

**Overseas
Development
Institute**

Annual Report and Financial Statements

31 March 2008



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

Charity Registration Number
228248

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Reference and administrative information 31 March 2008

Board of Trustees	Lord Adair Turner of Ecchinswell (Chair) Andrew Barnett Dominic Bruynseels William Day Isobel Hunter Richard Laing Professor Michael Lipton Avinash Persaud Dr Diane Stone Sue Unsworth Stewart Wallis Baroness Janet Whitaker
Director	Simon Maxwell
Secretary	Maira Malcolm
Registered and principal office	111 Westminster Bridge Road London SE1 7JD
Telephone	020 7922 0300
Facsimile	020 7922 0399
Website	www.odi.org.uk
E-mail	odi@odi.org.uk
Company registration number	661818 (England and Wales)
Charity registration number	228248
Auditors	Buzzacott LLP 12 New Fetter Lane London EC4A 1AG
Bankers	National Westminster Bank plc Commercial Banking 3 rd Floor Cavell House 2a Charing Cross Road London WC2H 0NN

Reference and administrative information 31 March 2008

Investment managers	BlackRock Investment Management (UK) Limited 33 King William Street London EC4R 9AS
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The Trustees present their statutory report together with the financial statements of Overseas Development Institute (ODI) for the year ended 31 March 2008.

The report has been prepared in accordance with Part VI of the Charities Act 1993 and equates to a Directors' report for the purposes of company legislation.

The financial statements have been prepared in accordance with the accounting policies set out on pages 19 and 20 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice on "Accounting and Reporting by Charities" issued in March 2005.

GOVERNANCE, STRUCTURE AND MANAGEMENT

Constitution

Overseas Development Institute (ODI) 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.

The Board of Trustees and Council

The Institute is governed by a Board of twelve Trustees

Baroness Jay of Paddington resigned as Chairman of the Institute and from the Board on 6 December 2007. Lord Adair Turner was appointed as both Chairman and Board Member on the same date.

The terms of reference for the Board are to maintain the values of the organisation and set the overall strategy and direction. In addition, it monitors the performance of the organisation and its management and appoints the Director.

The Council of the Institute comprises the twelve Board Trustees and other members up to a maximum of forty. It is responsible for electing the Board based on nominations from the Nominations Committee. The Council is expected to provide the Institute with contacts at the leading edge of research and policy thinking as well as other contacts relating to all aspects of its operations.

Council Members

Council members can serve for four terms of three years. They are selected based on their background knowledge, skills, expertise and the benefit that those attributes can bring to the Institute. When elected they attend an induction programme during which they learn about the history, objectives and current issues in the Institute. The programme also covers the latest Business Plan and some major research topics. At the same time they are provided with copies of the latest Annual Report, financial statements, Strategic Plan and other relevant current literature.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Council Members (continued)

The Institute attempts to keep a balance across the Council membership between people with research, business, media, NGO and political backgrounds.

Trustees

Trustees must be Council Members in order to be elected. They can serve for up to three terms, each of three years. As for the Council, the aim is to maintain a balance amongst the Trustees of research, academic, business and political expertise and knowledge.

In order to give an indication of the breadth of knowledge and skills mix at Trustee level, brief biographical details of four Trustees are set out below:

Lord Adair Turner of Ecchinswell (Chair)

Lord Adair Turner has combined careers in business, public policy and academia. He is currently director of Standard Chartered plc and, since January 2008, Chair of the Climate Change Committee. More recently he has been appointed Chairman of the FSA (effective from September 2008). Lord Turner is also Chairman of the Economic and Social Research Council. He is a Visiting Professor at the London School of Economics and at Cass Business School, City University. He became a cross-bench member of the House of Lords in 2005. He was Chairman of the Pensions Commission from 2003 to 2006, and of the Low Pay Commission from 2002 – 2006. His book “Just Capital – The Liberal Economy” was published by Macmillan in 2001. From 2000 – 2006 Lord Turner was Vice-Chairman of Merrill Lynch Europe and from 1995 – 1999 he was a Director at McKinsey and Company, building McKinsey’s practice in Eastern Europe and Russia between 1992 and 1995. Lord Turner studied History and Economics at Gonville and Caius College, Cambridge from 1974 to 1978 and was also Chairman of the University Conservative Association and President of the Union. He was a college supervisor in economics at Caius from 1979 to 1982, teaching part time in parallel with his business career.

Avnish Persaud

Avnish Persaud is the Deputy Chairman of ODI. He is a Banker and Director of three investment boutiques in India, the UK and Barbados. He is a member of the Councils of the London School of Economics and the Royal Economics Society. He is co-chair of the OECD Emerging Markets Network and Emeritus Professor of Gresham College.

Professor Michael Lipton

Michael Lipton is a Research Professor at the Poverty Research Unit at the University of Sussex. He is also a Fellow of the British Academy; he sits on the Advisory Committee of HarvestPlus and is a member of the Board of International Development Enterprises (UK). He is currently completing a book on land reform (publication Spring 2009).

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees (continued)

Stewart Wallis

Stewart Wallis is the Executive Director of nef (the new economics foundation). He spent seven years at the World Bank before joining Oxfam in 1992 as International Director.

Trustees' liability

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

Statement of Trustees' responsibilities

The charitable company's Trustees are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees (who are Directors of the company for the purpose of the Companies Act) to prepare financial statements which give a true and fair view of the state of affairs of the charity as at the balance sheet date and of its incoming resources and application of resources, including its income and expenditure, for the financial year then ended. In preparing financial statements giving a true and fair view, the Trustees 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 and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Trustees 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.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Statement of Trustees' responsibilities (continued)

The Trustees' are responsible for the maintenance and integrity of the charitable company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that:

- ◆ so far as each of the Directors is aware, there is no relevant audit information of which the charity's auditors are unaware; and
- ◆ the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Employees

The 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.

Structure and management reporting

The Board is ultimately responsible for the policies, activities and assets of the Institute. When necessary the Trustees ask management to seek professional advice from solicitors and accountants.

The Board meets four times a year and reviews results versus the budget, the final income and expenditure for the year, new or amended policies, risk management and other applicable current projects. Its role is to direct and guide management.

Management is responsible for the day to day running of the Institute, the implementation of policies and ensuring that goals and objectives are attained. A new structure has been put in place, which creates a Senior Management Team comprising the Director and five Directors of Programmes, responsible for the five major research groups, plus a Director of Operations. The Directors of Programmes allocate fifty per cent of their time to management issues.

The role of the Senior Management Team is to support the Director in the strategic leadership of the Institute. This involves:

- ◆ developing the strategic vision and plan and the annual business plans, ensuring that they are monitored;
- ◆ maximising the strengths and capacity of the organisation;
- ◆ managing reputation, risk and change; and

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Structure and management reporting (continued)

- ◆ taking strategic decisions on programme, fundraising, public affairs, finance, human resources, IT and premises.

Brief biographical details of the Director and the Directors of Programmes are set out below:

Simon Maxwell (Chief Executive)

Simon Maxwell became Director of the Overseas Development Institute in 1997. He is an economist who worked overseas for ten years, in Kenya and India for UNDP, and in Bolivia for UKODA, then for 16 years at the Institute of Development Studies at the University of Sussex, latterly as Programme Manager for Poverty, Food Security and the Environment. He has written widely on poverty, food security, agricultural development, and aid.

Christopher Stevens

Chris Stevens' research focuses on the impact of Northern policies on the South, particularly those relating directly or indirectly to trade. Recent research and advice have covered changes to EU trade policy (such as EPAs and rules of origin) and agriculture policy, the WTO Doha Round as well as the international dimension of agricultural development, biofuels and food security. Chris is the Director of Programmes for the International Economic and Development Group.

Alison Evans

Alison Evans is Director of Programmes for Poverty and Public Policy. She is an economist working on poverty, public policy, institutional change and the role of international development assistance. Practical policy experience, including six years at the World Bank, covers poverty reduction strategies (PRSPs), budgetary processes, aid modalities and aid effectiveness, plus evaluation. Other interests include fragile states, policy coherence and social protection. She has extensive experience in Southern and Eastern Africa, Western Balkans and shorter assignments in SE Asia.

James Darcy

James Darcy is an international lawyer with extensive experience with Oxfam as programme co-ordinator for Central Africa, the Balkans and South and East Asia. Besides general management and humanitarian policy experience, he specialises in areas of policy relating to the protection of civilians and refugees, crisis and risk management and situational and needs assessment.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Structure and management reporting (continued)

Andrew Shepherd

Andrew Shepherd is the Director of the Rural Policy and Governance Group in ODI. He is a director of the Chronic Poverty Research Centre (www.chronicpoverty.org), and has been leading the production of the first international Chronic Poverty Report. He has also recently been leading work in ODI on 'Poorly Performing' Countries, which is challenging the current international orthodoxy. His core interests are in policies and implementation processes which will contribute to the sustainable elimination of poverty.

John Young

John Young joined ODI in May 2001 after managing the DfID Decentralised Livestock Services in the Eastern Regions of Indonesia (DELIVERI) Project. At ODI he has worked on decentralisation and rural services, information and information systems, strengthening southern research capacity, and the research-policy interface. He leads ODI's Research and Policy in Development Group, and also manages the Civil Society Partnership Programme.

Risk management

The Trustees undertake a risk assessment on an annual basis. The aim is to identify the major risks and to ensure that measures are taken to mitigate the impact of those risks as much as is practical. The Trustees have identified the following areas of risk:

Financial

- ◆ Dependency on the Department for International Development (DfID) for income. Although well over fifty per cent of income is received from DfID the majority of it represents funds for which the Institute has tendered rather than being in the form of grants. However, the situation needs to be kept under constant review.
- ◆ After salaries the biggest expenditure for the Institute is the cost of premises. A deal was negotiated in 2004 when the current lease was extended to 2012 on favourable terms, including capping the service charges for the duration. A rent review took place in September 2007, but the eventual outcome is unknown.

Personnel

The turnover of personnel in some years can be up to twenty per cent. This is being addressed by managing income targets as much as possible, improving the work environment and developing more professional management practices to improve employee conditions.

Reputation

Reputation is the key to the Institute's success. The reputation is taken very seriously and in all fields, whether written or verbal, output is scrutinised, checked and is subject to peer review.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Risk management (continued)

Travelling overseas

Many of ODI's employees travel extensively to undertake their research. It is not uncommon that they travel to countries not recommended by the Foreign and Commonwealth Office. Employees are provided with a set of procedures to follow when problems or emergencies arise. Briefings for personnel are given by Interhealth and all necessary medical precautions are taken prior to travel. The Staff Handbook contains detailed procedures for travellers to follow.

OBJECTIVES AND ACTIVITIES

The Overseas Development Institute is Britain's leading independent think tank on international development and humanitarian issues. Its mission is:

'to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries. We do this by locking together high-quality applied research, practical policy advice, and policy-focused dissemination and debate.'

The year 2007/08 was the final year in ODI's current five-year strategy, approved by Council in December 2002 for the period 2003/04 to 2007/08. The Strategy amended the mission statement and committed the Institute to identify issues on which ODI would attempt to shape international policy: global solutions to global problems. Work in 2007/08 was governed by a Business Plan for the year, designed to be consistent with the five year strategy and approved by the Board in 2002.

The Business Plan for 2008/9 picks up the conclusions of a new strategic paper completed in 2007. The Paper reaffirms the 'think tank' mission of ODI, aiming to inspire and inform policy and practice. Poverty reduction and humanitarian action remain central to our work, and we set ourselves the task of improving our policy impact, through more strategic engagement in policy processes. This will be achieved through better partnerships with research institutes and think tanks in other countries, particularly in developing countries.

More of our work will be built around thematic programmes, with a strong focus on five cross-cutting themes of critical importance to the development research agenda:

- ◆ poverty and the MDGs;
- ◆ the future of aid;
- ◆ growth and the productive sectors;
- ◆ risk and crisis management;
- ◆ the role of the think tank

Directors of Programmes have been charged with responsibility on these issues to ensure strong leadership, recognising the intellectual and management case for strengthening smaller teams.

OBJECTIVES AND ACTIVITIES (continued)

The business plan includes measures to evaluate the work of ODI – particularly the impact of that work in the south – more effectively.

ODI is striving to reduce its carbon footprint and is preparing its own environmental policy. A new emphasis on video conferencing, for example, aims to reduce unnecessary travel, while an internal communication push aims to reduce energy consumption within the office.

FINANCIAL REPORT FOR THE YEAR

Results for the year

During the year 2007/08 the total number of staff grew by 11% and the number of researchers went from 84 to 93 – an increase of 11%.

Year on year income rose by 8% to £12,863,429 (2007 – £11,862,106). Resources expended increased by £995,502 or 8% to £13,027,753. After investment gains the Institute's net movement in funds amounted to an overall decrease of £160,374.

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 Trustees 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 Trustees consider that, given the nature of the charity's work, the level of free reserves should be built up over a period of years to a level equating to six months of estimated future expenditure.

The Trustees 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 £2,197,980, all of which are unrestricted.

Funds totalling £166,127 represent the charity's tangible fixed assets which are not convertible into cash with ease. Details of the movements on the funds are set out in note 13 to the financial statements.

General funds of the charity at 31 March 2008 amount to £2,031,853. These funds are equivalent to the charity's free reserves. The Trustees acknowledge that this level of free reserves falls below the parameters set out in the charity's reserves policy above and they, therefore, intend to continue to build the level of free reserves in future years.

FINANCIAL REPORT FOR THE YEAR (continued)

Investment policy

The Institute has investments in the Charinco and Charishare common investment accumulation funds which had a market value of £1,377,026 at 31 March 2008 (2007 - £1,373,076). The funds are managed by Blackrock Investment Management (UK) Limited. The Trustees regularly review 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.

PLANS FOR FUTURE PERIODS

ODI is putting in place systems and approaches that aim to address unfinished business, including the overall size of the Institute, the business model and fundraising, to enable the Institute to be pro-active, as well as responsive, in the face of an ever changing development landscape.

There are conflicting tendencies in the global economy. On the one hand, growth rates in Africa are at their highest level for a generation, offering the prospect of poverty reduction. On the other, the global credit crunch and rising fuel and food prices present significant risks to the world's poor. It is vital that ODI monitors the big picture and connects to the specifics of development policy.

Within the policy arena, a whole series of international events and milestones are likely to shape debate, and ODI needs to position itself in readiness. The UK Government, for example, has taken a leading position on the MDG call for action. There will be a related UN meeting, focusing on the role of business, in New York in September 2008. The High-Level Forum on Aid Effectiveness will take place in Accra in September. The UN Financing for Development Conference will take place in Doha at the end of November. The post-Bali climate change agenda will develop, with Copenhagen in 2009 as the main target.

These are just some of the events and processes to which ODI will contribute over the next year and which will give shape to our programme and priorities. The development of ODI's five cross-cutting themes, each led by a Director of Programmes, will help the Institute position itself as a cutting edge source of information on each area.

Current programmes and clusters of work will support these, while maintaining their own momentum. The 22 programmes, each managed by a Programme Leader, and grouped under the overall management leadership of a Director of Programmes, will continue to provide the broad spread of expertise and intellectual leadership on specific issues.

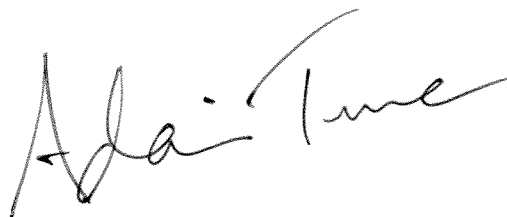
The Communication Programme will focus more strongly on a small number of key issues, timed to match international policy processes and opportunities.

AUDITORS

On 30 September 2007, Buzzacott, the charitable company's auditors, transferred their entire business to Buzzacott LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The trustees have consented to treating the appointment of Buzzacott as auditors as extending to Buzzacott LLP.

Buzzacott LLP will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of the Board:

A handwritten signature in black ink, appearing to read 'Ala-Tune', written over a horizontal line.

Chair

Approved by the Board on: 7 July 2008

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

We have audited the financial statements on pages 15 to 29 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 19 and 20.

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 Trustees and auditors

As described on pages 5 and 6 the Trustees, who are also the directors of Overseas Development Institute for the purposes of company law, are responsible for the preparation of the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements 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 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 Trustees' remuneration and transactions with the charitable company is not disclosed.

We report to you whether in our opinion the information given in the Trustees' report is consistent with the audited financial statements. We read other information contained in the Trustees' report, and consider whether it is consistent with the audited financial statements.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

Independent auditors' report 31 March 2008

Basis of opinion (continued)

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 financial statements 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 financial statements.

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company, as at 31 March 2008 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- ◆ the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- ◆ the information given in the Trustees' report is consistent with the financial statements.

Buzzacott LLP

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

12 August 2008

Statement of financial activities Year to 31 March 2008

	Notes	General funds £	Designated funds £	Total funds 2008 £	Total funds 2007 £
Income and expenditure					
Incoming resources					
Incoming resources from charitable activities					
. Research grants and project finance receivable	1	10,539,147	—	10,539,147	9,620,665
. Fellowship grants and project finance receivable		2,285,575	—	2,285,575	2,060,427
. Publications revenue		28,307	—	28,307	73,042
Incoming resources from generated funds					
. Interest receivable		614	—	614	118
Other income					
. Miscellaneous income		9,786	—	9,786	107,854
Total incoming resources		12,863,429	—	12,863,429	11,862,106
Resources expended					
Charitable activities					
. Research and dissemination of information	2	10,791,118	—	10,791,118	10,053,242
. Fellowship activities and services	3	2,197,728	—	2,197,728	1,912,851
Governance costs	4	38,907	—	38,907	66,158
Total resources expended		13,027,753	—	13,027,753	12,032,251
Net outgoing resources before transfers and net investment gains					
		(164,324)	—	(164,324)	(170,145)
Transfers between funds	13	(13,843)	13,843	—	—
Net realised investment gains		—	—	—	11,731
Statement of total recognised gains and losses					
Net (expenditure) income		(178,167)	13,843	(164,324)	(158,414)
Net unrealised investment gains	10	3,950	—	3,950	64,919
Net movement in funds	7	(174,217)	13,843	(160,374)	(93,495)
Balances brought forward at 1 April 2007		2,206,070	152,284	2,358,354	2,451,849
Balances carried forward at 31 March 2008		2,031,853	166,127	2,197,980	2,358,354

Statement of financial activities Year to 31 March 2008

	2008 £	2007 £
Historical cost net movement in funds		
Net movement in funds (page 14)	(160,374)	(93,495)
Unrealised gains on investments	(3,950)	(64,919)
Difference between the realised gains (losses) on investments calculated on carrying value and the realised gains (losses) on investments calculated on historic cost	—	224,962
Historical cost net movement in funds	(164,324)	66,548

Continuing activities

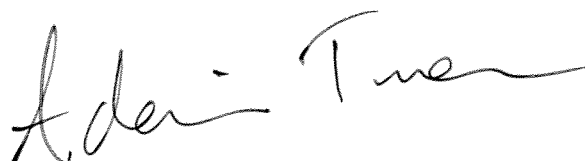
All of the charity's activities derived from continuing operations during the above two financial periods.

Balance sheet 31 March 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	9		166,127		152,284
Investments	10		1,377,026		1,373,076
			1,543,153		1,525,360
Current assets					
Stocks		44,890		43,033	
Debtors	11	3,209,101		3,244,614	
Short term deposits		250,000		—	
Cash at bank and in hand		717,396		366,683	
		4,221,387		3,654,330	
Creditors: amounts falling due within one year	12	(3,566,560)		(2,821,336)	
Net current assets			654,827		832,994
Total net assets			2,197,980		2,358,354
Represented by:					
Funds and reserves					
<i>Income funds</i>					
Unrestricted funds					
. Tangible fixed assets fund	13		166,127		152,284
. General funds			2,031,853		2,206,070
			2,197,980		2,358,354

Approved by the Board of Trustees
and signed on their behalf by:

Chair



Approved on: 7 July 2008

Cash flow statement Year to 31 March 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Cash inflow (outflow) from operating activities	A		677,390		(219,732)
Returns on investments and servicing of finance					
Interest received			614		118
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(77,291)		(6,125)	
Proceeds from disposal of investments		—		300,000	
			(77,291)		293,875
Management of liquid resources					
Short term deposits			(250,000)		—
Increase in cash	B		350,713		74,261

Notes to the cash flow statement for the year to 31 March 2008

A Adjustment of net outgoing resources before transfers and net investment gains to net cash inflow (outflow) from operating activities

	2008 £	2007 £
Net outgoing resources before transfers and net investment gains	(164,324)	(170,145)
Depreciation	63,448	50,268
Interest receivable	(614)	(118)
Increase in stock	(1,857)	(17,247)
Decrease (increase) in debtors	35,513	(441,429)
Increase in creditors	745,224	358,939
Net cash inflow (outflow) from operating activities	677,390	(219,732)

B Analysis of changes in net funds

	At 1 April 2007 £	Cash flows £	At 31 March 2008 £
Short term deposits	—	250,000	250,000
Cash at bank and in hand	366,683	350,713	717,396

Basis of accounting

The financial statements 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 (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice “Accounting and Reporting by Charities” (SORP 2005) have been followed in these financial statements.

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.

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.

Resources expended and the basis of apportioning costs

Resources expended comprise the following:

- a. The costs of charitable activities comprise expenditure on the charity’s primary charitable purposes. The costs comprise expenditure on:

- ◆ Research and dissemination of information; and

- ◆ Fellowship activities and services.

The majority of costs are directly attributable to specific activities. Certain shared support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity.

- b. Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and 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:

◆ Leasehold improvements	Over the remaining years of the lease
◆ Furniture, fixtures and fittings	20% on cost
◆ Equipment	33 1/3% on cost

Fixed asset investments

Fixed asset investments are included in the financial statements 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 and/or net assets which may be used towards meeting the charitable objectives of the charity and may be utilised at the discretion of the Trustees.

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets.

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.

Liquid resources

Liquid resources comprise term deposits with United Kingdom banks.

1 Research grants and project finance receivable

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

	2008 £	2007 £
Research and dissemination of information		
. Economic and Statistics Unit Group (ESAU)	32,225	50,418
. Humanitarian Policy Group (HPG)	1,230,193	1,479,976
. Active Learning Network for Accountability and Performance (ALNAP)	546,397	595,335
. International Economic Development Group (IEDG)	1,105,643	604,265
. Poverty and Public Policy Group (PPPG)	2,707,023	2,398,735
. Rural Policy and Governance Group (RPGG)	3,070,673	3,124,340
. Research and Policy in Development (RAPID formerly PARTCOM)	1,846,993	1,367,596
	10,539,147	9,620,665

2 Research and dissemination of information

	2008 £	2007 £
Staff costs (note 6)	4,582,853	4,004,904
Temporary staff	60,259	—
Research fees payable to consultants and related costs	2,483,657	2,541,021
Dissemination of information	597,290	474,202
Travel	815,994	599,402
Support costs allocation (note 5)	2,129,451	1,973,458
Other costs	121,614	460,255
	10,791,118	10,053,242

3 Fellowship activities and services

	2008 £	2007 £
Supplementation	1,352,434	1,298,546
Staff costs (note 6)	168,264	164,611
Temporary staff	2,271	—
Support costs allocation (note 5)	70,395	65,238
Other costs	604,364	384,456
	2,197,728	1,912,851

4 Governance costs

	2008 £	2007 £
Audit fees		
. Audit: Current year	23,823	21,122
Previous year	4,381	3,500
. Non-audit services: Taxation	2,468	881
Recruitment	2,938	—
Other services	557	10,810
Consultancy fees and advice regarding restructuring of the Institute	—	21,747
Legal fees	989	8,098
Other costs	3,751	—
	38,907	66,158

5 Support costs

	2008 £	2007 £
Staff costs (note 6)	754,181	723,081
Staff overheads	658,262	558,663
Premises	316,415	297,734
Communications	71,495	68,238
Depreciation	63,448	50,267
Other costs	336,045	340,714
	2,199,846	2,038,697

The above support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity as follows:

	2008 £	2007 £
Research and dissemination of information	2,129,451	1,973,459
Fellowship activities and services	70,395	65,238
	2,199,846	2,038,697

6 Staff costs and Trustees' remuneration

	2008 £	2007 £
Staff costs during the year were as follows:		
Wages and salaries	4,538,117	4,052,748
Social security costs	395,295	358,424
Other pension costs	571,886	481,424
	5,505,298	4,892,596
Temporary staff costs	344,042	348,019
	5,849,340	5,240,615

6 Staff costs and Trustees' remuneration (continued)

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

	2008 £	2007 £
Research and dissemination of information	4,582,853	4,004,904
Fellowship activities and services	168,264	164,611
Support	754,181	723,081
	5,505,298	4,892,596

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2008	2007
£60,001 - £70,000	3	4
£70,001 - £80,000	6	2
£80,001 - £90,000	—	1
£90,001 - £100,000	1	—
£100,001 - £110,000	1	1

Of those employees who earned £60,000 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, analysed by function, was as follows:

	2008	2007
Research and dissemination of information	93	84
Fellowship activities and services	3	3
Support	19	17
	115	104

During the year ended 31 March 2008 out of pocket travelling expenses amounting to £397 (2007 - £484) were reimbursed to 1 Trustee (2007 - 3 Trustees).

In accordance with the charity's memorandum and articles of association, Isobel Hunter, a Trustee of the charity was paid £2,925 during 2007 for the provision of HR consultancy. A further Trustee was paid £250 in 2007 for project based work. The payment for such services was authorised by the Charity Commission. No such payments were made during the year to 31 March 2008.

7 Net movement in funds

This is stated after charging:

	2008 £	2007 £
Auditors' remuneration		
. Audit services: Current year	24,381	21,122
Prior year	4,381	3,500
. Non-audit services: Taxation	2,468	881
Recruitment	2,938	—
Other services	557	10,810
Depreciation	63,448	50,268
Operating lease rentals		
. Premises	316,415	297,734

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

	Leasehold improve- ments £	Furniture, fixtures and fittings £	Equipment £	Total £
Cost				
At 1 April 2007	203,057	72,487	97,137	372,681
Additions during the year	—	—	77,291	77,291
At 31 March 2008	203,057	72,487	174,428	449,972
Depreciation				
At 1 April 2007	74,870	48,390	97,137	220,397
Charge for year	25,637	12,048	25,763	63,448
At 31 March 2008	100,507	60,438	122,900	283,845
Net book values				
At 31 March 2008	102,550	12,049	51,528	166,127
At 31 March 2007	128,187	24,097	—	152,284

10 Investments

	Total £
Listed investments	
Market value at 1 April 2007	1,373,076
Unrealised investment gains	3,950
Market value at 31 March 2008	1,377,026
Historical cost of listed investments at 31 March 2008	655,280

At 31 March 2008 listed investments comprised the following holdings in United Kingdom common investment funds:

	£
Charinco accumulation units	691,163
Charishare accumulation units	685,863
	1,377,026

11 Debtors

	2008 £	2007 £
Grants receivable and accrued income	3,068,712	3,054,252
Other debtors	64,119	122,934
Prepayments	76,270	67,428
	3,209,101	3,244,614

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Grants received in advance	2,547,104	1,884,249
Expense creditors	847,277	776,730
Social security and other taxes	113,052	118,270
Accruals and deferred income	59,127	42,087
	3,566,560	2,821,336

13 Tangible fixed assets fund

	£
At 1 April 2007	152,284
Transfer from general funds being net movements in year	13,843
At 31 March 2008	166,127

13 Tangible fixed assets fund (continued)

The tangible fixed assets fund represents the net book value of the tangible fixed assets owned by the charity. These assets are of fundamental importance to the charity in carrying out its objectives. As such, a decision was made to separate this fund from general funds in order to demonstrate that the value does not comprise assets that can be realised with ease in order to meet ongoing expenditure.

14 Analysis of net assets between funds

	General funds £	Tangible fixed assets fund £	Total funds £
Tangible fixed assets	—	166,127	166,127
Investments	1,377,026	—	1,377,026
Net current assets	654,827	—	654,827
	<u>2,031,853</u>	<u>166,127</u>	<u>2,197,980</u>
Unrealised gains included above:			
On investments	<u>721,746</u>	<u>—</u>	<u>721,746</u>
Reconciliation of movements in unrealised gains on investments			
Unrealised gains at 1 April 2007	717,796	—	717,796
Unrealised gains in year	3,950	—	3,950
Unrealised gains at 31 March 2008	<u>721,746</u>	<u>—</u>	<u>721,746</u>

15 Lease commitments

At 31 March 2008 the charity had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2008	2007
	£	£
Operating leases which expire		
· After five years	170,000	170,000

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.

16 Pension commitments (continued)

The Universities Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", financial statements for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. 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, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company decided to maintain the institution contribution rate at 14% of pensionable salaries.

16 Pension commitments (continued)

The Universities Superannuation Scheme (USS) (continued)

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension costs for the charity under this scheme were £453,800 (2007 - £295,211). The contribution rate payable by the charity was 14 % of pensionable salaries.

Superannuation Arrangements of the University of London (SAUL)

The charity also participates in the Superannuation Arrangements of the University of London, a centralised defined benefit scheme for all qualified employees with the assets held in separate trustee-administered funds. The charity has now adopted FRS 17 for accounting for pension costs. It is not possible to identify the charity's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amount actually paid (i.e. cash amounts) in accordance with paragraphs 8 to 12 of FRS 17.

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2005 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

	Past service	Future service
Valuation method: Projected unit		
Investment return on liabilities		
-before retirement	5.50% per annum	6.50% per annum
-after retirement	4.50% per annum	4.50% per annum
Salary growth*	4.15% per annum	4.15% per annum
Pension increases	2.65% per annum	2.65% per annum

*excluding an allowance for promotional increases

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £982 million representing 93% of the liability for benefits after allowing for expected future increases in salaries.

Following the two internal funding reviews at 31 March 2004 and 31 March 2003, the trustee of SAUL has undertaken a significant consultation exercise with employers and representatives of members regarding the level of contributions payable to SAUL.

16 Pension commitments (continued)

Superannuation Arrangements of the University of London (SAUL) (continued)

Following this consultation the employers have agreed to contribute 13.0% of salaries from August 2006 (currently 10.5% of salaries), an increase of 2.5% of salaries. Member contributions are also to increase, by 1.0% of salaries to 6.0% of salaries with effect from the same date.

Employers who have recently joined SAUL (“New Employers”) and certain employee groups (as agreed by the trustee of SAUL), will pay 19.2% of salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the trustee).

A comparison of SAUL’s assets and liabilities calculated using assumptions consistent with FRS 17 revealed the scheme to be broadly balanced at the last formal valuation date (31 March 2005).

The next formal valuation is due at 31 March 2008 when the above rates will be reviewed.

The total pension costs for the charity under this scheme were £118,086 (2007 - £83,928). The contribution rate payable by the charity was 10.5% of pensionable salaries.