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This document explains the role and work of the British Council.

It also tells the story of our work over the last year.

Our Annual Report is in five sections. Section One provides an introduction to who we are and our work in cultural relations. Section Two takes a closer look at the business areas we work in.

Section Three explores our global impact. Section Four sets out our official reporting; and Section Five details our accounts for 2010–11.

Throughout this document are short case studies of our work and impact around the globe.

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THE BRITISH COUNCIL
CREATES INTERNATIONAL
OPPORTUNITIES FOR THE
PEOPLE OF THE UK AND
OTHER COUNTRIES AND
BUILDS TRUST BETWEEN
THEM WORLDWIDE.

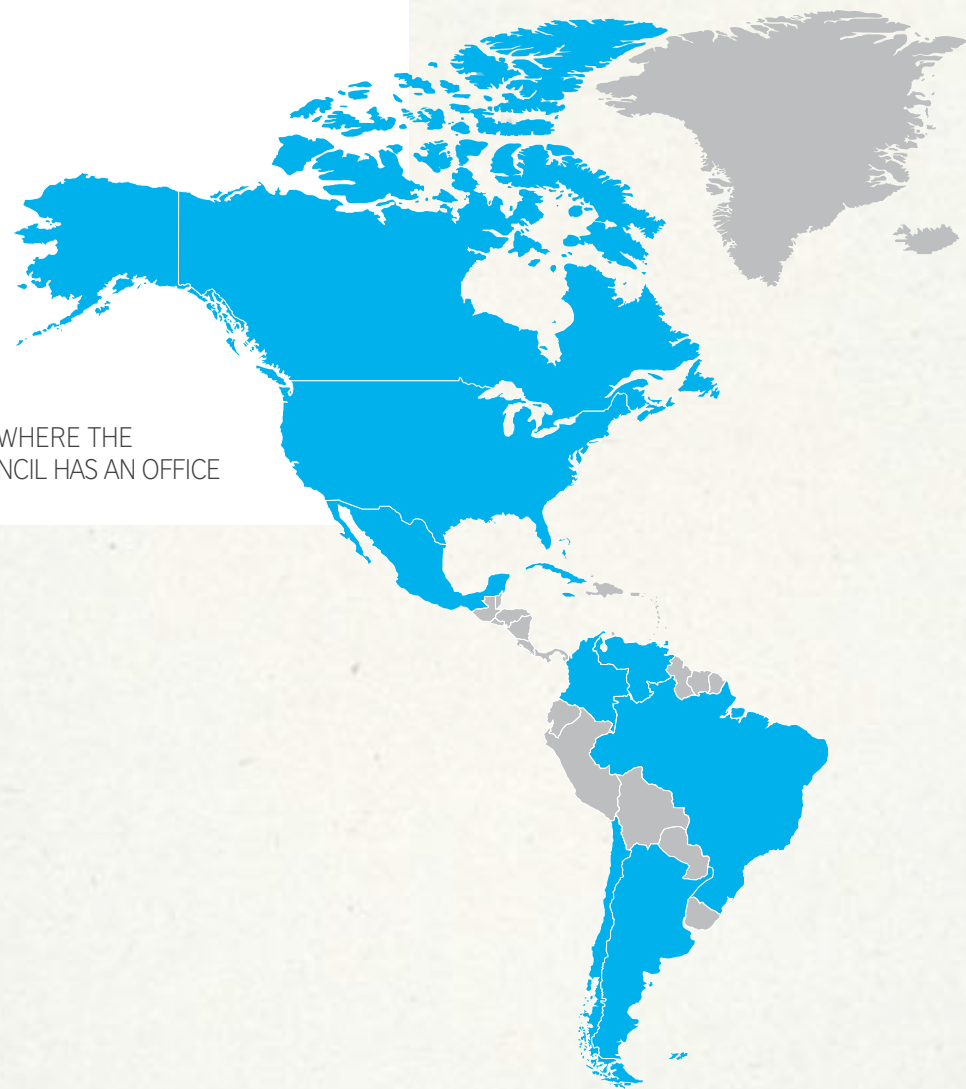
WE CALL THIS
CULTURAL RELATIONS.

www.britishcouncil.org

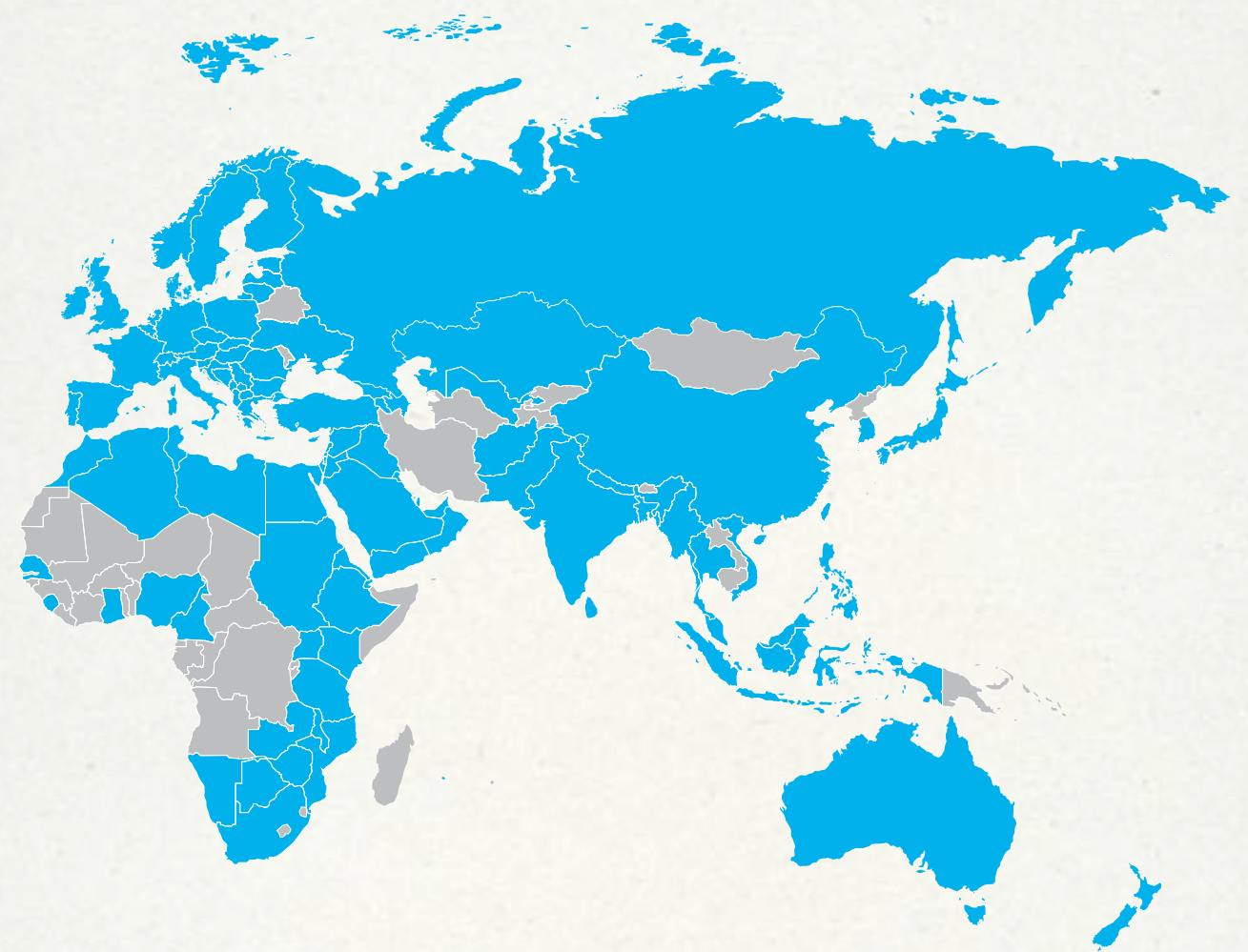


COUNTRIES WHERE WE WORK

 COUNTRIES WHERE THE
BRITISH COUNCIL HAS AN OFFICE



The British Council has **191 OFFICES**
in **110 COUNTRIES AND TERRITORIES**



More than **7,000 PEOPLE** work for
the British Council around the world

SUMMARY

The British Council is the United Kingdom's international organisation for cultural and educational relations.

We are a registered charity in England, Scotland and Wales. We operate under Royal Charter and our patron is Her Majesty The Queen.

We build trust and understanding for the UK to create a safer and more prosperous world.

In terms of our reach and impact, we are the world's leading cultural relations organisation.

Cultural relations is a component of international relations which focuses on developing people-to-people links and complements government-to-people and government-to-government contact.

We use English, Arts, and Education and Society – the best of the UK's great cultural assets – to bring people together and to attract partners to working with the UK.

The British Council has over 7,000 staff working in 191 offices in 110 countries and territories.

2010–11 RESULTS

Our work engaged over 30 million people worldwide – an increase of over 10 million on last year.

We reached nearly 600 million through digital media, radio and television.

In 2010–11, the British Council's turnover totalled £693 million with £190 million in Foreign Office grant funding and £503 million generated from our own programmes and services.

We generate £2.65 for every £1 of Foreign Office grant received. This is an excellent return on UK taxpayers' contribution to the UK's cultural relations.

For more than 75 years, the British Council has shared the UK's knowledge and ideas with the world. We are a great British institution, respected and recognised throughout the world as one of the UK's real assets. Our mix of 'for good and for profit' draws on a diminishing proportion of public funding to deliver major economic, social and cultural benefit for the UK.

OUR WORK IN FIGURES

19.8 MILLION PEOPLE

ATTENDED OUR ARTS EXHIBITIONS AND PERFORMANCES, AND OUR EDUCATION FAIRS

5,300 SCHOOLS

LINKED AROUND THE WORLD

208,000 PEOPLE

PARTICIPATED IN OUR EDUCATION EXCHANGES

19,000 VOLUNTEERS

ARE DIRECTLY INVOLVED IN OUR SOCIETY WORK

294,000 LEARNERS

HAVE RECEIVED TRAINING IN OUR ENGLISH TEACHING CENTRES

1.3 MILLION CLASSROOM HOURS

DELIVERED, MAKING US THE WORLD'S LEADING PROVIDER OF ENGLISH TRAINING

ACCESS TO 2.5 MILLION EXAMS

PROVIDED GLOBALLY

CHAIR'S FOREWORD

It has been an exciting first year for me as Chair of the British Council.

I have had the opportunity to see our work in action around the world, ranging from our English teaching centres in Spain to our support for the development of social justice in Nigeria, from our wide scope of involvement in the Edinburgh Festivals to promoting higher education links with Brazil.

Everywhere I have travelled it has been clear that the British Council is one of the UK's most valued international institutions. I accompanied the Prime Minister on his trips to India and China and I was proud that he could see at first hand the wide range of our impact in these countries and the crucial role this can play in building trusted relationships. Our role is cultural relations – building trust for the UK through the sharing of the UK's most attractive cultural assets. We focus on developing people-to-people connections, and this type of work has never been more important.

Recent events in North Africa and the Middle East have reminded us that the world is constantly changing. But the drivers of these changes seem to reflect a new trend. These political and social changes have been caused not by war, religion or political ideology. They have been caused by people – people who are beginning to demand more of their societies and their governments, aided by increased internet access and social media tools.

It is clear that states continue to play a pivotal role in global affairs, but increasingly the voices of their people are being heard on the world stage. It is essential for the UK, and the people of the UK, to build connections directly with a newly empowered generation across the globe. This requires contact,

dialogue, and shared understanding. This is cultural relations in action. This is the business of the British Council.

One of the highlights of my year was seeing five members of our Global Changemakers programme attend the World Economic Forum at Davos as full participants. Their presentations were truly inspiring. The world needs such people. Three billion people today are under 25. Many are disengaged, disaffected and often unemployed. They believe they have no power, no influence, no voice. This session proved that this not need be the case. Mahatma Gandhi once said, 'Be the change you want to see in the world'. These young people have taken that to heart.

Our reach and impact is extraordinary. Yet, to fulfil our mission properly we need to increase our reach and our impact still further. This will not be done just through the traditional model, particularly in times of cuts to our core funding. We will need to significantly ramp up our reach through new electronic channels. We have made a good start on this but much remains to be done. We will need to find new partners to help fund and execute our work and we are finding that there is considerable interest in both the private and voluntary sectors. The reason is simple – we have a common interest in building trust and opportunities.

In order to strengthen our relationships with UK partners it is important that we raise our profile in the UK. We are already heavily engaged with our 2012 Olympics work, bringing our international experience and cultural relations skills to bear by creating global partnerships and driving long-term projects which will create a long-lasting legacy for these games.



WE FOCUS ON DEVELOPING
PEOPLE-TO-PEOPLE CONNECTIONS,
AND THIS TYPE OF WORK HAS
NEVER BEEN MORE IMPORTANT

Through the delivery of these exceptional projects, I am confident that we will also raise our UK profile as an attractive international partner.

Lastly, we need to make ourselves even more efficient and effective. Our Board of Trustees and executive team have made great progress in the last year in simplifying how we manage our work. We now arrange our work into three clear business areas: English, Arts, and Education and Society, and we have organised our network into fewer geographic regions. This improved clarity gives us greater focus and helps our partners better understand how we work.

The British Council is a great world institution! Our history, our values and our standards have made us successful, but it will be our ability to adapt and respond to this changing world which will keep us great.

Sir Vernon Ellis
Chair British Council

CHIEF EXECUTIVE'S INTRODUCTION

Over the past year the British Council has, like many other British institutions, had to respond to major financial and geopolitical shocks – from the sharp reduction in government spending to the rising social movements in North Africa.

We have done so robustly, continuing to increase both the scale and effectiveness of our work.

We recognised early that the economic difficulties of the end of the last decade would inevitably lead to a challenging financial environment for us in this. We have therefore put in place programmes that have already and will continue to change the fabric of our organisation. We have changed fundamentally the way in which we work; we have substantially reduced the costs of running ourselves and we have invested in growing our non-governmental income. All of these measures mean that we are well placed to manage the tough Comprehensive Spending Review settlement which has cut our UK government grant by 26 per cent in real terms.

The bottom line for the year is that we have achieved greater cultural relations impact with declining resources. Overall we have achieved a turnover at £693 million, only two per cent below last year despite economic conditions, which made partnership and sponsorship income particularly difficult to attract, and with substantial reductions in government funding for international education links and the Chevening scholarship scheme. Offsetting this, our investment in English and Exams has produced significant growth, both in income and the numbers of people with whom we work.

We have placed great focus on reducing our running costs, and the consolidation of our support services in a single hub in India. Restructuring in the UK has helped us achieve a significant reduction in 2010–11.

This consolidation has been a ground-breaking achievement for a public body but at the painful price of losing many valued colleagues through redundancy and early retirement.

Our true impact though is not counted in money. The changes we have made to our ways of working, focusing resources on a smaller number of larger projects and working through others rather than with our own people, have allowed us to increase both the numbers of people we engage with and the impact our work has on them. We have worked with 15,000 government, business and social leaders worldwide – a ten per cent increase on last year. We have involved 800,000 people of influence in their society in our work, up by 60 per cent on the previous year. And we now work with 10.6 million aspirants, successor generations and influencers of the future – an increase in 61 per cent. We know that we are achieving our goal of making these programmes relevant to leaders and policy-makers in countries around the world and linking them to the UK, because they tell us so.

Overall we have emerged from the 2010–11 financial year in a robust state; financially resilient, but, more importantly, delivering real benefit to the UK through life-long relationships with millions of people around the world.

The latter part of the year saw significant change on the world stage and posed problems for us in ensuring the safety of our staff and visitors against the desire to stay connected with all those people making



WE HAVE ACHIEVED GREATER CULTURAL RELATIONS IMPACT WITH DECLINING RESOURCES

change happen. I am immensely proud of how my colleagues reacted, whether in Tokyo or across the Arab world. At various times we have had to evacuate staff from Tunisia, Egypt, Bahrain and Syria. But we have retained a presence throughout. For example, during the Egyptian protests, our Cairo office had to close for 11 days, but within three days of reopening, on the day of President Mubarak's resignation, we were able to run 200 exams.

At present, having safely evacuated UK-appointed staff, our office in Libya remains closed. We intend to return to Libya as soon as circumstances permit.

The internal changes we have made in the past year will allow us, I believe, to continue to grow and to deliver even greater value to the UK in the coming years.

The move of our financial and support service hub to India will reduce the overhead costs of running the British Council for the UK taxpayer, allow us to spend more on our programmes and to develop more efficiencies in how we do business. We will focus our work more rigorously on what lies at the heart of what we do: English, Arts, and Education and Society. To help us do this, newly appointed directors of each business area now sit on our Executive Board. And

our regional directors now sit with these business managers on our new Management Board to create the critical link between the centre and what's actually happening on the ground.

In the past year we have not just put in place the changes which will allow us to continue to prosper and deliver for the UK, we have also shown that the measures we have taken are already bearing fruit in both the scale and impact of our work. I am confident that the steps we have taken to restructure and refocus on our objectives make us a stronger, leaner and more dynamic organisation better able to build trust for the UK.

Martin Davidson CMG
Chief Executive British Council

ONE// AN INTRODUCTION TO THE BRITISH COUNCIL



WITH OVER **75 YEARS
OF EXPERIENCE,**
THE BRITISH COUNCIL
HAS BECOME A GREAT
BRITISH INSTITUTION



WHO WE ARE

The British Council is the United Kingdom's organisation for cultural relations and educational opportunities.

The purpose of the British Council is to create international opportunities for the people of the UK and other countries and build trust between them worldwide. We call this cultural relations.

The British Council was established in 1934 and incorporated by Royal Charter in 1940 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
- otherwise promote the advancement of education.

Our Patron is Her Majesty The Queen and His Royal Highness The Prince of Wales is our Vice-Patron.

The British Council is a registered charity in England, Wales and Scotland. We are a public corporation. We are also a non-departmental public body (NDPB) and our sponsoring department is the Foreign and Commonwealth Office (FCO).

ENGLISH SUB-SAHARAN AFRICA

ENGLISH IN RWANDA

The Rwanda English in Action Project (REAP), is working to support Rwanda's schoolteachers in the ambitious leap towards using English in place of French in education and the private and public sectors.

The Rwandan Ministry of Education contracts the British Council to deliver the project which supports the move of an entire education system to an English medium of instruction from the fourth year of primary onwards.

During school holidays teachers gather in more than 850 locations where they are given five weeks intensive English training. This is carried out by 1,000 trainers, a mix of Rwandans and teachers from the East African Community.

Cascade training has already brought 120 hours of training to 45,000 primary and secondary school teachers.

<http://vimeo.com/17529007>

HOW WE WORK

The cultural relations work of the British Council focuses on the following key areas:

- ENGLISH
- ARTS
- EDUCATION AND SOCIETY

The British Council's strength lies in our understanding of what the UK has to offer, combined with our on-the-ground knowledge of people, partners and other countries' goals and priorities.

Through our work we increase our participants' and partners' awareness and understanding of the UK and share and learn from each other. We forge links, create opportunities and establish relationships which build trust.

EDUCATION AND SOCIETY GLOBAL

FAMELAB

FameLab encourages young scientists to inspire public imagination with their vision of science in the 21st century. In 2010 over 3,000 young scientists were involved in the project.

FameLab involves a series of public competitions (sometimes televised) where the scientists have just three minutes to excite and engage the audience about a scientific topic of their choice. These competitions were held in Austria, Bulgaria, Croatia, Cyprus, the Czech Republic, Egypt, Germany, Greece, Hong Kong, Israel, Libya, Lithuania, Romania and Serbia. National finalists receive communication

and media training from UK experts and national winners get the opportunity to take part in the international final at the annual Cheltenham Science Festival.

Since this international project began in 2007 it has engaged thousands of young science communicators and reached an estimated broadcast audience of 50 million.

The FameLab competition's impact has led to the establishment of an annual scientific showcase in Serbia and a Science Communication Masters course in Bulgaria.

<http://famelab.org>

WHO WE WORK WITH

The work of the British Council targets three main groups overseas and in the UK.

- **LEADERS** of societies and communities are people who bring about educational and cultural policy change and enable us to connect with more people.
- **INFLUENCERS** are career professionals, educators, artists, scientists and business leaders who we work with to maximise the impact of our work.
- **ASPIRANTS** are generally younger people who are in education or starting out in their careers. They are opinion-formers with their own networks and they have the potential to become the next generation of leaders and influencers.

Our projects allow us to work with different groups in different countries in different ways, adapting to the contexts and constraints on the ground. In one country we may teach young people English, while elsewhere we work closely with federal and regional leaders to support the development of national education systems, or on training and capacity-building for civil servants or justice systems.

Elsewhere we may help people to change the way they see the UK and themselves through the arts. Different countries want, need and permit different cultural relations programmes with the UK.

The British Council works with a wide range of UK stakeholders and partners in English language, education, arts and society.

Partnership is at the heart of the work we do. International organisations and businesses are eager to work with the British Council and draw upon our expertise. We continue to strengthen our work with partners, including finding new ways to engage international funders and companies in supporting the UK's cultural relations. Cultural relations builds the foundations of trust for UK education, business and trade links.

We also play a role as a 'thought leader' in the field of cultural relations. The British Council was a founding member of EUNIC – the European Union National Institutes for Culture – and has been a driving force in encouraging other countries to develop their own cultural relations networks.

ARTS SOUTH ASIA

ANISH KAPOOR EXHIBITION IN INDIA

In collaboration with the Indian Ministry of Culture and Lisson Gallery, and with sponsorship from Tata and Louis Vuitton, the British Council exhibited the work of Anish Kapoor in Delhi and Mumbai.

This was the first major cultural collaboration since the signing of the first-ever cultural agreement between the UK and India by Prime Minister David Cameron in July 2010. It was the largest and most complex exhibition to be held in India and was hailed by the press as ‘ground-breaking’ and ‘raising the bar for art in India’.

The two exhibitions in Delhi and Mumbai alone attracted more than 60,000 visitors who physically came to view the artist’s work on show for the first time ever in India.

A television programme – *British Council presents Anish Kapoor Delhi Mumbai* – was broadcast on CNN-IBN, a renowned English-language channel, and reached more than 10 million viewers across India.



The Anish Kapoor Exhibition in India was hailed by the press as ‘ground-breaking’ and ‘raising the bar for art in India’.

ENGLISH SUB-SAHARAN AFRICA

SUPPORTING SECURITY FORCES IN SUDAN

As a partner in the DFID-funded Sudan Safety and Access to Justice Programme (SAJP) we are delivering capacity-building to the Sudan National Police, the South Sudan Police Service, the Ministry of Justice and the Judiciary. A top priority for these groups is learning English.

This work is at the heart of conflict prevention and post-conflict development. In a country recently shaken by civil war we have brought former combatants into the classroom. English is helping soldiers to move from conflict to public service and peacekeeping roles.

A practical outcome is that many of these learners, including police officers, can now access international best practice by attending international conferences and courses in the UK.

Meeting our CEO in November in Khartoum, the British Defence Attaché, Col. Chris Luckham, said: ‘I could not do my job without the British Council’.

In a country recently shaken by civil war we have brought former combatants into the classroom.



WHERE WE WORK

Our activities in each country are determined by the country's economic development and its openness, internally and externally, to people, knowledge and ideas from other cultures.

We split countries into six broad types:

- low–middle income/less open countries (e.g. Pakistan, Iraq, Sudan)
- low income countries (e.g. Indonesia, Nigeria, Philippines)
- middle income countries (e.g. Turkey, Thailand, Mexico)
- high growth developing countries (e.g. China, India, Russia)
- high income/less open countries (e.g. Saudi Arabia, Israel, Trinidad and Tobago)
- high income/more open countries (e.g. USA, France, Japan).

INTERNATIONAL DEVELOPMENT AND POST-CONFLICT RECONSTRUCTION

The British Council has always delivered development benefit in some of the world's poorest countries as well as in rapidly developing and post-conflict environments. These are places where cultural relations plays an essential role. Often the British Council will be one of the first developmental organisations on the ground in post-conflict situations, as in Iraq and Afghanistan, playing a major role in stabilisation and supporting cultural and economic development.

The work of the British Council forms an important part of the UK's global influence and appeal by changing perceptions, building trust and attracting other countries and cultures to the values and opportunities the UK represents.

'...the essential importance of the work of the British Council...gives Britain an unrivalled platform for the projection of the appeal of our culture and the sharing of our values.'

FOREIGN SECRETARY, WILLIAM HAGUE, JULY 2010

EDUCATION AND SOCIETY MIDDLE EAST AND NORTH AFRICA

IMPROVING IRAQI EDUCATION

Working with UNICEF, the Iraqi Ministry of Education and the Kurdish Regional Ministry of Education, our Releasing Potential in Iraqi Schools project has helped Iraqi teachers to overcome decades of isolation.

The project uses national consultants and international trainers to cascade modern teaching practices and updated standards to 3,000 Iraqi teachers. The project will transform the learning experience for 100,000 Iraqi school pupils by improving the standard of teachers' pedagogic skills and headteachers' leadership and management.

The success of this project model has led to a British Council–EU partnership worth £7.3 million which was launched in January 2011 and will provide training for 26,000 teachers across Iraq.



'[The British Council should] be seen as assisting practically in our national defence. Modern defence consists not only in arms but in removing misunderstanding and promoting understanding.'

LORD TYRRELL, THE FIRST CHAIRMAN OF THE BRITISH COUNCIL, 1934–37

OUR IMPACT IN THE UNITED KINGDOM

As a nation we are world leaders in creativity, innovation, education and the arts.

Our open, plural, diverse society is one of our most attractive assets to people all around the world. For the UK to build on this status and to continue to compete in the global knowledge economy, we need UK citizens to be global citizens.

Our work serves to enrich the lives of people in the UK, promote greater cultural awareness and enhance our cultural, educational and artistic assets.

The British Council plays an important role in providing UK citizens with access to other cultures through our projects, events and networks. By connecting the UK with other cultures we are helping to equip people throughout the UK with the intercultural skills and experience they need to actively and more effectively participate in the global economy.

Exposing the UK education system and our arts to the ideas and influences of other cultures can serve to enhance and invigorate these assets. Stronger ties with the education systems of other countries can help to refine and strengthen what the UK has to offer, making our system even more attractive to potential partners and prospective students. Sharing our artistic achievements and endeavours with other cultures can spark our creativity and promote further innovation.

ARTS UNITED KINGDOM

LONDON FESTIVAL OF ARCHITECTURE

The London Festival of Architecture is the largest event of its kind in the world. The British Council, in partnership with the Architecture Foundation, worked with London embassies and cultural institutes to present exhibitions about architecture from around the world.

In 2010 nearly 40 embassies took part in the International Architecture Showcase (IAS) and attracted around 15,000 visitors to a diverse programme of events.

The project has strengthened our relationship with overseas embassies and partners, and was supported by British Council offices who offered local advice.

Martin Davidson and *Times* architecture critic, Tom Dyckhoff, presented the Silver Pigeon award to the best event, an exhibition of five young architects at the Japanese Embassy.

For 2012, the IAS will be part of the British Council's Olympic programme and is being extended to create a three-month season of international architecture and design events in London from 23 June to 23 September 2012.

www.lfa2010.org



A BUSINESS TRANSFORMED

For more than 75 years the British Council has focused on the connections between people.

As the world changes and the views, values and attitudes of people evolve, we have adapted and changed to better deliver our purpose.

In the last year, economic realities have had an impact on how we operate, but so too have changes in the way the world communicates and the growth in our partners' ambitions.

In 2010–11, as part of the government's Comprehensive Spending Review, the British Council received a 26 per cent cut in our grant. We have worked hard to maintain our impact by changing our ways of working and reducing our overhead costs. We have already made recurrent savings of many millions of pounds and reduced our UK headcount by more than 25 per cent. Such measures will prepare us to work with a reduced grant.

We have restructured to cut our costs and invest as much of our resource as possible on our cultural relations work. We have rationalised our geographic regions, making the groupings more effective and merging regions, which has reduced costs and duplication of international processes; for example we have consolidated and relocated our financial and support services hub to India, reducing overheads.

Increases in internet connectivity throughout the world mean that more of our partners, clients and customers want to connect with us online.

In response to this we have developed our corporate website and digital offer, and created mobile applications to allow learners to have better access to English language materials.

As the world becomes more interconnected we have looked for opportunities to work with a more varied range of partners. We have also strengthened partnerships and reduced overheads in Africa and Asia by sharing premises and delivering English classes in partner premises.

ENGLISH MIDDLE EAST AND NORTH AFRICA

PARTNER PREMISES IN MOROCCO

In Rabat, the high overhead costs of running our 16 classrooms led to a change in our approach.

In October 2010, at the start of the new academic year, we began to deliver all our classes from three partner schools in different parts of the city. Our teachers arrive after the schools' regular classes have finished and make use of the classrooms. This approach greatly reduces our overheads and allows local schools to maximise the use of their classrooms.

We are now in a stronger position to respond to market changes and can quickly increase or decrease the number of classrooms and sites we use.

The new working model has let us reach new and existing customers closer to where they live, and form stronger partnerships with prestigious local education institutions. We plan to increase our presence in Morocco by rolling out this scheme in Marrakesh, Tangiers, Fez and Agadir.



ENGLISH GLOBAL

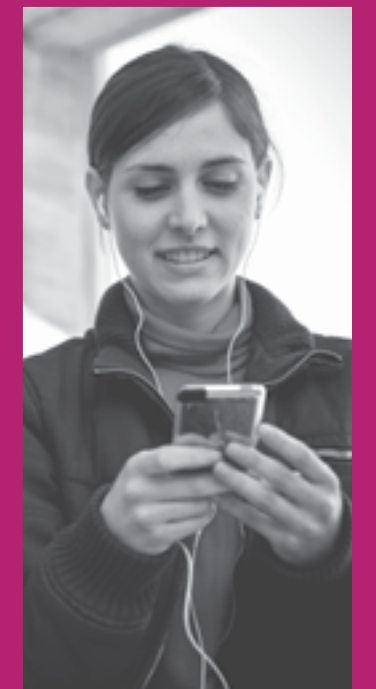
MOBILE APPS

In 2010, the British Council developed its first mobile phone applications – apps – for learners of English.

Some of these apps reached the top three in the education section of the iTunes store. Due to high demand, the apps have been moved to a variety of mobile platforms; for example all ten episodes of the LearnEnglish podcasts are now available via British Council app for iPhone, Ovi and Android.

The apps have attracted interest from other content developers such as Samsung bada and Nokia. So far this year, there have been more than 380,000 downloads of the British Council mobile apps across the world, including in countries where we do not have a physical presence.

In 2010 the British Council also launched an iPad app (an interactive pronunciation chart called *Sounds Right*), which has featured in the 'new and noteworthy' section of the US, Hong Kong, Singapore and China app stores.



TWO// OUR BUSINESS AREAS



THE BRITISH COUNCIL IS
A **WORLD AUTHORITY**
IN ENGLISH LANGUAGE
TEACHING AND DEVELOPMENT



WHAT WE DO

The areas in which we work represent the great cultural assets of the UK that attract people and partners overseas and enable us to build stronger cultural relations for the UK.

These are:

- ENGLISH
- ARTS
- EDUCATION AND SOCIETY.

We work towards four high-level outcomes:

- more widespread and better-quality teaching and learning of English worldwide
- new ways of connecting with and seeing each other through the arts
- enhanced UK leadership of and shared learning from international education
- stronger global citizenship among people in the UK and worldwide.

ENGLISH

Our goal is more widespread and better-quality teaching and learning of English worldwide.

A shared language allows people to connect with one another, promoting understanding and a foundation for trust and co-operation. The development of English language underpins the UK's cultural relations and can support international development, new markets and improved security in conflict and post-conflict environments.

The British Council is a world authority in English language teaching and development.

We have a powerful reputation throughout the world for delivering high-quality English language training. We offer English classes through over 80 teaching centres and partner premises in 49 countries. We produce English lessons through a range of media including radio, television and the internet, which allows us to help learners in even the most remote of locations.

We also produce world-class English language teaching materials which support improvements in teaching standards. We work closely with governments, global businesses and community leaders to develop teachers and training systems.

Helping more people to use English has clear benefits to local communities who wish to build connections internationally, but it also has a significant positive impact for the UK.

ENGLISH SOUTH ASIA

BROADCASTING ENGLISH

The British Council uses a variety of channels to reach our global audience of learners and teachers of English, including television, radio and the internet.

In partnership with the BBC Persian Service, we produced LearnEnglish TV *Word on the Street*, a lively, topical 27-minute magazine-format programme in English, pitched at a young adult audience. The first series provides opportunities for cross-cultural learning and language improvement. It will be shown in Afghanistan, Iran and Tajikistan and will then be used globally to showcase life in the UK while delivering English language practice.

To reach audiences in more remote locations and with less access to technology, the British Council uses radio for both teachers and learners. TeachingEnglish Radio provides advice and training on teaching English at a basic level.

ENGLISH AMERICAS

ENGLISH THE VENEZUELAN WAY

Our Caracas office has just finished work on a 240-hour, three-level English course commissioned by the Venezuelan Ministry of Tourism.

The course, called *English the Venezuelan way*, will now be delivered to thousands of tourist workers throughout the country, many of whom operate in the informal economy.

All the situations and references in the course had to be specifically Venezuelan, while the authors were also instructed to aim the

materials at learners without much schooling and teachers without much formal training.

English the Venezuelan way was a year in the making and involved around 30 people, including editors, syllabus designers, authors, graphic artists, sound technicians and administrative personnel. It was written by teachers from the British Council Caracas Teaching Centre with input from local tourism specialists.



ENGLISH– FACTS AND FIGURES

WE WORK WITH
**1,490 POLICY-MAKERS
AND MINISTERS**

294,000 LEARNERS
IN TEACHING CENTRE CLASSES

4.2 MILLION TEACHERS
AND LEARNERS REACHED

478,000 TEACHERS
AND LEARNERS IN ONLINE COMMUNITY

131,000 TEACHERS
AND COACHES IN PROFESSIONAL DEVELOPMENT

1.3 MILLION
CLASSROOM HOURS DELIVERED



4 MILLION
TELEVISION
VIEWERS



16 MILLION
RADIO
LISTENERS



40 MILLION
WEB VISITORS



34 MILLION
PUBLICATION
READERS



729,000
MOBILE APP
DOWNLOADS

EXAMINATIONS

Internationally recognised qualifications offer a route to personal, professional and career development which helps people to realise their personal goals. This sort of development can empower local communities, drive economic growth and improve standards.

By designing, delivering and providing access to examinations for internationally recognised qualifications and ensuring the highest standards of invigilation, the British Council has built on the UK reputation for integrity and world-class educational standards.

Our work enhances the reputation of the UK as a leading provider of educational opportunities; promotes the use of British qualifications as global benchmarks; and provides opportunities for individuals to use those qualifications to achieve their life goals.

Our research shows a high correlation between those who took a UK examination and greater trust in the UK.

We invigilate English language exams and other UK qualifications which allow students to determine their competence, gain employment or take up university places.

Our examinations business is self-funding. It generates £50 million of earnings each year for UK examination boards.

We deliver UK examinations overseas as part of our cultural relations work as a means to raise educational standards worldwide, attract more people to UK educational standards and widen our networks.

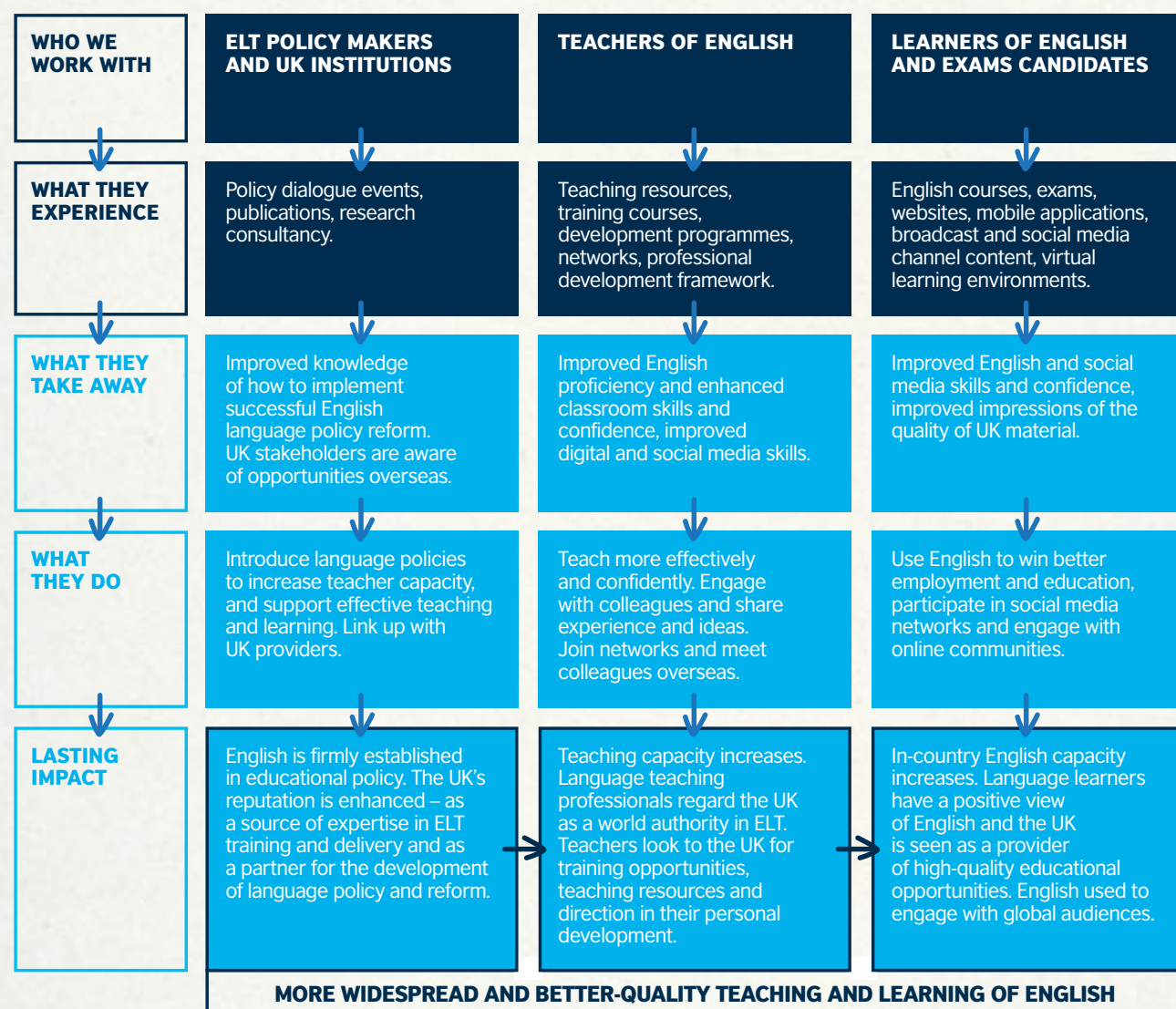
1.9 MILLION
EXAM CANDIDATES

2.5 MILLION
EXAMS TAKEN

‘English is now the second language of North Korea, and that’s mainly a result of careful diplomacy. Britain does have diplomatic relations with North Korea – we have for ten years. We have a British Council presence there where we teach teachers to teach English. This is the beginning, if you like, of a Helsinki process. To wring our hands in despair and say there’s nothing we can do would be an act of great folly, but it would also contribute to the traumatic situation in North Korea itself.’

LORD ALTON, *TODAY*, BBC RADIO 4
INTERVIEW ON NORTH KOREAN POLITICAL
DELEGATION TO THE UK, 29 MARCH 2011

HOW WE ACHIEVE IMPACT IN ENGLISH



ENGLISH EUROPEAN UNION

COMPUTER-BASED EXAMS IN POLAND

Our Exams Services Team in Poland delivered the first session of Cambridge computer-based (CB) examinations in Poland – and one of the first in the world.

In just two months they used digital technologies to conduct extensive research and promote CB testing, through online questionnaires, follow-up mailings, and using Facebook. By collaborating closely with external partners our exams team was able to build a network of nine professionally equipped CB centres around Poland.

The team organised free sessions for teachers from key language schools to change mindsets and persuade sceptics. They registered over 200 candidates for the first exam – the highest in the world – and received very positive feedback from teachers, students and language schools. Our partners at Cambridge ESOL have been delighted with the take-up, and Polish teachers have become champions for CB tests in their schools and their communities, helping us to reach wider audiences with our new offer.

www.britishcouncil.org/poland-cambridge_esol_computer-based_tests.htm



ARTS

Our goal is to create new ways of connecting with and seeing each other through the arts.

The British Council harnesses the UK’s arts and creativity to promote stronger cultural relations with other countries as a means to build trust and understanding. The arts can also dramatically change the way people see the UK and the way we see each other, as well as being a force for nation building and international development.

Our global arts team works with the best of British artistic and creative talent to develop innovative, high-quality events and collaborations that link thousands of artists and cultural institutions around the world, connecting them with the UK and UK arts.

We work with a wide range of UK arts and cultural organisations in Scotland, Wales and Northern Ireland and England, taking artists and cultural leaders from all over the UK around the world to share expertise and build cultural capital and capacity – especially in developing countries, which lack the UK’s strong arts infrastructure and creative economy. All of our work gives a modern, diverse picture of the UK and promotes the debate of issues and ideas by challenging conventions and exploring points of intersection between cultures.

Our work in the arts includes:

- architecture
- dance
- design
- drama
- creative industries
- fashion
- film
- literature
- music
- visual arts.

We run exhibitions, collaborative projects, professional networks, arts capacity-building and educational activities and specialist visits to the UK.

We support high-quality arts work which can represent contemporary UK experience and perspectives internationally. We work with established artists and major UK arts bodies with international reputations as well as small, sometimes previously unrecognised and unfunded artists and companies whose work may not yet have been seen overseas, thus launching careers and creating international opportunities for UK art and artists.

We showcase the UK’s creative industries and creative economy, connecting young international professionals and creative entrepreneurs with the vibrant UK creative scene. We engage artists, creative entrepreneurs and policy-makers to contribute to the creative economy’s growth worldwide and to help increase markets for UK talent and ideas.

ARTS– FACTS AND FIGURES

WE WORK WITH
**3,650 ARTS POLICY-MAKERS
AND MINISTERS**

14.2 MILLION
EXHIBITION AND PERFORMANCE ATTENDEES

84,000
CULTURAL LEADERS AND ARTISTS

1.3 MILLION
ONLINE COMMUNITY MEMBERS



46 MILLION
TELEVISION
VIEWERS



67 MILLION
RADIO
LISTENERS

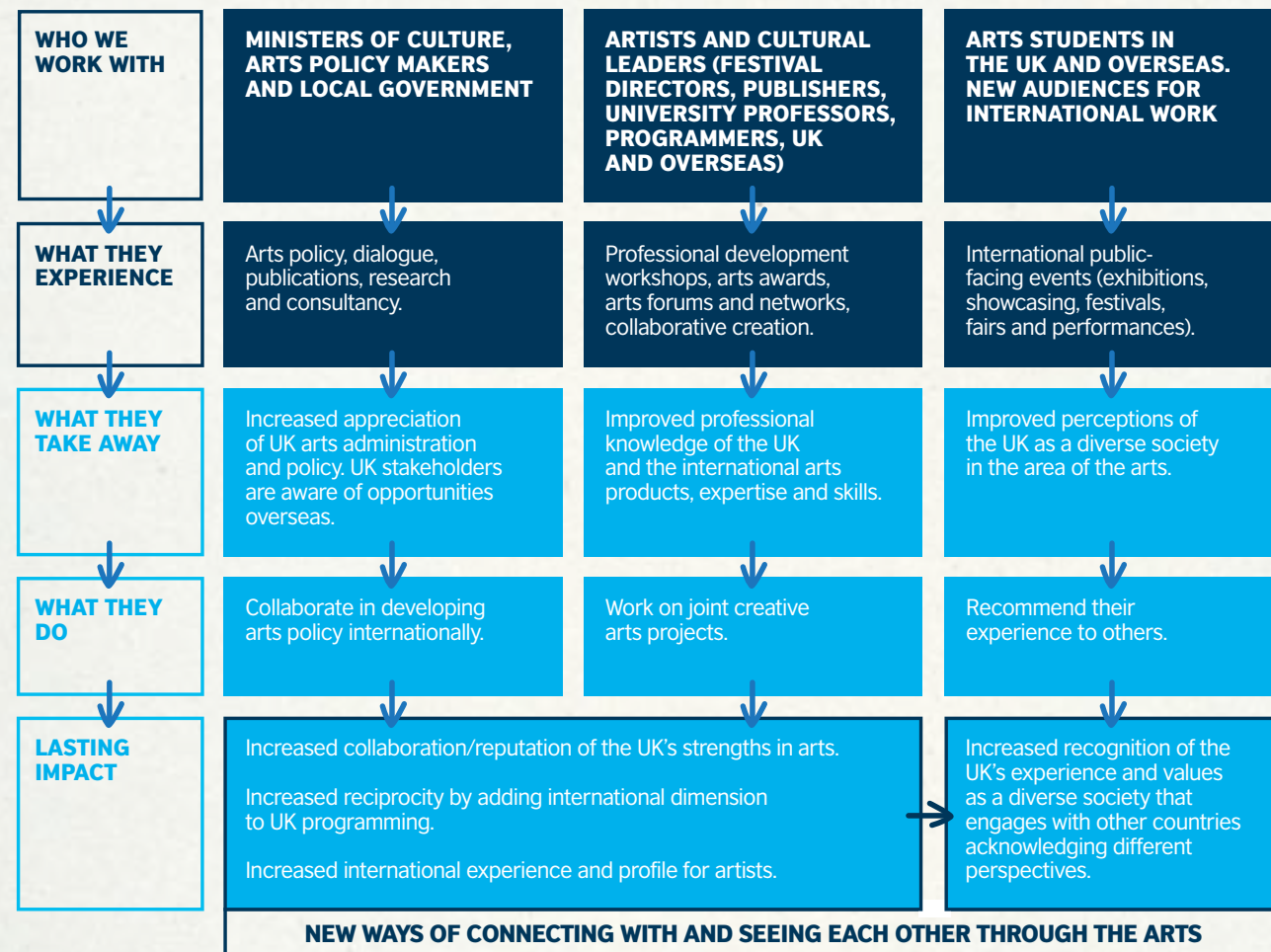


15.5 MILLION
WEB VISITORS



13 MILLION
PUBLICATION
READERS

HOW WE ACHIEVE IMPACT IN ARTS



'Art is an ongoing narrative of exploration and expression. It can be a reflection of the attitudes, values and identity of a society. So what better way to develop a richer knowledge of one another's cultures than through sharing one's art?'

SIR VERNON ELLIS
AT ANISH KAPOOR EXHIBITION LAUNCH EVENT
8 DECEMBER 2010

ARTS WIDER EUROPE

LONDON BOOK FAIR – RUSSIA MARKET FOCUS

The London Book Fair is one of the largest annual gatherings of the global publishing industry. It provides a unique platform for international cultural and commercial exchange.

As strategic partner of the London Book Fair, we organised the Market Focus cultural programme, which highlights opportunities for collaboration with a particular emerging market.

This year the Market Focus was Russia. British publishers and writers took part in programmes in Moscow over a two-year preparation period, and in April 2011 their Russian counterparts attended the London Book Fair. As part of the programme 50 writers took part in 100 different events across the UK.

We worked with 40 UK partners in addition to the Russian Federal Agency for Press and Mass Communication and Academia Rossica. As a result of the 2011 Market Focus there are closer ties and greater exchange between Russia and the UK through our literary and publishing communities.

www.londonbookfair.co.uk

ARTS EAST ASIA

SHANGHAI EXPO

At the Shanghai World Expo, the British Council developed and managed the UK's programme of public events, delivering a total of 2,007 performances, featuring 35 companies and 600 individual performers with activity every day for six months.

As well as entertaining many of the almost eight million visitors to the UK Pavilion, collaboration and the development of longer-term cultural links lay at the heart of our programme. The official cultural performance on National Day featured the world premiere of a new ballet with dancers from both English National Ballet and Shanghai Ballet, while the accompanying performance by 150 young people from the UK and China was the culmination of an 18-month long collaboration between schools, dance artists and educationalists throughout the UK and China.

Duke Special perform at the UK Pavilion, Shanghai World Expo 2010



ARTS GLOBAL

THE SELECTOR

The Selector is our international radio showcase for the best new music from the UK.

The weekly programme covers all styles of contemporary music – including indie, grime, dubstep, folk, soul, electro and everything else in between. Each show features artist interviews and exclusive studio sessions from some of the most exciting artists in the UK.

The programme reflects the brilliance and diversity of British music, promoting the sounds, talents and musical culture of the modern UK

to an international audience. The aim is to challenge people's perceptions about the UK and demonstrate the wealth of creativity and innovation on offer here.

The Selector is a collaborative project between the British Council, the production company Folded Wing and the radio stations around the world that broadcast the show.

New to our broadcasts from October 2010 is Srebrenica in Bosnia, pushing the network up to 21 cities in 19 countries and one million listeners worldwide.



Goldierocks at DemoFest

EDUCATION AND SOCIETY

Our goals in education and society are enhanced UK leadership of and shared learning from international education and stronger global citizenship among people in the UK and worldwide.

Our education and society work draws content from:

- higher education
- schools
- sport
- governance
- intercultural dialogue
- climate change and sustainability
- science
- vocational education and training
- youth networking.

Our work in education and society uses the UK government grant and partnership funds as well as attracting contract income from a wide range of clients, including the European Union and the UK's Department for International Development.

EDUCATION

We aim to enhance UK leadership of and shared learning from international education.

The British Council works to raise the profile of UK education overseas. We work with local educational institutions (including universities, colleges and schools), organisations, societies, communities, businesses and governments to improve education systems and bring people together to collaborate on areas of mutual interest. In this way we build long-term, sustainable relationships between people and institutions in the UK and their counterparts in other countries.

Our work in the education sector includes higher education, schools education, and vocational and technical education, as well as science, climate change and sport.

The focus of our education work is to internationalise school, technical and higher education, share the UK's expertise and raise standards in the UK and around the world.

The British Council has a strong reputation for internationalising education. With UK higher education institutions we have collectively built the Education UK brand that supports the UK's position in higher education, skills, and science.

We build the UK's 'thought leadership' through policy dialogues, knowledge partnerships, institutional networks and strategic market intelligence. We connect with educational leaders and innovators across the world. We identify trends and share solutions, so that all of our education systems are more able to address the challenges of tomorrow. Conferences like the Education World Forum – a summit for education ministers from around the world – and Going Global – a showcase for international education which attracts 1,200 participants – lead the way in this global dialogue.

With the internationalisation of study, research and work, there will be a bigger focus on increasing the mobility of students and researchers between the UK and other countries.

As more institutions and employers seek graduates with international experience, we have been working to develop overseas opportunities for UK students.

EDUCATION— FACTS AND FIGURES

5,950 POLICY-MAKERS AND LEADERS
REACHED

208,000 PARTICIPANTS
INVOLVED IN EXCHANGES

1.8 MILLION
EDUCATION TRADE FAIR ATTENDEES

5,300 SCHOOLS
IN SCHOOL LINKS

427,000
SENIOR TEACHERS AND ACADEMICS REACHED

5.8 MILLION
PARTICIPANTS REACHED

415,000
ONLINE COMMUNITY MEMBERS



69 MILLION
TELEVISION
VIEWERS



31 MILLION
RADIO
LISTENERS

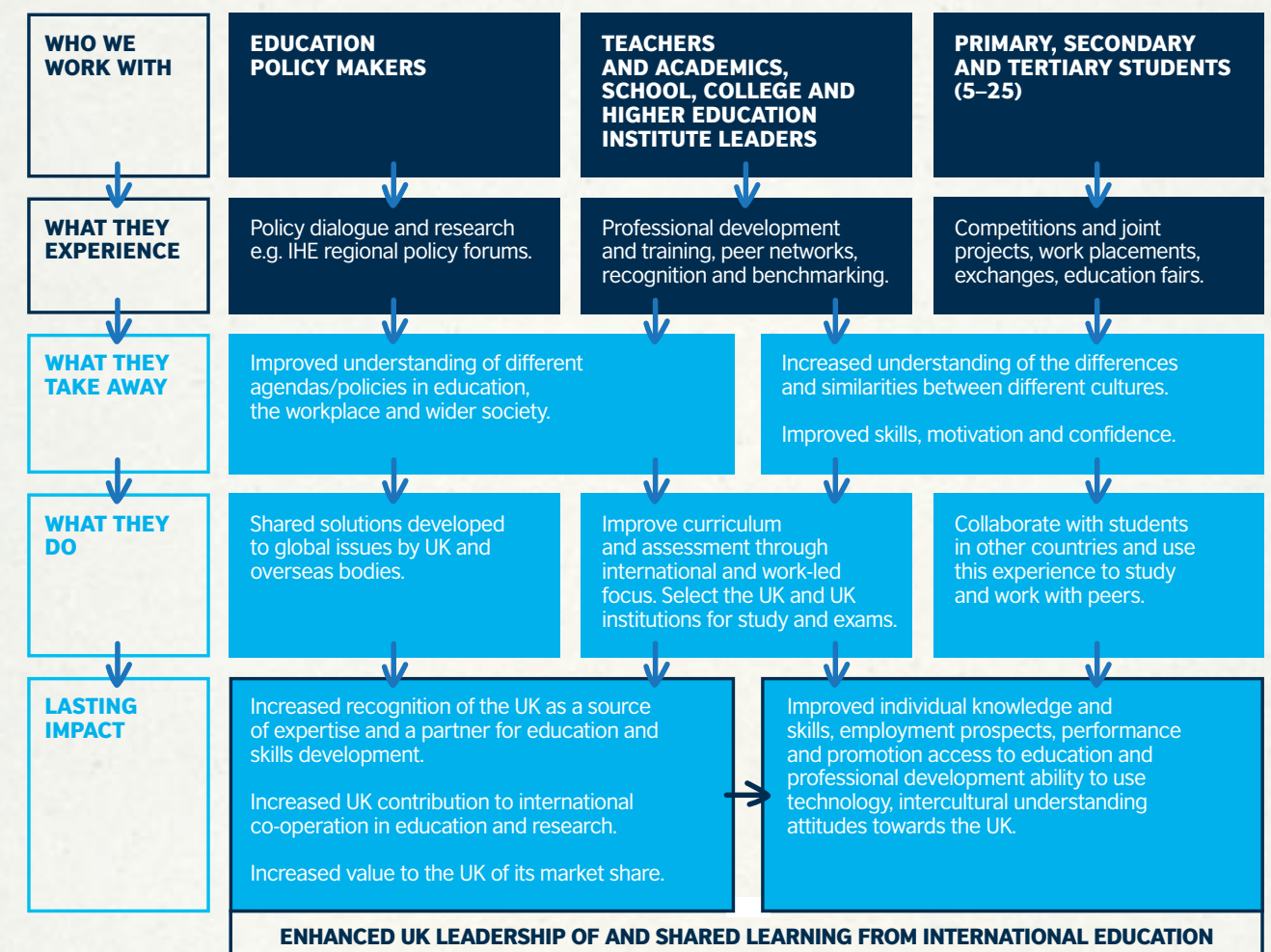


20 MILLION
WEB VISITORS



13.5 MILLION
PUBLICATION
READERS

HOW WE ACHIEVE IMPACT IN EDUCATION



SKILLS FOR EMPLOYABILITY IN PAKISTAN

As a result of British Council's Skills for Employability programme, five technical and vocational colleges in Pakistan have received grants of around 30 million rupees (about £223,000) from the National and Vocational Technical Education Commission (NAVTEC), the organisation responsible for facilitating and providing policy direction for technical education and vocational training in Pakistan.

The grants have been awarded to support Pakistani institutes participating in Skills for Employability's Skills Development Partnerships, in which educational institutions in Pakistan have been partnered with counterparts in the UK. Through these partnerships industry-driven, internationally benchmarked curriculum models have been established in the key sectors of engineering; hospitality and tourism; construction; and textiles and fashion.

The new curricula will equip young Pakistanis with the technical and generic skills that employers require. The grants have been awarded in order to buy equipment which will allow institutes to offer the new curricula and become centres of excellence in their relevant sector.

AFRICA KNOWLEDGE TRANSFER PARTNERSHIPS

The Africa Knowledge Transfer Partnerships is part of our Internationalising Higher Education programme.

It brings together African research centres, universities and the private sector. It has also linked 48 of these organisations with a UK higher education institution to allow them to learn about UK approaches to science and technology, the natural sciences and engineering.

Knowledge Transfer teams are being created in African universities to strengthen links with local businesses giving African companies better access to the knowledge and innovation of universities and research centres. These connections have already led to new products, services and processes that have helped to increase profits and create jobs.

The Knowledge Transfer scheme also allows top graduates to gain experience working with a company for two years. This lets them gain exposure to the world of work and helps them become future business leaders. Creating such links with business has also helped improve universities' curricula and research capabilities.



INTERNATIONAL INSPIRATION

International Inspiration is the international sport legacy programme of the London 2012 Olympic Games and Paralympic Games.

The vision of International Inspiration is to enrich the lives of 12 million children and young people of all abilities, in schools and communities in 20 countries across the world through the power of high-quality and inclusive physical education (PE), sport and play.

In Bangladesh the British Council has linked 20 schools with schools in the UK through International Inspiration. The intention was

to pilot new approaches to PE and sport in these schools that, if proven effective, might be upscaled to a national level.

Thanks to the success of the partnerships this has now become a reality, with the adoption of the youth leadership training and other elements of the partnerships within the Bangladeshi Directorate of Sports 'Annual Sports Programme Schedule for 2010–11', which will reach all 18,000 secondary schools in Bangladesh.

www.london2012.com/get-involved/education/international-inspiration/index.php



SOCIETY

Our goal is to develop stronger global citizenship among people in the UK and worldwide. Global citizenship builds understanding of how countries, cultures and people differ and of the values we share to tackle global issues.

We support the UK's contribution to international development, good governance, public sector management and justice systems. We work with and help overseas governments and public bodies to develop their capability to operate effectively and better serve their citizens.

Our civil society work creates stronger connections between citizens and the state, giving individuals the skills to play an active role in more plural societies. We facilitate intercultural dialogue and youth networks to promote understanding of cultural diversity, rights and equalities and to support initiatives which promote participation and reduce inequalities in society.

We assist in the design, development and evaluation of justice and security initiatives. Our work covers many aspects of the legal sector including, for example, judicial training.

We also champion education initiatives which support economic and financial reform and help the development of small and medium-sized enterprises, social enterprise and business skills.

Our society work helps to build trust and understanding between people, communities, faiths, nations and cultures in order to address major issues such as sustainable economic growth, unemployment and mitigating the effects of climate change.

We bring people together through debate and dialogue to build the skills for civic engagement, to share UK and international good practice and promote positive social change.

Contributing to better connected communities with more robust economies, respected legal systems and engaged citizens builds trust and long-term opportunities for the UK.

SOCIETY – FACTS AND FIGURES

WE WORK WITH

**4,300 SOCIETY POLICY-MAKERS
AND LEADERS**

19,000 VOLUNTEERS
DIRECTLY INVOLVED

1,141
EVENTS AND CONFERENCES

6.1 MILLION
COMMUNITY VOLUNTEERS REACHED

25,000
EXCHANGE PARTNERSHIPS

245,000
ONLINE COMMUNITY MEMBERS

427 TRAINING PROGRAMMES



140 MILLION
TELEVISION
VIEWERS



29 MILLION
RADIO
LISTENERS

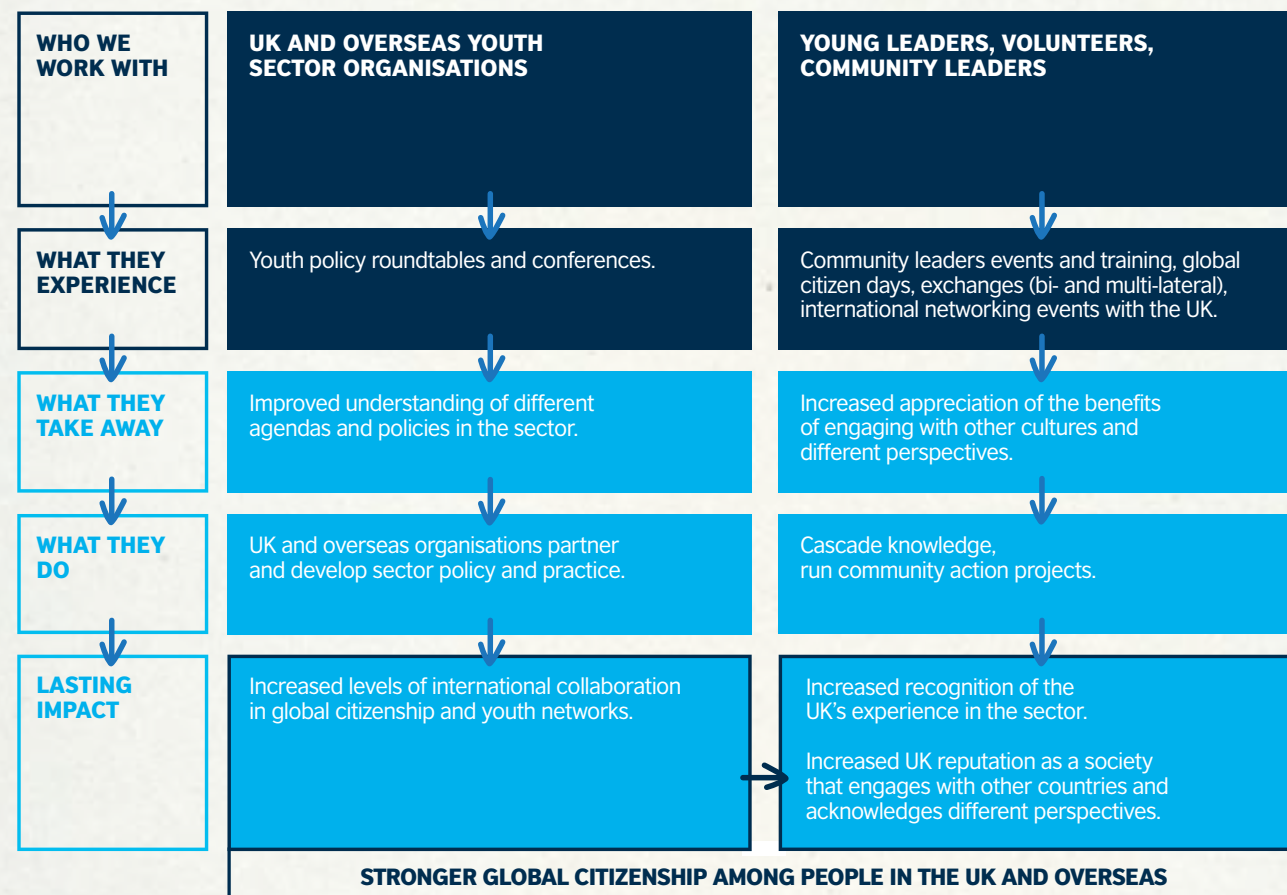


29 MILLION
WEB VISITORS



19 MILLION
PUBLICATION
READERS

HOW WE ACHIEVE IMPACT IN SOCIETY



EDUCATION AND SOCIETY EAST ASIA

VIETNAM JUSTICE PARTNERSHIP PROGRAMME

The British Council is managing a key component of the Vietnam Justice Partnership Programme (JPP).

Vietnam recently adopted a number of laws and policies to modernise its administrative and judicial system to improve individuals' rights. Institutional and capacity issues have slowed the implementation of these changes. The JPP focuses on developing capacity and promoting dialogue and analysis of the structure problems.

The British Council is supporting the capacity-building of judicial staff, support staff, lawyers, legal aid providers and other legal professionals, and is arranging JPP conferences to discuss and analyse the reform efforts.

The programme will develop a capable, ethical, democratic and rights-protecting justice sector in Vietnam.

EDUCATION AND SOCIETY EAST ASIA

GLOBAL MEDIA SYMPOSIUM

The first gathering of its kind in China, this symposium brought together over 50 journalists and editors from Africa, North and South America, Europe, the Middle East and Asia to discuss the opportunities and challenges faced by the media in reporting on climate change and sustainability.

Hosted in Shanghai from 1 to 4 September 2010 by the British Council and the China Science and Technology Exchange Centre, in partnership with Fudan University School of Journalism, this landmark event featured speeches by leading environment scientists and correspondents and peer-to-peer networking sessions that examined differing media responses to climate change across the globe; promoted a deeper understanding of the social, scientific, economic and political issues arising from climate change; and enhanced participants' capacity to report on specific issues linked to low carbon cities, such as green buildings, energy efficiency and urban planning.

Reports about the symposium and reports by the participants reached an estimated global audience of 6.3 million.



EDUCATION AND SOCIETY SOUTH ASIA

GLOBAL CHANGEMAKERS

Global Changemakers is a British Council-funded youth network which brings together young activists, volunteers and social entrepreneurs from over 100 countries to learn skills to help them shape their communities. The network also peer-selects representatives to attend the World Economic Forum in Davos each year.

One participant in 2010 was Sarajuddin Barekzai, aged 20, from Herat, Afghanistan, who took part in the Latin America and Caribbean Youth Summit. He said 'I have learned so many things from the event. I learned [...] how to tackle the issues in our community by doing projects and raising funds for the projects through organisations. I learned how to present myself, how to advocate for my cause, and the skills I need to plan and execute a community project.'

Through the Global Changemakers programme, the British Council is supporting, developing and networking potential future leaders who can have a positive impact on their communities. So far, the programme has directly engaged over three million young people.

www.global-changemakers.net

THREE// OUR PERFORMANCE



WE HAVE DIRECTLY ENGAGED
OR WORKED FACE TO FACE
WITH **29.4 MILLION PEOPLE**
OVERSEAS – AN INCREASE OF
10 MILLION OVER LAST YEAR



MEASURING PERFORMANCE

Despite cuts, change, internal transformation and economic and geopolitical turbulence
OUR RESULTS THIS YEAR HAVE BEEN STRONG.

We have directly engaged or worked face to face with **NEARLY 30 MILLION PEOPLE OVERSEAS** – an increase of 10 million over last year.

As well as a significant increase in face-to-face and digital engagement, **WE HAVE MAINTAINED OUR LARGE BROADCAST AND WEB-BASED REACH FIGURES.**

In total we reached nearly 600 million people this year through publications, our websites and television and radio content.

HOW WE MEASURE OUR PERFORMANCE

We use a corporate scorecard to analyse the impact, scale, scope and quality of our cultural relations work.

IMPACT OF OUR WORK

We have evaluated our impact through:

EVALUATION OF LONG-TERM OUTCOMES (ELTO) RESEARCH

ELTO is conducted every year. In-depth research is undertaken by internationally recognised market research agencies in each of the British Council regions. One thousand influential participants in our cultural relations programmes are interviewed. The research asks whether the participants' engagement had led to:

- significant personal growth and change
- significant organisational or institutional changes
- significant new or strengthened ties with the UK.

The overall ELTO scores remain high. At the same time the volumes of participants and efficiency of our programmes have grown. This shows that larger scale multi-country programmes are reaching more people, more cost-effectively, without compromising the quality of the experience and longer-term outcomes. There is strong evidence of significant personal, institutional and UK impact through our programmes.

HEADS OF MISSION SURVEY

As in previous years we have sought structured feedback from the heads of UK diplomatic missions in the countries in which we operate. This year we received feedback via our Heads of Mission Survey from 68 embassies and posts around the world.

This feedback is important because it comes from individuals who are senior partners on the ground and who have the perspective on our work to act as critical friends. Most of the comment received this year has been very positive. It points to many examples where the British Council and the local UK embassy or mission have co-ordinated and supported each other's activities and programmes to great effect, combining UK diplomatic, educational and cultural impact.

Formally, heads of mission rate both the British Council's effectiveness in delivering impact in English, Arts, and Education and Society and the extent to which it has delivered good value for money for the Foreign Office grant over the year. Averaging across these two ratings, the overall Heads of Mission score this year was 82 on a scale where 0 indicates strongly negative views and 100 strongly positive views. This score is ahead of last year's rating of 81.

PROGRAMME EVALUATIONS

Programmes have continued to be evaluated over the year. UKIERI (UK–India Education for Research Initiative), Premier Skills and Darwin Now are some examples. All the reports provide evidence of strong impact. For example in the case of UKIERI, partnerships between British and Indian universities and research institutions have delivered collaboration producing significant numbers of co-authored research papers and the identification of new areas for research. UKIERI is being developed and intensified following the visit of the Prime Minister's delegation to India last summer.

SCALE AND SCOPE

The scale of our work is measured through the numbers of people who:

- we work with or bring together in cultural relations activity, face to face or online
- access information and British Council content through broadcast, print and digital channels such as radio and television broadcast, publications and websites.

ENGAGEMENT: BRINGING PEOPLE TOGETHER

We engaged with 29.4 million people overseas this year. Of these, 19.8 million were through exhibitions, fairs, festivals and performances. In particular, eight million people visited the UK Pavilion at the Shanghai World Expo, where from 1 May to 30 October 2010 the British Council designed and delivered a highly successful programme of public events.

Our global large-scale programmes are performing well and account for about 75 per cent of our participants and audiences, compared with around 60 per cent in 2009–10. The New Work New Audiences programme, which presents UK arts work across all art forms, engaged nearly three million people globally. Connecting Classrooms creates and supports links between schools in the UK and worldwide. In 2010–11, 1.3 million policy-makers, teachers and learners were actively engaged in this programme.

Our locally tailored and bilateral cultural relations work engaged 3.1 million participants. This work particularly plays an important role in helping us connect with leaders and policy-makers, building the relationships which are a vital enabler for our larger-scale cultural relations programmes.

Our educational contract work involved 1.2 million people, including the UK. DFID School Partnerships and EC-funded Comenius programmes engaged with 700,000 of these. These programmes link schools and colleges across the globe, raising aspiration and attainment, actively encouraging understanding and respect for diversity, strengthening global citizenship and adding an international dimension to curriculum development.

We taught English to 294,000 students across our teaching centre network and over 1.9 million people sat exams administered by us.

REACH: BRINGING INFORMATION TO INDIVIDUALS

We have maintained our broadcast, print and digital reach audience figures overseas this year. This year 578 million people were reached through the internet, radio and television programmes. More and more programmes are using different types of media to connect with our audiences.

Fifty million people watched television broadcasts developed by the Active Citizens programme. The most successful was in Pakistan, which consisted of a series of dialogues between young people and members of the Pakistani National Assembly on important issues such as corruption and the prospects for young people in Pakistan. This was aired on the Dunya news channel as part of the *Dunya Today* show, with a viewership of 20 million people.

The Skills for Employability programme also reached large audiences with their television programmes. Particularly successful was a programme in Uzbekistan, which gave practical advice on gaining skills for employability, creating your own business and retraining for a new profession.

English Global products attract large audiences through the internet and broadcast media, notably in China. One of these products, Global English Connect, which aims to provide learners with innovative online, digital and media-based learning materials, was accessed by 35 million people online. British Council radio and broadcast English is reaching people from Afghanistan to Rwanda, with a television joint venture with BBC Persian now reaching learners in Iran.

QUALITY

We measure the quality of our work by means of:

- a customer satisfaction indicator
- a reputation indicator, which shows whether we are perceived as being a leader in our field
- an advocacy indicator score, which is a measure of the willingness of our audiences to recommend others to work with the British Council.

This year we collected feedback from 250,000 participants from a wide range of our programmes. Satisfaction, reputation and recommendation scores have been maintained or increased across the board at the same time as efficiency and numbers of participants grew.

GLOBAL PERFORMANCE RESULTS

	2010–11	2009–10	2008–09
IMPACT PERSPECTIVE			
Overall assessment by high-level decision-makers/leaders and mature career professionals (ELTO)	80*	78*	77*
Strengthening of ties with the UK resulting from new or continuing engagement with the British Council	73*	70*	69*
Personal beneficial changes resulting from new or continuing engagement with the British Council	84*	83*	81*
Organisational beneficial changes resulting from new or continuing engagement with the British Council	82*	82*	81*
Foreign and Commonwealth Office assessment of British Council impact and value for money	82	81	79
REPUTATION AND SATISFACTION PERSPECTIVE: QUALITY			
Overall customer satisfaction with their engagement with the British Council	82*	83*	81*
• Quality of engagement	83*	83*	
• Engagement met expectations	82*	83*	
Customers perceive the British Council as a leader in its field	83*	83*	82*
Customers would recommend the British Council (net advocacy)	59%*	50%*	47%*
PARTICIPATION AND AUDIENCE PERSPECTIVE: SCALE AND SCOPE			
Engagement (millions)	29.4	18.4	13.2
• High-level decision-makers/leaders engaged (thousands)	14	13	9
• Mature career professionals engaged (thousands)	719	443	282
• Younger people starting out their careers engaged (millions)	28.7	18	13
Reach through broadcast, online and publications (millions)	578	652	221
International students in UK higher education	n/a**	455,660	415,585
International students in UK further education	n/a**	63,415	77,165
Teaching centre students and examination candidates (millions)	2.2	1.8	1.9

SIMPLIFIED PARTICIPANT AND AUDIENCE TYPES FOR 2011–12

	2010–11	2009–10
	RESULT	RESULT
OVERSEAS		
Total face to face	7.7	5.6
Exhibitions, fairs, festivals	19.4	7.4
Digital interaction	2.3	0.3
Digital audience	100.8	82.6
Publication and broadcast	477.2	569.3
UNITED KINGDOM		
Total face to face	2.6	1.4
Exhibitions, fairs, festivals	0.4	0.6
Digital interaction	0.2	0.0
Digital audience	2.9	3.5
Publication and broadcast	5.6	4.8

* Weighted score: in response to NAO feedback, we have weighted the score to reflect the numbers of people with whom we work in different regions.
** Not yet available.

EDUCATION AND SOCIETY SUB-SAHARAN AFRICA

CONNECTING CLASSROOMS

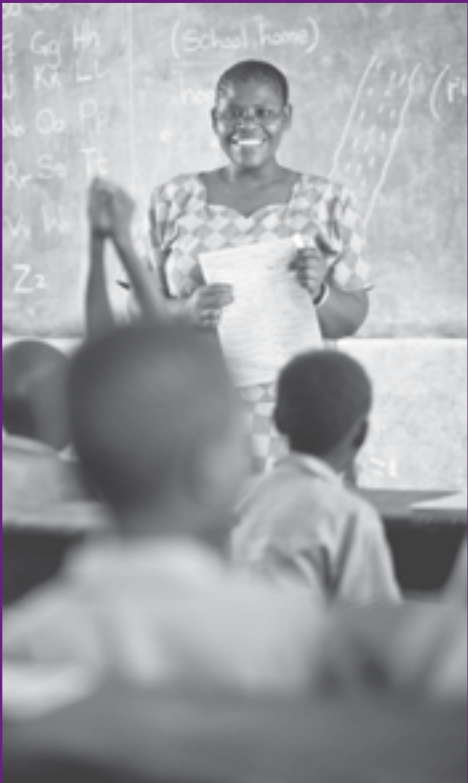
Last year the Sub-Saharan Africa region chose to focus ELTO – our impact assessment tool – on Connecting Classrooms, one of their largest programmes.

ELTO looks back 18–36 months, so an international market research agency interviewed 47 teachers, head teachers and senior government officials across nine countries who had been involved in the programme within this time span.

The research tracked the impact of the programme on individuals, their institutions and their links with the UK. Some examples of outcomes included: teachers now using participatory methods in the classroom; curriculum improvement on HIV and the environment; and growing clusters of schools collaborating with clusters in the UK on curriculum development.

Overall 60 per cent of interviewees said that there were very significant changes in their schools as a result of the project, but importantly the ways teaching in schools improved were also captured to fully understand what this meant in terms of impact.

The research has helped to develop and improve the programme. For example, more professional development as an outcome was considered important by participants and this has been incorporated into the new programme. It has also been used as a communication tool as the case studies and examples help partners, stakeholders and internal staff understand the positive results of our work.



UNITED KINGDOM

Regional performance

UK AUDIENCES

Our work in the UK makes a vital contribution to our international relations, with the impact of our work clearly felt at home as well as overseas. We provide international opportunities for UK people and organisations to work with important high-growth economies.

We have engaged with nearly 3.2 million people in the UK. Most of these people are reached through a range of projects funded by the UK's Department for Education, including language assistants, the International Students Award and Global Gateway. We also engage with 700,000 people through our international school linking programmes such as Connecting Classrooms and Comenius.

This year we have also worked with over 800 high-level decision-makers and leaders in the UK.

We have connected with over 8.4 million people in the UK through television, radio, the intranet and online.

In England, the British Council has continued support for the Mirpur-Bury Xchange programme. This programme brings young people from England and Pakistan together to work towards community cohesion and peace by sharing knowledge and practising cultural dialogue.

In Wales, the British Council has been working with the Welsh government to support the development of a stronger cultural exchange between Wales and Chongqing in China. Between January and April, visitors to National Museum Wales in Cardiff had an exclusive opportunity to see a unique exhibition of ancient rock carvings from Dazu never before seen outside China. A strong partnership between Amgueddfa Cymru (National Museum of Wales) and the Chongqing Culture Bureau was developed through our Connections Through Culture China–UK programme.

In Scotland the British Council worked with the Festivals Edinburgh collective to facilitate a delegation of eight Edinburgh Festival Directors to travel to India to establish links and partnerships between Edinburgh's Festivals and Indian counterparts.

In Northern Ireland, senior government figures in education and justice from Iraq, Armenia, Israel, Sri Lanka and Northern Ireland worked together to learn from their experiences of conflict resolution. Part of a programme developed by the British Council and Queen's University Belfast, the primary focus was to develop a human rights curriculum in schools.

A new UK–Brazil co-operation programme in partnership with senior UK institutions was the result of high-level policy discussions on strengthening higher education and research co-operation. The British Council convened a meeting of leading vice-chancellors, research councils, the Wellcome Trust, and the UK government to meet the UK Ambassador to Brazil, the Chief Scientific Adviser to the Foreign and Commonwealth Office and the top civil servants in the Department for Business, Innovation and Skills.

WE HAVE OFFICES IN BELFAST, CARDIFF, EDINBURGH, LONDON AND MANCHESTER

EDUCATION AND SOCIETY UNITED KINGDOM

GLOBAL SCHOOLS PARTNERSHIPS

The Global Schools Partnerships project has supported more than 3,000 school partnerships to raise awareness about development issues through peer learning.

The project is funded by DFID and managed by the British Council, Cambridge Education Foundation, UK One World Linking Organisation and VSO.

The partnerships between Pontypridd High School in Wales and Bubutu Secondary School in Uganda received the UN Gold Star for their work on soil erosion and landslides. Their agroforestry project included improved agricultural methods, producing higher crop yields in the wider community, and the provision of lunch for Bubutu students. Pontypridd students have worked with their Ugandan classmates to plant trees and develop sustainable agricultural practice. This curriculum work on sustainable development also led to the provision of electricity at Bubutu.

This project has helped to raise the profile of both schools in their respective communities.

8,000+ SCHOOLS
TOOK PART IN BRITISH
COUNCIL INTERNATIONAL
PROGRAMMES

**500+ ENGLISH
LANGUAGE PROVIDERS**
ACCREDITED IN THE UK

**400 UK ARTS
ORGANISATIONS**
SHOWCASED OR
PARTNERED THROUGH
THE BRITISH COUNCIL

3.2 MILLION PEOPLE
IN THE UK ENGAGED
IN BRITISH COUNCIL
PROJECTS

700,000 PEOPLE
INVOLVED IN BRITISH
COUNCIL SCHOOLS
LINKING PROGRAMMES

**OVER 800 TOP-LEVEL
UK DECISION-MAKERS**
AND **LEADERS** ENGAGED
IN BRITISH COUNCIL WORK

AMERICAS

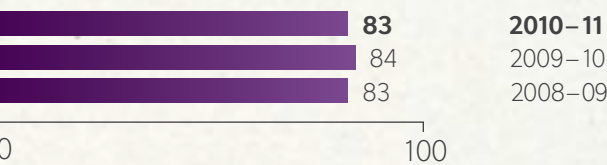
Regional performance

This region includes some of the UK’s most important partners for today and the future. Economic growth, an emerging middle class and democratic political stability characterise the major economies in Latin America. The USA sees this region as an equal partner, and the importance of Brazil, Mexico and other growing economies such as Colombia for global trade and dialogue is increasing. Governments and citizens are developing stronger international outlooks, and the demand for English is growing. Fresh opportunities for international partnerships in higher education and in creativity are fast emerging. In North America, the UK–US partnership continues to be highly significant for the UK from an economic, political and cultural perspective, and for many of our UK partners in higher education and the arts the US market is top priority. Changing demographics in both the USA and Canada offer an opportunity to refresh the transatlantic relationships through cultural relations.

The number of students in our teaching centres increased 59 per cent over two years, and the number of teachers and students visiting the global Teaching English website and Learn English website topped the one million mark. The impact of our English activity produced praise and recognition right up to presidential level in Colombia, with the British Council receiving the Simón Bolívar award. International Inspiration in Brazil led to a successful pilot with the Ministry of Education, set to reach 370,000 children and 45,000 schools as part of the nationwide Mais Educação school education extension programme. In North America, the British Council’s Transatlantic Network 2020 Chicago summit reached 750,000 people through social media platforms, while New Work New Audiences launched *The Great Game: Afghanistan* by London’s Tricycle Theatre, reaching 54,000 people directly with the performances, public events and publications, and over 400 million people via direct press reporting.

CUSTOMER SATISFACTION

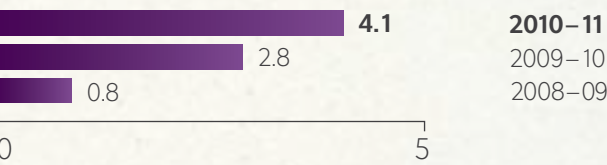
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BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	84	86	84
Meeting expectations	82	83	82

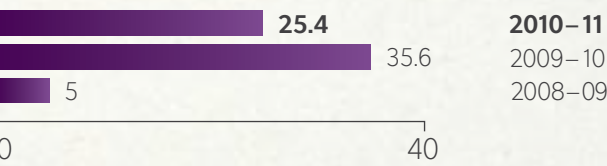
ENGAGEMENT

Measured in millions



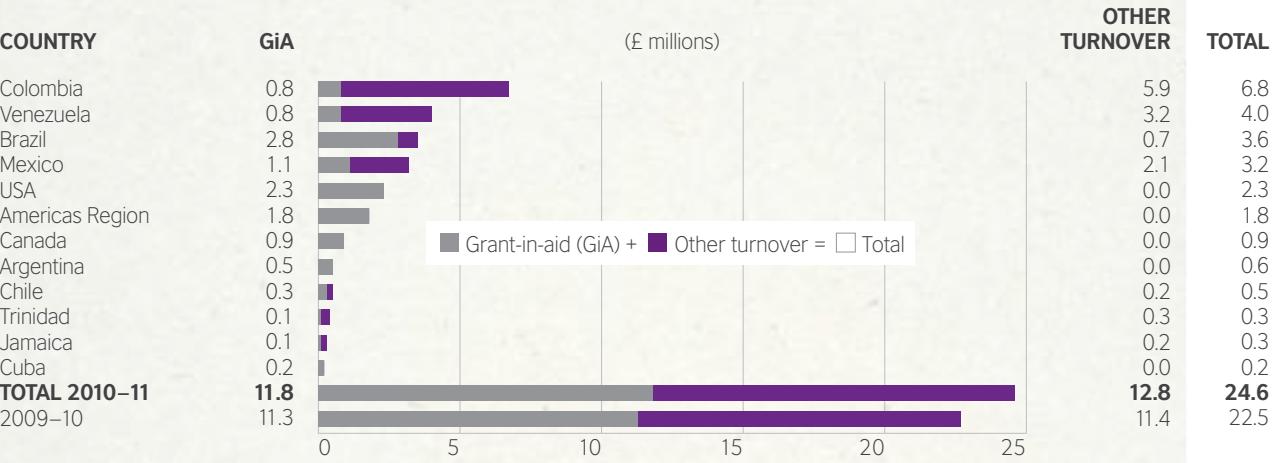
REACH

Measured in millions



IN NORTH AMERICA, **750,000 PEOPLE WERE REACHED BY THE BRITISH COUNCIL’S TRANSATLANTIC NETWORK 2020 CHICAGO SUMMIT THROUGH SOCIAL MEDIA PLATFORMS**

FUNDING



ARTS AMERICAS

THE GREAT GAME: AFGHANISTAN

In 2010–11 *The Great Game: Afghanistan* by London’s Tricycle Theatre premiered in the USA.

In the work, a seven-hour cycle of 12 plays, traces the history of foreign engagement in Afghanistan from 1842 to the present day.

Supported by the British Council, *The Great Game* performed in four cities across the USA and was accompanied by a public events programme to amplify the impact of the shows and build new audiences for contemporary UK theatre. The plays were seen by senior military officials who enquired about the possibility of additional performances. Facilitated financially and logistically by a consortium of partners, including the British Council, the Bob Woodruff Foundation and the Shakespeare Theatre, *The Great Game* returned to

Washington DC in February 2011 for a VIP performance at the Pentagon.

Alongside demonstrating UK excellence in contemporary creativity, *The Great Game* offered an opportunity to create compelling conversations about history, causality and contemporary conflict through the accessibility of the arts.

www.britishcouncil.org/usa-arts-theater-the-great-game-afghanistan.htm



EAST ASIA

Regional performance

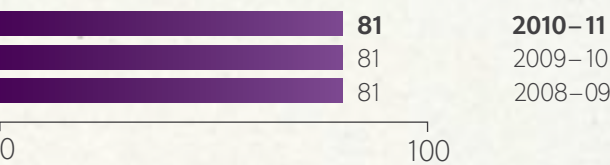
The wrenching pace of economic and social change which characterises the emergence of Asia as an economic and political power is reflected across the region. China is taking its development to a higher level, building a knowledge-based economy and cultivating creativity and innovation. Indonesia, Vietnam and the Philippines, buoyed by strong population growth, are growing fast. Developed economies like Singapore are investing heavily in domestic and transnational education while Japan and Taiwan are internationalising higher education to attract overseas students to campuses affected by shrinking populations.

More than 40 million learners, teachers and trainers across East Asia benefited from our English materials on websites, publications, third-party portals, social networking sites and mobile phones. We signed a three-year contract with the Malaysian government to support English teacher training, and with the University of Reading, we redeveloped the secondary English curriculum in Vietnam. Eight million people visited the UK Pavilion at the Shanghai EXPO and 44,000 new Chinese students embarked on their studies in the UK, an increase of 26 per cent on the previous year.

A partnership with Universities UK led to 70 Taiwanese researchers joining 24 research collaborations with the UK and we trained 650 social entrepreneurs, including 100 Islamic schoolteachers who learned how to turn their schools into social enterprises in Indonesia.

CUSTOMER SATISFACTION

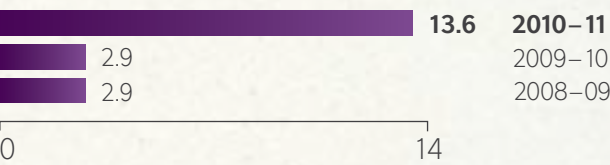
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BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	82	82	81
Meeting expectations	81	80	81

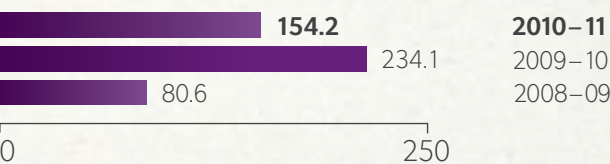
ENGAGEMENT

Measured in millions



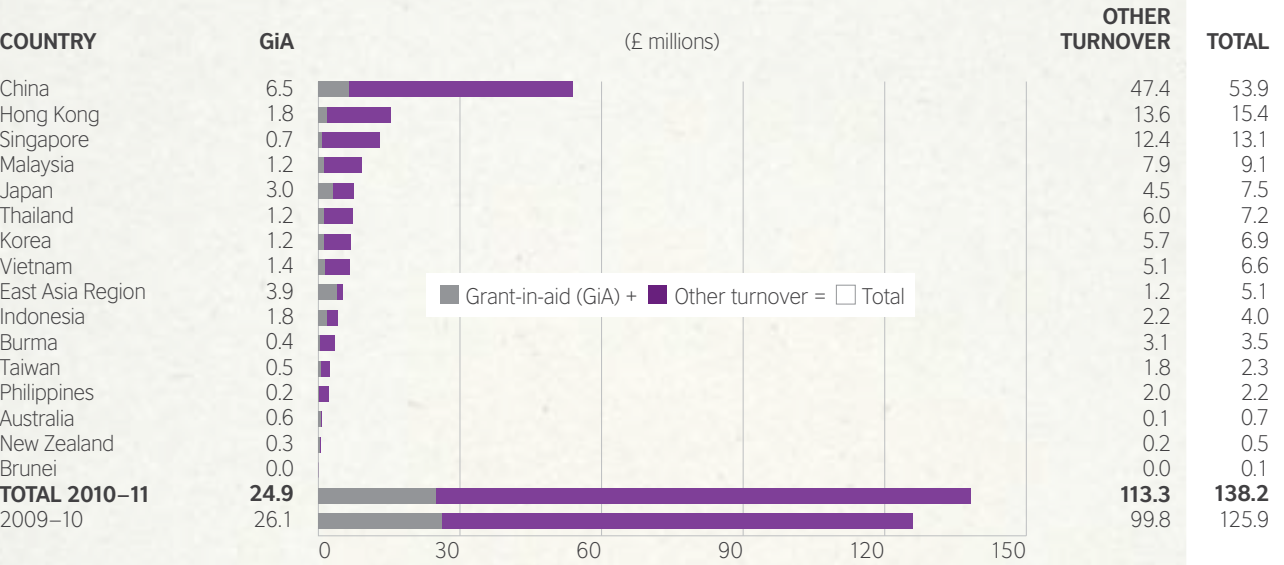
REACH

Measured in millions



A PARTNERSHIP WITH
UNIVERSITIES UK LED
TO 70 TAIWANESE
RESEARCHERS
JOINING 24 RESEARCH
COLLABORATIONS
WITH THE UK

FUNDING



EDUCATION AND SOCIETY EAST ASIA

BP EDUCATION PROJECT

The British Council has delivered the BP-funded Basic and Secondary Education Development project for the past three years and a new contract of £1 million, through to 2013, has just been signed. The objectives of the project are to develop capacity to deliver basic education, such as improving numeracy and reading skills in Papua, Indonesia.

As a result of this successful partnership with the UK's biggest company, BP, the British Council has established a strong and positive relationship with local government and is able to advocate better basic education in one of the least developed areas of Indonesia. We have witnessed a steady growth in enrolment rate since our intervention began.



EUROPEAN UNION

Regional performance

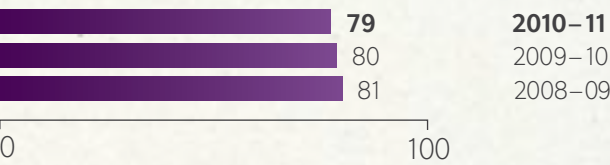
The countries in this region are all highly developed economies facing challenges in coming out of global recession and adapting to a growing older demographic. As events unfold through conflict in North Africa and the Middle East, the EU faces stronger migration pressures together with global leadership expectations.

The EU is vital to the wider British Council as a home to major corporate, governmental and civil society partners. The global gateways of Brussels, Geneva and Paris host key partners for our future initiatives. We work with the European Commission, the European Parliament and other bodies to support contracts managed in other parts of the world. We are a leading partner in EUNIC, the network of European Union institutes of culture, which informs and influences future cultural policy and practice in the EU. Over 85 per cent of our income in the EU region is earned from the services we provide.

We have continued to develop our English and Exams services to help address the growing need for English language skills in the region. This saw an increase of three per cent for our teaching work and a six per cent increase in terms of exams. The outcomes of The Inclusion and Diversity in Education project outcomes are beginning to materialise as we see policy-makers adopting and introducing these recommendations into schools throughout Europe. Over seven million people worldwide were reached through a media debate following the global launch of the third edition of the *Migrant Integration Policy Index* in Brussels. Data analysing the migrant integration policies from 31 countries was published in book format and through an interactive online tool.

CUSTOMER SATISFACTION

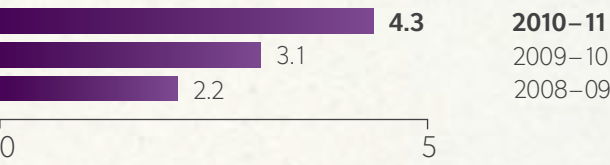
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BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	80	80	81
Meeting expectations	79	80	81

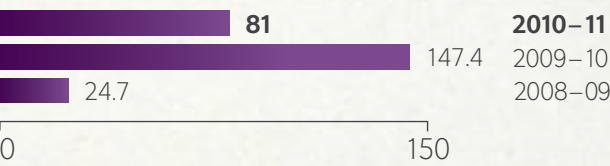
ENGAGEMENT

Measured in millions



REACH

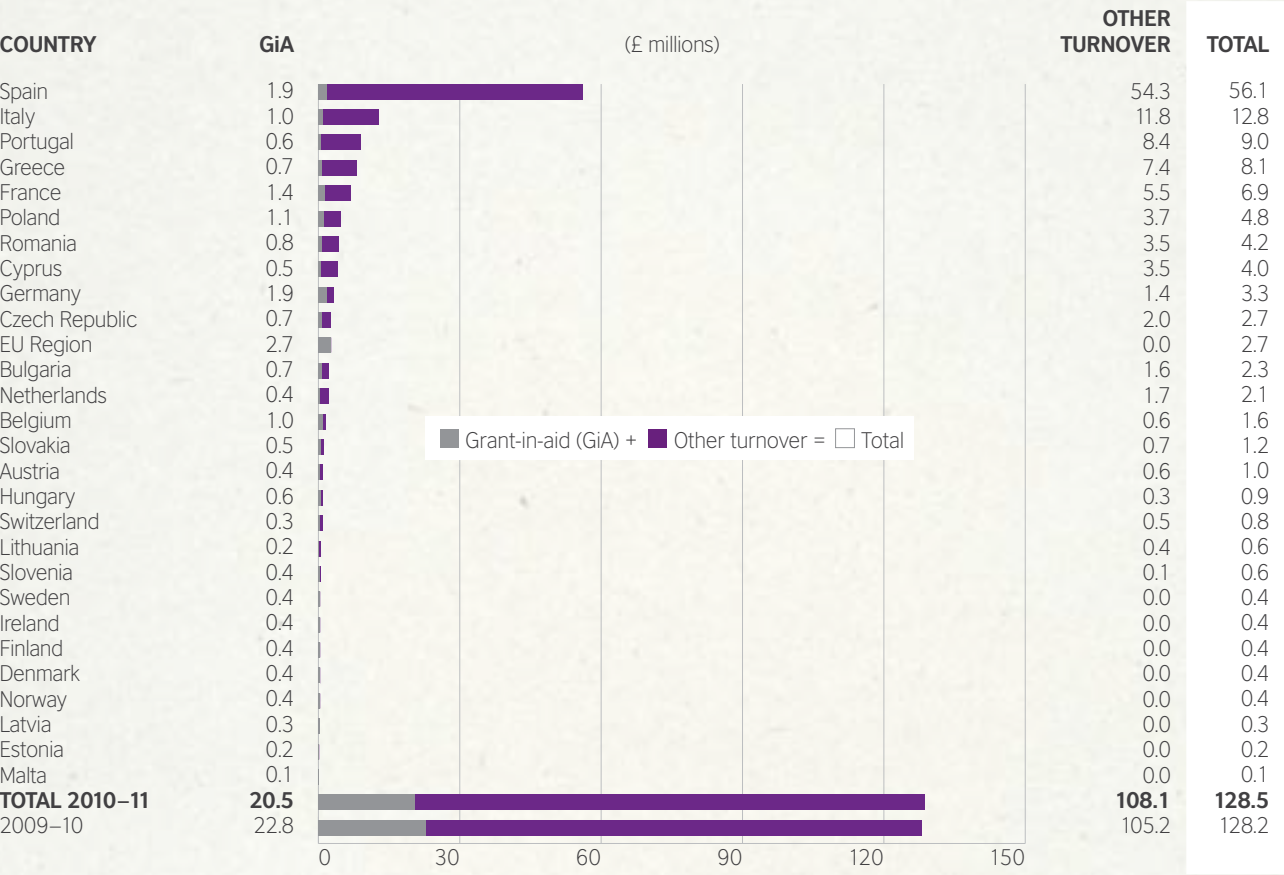
Measured in millions



WE HAVE CONTINUED TO DEVELOP OUR ENGLISH AND EXAMS SERVICES TO HELP ADDRESS THE GROWING NEED FOR ENGLISH LANGUAGE SKILLS IN THE REGION

European Union Region does not include the UK, but does include Switzerland and Norway.

FUNDING



ARTS EUROPEAN UNION

BRITISH PAVILION AT THE VENICE BIENNALE

The Venice Architecture Biennale is the most prestigious international showcase in the world. In August this year the British Council commissioned muf architects to create the British Pavilion.

The centre piece of the Pavilion, a 'Stadium of Close Looking', was a one-tenth scale model of a section of the Olympic Stadium for London 2012. This worked as a space

for debates, workshops, drawing classes and scientific discussions, which acted as a creative platform to inform thinking for London as it moves towards the Olympic Games in 2012.

The Pavilion welcomed 85,000 visitors and received an extremely positive response from the press, the architecture world and the general public.

<http://venicebiennale.britishcouncil.org/>

MIDDLE EAST AND NORTH AFRICA

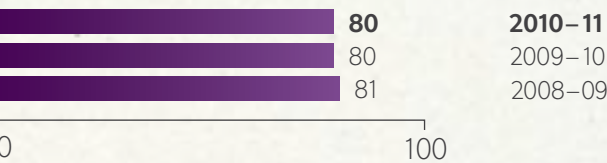
Regional performance

The Middle East and North Africa is a region of global concern, with a post-conflict state in Iraq, the threat of conflict and terrorism but also huge opportunities for positive international engagement. The landscape in the region is changing fundamentally as a result of populist movements demanding more freedoms, reforms in governance and increased economic development. There is enormous disparity in wealth between countries in this region with some on the OECD list of countries eligible for aid assistance while others are oil rich, and in some cases enjoying rapid growth.

There was strong performance in our English and education programmes despite our cultural relations work being disrupted by political and social unrest across the region. The surge of interest in social networking has provided us with an opportunity to extend our Facebook service to learners: this reached over 100,000 individual active subscribers with daily English language practice materials. We supported state sector teachers across the region by extending our professional networking seminars, particularly in the Gulf States, helping English teachers associations, and enhancing regional and national ELT conferences. In Iraq we partnered with UNICEF and the Ministry of Education in the setting of standards for primary and secondary school teaching and the training of teachers and head teachers from over 400 schools in Baghdad and Erbil districts.

CUSTOMER SATISFACTION

Score from 0–100



BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	81	81	80
Meeting expectations	79	79	82

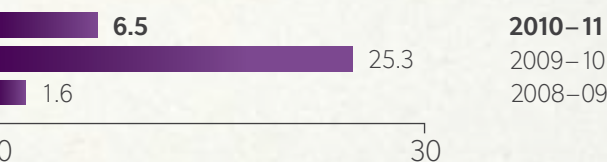
ENGAGEMENT

Measured in millions



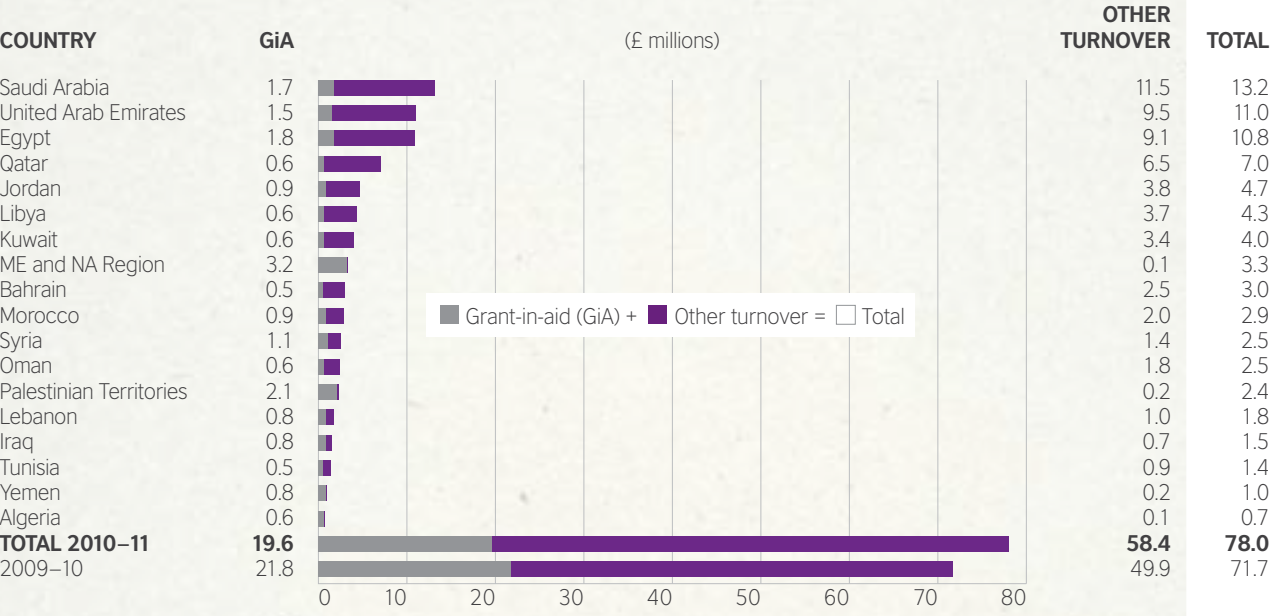
REACH

Measured in millions



THERE WAS **STRONG PERFORMANCE IN OUR ENGLISH AND EDUCATION PROGRAMMES** DESPITE OUR CULTURAL RELATIONS WORK BEING DISRUPTED BY POLITICAL AND SOCIAL UNREST ACROSS THE REGION

FUNDING



ARTS MIDDLE EAST AND NORTH AFRICA

GULF STAGE DIGITAL THEATRE

Digital Theatre worked with the British Council and our local partners to capture original theatre productions in Arabic by companies from Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE in an authentic way during the Gulf Co-operation Council (GCC) Countries Youth Theatre Festival in October 2010.

Gulf Stage brings the magic of theatre to a generation of young people who, while not regular theatre-goers, are all digital natives. It overcomes geographical barriers by using cutting-edge techniques in digital film-

making and provides strong cultural learning opportunities for theatre producers in both parts of the world. It breaks new ground in the theatre industry by bringing Arabic performances to a global audience online and for free.

The six filmed productions, which are subtitled into English, are now available for viewing online free of charge though Digital Theatre's website.

www.digitaltheatre.com/gulfstage

www.britishcouncil.org/arts-gulf-stage

SOUTH ASIA

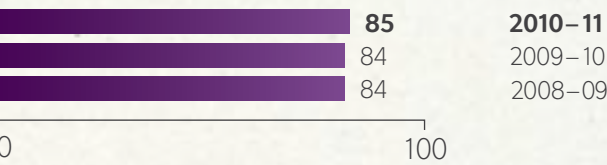
Regional performance

Fast-moving and turbulent, this region has rapidly growing economies and a rising middle class alongside conflict, extremes of poverty and low literacy rates. India is of course one of the world's fastest-growing economies but Pakistan, Nepal, Bangladesh and Sri Lanka are also growing at six to eight per cent a year despite huge economic and security difficulties. This region is fast developing new trading, political and security relationships and despite the UK's historic links, we are in some ways less relevant to the peoples and governments here than at any time since the 17th century. The UK has to find new ways of making itself relevant to countries in this region. At the same time there are major opportunities for our work across the region, with a huge appetite for English, a rapid expansion of higher education, where there are considerable issues of quality and capacity and fast growth in the uptake of new technologies.

Under our flagship partnership programme in India, UKIERI, and through Inspire in wider South Asia, we set up a total of 203 collaborative partnerships, working on joint research, programme delivery, and the development of professional and technical skills. Under our Schools programmes, we successfully linked 1,241 schools in the UK and the South Asia region with a focus on citizenship, quality and leadership. Our English language teacher training programmes developed the skills and careers of 266,000 teachers working in government schools across the region. In India, our arts programme for the year of the Delhi Commonwealth Games included an Anish Kapoor show and a tour of the West End theatre production, *A Disappearing Number*. We expanded our network of Climate Champions to 165 young people in five countries, who engaged with 88,000 young people in their communities.

CUSTOMER SATISFACTION

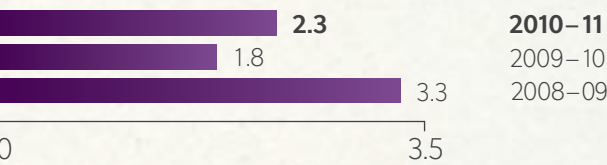
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BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	85	84	83
Meeting expectations	84	83	85

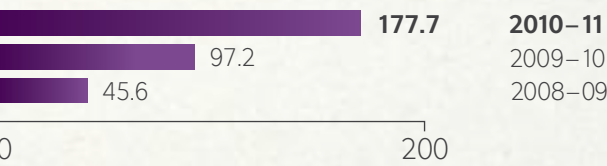
ENGAGEMENT

Measured in millions



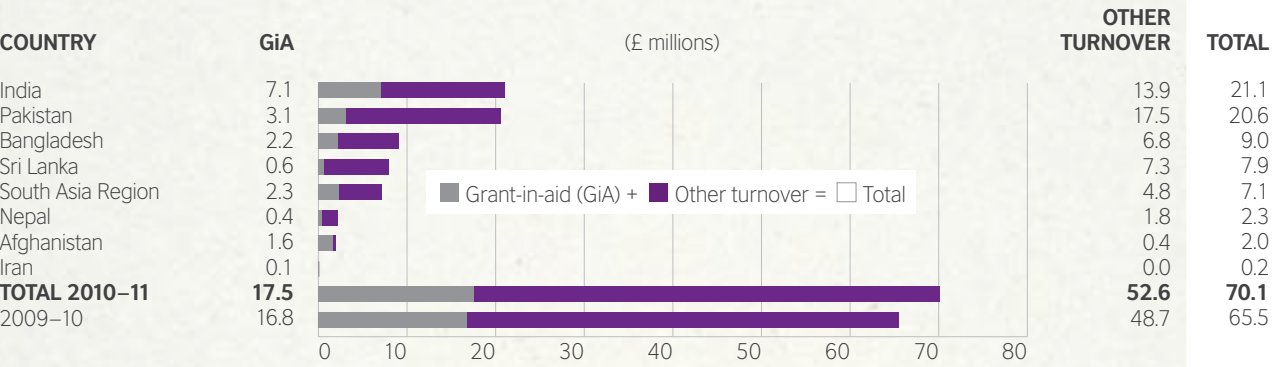
REACH

Measured in millions



UNDER OUR FLAGSHIP PARTNERSHIP PROGRAMME IN INDIA, UKIERI, AND THROUGH INSPIRE IN WIDER SOUTH ASIA, WE SET UP A TOTAL OF 203 COLLABORATIVE PARTNERSHIPS

FUNDING



ENGLISH SOUTH ASIA

TEACH INDIA CAMPAIGN

The British Council has joined forces with the corporate social responsibility foundation of Bennett, Coleman and Co. Limited (BCCL), the Times Group, which publishes the largest English language daily newspaper in India, to provide English for Employability training to hundreds of thousands of underprivileged young people in urban and slum areas across India as part of the Teach India Campaign.

In the July 2010 pilot phase 3,000 learners were trained by almost 200 NGO and volunteer teachers at 40 NGO centres

in and around Delhi. Over the next few years, thousands of volunteers will be trained by the British Council to deliver the English for Employability course to one million disadvantaged young people across the country.



SUB-SAHARAN AFRICA

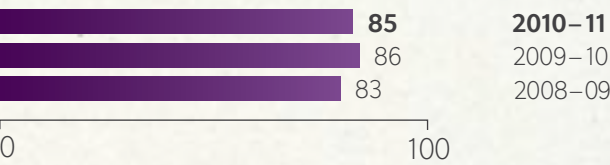
Regional performance

Sub-Saharan Africa is a region of paradox. Driven by mining, retail, banking and telecoms, economies are forecast to grow by seven per cent a year over the next two decades. However, poor leadership and weak rule of law contributed to seven of the ten most failed states in 2010 being in Sub-Saharan Africa. Political instability and corruption limits opportunities for civil society. We support reform through work in Education and Society which contributes to economic development and improves the quality of life.

We provided over 600,000 young people with opportunities to develop leadership, entrepreneurial and other work-related skills and reached a further 6.5 million through a range of programmes and professional examinations. We increased the number of school and higher education/further education links to over 3,000 and reached 5.5 million young people through DFID Global School Partnerships and Connecting Classrooms. We launched new English programmes that reached about 13 million learners and teachers of English across much of francophone Africa, Sudan and the Horn of Africa. We used broadcast and digital delivery to extend impact into countries where we do not have offices, such as the Democratic Republic of Congo and Somalia. The justice and security projects we deliver on behalf of DFID in countries like Sierra Leone, Nigeria and Sudan are having a direct impact on the lives of millions of citizens.

CUSTOMER SATISFACTION

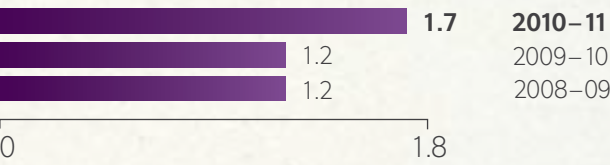
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BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	85	86	82
Meeting expectations	85	86	84

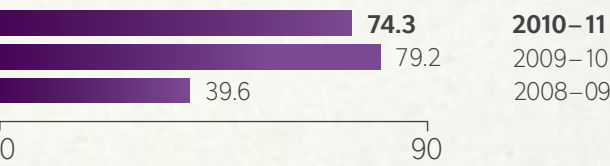
ENGAGEMENT

Measured in millions



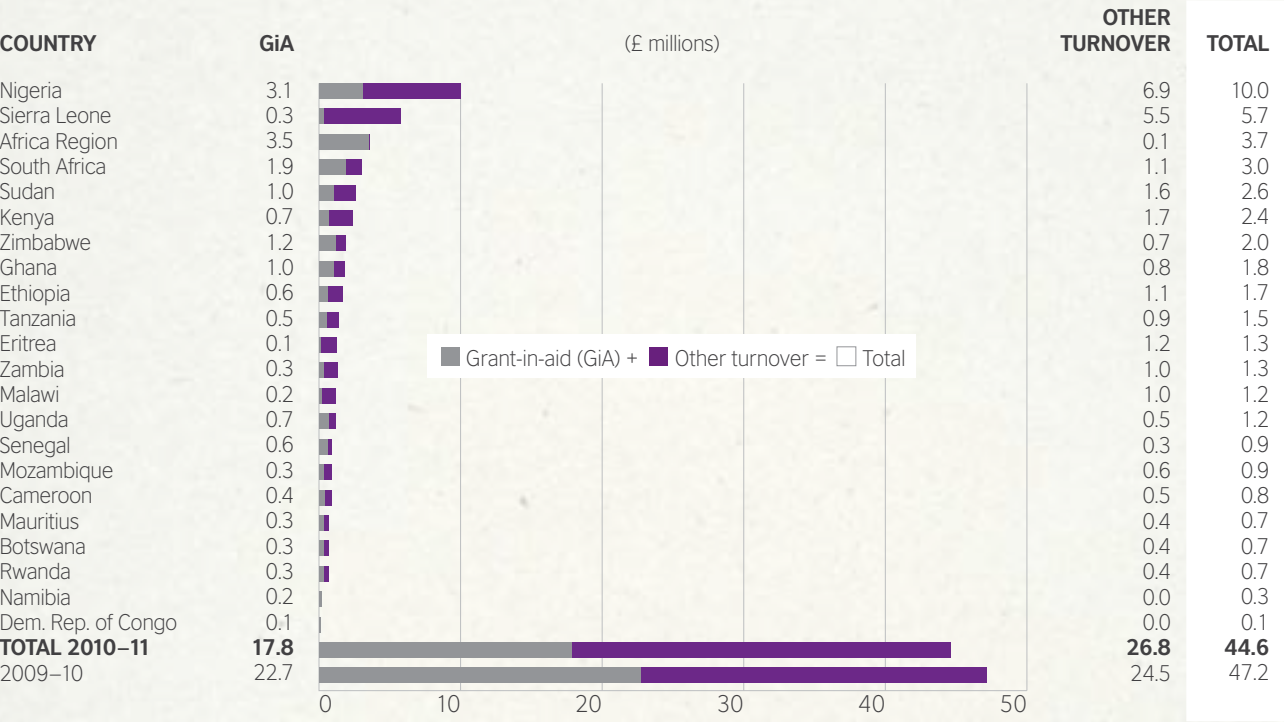
REACH

Measured in millions



WE PROVIDED OVER
600,000 YOUNG PEOPLE
WITH OPPORTUNITIES TO
DEVELOP LEADERSHIP,
ENTREPRENEURIAL AND
OTHER WORK RELATED SKILLS

FUNDING



EDUCATION AND SOCIETY

SUB-SAHARAN AFRICA

FAITH AND SOCIETY

We have been working closely with faith leaders in Nigeria to effect transformative behaviour in Nigeria, building an appetite for positive policy reform.

With 80 million Muslims and 70 million Christians, Nigeria is rated as the most religious country in the world. The Faith and Society project works with senior faith leaders, which allows us to achieve enormous scale of impact in stimulating debate and encouraging action relating to a number of social challenges including the environment, education and regional conflict.

We have arranged the signing of an Interfaith Declaration on Climate Change for Sub-Saharan Africa, and supported a visit to the UK by the Nigeria Inter-Religious Council, including a meeting with HRH Prince Charles.

This project has enabled the British Council to build trust for the UK by working through the lens of belief and culture.

WIDER EUROPE

Regional performance

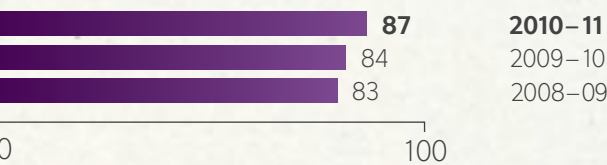
Most of the countries in this region are emerging from different forms of isolation, or varying degrees of conflict, and seeking to redefine their connections with the rest of the world. We can make a positive difference to these countries' transition, and so enhance their connections with the UK. Everywhere, the long-term effects of the economic crisis are likely to be significant, particularly if countries retreat into economic or other forms of nationalism, and if a generation whose career chances are blighted becomes alienated.

Challenges and opportunities include: the quantity and quality of reform in the EU accession countries of the Western Balkans; stability, security and energy security in Russia, Ukraine and the countries of the South Caucasus and Central Asia; the emergence of the Turkish economy, set to move into the world top ten within ten years.

There was strong performance in English and Examinations, including a 23 per cent increase in student numbers in Ukraine, where we launched a new partnership teaching operation, and a 91 per cent increase in examinations in Kazakhstan as a result of a university partnership. Across the region over 50,000 teachers registered on our Teaching English website and 1.2 million learners on our Learn English website. In Azerbaijan we reached 75,000 teachers with our English publications, and in Turkey 11,000 teachers through face-to-face teacher training. In Uzbekistan every school teacher of English will be receiving training from British Council trained trainers in the next five years, and in Russia, where opportunities for face-to-face teacher training are limited, we reached 87,000 teachers digitally. Our EU co-funded arts programme, My City, involved work by UK and other European artists in five cities in Turkey, residences by Turkish artists in six cities in Europe and overall engaged directly with over one million people through visits to exhibits and educational wrap-around activities. Our large-scale programmes, such as Skills for Employability, built capacity for skills training and contributed towards policy change.

CUSTOMER SATISFACTION

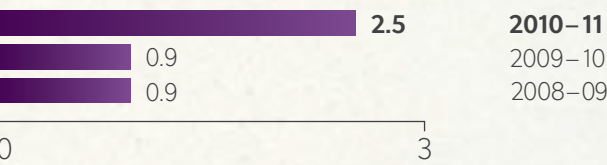
Score from 0–100



BREAKDOWN FOR 2010–11			
	2010–11	2009–10	2008–09
Quality of activity	88	85	84
Meeting expectations	86	84	82

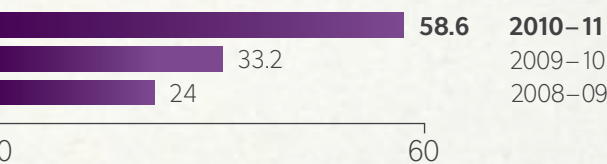
ENGAGEMENT

Measured in millions



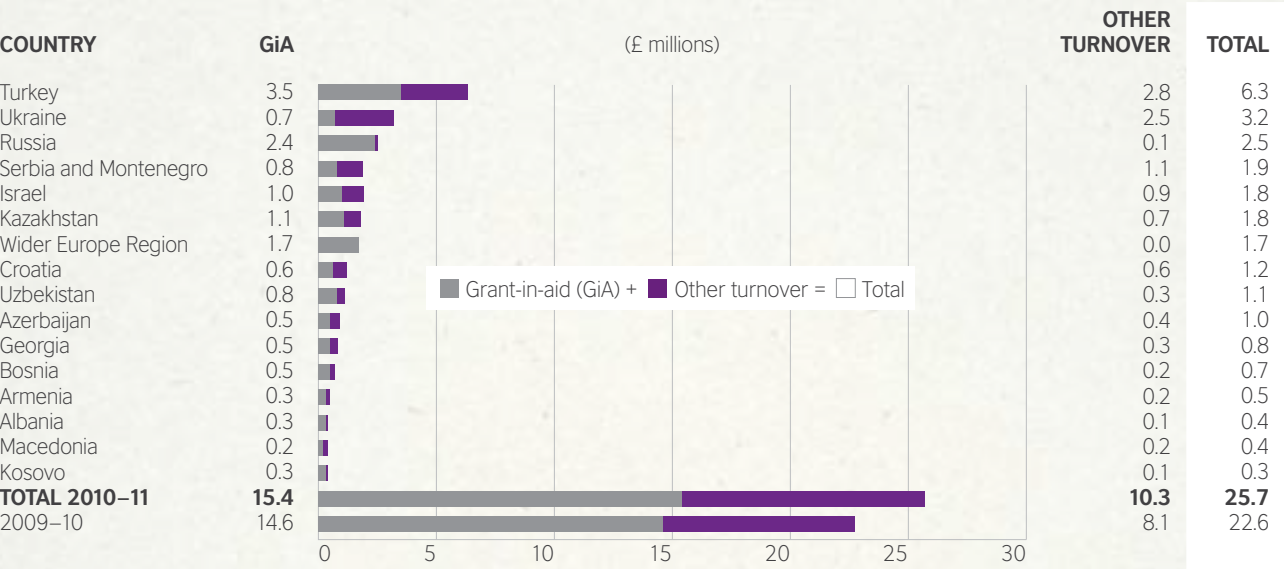
REACH

Measured in millions



WE HAD HUGE SUCCESS IN USING THE ARTS TO ENGAGE SOCIETIES WHERE ARTS ARE HIGHLY VALUED AS A BASIS FOR CULTURAL RELATIONS, NOTABLY THROUGH MY CITY – AN EU CO-FUNDED PUBLIC ART PROJECT

FUNDING



ARTS WIDER EUROPE

MY CITY

Working with support from the European Union, the British Council established the My City project as an imaginative, exciting and serious means to promote discussion and debate about Turkey's relationship with the EU.

We commissioned five prominent artists from across Europe to devise major new works which would be installed in public spaces in five Turkish cities. These works were designed to raise questions of identity and culture and provoke debate. We also organised an education programme for young Turkish people and arranged for artists from Turkey to be hosted by leading cultural centres in five EU countries.

Contemporary art in the open air is widely discussed in Turkey and this project is a key reference. Some of the cities involved now want the works to be permanent and have altered their urban plans to accommodate them. The project has also deepened and strengthened the UK's bilateral relations with Turkey.

www.mycity.eu.com



FOUR// OUR REPORT



WE KNOW THAT SOCIETIES AND
WORKING ENVIRONMENTS
GROW AND THRIVE WHERE
THERE IS UNDERSTANDING, TRUST
AND RESPECT BETWEEN PEOPLE

GOVERNANCE

The British Council is a registered charity in England, Wales and Scotland, a public corporation and a non-departmental public body (NDPB) 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 currently 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 require the prior approval of the Foreign Secretary. The Chair, Deputy Chair and members of the Board are not remunerated. However, out-of-pocket expenses are reimbursed where 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
157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

BANKERS

HSBC
129 New Bond Street
London W1A 2JA

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

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 create international opportunities for the people of the UK and other countries and build trust between them worldwide.

Our Trustees have given careful consideration to the Charity Commission's and Scottish Charities regulator's general guidance to ensure that there is clear evidence of how the aims of the British Council are carried out through the activities undertaken for public benefit.

GOVERNANCE

The Royal Charter vests all the powers of the British Council in a Board of Trustees. The Board has three sub-committees: Audit, Remuneration, and Nominations, to which it has delegated certain responsibilities.

The British Council has robust governance arrangements to promote high performance and safeguard propriety and regularity.

AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Trustees, chaired by Claire Ighodaro, a non-executive Trustee. On behalf of the Board, it maintains an overview of risk, control and governance in the British Council, ensuring that the system of internal controls is adequate to deliver regulatory compliance, financial probity and value for money. It reviews and monitors the British Council's risk management processes and its arrangements for ensuring compliance with regulatory and financial reporting requirements. It also agrees a programme for internal audit and considers any other financial or accounting matters that the Board might specify.

REMUNERATION COMMITTEE

The Remuneration Committee of the British Council is a sub-committee of the Board of Trustees, chaired by the Deputy 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. They agree his annual performance evaluation. The committee also determines policy for remuneration of members of the Executive Board. It reviews and agrees their performance evaluation reports, ratings and eligibility for bonus.

Finally, the committee considers the impact of its work on remuneration policy for the organisation as a whole and addresses any other matters referred to it by the Board.

For further details on Executive Board remuneration, please see page 82.

NOMINATIONS COMMITTEE

The Nominations Committee is a sub-committee of the Board of Trustees, chaired by the Chair of the British Council.

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.

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. Trustees are additionally given guidance on their responsibilities and accountabilities.

EXECUTIVE BOARD

(at 31 March 2011)

Martin Davidson CMG

Chief Executive

Pippa Greenslade

Director, Global Human Resources
(From 20 September 2010)

Adrian Greer CMG

Director, Global Network
(From 6 January 2011)

Mark Robson

Director, English
(Formerly Director, Operations.
Director, English from 1 April 2010)

Bidesh Sarkar

Chief Financial Officer

Rebecca Walton

Acting Director, Arts
(From 1 November 2010)

John Worne

Director, Corporate Headquarters
(Formerly Director, Strategy and External Relations. Director, Corporate Headquarters from 1 November 2010)

Anne Wozencraft

Acting Director, Education and Society
(From 1 February 2011)

The board of management for the British Council is the Executive Board. 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. Induction includes briefing and familiarisation with the governance, structure and operations of the British Council.

FOREIGN AND COMMONWEALTH OFFICE

The British Council is also an executive non-departmental public body sponsored by the Foreign and Commonwealth Office (FCO) under the responsibility of Chris Bryant, Parliamentary Under Secretary of State until May 2010. Following the election, responsibility transferred to Jeremy Browne, Minister of State at the Foreign Office. The FCO/British Council management statement was renegotiated and agreed in October 2006 and the financial memorandum in November 2007.

AUDIT

These accounts have been audited by the Comptroller and Auditor General by agreement with HM Treasury and are, with the Annual Report, laid in the Library of the House of Commons.

The audit fee for 2010–11 was £142,500.

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.

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.

CONSULTATION WITH EMPLOYEES

The British Council recognises advantages in its staff joining trade unions and/or staff associations, and taking part in their activities.

There are mechanisms in each country in which the British Council operates for consulting staff that reflect local practice and employment legislation. Management also meets with representatives from British Council offices in EU countries to discuss transnational European issues via a European Works Council.

Managers are responsible for consultation with trade unions, staff associations and individual staff members on proposals for change. Where managers are proposing changes that have significant implications for staff, it is British Council policy to consult on any such proposals.

The British Council produces a range of internal communications to inform and involve our staff. They encourage debate and discussion of issues that are relevant to colleagues, in addition to providing the information that they need to do their jobs.

A monthly bulletin of strategic and management information is sent by email to regional and country directors and UK managers. The British Council publishes weekly online news and information on its intranet site. All staff have access to email and the intranet.

THE BOARD OF TRUSTEES

AT 31 MARCH 2011

CHAIR

Sir Vernon Ellis ‡ ††

DEPUTY CHAIR

Alan Buckle ‡ ††
Global Head of Advisory, KPMG

MEMBERS

Nihal Arthanayake
Musician, broadcaster and DJ

James Boyle
Chair, Scotland Committee
(member of Board of Trustees from 8 February 2011)

Professor Pamela Gillies ‡ ††
Principal and Vice-Chancellor,
Glasgow Caledonian University

Lord Hall of Birkenhead CBE
Chief Executive, Royal Opera House

Sue Hoyle OBE †
Director, Clore Leadership Programme

Claire Ighodaro CBE †
Independent director

Howell James CBE
Corporate Affairs Director, Barclays
(member of Board of Trustees from 25 May 2010)

Professor Steve Jones
Professor of Genetics, University College London

Patrick McKenna †
Chief Executive, Ingenious Media plc

Raoul Shah
Founder and Chief Executive, Exposure

SECRETARY

Andy Mackay OBE

BOARD MEMBER WHO SERVED DURING PART OF THE YEAR

Brian Hanna CBE
Chair, Northern Ireland Committee
(member of Board of Trustees until 7 February 2011)

‡ Member of the Nominations Committee
†† Member of the Remuneration Committee
† Member of the Audit Committee

BRITISH COUNCIL COUNTRY COMMITTEES

AT 31 MARCH 2011

NORTHERN IRELAND COMMITTEE

Chair
Brian Hanna CBE

Members
Professor Alastair Adair
The Hon. Mr Justice Deeny
Rosalie Flanagan
Rosemary Kelly OBE
Jim Kitchen
Dr Aideen McGinley OBE
Seamus McKee
Jonna Monaghan
Duncan Morrow
Helen Osborn
Joan Reilly
Trevor Ringland
Professor Gillian Robinson
Alan Shannon
Paul Sweeney

Secretary
Shona McCarthy

SCOTLAND COMMITTEE

Chair
James Boyle

Members
Sir David Edward
Professor Joan Stringer CBE FRSA
Professor Allan Walker
Ken Greer
Mukami McCrum
Dr Dave Reay
Professor Petra Wend
James Tough
Tom Thomson
Dawn Ellis
Sheena McDonald

Secretary
Paul Docherty

Sir John Grant left the
Scotland Committee in April 2010
Graham MacNaughton left the
Scotland Committee in April 2010
Francesca Osowska left the
Scotland Committee in January 2011
Rt Hon. George Reid left the
Scotland Committee in October 2010

WALES COMMITTEE

Chair
Professor Elan Closs Stephens CBE

Members
Gary Davies
Richard J. Davies
Aled Eirug
John Howells
Euryn Ogwen Williams
Berwyn Rowlands

Secretary
Rebecca Matthews

Lynne Hamilton left the
Wales Committee in February 2011
Yasmin Hussein left the
Wales Committee in May 2010
Professor Stephen Tomlinson left the
Wales Committee in February 2011

STATEMENT OF THE TRUSTEES' RESPONSIBILITIES

Under the Charities Act 1993 and Charities and Trustee Investment (Scotland) Act 2005, 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 give a true and fair view of the British Council's incoming resources and application of resources during the year, cash flows 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 as set in the *Government Financial Reporting Manual 2010–11* 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*

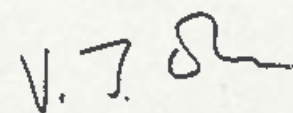
Reporting by Charities: Statement of Recommended Practice (revised 2005) (SORP) and *United Kingdom Generally Accepted Accounting Practice* (UK GAAP).

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. The Trustees are responsible for reporting on public benefit, having regard to the guidance issued by the Charity Commission to ensure that there is clear evidence of how the aims of the British Council are carried out through the activities undertaken for the public benefit.

Details of any related party transactions undertaken by the Trustees are detailed in note 20 to the accounts.

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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*.



Sir Vernon Ellis
Chair British Council

24 June 2011

STATEMENT ON INTERNAL CONTROL 2010–11

SCOPE OF RESPONSIBILITY

As Accounting Officer, I, Martin Davidson, have responsibility for maintaining a sound system of internal control that supports the achievement 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 also responsible for ensuring compliance with parliamentary requirements, the Financial Memorandum between the Foreign and Commonwealth Office (FCO) and the British Council, and the accounting and reporting requirements of the Charity Commission and the Office of the Scottish Charity Regulator (OSCR).

As Chair of the Board of Trustees, I, Vernon Ellis, have responsibility for satisfying myself and the Board that a sound system of internal control is maintained within 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 to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 2011 and up to the date of approval of the Annual Report and accounts, and accords with Treasury guidance.

CAPACITY TO HANDLE RISK

The British Council's Executive Board is responsible for the management of the risks facing the British Council and ensuring that effective risk management processes are in place throughout the organisation. Ultimate accountability, including responsibility for determining the British Council's risk appetite, resides with the Board of Trustees.

Specialist functions oversee and provide support for the management of key areas of risk, developing corporate policies and standards, and ensuring that appropriate frameworks and arrangements are in place to enable managers to manage the risks which may impact on the achievement of their objectives.

An Enterprise Risk Management team, comprising specialists in security, business continuity, health and safety, fire safety and risk management, is in place to strengthen the British Council's capacity to manage risk, to improve the co-ordination of risk management initiatives and to create and sustain a culture of effective risk management throughout the organisation.

A range of risk management training is provided to staff to ensure they are equipped to manage risks appropriate to their duties and level of authority. Guidance is revised as necessary to take account of changes and improvements to risk and control practices, and regular updates are provided on risk management issues.

The Board of Trustees undertakes an annual review of strategic risks facing the British Council to satisfy itself that these risks have been adequately mitigated. In addition, the Board of Trustees, through the Audit Committee, reviews the effectiveness of the risk and control processes in the organisation.

THE RISK AND CONTROL FRAMEWORK

The risk and control framework comprises two discrete, but complementary elements:

- Financial Control and Compliance Framework (FCCF)
- Enterprise Risk Management Framework (ERMF)

FINANCIAL CONTROL AND COMPLIANCE FRAMEWORK

The primary tool for managing financial risk is the Financial Control and Compliance Framework. It is a formalised monthly process of assessment of control effectiveness based on validated self-certification against minimum control standards for key financial risks.

All business units are required to complete a monthly certification worksheet identifying any control failures with reference to the minimum standards. The consolidation of returns and the resulting reports and dashboards ensure risks and non-compliance issues are easily identified, escalated, and tracked by both the centre and regions through to resolution.

The framework provides the evidence which enables the Executive Board, Financial Controller and management at regional and country levels to certify compliance with standards of financial control.

The framework and its supporting systems are continuously improved, as appropriate, to ensure that the organisation has a robust global reporting mechanism.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework comprises a 'bottom-up' process for identifying, assessing, controlling and reporting on operational risks by countries and UK departments, complemented by a 'top-down' process for managing strategic risks.

All business units are required to create and maintain a risk register describing the risks to the achievement of their objectives, assessing the level of inherent and residual risk, summarising the existing and proposed controls (with target dates) and identifying the owner of each risk.

As a minimum, registers are reviewed and updated every quarter and are refreshed at the start of each year to ensure they are aligned with the business unit's objectives for the coming year. In addition to scrutiny by the business unit itself, each register is

reviewed by the directorate to which it reports to ensure the visibility of risks across the directorate, improve the quality of risk reporting and facilitate the sharing of good practice in risk management.

The Strategic Risk Register is revised annually by the Executive Board and each risk on the register is owned by a member of the Executive Board, who is accountable for ensuring that effective mitigation is put in place to manage the risk across the organisation. Risk tolerances for each strategic risk are set by the Executive Board, based on the Statement of Risk Appetite approved by the Board of Trustees.

The Enterprise Risk Management team is responsible for analysing and providing a commentary on the risk data from all business units for the Risk Board, which provides assurance to the Chief Executive that risks to the achievement of the British Council's objectives are being managed effectively. The Risk Board meets quarterly to monitor changes to the British Council's risk profile, review the mitigation of strategic and operational risks and mandate action to improve mitigation where necessary. It also considers reports from the Security, Health and Safety and Information Assurance committees.

The Risk Board was chaired until December 2010 by Deputy Director, Operations. However, following changes to the British Council's management structure, it has been chaired since January 2011 by Director, Global Network, who is a member of the Executive Board. A report from the Risk Board to the Chief Executive, highlighting key issues and concerns is considered by the Management Board each quarter.

EMBEDDING RISK MANAGEMENT

The Financial Control and Compliance Framework and the Enterprise Risk Management Framework have been in place for two years. Both are working well and have significantly enhanced the British Council's capacity to manage risk. Minor changes have been made to each framework during the course of the year and further improvements will be made during 2011–12. In line with the ongoing changes in the organisation, a review of the effectiveness of the Financial Control and Compliance Framework will also be carried out.

During the past year, the ERM team has delivered a series of workshops for overseas directorates and UK departments on risk management and the development of risk registers. The team has also

supported the risk review process by facilitating the review of registers for overseas regions. Other steps have been taken to embed risk management more fully in the British Council's activities. In particular, the inclusion of responsibility for risk oversight in the terms of reference for the new Management Board reinforces the message that managing risk is integral to the management of organisational performance. A new 'Managing Risk' intranet site has also been developed, bringing together policies, guidance and information on all aspects of risk management from risk and compliance functions across the organisation.

RISK PRIORITIES

The priorities for risk management in the British Council during the past year included:

ECONOMIC ENVIRONMENT

Although the global economic outlook improved during 2010–11, the slow pace of the recovery in many parts of the world resulted in income levels remaining flat on a like-for-like basis and hindered the achievement of targets for commercial sponsorship. The continuing weakness of sterling against major currencies also reduced the purchasing power of the grant-in-aid by £3 million (two per cent), compared with the prior year. However, cost efficiencies implemented during the year helped improve the overall performance of teaching and exams work.

In the UK, the reduction in the British Council's grant-in-aid and cuts in programmes funded by government departments will mostly come into effect from 2011–12 onwards. However, during the past year government restrictions on external recruitment and expenditure on consultancies, IT projects and marketing, provided a foretaste of the challenges to come.

SECURITY AND BUSINESS CONTINUITY

Political instability, conflicts and natural disasters continue to pose a threat to staff and customers, and to programme delivery, in many parts of the world. Given the priority attached to working in countries which have a deficit of trust with the UK, some operations are exposed to terrorist attack, while in others, programmes are disrupted by civil unrest and other forms of conflict. During the past year, operations were maintained in Afghanistan and Iraq, though with restrictions on the movement of staff and visitors. Security considerations also necessitated the withdrawal of UK staff from Yemen and the temporary

closure of offices in Nepal, Thailand and Jamaica. Civil unrest in Tunisia, Egypt and Bahrain led to the temporary evacuation of teachers and other UK staff, together with the temporary closure of offices in these countries. In Libya, owing to the ongoing conflict, all UK staff have been withdrawn and operations remain suspended.

In April 2010, the closure of European airspace due to a volcanic ash cloud resulted in disruption to some programmes and the travel of staff and visitors. However, the severe earthquake which struck Japan in March 2011 and its aftermath have had only a relatively slight impact to date on British Council operations.

Priority is given to ensuring the safety of staff, customers and partners through a combination of risk assessments, briefing, training, and the use of appropriate protective measures. Security is an intrinsic element of all premises projects and a service level agreement with FCO Estates and Security Division provides for the cyclical inspection of all properties globally. The Security Committee, which reports to the Risk Board, is responsible for monitoring the effectiveness of security arrangements.

All business units in the UK and overseas are required to have business continuity plans in place, which are reviewed and updated as necessary to take into account any significant changes. A sample audit of some plans is also carried out. Annual testing of plans is not mandatory, but is carried out where the impact of disruption could damage the British Council's business or reputation. In 2010–11, 79 per cent of plans were tested and a pilot project involving remote tests managed from the UK was completed.

STATUS AND TAX

During the past year, work has continued on the regularisation of the British Council's status overseas. The status and tax programme aims to establish a robust platform for the growth of income-generating activities in line with strategic priorities and to address the reputational and financial risks associated with our status in some countries. Status options have been reviewed for all but two directorates. However, work still needs to be done to agree status solutions for a small number of countries, including some where legislative changes have necessitated a further review of the available options.

The five-year implementation plan for status regularisation is reviewed and updated regularly to take into account changing business priorities and emerging status-related risks. In each case, implementation is conditional on the approval of plans to minimise tax liabilities and, where relevant, repatriate surpluses from incoming generating activities. In some cases, regularisation may result in demands for back tax and provision has been made for potential back tax payments where necessary.

A specialist team has been put in place to provide advice on international tax issues and to support the development and implementation of governance arrangements for new entities. External consultants have also been engaged to develop a strategy for the regularisation of the employment related tax status of UK staff working overseas.

Significant progress has been made on the development of the British Council's group structure and the financial and legal framework needed to support it. Following the establishment of BC Holdings (United Kingdom) Limited, subsidiaries have been incorporated in India, Mexico and the USA. The implementation of the agreed status solution for Thailand has been deferred to 2011–12, following changes to the proposed funding arrangements. A funding policy, agreed by HM Treasury, is in place for subsidiaries, and a transfer pricing policy provides a transparent mechanism for charging between different entities. In view of the increased complexity of the group structure and the risks associated with it, steps have been taken to ensure that the British Council's governance, risk management and control framework is aligned with the new arrangements and remains fit for purpose.

FRAUD AND MONEY-LAUNDERING

The British Council remains vulnerable to fraud in some parts of the world, particularly in cash economies and, as a consequence, may suffer financial loss. Enhancements to processes and controls are introduced regularly to prevent and detect fraud, and the responsibility to minimise any consequential loss is taken very seriously. Despite these measures, the risk of fraud cannot be entirely eliminated. To further protect the British Council from fraud, an anti-fraud and corruption e-learning programme was rolled out in two regions in 2010–11 and training delivered to staff in the Shared Service Centre. The e-learning programme has since been

modified to include guidance on the Bribery Act in anticipation of the Act coming into law from July 2011.

INFORMATION MANAGEMENT

The British Council is committed to protecting and using its information securely and effectively, in compliance with its legal obligations and the standards and requirements set out by the Cabinet Office, including the Data Protection, Freedom of Information and Public Records Acts, and the government's Data Handling Review. The Senior Information Risk Owner is a member of the Executive Board and chairs the Information Assurance Committee, which reports to the Risk Board and is responsible for monitoring compliance with relevant legislation and the implementation of the Addressing Information Risk programme, a comprehensive set of initiatives aimed at improving all aspects of information governance and management in the British Council.

In September 2010, a number of vulnerabilities were detected in an online examination registration system which led to a minor breach of data security and posed a risk of more serious data loss. The system has since been replaced and a series of measures have been taken to reduce the risk of similar breaches occurring in future. In countries where political instability has necessitated the temporary evacuation or withdrawal of UK staff during the past year, it has not always been possible to verify whether information has been compromised. As a result of this, steps will be taken to ensure that business continuity plans account more fully in future for the safeguarding of information assets in overseas offices. The loss did not meet the requirements to report to the Information Commissioner's Office.

Progress in improving information management continues to be measured against the standards set out in the government's Information Assurance Maturity Model (IAMM). However, spending restrictions and headcount constraints have delayed the implementation of some projects under the Addressing Information Risk programme. A review of contracts for data protection compliance in priority countries has been completed, a revised protective marking scheme developed and work taken forward on the development of retention schedules. The achievement of the next level of the IAMM (Level 2) in the UK is dependent on the introduction of an information management e-learning package for staff,

which is due to be rolled out in 2011–12. Overseas directorates are working towards compliance with Level 1 of the IAMM. However, during the past year particular attention has been given to mitigating the information management risks associated with the Shared Services Centre in Noida, which is operating largely at Level 3 of the IAMM.

INTELLECTUAL PROPERTY

Following the action taken in 2009–10 to address a complaint relating to the unauthorised use of images on the British Council's websites, an intellectual property strategy and policy were developed and initial awareness training carried out. No breaches of copyright were identified in 2010–11. Further steps will be taken to increase awareness of intellectual property issues and strengthen the governance arrangements for the use of third-party intellectual property during the coming year.

CHILD PROTECTION

An increasing proportion of the British Council's programmes involve work with young people. Safeguarding the children who come into contact with the British Council, whether directly or through our partners, therefore, is a top priority. The British Council is committed to taking all reasonable measures to protect children from abuse and has a zero tolerance of risk in this area. Policy and practice are benchmarked against the minimum international child protection standards identified by the Keeping Child Safe Coalition. During the past year, following the appointment of a specialist child protection manager, considerable progress has been made in the development and implementation of a comprehensive child protection strategy. Measures include the publication of a revised child protection policy and accompanying guidance, the launch of a child safe pilot, the implementation of an online incident reporting mechanism, the strengthening of employment practices and the recruitment of child protection managers in key overseas locations.

HEALTH AND SAFETY

The British Council is committed to providing a safe working environment for its staff, customers and partners. The Health and Safety Committee, reporting to the Risk Board, is responsible for reviewing health and safety policies and monitoring compliance with health and safety standards throughout the organisation. In the past year operations across

the organisation have been audited for health and safety and fire management compliance as part of a rolling programme of assurance, which is also aimed at identifying opportunities for improvement. Support for the management of health and safety has been enhanced by the review and redesign of guidance on the health and safety intranet site, the development of guidance on risk assessment and the introduction of health and safety arrangements for all overseas directorates, including the definition of roles and responsibilities for staff.

UK RESTRUCTURING

A significant concern during the past year was the potential disruption to business and the impact on staff morale as a result of restructuring in the UK, with 292 staff leaving on voluntary early retirement and some 490 staff (approximately 60 per cent of the UK complement) moving to different roles as part of a major deployment exercise. The implementation of the programme was closely monitored by the Executive Board. Detailed guidance and support were provided both to line managers and to staff taking voluntary early retirement, while the deployment exercise was carried out in consultation with Trade Union Side and involved a range of measures to ensure the process was managed fairly and transparently. Arrangements were also made to protect IT systems, financial information and other sensitive data and to facilitate knowledge transfer and retention during this period of transition.

SHARED SERVICES CENTRE

During the past year, as part of its Business Transformation programme, the British Council established a Shared Service Centre (SSC) in Noida, India, to deliver a number of finance transaction processing, IT support and specialised technical and financial services to its global operations. The SSC became operational in July 2010 and services were migrated from existing locations in stages during the course of the year. By March 2011, all services had been successfully migrated to the SSC and the stabilisation of service delivery was subsequently signed off by the Business Support Services Transition Board.

The SSC is a wholly owned subsidiary of the British Council group, incorporated under Indian law as BC Management Services Private Limited (BCMS). The services provided by BCMS to the British Council

are regulated through a management services sub-contract, and licensing and affiliation agreements, and underpinned by agreed service standards. An information governance agreement has also been signed to ensure adequate information security and governance arrangements are in place for the processing of British Council data. A compliance framework has been implemented to monitor compliance with all statutory requirements and corporate standards relating to security and health and safety, and a comprehensive risk management process has been established under the direction of a specialist business assurance manager. Business continuity plans have been developed and thoroughly tested.

A joint review carried out by Internal Audit and the National Audit Office (NAO) in January 2011 confirmed that the SSC met the audit team's expectations of how it should be operating at that stage of its development. Further audit work was carried out at the SSC by the NAO in May 2011 as part of its annual audit of the British Council.

CONTRACT BALANCES

In response to issues identified through strengthened financial control checks, a detailed investigation of balances relating to contracts managed by the British Council between 2004 and 2007 was carried out by Programmes and Projects. This has resulted in a charge of £1.8 million to the Statement of Financial Activities comprising a provision of £0.5 million for estimated losses to be written off, £0.8 million correcting accounting misclassifications and a bad debt provision of £0.5 million. The charge stems from historic weaknesses in the application of project management processes. The charge stems from historic weaknesses in the application of project management processes.

Significant changes have been made as part of the reorganisation of Programmes and Projects during the past year to address the problems identified during the investigation and ensure similar issues do not recur. An audit of Programmes and Projects was carried out in January 2011 and a follow-up audit will be undertaken in 2011–12. Stronger management, a focus on managing projects throughout their entire lifecycle, the closer integration of the Programmes and Projects finance team with the Corporate Finance function and planned improvements in financial systems will mitigate this risk in future.

The British Council's project management capability was recognised during the year by its qualification as an organisation eligible to bid for projects funded through the European Commission's Indirect Centralised Management process. This award provides assurance that appropriate action is being taken to address the project management issues outlined above.

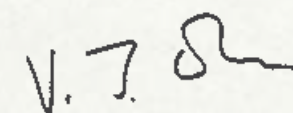
REVIEW OF EFFECTIVENESS

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control 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. The Chief Executive and the Chair of the Board of Trustees have been advised on the implications of the result of the Chief Executives' review of the effectiveness of the system of internal control by the Risk Board, the Executive Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

- comprehensive operational and financial planning and reporting processes within the organisation
- key policies and procedures, to support the flow of timely, relevant and reliable information across the organisation
- formalised authorisation processes, with the maintenance of delegated authorities covering financial transactions and contracts
- monthly and year-end self-certification by all country and UK directors giving assurance that our organisation's accounting procedures have been understood and followed
- the work of Internal Audit, which provides an independent and objective opinion on the adequacy of processes on risk, control, governance and finance systems
- the Audit Committee, which provides oversight and guidance where necessary on the work of Finance and Internal Audit, providing an interface between the organisation and the National Audit Office
- work of the National Audit Office, as external auditor, in forming an opinion on the financial statements and in reporting the results of their value for money examination.

Based on the above, we are satisfied that we can sign the Statement on Internal Control.



Sir Vernon Ellis
Chair Trustee

24 June 2011



Martin Davidson CMG
Chief Executive Accounting Officer

24 June 2011

EXECUTIVE BOARD REMUNERATION REPORT

The British Council, as an executive non-departmental public body, is not required to apply the government's centralised pay system, adopted in 2002, to its Senior Civil Service (SCS) equivalent staff at pay bands 10 and above. However, the British Council does mirror some of the broad principles of the system. The British Council broadly follows the SCS pay ranges for pay band 10 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.

Executive Board members' annual salary increases are determined by their position in the pay band and performance rating. There are five performance ratings: outstanding; exceeds expectations; good performer; improvement/development required; and unsatisfactory.

Performance is assessed on how far objectives and targets have been met or exceeded in the individual's performance agreement and how far duties have been completed to standards agreed in the job description.

One of the five 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 for a non-consolidated performance-related payment as part of their total remuneration if he or she is successful in meeting a number of targets and objectives.

Any bonuses issued to the Executive Board are directly related to performance and linked to achievement of specific targets and objectives. This is up to a maximum of 15 per cent of base salary. In 2010 and 2011 Executive Board members did not receive an increase to salary in accordance with

the freeze on public sector pay. No member of the Executive Board receives any non-cash benefits.

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2010–11 relate to performance in 2009–10 and the comparative bonuses reported for 2009–10 relate to the performance in 2008–09.

Executive Board members are initially 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.

Emoluments (salaries, including allowances subject to UK taxation) paid to members of the Executive Board and their pension entitlements are set out below. All those individuals are members of the Principal Civil Service Pension Scheme. An overview of retirement benefits can be found below.

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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' initial 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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. 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 3 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 they do make contributions, the employer will match these up to a limit of 3 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 they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium 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 a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or 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 their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV that is 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.

EXECUTIVE REMUNERATION

	SALARY 2010–11 (IN BANDS OF £5,000)	SALARY 2009–10 (IN BANDS OF £5,000)	BONUS PAYMENTS 2010–11 (IN BANDS OF £5,000)	BONUS PAYMENTS 2009–10 (IN BANDS OF £5,000)	ACCRUED PENSION AT PENSION AGE AS AT 31 MARCH 2011 (IN BANDS OF £5,000)
NAME AND POSITION					
Davidson, M. S. Chief Executive	165–170	165–170	15–20	n/a	55–60
Robson, M. W. Director, English	140–145	135–140	10–15	10–15	10–15
Sarkar, B. Chief Financial Officer	115–120	110–115	10–15	10–15	5–10
Stephens, C. A. ¹ Director, Education and Society	125–130 (full-year equivalent 135–140)	135–140	10–15	10–15	65–70
Worne, J. P. Director, Corporate Headquarters	120–125	110–115	10–15	10–15	30–35
Laurie, M. ² Director, Global Human Resources	10–15 (full-year equivalent 125–130)	70–75 (full-year equivalent 125–130)	1–5	n/a	0–5
Greenslade, P. J. ³ Director, Global Human Resources	60–65 (full-year equivalent 110–115)	n/a	n/a	n/a	0–5
Walton, R. H. ⁴ Acting Director, Arts	40–45 (full-year equivalent 100–105)	n/a	n/a	n/a	30–35
Wozencraft, A. O. ⁵ Acting Director, Education and Society	30–35 (full-year equivalent 100–105)	n/a	n/a	n/a	30–35
Greer, A. ⁶ Director, Global Network	35–40 (full-year equivalent 150–155)	n/a	n/a	n/a	35–40

The above table has been subject to audit.

The actuarial factors used to calculate CETVs were changed in 2010–11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated suing the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year’s report which was calculated using previous factors.

¹ Last day of service 24 February 2011

² Last day of service 30 April 2010

³ Appointed 20 September 2010

⁴ Appointed 1 November 2010

⁵ Appointed 1 February 2011

⁶ Appointed 6 January 2011

⁷ Taking account of inflation, the movement in lump sum at pension age has decreased in real terms.

EXECUTIVE REMUNERATION (CONTINUED)

ACCRUED LUMP SUM AT PENSION AGE AS AT 31 MARCH 2011 (IN BANDS OF £5,000)	REAL INCREASE IN PENSION AT PENSION AGE (IN BANDS £2,500)	REAL INCREASE (DECREASE) IN LUMP SUM AT PENSION AGE (IN BANDS £2,500)	CETV AT 31 MARCH 2010 (TO NEAREST £1,000)	CETV AT 31 MARCH 2011 (TO NEAREST £1,000)	REAL INCREASE IN CETV FUNDED BY EMPLOYER (TO NEAREST £1,000)
170–175	0–2.5	0–2.5	1,061	1,154	11
n/a	2.5–5	n/a	86	128	30
n/a	2.5–5	n/a	45	69	16
205–210	0–2.5	2.5–5	1,468	1,590	10
n/a	0–2.5	n/a	266	306	13
n/a	0–2.5	n/a	22	26	3
n/a	0–2.5	n/a	n/a	12	10
90–95	0–2.5	2.5–5	536	554	14
60–65	0–2.5	(0–2.5) ⁷	516	538	n/a
115–120	0–2.5	2.5–5	680	710	27

Martin Davidson cmg
Chief Executive Accounting Officer

24 June 2011

EQUAL OPPORTUNITY AND DIVERSITY

We know that societies and working environments grow and thrive where there is understanding, trust and respect between people. It is the reason why we aim to ensure that issues of equality and diversity are a part of all that we do, why we measure our progress through our own unique tool, and why we invest in a global diversity network that spans all the countries we work in.

We are committed to treating our staff, customers and partners fairly, removing barriers to equal treatment and acting to redress existing imbalances. Our agenda is based on the idea of societies and working environments where people are understood and their differences are respected. In recognising, valuing and managing diversity between people and cultures, we seek to demonstrate these principles and deliver impact for the UK. We focus on seven main areas of diversity – age, disability, ethnicity/ race, gender, religion/belief, sexual orientation and work–life balance – and have developed an equal opportunities policy and a diversity strategy around them. Documents explaining both policies can be found on our website.

MEASURING PROGRESS

By measuring and monitoring our actions we can make progress in bringing equality and diversity into the mainstream. We have a number of ways of doing this, including equality monitoring, an integrated equality scheme and a diversity assessment framework.

INTEGRATED EQUALITY SCHEME

To meet our UK equality legislation obligations, we have established an integrated equality scheme. Details of this scheme are available on our website, with progress reports that explain how we are seeking to eliminate unjustified discrimination in the areas of disability, gender and race, and how we are seeking to promote equality and inclusion, specifically the inclusion of disabled people.

www.britishcouncil.org/home-diversity-our-approach-ies.htm

DIVERSITY ASSESSMENT FRAMEWORK

The British Council's Diversity Assessment Framework (DAF) is a tool which helps embed equality and diversity into our work. It encourages and guides our network of offices to develop good practice and report what they have achieved against a range of equal opportunities and diversity measures. It acts as an internal benchmarking tool, generating examples and evidence of good practice from which others can learn in the process. The approach has attracted considerable interest from the public and private sector in the UK and around the world.

DISABLED EMPLOYEES

We are committed to attracting disabled people to work with us and to ensuring disabled employees are able to progress and develop their careers. The Positive About Disabled People, double tick symbol, is displayed on our recruitment advertisements and our web pages; this aims to encourage disabled people to consider applying to work with us and reflects our commitment to existing employees. We guarantee an interview to all disabled people who meet the required criteria and make reasonable adjustments to help support the full participation of disabled people.

Our internal Disability Working Group and external Disability Advisory Panel are a valuable resource in promoting understanding and awareness, supported by training and development materials and initiatives.

EQUALITY MONITORING

We undertake equality monitoring of our workforce and set ourselves targets. As at 31 March 2011 our UK staff contracted profile alongside our targets looked like this:

MIX OF STAFF AT 31 MARCH 2011
(TOTAL NUMBER OF STAFF IN POST: 984)

CATEGORY	TOTAL NUMBER	% OF WORKFORCE	% OF PAY BAND 10 STAFF	PAY BAND 10 TARGET FOR 2010	PAY BAND 10 TARGET FOR 2013
		%	%	%	%
Disabled	30	3	0	5	5
Minority ethnic	136	13.8	7.7	12	12
Women	500	50.8	27.8	37	44

Note: Eight staff have withheld ethnicity data and three staff have withheld whether they are disabled or not.

ARTS WIDER EUROPE

DIVERSITY IN ALBANIA

This year British Council Albania was one of the top scoring countries on the Diversity Assessment Framework.

Our office organised a Promoting Inclusion Week, in partnership with Vodafone Albania Foundation, the Organisation for Security and Co-operation in Europe (OSCE) and British Embassy partners.

The week included a dance performed by UK integrated dance company StopGAP to a full house of 750 people, opened with a speech from the President of Albania, Bamir Topi. The week also included further dance performances and debates in five cities.

As well as reaching thousands of people directly, the project was seen by millions more through extensive media coverage with interviews, news coverage and features on all television stations. The live performance on primetime television by the UK dance company on the Albanian equivalent of a UK programme called *Strictly Come Dancing* provided a superb artistic performance by a wheelchair dancer, sending a powerful message in a country where disability is rarely portrayed in the media.

OUR PEOPLE

In 2010–11 we completed the process that we began in 2009–10 of reducing the number of permanent posts in the UK by one-third to allow us to invest the resources saved in activity. By the end of 2010–11, over the two-year change programme a total of 404 colleagues had left the organisation through voluntary early retirement (VER) and compulsory redundancy (CR). The net result over the two-year period was a reduction of posts in the UK of 450. We have not replaced colleagues who have left on VER and CR, other than in business-critical posts. In addition, we have tightly managed recruitment to all new or vacant posts and imposed a pay freeze, affecting all UK-appointed staff.

STAFF SURVEY

The 2010–11 staff survey was completed by 5,088 colleagues. This is in line with previous years and continues to represent a return rate significantly higher than in the public and private sectors. Our engagement index is 62 per cent. While this is a two point drop compared with 2010, our overall employee engagement index score is high and we outperform Ipsos MORI global norms significantly. Across regions, our engagement levels remain broadly consistent with 2010, against a background of significant actual and anticipated change. The results show that there is a strong relationship between employees and the British Council. As a place to work, 68 per cent of our colleagues would speak highly of the organisation, as opposed to 52 per cent in the private sector. Seventy-four per cent of colleagues are proud to work for us, which compares very well with 56 per cent in the private sector and the public sector at 54 per cent. Colleagues feeling valued and recognised (53 per cent) compares well with private and public sector benchmark data of 47 per cent and 44 per cent respectively. However, we know that there is still work to do. Colleagues do not perceive career opportunities within the British Council. Given the size and dispersed nature of the organisation, we need to consider what is realistic for the organisation and the

individual. In addition, despite the huge endorsement of the need for change, there are low levels of confidence in how we manage change. The Executive Board will continue to invest considerable time and resource in addressing our colleagues' concerns during 2011–12.

ABSENCE MONITORING

The British Council has a sickness absence monitoring process in place in the UK, managed by Absence Line. Monthly internal reporting on the data is produced and analysed to assess trends and inform management. For the year 2010–11, 2.07 per cent of staff days were lost due to sickness absence.

ENVIRONMENTAL POLICY

SUSTAINABLE ACTION PLAN

We have developed a Sustainable Action Plan – a five-year plan to embed environmental considerations into the British Council's planning structures and activities. We will do this by using current environmental systems and delivering the message that environmental management can be part of our thinking, not an added burden. The aim is to move the British Council from 'double bottom line' thinking to be in line with current strategic thinking on the 'triple bottom line' (economic growth, social progress and environmental issues taken into consideration) which together defines sustainability.

LOW CARBON FOR CULTURAL RELATIONS

Our commitment to operate in a responsible and sustainable way is not driven solely by moral conviction. There are huge business benefits and opportunities available to the British Council by acting more sustainably; equally there are significant risks to our organisation if we don't. There are some things that we are mandated to do by government 'Green government commitments' (reporting to government on our environmental performance), but there are many others that we can do voluntarily and that simply make good business sense.

Increasingly, we are expected by the public and our partners to demonstrate good practice in environmental management, so there are strong reputational reasons for our concerted effort to drive sustainability principles into our core values. Perhaps above all, this is intrinsic to the ethics of our leadership team and our staff.

There are many things that we are already doing well. We are rightly proud of our strategic approach to environmental management across our UK and overseas properties. We have further developed a number of climate change initiatives – both internally and through our external programmes – to improve our performance.

The purpose of this holistic Sustainable Action Plan for the British Council is to inspire and energise managers and staff to address shortcomings and deliver the transformational change needed to ensure a sustainable future for all of us. It builds upon the excellent work that is already happening in some places across the organisation and provides a coherent and far-reaching framework through which we will deliver our sustainable transformation and our low carbon transition priorities. It is not a resource-intensive or burdensome strategy, but a new way of thinking and working which needs to permeate everything we do. It will reduce cost, improve productivity and ensure that we are compliant with all relevant regulations and government targets. It will encourage innovative ways of working to reduce our carbon emissions and our environmental impacts, and will ultimately enhance the performance of the organisation as a whole.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

Since its introduction in 2008, the system has achieved certification to International standard for EMS ISO 14001 and is minimising our impact on the environment in the UK. We have developed an environmental management plan, which sets targets and objectives for reducing carbon, energy, water and waste and we use this data to report to government.

In 2010–11 we achieved a UK reduction in carbon emissions of nearly 30 per cent against the baseline year of 2009–10.

This year we also successfully rolled out the EMS to all UK offices, to achieve ISO14001 across the whole of our UK estate.

MAYOR'S GREEN500

The British Council received a Platinum Award from the London Mayor, Boris Johnson, at the Green500 Awards in May 2010. Green500 is London Development Agency carbon mentoring scheme that recognises organisations in London taking action to reduce their carbon emissions. We were also nominated for a GLA 500 Special Award – the Indirect Leader Award – and given a special mention in this category for the development of the environmental framework tool for our overseas estate.

OVERSEAS ENVIRONMENTAL FRAMEWORK TOOL (EFT)

The Environmental Framework Tool (EFT) is a guidance tool for staff throughout our global network on how to manage and mitigate our environmental impact. EFT is fully operational throughout our overseas network with 75 per cent of our offices achieving Level one, and it is playing an important role in our new building projects. Our new office project in Colombo, Sri Lanka, is predicting a 22 per cent reduction in CO₂ by using sustainable guidance for the new build and incorporating EFT guidance into the development of its energy and waste management. The EFT is helping teams throughout the world to demonstrate local leadership. Sri Lanka was the first office to reach EFT Level three.

EFT LEVELS:

- **Level one:** making a commitment and mobilising
- **Level two:** understanding and responding
- **Level three:** performance improvements
- **Level four:** strong performance.
- **Provisional Level five:** showing leadership.

By 31 March 2011, 15 per cent of overseas offices had completed EFT Level three. Our team in the UK continue to provide training and support to our global network.

We are currently updating the system and therefore have set a target of Level three for 2011–12 to consolidate the good environmental management we have achieved globally.

INTERNAL SOUTH ASIA

GOING GREEN IN MUMBAI

This year we completed work on our office in Mumbai. This office has been designed with a number of innovations to make it more environmentally friendly.

The high ceilings maximise daylight penetration, reducing the need for artificial light. The use of white blinds to reduce heat without limiting daylight, energy-saving light fixtures and passive infrared sensors to automatically switch off lights in areas not in use, all contribute to reducing our energy consumption. Even our choice of air conditioning gives us a 21 per cent saving in electricity consumption.

We have incorporated reusable materials in the design and are making use of water recycling and rainwater harvesting to reduce our water usage.



FIVE// OUR ACCOUNTS



WE WILL CONTINUE TO BUILD
**TRUST AND INTERNATIONAL
OPPORTUNITY** FOR THE UK AND
OTHER COUNTRIES BY DRAWING
ON THE UK'S STRENGTHS



FINANCIAL REVIEW

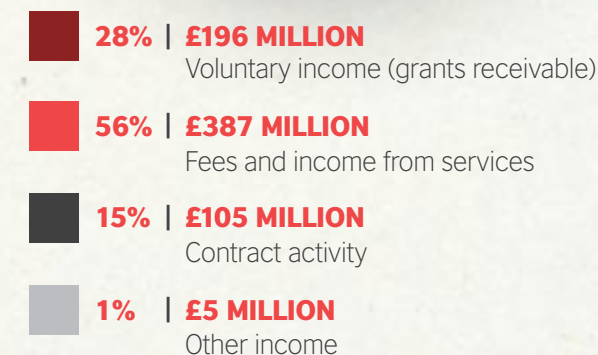
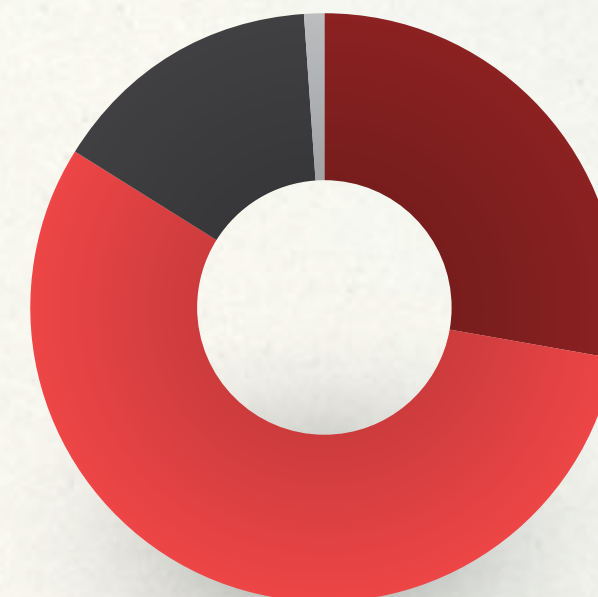
For every £1 of Foreign Office grant received,
we earn an additional £2.65 from other sources.

SUMMARY OF RESULTS

TOTAL INCOME RECEIVED 2010–11

Total income for 2010–11 has decreased by 2 per cent (£14 million) to £693 million compared with last year. This decrease came principally from restricted contracts, which fell 19 per cent (£25 million) to £105 million, and voluntary income (grants receivable) which fell 7 per cent (£15 million) to £196 million. These decreases were partially offset by fees and income from services, which grew by 7 per cent (£26 million) to £387 million, resulting from strong performance in our teaching and examinations businesses.

Income from contract activity reduced largely as a result of the reclassification of two contracts where it is deemed the British Council acts as an agent rather than as a principal (£17 million). Classification as an agent means that although activity continues, the British Council only recognises management fee income relating to these contracts through its Statement of Financial Activities. The activity on these contracts is disclosed in note 23 to the accounts.



*In this third year of the Comprehensive Spending Review settlement, the British Council has changed its focus on programme areas – Intercultural Dialogue, Creative and Knowledge Economy and Climate Change – to a Strategic Business Unit focus – English, Arts, and Education and Society. In 2010–11 the British Council reduced direct spend on programmes from grants receivable by £17 million to £85 million. This decrease in programme spend reflects the reduction in grant funding.

TOTAL RESOURCES EXPENDED 2010–11

Total expenditure for the year has fallen by 6 per cent (£43 million) to £665 million compared with last year. This decrease comes after investment expenditure to grow our work in teaching and examinations and a business transformation programme to improve the efficiency of Finance, IT and other operational areas. Although expenditure has fallen, careful programming resulted in increased impact and engagement with audiences over the year.

EFFICIENCY SAVINGS

The British Council's efficiency programme for 2010–11 was designed to respond to the decline in the purchasing power of the grant and to ensure delivery of its remaining Comprehensive Spending Review (CSR) and Operational Efficiency Programme (OEP) commitments. The CSR target of £18.2 million and the OEP target of £2.6 million by March 2011 were both met in full.

The savings made in 2010–11 were achieved mainly through:

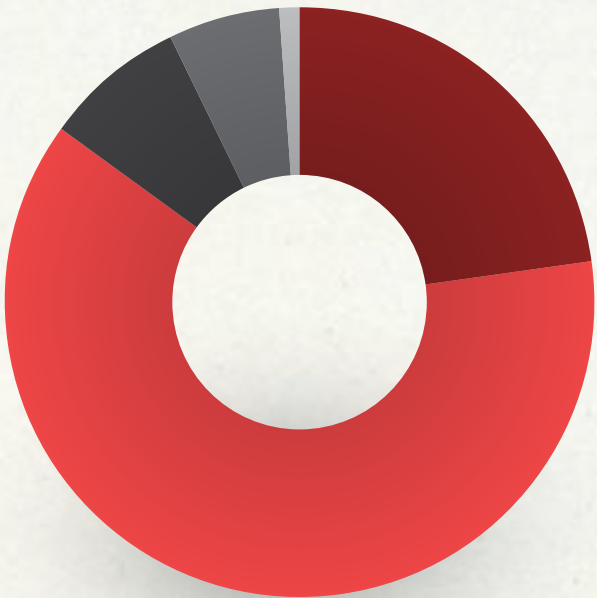
- a challenging programme in the UK involving significant post reductions, restructuring of operational departments and changes to the way in which support services are delivered
- the creation of the Global Shared Services Centre in India, taking over a number of support services for the worldwide network
- a restructuring programme to reduce office costs overseas.

RESERVES POLICY

The reserves policy ensures that the British Council has sufficient reserves to allow it to fund working capital requirements, manage business risk and provide investment funding. The Board of Trustees periodically reviews the reserves policy to reflect changes in the size of the business, risk profile and investment requirements.

At 31 March 2011 the total general reserve was £75 million. This is a composite figure combining the reserves related to teaching, examinations and contract delivery work plus any reserves related to grant-funded activities.

The general reserve includes a debit balance of £16 million relating to grant-funded activities. When the accounting basis was changed from



23%	£156 MILLION	Developing a wider knowledge of the English language
62%	£412 MILLION	Encouraging educational co-operation and promoting the advancement of education
8%	£53 MILLION	Building capacity for social change
6%	£39 MILLION	Encouraging cultural scientific and technological co-operation
1%	£6 MILLION	Governance costs

cash to accruals on 1 April 1995, 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 Trustees, management and the Foreign and Commonwealth Office are committed to continuing activities at current levels and there is therefore no immediate requirement to restrict operations to cover these liabilities.

The British Council must manage its affairs to ensure that the level of reserves and associated cash balances related to activity substantially funded by the government grant are kept at an acceptable level in accordance with its responsibilities under *Managing Public Money*.

AIMS AND OBJECTIVES

In 2011–12 we will continue to build trust and international opportunity for the UK and other countries by drawing on the UK's strengths in English, the arts, education and society. We will work towards the following outcomes:

ENGLISH: more widespread and better quality teaching and learning of English worldwide.

ARTS: new ways of connecting with and seeing each other through the arts.

EDUCATION AND SOCIETY: enhanced UK leadership of and shared learning from international education and stronger global citizenship among people in the UK and worldwide.

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 the United Kingdom, who fulfil the published criteria for each scheme and who are best suited to deliver the objectives of the activity.

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 receipt, provided that the relevant goods and/or services have been supplied.

During the financial year 2010–11, 95 per cent (2009–10: 97 per cent) of valid invoices were paid within this target period. This figure includes payment of grants and stipends. The total number of payment transactions processed in 2010–11 was 114,973 (2009–10: 91,850). These figures relate only to UK activity.

ESTATES MANAGEMENT

The purpose of the British Council estate is to support the function and business objectives of the organisation. The British Council aims to ensure an efficient and effective estate by basing estates decision-making around core priorities reflecting the needs of the British Council and market opportunities to ensure that the estate is value for money, flexible, functional, safe, secure and sustainable. The majority of the estate, which is largely based overseas, is held on a leasehold basis. The UK estate consists of two head-office buildings in London and Manchester and operational premises in Edinburgh, Cardiff and Belfast, all of which are leased. The owned estate is all overseas and is made up of a mix of residential and commercial properties.

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

I have audited the financial statements of the British Council and the group for the year ended 31 March 2011. These comprise the Consolidated Statement of Financial Activities, the Consolidated and British Council Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of the Trustees' Responsibilities and Statement of the Accounting Officer's Responsibilities, the Board of Trustees and Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

I audit under section 43 of the Charities Act 1993 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with those Acts.

My responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and British Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

OPINION ON REGULARITY

In my opinion, in all material respects, the expenditure and income 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.

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view, of the state of the British Council's and the group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities Act 1993; the Charities Accounts (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and directions made by the Secretary of State.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State; and
- the information which comprises: 'Our performance', 'Governance'; 'Environmental policy'; and 'Financial review', included within the Annual Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- proper and adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse

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

28 June 2011

ACCOUNTS

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2011

				RESTATED	
		UNRESTRICTED	RESTRICTED	2010–11 TOTAL	2009–10 TOTAL
NOTES	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	3	196,161	-	196,161	211,319
Interest earned		2,369	-	2,369	1,608
Trading income		1,811	-	1,811	1,044
Incoming resources from charitable activities					
Fees and gross income from services and other sources	4	387,116	-	387,116	360,800
Funding for contract activity	23	-	105,054	105,054	129,759
Other incoming resources					
Profit on disposal of fixed assets	6	452	-	452	2,032
TOTAL INCOMING RESOURCES		587,909	105,054	692,963	706,562
RESOURCES EXPENDED					
Costs of generating funds					
Trading expenses		297	-	297	17
Charitable activities					
Cost of activities and grants made in furtherance of the objects:					
Developing a wider knowledge of the English language		153,577	2,340	155,917	157,464
Encouraging educational co-operation and promoting the advancement of education		338,551	72,956	411,507	443,272
Encouraging cultural, scientific and technological co-operation		38,457	353	38,810	51,882
Building capacity for social change		23,590	29,405	52,995	49,144
Governance costs		5,795	-	5,795	6,304
TOTAL	5	559,970	105,054	665,024	708,066
TOTAL RESOURCES EXPENDED		560,267	105,054	665,321	708,083
NET INCOMING/(OUTGOING) RESOURCES					
Loss on revaluation of fixed assets for charity's own use	17	(862)	-	(862)	(278)
Profit on revaluation of intangible fixed assets for charity's own use	17	1,586	-	1,586	-
Gain on revaluation of fixed assets for charity's own use – heritage assets	17	7,274	-	7,274	-
Actuarial loss recognised in the retirement benefits scheme	17	(859)	-	(859)	(2,798)
NET MOVEMENT IN FUNDS		34,781	-	34,781	(4,597)
Funds brought forward at start of year		296,365	-	296,365	300,962
FUNDS CARRIED FORWARD AT END OF YEAR		331,146	-	331,146	296,365

The British Council's non-consolidated total incoming resources for 2010–11 were £691.4 million (2010: £706.6 million); total resources expended were £662.6 million (2010: £708.1 million); and total net incoming resources were £28.8 million (2010: net outgoing resources of £1.5 million). Restricted Activity includes £49 million (2010: £53 million) of income and expenditure relating to projects carried out on behalf of the European Commission. Fees and gross income from services and other sources includes £4.9 million (2010: £4.9 million) received in relation to European Commission projects. 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 101 to 131 form part of these accounts.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

		GROUP		BRITISH COUNCIL	
		2011	2010	2011	2010
		RESTATED		RESTATED	
NOTES	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible fixed assets	9	5,949	4,526	5,886	4,526
Tangible fixed assets	10	168,408	170,161	167,796	170,161
Heritage assets	11	80,899	73,467	80,899	73,467
Investments	12	223	231	248	225
		255,479	248,385	254,829	248,379
CURRENT ASSETS					
Stock		346	303	333	303
Loan to subsidiaries	12(c)	-	-	3,375	2,300
Debtors	13	58,873	86,332	59,535	86,577
Derivative financial assets	14	27	663	27	663
Cash at bank and in hand		234,282	195,838	229,669	193,277
		293,528	283,136	292,939	283,120
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	15	(190,716)	(192,070)	(189,081)	(192,060)
Short-term provisions for liabilities and charges	16(a)	(8,278)	(24,341)	(8,202)	(24,341)
NET CURRENT ASSETS		94,534	66,725	95,656	66,719
TOTAL ASSETS LESS CURRENT LIABILITIES		350,013	315,110	350,485	315,098
LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Long-term provisions for liabilities and charges	16(b)	(20,211)	(20,948)	(20,133)	(20,948)
NET ASSETS EXCLUDING RETIREMENT BENEFITS SCHEME ASSET		329,802	294,162	330,352	294,150
Retirement benefits scheme asset	7(i)	1,344	2,203	1,344	2,203
NET ASSETS		331,146	296,365	331,696	296,353
UNRESTRICTED FUNDS AND RESERVES					
Capital account		97,746	99,304	97,071	99,304
Revaluation account		76,642	75,383	76,642	75,383
General account		74,515	46,008	75,740	45,996
Retirement benefits scheme reserve		1,344	2,203	1,344	2,203
Heritage assets reserve		80,899	73,467	80,899	73,467
	17	331,146	296,365	331,696	296,353

Approved by the Board of Trustees and signed on its behalf on 24 June 2011.

V. J. Ellis

Sir Vernon Ellis
Chair Trustee

Martin Davidson

Martin Davidson CMG
Chief Executive Accounting Officer

The notes on pages 101 to 131 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	2010–11		2009–10	
	£'000	£'000	£'000	£'000
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR		27,642		(1,521)
Less: contribution made to retirement benefits scheme	(130)	(130)	(182)	(182)
		27,512		(1,703)
Add/(deduct):				
Interest receivable	(2,369)		(1,608)	
Depreciation charge including impairments	9,228		10,609	
(Gain) on sale of tangible fixed assets	(452)		(2,032)	
Loss on revaluation of fixed asset investment	8		8	
Unrealised loss/(gain) on exchange	122		(566)	
Unrealised loss/(gain) on revaluation of financial assets	636		(663)	
(Increase) in stocks	(43)		(68)	
Decrease in debtors	27,459		4,556	
(Decrease)/increase in creditors	(1,354)		10,309	
Movement in provisions including short-term element	(16,798)	16,437	27,126	47,671
NET CASH INFLOW FROM OPERATING ACTIVITIES		43,949		45,968
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest receivable	2,369		1,608	
		2,369		1,608
CAPITAL EXPENDITURE AND INVESTMENTS ACTIVITIES				
Investment in subsidiary	-		(6)	
Payments to acquire intangible fixed assets	(62)		(700)	
Payments to acquire tangible fixed assets	(9,049)		(11,887)	
Payments to acquire heritage assets	(106)		-	
Receipts from sales of tangible fixed assets	1,343		5,902	
		(7,874)		(6,691)
Increase/(decrease) in cash		38,444		40,885
Cash at start of year		195,838		154,953
CASH AT END OF YEAR		234,282		195,838

These financial statements were authorised by the Chair of the Trustees and the Chief Executive for issue on the date that the Comptroller and Auditor General signed the Audit Certificate.

NOTES

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)* (the Charities SORP) and other applicable accounting standards; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and with the 2010–11 Government *Financial Reporting Manual* (the FReM) where this exceeds but does not conflict with the Charities SORP.

As at 31 March 2011, the British Council had eight wholly-owned subsidiary undertakings; BC Trading International Limited, BC English Services Trans-National Limited, BC Holdings (United Kingdom) Limited, BCT Events and Promotions India Private Limited, BC Management Services Private Limited, British Council AC, British Council Asociados AC and the Friends of the British Council USA. BCT Events and Promotions India Private Limited is exempt from consolidation into the British Council group accounts under the Charities SORP, section 383(c) as this entity is not material to the group. The British Council financial statements consolidate the results of its other wholly-owned subsidiaries under acquisition accounting.

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. These are included within the Financial Statements of the British Council and are not considered to be material.

No separate Statement of Financial Activities has been presented for the British Council as the British Council has taken advantage of the exemptions afforded by paragraph 397 of the Charities SORP. A summary of all trading subsidiaries’ results and Balance Sheet is provided in note 12(b). 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.

The financial statements for the year ended 31 March 2011 have been prepared on a going concern basis; both the Board of Trustees and management believe that this is an appropriate basis of preparation.

2 ACCOUNTING POLICIES

(a) Fees and income

Fees and income are recognised to the extent that the associated goods or services have been provided, and that where income is received in advance of this, it is deferred.

(b) Grants receivable

Grants received are recognised upon receipt. Grants received that have terms and conditions attached are not recognised until the grantor’s terms and conditions have been satisfied.

(c) Grants payable

Grants payable are payments made to third parties in the furtherance of the charitable objects of the British Council.

Single or multi-year grants are accounted for when either:

- the recipient has a reasonable expectation that they will receive a grant and the Trustees have agreed to pay the grant without condition, or
- the recipient has a reasonable expectation that they will receive a grant and any condition attaching to the grant is outside the control of the British Council.

‘Performance-related’ grants contain specific conditions of payment that closely specify a particular service to be performed by the recipient of the grant. Expenditure on such grants is recognised to the extent that the recipient of the grant has provided the specified service or goods.

(d) Basis of allocation of expenditure

Expenditure is recognised in the financial statements on an accruals basis. Resources expended are classified in the Statement of Financial Activities under three principal categories which are: cost of generating funds, charitable activities and governance, rather than by expense type.

Charitable expenditure comprises all expenditure directly relating to charitable activities of the British Council, resources expended on managing and administering the charity and 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 ‘developing a wider knowledge of the English language’. 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 Secretariat, Internal Audit, Legal and Communications departments as well as the external audit fee.

For the United Kingdom only, irrecoverable and partially recoverable Value Added Tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable the underlying transactions are brought to account net of VAT.

The British Council as a registered charity is exempt from corporation tax on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects.

(e) 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. All development of new products and services are for primary purpose trading.

(f) Valuation, capitalisation and depreciation of intangible and tangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £3,000 or more is incurred. These are valued at cost and amortised at rates calculated to write off the assets on a straight-line basis over ten years or the period of the licence, whichever is shorter. They are not revalued as the effect of revaluation is not considered to be material.

Expenditure on tangible fixed assets is capitalised if the cost of the asset, or a group of related assets, is £3,000 or more. All tangible fixed assets are included at their value to the business by reference to current costs, except land and property, which is included at a valuation which has been arrived at by DTZ Debenham Tie Leung, real estate advisers, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. These valuations take place every five years. All fixed assets are reviewed on an annual basis for material impairment.

During the year ended 31 March 2009, all freehold and long leasehold land and buildings were revalued by DTZ Debenham Tie Leung, real estate advisers on the basis of the open market value at 31 March 2009. Subsequent additions are included at cost. It is not practicable to revalue land and buildings on a yearly basis; however, land and buildings are reviewed on an annual basis for material impairment.

All current cost accounting adjustments to reflect modified historic cost accounting are recorded in, or transferred to, a revaluation account. All upward revaluation adjustments for existing properties are held in the revaluation account. When a property is disposed of, the revaluation account is adjusted with any previous revaluation and released to the capital account.

All tangible fixed assets, other than freehold land and assets in progress, are depreciated using the straight-line method over their estimated useful lives as follows:

Freehold and long-leasehold buildings	30–50 years
Long leasehold land	term of lease
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

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 Statement of Financial Activities in the year of purchase.

Assets in progress are not depreciated until brought into operational use.

(g) Heritage assets

The permanent collection of works of art comprises over 8,500 items. These are recorded on the Balance Sheet at current valuation, where there is a readily ascertainable market value and where this is not possible they are recorded at either initial purchase price or original valuation assigned by the Curator upon donation. Valuations are carried out each year at 31 March by the collection’s Curator, who is a member of the British Council’s staff and a suitably qualified person. This is the first year for reporting under *Financial Reporting Standard 30 – Heritage assets*.

Heritage assets are either purchased or donated by artists who feel that their art can further the organisation’s charitable objects.

The British Council’s heritage assets are not depreciated as it is deemed that they have an indefinite life. Any impairment of heritage assets is dealt with in accordance with *Financial Reporting Standard 11 – Impairment of fixed assets and goodwill*.

Any gains or losses on revaluation of heritage assets will be recognised through the heritage asset revaluation reserve.

The policy for acquisition, preservation and management of the art collection can be found on the following website:

<http://collection.britishcouncil.org/>

(h) Investments

Investments are programme-related investments and are stated at cost less provision for diminution in value.

(i) Financial assets and liabilities

Financial instruments are any contractual agreements that will give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the Balance Sheet when the organisation becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus directly attributable transaction costs for all not carried at fair value through profit or loss. They are derecognised when the rights to receive cash flows from the financial assets have expired or where all risks and rewards of ownership have been transferred.

The British Council classifies its financial instruments into the following four categories: loans and receivables; assets available for sale; financial assets and liabilities at fair value through profit or loss; and financial liabilities.

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. Assets available for sale are carried at fair value. Financial assets and liabilities are recorded at fair value with any gains or losses being recognised in the Statement of Financial Activities. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Fair value is defined as the amount for which an asset is settled or a liability extinguished, between knowledgeable parties, in an arm’s length transaction. This is generally taken to be the transaction value, unless, where material the fair value needs to reflect the time value of money, in which case the fair value is calculated from discounted cash flows.

The British Council holds derivative financial instruments in the form of forward foreign exchange contracts: these are in place to hedge the organisations exposure to currency fluctuations. Derivative financial instruments are classified as financial assets and liabilities at fair value through profit or loss.

(j) 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.

(k) 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.

(l) 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. The cost of rentals under operating leases are charged to expenditure as incurred.

(m) Exchange differences

Transactions in foreign currencies are translated into sterling on a monthly basis at rates approximating to the average rate of exchange for the month. Current assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the Balance Sheet date. Fixed assets are recorded at historical cost or current cost. All exchange differences incurred in the year are taken to the Statement of Financial Activities.

(n) 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 – Retirement benefits*.

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.

(o) Provisions and contingent liabilities

Provisions are recognised when the British Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are discounted to present value where the effect is material.

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. The British Council is required to meet the additional costs of benefits before normal retirement age in respect of employees who retire under early severance and early retirement schemes. The British Council pays the required amounts annually to the Principal Civil Service Pension Scheme over the period between early departure and normal retirement date.

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.

Where the British Council has possible obligations which do not meet the provisions criteria set out in *Financial Reporting Standard 12 – Provisions, contingent liabilities and contingent assets* these are disclosed as contingent liabilities.

(p) 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. Therefore the net book value of tangible and intangible fixed assets is equal to the value of the capital and revaluation account.

(q) Revenue and expenditure under contracts or agreements (restricted funds)

The British Council executes activities that fall within its charitable objects under a contract or agreement. The contract or agreement will specify the purpose of the activities.

Where the British Council receives funding or income for a specified purpose which is narrower than, but within, the charity's overall objects and the British Council can still exercise discretion with the funds given, the British Council is considered to be acting as principal. In these circumstances, 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.

Where funds are received by the British Council acting as an 'agent' rather than a principal, and the British Council transmits those funds to a third party but does not have responsibility for their ultimate application, these resources are not recognised in the British Council's Statement of Financial Activities or Balance Sheet, in accordance with the Charities SORP. The terms of the contract may require the British Council to 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.

3 VOLUNTARY INCOME

The principal grant-in-aid and capital grant-in-aid is received from the Foreign and Commonwealth Office. This revenue and capital grant-in-aid is not classified as restricted. There are also specific grants to deliver educational activities on behalf of the education departments of England, Scotland, Wales and Northern Ireland, which are not classified as restricted.

2010–11		2009–10	
£'000	£'000	£'000	£'000
FOREIGN AND COMMONWEALTH OFFICE			
Revenue grant-in-aid	184,682	192,963	
Capital grant-in-aid	5,400	7,800	
TOTAL	190,082	200,763	
EDUCATION GRANTS			
Grants receivable from:			
Department for Education	4,550	7,172	
Department for Business, Innovation and Skills	700	2,496	
Department of Education, Northern Ireland	372	370	
Scottish Government Schools Directorate (formerly Scottish Executive Education Department)	259	291	
Department for Children, Education, Lifelong Learning and Skills (Welsh Assembly Government)	198	227	
TOTAL EDUCATION GRANTS RECEIVABLE	6,079	10,556	
TOTAL	196,161	211,319	

4 FEES AND GROSS INCOME FROM SERVICES AND OTHER RESOURCES

	CONTRACT MANAGEMENT FEE INCOME	SERVICES FEES	OTHER PARTNERSHIP INCOME	2010–11 TOTAL	2009–10 TOTAL
	£'000	£'000	£'000	£'000	£'000
FEES, SPONSORSHIP AND OTHER INCOME RECEIVED FROM ACTIVITIES IN FURTHERANCE OF THE OBJECTS:					
Developing a wider knowledge of the English language	628	139,352	3,527	143,507	134,865
Encouraging educational co-operation and promoting the advancement of education	11,765	200,562	22,328	234,655	217,891
Encouraging cultural, scientific and technological co-operation	79	-	3,073	3,152	3,565
Building capacity for social change	4,087	-	1,715	5,802	4,464
Miscellaneous income	-	-	-	-	15
TOTAL	16,559	339,914	30,643	387,116	360,800

5 ANALYSIS OF TOTAL RESOURCES EXPENDED

	GRANTS PAYABLE	STAFF COSTS	OTHER DIRECT COSTS	SUPPORT COSTS	2010–11 TOTAL	2009–10 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
COST OF ACTIVITIES IN FURTHERANCE OF THE OBJECTS:						
Developing a wider knowledge of the English language	163	91,711	32,022	32,021	155,917	157,464
Encouraging educational co-operation and promoting the advancement of education	10,329	151,956	206,188	43,034	411,507	443,272
Encouraging cultural, scientific and technological co-operation	2,831	15,021	15,594	5,364	38,810	51,882
Building capacity for social change	2,951	10,111	37,152	2,781	52,995	49,144
GOVERNANCE COSTS	-	3,425	2,370	-	5,795	6,304
TOTAL	16,274	272,224	293,326	83,200	665,024	708,066

Included in the above resources expended are staff costs of £1,029,000 and other direct costs of £104,025,000 relating to restricted expenditure.

Included in other direct costs are fees payable to the Charity’s auditors:

	2010–11	2009–10
	£'000	£'000
Fee payable to Charity’s auditors for the audit of the Charity’s Annual Report	155	130

Included in the audit fee of £155,000 is £12,500 relating to the audit of the Charity for year ended 31 March 2010.

There were no fees paid to the Charity’s auditors in respect of non-audit work.

In addition to the above, also included in other direct costs are amounts in respect of:

	2010–11	2009–10
	£'000	£'000
Audit services	239	76
Taxation advice	596	755
Consultancy	3,652	1,066
Financial advice and accountancy	182	319
	4,669	2,216
Payments for travel, subsistence, etc.	12,134	13,947
Property rental costs relating to operating leases	24,522	24,068
Depreciation charged	9,228	10,609

The property rental costs relating to operating leases are significantly higher than the annual commitments disclosed in note 18(c) of the accounts as a result of leases under cancellable contracts.

6 OTHER INCOMING RESOURCES

	2010–11	2009–10
	£'000	£'000
Profit on disposal of fixed assets	1,206	3,125
(Loss) on disposal of fixed assets	(754)	(1,093)
TOTAL	452	2,032

7 STAFF EMOLUMENTS AND RELATED COSTS

(a) Total staff costs:

	2010–11	2009–10
	£'000	£'000
Wages and salaries – permanent	207,573	202,156
Wages and salaries – non-permanent	38,800	33,643
Social security costs	8,881	11,940
Other pension costs	12,709	15,067
Early retirement costs	4,261	26,346
	272,224	289,152

Included in non-permanent wages and salaries is £22,098,000 (2009–10: £20,034,000) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The average monthly number of employees during the year was 7,028 (2010: 7,377) analysed as follows:

	2010–11	2009–10
	NUMBER OF STAFF	NUMBER OF STAFF
UNITED KINGDOM		
Management and administrative (senior managers 135 (2010: 146))	827	1,117
OVERSEAS		
Management and administrative (senior managers 250 (2010: 267))	4,370	4,440
Teachers	1,831	1,820
	7,028	7,377

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

(c) Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Where the British Council has agreed early retirements, the additional costs are met by the British Council and not by the CSCS. Ill-health retirement costs are met by the pension scheme and are not included in the table.

REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

	NUMBER OF COMPULSORY REDUNDANCIES		NUMBER OF OTHER DEPARTURES AGREED		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND (TOTAL COST)	
	2010–11	2009–10	2010–11	2009–10	2010–11	2009–10
EXIT PACKAGE COST BAND						
Less than £10,000	4	-	-	20	4	20
£10,000–£25,000	4	-	6	43	10	43
£25,001–£50,000	2	-	11	79	13	79
£50,001–£100,000	3	-	24	108	27	108
£100,001–£150,000	2	-	10	52	12	52
£150,001–£200,000	-	-	8	18	8	18
£200,001–£250,000	-	-	1	5	1	5
£250,001–£300,000	-	-	-	3	-	3
£300,001–£350,000	-	-	-	1	-	1
TOTAL NUMBER OF EXIT PACKAGES	15	-	60	329*	75	329*
TOTAL RESOURCE COST	£563,014	-	£4,958,913	£23,287,708	£5,521,928	£23,287,708

(d) The Chief Executive's total actual emoluments plus pension were £230,318 (2010: £209,506), comprising salary of £189,158 (which includes a bonus of £19,775) (2010: £168,549) and pension contributions of £41,160 (2010: £40,957). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

*This figure includes 46 exit packages which included a special payment, not covered by CSCS, agreed with HM Treasury.

(e) The following number of other employees received annual remuneration falling within the following ranges:

	2010–11	2009–10
	NUMBER OF STAFF	NUMBER OF STAFF
£60,000–£70,000	24	29
£70,001–£80,000	16	15
£80,001–£90,000	9	10
£90,001–£100,000	5	6
£100,001–£110,000	3	4

Of staff with remuneration over £60,000: one (2010: one) is a member of a defined contribution pension scheme and 56 (2010: 63) are members of a defined benefit pension scheme. Contributions of staff in this range to defined contribution pension schemes during the year were £7,002 (2010: £5,302).

(f) Travel expenses reimbursed to 14 (2010: 6) members of the Board of Trustees amounted to £34,927 (2010: £5,182).

(g) 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’s actuary valued the scheme as at 31 March 2007. Further details about the Civil Service pension arrangements and resource accounts can be found at the website: www.civilservice-pensions.gov.uk

For 2010–11, employer’s contributions of £7,945,565 (2010: £9,333,875) were payable to the PCSPS at one of four rates in the range of 16.7 per cent to 24.3 per cent (2010: 16.7 per cent to 24.3 per cent) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010–11, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2010–11 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’s contributions of £63,280 (2010: £69,119) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent (2010: 3 per cent to 12.5 per cent) of pensionable pay. The Employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £4,726 (2010: £5,797) which is 0.8 per cent (2010: 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 £5,470 (2010: £5,967). Contributions prepaid at that date were £nil (2010: £nil).

(h) The British Council operates a number of insured pension schemes for overseas appointed staff. None of these schemes is of a significant size due to the small numbers of staff involved.

(i) The British Council operate a defined benefit scheme for UK appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges (CBEVE). *Financial Reporting Standard 17 – Retirement benefits* has been adopted.

The scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time, as the average age of the membership increases. A preliminary actuarial valuation was carried out at 1 April 2008 and updated to 31 March 2011 by a qualified actuary, independent of the scheme’s sponsoring employer. The major assumptions used by the actuary are shown below.

The British Council currently pays contributions at the rate of 35.4 per cent of pensionable pay. Member contributions are payable in addition at the rate of 5.0 per cent of pensionable pay.

7 STAFF EMOLUMENTS AND RELATED COSTS (CONTINUED)

PRESENT VALUES OF SCHEME LIABILITIES, FAIR VALUE OF ASSETS AND SURPLUS

	2011	2010	2009
	£'000	£'000	£'000
Fair value of scheme assets	17,225	16,217	16,032
Present value of scheme liabilities	11,515	14,014	11,213
Surplus in scheme	5,710	2,203	4,819
Unrecognised surplus	4,366	995	3,541
Asset to be recognised	1,344	1,208	1,278

In year ended 31 March 2010, the Balance Sheet reported a retirement benefits scheme asset of £2,203,000. However this included an irrecoverable surplus that should not have been recognised of £995,000.

As a result, for year ended 31 March 2010 the retirement benefits scheme asset was overstated by £995,000.

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE PRESENT VALUE OF THE SCHEME LIABILITIES

	2011	2010
	£'000	£'000
Scheme liabilities at start of period	14,014	11,213
Current service cost	204	133
Interest cost	632	656
Contributions by scheme participants	17	20
Actuarial (gains)/losses	(2,636)	3,076
Benefits paid and death in service insurance premiums	(716)	(1,084)
Scheme liabilities at end of period	11,515	14,014

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF THE SCHEME ASSETS

	2011	2010
	£'000	£'000
Fair value of scheme assets at start of period	16,217	16,032
Expected return on scheme assets	890	789
Actuarial gains	687	278
Contributions by the British Council	130	182
Contributions by scheme participants	17	20
Benefits paid and death in service insurance premiums	(716)	(1,084)
FAIR VALUE OF SCHEME ASSETS AT END OF PERIOD	17,225	16,217

The actual return on the scheme assets for year ended 31 March 2011 was £1,577,000 (2010: £1,067,000).

TOTAL (INCOME)/EXPENSE RECOGNISED IN THE STATEMENT OF FINANCIAL ACTIVITIES:

	2011	2010
	£'000	£'000
Current service cost	204	133
Interest cost	632	656
Expected return on scheme assets	(890)	(789)
TOTAL (INCOME)/EXPENSE RECOGNISED IN THE STATEMENT OF FINANCIAL ACTIVITIES	(54)	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2011	2010
	£'000	£'000
Difference between expected and actual return on scheme assets:		
AMOUNT: GAIN / (LOSS)	687	278
Experience gains and losses arising on the scheme liabilities:		
AMOUNT: GAIN / (LOSS)	425	116
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
AMOUNT: GAIN / (LOSS)	2,211	(3,192)
TOTAL ACTUARIAL GAINS AND LOSSES (BEFORE RESTRICTION DUE TO SOME OF THE SURPLUS NOT BEING RECOGNISABLE)		
AMOUNT: GAIN / (LOSS)	3,323	(2,798)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable		
AMOUNT: GAIN / (LOSS)	(4,366)	2,546
TOTAL AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:		
AMOUNT: GAIN / (LOSS)	(1,043)	(252)

ASSETS

	2011	2010	2009
	£'000	£'000	£'000
Equity	8,285	6,130	8,513
Bonds	5,357	6,892	3,527
Property	3,204	2,903	2,950
Cash	379	292	1,042
TOTAL ASSETS	17,225	16,217	16,032

None of the fair values of the assets shown above include any of the British Council's own financial instruments or any property occupied by, or other assets used by, the British Council.

ASSUMPTIONS

	2011	2010	2009
	% PER ANNUM	% PER ANNUM	% PER ANNUM
Inflation	3.60	2.75	2.75
Salary increases	3.60	4.75	4.75
Rate of discount	5.50	4.60	6.04
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.60	2.75	2.75
Allowance for commutation of pension for cash at retirement	None	None	None

THE MORTALITY ASSUMPTIONS ADOPTED AT 31 MARCH 2011 IMPLY THE FOLLOWING LIFE EXPECTANCIES:

Male retiring at age 60 in 2011	28.9
Female retiring at age 60 in 2011	31.5
Male retiring at age 60 in 2031	31.2
Female retiring at age 60 in 2031	33.6

EXPECTED LONG-TERM RATES OF RETURN

The long-term expected rate of return on cash is determined by reference to bank base rates at the Balance Sheet date. The long-term expected return on bonds is determined by reference to UK long-dated government and corporate bond yields at the Balance Sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

THE EXPECTED LONG-TERM RATES OF RETURN APPLICABLE FOR EACH PERIOD ARE AS FOLLOWS

	2011	2010
	% PER ANNUM	% PER ANNUM
Equity	7.79	7.79
Bonds	5.00	6.04
Property	7.79	7.79
Cash	0.50	0.50
OVERALL FOR SCHEME	6.46	6.93

AMOUNTS FOR THE CURRENT AND PREVIOUS FOUR YEARS

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	17,225	16,217	16,032	18,109	17,045
Present value of scheme liabilities	11,515	14,014	11,213	13,747	14,765
Surplus in scheme	5,710	2,203	4,819	4,362	2,280
Experience adjustment on scheme assets	687	278	(3,326)	1,036	2,084
Experience adjustment on scheme liabilities	425	116	1,764	515	1,022

The best estimate of contributions to be paid by the British Council to the scheme for the period beginning after 31 March 2011 is £148,703 (2010: £141,621).

(j) Trustees

Capita ATL Pension Trustees Limited, independent Trustee to the Scheme, was paid fees amounting to £36,290 (2010: £17,153) excluding VAT during the year. No other Trustees of the scheme either received or waived any emoluments during the year. No travel expenses were reimbursed to Trustees during the year (2010: £nil).

8 GRANTS PAYABLE

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

	2010–11	2009–10
	£'000	£'000
From unrestricted funds:		
Grants to institutions	15,137	17,791
Grants to individuals	1,137	2,066
	16,274	19,857
Grants awarded to individuals and institutions under contract activity	61,607	60,082
TOTAL	77,881	79,939

(b) Analysis of grant recipients by object and value:

	ENCOURAGING EDUCATIONAL CO-OPERATION AND PROMOTING THE ADVANCEMENT OF EDUCATION	ENCOURAGING CULTURAL, SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION	BUILDING CAPACITY FOR SOCIAL CHANGE	DEVELOPING A WIDER KNOWLEDGE OF THE ENGLISH LANGUAGE	TOTAL	2009–10
INSTITUTION	£'000	£'000	£'000	£'000	£'000	£'000
Voluntary Services Overseas	-	-	1,438	-	1,438	798
University of Birmingham	196	12	-	-	208	233
King's College London	162	3	-	-	165	151
University of Edinburgh	153	2	-	-	155	103
Commonwealth Youth Exchange Council	150	-	-	-	150	-
Imperial College	122	27	-	-	149	139
University of Cambridge	108	37	-	-	145	193
University of Manchester	95	34	-	-	129	199
University of Strathclyde	110	2	-	-	112	-
University of Leicester	88	24	-	-	112	122
University of Sheffield	107	2	-	-	109	62
Global Development Network	108	-	-	-	108	-
University of Leeds	75	23	-	-	98	82
British Youth Council	96	-	-	-	96	-
Indian Institute of Science	94	-	-	-	94	-
China Social Entrepreneur Foundation	93	-	-	-	93	-
University of Ulster	88	3	-	-	91	98
City University	87	-	-	-	87	260
University of Bradford	63	23	-	-	86	72
University of Exeter	75	1	-	-	76	48
University of Nottingham	63	10	-	-	73	134
Heriot Watt University	70	2	-	-	72	55
Leeds Metropolitan University	67	-	-	-	67	199
University of Glasgow	44	22	-	-	66	60
University of Southampton	51	15	-	-	66	116
Bradford College	62	1	-	-	63	124
Indian Institute of Management	58	-	-	-	58	-
University of Aberdeen	37	19	-	-	56	-
Echo Culture Limited	-	55	-	-	55	51
University of Liverpool	31	20	-	-	51	64
University of Newcastle	46	3	-	-	49	87
University of Durham	43	5	-	-	48	110
University of Greenwich	46	-	-	-	46	198
Weizman Institute	-	46	-	-	46	-
University of East Anglia	30	15	-	-	45	148
University of Bath	45	-	-	-	45	-
Atamira Dance Collective	-	45	-	-	45	-
University of Oxford	-	44	-	-	44	102
University of Dundee	43	-	-	-	43	58

University of Essex	34	8	-	-	42	85
Middlesex University	40	1	-	-	41	82
The Hunger Project	38	-	-	-	38	-
Teamworks Films Private Limited	38	-	-	-	38	-
Brunel University	15	22	-	-	37	69
University for the Creative Arts	37	-	-	-	37	-
Edinburgh's Telford College	36	-	-	-	36	-
London College of Fashion	36	-	-	-	36	69
University of Central Lancashire	35	-	-	-	35	47
Llandrillo College Wales	33	-	-	-	33	-
University of Teesside	33	-	-	-	33	106
Open University	33	-	-	-	33	198
Highbury University	32	-	-	-	32	83
University of Warwick	32	-	-	-	32	57
University of Brighton	30	-	-	-	30	86
Northumbria University	30	-	-	-	30	84
Loughborough University	29	-	-	-	29	56
Bournemouth University	29	-	-	-	29	83
Tel Aviv University	-	23	-	-	23	94
Sheffield Hallam University	21	-	-	-	21	86
University of Hertfordshire	20	-	-	-	20	52
Kingston University	19	-	-	-	19	46
Derby College	15	-	-	-	15	57
Coventry University	14	-	-	-	14	91
Oxford Brookes University	12	-	-	-	12	44
University of Reading	10	-	-	-	10	161
University College London	9	-	-	-	9	65
VGBIL Library	-	-	7	-	7	53
University of Northampton	7	-	-	-	7	52
Cardiff University	-	3	-	-	3	74
Tipping Point	-	-	-	-	-	78
ISCOS	-	-	-	-	-	102
Institute for Strategic Dialogue	-	-	-	-	-	71
Lisson Gallery, London	-	-	-	-	-	250
Complicite, London	-	-	-	-	-	150
Turkish Radio and Television Corporation	-	-	-	-	-	88
Open Society Foundation	-	-	-	-	-	75
Nargis Action Group	-	-	-	-	-	57
City College Birmingham	-	-	-	-	-	55
Grants to other institutions	6,496	1,648	1,349	124	9,617	10,819
TOTAL GRANTS TO INSTITUTIONS	10,019	2,200	2,794	124	15,137	17,791
Grants to individuals (1,165 recipients)	279	680	138	40	1,137	2,066
TOTAL GRANTS	10,298	2,880	2,932	164	16,274	19,857

Included in grants to other institutions are 2,135 individual grants under £40,000.

In addition to grants given above from unrestricted funds, the British Council awards grants under particular contract activity (note 2(q)), which represents restricted funds.

Values are as follows:

	ENCOURAGING EDUCATIONAL CO- OPERATION AND PROMOTING THE ADVANCEMENT OF EDUCATION	ENCOURAGING CULTURAL, SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION	BUILDING CAPACITY FOR SOCIAL CHANGE	DEVELOPING A WIDER KNOWLEDGE OF THE ENGLISH LANGUAGE	TOTAL	2009–10
	£'000	£'000	£'000	£'000	£'000	£'000
GRANTS AWARDED TO INDIVIDUALS AND INSTITUTIONS UNDER CONTRACT ACTIVITY	44,983	259	16,359	5	61,606	60,082

9 INTANGIBLE FIXED ASSETS

SOFTWARE LICENCES	
	£'000
MODIFIED COST OR VALUATION	
At 1 April 2010	7,133
Additions/transfers	62
Disposals	-
Revaluations	(709)
AT 31 MARCH 2011	6,486
AMORTISATION	
At 1 April 2010	(2,607)
Charge for year	(226)
Disposals/transfers	-
Revaluations	2,296
AT 31 MARCH 2011	(537)
NET BOOK VALUE	
AT 31 MARCH 2011	5,949
At 1 April 2010	4,526

10 TANGIBLE FIXED ASSETS

	FREEHOLD LAND AND PROPERTY	FREEHOLD LAND AND PROPERTY RESIDENTIAL	LEASEHOLD LAND AND PROPERTY	LEASEHOLD LAND AND PROPERTY RESIDENTIAL	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MODIFIED COST OR VALUATION								
At 1 April 2010	96,352	6,776	74,821	6,720	10,000	16,721	10,462	221,852
Assets reclassified for 2011	(3,353)	-	3,353	-	-	-	-	-
Restated at 1 April 2010	92,999	6,776	78,174	6,720	10,000	16,721	10,462	221,852
Additions	4,060	89	2,270	-	385	1,148	1,097	9,049
Transfers	-	-	-	-	-	-	-	-
Disposals	(570)	(310)	(1,740)	-	(1,281)	(7,255)	(838)	(11,994)
Revaluations (CCA)	-	-	-	-	181	1,633	364	2,178
Revaluations	-	(2,155)	-	-	-	-	-	(2,155)
AT 31 MARCH 2011	96,489	4,400	78,704	6,720	9,285	12,247	11,085	218,930
DEPRECIATION								
At 1 April 2010	(3,642)	(128)	(19,253)	(237)	(7,405)	(13,149)	(7,877)	(51,691)
Assets reclassified for 2011	1,613	-	(1,613)	-	-	-	-	-
Restated at 1 April 2010	(2,029)	(128)	(20,866)	(237)	(7,405)	(13,149)	(7,877)	(51,691)
Charge for the year	(1,922)	(73)	(3,437)	(211)	(545)	(2,088)	(726)	(9,002)
Assets reclassified for 2011	312	-	(312)	-	-	-	-	-
Disposals/transfers	46	59	1,649	-	1,275	7,255	817	11,101
Backlog depreciation (CCA)	-	-	-	-	(256)	(464)	(210)	(930)
Revaluations	-	-	-	-	-	-	-	-
AT 31 MARCH 2011	(3,593)	(142)	(22,966)	(448)	(6,931)	(8,446)	(7,996)	(50,522)
NET BOOK VALUE								
AT 31 MARCH 2011	92,896	4,258	55,738	6,272	2,354	3,801	3,089	168,408
At 1 April 2010	92,710	6,648	55,568	6,483	2,595	3,572	2,585	170,161

Included in the above:

ASSETS IN PROGRESS (AIP)

	LAND AND PROPERTY	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	TOTAL
	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	4,083	79	324	269	4,755
AIP items capitalised in 2010–11	(1,737)	(82)	(265)	(265)	(2,349)
2010–11 AIP items to be capitalised	2,454	52	385	468	3,359
AT 31 MARCH 2011	4,800	49	444	472	5,765

Included in tangible fixed assets are assets to the value of £19.2 million (2010: £19.5 million) which have been fully depreciated. These assets are still in use and provide value to the business. The British Council considers that the useful lives of its tangible fixed assets remain appropriate.

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

Freehold and long-leasehold land and buildings are revalued every five years. Freehold and long-leasehold land and buildings were valued on the basis of open market value for existing use at 31 March 2009 by DTZ Debenham Tie Leung, real estate advisers, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. The British Council has concluded that there was no significant movement in the value of its properties during the year. The Valuation Office carried out an indicative movement review of the land and buildings portfolio as at 31 March 2011. This review was based on a combination of indices, previous assessments and/or a review of the countries’ economic performance. The outcome of this review indicated that there has not been a material change in the value of land and buildings since the valuation which was carried out at 31 March 2009.

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 freehold land and property category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £2.0 million (2010: £2.1 million); this is the only property where treatment deviates from the accounting policy.

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.

The British Council currently has assets with a cost of £670,000 and a net book value of £291,000 in Libya. The office in Libya was closed on 24 February 2011 and at the date of the financial statements remains so, without a reopening date confirmed. Upon reopening all assets will be reviewed for impairment.

11 HERITAGE ASSETS

	RESTATED	
	2011	2010
	£'000	£'000
MODIFIED COST OR VALUATION		
At 1 April 2010 – cost	1,034	1,034
At 1 April 2010 – valuation	72,433	52,496
TOTAL VALUE AT 1 APRIL 2010	73,467	53,530
Collection additions – purchased and donated	158	21
Increase in valuation	7,274	19,916
AT 31 MARCH 2011	80,899	73,467

The British Council maintains a permanent collection of works of art which started in 1938 and at present has over 8,500 works. 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 from emerging artists and on beneficial terms because of the collection's purpose.

The art collection is not depreciated since the assets are considered to have an indefinite life and the residual values of the assets are considered to be either in line or above costs. The British Council's heritage assets are not classified as inalienable assets.

As the recognition of heritage assets on the Balance Sheet is a change in treatment as a result of a change in accounting policy to comply with *Financial Reporting Standard 30 – Heritage assets*, the prior year has been restated and the impact can be seen in note 25 of the Annual Report.

12 INVESTMENTS

The group fixed asset investment of £222,750 is comprised of investment in a non-consolidated subsidiary (BCT Events and Promotions India Private Limited) of £5,750 and investment in a joint venture (IELTS Inc.) of £217,000.

At 31 March 2011, the British Council had an interest in the following subsidiary undertakings:

(a) Subsidiary undertakings

ORGANISATION NAME	COUNTRY OF REGISTRATION	NATURE OF BUSINESS	OWNERSHIP	CLASS SHARES HELD/%	CONSOLIDATION	YEAR END DATE
BC Trading International Limited	England and Wales	Raise funds through trading activities	The British Council is the sole shareholder	Ordinary/100%	Yes	31 March
BC English Services Trans-National Limited	Hong Kong	Holding company	The British Council is the sole shareholder	Ordinary/100%	Yes	31 March
BC Holdings (United Kingdom) Limited	England and Wales	Holding company	The British Council is the sole shareholder	Ordinary/100%	Yes	31 March
BCT Events and Promotions India Private Limited	India	Raise funds through trading activities	BC Trading International Limited and the British Council are the shareholders	Ordinary/100%	No – exemption under Charities SORP section 383c	31 March
BC Management Services Private Limited	India	Provides accounting and IT support to the British Council	BC Holdings (United Kingdom) Limited and the British Council are the shareholders	Ordinary/100%	Yes	31 March
British Council AC	Mexico	Carrying out charitable objectives	The British Council is the sole shareholder	Ordinary/100%	Yes	31 December
British Council Asociados AC	Mexico	Raise funds through trading activities	The British Council is the sole shareholder	Ordinary/100%	Yes	31 December
Friends of the British Council USA	USA	Fundraising	Control	-	Yes	31 March

(b) Investment in subsidiaries and their financial results for the year were:

	BC TRADING INTERNATIONAL LIMITED	BC ENGLISH SERVICES TRANS-NATIONAL LIMITED	BC HOLDINGS (UNITED KINGDOM) LIMITED	BCT EVENTS AND PROMOTIONS INDIA PRIVATE LIMITED	BC MANAGEMENT SERVICES PRIVATE LIMITED	BRITISH COUNCIL AC	FRIENDS OF THE BRITISH COUNCIL USA
	£	£	£	£	£	£	£
Investment at 1 April 2010	100	85	1	5,750	-	-	-
Additions	-	-	-	-	937,000	30,371	-
INVESTMENT AT 31 MARCH 2011	100	85	1	5,750	937,000	30,371	-

	2011	2011	2011	2011	2011	2011	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets including current assets	2,300	2,285	977	-	1,680	742	24
Current liabilities	(2,289)	(2,407)	(995)	-	(391)	(744)	(24)
Reserves	11	(122)	(18)	-	1,289	(2)	-

	2010–11	2010–11	2010–11	2010–11	2010–11	2010–11	2010–11
Revenue	1,811	-	-	-	2,828	1,955	-
Operational expenses	(847)	(120)	(18)	-	(2,476)	(2,635)	-
Profit/(loss)	964	(120)	(18)	-	352	(680)	-
Gift Aid	(964)	-	-	-	-	-	-

(c) During year ended 31 March 2010 the British Council made a registered capital investment in the form of a loan of £2,300,000 to BC English Services Trans-National Limited. During year ending 31 March 2011 no repayments were received and interest of £59,509 (2010: £313) was charged on the loan. At 31 March 2011 the balance on the loan was £2,359,822 (2010: £2,300,000).

During the financial year the British Council made a registered capital investment in the form of a loan of £1,002,000 to BC Holdings (United Kingdom) Limited. During the year interest of £13,521 was charged and no repayments were received. At 31 March 2011 the balance on the loan was £1,015,521.

During the financial year BC Holdings (United Kingdom) Limited made a registered capital investment in the form of a loan of £25,000 to Friends of the British Council USA. At 31 March 2011 the balance of the loan was £25,000.

All of the above loans carry the interest rate of LIBOR (London Inter-Bank Offer Rate) plus 2 per cent.

(d) Joint venture:
The British Council has a long-term interest in a joint venture, IELTS Inc., over which it exercises joint control. IELTS Inc. is a not-for-profit organisation formed for the charitable and educational purposes of supporting and improving the teaching of English.

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

INVESTMENT IN IELTS INC.	2011
	£'000
At 1 April 2010	225
Programme-related investment	
Interest receivable	5
Loss on revaluation	(13)
AT 31 MARCH 2011	217

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

13 DEBTORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

(a) Analysis by type:

	GROUP		BRITISH COUNCIL	
	2010–11	2009–10	2010–11	2009–10
	£'000	£'000	£'000	£'000
Trade debtors	33,006	48,334	34,076	48,334
VAT debtor	1,987	288	2,002	268
Other debtors	6,968	10,252	6,708	10,073
Balances resulting from activity under contracts and agreements as principal	6,830	11,548	6,830	11,548
Prepayments	9,963	15,910	9,800	15,910
Taxation and social security	119	-	119	-
Amounts due from subsidiary undertakings	-	-	-	444
	58,873	86,332	59,535	86,577

(b) Intra-government debtors:

	GROUP	
	2010–11	2009–10
	£'000	£'000
Balances with central government bodies	6,039	8,480
Balances with local authorities	14	55
Balances with public corporations and trading funds	3	1
Total intra-government debtors	6,056	8,536
Balances with bodies external to government	52,817	77,796
	58,873	86,332

14 DERIVATIVE FINANCIAL ASSETS

The British Council uses forward foreign exchange contracts to reduce exposure to movements in exchange rates. At 31 March 2011 the British Council held twelve open forward foreign exchange contracts, under which the British Council will receive a total of US\$12,600,000 (2010: US\$17,000,000) in exchange for £7,824,385 (2010: £10,572,000). The contracts all have maturity dates falling due in less than one year. These contracts are carried at fair value on the Balance Sheet. The fair value of the forward foreign exchange contracts reflects the difference between the contracted forward rate and the market forward rate at 31 March 2011 for delivery on the contracted maturity date. The market forward rate used to determine the fair value is the mid-market rate for 31 March 2011 obtained from Reuters.

	2010–11	2009–10
	£'000	£'000
Forward foreign exchange contracts – fair value	27	663

15 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

(a) Analysis by type:

	GROUP		BRITISH COUNCIL	
	2010–11	2009–10	2010–11	2009–10
	£'000	£'000	£'000	£'000
Trade creditors	18,801	20,156	18,307	20,156
Balances resulting from activity under contracts and agreements as principal	50,587	45,656	50,587	45,656
Other creditors	5,809	6,327	5,739	6,317
Taxation and social security	2,817	2,546	2,720	2,546
Accruals	34,709	39,365	33,991	39,365
Deferred income	77,993	78,020	77,348	78,020
Amounts due to subsidiary undertakings	-	-	389	-
	190,716	192,070	189,081	192,060

(b) Intra-government creditors:

	GROUP	
	2010–11	2009–10
	£'000	£'000
Balances with central government bodies	2,060	3,374
Balances with local authorities	7	26
Balances with public corporations and trading funds	-	307
Total intra-government creditors	2,067	3,707
Balances with bodies external to government	188,649	188,363
	190,716	192,070

16A 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 2010	-	19,770	294	146	4,131	24,341
Unrealised loss on exchange	-	-	-	-	-	-
Net amounts paid or utilised in year	-	(22,561)	29	(108)	(1,376)	(24,016)
Charged to expenditure	-	2,791	348	-	3,551	6,690
Movement between short and long term	-	1,263	-	-	-	1,263
AT 31 MARCH 2011	-	1,263	671	38	6,306	8,278

16B 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 2010	16,164	4,784	-	-	-	20,948
Unrealised gain on exchange	(507)	-	-	-	-	(507)
Net amounts paid or utilised in year	(3,128)	-	-	-	-	(3,128)
Charged to expenditure	3,282	879	-	-	-	4,161
Movement between short and long term	-	(1,263)	-	-	-	(1,263)
AT 31 MARCH 2011	15,811	4,400	-	-	-	20,211

Terminal gratuities are payments made to a member of local staff at the end of his/her contractual relationship with the British Council. The payments are calculated according to local labour regulations and the Terms and Conditions of service agreed for each country.

The British Council makes terminal gratuity payments to its staff in four different circumstances: resignation, retirement, redundancy, and early retirement.

A provision is raised to meet this liability which accrues over time. The provision has not been discounted as it is a provision at a fixed point in time and timing of future payments are not known and cannot therefore be reliably determined. The majority of this provision will be payable after one year and since the amount payable within one year cannot be reliably determined this is not disclosed separately.

The provision for early retirement relates to costs to service the number of early retirement schemes offered by the Principal Civil Service Pension Scheme. This provision has been discounted at a rate of 2.9 per cent as per PES 2010 (17).

Other provisions include amounts for contract activity losses, legal disputes and taxes. These are not disclosed separately in detail as to do so could impact the probability of the liability materialising.

17 MOVEMENTS ON UNRESTRICTED FUNDS AND RESERVES

	GENERAL ACCOUNT	RETIREMENT BENEFITS SCHEME RESERVE	CAPITAL ACCOUNT	REVALUATION ACCOUNT	HERITAGE ASSET RESERVE	TOTAL
	RESTATED		RESTATED			
	£'000	£'000	£'000	£'000	£'000	£'000
AT 1 APRIL 2010	46,008	2,203	99,304	75,383	73,467	296,365
Net incoming resources for the year	27,642	-	-	-	-	27,642
Transfer to heritage assets out of capital account	-	-	(106)	-	106	-
Nominal transfer to capital and valuation account	917	-	(1,452)	535	-	-
Net pension costs	-	130	-	-	-	130
Actuarial loss recognised in the retirement benefits scheme	-	(1,043)	-	-	-	(1,043)
Pension costs	-	54	-	-	-	54
Transfer to heritage assets	(52)	-	-	-	52	-
Valuation account movement: on general fixed assets	-	-	-	(862)	-	(862)
Valuation account movement: on intangible fixed assets	-	-	-	1,586	-	1,586
Valuation account movement: on heritage assets	-	-	-	-	7,274	7,274
AT 31 MARCH 2011	74,515	1,344	97,746	76,642	80,899	331,146

All of the above funds and reserves were unrestricted at 31 March 2011 and 1 April 2010.

18 COMMITMENTS

(a) Capital commitments:

	2011	2010
	£'000	£'000
Contracted expenditure	845	4,530

(b) Specific charitable projects (grants):

	2011	2010
	£'000	£'000
To be undertaken in the following year	30	12

(c) Annual commitments under non-cancellable 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.

	2011	2010
	£'000	£'000
In one year or less	4,467	7,172
Between one and five years	5,176	7,842
In five years or more	4,460	5,148
	14,103	20,162

19 LOSSES AND SPECIAL PAYMENTS

During the year, there were 266 cases where a loss, as defined in *Managing Public Money*, was recognised, totalling £171,607. This includes fraud and non-fraudulent business write-offs. No individual case was greater than £250,000.

During year ended 31 March 2011, the British Council made no payments that fall within the category of special payments as defined in *Managing Public Money*.

During the year, there were five cases of commercial losses totalling £20,399.

20 RELATED PARTY TRANSACTIONS

The British Council is a 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 a number of 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:

- Department for International Development
- Department for Business, Innovation and Skills
- Department for Education.

In addition, the British Council has had 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 of the British Council Benevolent Fund are appointed by the British Council Board of Trustees.

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

	GRANTS PROVIDED AND FUNDS DISBURSED UNDER CONTRACTS/ AGREEMENTS	TOTAL EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011	RECEIVABLE/(PAYABLE) AT 31 MARCH 2011	TRUSTEE	RELATIONSHIP
ORGANISATION	£'000	£'000	£'000		
KPMG	259	259	-	Alan Buckle	Global Head of KPMG Advisory Services
Clare Leadership Programme	3	3	-	Lord Hall of Birkenhead CBE	Member of the Strategic Advisory Committee
				Sue Hoyle OBE	Director and Trustee
BBC Radio 1 and the BBC Asian Network	310	310	-	Nihal Arthanayake	DJ BBC Radio 1 and the BBC Asian Network
Glasgow Caledonian University	245	245	-	Pamela Gillies	Principal and Vice-Chancellor
King's College London	1,188	1,188	-	Sue Hoyle OBE	Research associate
Open University	402	402	-	Claire Ighodaro CBE	Council member and Audit Committee chair
Open University Worldwide Limited	108	108	-	Claire Ighodaro CBE	Council member and Audit Committee chair
Royal Opera House	2	2	-	Lord Hall of Birkenhead CBE	Chief Executive
Shell Nigeria Pension Fund	130	130	-	Claire Ighodaro CBE	Council member and Audit Committee chair
Tipping Point	85	85	-	Sue Hoyle OBE	Husband is Chairman of the Board of Tipping Point
University College London	1,787	1,787	-	Steve Jones	Professor
Theatre Royal Stratford East	5	5	-	Lord Hall of Birkenhead CBE	Chair

During the financial year KPMG provided tax advisory, consultancy and internal audit services to the British Council. Alan Buckle played no part in the procurement of the agreement.

Some of the Trustees of the British Council may be related to companies with which the British Council has entered into partnerships. There are no undisclosed transactions under the definition of *Financial Reporting Standard 8 – Related party disclosures* between the British Council and these partners, however there may be other indirect benefits or similar.

21 CONTINGENT LIABILITIES

As a result of the regularisation of the British Council's status overseas there may be potential liabilities arising. Full disclosure has not been made in relation to these potential liabilities as this could seriously prejudice the position of the organisation and impact the probability of the liability materialising. In addition there are four ongoing court cases which are considered to have a low probability of success as at 31 March 2011 with a maximum exposure of £1.6 million. These are not considered probable and as such have not been provided for.

22 FINANCIAL INSTRUMENTS

The Statement on Internal Control sets out the British Council's approach to managing its main financial risks. In addition, the British Council is required to make the following disclosures under the *Financial Reporting Standard 29 – Financial instruments – Disclosures*.

The categories of financial instruments held within the British Council are:

- loans and receivables: the British Council values receivables initially at fair value and subsequently at amortised cost. The British Council does not intend to trade receivables and currently holds no loans.
- assets available for sale: the only assets that the British Council holds under this category are cash and short-term investments as described below. These are stated in the accounts at fair value.
- financial liabilities: the British Council's policy is that short-term creditors are recorded at carrying value and long-term creditors are reflected at amortised costs where reasonable timescales exist over which to discount and where this is materially different from carrying value.
- financial assets and liabilities at fair value through profit or loss: the British Council uses forward foreign exchange contracts to reduce exposure to movements in exchange rates. These contracts are carried at fair value, and any gains or losses in fair value are recognised in the Statement of Financial Activities.

CREDIT RISK

The British Council is exposed to credit risk on trade debtors over 120 days of £2.7 million (2009–10: £1.5 million). This risk is not considered significant as a number of these debts relate to European Commission projects on which the British Council is protected from financial risk provided criteria are met. In addition, experience in many overseas regions demonstrates that aged debts in this timeframe remain current and collectable.

Bad and doubtful debts are provided for on an individual basis. Write-offs in the year for bad debts amounted to £108,000 (2009–10: £103,000). No individual write-off was greater than £30,000.

Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the total aggregate exposure to a single financial institution. Exposures and limits applicable to each financial institution are reviewed on a regular basis. The British Council has not suffered any loss in relation to cash held by its banks. The counterparty for all forward foreign exchange contracts is the Bank of England.

LIQUIDITY RISK

Grants from government departments, principally the Foreign and Commonwealth Office, comprise 27 per cent of total income of the British Council. The remainder is funded through fees and income from services and competitively tendered contracts. Any liquidity risk is minimal, as overseas current account balances are generally maintained at five weeks' working capital requirement to ensure sufficient cash for operational activities. Surplus cash is repatriated to the UK where local foreign exchange controls permit, and invested in the UK. Otherwise, surplus funds are invested overseas.

All investments are in accordance with the British Council's investment policy. Non-restricted cash is held on short-term deposit accounts or via money market deposits with a maturity of not more than three months at market rates. The British Council is therefore securing interest returns on cash holdings largely held in the UK on a short-term basis. Surplus funds which cannot be repatriated to the UK (due to local foreign exchange controls) are currently invested for periods up to six months.

The British Council, as at 31 March 2011, held cash and cash equivalents amounting to £234 million (2009–10: £196 million), of which £95 million (2009–10: £92 million) was held in sterling, £55 million (2009–10: £43 million) was held in euros and £16 million (2009–10: £2 million) was held in US dollars. Other currency holdings amounted to £68 million (2009–10: £59 million).

Of the total cash balances of £234 million (2009–10: £196 million), £74 million or 32 per cent (2009–10: £66 million or 34 per cent) was held in overseas bank accounts of which £70 million (2009–10: £50 million) was held with banks incorporated in the UK and regulated by the Financial Services Authority, £4 million (2009–10: £16 million) was held with overseas banks outside the UK bank portfolio. Counterparty risks relating to banks holding balances overseas are reviewed regularly and 98 per cent of funds are held with banks with a Standard and Poor’s short-term deposit rating of A or greater.

At 31 March 2011, total interest income amounted to £2.4 million (2009–10: £1.6 million), of which £0.4 million (2009–10: £0.3 million) was earned in the UK and the balance of £2 million (2009–10: £1.3 million) attributable to cash invested overseas.

CURRENCY RISK

The British Council operates in over 100 countries and carries out transactions in sterling, US dollars, euros and a variety of local currencies.

The British Council manages its exposure to foreign currency risk on cash balances by maintaining operational funding balances in local currency bank accounts where possible to no more than working capital requirements.

Where countries have deregulated foreign exchange controls, any excess funds over and above working capital requirements are repatriated to the UK, invested and/or held in convertible hard currency accounts.

The British Council operates a foreign exchange forward hedging programme to cover 80 per cent of euro and US dollar exposures, the objective being to assist in achieving certainty. The British Council’s euro exposure is limited by significant natural hedges.

As at 31 March 2011 the notional value of open US dollar forward contracts amounted to £7.8 million (2009–10: £10.6 million), all held for maturity during 2011–12. The British Council held no open euro forward contracts as at 31 March 2011.

Cash held on 31 March 2011 considered to be trapped overseas amounted to a sterling equivalent of £12 million (2009–10: £31 million). The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies.

23 CONTRACT ACTIVITY AS AN AGENT

During the year the British Council executed activities under two contracts where they were acting as an agent. As a result the resources are not recognised in the Statement of Financial Activities or Balance Sheet, in accordance with the Charities SORP.

The resources from these contracts is analysed as follows:

	2010–11
	£’000
COMMONWEALTH SCHOLARSHIPS	
Contract income	15,291
Contract expenditure	14,147
Current assets	732
Current liabilities	732
MATT 2	
Contract income	1,577
Contract expenditure	1,577

There were no current assets or liabilities relating to this contract at the year end.

24 POST BALANCE SHEET EVENTS

Following consultation with the Charity Commission, the British Council submitted a request to the Privy Council in January 2011 for approval of an additional charitable object:

- to promote cultural relationships and the understanding of different cultures between people and peoples of the United Kingdom and other countries.

The Privy Council approved the proposal on 8 June 2011.

25 PRIOR YEAR ADJUSTMENT

During the year the British Council changed its heritage assets policy in order to comply with *Financial Reporting Standard 30 – Heritage assets*.

The comparative figures in the Balance Sheet and associated notes have been restated to reflect the change in accounting policy.

The change in policy means that all heritage assets are included on the Balance Sheet at a valuation whereas historically purchased heritage assets were included at cost and a valuation of donated assets was disclosed in the notes to the Balance Sheet.

This change in accounting policy has had the following impact on the Balance Sheet:

HERITAGE ASSETS RESERVE

	2009–10	2009–10
	RESTATED	
	£’000	£’000
Art Collection in fixed assets	3,902	-
Reallocation to heritage assets	(3,902)	3,902
Revaluation of assets	-	69,565
TOTAL	-	73,467

The Art Collection with a net book value of £3.9 million was included in tangible fixed assets in 2009–10 and has been moved to heritage assets in the restated figures.

As a result, the opening balances of the capital account and revaluation account have been restated to account for the above changes.

26 CHANGE IN ACCOUNTING POLICY

One of the impacts of the HM Treasury ‘alignment’ project to closer align budgets, Estimates and Accounts has resulted in the removal of cost of capital. Therefore from 2010–11 the British Council is no longer required to reflect a notional cost of capital within its accounts. The prior year totals have not been restated in the accounts and no further disclosures are required as this change does not impact the Balance Sheet.



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