

REGISTRAR OF COMPANIES

**Overseas
Development
Institute**

Annual Report and Accounts

31 March 2002



Buzza cott

Company Limited by Guarantee
Registration Number
661818 (England and Wales)

Charity Registration Number
228248

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Legal and administrative information 31 March 2002

Members of the Council	Baroness Jay of Paddington (Appointed December 2001) (Chair) Zeinab Badawi Andrew Barnett Dominic Bruynseels Earl Cairns Robin Coope William Day Lord Desai of St Clement Danes Larry Elliott Prof Michael Faber (Resigned December 2001) Martin Griffiths Lord Holme of Cheltenham Sir Richard Jolly Lord Judd of Portsea (Resigned December 2001) Tess Kingham Sir Timothy Lankester Prof Michael Lipton Sir Michael McWilliam Dianna Melrose (Resigned December 2001) Rupert Pennant-Rea Avinash Persaud Judith Randel (Resigned December 2001) Prof Amartya Sen Salil Shetty Dr Frances Stewart Dr Diane Stone Jonathan Taylor Anuradha Vittachi Bowen Wells
Director	Simon Maxwell
Secretary	Allen Brown

Legal and administrative information 31 March 2002

Registered and principal office 111 Westminster Bridge Road
London
SE1 7JD

Telephone 020 7922 0300
Facsimile 020 7992 0399
Website www.odi.org.uk
E-mail odi@odi.org.uk

Company registration number 661818

Charity registration number 228248

Auditors Buzzacott
12 New Fetter Lane
London
EC4A 1AG

Investment managers Merrill Lynch Investment Managers
Limited
33 King William Street
London
EC4R 9AS

Bankers National Westminster Bank plc
Oxford Circus Corporate Business Centre
5th Floor
Argyll House
246 Regent Street
London
W1R 6PB

Report of the members of the Council 31 March 2002

The members of the Council present their report together with the accounts of the charitable company for the year ended 31 March 2002. The report has been prepared in accordance with Part VI of the Charities Act 1993.

The accounts have been prepared in accordance with the accounting policies on pages 15 to 17 of the attached accounts, and comply with the charitable company's memorandum and articles of association, applicable laws, and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" as issued in October 2000.

Constitution

Overseas Development Institute (the Institute) was founded in 1960. It is a registered charity, Charity Registration No. 228248, and also a company limited by guarantee, Company Registration No. 661818. The charity is exempt under Section 30 of the Companies Act 1985 from using the word 'limited' as part of its name.

Members' liability

In the event of the company being wound up, members and those within one year of ceasing to be members, are required to contribute an amount not exceeding £1.

Principal aim and activities

The Institute's principal aim is to promote the study and discussion of, and the exchange of information upon, the economic and social development of nations and the influence thereon of various policies, actions and institutions.

Activities undertaken in pursuit of this aim include a wide range of research projects, a number of which are undertaken with external collaborators. The Institute's work is disseminated through an extensive programme of public and other meetings and publications.

Organisation

The Institute's work is organised in five thematic groups, each headed by a Group Co-ordinator. The Director is supported by a Management Committee, consisting of the five Group Co-ordinators, the Secretary and the Head of Public Affairs and IT, which oversees the Institute's activities and administrative services.

Progress during the year

The Poverty Reduction Strategy Papers initiative has become a substantial focus of the Poverty and Public Policy Group. The Group's work has contributed to the adoption by the OECD DAC of its Guidelines on Poverty Reduction and has supported national participatory poverty assessments. Rights work and social-protection policies have been emphasised, as has work on inequality. The Institute has joined IDPM Manchester as a major partner in the DFID-funded Chronic Poverty Research Centre and has continued to host the Centre for Aid and Public Expenditure.

Progress during the year (continued)

The International Economic Development Group has continued its research on participation by developing countries in trade negotiations. The Group's work has covered building socio-economic research capacity in developing countries, capital flight, foreign direct investment, commodity exports, the impact of natural events, and the effectiveness of aid.

The Rural Policy and Environment Group has identified new ways in which growth-promoting strategies might be given added dimensions of social protection. The role of opportunities for labour and employment for niche marketing of new products has been explored. Other themes covered by the Group include biodiversity conservation and emergency seed provisioning, pro-poor tourism, secure water access, research-based policy implementation, the role of "market-failure", communications, and the recognition of local organisations.

The Forest Policy and Environment Group has long-established concerns with public participation in forest management and effective regulation. It is investigating illegal logging in Central America, the community management of state forests in Cameroon, the mitigation of environmental change in Ghana, and participatory rural appraisal in The Gambia.

The growing association with the Western security agenda has raised issues for the Humanitarian Policy Group about the neutrality of traditional humanitarian agencies. The Group has explored a "livelihoods approach" to relief planning, the role of social capital in determining vulnerability, the interaction between local and wider conflicts, and the application of humanitarian principles to food aid. The Group's programme has continued to be funded through an integrated approach to funders.

The Fellowship Scheme posted a record number of Fellows, with the highest level of core grant support ever. A development of the Scheme will be funded by the Commonwealth.

The Institute's website has been redesigned. Printed publications have continued to be a major part of the Institute's output: *Briefing Papers* remain popular and a new series of short *Opinions* papers has been launched. *Development Policy Review* and *Disasters* now regularly publish special thematic issues. The meetings series are widely appreciated. The Institute has continued to provide support for the All Party Parliamentary Group on Overseas Development.

The Institute maintains the Humanitarian Practice Network, the Agricultural Research and Extension Network, and the Rural Development Forestry Network and hosts the Active Learning Network for Accountability and Performance.

Future plans

With the confirmation in post of the Director for a second 5-year term of office, the Council will be undertaking a strategic review. A report will be presented to the meeting of Council in December.

A governance review will also be carried out following the separation of the functions of Chair of Council and Chair of the Finance and General Purposes Committee.

Financial report for the year

Income and expenditure

After adjustments, net outgoing resources for the year of £4,471 were recorded: £23,148 has been added to general funds and £27,619 has been utilised from the designated Innovation Fund. In a year when the Institute experienced a high level of research staff turnover, this is as satisfactory a performance as might be expected. Cash flow has remained largely positive throughout the year but working capital has remained static.

Income during the period amounted to £6,507,037 and included £6,386,733 for grants programme and project funding. Excluding the exceptional income in 2001 for the surrender of the lease on the offices at Portland House, this represents a minimal increase (1.0%) in turnover in comparison to 2001. This reflects difficulties experienced as a result of the high level of research staff turnover. A total of 116 (2001 - 121) organisations contributed to specific grants. Details of this funding are given on pages 26 to 37 in the appendix following the accounts. The research undertaken during the year, and its funding, is considered in more detail in the Institute's Annual Report.

Staff numbers during the year averaged 75 (2001 - 68) and total staff costs were the major item of expenditure at £2,551,037 or 39.2% of turnover (2001 - 38%). This however does not include the research associates, assistants and overseas collaborators contracted to the Institute who received £1,381,375 (21% of turnover) during this period (2001 - £1,566,282 or 24%).

Supplementation of the Institute's Fellows in overseas placements under the Fellowship Scheme amounted to £765,500, an increase of 19% over the year to 31 March 2001. Local salaries are provided by the employing governments.

Balance sheet

Fixed assets, including investments at market value, amounted to £1,212,202.

The reserves total at 31 March 2002 of £1,391,565 showed an increase of £16,881 in comparison to 2001 (£1,374,684). This increase was due in the main to increases in the value of debtors and investments, balanced by lower cash at bank and a higher volume of creditors.

Reserves policy

Reserves policy

The reserves provide security for the Institute's borrowing facilities and the Institute's bankers, National Westminster Bank plc, have been assured that the value of the investments will not fall below a minimum level. The reserves policy is reviewed regularly. In recognising the need to strengthen the reserves to reflect rising turnover in recent years, Council has set out a four-year programme to achieve higher annual transfers to investments.

Financial position

The year has seen a net decrease in cash of £194,072. However, this includes a transfer of £100,000 to investments due to investment additions during the year.

Investment policy

The Institute has investments in the Charinco and Charishare common investment funds which had a market value of £1,160,817 at 31 March 2002 (£1,039,465 at 31 March 2001). The funds are managed by Merrill Lynch Investment Managers Limited. Council regularly reviews the performance of the investments and of the fund managers.

Interest earned by the investments is accumulated within the investment funds and is not normally drawn down for income. The objectives are to ensure the stability of the Institute over the medium to long term and to add to the investments to match the growth in turnover in recent years.

Risk management

The members of the Council have undertaken a formal assessment exercise to identify the major risks to which the Institute is exposed and to formulate strategies to mitigate those risks. The risks to which the Institute is exposed will be monitored regularly and key performance indicators are being developed to facilitate this process.

The charity's assets

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the accounts.

The members of the Council

The members of the Council constitute directors of the charitable company for the purposes of the Companies Act 1985.

A list of the members who were in office at 31 March 2002, and a note of the changes that occurred during the year, is given on page 1 of this annual report and accounts.

No Council member received any remuneration for services as a member of the Council during the year (2001 - none). Out of pocket travelling expenses totalling £20 (2001 - £62) were reimbursed to 1 (2001 - 1) Council member during the year. No Council member had any beneficial interest in any contract with the charity during the year.

Responsibilities of the members of the Council

Company law requires the members of the Council (who are directors of the company for the purpose of the Companies Act) to prepare accounts which give a true and fair view of the state of affairs of the charitable company at the end of the financial year and of its surplus or deficit for the financial year. In preparing accounts giving a true and fair view, the members of the Council are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ 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; and
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The members of the Council are responsible for maintaining proper accounting records which disclose with reasonable accuracy the financial position of the charitable company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

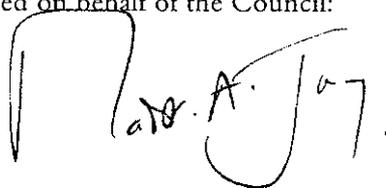
Overseas Development Institute is an equal opportunities employer and will apply objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Report of the members of the Council 31 March 2002

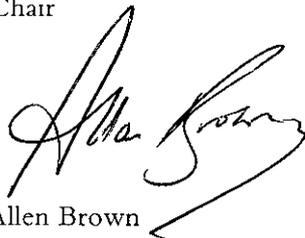
Auditors

The auditors, Buzzacott will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of the Council:

A handwritten signature in black ink, appearing to read 'Baroness Jay' with a large flourish at the end.

Baroness Jay of Paddington
Chair

A handwritten signature in black ink, appearing to read 'Allen Brown' with a large flourish at the end.

Allen Brown
Secretary

Approved by the Council on: 12.7.02

Report of the independent auditors to the members of Overseas Development Institute

We have audited the accounts on pages 11 to 24 which have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and the accounting policies set out on pages 15 to 17.

Respective responsibilities of members of the Council and auditors

As described on page 7 the members of the Council (who act as trustees for the charitable activities of Overseas Development Institute and are also the directors for the purposes of company law) are responsible for the preparation of the report of the members of Council and accounts in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the members of Council is not consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration of members of Council and transactions with the charitable company is not disclosed.

We are not required to consider whether the statement in the report of the members of Council concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read all other information contained in the report of the members of the Council and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the members of the Council in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Independent auditors' report 31 March 2002

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the charitable company as at 31 March 2002 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Buzzacott

Buzzacott
Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

16 July 2002

Statement of financial activities Year to 31 March 2002

	Notes	General funds £	Designated funds £	Total funds 2002 £	Total funds 2001 £
Income and expenditure					
Incoming resources					
Activities in furtherance of the charity's objects					
. Grants and project finance receivable	1	6,386,733	—	6,386,733	6,346,521
. Publications		81,195	—	81,195	87,485
Investment income and interest receivable		1,623	—	1,623	822
Other income			—		
. Consideration for surrender of lease		—	—	—	80,000
. Conference income		19,541	—	19,541	1,200
. Miscellaneous income		17,945	—	17,945	8,100
Total incoming resources		6,507,037	—	6,507,037	6,524,128
Resources expended					
<i>Charitable expenditure</i>					
Costs of activities in furtherance of the charity's objects:					
. Research and dissemination of information activities	2	4,449,615	27,619	4,477,234	4,421,092
. Fellowship activities and services	3	765,500	—	765,500	641,110
Support costs	4	1,063,993	—	1,063,993	1,189,224
Management and administration of the charity	5	204,781	—	204,781	228,321
Total resources expended		6,483,889	27,619	6,511,508	6,479,747
Statement of total recognised gains and losses					
Net incoming (outgoing) resources for the year/net income (expenditure)					
		23,148	(27,619)	(4,471)	44,381
Unrealised gains on investments	10	21,352	—	21,352	14,733
Net movement in funds	7	44,500	(27,619)	16,881	59,114
Balances brought forward at 1 April 2001					
		1,334,684	40,000	1,374,684	1,315,570
Balances carried forward at 31 March 2002					
		1,379,184	12,381	1,391,565	1,374,684

Statement of financial activities Year to 31 March 2002

	2002 £	2001 £
Historical cost net movement in funds		
Net movement in funds (page 11)	16,881	59,114
Unrealised gains on investments	(21,352)	(14,733)
Historical cost net movement in funds	(4,471)	44,381

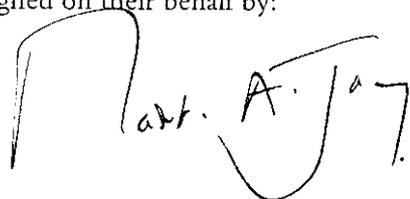
Continuing activities

All of the charity's activities derived from continuing operations during the above two financial periods.

Balance sheet 31 March 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	9		51,385		68,103
Investments	10		<u>1,160,817</u>		<u>1,039,465</u>
			1,212,202		1,107,568
Current assets					
Stocks		12,135		17,664	
Debtors	11	1,300,246		1,053,119	
Cash at bank and in hand		<u>108,061</u>		<u>302,133</u>	
		1,420,442		1,372,916	
Creditors: amounts falling due within one year	12	<u>(1,241,079)</u>		<u>(1,105,800)</u>	
Net current assets			179,363		267,116
Total net assets			<u>1,391,565</u>		<u>1,374,684</u>
Represented by:					
Funds and reserves					
<i>Income funds</i>					
Unrestricted funds					
. Designated fund	13		12,381		40,000
. General funds			<u>1,379,184</u>		<u>1,334,684</u>
			1,391,565		1,374,684

Approved by the members of the Council
and signed on their behalf by:



Chair



Secretary

Approved on: 12. 7. 02

Cash flow statement Year to 31 March 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Cash (outflow) inflow from operating activities	A		(70,300)		332,574
Returns on investments and servicing of finance					
Interest received			1,623		822
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(25,395)		(99,745)	
Payments to acquire fixed asset investments		(100,000)		—	
			(125,395)		(99,745)
(Decrease) increase in cash	B		(194,072)		233,651

Notes to the cash flow statement for the year to 31 March 2002

A Adjustment of net (outgoing) incoming resources for the year to net cash (outflow) inflow from operating activities

	2002 £	2001 £
Net (outgoing) incoming resources for the year	(4,471)	44,381
Depreciation	42,113	141,277
Interest receivable	(1,623)	(822)
Decrease in stock	5,529	4,971
Increase in debtors	(247,127)	(131,840)
Increase in creditors	135,279	274,607
Net cash (outflow) inflow from operating activities	(70,300)	332,574

B Analysis of changes in net funds

	At 1 April 2001 £	Cash flows £	At 31 March 2002 £
Cash at bank and in hand	302,133	(194,072)	108,061

Principal accounting policies 31 March 2002

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 1985. Applicable United Kingdom accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000) have been followed in these accounts.

Incoming resources

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grants from government and other agencies have been included as income from activities in furtherance of the charity's objectives.

Gifts in kind

Where the charity receives the benefit of the services of secondees, these are included in the statement of financial activities at values determined by the members of Council in consultation with the organisation providing the secondees.

Resources expended and the basis of apportioning costs

Resources expended comprise the following:

- a. The costs of activities in furtherance of the charity's objects comprise expenditure on the charity's primary charitable purposes as described in the report of the members of the Council. The costs comprise expenditure on:
 - ◆ Research and dissemination of information activities;
 - ◆ Fellowship activities and services.

The majority of costs are directly attributable to specific activities. Certain shared costs are apportioned to activities in furtherance of the objects of the charity using ratios based either on floor space or employees' and consultants' time.

Resources expended and the basis of apportioning costs (continued)

- b. Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.
- c. Management and administration comprises the costs which are directly attributable to the management of the charity's assets, organisational procedures and the necessary legal procedures for compliance with statutory requirements.

Tangible fixed assets

All assets with a cost of more than £3,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is provided at the following annual rates, on a straight line basis, in order to write off all other assets over their estimated useful lives:

- ◆ Furniture, fixtures and fittings 20% on cost
- ◆ Equipment 33 1/3 % on cost

Fixed asset investments

Fixed asset investments are included in the accounts at their market value as at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Stocks

Stocks of unsold publications are valued at the lower of cost and net realisable value.

Fund accounting

The general funds comprise those monies which may be used towards meeting the charitable objectives of the charity and may be utilised at the discretion of the members of the Council.

Designated funds comprise monies set aside and designated for specific purposes by the members of the Council.

Principal accounting policies 31 March 2002

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions in respect of defined benefit pension schemes are recognised in the statement of financial activities so as to spread the cost of pensions over employees' working lives.

Notes to the accounts 31 March 2002

1 Grants and project finance receivable

Grants and project finance were received during the year to be applied by the charity in the following areas of activity:

	2002 £	2001 £
Research and dissemination of information		
. Forest Policy and Environment Group (FPEG)	569,228	536,583
. Humanitarian Policy Group (HPG)	896,066	992,059
. International Economic Development Group (IEDG)	606,841	596,587
. Poverty and Public Policy Group (PPPG)	1,367,477	1,207,742
. Rural Policy and Environment Group (RPEG)	1,732,407	1,971,141
. Public Affairs programme	42,791	21,967
	5,214,810	5,326,079
Fellowship Scheme	1,171,923	1,020,442
	6,386,733	6,346,521

2 Research and dissemination of information

	2002 £	2001 £
Staff costs (note 6)	1,954,433	1,855,481
Research fees payable to consultants and related costs	1,381,375	1,566,282
Dissemination of information	303,044	274,146
Travel	726,900	605,614
Bad debts	—	78,419
Other costs	111,482	41,150
	4,477,234	4,421,092

3 Fellowship activities and services

	2002 £	2001 £
Supplementation	765,500	641,110

4 Support costs

	2002 £	2001 £
Staff costs (note 6)	468,187	459,611
Depreciation	42,113	141,277
Staff overheads	71,369	61,143
Premises	298,422	308,790
Communication	57,712	84,549
Library	10,816	12,444
Other costs	115,374	121,410
	1,063,993	1,189,224

5 Management and administration of the charity

	2002 £	2001 £
Staff costs (note 6)	128,417	122,432
Legal and professional fees	10,081	25,691
Staff overheads	12,594	10,790
Premises	43,505	54,492
Communication	10,184	14,916
	204,781	228,321

6 Staff costs and Council members' remuneration

	2002 £	2001 £
Staff costs during the year were as follows:		
Wages and salaries	2,125,724	2,024,589
Social security costs	178,376	177,223
Other pension costs	246,937	235,712
	2,551,037	2,437,524
Temporary staff costs	51,678	29,387
	2,602,715	2,466,911

Staff costs (excluding temporary staff) by function were as follows:

	2002 £	2001 £
Research and dissemination of information	1,954,433	1,855,481
Support	468,187	459,611
Management and administration	128,417	122,432
	2,551,037	2,437,524

The number of employees who earned £50,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2002	2001
£50,001 - £60,000	5	3
£60,001 - £70,000	1	3

Of those employees who earned £50,000 or more during the year (as defined above), employer contributions were made to the charity's defined benefit pension schemes in respect of all of them.

The average number of employees during the year, calculated on a full time equivalent basis and analysed by function, was as follows:

	2002	2001
Research and dissemination of information	53	50
Support	18	15
Management and administration	4	3
	75	68

Notes to the accounts 31 March 2002

6 Staff costs and Council members' remuneration (continued)

None of the members of the Council received any remuneration in respect of their services during the year (2001 - £nil).

During the year out of pocket travelling expenses amounting to £20 (2001 - £62) were reimbursed to 1 (2001 - 1) member of the Council during the year.

7 Net movement in funds

This is stated after charging:

	2002 £	2001 £
Auditors' remuneration	6,463	5,262
Depreciation	42,113	141,277
Operating lease rentals . Premises	157,450	42,177

8 Taxation

The charity is a registered charity and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

9 Tangible fixed assets

	Furniture, fixtures and fittings £	Equipment £	Total £
Cost			
At 1 April 2001	44,361	690,604	734,965
Additions	5,358	20,037	25,395
At 31 March 2002	49,719	710,641	760,360
Depreciation			
At 1 April 2001	44,361	622,501	666,862
Charge for year	893	41,220	42,113
At 31 March 2002	45,254	663,721	708,975
Net book values			
At 31 March 2002	4,465	46,920	51,385
At 31 March 2001	—	68,103	68,103

Notes to the accounts 31 March 2002

10 Investments

	Total £
Listed investments	
Market value at 1 April 2001	1,039,465
Additions at cost	100,000
Net unrealised investment gains	21,352
Market value at 31 March 2002	<u>1,160,817</u>
Historical cost of listed investments at 31 March 2002	<u>630,272</u>

At 31 March 2002 listed investments comprised the following holdings in common investment funds:

	£
Charinco accumulation units	601,498
Charishare accumulation units	559,319
	<u>1,160,817</u>

11 Debtors

	2002 £	2001 £
Grants in arrears	1,201,556	964,433
Other debtors	54,997	35,071
Prepayments and accrued income	43,693	53,615
	<u>1,300,246</u>	<u>1,053,119</u>

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Grants received in advance	374,631	542,655
Expense creditors	338,206	138,171
Social security and other taxes	89,462	83,142
Accruals and deferred income	438,780	341,832
	<u>1,241,079</u>	<u>1,105,800</u>

Notes to the accounts 31 March 2002

13 Designated fund

The income funds of the charity include the following designated fund set aside by the members of the Council for the purposes of funding future innovation projects:

	At 1 April 2001 £	Utilised in year £	At 31 March 2002 £
Innovation fund	40,000	(27,619)	12,381

14 Analysis of net assets between funds

	General funds £	Designated fund £	Total funds £
Tangible fixed assets	51,385	—	51,385
Investments	1,160,817	—	1,160,817
Net current assets	166,982	12,381	179,363
	<u>1,379,184</u>	<u>12,381</u>	<u>1,391,565</u>
Unrealised gains included above: On investments	530,545	—	530,545
Reconciliation of movements in unrealised gains on investments			
Unrealised gains at 1 April 2001	509,193	—	509,193
Unrealised gains in year	21,352	—	21,352
Unrealised gains at 31 March 2002	<u>530,545</u>	<u>—</u>	<u>530,545</u>

15 Lease commitments

At 31 March 2002 the charity had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2002 £	2001 £
Operating leases which expire After five years	<u>134,000</u>	<u>134,000</u>

16 Pension commitments

Retirement benefits for employees are provided by two independently administered schemes, which are funded by contributions from the employers and employees. Contributions to the schemes are charged to the statement of financial activities so as to spread the cost of the pensions over the employees' working lives.

Under the definitions set out in Financial Reporting Standard 17, Retirement Benefits, both schemes are classed as multi-employer pension schemes. The Institute is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the Institute has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the schemes as if they were defined contribution schemes. The Institute has set out below the latest information available for each scheme.

Universities Superannuation Scheme

The charity participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The pension scheme provides benefits based on final pensionable salary for employees of all UK universities and some other employers. The assets of the Scheme are held in a separate trustee-administered fund.

The latest actuarial valuation of the Scheme was on 31 March 1999. The assumptions which have the most significant effect on the results on the valuation are those relating to the rate of return on investments (ie the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5 % per annum, that salary increases would be 3.5 % per annum and that pensions would increase by 2.6 % per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5 % per annum, including an additional investment return assumption of 1 % per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5 % per annum. The valuation cost is assessed using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfers payments due) and the value of the past service liabilities was £17,427 million. The assets were therefore sufficient to cover 108 % of the benefits which had accrued to members after allowance for expected future increases in earnings.

The total pension costs for the charity under this scheme were £216,630 (2001 - £218,386). The contribution rate payable by the Institution 14 % of pensionable salaries.

16 Pension commitments (continued)

Superannuation Arrangements of the University of London

The company also participates in the Superannuation Arrangements of the University of London, a pension scheme which provides benefits based on final salary for non-academic employees of the University of London and a number of academic institutions. The assets of the Scheme are held in a separate trustee-administered fund. The pension costs are based on the most recent actuarial valuation which was completed with an effective date of 31 March 1999. The most significant assumptions for their effect on the pension costs are those relating to the rate of earnings increase used was 4.1 % per annum and pensions were assumed to increase by 2.6 % per annum in payment. The Scheme is funded using the same assumptions and actuarial method as described above for the expensing of the Scheme. The actuarial valuation at 31 March 1999 showed that the market value of the Scheme's assets was £846.6 million and the actuarial value of those assets represented 120 % of the liability for the benefits under the valuation method, for service to the valuation date and based on salaries projected to retirement or earlier exit.

The total pension costs payable under this scheme were £30,307 (2001 - £17,326). The contribution rate payable by the Institution was 10.5 % of pensionable salaries.