

REGISTRAR OF COMPANIES

Overseas Development Institute

Annual Report and Accounts

31 March 2004



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

Charity Registration Number
228248



Contents

Reports

Legal and administrative information	1
Report of the members of the Council	3
Independent auditors' report	9

Accounts

Statement of financial activities	11
Balance sheet	13
Cash flow statement	14
Principal accounting policies	15
Notes to the accounts	18

The following pages do not form
part of the statutory accounts:

Detailed income and expenditure account	25
Grants and project finance receivable	26 - 50

Legal and administrative information 31 March 2004

Members of the Council

Baroness Jay of Paddington (Chair)
Zeinab Badawi (resigned 2 December 2003)
Tony Baldry MP
Andrew Barnett
Hugh Bayley MP
Andrew Bennett
Dominic Bruynseels
The Rt Hon Earl Cairns CBE
William Day
Lord Desai of St Clement Danes (resigned 2 December 2003)
Larry Elliott
Martin Griffiths
Lord Holme of Cheltenham CBE
Sir Richard Jolly
Tess Kingham
Sir Timothy Lankester (resigned 2 December 2003)
Professor Michael Lipton
Sir Michael McWilliam
Rupert Pennant-Rea
Avinash Persaud
Sharon Persaud (appointed 2 December 2003)
Lydia Pretzlik (appointed 2 December 2003)
Salil Shetty
Professor Frances Stewart
Lord Stone of Blackheath
Dr Diane Stone
Anuradha Vittachi
Stewart Wallis (appointed 2 December 2003)
Bowen Wells
Baroness Janet Whitaker (appointed 2 December 2003)

Director

Simon Maxwell

Secretary

Allen Brown (resigned 27 June 2003)
Simon Maxwell (appointed 27 June 2003;
resigned 24 September 2003)
PJ Greeves (appointed 24 September 2003)

Registered and principal office

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Company registration number

661818 (England and Wales)

Legal and administrative information 31 March 2004

Charity registration number 228248

Auditors Buzzacott
12 New Fetter Lane
London
EC4A 1AG

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

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

Report of the members of the Council 31 March 2004

The members of the Council present their report together with the accounts of the charitable company for the year ended 31 March 2004. 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 registered in England and Wales, 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 Director is responsible to the Council for the management of the Institute. The Managers of research groups and programmes report to the Director, along with the Head of the Fellowship Scheme, the Company Secretary (for finance and administration), and the Head of Public Affairs and IT.

Progress during the year

The overall income of the Institute fell somewhat in 2003-4 compared to 2002-3, but this was not a reflection of the overall size of the core programme, which continued at a substantial level in all areas, and at a growing level in most. This is reflected, for example, in staff numbers, which grew by about 10% during the year, principally in the research and dissemination areas. The fall in income is accounted for mainly by a conscious decision to take on fewer outside projects in which ODI acts essentially as a channel for funding to others. An example is the turnover of the Active Learning Network for Accountability and

Progress during the year (continued)

Performance in Humanitarian Affairs (ALNAP), whose turnover fell by some £300,000 as a result of this decision.

The Institute delivered an important programme of research and dissemination in 2003-4, reported on in more detail in the Annual Report. The programme built on the strategy approved at the end of a review process in 2002-3, with more attention to strategic and cross-cutting issues.

An example is the work on the future of European Development Co-operation, which drew on skills available in several ODI groups, and which also exploited ODI's network of contacts in European Union member states. A large, collaborative project has been established through the European Association of Development Institutes, which involves research, meetings and briefings within a shared framework. In the UK, ODI's involvement was initiated in 2002-3, with the preparation of a scenario planning exercise on the future of Europe. In 2003-4, the work continued with a series of eight public meetings in London, hosted jointly with the All-Party Parliamentary Group on Overseas Development, and addressed inter alia by three Government Ministers, a European Commissioner and others. The meetings were supplemented by the publication of six ODI Briefing Papers, web-based dissemination, and participation in similar events in other countries.

Other cross-cutting work included a multi-country collaboration on the food crisis in southern Africa, dealing not only with the problems of agricultural production and markets, but also with the politics of policy change in the region. This work involved background papers, country workshops, and intensive interaction with policy-makers.

Cross-cutting work was also carried out on HIV/AIDS, dealing with the impact of the HIV/AIDS epidemic on humanitarian policy, but also more widely with access to drugs, the formation of HIV/AIDS policy, and the public expenditure implications.

A fourth example is work on poorly-performing countries, carried out by specialists from the Poverty & Public Policy team and the Humanitarian team. This research project produced a new conceptual framework within which to analyse the problems of poor performance and generated recommendations for new forms of donor engagement. There was again intensive dialogue with policy makers, within the UK, but also through the Development Assistance Committee of the OECD.

Meanwhile, the existing groups continue to develop more specialist research and dissemination and programmes. The Poverty & Public Policy Group carried out innovative work on the politics of policy change in poor countries, developing an analysis based on the idea of 'drivers of change'. It also completed research on problems of inequality, especially in middle-income countries, with case studies in China, South Africa and Brazil. The Public Expenditure Group within PPPG, working under the title 'Centre for Aid and Public Expenditure' re-grouped after previous departures and developed a new agenda of research and dissemination connected to the problems of managing public expenditure for results. It was drawn into a wider debate about the absorptive capacity for aid. There was also work in this group on justice and human rights, as well as a continuing programme of work on poverty reduction strategies. The special unit on this latter subject

Progress during the year (continued)

received funding from DfID to the end of the financial year. The funding is now exhausted, but the work will continue.

The International Economic Development Group had a particularly active year in the policy arena, both in the build up to the multilateral trade talks in Cancun, and in the aftermath following their collapse. Earlier ODI work on negotiation and negotiation strategies came into its own during this period, helping IEDG researchers both to understand the underlying problems at Cancun and to work with governments and agencies on the question of how trade talks might be revitalised. There was much technical work to support the analysis, for example on the differential impact of cotton subsidies and on regional trade agreements. A new programme of work begun during the year took up the question of aid architecture, and dealt, for example, with the mandate and performance of the Bretton Woods and UN development organisations. A series of meetings was held at ODI on this subject in the first months of 2004.

The Humanitarian Policy Group was also challenged by current events, this time particularly in Iraq and later in Sudan. The group was able to deploy the results of much of its earlier work on humanitarian principles and on the interaction between humanitarian, development and military actors. It helped develop a set of 'good donorship' principles in the humanitarian arena, and brought these issues to public attention in formal and informal meetings in London and other capitals. There was also important work on needs assessment in humanitarian emergencies, based on research carried out with official and unofficial aid agencies. HPG has a particularly strong dissemination programme, through the Humanitarian Practice Network.

The Active Learning Network on Accountability and Performance in Humanitarian Affairs was also busy during the year, re-focusing its activities to concentrate on core functions. It continued to maintain a very useful database of humanitarian evaluations, and to facilitate a conversation between aid evaluators about learning and accountability.

The Rural Policy & Environment Group was strengthened by a merger with the Forest Policy & Environment Group, which has enabled both teams to develop shared interests in issues like common property resource management, the governance of natural resources, and poverty reduction in rural areas. The large Livelihoods Options Study in India began to produce a stream of results and led into work in new areas, for example on the synergies between social protection and livelihood promotion. There was also important follow-up work on rural-urban links and migration. Other rural work included a series of projects to do with agricultural development and a review of emergency feeding programmes in Zimbabwe. The Water Programme also contributed to the wider debate, for example through its work on the place of water and sanitation issues in poverty reduction strategies. There was other water work on the link between water and sustainable livelihoods and on the application of secure water principles in specific locations, for example the West Bank and Gaza.

Work on food security was also carried out under the aegis of the Rural Programme. In addition to work at country level, for example in Bangladesh, a special issue of Development Policy Review was published in the autumn of 2003 on 'Food Policy Old and New'. This also appeared as a book, published by Blackwells.

Progress during the year (continued)

The programme of work on 'Research and Policy in Development' (RAPID) separated from the Rural Policy & Environment Group and became a fully-fledged, cross-cutting programme in its own right. Its work continued on the use of evidence in policy processes, on improved communication and information, and on improved knowledge management. Detailed case study results were published during the year, and workshops on the general issue of bridging research and policy were held inter alia in New Delhi and Rabat. The RAPID group played a leading role in preparing and negotiating a Programme Partnership Agreement with DfID.

The Publications and Public Affairs Programme continued at a high level. A total of 36 Working Papers and 3 Briefing Papers were published during the year. In addition, the Natural Resources Perspective series continued, and the ODI Networks on Rural Development Forestry and Agricultural Research and Extension continued to be active. By the end of the year, the ODI website was receiving 2.1 million hits per month.

Finally, the ODI Fellowship Scheme celebrated its fortieth anniversary and continued to thrive. At the end of year there were 64 Fellows in post in 20 countries.

Future plans

The future plans of the Institute will partly be shaped by success in securing a Partnership Programme Agreement with DfID. This will enable the Institute greatly to strengthen its own capacity to participate in public debate, but also to develop stronger relations with counterparts in developing countries.

Financial review of the year

A summary of the results for the year can be found on page 11 of this report and accounts.

Total incoming resources in the year amounted to £7,237,798 (2003 - £ 8,607,612). £7,143,647 of the charity's income derived from grants and project finance receivable compared to £8,490,204 in the previous year. This comprises an increase in fee income of approximately 8%, offset by a decrease in reimbursable income of approximately 34%.

Total resources expended amounted to £6,956,536 (2003 - £8,154,170), the decrease reflecting the lower level of project reimbursable expenditure. General overhead expenses *continue to be well controlled and have not risen significantly during the year.*

The net income for the year before investment gains, therefore, was £281,262 compared to net income of £453,442 in 2003. The stock market conditions improved during 2003/04 leading to a net gain of £150,369 on the charity's investments during the year, giving rise to a final net increase in funds of £431,631. £80,445 of this increase has been added to designated funds to provide monies for future projects and innovations and for the refurbishment of the charity's offices.

Reserves policy

Reserves policy

The charity's significant source of income is project funding. This funding is for a mix of projects – some of which are short term whilst others are long term projects requiring significant ongoing financial commitment and investment. The members of Council have *examined the need for free reserves i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed.* The members of Council consider that, given the nature of the charity's work, the level of free reserves should be between two and four months' expenditure. The members of Council are of the opinion that this provides sufficient flexibility to cover temporary shortfalls in incoming resources due to timing differences in income flows, adequate working capital to cover core costs, and will allow the charity to cope with and respond to unforeseen emergencies whilst specific action plans are implemented.

Financial position

The balance sheet shows total funds of £ 2,196,632, all of which are unrestricted.

Funds totalling £296,345 have been designated, or set aside, by the members of Council for specific purposes. These purposes and an analysis of the movements on the funds are set out in note 13 to the accounts.

General funds of the charity at 31 March 2004 amount to £1,900,287. These funds are represented by tangible fixed assets of £30,022 and free reserves of £1,870,265. The members of Council consider that this level of free reserves matches the parameters set out in the charity's reserves policy above and they, therefore, consider the level of free reserves to be adequate but not excessive.

Investment policy

The Institute has investments in the Charinco and Charishare common investment funds which had a market value of £1,231,180 at 31 March 2004 (£1,080,811 at 31 March 2003). 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, when deemed appropriate, 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.

Report of the members of the Council 31 March 2004

The members of the Council

The members of the Council constitute directors of the charitable company for the purposes of the Companies Act 1985 and trustees for the purposes of charity legislation.

A list of the members who were in office at 31 March 2004, 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 (2003 - none). Out of pocket travelling expenses totalling £69 (2003 - £52) were reimbursed to 2 (2003 - 2) Council members 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 for each financial year, 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 incoming resources and application of resources, including its net income or expenditure, 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 keeping 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 strives to be 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.

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:

Chair

Approved by the Council on: 7 July 2004

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.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of the Council and auditors

As described on page 8 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 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 2004

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 2004 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

7 July 2004

Statement of financial activities Year to 31 March 2004

	Notes	General funds £	Designated funds £	Total funds 2004 £	Total funds 2003 £
Income and expenditure					
Incoming resources					
Activities in furtherance of the charity's objectives					
. Grants and project finance receivable	1	7,143,647	—	7,143,647	8,490,204
. Publications revenue		92,743	—	92,743	72,328
Interest receivable		499	—	499	7
Other income					
. Conference income		491	—	491	3,300
. Miscellaneous income		418	—	418	41,773
Total incoming resources		7,237,798	—	7,237,798	8,607,612
Resources expended					
<i>Charitable expenditure</i>					
Costs of activities in furtherance of the charity's objectives:					
. Research and dissemination of information	2	4,293,579	—	4,293,579	5,633,666
. Fellowship activities and services	3	1,201,170	—	1,201,170	1,043,014
Support costs	4	1,069,101	—	1,069,101	1,214,408
Management and administration of the charity	5	392,686	—	392,686	263,082
Total resources expended		6,956,536	—	6,956,536	8,154,170
Net incoming resources before transfers		281,262	—	281,262	453,442
Gross transfers between funds		(80,445)	80,445	—	—
Statement of total recognised gains and losses					
Net income		200,817	80,445	281,262	453,442
Net investment gains (losses)	10	150,369	—	150,369	(80,006)
Net movement in funds	7	351,186	80,445	431,631	373,436
Balances brought forward at 1 April 2003		1,549,101	215,900	1,765,001	1,391,565
Balances carried forward at 31 March 2004		1,900,287	296,345	2,196,632	1,765,001

Statement of financial activities Year to 31 March 2004

	2004 £	2003 £
Historical cost net movement in funds		
Net movement in funds (page 11)	431,631	373,436
Unrealised (gains) losses on investments	(149,646)	80,006
Difference between historical cost realised gains and the actual realised gains calculated on the revalued amounts	56,320	—
Historical cost net movement in funds	338,305	453,442

Continuing activities

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

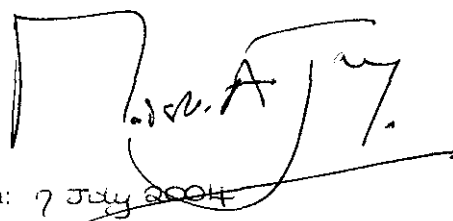
Balance sheet 31 March 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	9		30,022		40,484
Investments	10		1,231,180		1,080,811
			<u>1,261,202</u>		<u>1,121,295</u>
Current assets					
Stocks		16,437		12,566	
Debtors	11	1,909,256		2,273,552	
Cash at bank and in hand		556,569		224,417	
		<u>2,482,262</u>		<u>2,510,535</u>	
Creditors: amounts falling due within one year	12	(1,546,832)		(1,866,829)	
Net current assets			935,430		643,706
Total net assets			<u>2,196,632</u>		<u>1,765,001</u>
Represented by:					
Funds and reserves					
<i>Income funds</i>					
Unrestricted funds					
. Designated funds	13		296,345		215,900
. General funds			1,900,287		1,549,101
			<u>2,196,632</u>		<u>1,765,001</u>

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

Chair

Approved on: 7 July 2004



Cash flow statement Year to 31 March 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Cash inflow from operating activities	A		353,685		145,174
Returns on investments and servicing of finance					
Interest received			499		7
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(22,032)		(28,825)	
Payments to acquire fixed asset investments		(98,457)		—	
Receipts from disposal of fixed asset investments		98,457		—	
			(22,032)		(28,825)
Increase in cash	B		332,152		116,356

Notes to the cash flow statement for the year to 31 March 2004

A Adjustment of net incoming resources before transfers to net cash inflow from operating activities

	2004 £	2003 £
Net incoming resources before transfers	281,262	453,442
Depreciation	32,494	39,726
Interest receivable	(499)	(7)
Increase in stock	(3,871)	(431)
Decrease (increase) in debtors	364,296	(973,306)
(Decrease) increase in creditors	(319,997)	625,750
Net cash inflow from operating activities	353,685	145,174

B Analysis of changes in net funds

	At 1 April 2003 £	Cash flows £	At 31 March 2004 £
Cash at bank and in hand	224,417	332,152	556,569

Principal accounting policies 31 March 2004

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.

Grants from government and other agencies have been included as income from activities in furtherance of the charity's objectives. Much of this income is contractual in nature and is credited to the statement of financial activities so as to match the expenditure incurred during any given project. Such a policy ensures that any potential deficits on projects are recognised immediately whereas surpluses are only recognised upon completion of a project. This accounting treatment differs from prior years when credit was taken for projected surpluses in advance. The effect of this change on the charity's accounts is not material.

Other 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.

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 objectives 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;
 - ◆ 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 objectives 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.

Certain indirect overheads are apportioned between support costs and management and administration costs using a percentage split based on employees' time and related factors.

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 2004

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 2004

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:

	2004 £	2003 £
Research and dissemination of information		
. Forest Policy and Environment Group (FPEG)	462,227	531,190
. Economic and Statistics Unit Group (ESAU)	218,023	165,999
. Humanitarian Policy Group (HPG)	548,967	820,729
. Active Learning Network for Accountability and Performance (ALNAP)	567,320	862,661
. International Economic Development Group (IEDG)	656,691	437,668
. Poverty and Public Policy Group (PPPG)	1,402,222	1,765,721
. Rural Policy and Environment Group (RPEG)	1,658,172	2,550,989
. Public Affairs programme	30,838	45,188
	5,544,460	7,180,145
Fellowship Scheme	1,599,187	1,310,059
	7,143,647	8,490,204

2 Research and dissemination of information

	2004 £	2003 £
Staff costs (note 6)	2,345,312	2,112,109
Research fees payable to consultants and related costs	1,453,180	2,549,685
Dissemination of information	172,320	102,796
Travel	262,391	713,850
Other costs	60,376	155,226
	4,293,579	5,633,666

3 Fellowship activities and services

	2004 £	2003 £
Supplementation	1,035,245	1,043,014
Other costs	165,925	—
	1,201,170	1,043,014

4 Support costs

	2004 £	2003 £
Staff costs (note 6)	586,301	566,404
Depreciation	32,494	39,726
Staff overheads	149,284	90,278
Premises	240,938	284,534
Communication	39,960	36,102
Other costs	20,124	197,364
	1,069,101	1,214,408

Notes to the accounts 31 March 2004

5 Management and administration of the charity

	2004 £	2003 £
Staff costs (note 6)	173,097	163,964
Legal and professional fees	76,195	26,604
Staff overheads	49,761	15,931
Premises	80,313	50,212
Communication	13,320	6,371
	392,686	263,082

6 Staff costs and Council members' remuneration

	2004 £	2003 £
Staff costs during the year were as follows:		
Wages and salaries	2,605,041	2,410,248
Social security costs	212,415	167,218
Other pension costs	287,254	265,011
	3,104,710	2,842,477
Temporary staff costs	136,748	51,634
	3,241,458	2,894,111

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

	2004 £	2003 £
Research and dissemination of information	2,345,312	2,112,109
Support	586,301	566,404
Management and administration	173,097	163,964
	3,104,710	2,842,477

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:

	2004	2003
£50,001 - £60,000	6	5
£60,001 - £70,000	—	1
£70,001 - £80,000	1	—

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:

	2004	2003
Research and dissemination of information	56	52
Support	19	18
Management and administration	5	4
	80	74

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 (2003 - £nil).

During the year out of pocket travelling expenses amounting to £69 (2003 - £52) were reimbursed to 2 (2003 - 2) members of the Council.

7 Net movement in funds

This is stated after charging:

	2004 £	2003 £
Auditors' remuneration		
. Audit services	9,987	6,500
. Other services	16,803	14,574
Depreciation	32,494	39,726
Operating lease rentals		
. Premises	234,508	193,445

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 2003	56,626	732,559	789,185
Additions	—	22,032	22,032
At 31 March 2004	56,626	754,591	811,217
Depreciation			
At 1 April 2003	47,680	701,021	748,701
Charge for year	2,563	29,931	32,494
At 31 March 2004	50,243	730,952	781,195
Net book values			
At 31 March 2004	6,383	23,639	30,022
At 31 March 2003	8,946	31,538	40,484

Notes to the accounts 31 March 2004

10 Investments

	Total £
Listed investments	
Market value at 1 April 2003	1,080,811
Disposal at open market value (proceeds £98,457; gain £723)	(97,734)
Additions at cost	98,457
Unrealised investment gains	149,646
Market value at 31 March 2004	<u>1,231,180</u>
Historical cost of listed investments at 31 March 2004	<u>718,587</u>

At 31 March 2004 listed investments comprised the following holdings in United Kingdom common investment funds:

	£
Charinco accumulation units	586,018
Charishare accumulation units	645,162
	<u>1,231,180</u>

11 Debtors

	2004 £	2003 £
Grants receivable and accrued income	1,814,512	2,182,152
Other debtors	38,743	47,707
Prepayments	56,001	43,693
	<u>1,909,256</u>	<u>2,273,552</u>

12 Creditors: amounts falling due within one year

	2004 £	2003 £
Grants received in advance	956,911	844,458
Expense creditors	258,988	264,545
Social security and other taxes	68,299	144,313
Accruals and deferred income	262,634	613,513
	<u>1,546,832</u>	<u>1,866,829</u>

13 Designated funds

The income funds of the charity include the following designated funds set aside by the members of the Council for specific purposes:

	At 1 April 2003 £	Designated in year £	At 31 March 2004 £
Innovation fund	137,900	(31,555)	106,345
Office refurbishment fund	78,000	112,000	190,000
	215,900	80,445	296,345

The specific purposes for which the monies have been designated are as follows:

- ♦ Innovation fund
Monies set aside for the purpose of funding future innovation projects.
- ♦ Office refurbishment fund
Monies set aside for the refurbishment of the charity's leasehold premises.

14 Analysis of net assets between funds

	General funds £	Designated funds £	Total funds £
Tangible fixed assets	30,022	—	30,022
Investments	1,231,180	—	1,231,180
Net current assets	639,085	296,345	935,430
	1,900,287	296,345	2,196,632
Unrealised gains included above:			
On investments	512,593	—	512,593
Reconciliation of movements in unrealised gains on investments			
Unrealised gains at 1 April 2003	419,267	—	419,267
Unrealised gains in year	149,646	—	149,646
Less: Realised gains on disposals	(56,320)	—	(56,320)
Unrealised gains at 31 March 2004	512,593	—	512,593

15 Lease commitments

At 31 March 2004 the charity had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2004 £	2003 £
Operating leases which expire		
After five years	153,900	134,000

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 [USS]

The charity participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). 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 2002. 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 5.0 % per annum, that salary increases would be 3.7 % per annum and that pensions would increase by 2.7 % per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0 % per annum, including an additional investment return assumption of 1 % per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7 % 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 £19,938 million and the value of the past service liabilities was £19,776 million. The assets were therefore sufficient to cover 101 % of the benefits which had accrued to members after allowance for expected future increases in earnings.

The contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund the reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 Million of the surplus. This left a past service surplus of £79.5 m (including the supplementary section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension costs for the charity under this scheme were £231,941 (2003 - £220,783). The contribution rate payable by the Institution was 14 % of pensionable salaries.

16 Pension commitments (continued)

Superannuation Arrangements of the University of London [SAUL]

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 2002. The most significant assumptions for their effect on the pension costs are those relating to the rate of earnings increase used was 4.2 % per annum and pensions were assumed to increase by 2.7 % per annum. 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 2002 showed that the market value of the Scheme's assets was £941 million and the actuarial value of those assets represented 121% 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 £55,313 (2003 - £44,228). The contribution rate payable by the Institution was 10.5 % of pensionable salaries.