of scheme	12.2%	3.9%	2.6%	6.2%
Experience gains and losses arising on the scheme liabilities:				
Amount gain/(loss)	(79)	210	271	(108)
Percentage of present value of scheme liabilities:	0.5%	1.4%	2.3%	0.9%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount gain/(loss)	1,101	(3,363)	–	325
Percentage of present value of scheme	7.5%	22.5%	–	2.8%
Total amount recognised:				
Amount gain/(loss)	3,106	(3,579)	571	854
Percentage of present	21.0%	23.9%	4.8%	7.5%

(g) Trustees:

Capita ATL Pension Trustees Limited, independent trustee to the CBEVE Scheme, was paid fees amounting to £17,980 during the year. No other Trustees of the scheme either received or waived any emoluments during the year. Travel expenses reimbursed to one Trustee amounted to £228 (2006–07: four, £4,171).

No other connected person has, or has had, during the year a significant interest in any contract with the British Council.

NOTES TO THE ACCOUNTS

7 GRANTS PAYABLE

(a) The British Council gives financial support to particular programmes and activities in the form of grants to institutions and individuals.

		2007-08
	Number	£'000
Grants to institutions (2006-07: 50+ and £12.408 million)	more than 50	10,990
Grants to individuals (2006-07: 1,613 and £1.563 million)	1,230	1,416
		12,406

(b) The 50 largest grants to institutions were as follows:

John Tavener: <i>The Beautiful Names</i> (promoting the year's major art event) ¹	139,000
Festival Zolotaya Maksa (presentation of contemporary British theatre to Russian audience) ¹	102,881
University of Leeds (payment for UKIERI)	82,137
University of Edinburgh (payment for UKIERI)	80,200
Heriot-Watt University (payment for UKIERI)	80,137
University of Leicester (payment for UKIERI)	79,618
University of Ulster (payment for UKIERI)	79,506
University of Dundee (payment for UKIERI)	70,910
Lancaster University (payment for UKIERI)	69,993
University of Oxford (payment for UKIERI)	68,126
University of Leicester (high-energy astrophysics with ASTROSAT) ¹	64,771
University of Manchester (payment for UKIERI)	62,280
University of Leeds (payment for UKIERI)	58,399
University of Newcastle Upon Tyne (payment for UKIERI)	56,897
Aston University (payment for UKIERI)	44,375
University of Manchester (payment for UKIERI)	41,716
Republic of Art (Park Project Organisation)	41,704
University of Southampton (payment for UKIERI)	39,311
Public Health Foundation of India (payment for UKIERI)	35,334
Imperial College (payment for UKIERI)	33,105
Empresa de Gestão de Equipamentos e Animação Cultural (Evil Machines project) ¹	31,469
University of Nottingham (payment for UKIERI)	30,218
University of Cambridge (payment for UKIERI)	30,218
Belfast Education and Library Board (Regional Training Unit bursary for teacher training)	30,000

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University of Bradford (payment for UKIERI)	29,806
University of Glasgow (payment for UKIERI)	29,380
University of Central Lancashire (payment for UKIERI)	28,363
City College Norwich (payment for UKIERI)	28,166
University of Durham (payment for UKIERI)	28,054
University of Oxford (payment for UKIERI)	27,671
Blackburn College (payment for UKIERI)	26,666
University of Hertfordshire (payment for UKIERI)	25,920
University of Exeter (payment for UKIERI)	25,908
Connecting Classrooms schools (project activity)	25,500
University of Edinburgh (payment for UKIERI)	25,137
University Court of the University of St Andrews (Intercultural Navigators youth project) ²	24,000
University of Sheffield (payment for UKIERI)	23,955
University of Leicester (payment for UKIERI)	23,873
University of Edinburgh (payment for UKIERI)	23,613
Hebbel-Theatre (funding theatre event) ¹	22,692
The Chancellor, Masters and Scholars of the University of Cambridge (payment for UKIERI)	22,500
Rothamsted Research (payment for UKIERI)	22,500
Imperial College (payment for UKIERI)	22,491
University of Southampton (payment for UKIERI)	22,459
Institute of Development Studies (payment for UKIERI)	22,376
The Chancellor, Masters and Scholars of the University of Cambridge (payment for UKIERI)	22,212
University of Bristol (payment for UKIERI)	22,177
University of Ulster (payment for UKIERI)	22,128
Instituto Provincial (Venice Biennale) ¹	22,059
Imperial College (payment for UKIERI)	22,050

The majority of the 50 largest grants support the activity 'increasing learning opportunities and strengthening educational co-operation' except where indicated. The UK-India Education and Research Initiative (UKIERI) aims to substantially improve educational links between India and the UK.

¹ Supports the activity 'building appreciation of and strengthening engagement with UK creativity'.

² Supports the activity 'strengthening good governance and human rights'.

NOTES TO THE ACCOUNTS

8 COST OF CAPITAL

Notional cost of capital is calculated as 3.5 per cent of the average capital employed in the year.

9 INTANGIBLE FIXED ASSETS

	Software licences
MODIFIED COST OR VALUATION	£'000
At 1 April 2007	4,371
Additions/transfers	640
At 31 March 2008	5,011
AMORTISATION	
At 1 April 2007	(765)
Charge for year	(485)
Disposals/transfers	–
Revaluations/backlog amortisation	–
At 31 March 2008	(1,250)
NET BOOK VALUE	
At 31 March 2008	3,761
At 1 April 2007	3,606

FOR THE YEAR ENDED 31 MARCH 2008

10 TANGIBLE FIXED ASSETS

	FREEHOLD LAND AND PROPERTY	LEASEHOLD LAND AND PROPERTY	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	ART COLLECTION	TOTAL
MODIFIED COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	48,960	64,248	10,711	21,154	9,742	3,640	158,455
Additions	1,113	2,589	447	2,497	533	94	7,273
Transfers	–	–	–	–	–	–	–
Disposals	(1,163)	(5,059)	(1,009)	(455)	(1,264)	–	(8,950)
Revaluations	–	–	406	(169)	203	–	440
At 31 March 2008	48,910	61,778	10,555	23,027	9,214	3,734	157,218

DEPRECIATION

At 1 April 2007	4,285	23,312	8,935	9,361	7,011	–	52,904
Charge for the year	2,423	2,609	699	3,701	908	–	10,340
Disposals/transfers	(251)	(1,733)	(972)	(439)	(1,113)	–	(4,508)
Backlog depreciation	–	–	346	(113)	163	–	396
At 31 March 2008	6,457	24,188	9,008	12,510	6,969	–	59,132

NET BOOK VALUE

At 31 March 2008	42,453	37,590	1,547	10,517	2,245	3,734	98,086
At 1 April 2007	44,675	40,936	1,776	11,793	2,731	3,640	105,551

Included in the above:

ASSETS IN PROGRESS (AIP)

	LAND AND PROPERTY	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	ART COLLECTION	TOTAL
AIP at 1 April 2007	3,038	178	94	246	–	3,556
AIP items capitalised in 2007–08	635	65	696	(84)	–	1,312
2007–08 AIP items to be capitalised	–	–	–	–	–	–
Total AIP at 31 March 2008	3,673	243	790	162	–	4,868

All tangible fixed assets acquired are used to support the British Council's charitable activities.

Freehold and long-leasehold land and buildings were valued on the basis of open market value for existing use at

31 March 2004 by CB Richard Ellis Ltd, Chartered Surveyors, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors or at cost for subsequent acquisitions. Freehold and long-leasehold land and buildings are revalued every five years.

NOTES TO THE ACCOUNTS

Included within the freehold and leasehold property categories are land and buildings for dwelling purposes valued at a cost of £5.2 million and net book value of £4.8 million (2007: cost £5.7 million and net book value £5.3 million).

The adjustments for current cost accounting revaluation and backlog depreciation include the effect of both upward and downward indices. The net result has been added to the revaluation account because the downward movements are considered to be of a temporary nature.

Within the long-leasehold land and properties category, there is one building allocated a lease life of 50 years in 2004 that will expire in 2054. The attributed value in 2008 was £1,490,196 and accumulated depreciation of £119,216. (Attributed value 2007: £1,490,196).

The British Council maintains a permanent collection of works of art. The current estimated value as valued by the Curator of the collection is £59.5 million (2007: £55.8 million). The purpose of the collection is to increase the understanding and appreciation of British art overseas in furtherance of the British Council's objectives for cultural co-operation. It is not held for investment or resale. Many works have been acquired on beneficial terms because of the collection's purpose. For the above reasons, the collection is included in the accounts at cost or nil value in the case of donated items.

The British Council valued its fixed assets in 1994 when changing from cash to resource accounting principles. It is not practical to identify the original cost and accumulated depreciation of those assets included at valuation at that date.

11 FIXED-ASSET INVESTMENTS

(a) Subsidiary undertaking:

ORGANISATION NAME	COUNTRY OF REGISTRATION	NATURE OF BUSINESS	CLASS SHARES HELD/%
BC Trading International Ltd	England and Wales	Raise funds through trading activities	Ordinary/100%

	£'000
At 1 April 2007	100
Additions	–
At 31 March 2008	100

BC Trading International Ltd was incorporated on 5 April 2004 as a wholly owned subsidiary of the British Council and is a company limited by shares. It carries out general commercial activities predominantly generating sponsorship income through British Council events. The main profit from such activities is paid by gift aid to the British Council.

BC TRADING INTERNATIONAL LTD

FINANCIAL SUMMARY	2008
	£'000
Assets including current assets	490
Current liabilities	(478)
Reserves	12
	2007–08
Revenue	1,695
Operational expenses and gift aid	(1,692)
Profit/(loss)	3

FOR THE YEAR ENDED 31 MARCH 2008

(b) Joint venture:

ORGANISATION NAME	COUNTRY OF REGISTRATION	NATURE OF BUSINESS	INTEREST HELD
IELTS Inc.	Delaware, USA	Developing, administering and marketing the IELTS examinations	33.3%

	£'000
At 1 April 2007	148
Programme-related investment	–
Interest receivable	13
Loss on revaluation	(4)
At 31 March 2008	157

The results of the joint venture are not material and as a result have not been consolidated.

12 DEBTORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

(a) Analysis by type:

	GROUP		BRITISH COUNCIL	
	2007–08	2006–07	2007–08	2006–07
	£'000	£'000	£'000	£'000
Trade debtors	47,254	36,204	47,254	36,204
VAT debtor	762	1,133	765	1,133
Other debtors	6,870	7,713	6,582	7,495
Assets awaiting disposal	–	–	–	–
Balances resulting from activity under contracts and agreements	7,793	8,359	7,793	8,359
Prepayments	10,165	8,085	10,165	8,085
Amounts due from subsidiary undertaking	–	–	428	843
	72,844	61,494	72,987	62,119

(b) Intra-government debtors:

	GROUP	
	2007–08	2006–07
	£'000	£'000
Balances with central government bodies	14,368	13,735
Balances with local authorities	2	–
Balances with public corporations and trading funds	1	5
Total intra-government debtors	14,371	13,740
Balances with bodies external to government	58,473	47,754
	72,844	61,494

NOTES TO THE ACCOUNTS

13 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

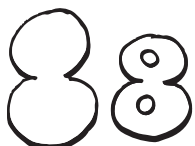
(a) Analysis by type:

	GROUP		BRITISH COUNCIL	
	2007-08	2006-07	2007-08	2006-07
	£'000	£'000	£'000	£'000
Trade creditors	11,431	15,903	11,407	15,903
Balances resulting from activity under contracts and agreements	41,116	27,252	41,116	27,252
Other creditors*	7,121	18,103	7,098	18,022
Taxation and social security	2,068	2,069	2,068	2,069
Accruals	29,637	23,412	29,637	23,412
Deferred income	49,271	44,776	49,271	44,776
	140,644	131,515	140,597	131,434

*Short-term provisions for liabilities and charges were shown in other creditors in 2006-07.

(b) Intra-government debtors:

	GROUP	
	2007-08	2006-07
	£'000	£'000
Balances with central government bodies	334	80
Balances with local authorities	8	20
Balances with NHS trusts	-	2
Balances with public corporations and trading fund	2	10
Total intra-government creditors	344	112
Balances with bodies external to government	140,300	131,403
	140,644	131,515



FOR THE YEAR ENDED 31 MARCH 2008

14A PROVISIONS FOR LIABILITIES AND CHARGES (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	TERMINAL GRATUITIES	EARLY RETIREMENT	OTHER STAFF	LEGAL CASES	OTHER	TOTAL COSTS
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007*	–	1,233	130	2,581	1,481	5,425
Unrealised loss on exchange	–	–	–	–	–	–
Net amounts paid or utilised in year	–	(722)	(130)	(580)	(1,086)	(2,518)
Charged to expenditure	–	523	451	4,037	615	5,626
Movement between short and long term	–	–	–	–	(305)	(305)
At 31 March 2008	–	1,034	451	6,038	705	8,228

*Short-term provisions for liabilities and charges were shown in other creditors in 2006–07.

14B PROVISIONS FOR LIABILITIES AND CHARGES (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	TERMINAL GRATUITIES	EARLY RETIREMENT	OTHER STAFF	LEGAL CASES	OTHER	TOTAL COSTS
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	10,914	2,956	–	–	–	13,870
Unrealised loss on exchange	827	–	–	–	–	827
Net amounts paid or utilised in year	(4,057)	(1,371)	–	–	–	(5,428)
Charged to expenditure	3,088	259	–	–	–	3,347
Movement between short and long term	–	–	–	–	305	305
At 31 March 2008	10,772	1,844	–	–	305	12,921

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

15 MOVEMENTS ON FUNDS AND RESERVES

	GENERAL ACCOUNT	RETIREMENT BENEFITS SCHEME RESERVE	CAPITAL ACCOUNT	REVALUATION ACCOUNT	TOTAL
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2007	8,241	2,280	103,007	6,150	119,678
Net incoming resources for the year after reversal of notional costs	7,185	–	–	–	7,185
Normal transfer to capital and valuation account	7,354	–	(7,617)	263	–
Transfer of net pension costs	(517)	517	–	–	–
Actuarial gain recognised in the retirement benefits scheme	–	1,565	–	–	1,565
Valuation account movement: on general fixed assets	–	–	–	44	44
Balance as at 31 March 2008	22,263	4,362	95,390	6,457	128,472

16 COMMITMENTS

(a) Capital commitments:

	2008	2007
	£'000	£'000
Contracted expenditure	3,832	5,571

(b) Specific charitable projects (grants):

	2008	2007
	£'000	£'000
To be undertaken in the following year	100	130

(c) Annual commitments under operating leases: Commitments under operating leases to pay rentals during future years are analysed according to the period in which each lease expires. These all relate to land and buildings.

	2008	2007
	£'000	£'000
In one year or less	6,334	6,871
Between one and five years	8,235	7,785
In five years or more	4,820	5,837
	19,389	20,493

ACCOUNTS

17 LOSSES STATEMENT

Category	2007-08		2006-07	
	No. of cases	Amount	No. of cases	Amount
		£'000		£'000
Cash losses	28	311	23	47
Claims abandoned	127	48	65	49
Store losses	10	71	17	243
Special payment	1	10	–	–
Total	166	440	105	339

Details of cases over £250,000

During the year a fraud was identified in Sierra Leone. It is estimated that the total losses arising were £182,000 consisting of £150,000 cash losses and £32,000 losses from stock. In addition, £277,000 is repayable to the Department for International Development as a result of over-billing connected with the fraud. These amounts are provided for in these accounts.

18 RELATED PARTY TRANSACTIONS

The British Council is an executive non-departmental public body sponsored by the Foreign and Commonwealth Office (FCO).

The FCO is regarded as a related party. During the year the British Council has had various material transactions with the FCO.

The British Council has had a number of material transactions with other government departments and other central government bodies. The most significant have been with the:

- Department for International Development
- Department for Innovation, Universities and Skills
- Department for Children, Schools and Families
- Department for Business, Enterprise and Regulatory Reform
- Department for Culture, Media and Sport.

In addition, the British Council has a number of transactions with the British Council Benevolent Fund, which provides financial assistance to staff in need in the UK and overseas via charitable donations from current and ex-employees. The British Council has no control over the fund; however, the trustees are appointed by the British Council Board.

None of the Board members, principal managerial staff or other related parties has undertaken any material transactions with the British Council during the year other than as disclosed.

Stephen Kinnock is the son of the Rt Hon. Lord Neil Kinnock. He currently holds an Acting Country Director post at the British Council. Stephen Kinnock was appointed in compliance with the British Council standard recruitment procedures and receives a salary that is consistent with other directors at that position. He joined the British Council in August 1996. The Rt Hon. Lord Neil Kinnock was appointed Chairman of the British Council on 1 December 2004. The two appointments are not connected and neither party would seek to influence, has influenced or could influence the financial and operating policies of the organisation in such a way as to benefit the other.

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