

THE
LONDON
LIBRARY

2015
2016

Annual Report and Accounts 2015-2016

THE LONDON LIBRARY

Opening Hours

Monday	9.30 am - 8.00 pm
Tuesday	9.30 am - 8.00 pm
Wednesday	9.30 am - 8.00 pm
Thursday	9.30 am - 5.30 pm
Friday	9.30 am - 5.30 pm
Saturday	9.30 am - 5.30 pm
Sunday	CLOSED

Closed Dates

The Library will be closed
on the following inclusive dates:

2016

Christmas

Saturday 24 December – Wednesday 28 December
Saturday 31 December

2017

New Year's Day

Monday 2 January

Easter

Friday 14 April – Monday 17 April

Early May Bank Holiday

Saturday 29 April – Monday 1 May

Spring Bank Holiday

Saturday 27 May – Monday 29 May

Summer Bank Holiday

Saturday 26 August – Monday 28 August

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2 • ADMINISTRATIVE INFORMATION

Charity Name	The London Library
Registered office and principal place of business	14 St James's Square, London SW1Y 4LG
Incorporated by Royal Charter, registration number	RC000325
Charity Registration Number	312175

TRUSTEES

(Note: numbers in brackets refer to membership of committees listed at the foot of this page)

Chairman

Bill Emmott (2,5,6) (until 3 November 2015)
Sir Howard Davies (6,7) (from 3 November 2015)

Other trustees

Sven Becker (6) (from 3 November 2015)
Will Harris (6) (from 3 November 2015)
Elizabeth Herridge (1,3,6)
David Lough (3,6)
Giles Milton (6) (from 3 November 2015)
Sir Andrew Popplewell (6)
Peter Stewart (1)
Sara Wheeler (2,4,7)

Treasurer

Mark Storey (2,3,7)

James Hannam (3) (until 3 November 2015)
Margaret Heffernan (4,5) (until 3 November 2015)
Philip Hook (4,6)
Anthony McGrath (2,3,7)
Sophie Murray (1,6)
David Reade QC (5)
Rick Stroud (1) (from 3 November 2015)
Elizabeth Wilson (4,7)

SENIOR STAFF as at 20 July 2016

Executive Team

Librarian (Chief Executive)

Deputy Librarian

Bursar

Development Director

Inez T P A Lynn BA MLitt MCLIP
Mary Gillies BA MA PgDip
Paul Hamlyn MA ACA
Philip Spedding BComm

Heads of Department

Archive, Heritage & Development Librarian

Building & Facilities Manager

Head of Acquisitions

Head of Bibliographic Services

Head of Collection Care

Head of Communications

Head of Development

Head of IT

Head of Marketing

Head of Member Services

Helen O'Neill BA MSc MRes MCLIP
Adam Dickins BSc PgDip CBIFM
Gill Turner MA MCLIP
Dunia García-Ontiveros BA MA MCLIP
Judith Finnermore BA MA
Julian Lloyd BA MSc
Georgina Ralston BA
Will David MA MSc MCLIP
Emma Marlow BA
Amanda Stebbings BA MLib MCLIP

ADVISERS

Bankers

Barclays Bank plc

1 Churchill Place, London E14 5HP

Solicitors

Bates Wells & Braithwaite LLP

2-6 Cannon Street, London EC4M 6YH

Auditors

MHA MacIntyre Hudson

New Bridge Street House, 30-34 Bridge Street, London EC4V 6BJ

Pension consultants

Broadstone Limited

55 Baker Street, London W1U 8EW

Key to Committees:

1 Building Project Steering Committee
2 Chairmanship Search Committee
3 Finance Committee

4 Nominations Committee
5 Remuneration & Appraisal Committee
6 Development Committee
7 Treasurer Search Committee

The Trustees of The London Library present their report and the audited accounts of the charity for the year ended 31 March 2016. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the Annual Report and accounts of the charity.

The accounts have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing document (Royal Charter), the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, published on 16 July 2014.

INTRODUCTION

The London Library is dedicated to the advancement of education, learning and knowledge. Founded in 1841 by Thomas Carlyle and others prominent in letters and affairs, the Library's primary purpose is to provide generations of readers and researchers with the riches of a national library for use in their own homes or workplaces or within its own premises. By acquiring the most important published works in the humanities in each generation and discarding almost nothing from its shelves, the Library has built up a collection of over one million volumes dating from the 16th century to the latest publications. The Library aims to preserve and extend this extraordinary accumulation for future as well as present generations.

The Library seeks to provide the most direct and liberal access to the published written word by maintaining a high proportion of the collection on open-access shelves in its Grade II-listed building in central London where the volumes may be freely browsed, with most available for loan. Offering facilities conducive to reading and scholarship, the Library aims to provide a prompt, reliable and courteous service to meet and exceed the expectations of users, perpetuating a spirit of willing collaboration between users and its highly qualified and specialist staff.

THE LONDON LIBRARY AT 175

"The Founding of a Library is one of the greatest things we can do with regard to results. It is one of the quietest of things; but there is nothing that I know of at bottom more important."

[Thomas Carlyle on creating The London Library]

Tuesday 3 May 2016 saw the 175th anniversary of the Library's founding in 1841 and during the financial year under report much effort was focussed on planning anniversary activities not only to celebrate but also to strengthen our financial sustainability.

In making our plans we recognised that one of the biggest challenges we face in promoting membership and in fundraising is a context in which

- too many people have not heard of The London Library;
- too many people are confused about what the Library is (assuming it is the British Library or the public library for London or even a private members' club);
- too many people are unaware of its important role (both historic and current) in the development of literature and ideas; and
- too many people are not clear about what membership could do for them.

To achieve our goals it is vital to create a context in which the Library is being talked about as an interesting, exciting, open-minded, creative and intelligent place to be associated with, and we formed our plans accordingly. The highlight of the celebrations to date has been *Words in The Square*, a four-day programme of literary events held from 5-8 May 2016 in a well-appointed marquee in the gardens of St James's Square. The programme was expertly curated by James Runcie and David Kynaston, both noted authors and Library members of long standing. The logistics were meticulously planned and executed by the Library's staff and event managers, the weather was superb and the setting delightful. Feedback from both Library members and non-members who attended the events has been overwhelmingly positive, and the success of the programme is testament to the professionalism and hard work of all those involved.

"Extremely enjoyable, with a good range of themes, content and styles across the course of the day."

"The most stimulating lunchtime break in the year I have worked in St James's."

[Quotes from non-members attending Words in The Square]

The same week saw the launch of the first six titles of *Found on the Shelves*, a publishing initiative with Pushkin Press to demonstrate something of the joy of serendipity at the Library to the wider world. We hope that the publicity generated by these and other anniversary initiatives will make a real contribution to our marketing and promotional efforts over time. The initial signs are hopeful, but as will be apparent from the Library's accounts which accompany this Annual Report, much remains to be done if the Library is to sustain itself for another 175 years.

With no history of public funding, membership subscriptions are and always have been the central plank of the Library's business model, but the annual fee represents a significant commitment for some. We strive constantly to maintain and improve service levels but it is inevitable that some members, however much they may admire what is on offer, will decline to renew if their circumstances change or they do not feel that their use of the Library justifies

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continued membership. The Library must therefore recruit an equal number of new members in each year even just to balance these withdrawals, let alone to achieve the growth it needs. Last year 12% of members left and the top three reasons given for doing so (accounting for almost half of the total) were that they either no longer needed the Library or had moved away or they had died.

We believe that a substantial pool of potential new members exists, but reaching and recruiting them is by no means easy. Membership will not appeal to everyone, particularly given the cornucopia of possibilities and distractions that a city like London offers. We need to develop our audiences and shape our messages with great care. There is no doubt, however, that the most precisely targeted and thus the most successful route to new members is via current members, with 38% of new members citing 'word of mouth' as how they first heard about the Library.

Fee rates are every bit as important as member numbers. In an ideal world we would like fee levels to be lower but to achieve this we need first to build a sizeable endowment to ensure the significant costs of maintaining and developing the collection, providing and enhancing services, and taking care of our historic building can be covered.

The times we now live in are no less interesting than those our Victorian forebears experienced, and nothing can be taken for granted. In the year ahead we will be looking hard at every aspect of Library strategy as we prepare our next Strategic Plan in time for autumn 2017. Planning is as important as ever, but besides being clear as to core principles it must be alert to a rapidly changing context and nimble in its response. Negotiating this terrain will be challenging but in its collections, its staff, its members and its heritage the Library has impressive resources which it can bring to bear. Imagination will be essential but so will energy, tenacity and commitment. This is where current members could make a vital contribution, as the section "How Can Members Help?" below sets out in more detail.

In a survey of some members in 2015 we asked how people would describe the Library to a friend who had not heard of it before:

"A centre of the intellectual life of the country, both now and in the future."

"Timeless, embracing, endlessly stimulating, serendipitous, scholarly, literary, inspiring, a beating heart for literary life in London."

"A wonderful range of books in an atmosphere conducive to study and reflection."

"Heaven on earth in St James's Square."

"The best lending library in the world."

PUBLIC BENEFIT

Membership is open to all. The Library aims to make its collections, services and facilities available to meet the needs of a broad spectrum of readers, many of whom have no access to other loan collections of comparable depth and reach, such as may be found in universities or specialist institutes. Its status in the national heritage is well recognised and over the years it has absorbed special collections from a number of other organisations which could no longer house them. Daily or weekly reference tickets can be issued to those who need access to materials not available elsewhere but do not wish to commit to full membership. Furthermore, items from the Library's collection are made accessible to public library members via the Inter-Library Loan scheme.

Many Library members are writers, and by assisting authors in their researches prior to publication of original work the Library contributes to the cultural enrichment of the whole nation. In this respect it is comparable to other great institutions dedicated to the arts and culture which, if they ceased to exist, would be missed even by many people who make little or no direct use of them. Although not easy to measure, this is an important public benefit, as readers who have seen the tributes to the Library and its staff in the Acknowledgements pages of countless books will be aware. In an age when the written word is available in super-abundant quantity, the Library helps to maintain the quality.

"Like almost every author in the land, I give daily thanks for The London Library and its peerless staff." Max Hastings in the acknowledgments in his book "The Secret War" (2015)

The Library has functioned for 175 years with a simple but effective financial model based primarily on membership subscriptions, and the Trustees believe that this remains the right one given the nature of its objectives. Fees are set to meet this aim in the context of the Library's overall budget and are approved by the members at their Annual General Meeting.

The ordinary annual fee for individuals is currently £495, or £41.25 per month, while corporate and charitable bodies pay relatively higher fees and nominate representatives who access the Library's facilities on their behalf. For an institution which strives to be a centre of excellence in its field, the Library's fees are not high in relation to the value of the services it provides and a range of payment options is available. Nevertheless there are people who need for their researches the range and depth of available material and the generous access that are the Library's hallmark but who are unable to afford the full fees, particularly as the financial rewards from writing are generally modest and often unreliable. In such cases our subsidiary charity, The London Library Trust, can assist with top-up grants under the Carlyle Membership scheme. Each grant application is assessed carefully since resources are necessarily limited, but support is never declined where there is clear evidence of need. The majority of grants

paid represent a fee subsidy of between 30% and 60%. During the financial year 51 new Carlyle memberships were awarded (2015: 41) bringing the total number of members in receipt of this fee subsidy at 31 March 2016 to 344 or 5.2% of the total membership (2015: 343 or 5.1% of the total membership). The total amount of such fee subsidies paid in the year was £71,623 (2015: £67,580), representing 2.9% of the Library's total income from annual membership fees (2015: 2.7%).

Young Person's membership is available to anyone under the age of 25 at half the ordinary annual rate, and there were 331 members in this category at 31 March 2016, or 5.0% of the total membership (2015: 344 or 5.1%). Separate charges are made for postal loans and for extra books above the standard allowance, but the annual fees due from each member are not dependent on either the nature or the amount of usage made of the Library's facilities by that member, which can vary considerably. Whilst many of the Library's members are active writers and researchers, there are many others whose usage is more occasional but who see the Library as a cause worth supporting precisely because of its wider public benefits.

In setting the Library's objectives and planning its activities, the Trustees give careful consideration to the Charity Commission's published guidance and other research on public benefit and its reporting.

PERFORMANCE IN 2015-2016

The Library's current 5-year strategic plan, launched in autumn 2012, identifies specific objectives and the action planned to achieve them within a framework of five key strategic priorities:

- 1 Developing and preserving the collections
- 2 Extending access
- 3 Supporting research and reading
- 4 Fostering literary and intellectual community
- 5 Sharing our heritage

The Review of Operations in the following section illustrates how the Library's core activities supported these strategic priorities. However, this year has seen a particular focus on the infrastructure essential to secure the long-term financial viability of a membership organisation that receives no public funding. Progress in these areas is summarised below.

1: THE MEMBER EXPERIENCE

Objective: gain a better understanding of all aspects of our members' experience and seek to maintain or improve it.

Achievement: In summer 2015 the Library commissioned The Audience Agency to carry out a survey of three distinct groups of Library members identified as having growth potential – "Baby Boomers", writers and creatives, and young people. The results of the survey were analysed to identify members' use of the Library and benefit gained from it, as well as their other interests and affiliations. The Library also continued to run New Members' surveys and has experimented with new initiatives to encourage members to increase

their engagement with the Library, with some small signs of success. From May 2015 to March 2016 the number of withdrawals in each month was down compared to the same month the previous year in every month bar one (November 2015).

2: COMMUNICATIONS

Objective: To improve the Library's communications and raise its public profile.

Achievement: During the year a new communications strategy was launched with the aim of demonstrating the Library's central position in the UK's cultural life while emphasising that its resources were available to everyone with a love of books and learning. Activity focussed on cultivating key media contacts, promoting news and events and maintaining regular engagement and content development through social media. The Library was used for activity ranging from the filming of an episode of *The Apprentice* to a meeting of the TS Eliot School at which Jeremy Irons read a passage from *The Waste Land*.

The Library has continued to develop its social media presence. During the year the Library's tweets attracted 512,417 impressions (2015: 244,385) and 7,111 engagements (2015: 3,587). The former statistic refers to the number of times users saw the Library's tweets and the latter to the number of times they engaged with them. Twitter followers at the end of the financial year totalled 14,059 (2015: 12,514).

While the 175th anniversary initiatives in particular helped generate coverage in both printed and broadcast media, this proved more difficult to secure than formerly, perhaps reflecting the changing landscape of journalism.

3: MARKETING

Objective: To launch a new marketing campaign informed by fresh research.

Achievement: The results of the Audience Agency survey were used to identify key messages for future marketing. New advertising campaigns for the target groups were launched in autumn 2015, followed in March 2016 by a cultivation event for legal professionals. There have been some signs of success with new members up in every month from October 2015 to March 2016 compared to the same month the previous year. Marketing for the *Words in the Square* literary celebration enabled the Library to distribute more than 33,000 brochures containing information about the Library and to work with 208 partner organisations. Information about the Library was included in 51 partner e-newsletters, reaching more than 1,557,000 people.

4: FUNDRAISING

Objective: To launch a new fundraising campaign targeting major capital and endowment donations.

Achievement: High level private donor cultivation is underway, but no public appeal is envisaged for at least another year. During the year an endowment donation of £674,336 (US\$1m) was received

from Mrs Drue Heinz to supplement the Literary Fund already established in her name. A new endowment of £100,000 was also received from a donor who wishes to remain anonymous. This will be used to provide fee support for members aged between 18 and 30, particularly those from Latin America.

To mark the 50th anniversary of the death of T S Eliot, who died in post as President of The London Library, the Library held a special fundraising evening at Wilton's Music Hall during which an illustrious cast brought to life the words of T S Eliot. Proceeds of the evening supported the Carlyle Membership scheme, which was originally created by T S Eliot and Harold Nicolson.

REVIEW OF OPERATIONS DURING THE YEAR

COLLECTIONS

- We continued to add to the collection in all subject areas, with purchases totalling £310,785 (2015: £314,896). This total includes £54,165 (2015: 41,962) for digital/online resources (reflecting the growing importance of this aspect of the collection) and £86,320 (2015: £85,411) for periodicals. During the year we received donations to the Book Fund totalling £11,610 (2015: £11,273) in addition to £875 (2015: £3,813) for the Adopt A Book scheme. We also added to the collection donated books and periodicals worth £16,600 (2015: £22,718). We are most grateful to all the donors listed on pages 34-38 for their generosity.
- Our in-house team conserved 1,225 books from the collections on open shelves (2015: 1,561).
- We also created preservation assessment records for 183 rare books and pamphlets while cleaning and repairing the books and placing them in secure accommodation (2015: 245).
- We sent 4,547 volumes to commercial binders for binding or re-binding (2015: 4,643).
- We continued to develop the skills of our preservation staff and volunteers and to train all new staff in appropriate book-handling techniques.
- Through its institutional archive the Library has further supported Dr Amber Regis, lecturer in 19th century literature at the University of Sheffield, in her work on the first unabridged edition of the manuscript memoirs of John Addington Symonds owned by the Library. This important scholarly edition is scheduled for publication by Palgrave in autumn 2016. Meanwhile ongoing work on 90 books donated to the Library by Stefan Zweig in 1938 has informed a bibliographic project by scholars at the University of Oldenburg.
- The Archive Librarian has curated displays of rare archival items to support promotional activity, contributed to two BBC Radio 4 programmes and taught a course in Historical Bibliography for postgraduate students qualifying as librarians at University College London, as well as giving lectures about

the Library to a range of external organisations. Her own research on John Stuart Mill and The London Library is due for publication in late summer 2016 (in *Book History*, v19).

SERVICES

- 71,437 books were loaned during the year (2015: 76,768) including 4,685 (2015: 4,584) sent through the postal loans service and 78 (2015: 179) borrowed through the inter-library loan system on behalf of members. Some 67,732 (2015: 69,557) renewals were made either by members themselves online or by staff on members' behalf using a variety of methods. Heavy use is also made of books and periodicals within the Library, and 744 rare books and pamphlets not in general circulation were requested and made available for supervised consultation during the year (2015: 571).
- We placed and processed 34,647 requests to retrieve and set aside material, in the course of dealing with a wide range of enquiries from members (2015: 37,854).
- We sent 345 books to public libraries on request for the use of their own members (2015: 285).
- We made a total of 1,355 inter-library loans to other institutions (2015: 1,249), mainly university libraries and public libraries other than our own institutional members.
- We added 7,961 volumes to the current catalogue in respect of books purchased or donated (2015: 8,151) and all volumes were catalogued within 2 days of receipt. Some titles comprise more than one volume and we added 4,596 titles (comprising 7,469 volumes) from the old printed catalogue to the online catalogue (2015: 8,756 titles comprising 12,260 volumes). The reduced output in retrospective cataloguing reflects the adoption of a new cataloguing standard in January 2015. Resource Description and Access (RDA) represents a significantly more complex approach to cataloguing than the standard it replaces but is important because it is designed to facilitate future international developments in online searching. Over the past year staff have been developing their expertise and are now regaining former levels of productivity.
- We have continued to provide training sessions for members on Catalyst, the Primo/SFX discovery tool launched in 2014-2015.

MEMBERSHIP

Total membership numbers began the year at 6,708 and fell to 6,613 at the end of March 2016. The net decrease of 95 in the year comprises:

	Annual	Life	Total
New members	680	12	692
Commutations	(31)	31	-
Withdrawals/deaths	(744)	(43)	(787)
Net	(95)	-	(95)

Of the new annual members 157 were under the age of 25 (2015: 202).

The number of new members recruited during the year is very close to that for 2014-2015. There were, however, 91 fewer withdrawals by annual members than in 2014-2015 (figures for life members in 2014-2015 were distorted by a data cleansing exercise). Nevertheless, the net decline in numbers over recent years means that increases in fee rates have barely held income steady and no growth has been achieved. As costs continue to increase, this trend is clearly not sustainable.

In autumn 2015 the Library launched a new marketing strategy targeting specific demographic groups, and is exploring various approaches to finding and engaging with prospective members. However, assessing the relative cost-effectiveness of these initiatives is by no means simple and by far the most effective recruiting tool continues to be personal recommendation. Under an incentive scheme launched in July 2010 current members who recruit new members are entitled to a fee discount of £50 at their next renewal; by 31 March 2016 a total of 837 such discounts had been offered to qualifying members and 444 (53.0%) taken up.

The costs of marketing and communications totalled £245,002 (2015: £189,400) as shown in Note 6.1 to the accounts.

Further details can be found under Organisational Information on pages 39-40.

STAFF AND VOLUNTEERS

2015-2016 was another year of substantial recruitment activity, particularly in the Development Office which is now fully staffed for the first time in over three years. Among other changes, in February 2016 Georgina Ralston took up the post of Head of Development (Fundraising) which had been vacant since June 2013, and her appointment will enable Philip Spedding, the Development Director, to devote more time to high level cultivation of potential capital and endowment donors.

We should like to thank the four students from Camberwell College of Arts who joined our preservation work placement scheme this year. Aimee Crickmore and Sophie Coles produced archival-quality boxes and portfolios to protect vulnerable books and papers in our Special Collections. Joey Shuker and Janay Laudat worked on our open stack Annuals holdings, assessing the collection for damage and developing a new preservation box for extra-large volumes. We are also grateful to our other volunteers for their important contributions during the year, in particular to former placement student Gretchen Allen, who returned in summer 2015 to assist with binding repairs on our open access collections; to John Perkins for his continued assistance with our Special Collections; and to Matthew Fletcher, Karen Horn and Marit Tronslin for their work on retrospective cataloguing.

FUNDRAISING

The Founders' Circle raised £144,753 (2015: £134,985) including Gift Aid during the year, from 44 (2015: 42) UK members. A further £69,505 was received via the International Friends of The London Library from the US chapter (2015: £35,050).

Other unrestricted donations totalled £43,290 (2015: £73,413), and included a grant of £4,000 from the R M Chambers Settlement (2015: £7,000). Restricted donations totalled £52,190 (2015: £86,446) including £35,196 for the Development Appeal Fund (2015: £74,242) and £14,968 for supported memberships (2015: £11,065). The latter includes a grant of £10,000 from the Clore Duffield Foundation, representing the second annual instalment of a three-year commitment.

Events, merchandising and commercial sponsorship added a total of £16,836 (2015: £19,243).

Legacy and estate income (including royalties from literary estates) totalled £242,854 (2015: £174,290). As described in Note 1 to the accounts, legacy income is now recognised in line with the criteria specified by the revised Charities Statement of Recommended Practice (SORP) and prior year comparatives have been re-stated accordingly.

Fundraising costs totalled £278,962 (2015: £269,437) as shown in Note 6.1 to the accounts.

PLANS FOR 2016-2017

The current strategic plan will reach the end of its term in autumn 2017 and a key task for 2016-2017 will be to compile a new plan for subsequent years. This plan will need to articulate the core features of the Library's identity while seeking to place its finances on the firmest possible footing. Central to the latter will be the continued endeavour to increase membership numbers while raising capital and endowment funds, and seeking the most effective ways to supplement fee income in the shorter term.

HOW CAN MEMBERS HELP?

If you are a member there are a number of ways in which you can make a real difference. You can for example:

SPREAD THE WORD

- Social media – keep the conversation going about the Library and how you use it
- Help us to place an article in print or online media
- Writers – thank us in your acknowledgements and let us know, so we can publicise this and put your book in our Mason's Yard window display

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- Mention us at your book launch, in interviews and other media engagements
- Invite us to do an outreach talk to a body you are involved with where you think there might be potential members

[For further information please contact Julian Lloyd (Head of Communications)]

RECRUIT A NEW MEMBER

- Recommend the Library to your friends and encourage them to join (annual members are eligible for a £50 discount on their next renewal for each new member who signs up as a result)
- Enrol your spouse, parents, children or grandchildren as members
- Encourage companies and institutions to join as institutional members

SUPPORT OUR FUNDRAISING

- Join the Founders' Circle, and/or encourage other members with means and a strong interest in literary and cultural institutions to join
- If you are a US taxpayer, consider supporting the International Friends of The London Library, a registered 501(c) 3 charitable corporation based in New York
- Make a donation to support new acquisitions, or to support the Carlyle Membership scheme, helping into membership those who need the Library for their work but who would otherwise struggle to afford the full fee

- Donate a book you have written or persuade a publisher to donate books to the Library on request
- Make a bequest to the Library in your will or name it as a residuary legatee
- Make a donation to the Development Appeal Fund or introduce a potential donor or grant-making trust to the fundraising team

[For further information please contact Georgina Ralston (Head of Development - Fundraising)]

GET INVOLVED

- Offer an article to the Library magazine
- Offer to organise a member event

[For further information please contact Emma Marlow (Head of Marketing)]

You can also volunteer as a Trustee or committee member. See the announcements in the Spring issue of the Library magazine for details of the process and timetable.

Finally, you can switch your payment method to direct debit to show your commitment and make administration easier (70% already have). For further information please contact the Membership Office.

The Library has survived and flourished for 175 years because of the enthusiastic support of its members, and this will continue to be critically important in the future.

FINANCIAL REVIEW

The results for the year can be summarised as follows. Full details can be found in the accounts.

	Unrestricted Funds 2016 £000	Restricted Funds 2016 £000	Endowment Funds 2016 £000	Total Funds 2016 £000	Unrestricted Funds 2015 £000	Restricted Funds 2015 £000	Endowment Funds 2015 £000	Total Funds 2015 £000
Total income	3,302	77	868	4,246	3,205	109	77	3,390
Total expenditure	(3,830)	(2)	(89)	(3,922)	(3,656)	0	(76)	(3,732)
Subtotal surplus/(deficit)	(529)	75	779	325	(451)	109	1	(341)
Investment gains/(losses)	(280)	(48)	(175)	(503)	135	35	109	280
Net income/(expenditure)	(809)	27	603	(179)	(316)	144	110	(62)

As the above table shows, although the Library successfully raised new endowment funds during 2015-2016, it recorded a substantial deficit on its core (unrestricted) funds in both of the last two years.

Some 78% of the Library's core (unrestricted) income for the year arose from membership fees. These remain central to the Library's current business model and relate directly to the provision of services to members, who represent the principal class of beneficiaries. Donations, legacies and other fundraising activities contributed around 16% and investment income 6% of the total.

RESERVES AND INVESTMENT POLICIES

Reserves are defined as the part of a charity's total funds that is freely available for use without restriction and without having to sell property needed for its operations. They are needed to cover short-term fluctuations in cash flow and to ensure that a charity can meet its obligations if revenue generated falls short of expectations. They also enable it to respond to longer-term threats and opportunities that may emerge.

The table below sets out the structure of target reserves, separated into three tiers according to their purpose. Tier 1 reserves provide short-term working capital. The target for the Tier 2 reserves is calculated by reference to estimated maximum possible shortfalls of core income against expenditure over the next four years, adjusted as appropriate for planned building project works and pension fund commitments. Together Tiers 1 and 2 thus constitute the minimum reserves target which the Trustees consider appropriate given the Library's risk profile. Tier 3 reserves represent those in excess of the minimum target which are available for growth and development as well as protection.

The table also shows the allocation of investment assets considered appropriate for each tier of reserves. It is widely accepted that equity investments have historically given the best performance of any asset class over the longest time periods, but experience has shown that the returns are highly volatile. The Trustees are mindful of the fact that the Library has high fixed costs and so needs time to respond to changing circumstances, and therefore consider it prudent to retain a substantial part of the total target reserves in assets with low risk and high liquidity, whilst seeking to achieve the highest possible return consistent with these constraints. Occasionally market conditions may make an adjustment to asset allocation desirable, but otherwise dealing and its associated costs are kept to a minimum.

Tier Purpose	Investment criteria	Planned asset allocation	Target amount £m	Actual amount £m
1 Short-term working capital	Liquid, risk-free	Cash	1.0	1.0
2 Bridging income or cash shortfalls	Liquid, low-risk	Cash, gilts, bonds, equity funds	3.2	3.2
Minimum reserves target			4.2	4.2
3 Contingencies, growth and development	Liquid, medium-risk	Cash, gilts, bonds, equity & property funds		-
Total reserves				4.2

The Library's reserves are reviewed annually against target and action taken to address significant shortfalls, and to adjust the asset allocation. The Trustees regard the present position as satisfactory.

In addition to reserves of £4.2m the Library holds designated funds of £19.7m, which represent the Library's buildings (including investment properties) and other tangible fixed assets. Free reserves and designated funds together constitute the Operating Fund of £23.9m, which represents unrestricted funds excluding the pension reserve. The latter stands at £1.6m deficit, so net unrestricted funds total £22.3m.

The Library also has restricted income funds of £0.5m and endowment funds of £2.6m, so its total funds are £25.4m. Because the restricted income funds and endowments support the Library's activities over the longer term, the Trustees consider it appropriate to invest these funds in assets corresponding to Tier 3 in the table, below left.

Further details can be found in Note 12 to the accounts on pages 24-26 and under Organisational Information on page 39-40.

REVIEW OF INVESTMENT PERFORMANCE

The Library's portfolio is structured so as to achieve a good income return while protecting the long term real value of the capital. The Library's financial investments generated income of £259,782 (2015: £216,475) or a blended yield of 4.5% (2015: 4.0%) and a net loss in value of £503,497 or about 8.8% (2015: gain of £279,597 or 5.2%). Interest income added a further £5,868 (2015: £11,660) and rental income from the Library's investment properties totalled £52,025 (2015: £63,800 including arrears from a backdated rent review).

Investment management fees (including administration and dealing costs) totalled £1,337 (2015: £915).

In May 2016, in expectation of endowment growth, the Trustees drew up a brief for external investment managers to take over the Library's entire portfolio and invited tenders from a number of candidates with charity sector expertise. The appointment of the successful candidate is expected to be confirmed during July 2016 and fully implemented by September 2016.

RISK MANAGEMENT

The Trustees have overall responsibility for ensuring that the Library has appropriate procedures in place to mitigate risks related to strategy, operations, finance or legal compliance. The Library maintains a Risk Register which lists by category the key risks to which the Library is exposed and the monitoring and mitigation measures in place or under consideration. The register is kept under continuous review and formally updated at least annually. The summary on the following page explains the principal risks and uncertainties and how these are managed:

Strategy

The Library has robust arrangements to ensure that its strategy is set and implemented appropriately. These include a Strategic Plan, formal Trustee recruitment and induction processes and periodic governance reviews. Although a loss of strategic direction could have a serious impact, the likelihood of this is low given the controls in place.

Operations

Operational risks cover a wide range, but the two most serious are physical disasters and dissatisfaction with the service provided to members. Protection against physical disasters has been significantly enhanced in recent years through improvements to the fire alarm system and the implementation of both detection and prevention measures in relation to water ingress. A Business Continuity Plan is also in place. Meanwhile close attention is paid to the needs and expectations of members, and through training and induction efforts are made to ensure that they make best use of the facilities available.

Finance

The Library is heavily dependent on membership subscriptions to fund its operations. These provide a steady stream of core income but can be subject to attrition from a variety of causes. Fee rates have to keep pace with inflation in order to maintain service levels but to many individual members they represent a significant outlay that requires justification. The Library's membership marketing and retention strategy therefore seeks to emphasise what makes its offer unique.

However, membership fees are not sufficient on their own and must be supplemented by voluntary and investment income. In recent years the Library has been able to raise regular unrestricted donations at a substantial level mainly through the Founders' Circle, but the effort needed to expand such programmes significantly can be so great as to be unsustainable in the long term. A key fundraising objective is therefore to seek endowment donations that will increase the investment base and hence the return to the point where major annual donations are no longer needed for immediate revenue purposes. In the meantime, legacies are becoming established as an increasingly important source of income and future legacy pledges are being encouraged accordingly.

The Library has a defined benefit pension scheme (the Staff Superannuation Fund) which was closed to further accrual in April 2011, as a major step in mitigating the risk associated with it. The scheme remains in deficit, but contributions have been agreed with the actuary to reduce it.

Legal compliance

The Library regularly monitors new and proposed legislation, taking specialist advice where necessary, so this is not in general considered a major risk area. The risk of greatest concern is the possible removal of the zero VAT rate on books, which would directly impact the Library's membership fees. Should such a move be proposed it would however be met with forceful opposition from the publishing industry.

STRUCTURE, GOVERNANCE AND MANAGEMENT CONSTITUTION

The London Library is a registered charity (number 312175), incorporated by Royal Charter. It has its own Byelaws and the power to alter its own Rules. It has a royal Patron and Vice-Patron as well as a President and Vice-Presidents appointed by the Trustees subject to confirmation by members at the next AGM. The Patrons, President and Vice-Presidents are vital and much-valued ambassadors for the Library but play no part in its formal management.

The Library is governed by no fewer than twelve and no more than sixteen trustees, of whom all but the Chairman and Treasurer are elected by members from their number. The Trustees choose their own Chairman and Treasurer, who may or may not already be Trustees at the time of their appointment. Both hold office for up to four years but may be re-elected immediately for one further term. The Library complies with the Good Governance Code for the voluntary and community sector.

DELEGATION OF POWERS

The Trustees are responsible for the long-term well-being and effectiveness of the Library and make decisions on the application of its resources, the safeguarding of assets, and the determination of strategies and policies in keeping with its founding aims. The executive management of the Library is delegated to the Librarian who is appointed by the Trustees and takes decisions on matters such as the appointment of staff, the admission and regulation of members, the acquisition of books and other library materials and the financial management of the Library within budgets recommended by the Finance Committee and approved by the Trustees. The Librarian, as Chief Executive, heads the Executive Team which also includes the Deputy Librarian, the Bursar and the Development Director.

In accordance with the Charter, the Trustees have delegated certain powers to specialist committees under agreed terms of reference. The committees currently in place are the Building Project Steering Committee, the Development Committee, the Finance Committee, the Nominations Committee and the Treasurer Search Committee. The Chairmanship Search Committee was disbanded after its responsibilities had been discharged with the selection and appointment of a new Chairman during the year. The Remuneration and Appraisal Committee was disbanded after its meeting in November 2015 and its responsibilities reallocated.

The Library's specialist committees may include members with specialist skills and experience who are not current Trustees (although some may be former Trustees). In particular the Trustees

are grateful to Jocelyn Ridley for the valuable services she provided on the Nominations Committee during 2015-2016. Thanks are also due to those who served as trustees of the Staff Superannuation Fund during the year: Inez Lynn, Rosemary Morgan, Alan Saunders, Alison Sproston, Colin Stevenson, Richard Templeton and Gill Turner.

REMUNERATION POLICY FOR KEY MANAGEMENT PERSONNEL

The Trustees consider that the Library's Key Management Personnel comprise the Trustees and the Executive Team, whose members are defined above. The Trustees give of their time freely and no Trustee received any remuneration during the year. Details of transactions with Trustees and other related parties are disclosed in Note 14 to the accounts.

Salaries for all staff (including Executive Team members except the Librarian and the Development Director) are based on the single-spine pay scale set by the Universities and Colleges Employers Association (UCEA), and cost-of-living pay awards follow those recommended by UCEA. For certain posts the scale salary may be supplemented by a market addition which is not subject to annual increases. Base salaries for the Librarian and the Development Director correspond to professorial posts and as such are negotiated separately by reference to appropriate sectoral benchmarks, but cost-of-living pay awards match those of UCEA. Details of the total employee benefits for Key Management Personnel are included in Note 15 to the accounts.

Jobs within the Library are evaluated by specially convened panels using a scoring matrix which takes into account factors such as responsibility, discretion in decision-making, problem-solving and communication with others. The Library operates a Review & Development programme which aims to monitor the performance of staff against agreed objectives while encouraging them to maximise their potential.

APPOINTMENT AND RETIREMENT OF TRUSTEES

Trustees other than the Chairman and Treasurer serve for four years before retiring by rotation but are eligible for immediate re-election for a further four-year term. Each year, a Nominations Committee appointed by the Trustees reviews the balance of skills and experience amongst the Trustees and advertises the expertise required to the whole membership in the Spring issue of the Library magazine and on the Library website. The Nominations Committee interviews those candidates most closely matching the requirements before recommending them to the Trustees as suitable candidates for election by members at the AGM. The Nominations Committee includes a non-trustee member of the Library with specialist skills and experience in the field of recruitment and governance.

All new Trustees are given online access to an induction manual covering the duties and responsibilities of trustees, all aspects of the Library's governance and management procedures, and relevant documents of record, including the minutes of meetings for the past year and recent policy and strategy papers. Introductory meetings are held with key members of staff, and support is available from the Chairman, Treasurer and other Trustees.

SUBSIDIARY AND RELATED BODIES

The Library has a subsidiary charity, The London Library Trust, which was established in 1952 in order to assist the Library in the achievement of its charitable objectives. The assets of the Trust are held by the Library as a restricted fund and the Library is its sole trustee. The Library also has a wholly-owned subsidiary company, London Library Enterprises Ltd, which has no assets and has not traded since incorporation.

Along with Girton College, Cambridge, the Library is a joint beneficiary of Mrs R M Chambers' Settlement, which owns and manages an estate of freehold properties in Ealing. Each of the beneficiaries appoints a trustee to manage the Settlement's affairs and property, and receives grants in equal shares in respect of the net proceeds of property sales and rentals.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Trustees' Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

12 • TRUSTEES' ANNUAL REPORT

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Royal Charter. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The accounts have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities for charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP 2015 (FRS 102), issued on 16 July 2014) and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

The accounts have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure is purely a technicality and is due to the successor Regulations which underpin the Charities SORP 2015 (FRS 102) not yet being issued. This departure has involved following the Charities SORP 2015 (FRS 102) rather than the previous SORP, Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

Approved by the Trustees on 20 July 2016 and signed on their behalf by

Sir Howard Davies
CHAIRMAN

Mark Storey
TREASURER

Inez T P A Lynn
LIBRARIAN

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE LONDON LIBRARY

We have audited the financial statements of The London Library for the year ended 31 March 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes numbered 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the charity's Trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 charity'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,

we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2016, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

MHA MacIntyre Hudson
Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London EC4V 6BJ

27 July 2016

MHA MacIntyre Hudson is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2016

	Note	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Endowment Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
INCOME AND ENDOWMENTS FROM						
Donations and legacies	2	500,402	52,190	777,444	1,330,036	504,184
Charitable activities	5	2,581,850	-	-	2,581,850	2,574,858
Other trading activities	3	16,836	-	-	16,836	19,243
Investments	4	202,546	24,587	90,542	317,675	291,935
TOTAL		3,301,634	76,777	867,986	4,246,397	3,390,220
EXPENDITURE ON:						
Raising funds	6.1	525,301	-	-	525,301	459,752
Charitable activities	6.2	3,305,020	2,026	89,262	3,396,308	3,271,913
TOTAL	6	3,830,321	2,026	89,262	3,921,609	3,731,665
NET INCOME/(EXPENDITURE) before investment (losses)/gains						
		(528,687)	74,751	778,724	324,788	(341,445)
Net (losses)/gains on investments	8	(280,125)	(48,034)	(175,338)	(503,497)	279,597
NET INCOME/(EXPENDITURE)		(808,812)	26,717	603,386	(178,709)	(61,848)
Transfers between funds	12	113,568	(112,328)	(1,240)	-	-
OTHER RECOGNISED GAINS & LOSSES:						
Actuarial (losses)/gains on defined benefit pension scheme	13	(137,000)	-	-	(137,000)	(315,000)
NET MOVEMENT IN FUNDS		(832,244)	(85,611)	602,146	(315,709)	(376,848)
FUNDS AT START OF YEAR	12, 19, 21	23,109,257	586,615	1,999,217	25,695,089	26,071,937
FUNDS AT END OF YEAR	12, 19, 21	22,277,013	501,004	2,601,363	25,379,380	25,695,089

The breakdown of the 2015 comparative figures between funds is set out in Note 19 to these accounts.

The notes on pages 19 to 37 form part of these accounts.

BALANCE SHEET as at 31 March 2016

	Note	31 March 2016 £	31 March 2015 £
FIXED ASSETS			
Tangible fixed assets	7	18,746,194	18,932,056
Investment properties	8.1	905,833	1,003,626
Financial investments	8.2	5,783,106	5,786,604
TOTAL FIXED ASSETS		<u>25,435,133</u>	<u>25,722,286</u>
CURRENT ASSETS			
Debtors and prepayments	10	1,100,358	949,775
Bank balances and cash in hand		1,502,800	1,672,811
		<u>2,603,158</u>	<u>2,622,586</u>
LIABILITIES			
Creditors: amounts due within one year	11	(476,371)	(420,151)
NET CURRENT ASSETS		<u>2,126,786</u>	<u>2,202,435</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,561,920	27,924,721
Creditors: amounts due after more than one year	11	(549,540)	(568,632)
NET ASSETS excluding pensions liability		27,012,380	27,356,089
Pension liability		(1,633,000)	(1,661,000)
TOTAL NET ASSETS		<u>25,379,380</u>	<u>25,695,089</u>
Represented by			
RESTRICTED INCOME FUNDS		501,004	586,615
ENDOWMENT FUNDS		2,601,363	1,999,217
UNRESTRICTED FUNDS excluding pension liability		23,910,013	24,770,257
Pensions reserve	13	(1,633,000)	(1,661,000)
Total unrestricted funds		<u>22,277,013</u>	<u>23,109,257</u>
TOTAL CHARITY FUNDS	12	<u>25,379,380</u>	<u>25,695,089</u>

Approved and authorised for issue by the Trustees on 20 July 2016 and signed on their behalf by

Sir Howard Davies
CHAIRMAN

Mark Storey
TREASURER

Inez T P A Lynn
LIBRARIAN

The notes on pages 19 to 37 form part of these accounts.

STATEMENT OF CASH FLOWS for the year ended 31 March 2016

	<i>Note</i>	2016	2016	2015	2015
		£	£	£	£
Net cash flow from operating activities	18		(39,787)		(247,363)
Cash flows from investing activities					
Dividends, interest and rent from investments		317,675		291,935	
Proceeds from sale of investment property		97,793		-	
Proceeds from sale of tangible fixed assets		-		2,283	
Payments to acquire tangible fixed assets		(45,692)		(46,461)	
Payments to acquire investments		(500,000)		(599,989)	
			<hr/>		<hr/>
Net cash flow from investing activities			(130,224)		(352,232)
			<hr/>		<hr/>
(Decrease)/increase in cash and cash equivalents			(170,011)		(599,595)
			<hr/>		<hr/>
Cash and cash equivalents at start of year			1,672,811		2,272,406
			<hr/>		<hr/>
Cash and cash equivalents at end of year			1,502,800		1,672,811
			<hr/>		<hr/>
Analysis of cash and cash equivalents					
Cash in hand			1,502,800		1,172,811
Notice deposits			-		500,000
			<hr/>		<hr/>
Total cash and cash equivalents			1,502,800		1,672,811
			<hr/>		<hr/>

The notes on pages 19 to 37 form part of these accounts.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

(a) General information and basis of preparation

The London Library is a registered charity (number 312175) with the Charity Commission in England & Wales, and is incorporated by Royal Charter. It constitutes a public benefit entity as defined by FRS 102. The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015. The accounts are prepared in sterling which is the functional currency of the charity. The registered office and principal place of business is as stated on page 2.

As described in the Trustees' Annual Report, the accounts have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Charities SORP 2015 (FRS 102) rather than the Charities SORP 2005 which has since been withdrawn.

The significant accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(b) Reconciliation with previous Generally Accepted Accounting Practice and prior year adjustments

In preparing the accounts the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP 2015 (FRS 102), the restatement of comparative items was required. The Trustees concluded that a number of transitional adjustments were required as a result of following the revised applicable UK Generally Accepted Accounting Practice (UK GAAP – now FRS 102) and these are set out in note 21, with necessary reconciliations. The transition date was 1 April 2014.

A number of prior year adjustments were also required due to implementing changes in accounting policies not directly related to the transition to the revised UK GAAP and these are also set out in note 21 with appropriate reconciliations.

(c) Preparation of the accounts on a going concern basis

The accounts are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The Trustees consider that this remains an appropriate basis for the preparation of the accounts as no material uncertainties exist which would threaten the going concern status. The Library is expected to continue in operational existence for the foreseeable future, based on the strategic plans in place, the related financial budgets and forecasts, and its satisfactory reserves position, as detailed in the Trustees' Annual Report and in note 12.

(d) Fund accounting

The charity's funds are shown in note 12.

Unrestricted funds are those available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes. Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. These represent the net book value of tangible fixed assets and the fair value of the charity's investment properties.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The aim and use of each restricted fund is set out in note 12.

The charity's Operating Fund comprises the designated funds together with the free reserves (which exclude the pension reserve). Donations and legacies which are not restricted for any other purpose are credited to the Operating Fund.

Endowment funds represent those donations and gifts which have been given to the Library for the purpose of providing a permanent asset base from which investment income is generated. Depending on the terms of the gift, this income may be restricted or unrestricted as detailed in note 12.

1 ACCOUNTING POLICIES continued

Gains and losses arising from the revaluation of investments are allocated to the funds in proportion to the opening carrying value of the fund class.

(e) Income

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

Donations are recognised on receipt or, if earlier, when the charity has been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

No amount is included in the accounts for volunteer time in line with the Charities SORP (FRS 102). Further detail about volunteers is given in the Trustees' Annual Report.

Legacies are recognised when the charity has entitlement to the legacy (confirmed through the granting of probate), its receipt is probable and the value of the legacy can be measured with reasonable accuracy.

Annual membership subscriptions are recorded in full in the year in which they become due. Life membership fees have been credited to the SOFA over a period of 10 years (from 1 April 2016, new life membership fees will be released over 15 years).

Income from trading activities includes income earned from events and venue hire, and from merchandising sales, and is recognised in the period the event or sale takes place.

Investment income is earned through holding assets for investment purposes such as listed investments, gilts and property. Where it is not practicable to identify investment management costs incurred within a scheme with reasonable accuracy the investment income is reported net of these costs. Dividend and rental income is recognised as the charity's right to receive payment is established. Accrued interest on gilt securities, where there is no intention to sell the investment before the interest is due, is recognised in the SOFA as a component of investment income, as it is not part of the underlying fair value of the related investment.

(f) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the headings shown in note 6.

The charity is registered for VAT. Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

(g) Support costs

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include IT costs, administration and governance costs. Support costs are all allocated to charitable activities as shown in note 6. Governance costs comprise those costs which are related to the strategic management of the charity and compliance, and include legal, audit and other professional fees, together with an allocation (20%) of administration costs.

(h) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost include those directly attributable to making the asset capable of operating as intended.

Assets which are separately identifiable and cost less than £1,000 are not capitalised, except in the case of information and communications technology where a lower threshold of £100 applies.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold land	Not depreciated
Freehold property and improvements	0.5% per annum
Plant and equipment	5% per annum
Furniture and fittings	4% per annum
Information & communications technology	20% per annum

The depreciation rates take into account the nature and use of the Library's assets and the continuous maintenance programme to which they are subject.

(i) Heritage assets

The charity's heritage assets comprise its collection of over one million books which has accumulated over its lifetime; details are included in the Trustees' Annual Report

and in note 9. The collection is insured for £25 million, however it is not included on the charity's balance sheet on the basis that reliable information on its cost (if purchased) or valuation (if donated) is not available or the cost of providing such information significantly outweighs any benefit to the users of these accounts. Where acquisitions or donations of individual items are over the charity's capitalisation threshold of £1,000, and cost or valuation can be measured reliably, these items will be included on the balance sheet, then subsequently depreciated. Fair values for donated assets are estimated by reference to market prices, where available.

(j) Investment properties

Investment properties are measured at fair value at each reporting date. Fair value is attributed on the basis of a yield on the rental income, which is based on surveyors' estimates. No value is attributed to the underlying land. The Trustees review this valuation annually with any changes in fair value being recognised in 'net gains/(losses) on investments' in the SOFA. Sales proceeds from lease extensions are treated as disposals.

(k) Fixed asset investments

Fixed asset investments in quoted shares, traded bonds and similar investments are measured initially at cost and subsequently at fair value (the bid price) at the reporting date with changes recognised in 'net gains/(losses) on investments' in the SOFA. Gilt securities included in pooled funds are stated at the ex-dividend or "clean" price, being exclusive of accrued interest to which the charity is entitled. The interest to which the charity is entitled is recognised separately from the fair value of the underlying security.

(l) Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(m) Provisions

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

(n) Leases

Rentals payable under operating leases are charged to the SOFA on a straight line basis over the period of the lease.

(o) Foreign currency

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between sterling and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

(p) Pension arrangements

The charity offers a Group Personal Pension Plan (a defined contribution scheme) through Scottish Widows for the benefit of its employees. Employer contributions are charged through the SOFA as they become payable.

The charity also operates the Library's Staff Superannuation Fund (SSF), a defined benefit scheme, which was closed to new entrants and to future accrual on 1 April 2011. A liability for the charity's obligations under the plan is recognised net of plan assets. The net change in the net defined benefit liability is recognised as the cost of the defined benefit plan during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using methodology in accordance with FRS 102. Further details are provided in note 13.

(q) Taxation

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010, hence is able to take advantage of applicable charity tax exemptions for UK corporation tax purposes.

(r) Consolidation

The Library has a subsidiary trust, The London Library Trust, of which it is the sole Trustee and which has objects narrower than those of the Library itself. The Trust is dealt with in these accounts as a restricted fund. The Library also holds 100% of the share capital of London Library Enterprises Limited, registered in England and Wales (number 08229985). The company has nil net assets and has not traded since it was incorporated in September 2012, hence it is not consolidated in these accounts.

(s) Judgements and key sources of estimation uncertainty

The following judgements have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the accounts:

- Depreciation rates for tangible fixed assets
- Basis of valuation of investment properties and financial investments
- Actuarial assumptions resulting in the valuation of the Defined Benefit pension scheme's assets and liabilities

2 DONATIONS AND LEGACIES

	2016	2016
	£	£
<i>Unrestricted funds</i>		
Donations	257,548	243,448
Legacies	242,854	174,290
Subtotal unrestricted	<u>500,402</u>	<u>417,738</u>
<i>Restricted funds</i>		
Donations to the Development Appeal Fund	35,196	74,242
Donations for supported membership	14,968	11,065
Other restricted donations	2,026	1,139
Subtotal restricted	<u>52,190</u>	<u>86,446</u>
<i>Endowment funds</i>		
Donations for endowments	777,444	-
Subtotal endowment	<u>777,444</u>	<u>-</u>
Total income from donations and legacies	<u>1,330,036</u>	<u>504,184</u>

3 OTHER TRADING ACTIVITIES

	2016	2015
	£	£
Events and venue hire	14,632	987
Commercial sponsorship	-	15,000
Merchandising sales	2,204	3,256
Total income from other trading activities	<u>16,836</u>	<u>19,243</u>

4 INVESTMENT INCOME

	2016	2015
	£	£
<i>Income from listed investments</i>		
UK	149,960	115,777
Outside UK	109,822	100,698
Total income from listed investments	<u>259,782</u>	<u>216,475</u>
Interest from deposits	5,868	11,660
Total income from investment portfolio	<u>265,650</u>	<u>228,135</u>
Income from property	52,025	63,800
Total investment income	<u>317,765</u>	<u>291,935</u>

Where applicable investment income includes an estimate of the income from the underlying assets of pooled accumulation funds.

5 INCOME FROM CHARITABLE ACTIVITIES

	2016	2015
	£	£
Annual membership fees	2,414,888	2,416,735
Life membership fees	151,949	144,273
Temporary overseas membership fees	536	2,152
Reference ticket fees	2,795	2,245
Inter-Library loan fees	11,682	9,453
Total income from charitable activities	<u>2,581,850</u>	<u>2,574,858</u>

6 EXPENDITURE

	2016 Staff costs £	2016 Other costs £	2016 Total £	2015 Staff costs £	2015 Other costs £	2015 Total £
6.1 Raising funds						
Fundraising	253,475	25,487	278,962	232,748	36,689	269,437
Marketing & Communications	129,385	115,617	245,002	99,293	90,107	189,400
Investment management fees	-	1,337	1,137	-	915	915
Total	382,860	142,441	525,301	332,041	127,711	459,752
6.2 Charitable activities						
Library operations						
Building and Facilities						
Management	232,427	759,030	991,457	220,195	715,342	935,537
Member Services	627,115	-	627,115	596,544	-	596,544
Bibliographic Services	287,859	2,662	290,521	291,385	3,983	295,368
Acquisitions	170,270	310,785	481,055	162,425	314,896	477,321
Collection Care	219,397	109,675	329,072	193,974	106,741	300,715
Subtotal	1,537,068	1,182,152	2,719,220	1,464,523	1,140,962	2,605,485
Support costs						
Information Technology	130,063	110,709	240,772	109,951	143,180	253,131
Administration	285,422	49,565	334,987	276,883	42,078	318,961
Governance	71,356	29,973	101,329	69,221	25,115	94,336
Subtotal	486,841	190,247	677,088	456,055	210,373	666,428
Total charitable activities	2,023,909	1,372,399	3,396,308	1,920,578	1,351,335	3,271,913
Total expenditure	2,406,769	1,514,840	3,921,609	2,252,619	1,479,046	3,731,665

The Library's charitable object is the advancement of education, learning and knowledge by the provision and maintenance in London of a library embracing the arts and humanities. The running of The London Library is a single activity to which various specialist departments contribute, rather than a set of independent activities. The costs attributable to these specialist departments are set out in the table above. Further details can be found in the Trustees' Annual Report.

The Library's Administration department comprises finance and human resources staff as well as the Librarian, the Deputy Librarian and the Bursar, who are all members of the Executive Team. 20% of the expenditure incurred by this department is considered attributable to governance and is allocated accordingly.

	2016 Staff costs £	2016 Other costs £	2016 Total £	2015 Staff costs £	2015 Other costs £	2015 Total £
Governance costs						
Administration allocation	71,356	12,391	83,747	69,221	10,520	79,741
Audit fees	-	12,144	12,144	-	12,870	12,870
Legal & professional fees	-	5,438	5,438	-	1,725	1,725
Total	71,356	29,973	101,329	69,221	25,115	94,336

7 TANGIBLE FIXED ASSETS

	Freehold Property £	Plant and Equipment £	Furniture and Fittings £	Information Technology £	Total £
Cost					
At 1 April 2015	17,942,229	2,061,299	408,928	529,785	20,942,241
Additions	26,802	-	-	18,890	45,692
Disposals	-	-	-	(55,078)	(55,078)
At 31 March 2016	17,969,031	2,061,299	408,928	493,597	20,932,855
Depreciation					
At 1 April 2015	785,077	693,171	67,394	464,543	2,010,185
Charge for the year	83,336	103,065	16,357	28,796	231,554
Disposals	-	-	-	(55,078)	(55,078)
At 31 March 2016	868,413	796,236	83,751	438,261	2,186,661
Net book values					
At 1 April 2015	17,157,152	1,368,128	341,534	65,242	18,932,056
At 31 March 2016	17,100,618	1,265,063	325,177	55,336	18,746,194

8 FIXED ASSET INVESTMENTS

	2016 £	2015 £
8.1 Investment properties		
Market value at beginning of year	1,003,626	1,003,626
Sale proceeds	(97,793)	-
Market value at end of year	905,833	1,003,626

Investment properties comprise a café and a commercial art gallery rented to tenants on short leases, along with six long leasehold flats. All these properties are contiguous to the Library's operational property and share some structure and services with it.

8.2 Financial investments

	2016 £	2015 £
Listed investments:		
Market value at beginning of year	5,786,604	4,907,018
Cost of purchases	500,000	599,989
Revaluation gains/(losses)	(503,497)	279,597
Market value at end of year	5,783,106	5,786,604

All the above investments are listed on a recognised stock exchange or are pooled funds valued by reference to such investments.

	2016 £	2015 £
Listed investments:		
UK	3,611,404	3,351,880
Outside UK	2,171,702	2,434,724
Total	5,783,106	5,786,604

9 HERITAGE ASSETS

The Library's collection comprises over one million books, mainly in the humanities, and its historic core reflects the world view of its Victorian founders. The Collection Development policy seeks to ensure that the Library acquires newly-published works of lasting value rather than ephemeral interest, as well as older materials which enhance its coverage of particular areas. The Library may also accept important items at risk of loss to scholars through the dispersal of other collections. The vast majority of books in the collection are available for loan, but some 40,000 of the oldest, rarest and most vulnerable items are secured within closed stacks and available for supervised consultation. The Library's policy is never to dispose of any books taken into its collection, other than unnecessary duplicates.

Although the Library takes great pride in its institutional heritage, fundamentally its collection is a working asset which is intended to be used by readers, writers and researchers rather than simply admired from a distance. The Collection Care team is responsible for ensuring that the collection is housed, maintained and preserved in a manner appropriate to this objective, as well as within the constraints imposed by a Grade II listed building and a degree of compromise between the needs of readers and the books themselves. Given these factors, as well as the fact that the cost of individual assets is below the capitalisation threshold, and most importantly the expense and difficulty of obtaining detailed valuations of the materials in its collection, the Trustees believe it is appropriate not to place a capital value on it in the accounts.

The Library's unique subject-based catalogue lends itself particularly well to serendipitous discoveries from browsing, although it can create certain challenges. The implementation in 2014-2015 of the Primo/SFX discovery tool under the name Catalyst significantly enhanced the functionality of the online catalogue. The Bibliographic Services team are responsible for adding all new acquisitions to the online catalogue as well as the retrospective creation of digital records for items in the historic collection.

The table below summarises acquisitions of heritage assets over the last five financial years. These assets comprise monographs and periodicals but not digital or online materials.

Heritage asset transactions

Five-year expenditure	2016	2015	2014	2013	2012
excluding digital material	£	£	£	£	£
Purchases	256,620	272,934	271,076	267,682	261,476
Donations	16,600	22,718	20,000	30,800	17,700
Total additions	273,220	295,652	291,076	298,482	279,176
Items added to current catalogue	7,961	8,151	8,124	8,956	9,716

Expenditure on Collection Care and Bibliographic Services is summarised in Note 6 to the accounts. Further details of the work of the respective teams can be found in the Trustees' Annual Report.

10 DEBTORS

	2016	2015
	£	£
Trade debtors	37,073	37,154
Other debtors	115,738	121,209
Prepayments and accrued income	947,547	791,412
Total	1,100,358	949,775

11 CREDITORS

Amounts due within one year:

	2016	2015
	£	£
Trade creditors	119,468	105,587
Taxes and social security	51,055	47,022
Other creditors	44,475	42,139
Accruals and deferred income	121,174	86,910
Life membership fees deferred	140,199	138,493
Total	476,371	420,151

Amounts due after more than one year:

	2016	2015
	£	£
Life membership fees deferred	549,540	568,631
Total	549,540	568,631

Income from life membership fees has been recognised over ten years from the year of receipt, but this period is being increased to fifteen years in order to provide a better match with the expected profile of future costs for providing service to life members. The Trustees keep this policy under review in the light of operational experience and general trends in life expectancy.

The movements in deferred life membership income are set out below:

	2016	2015
	£	£
Deferred income at start of year	707,124	642,927
Life membership fees received in year	134,564	208,470
Income recognised in year	(151,949)	(144,273)
Deferred income at and of year	689,739	707,124
To be recognised within one year	140,199	138,493
To be recognised after more than one year	549,540	568,631
Total as above	689,739	707,124

12 ANALYSIS OF FUNDS

	B/fwd 01 April 15	Income 2016	Expenditure 2016	Revaluations 2016	Transfers 2016	C/fwd 31 March 16
	£	£	£	£	£	£
Unrestricted funds						
Designated funds						
Tangible fixed assets	18,932,056	-	(231,554)	-	45,692	18,746,194
Investment Properties	1,003,626	-	-	-	(97,793)	905,833
Total designated funds	19,935,682	-	(231,554)	-	(52,101)	19,652,027

12 ANALYSIS OF FUNDS continued

	B/fwd 01 April 15	Income 2016	Expenditure 2016	Revaluations 2016	Transfers 2016	C/fwd 31 March 16
	£	£	£	£	£	£
Free reserves	4,834,575	3,301,634	(3,763,767)	(280,125)	165,669	4,257,986
Subtotal Operating Fund	24,770,257	3,301,634	(3,995,321)	(280,125)	113,568	23,910,013
Pension reserve	(1,661,000)	-	165,000	(137,000)	-	(1,633,000)
Total unrestricted funds	23,109,257	3,301,634	(3,830,321)	(417,125)	113,568	22,277,013
Restricted funds						
Development Appeal Fund	108,616	40,115	-	(9,526)	(26,802)	112,403
The London Library Trust	434,268	20,732	-	(38,087)	(71,622)	345,291
Supported memberships	-	13,904	-	-	(13,904)	-
Staff Benefit Fund	43,731	-	-	(421)	-	43,310
Other restricted funds	-	2,026	(2,026)	-	-	-
Total restricted funds	586,615	76,777	(2,026)	(48,034)	(112,328)	501,004
Endowment funds						
Drue Heinz Literary Fund	1,668,751	749,912	(75,576)	(146,355)	-	2,196,732
Jacqueline Golden Endowment	302,198	16,794	(13,686)	(26,504)	-	278,802
Westminster School						
Memberships	28,268	1,280	-	(2,479)	(1,240)	25,829
Other endowments	-	100,000	-	-	-	100,000
Total endowment funds	1,999,217	867,986	(89,262)	(175,338)	(1,240)	2,601,363
Total funds	25,695,089	4,246,397	(3,921,609)	(640,497)	-	25,379,380

Transfers

Transfers from free reserves to tangible fixed assets represent capital expenditure, as shown in Note 7 above. Transfers from investment properties to free reserves represent the sale proceeds of such properties, as shown in Note 8. Transfers from restricted or endowment funds to free reserves reflect the discharge of the conditions applicable to the respective funds.

Unrestricted funds

Unrestricted funds comprise free reserves, designated funds and the pension reserve.

Free reserves are funds which are not subject to any legal or operational restriction as to their application. Designated funds are not subject to any externally imposed restriction but have been set aside for specific purposes and thus are not immediately available to be spent as income. They represent tangible fixed assets used in the business (Note 7) and investment properties (Note 8). Free reserves and designated funds together comprise the Operating Fund, which derives from the accumulated net surplus since inception.

The pension reserve represents the net actuarial surplus or deficit on the defined benefit pension scheme, calculated on the basis set out in Note 13.

12 ANALYSIS OF FUNDS continued

Restricted funds

The Development Appeal Fund was launched in 2004 to meet the costs of the Library's purchase of Duchess House (renamed "T S Eliot House" in 2008), its fitting out and other development works to the Library (The Development Project). Capital expenditure allocated to this fund during the year was limited to final accounts for the contractor and related consultancy following completion of Phase 3A of the Project.

The Staff Benefit Fund has been built from gifts and investment income. It is used to make discretionary payments to or on behalf of staff in cases of need or hardship.

Other restricted funds comprise grants, donations and legacies received for specific purposes, of which supported membership is among the most important. Funds held within The London Library Trust (LLT) are restricted for the provision of Carlyle memberships, a particular category of supported membership. Since April 2012 the assets of LLT have been held as a restricted fund within the Library which is its sole trustee.

Endowment funds

The Drue Heinz Literary Fund comprises gifts made by the Drue Heinz Foundation to provide an endowment yielding investment income which meets the cost of many of the Library's book purchases. As such the income from it is treated as restricted, but is fully spent each year. The Fund was augmented during 2015-2016 by a further donation of £674,336 (\$1m).

The Jacqueline Golden endowment was established by a gift from Lewis Golden, a distinguished former Treasurer and Chairman of the Library, in memory of his late wife Jacqueline, and has been supplemented by subsequent donations. The income from this endowment is available for the general purposes of the Library and is therefore included within unrestricted funds.

A donation from Basil Postan during 2013-2014 established an expendable endowment to fund a membership award scheme for students at Westminster School. The notional fee income relating to these memberships is transferred to unrestricted funds each year for the five-year duration of the scheme, after which the balance in the fund will be added to the Jacqueline Golden endowment.

A new endowment was received in 2015-2016 from a donor who wishes to remain anonymous, to provide financial support to applicants for Library membership aged between 18 and 30, particularly those from Latin America.

Net assets by fund

	Unrestricted 2016 £	Restricted 2016 £	Endowment 2016 £	Total 2016 £
Tangible fixed assets	18,746,194	-	-	18,746,194
Investment properties	905,833	-	-	905,833
Financial investments	2,770,335	411,408	2,601,363	5,783,106
Debtors and prepayments	1,100,358	-	-	1,100,358
Bank balances and cash in hand	1,413,204	89,596	-	1,502,800
Creditors: due within one year	(476,371)	-	-	(476,371)
Creditors: due after more than one year	(549,540)	-	-	(549,540)
Pension liability	(1,633,000)	-	-	(1,633,000)
Net assets	22,277,013	501,004	2,601,363	25,379,380

13 PENSION ARRANGEMENTS

(a) Group Personal Pension Plan (GPPP)

The Group Personal Pension Plan is provided by Scottish Widows and commenced on 1 April 2011 when the Library's defined benefit scheme closed to further accrual. Costs for the year ended 31 March 2016 totalled £84,863 (2015: £72,072).

(b) Staff Superannuation Fund of The London Library (SSF)

The SSF is a defined benefit scheme established under a definitive trust deed, which closed to new entrants and to further accrual on 1 April 2011. The assets of the scheme are held independently from those of the Library, and are vested in six named trustees, including two nominated by members of staff.

In the year ended 31 March 2016, the contribution by the Library was £215,950 (2015: £208,850), in accordance with the recommendations of the Fund's actuary. With effect from 1 April 2011 scheme expenses are paid direct by The London Library and the contribution therefore relates purely to reduction in past service deficits. The expected contribution for the financial year ending 31 March 2017 is £223,300.

A valuation of the Fund has been prepared as at 31 March 2016 in accordance with FRS102. This supersedes the previous standard FRS17 which dealt specifically with Retirement Benefits, and certain of the assumptions and disclosures for the previous year have accordingly been restated. In particular, under the new standard there is no allowance for investment outperformance in excess of the underlying discount rate. The major assumptions used are as follows:

	2016	2015
Discount rate	3.4% per annum	3.3% per annum
Price inflation (RPI)	3.0% per annum	3.2% per annum
Price inflation (CPI)	2.0% per annum	2.2% per annum
Increases to pensionable pay	N/A	N/A
Increases to pensions in payment:		
Before 30/4/2007 (RPI capped at 5%)	2.9% per annum	3.3% per annum
From 1/5/2007 (RPI capped at 2.5%)	2.0% per annum	2.0% per annum
GMP accrued after 6/4/1988 (CPI capped at 3%)	1.8% per annum	1.9% per annum
Increases to pensions in deferment (employed members):		
Non-GMP earned before 6/4/2009 (RPI capped at 5%)	3.0% per annum	3.2% per annum
Non-GMP earned after 6/4/2009 (RPI capped at 2.5%)	2.5% per annum	2.5% per annum
GMP	Fixed rates	Fixed rates
Increases to pensions in deferment (non-employed members):		
Non-GMP earned before 6/4/2009 (CPI capped at 5%)	2.0% per annum	2.2% per annum
Non-GMP earned after 6/4/2009 (CPI capped at 2.5%)	2.0% per annum	2.2% per annum
GMP	Fixed rates	Fixed rates
Mortality		
– Before retirement	No allowance	No allowance
– After retirement	S2PA year of birth tables with CMI_2015 projections and a 1.25% pa long-term rate of improvement	S1PA year of birth tables with CMI_2014 projections and a 1% pa long-term rate of improvement
Commutation	100% of members commute 25% of their pension at current rates	100% of members commute 25% of their pension at current rates
Life expectancies from age 65		
Male currently aged 65	87	87
Female currently aged 65	89	89
Male currently aged 55	89	88
Female currently aged 45	91	91

13 PENSION ARRANGEMENTS continued

Reconciliation of funded status to Balance Sheet

	2016 £	2015 £
Defined benefit obligation	9,356,000	9,491,000
Less: Fair value of plan assets	7,723,000	7,830,000
Net defined benefit liability	1,633,000	1,661,000

The fair value of the assets held and their relative weightings for the year commencing 31 March were:

	2016 £	% weight	2015 £	% weight
Equities	3,751,000	48.6%	3,928,000	50.2%
Alternatives	382,000	4.9%	383,000	4.9%
Government Bonds	1,658,000	21.5%	2,403,000	30.7%
Corporate Bonds	1,130,000	14.6%	1,122,000	14.3%
LDI assets	840,000	10.9%	-	0.0%
Cash/other	(38,000)	-0.5%	(6,000)	-0.1%
Total	7,723,000	100.0%	7,830,000	100.0%

The following amounts have been recognised in the Statement of Financial Activities as part of Total Expenditure

	2016 £	2015 £
Net interest expense on defined benefit liability	51,000	60,000
Total net expense / (income) recognised	51,000	60,000

The following amounts have been recognised in the Statement of Financial Activities below Total Expenditure as Actuarial gains and losses:

	2016 £	2015 £
Remeasurement – gain/(loss) on liabilities due to experience	90,000	16,000
Remeasurement – (loss)/gain on liabilities due to assumption changes	105,000	(1,144,000)
Remeasurement – return on assets excluding interest income	(332,000)	813,000
Actuarial (loss)/gain for the year	(137,000)	(315,000)

Reconciliation of defined benefit obligation over the year:

	2016 £	2015 £
Defined benefit obligation at start of year	9,491,000	8,223,000
Interest expense on defined benefit obligation	309,000	349,000
Remeasurement – (gain)/loss on liabilities due to experience	(90,000)	(16,000)
Remeasurement – loss/(gain) on liabilities due to assumption changes	(105,000)	1,144,000
Benefits paid	(249,000)	(209,000)
Liabilities at end of year	9,356,000	9,491,000

Reconciliation of fair value of assets over the year:

	2016 £	2016 £
Fair value of assets at start of year	7,830,000	6,728,000
Interest income on assets	258,000	289,000
Remeasurement – return on assets excluding interest income	(332,000)	813,000
Contributions by employer	216,000	209,000
Benefits paid	(249,000)	(209,000)
Fair value of assets at end of year	7,723,000	7,830,000
Return on assets	(74,000)	1,102,000

Reconciliation of funded position

	2016 £	2016 £
Net defined benefit liability at start of year	1,661,000	1,495,000
Expense recognised in total expenditure	51,000	60,000
Actuarial (gain)/loss recognised below total expenditure	137,000	315,000
Contributions by employer	(216,000)	(209,000)
	1,633,000	1,661,000

14 TRANSACTIONS WITH TRUSTEES AND OTHER RELATED PARTIES

Trustees received no remuneration in connection with their trusteeship (2015: £Nil). No reimbursements were paid to trustees for expenses incurred on Library business (2015: £Nil). All Trustees are members of the Library and enjoy the associated benefits on the same basis as all other members. Unrestricted donations from Trustees and other related parties during the year totalled £30,446 (2015: £31,983).

Related parties include Key Management Personnel, and aggregate benefits for these staff are shown in Note 15 below. The Library's Defined Benefit pension scheme (the Staff Superannuation Fund) constitutes a related party, and full details are set out in Note 12 above. Otherwise the Trustees believe there are no transactions with related parties that require disclosure.

15 STAFF COSTS

	2016 £	2015 £
Staff costs comprise:		
Gross salaries and wages	1,993,421	1,910,262
National Insurance	185,534	166,527
Pension costs	227,814	175,830
Total	2,406,769	2,252,619

Total employee benefits for Key Management Personnel totalled £278,601 (2015: £264,074). In addition, the balance of interest-free season ticket loans due from Key Management Personnel at 31 March 2016 totalled £1,508 (2015: £1,227).

Prior year comparative figures for staff costs have been re-stated to reflect a change of accounting treatment for the Library's defined benefit pension scheme following the adoption of FRS102. Further details can be found in Note 13.

In addition to the above, expenditure totalling £13,446 (2015: £14,961) on staff training and related consultancy is included within other costs under Administration in Note 6 to these accounts.

16 EMPLOYEES

The average number of employees for the year was as follows:

	2016	2015
Buildings and Facilities Management	6.5	5.9
Member Services	18.9	17.8
Bibliographic Services	7.5	8.8
Books, periodicals and online subscriptions	4.0	4.0
Collection Care	7.5	6.6
Information Technology	3.0	2.5
Administration and Finance	5.7	7.3
Marketing & Communications	2.6	2.0
Fundraising	5.0	3.7
Total	60.7	58.6

The number of employees who received remuneration exceeding £60,000 and their pension benefits are as follows:

	2016	2015
Range £60,000 – £70,000		
Number of employees	1	2
Employer's contributions to Group Personal Pension Plan	£3,785	£7,108
Range £70,000 – £80,000		
Number of employees	2	1
Employer's contributions to Group Personal Pension Plan	£8,641	£4,376

17 COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Due within one year	5,172	4,212
Due between two and five years	9,383	12,635
Total	14,555	16,847

18 RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016	2015
	£	£
Net income/(expenditure)	(178,709)	(61,848)
Depreciation	231,554	250,949
(Gains)/losses on investments	503,497	(279,597)
Dividends, interest and rent from investments	(317,675)	(291,935)
(Increase)/decrease in debtors	(150,582)	247,461

18 RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES continued

	2016 £	2015 £
Increase/(decrease) in creditors	37,128	36,607
Pension contributions less expense recognised	(165,000)	(149,000)
Net cash flow from operating activities	(39,787)	(247,363)

19 PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds 2015 £	Restricted Funds 2015 £	Endowment Funds 2015 £	Total Funds 2015 £
INCOME AND ENDOWMENTS FROM:				
Donations & legacies	417,738	86,446	-	504,184
Charitable activities	2,574,858	-	-	2,574,858
Other trading activities	19,243	-	-	19,243
Investments	192,790	22,194	76,951	291,935
TOTAL	3,204,629	108,640	76,951	3,390,220
EXPENDITURE ON:				
Raising funds	459,752	-	-	459,752
Charitable activities	3,196,152	-	75,761	3,271,913
TOTAL	3,655,904	-	75,761	3,731,665
NET INCOME / (EXPENDITURE)				
before investment (losses) / gains	(451,275)	108,640	1,190	(341,445)
Net gains on investments	135,228	35,365	109,004	279,597
NET INCOME / (EXPENDITURE)	(316,047)	144,005	110,194	(61,848)
Transfers between funds	147,011	(143,128)	(3,883)	-
OTHER RECOGNISED GAINS & LOSSES:				
Actuarial (losses)/gains on defined benefit pension scheme	(315,000)	-	-	(315,000)
NET MOVEMENT IN FUNDS	(484,036)	877	106,311	(376,848)
FUNDS AT START OF YEAR	23,593,293	585,738	1,892,906	26,071,937
FUNDS AT END OF YEAR	23,109,257	586,615	1,999,217	25,695,089

20 FINANCIAL INSTRUMENTS

The carrying amount of the charity's financial instruments is as follows:

	2016 £	2015 £
<i>Financial assets</i>		
Measured at fair value through the SOFA		
Fixed asset listed investments	5,783,107	5,786,604
	<hr/> 5,783,107	<hr/> 5,786,604
Debt instruments measured at amortised cost:		
Trade debtors	37,073	37,154
Other debtors	115,738	121,209
Accrued income	805,401	752,754
Cash at bank and in hand	1,502,800	1,672,811
	<hr/> 8,244,119	<hr/> 8,370,532
Total	8,244,119	8,370,532
 <i>Financial liabilities</i>		
Measured at amortised cost:		
Trade creditors	119,468	105,587
Taxes and social security	51,055	47,022
Other creditors	44,475	42,139
Accruals	58,318	71,323
	<hr/> 273,316	<hr/> 266,071
Total	273,316	266,071

21 RECONCILIATION OF OPENING FUNDS

	Note (below)	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Funds at 1 April 2014 (as previously reported)		25,827,395	585,738	1,892,906	28,306,039
Prior year adjustments: tangible fixed assets	(a)				
Depreciation: buildings		(701,776)	-	-	(701,776)
Depreciation: plant & equipment		(590,106)	-	-	(590,106)
Depreciation: furniture & fittings		(51,037)	-	-	(51,037)
Depreciation: information technology		(38,146)	-	-	(38,146)
Re-classification to revenue expenditure		(1,034,681)	-	-	(1,034,681)
Re-classification of investment property cost		(1,091,000)	-	-	(1,091,000)
Investment property at valuation		1,003,626	-	-	1,003,626
Re-stated funds at 1 April 2014 (previous GAAP)		23,324,275	585,738	1,892,906	25,802,919

21 RECONCILIATION OF OPENING FUNDS continued

	Note (below)	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Transitional adjustments due to FRS102					
Additional legacy income recognised	(b)	269,018	-	-	269,018
Re-stated funds at 1 April 2014 (under new GAAP)					
		23,593,293	585,738	1,892,906	26,071,937
Net income for 2014-2015					
As reported under previous GAAP		100,846	108,640	1,190	210,676
Prior year adjustments: tangible fixed assets	(c)	(260,188)	-	-	(260,188)
As previous GAAP (re-stated)		(159,342)	108,640	1,190	(49,512)
Transitional adjustments due to FRS102					
Legacy income recognised in prior year	(d)	(203,750)	-	-	(203,750)
Additional cost of defined benefit pension scheme recognised in net income	(e)	(101,000)	-	-	(101,000)
Gains/(losses) on financial investments	(f)	148,045	35,365	109,004	292,414
Net income under new GAAP		(316,047)	144,005	110,194	(61,848)
Transfers between funds 2014-2015		147,011	(143,128)	(3,883)	-
Other recognised gains and losses					
Actuarial (losses)/gains on defined benefit pension scheme	(g)	(315,000)	-	-	(315,000)
Funds at 31 March 2015 (new GAAP)		23,109,257	586,615	1,999,217	25,695,089

Notes

- (a) Following a change of accounting policies certain prior-year capital expenditure has been reclassified from buildings to other asset categories or to revenue. Prior-year depreciation has been charged on the reclassified expenditure at the agreed rates, and investment property formerly included at cost as part of operational property is now shown separately at valuation. The adjustments in this section give effect to these changes.
- (b) Legacy income was previously recognised on a cash basis, but in accordance with the Charities SORP (FRS102) is now recognised when receipt is probable and the value measurable. This adjustment represents the additional legacy income recognised up to 31 March 2014 on the new basis.
- (c) Further to (a) above, this adjustment relates to additional depreciation and write-offs to revenue in 2014-2015.
- (d) Further to (b) above, this adjustment relates to additional legacy income recognised in 2014-2015 under the new policy, less additional income recognised up to 31 March 2014.
- (e) This adjustment represents the additional defined benefit pension expenditure recognised as part of net income for 2014-2015 following the adoption of FRS102. Under the previous standard (FRS17) the amount recognised was net income of £41,000, while under FRS102 the amount was a net expense of £60,000, so the additional net expense is £101,000. Further details are set out in Note 13.
- (f) Under FRS102 investment gains and losses are included as part of net income.
- (g) Further to (e) above, this represents the net pension expenditure shown below net income under other recognised gains and losses for 2014-2015, re-stated in accordance with FRS102 and as set out in Note 13.
- (h) In compliance with FRS102 the valuation of the Library's holding of UK gilts is based on the quoted bid price ("clean" price) excluding accrued interest, the latter being shown separately under debtors. This is a change from the previous basis and comparative figures have been adjusted accordingly. However, the change has no overall impact on net income or total funds.

"GAAP" stands for "Generally Accepted Accounting Practice"

The Trustees thank the following supporters, and our anonymous donors, for their generous contributions to The London Library received during the year ended 31 March 2016.

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All donations relating to the Library's 175th Anniversary will be acknowledged in reports on the year ended 31 March 2017.

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During the year the Library also received a grant from the trustees of the R M Chambers Settlement.

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The literary estates of Ian Parsons, Robert McNair Scott and Reay Tannahill have provided income from royalties.

ENDOWMENT FUNDS

Lewis L Golden OBE JP
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MARKING THE 50th ANNIVERSARY OF T S ELIOT'S DEATH

To commemorate the 50th Anniversary of the death of its past President, T S Eliot, The London Library produced two performances of his work. Income from both performances supported the work of The London Library and we are enormously grateful to everyone who bought tickets for them.

For the performance in London at Wilton's Music Hall on 21st October, 2015, a debt of gratitude is owed to Deborah Warner, who staged the evening, Mike Gunning, Gina Gunning, Holly Hooper and the team at Wilton's for their help in creating the production and the cast of Sinead Cusack, Jeremy Irons, Simon Russell Beale, Fiona Shaw and Ben Whishaw.

For the performance in New York at the Century Association on 17th November, 2015, we would also like to thank Jesse Marchese, who was the Director, and the cast comprising Rob Breckenridge, Katie Firth, Cynthia Harris, Kate Levy, Tony Roach and David Staller.

Finally we would like to thank the T S Eliot Estate, whose support in so many different ways was crucial in enabling these performances to happen.

DONATIONS OF BOOKS

Thanks are also due to various government and official bodies, learned societies, institutions and firms, and other libraries and publishers which have given their publications, and to the many donors of books and other items who are listed below:

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TEN-YEAR FINANCIAL SUMMARIES

Unrestricted funds only

Year	Membership income £	Investment income £	Other income £	Library expenses £	Net surplus/ (deficit) £
2007	1,621,616	211,668	488,914	2,722,212	(400,014)
¹ 2008	1,853,098	331,553	474,722	2,794,099	(134,726)
2009	2,515,403	296,077	265,762	3,121,744	(44,502)
² 2010	2,490,112	183,910	323,286	3,182,323	(185,015)
2011	2,496,530	227,826	815,023	2,766,310	773,069
2012	2,575,253	241,450	413,897	2,953,277	277,323
³ 2013	2,496,969	221,508	667,319	3,120,858	264,938
2014	2,528,553	155,660	1,077,265	3,533,839	227,639
⁴ 2015	2,574,858	192,790	436,981	3,655,904	(451,275)
2016	2,581,850	202,546	517,238	3,830,321	(528,687)

¹ 2008 figures re-stated in respect of deemed investment income and management fees

² 2010 figures re-stated to exclude grant from The London Library Trust eliminated on consolidation

³ From 2013 some investment income and expenditure are reallocated to endowment funds (excluded from these figures)

⁴ Re-stated for new Charities SORP (FRS102) and changes to accounting policies

LIBRARY FUNDS

Year	Free reserves (excluding Pension Reserve) £000	Pension Reserve £000	Free reserves (including Pension Reserve) £000	Designated funds# £000	Total unrestricted £000	Restricted funds £000	Endowment funds £000	Total funds £000
2007	6,021	(1,574)	4,447	11,515	15,962	1,053		17,015
2008	5,196	(984)	4,212	13,957	18,169	1,706		19,875
2009	3,535	(1,857)	1,678	15,303	16,981	3,089		20,070
² 2010	3,178	(1,717)	1,461	20,429	21,890	1,657		23,547
2011	3,373	(917)	2,456	21,686	24,142	1,662		25,804
³ 2012	4,291	(1,815)	2,476	21,690	24,166	616	1,437	26,219
2013	4,653	(1,871)	2,782	22,099	24,881	676	1,830	27,387
⁴ 2014	4,940	(1,495)	3,445	20,148	23,593	586	1,893	26,072
⁴ 2015	4,834	(1,661)	3,173	19,936	23,109	587	1,999	25,695
2016	4,258	(1,633)	2,625	19,652	22,277	501	2,601	25,379

Including tangible fixed assets and investment properties

¹ Financial year ended 31 March

² 2010 figures re-stated on consolidated basis including The London Library Trust

³ 2012 figures re-stated in respect of Drue Heinz Literary Fund (reclassified as endowment)

⁴ Re-stated for new Charities SORP (FRS102) and changes to accounting policies

COMMENT

The negative pension reserves shown above relate to the long term funding position of the pension scheme and not to immediate cash shortfalls. The large increase in designated funds over the period reflects capital expenditure on the Development Project which is financed either by capital fundraising or "windfall" income from legacies and similar sources, and is not drawn from free reserves.

MEMBERSHIP AT YEAR-END

	Numbers at 31 March	
	2016	2015
Ordinary members	4,259	4,343
Spouse /partner members	275	266
Young Person members	331	344
Supported members (Trust/Byelaw 9)	354	356
Institutional members	147	152
Subtotal annual members	5,366	5,461
Life members	1,247	1,247
Total	6,613	6,708

TEN-YEAR SUMMARY OF MEMBERSHIP

Year	MEMBERS			
	Number at year-end	New members during year	Withdrawals during year	Increase/ (Decrease)
2007	8,025	644	(522)	122
2008	7,823	660	(862)	(202)
2009	6,998	530	(1,355)	(825)
2010	6,764	491	(725)	(234)
2011	7,137	984	(611)	373
2012	7,155	839	(821)	18
2013	7,147	819	(827)	(8)
2014	7,009	745	(883)	(138)
2015	6,708	697	(998)	(301)
2016	6,613	692	(787)	(95)
Average	7,138	710	(839)	(129)

USE OF THE LIBRARY

Year	BOOK PURCHASES ¹		BOOKS CATALOGUED		CIRCULATION ²	
	Expenditure in year (£)	Increase/ (Decrease) (£)	Number in year	Increase/ (Decrease)	Borrowed in year	Increase/ (Decrease)
2007	239,108	10,350	9,134	1,084	80,639	(920)
2008	246,295	7,187	9,200	66	84,658	4,019
2009	266,354	20,059	11,250	2,050	82,490	(2,168)
2010	278,194	11,840	9,050	(2,200)	81,317	(1,173)
2011	276,568	(1,626)	8,123	(927)	85,685	4,368
2012	298,477	21,909	9,716	1,593	85,360	(325)
2013	306,419	7,942	8,956	(760)	82,861	(2,499)
2014	316,947	10,528	8,124	(832)	80,386	(2,475)
2015	314,896	(2,051)	8,151	27	76,768	(3,618)
2016	310,785	(4,111)	7,961	(190)	71,437	(5,331)

¹ Including periodicals and digital/online materials

² Circulation records only books borrowed and not books used only within the Library

THE LONDON LIBRARY INTERNATIONAL FRIENDS



FOR OVER 30 YEARS The London Library has benefited greatly from the work of its International Friends. This is a body administered from New York under a volunteer board of directors, and it is registered for tax-exemption privileges in connection with its charitable activities in support of the Library. Library members and other friends based outside the UK have made many generous donations through the International Friends, with recent gifts given to help support the development project, book purchases, binding and preservation.

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The Library is also able to receive donations through Transnational Giving Europe (TGE). TGE is a partnership of leading European foundations and associations that facilitates tax-efficient cross-border giving within Europe. TGE is operational in most European Union states.

If you would like information about any of the ways of giving mentioned above, please contact:

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