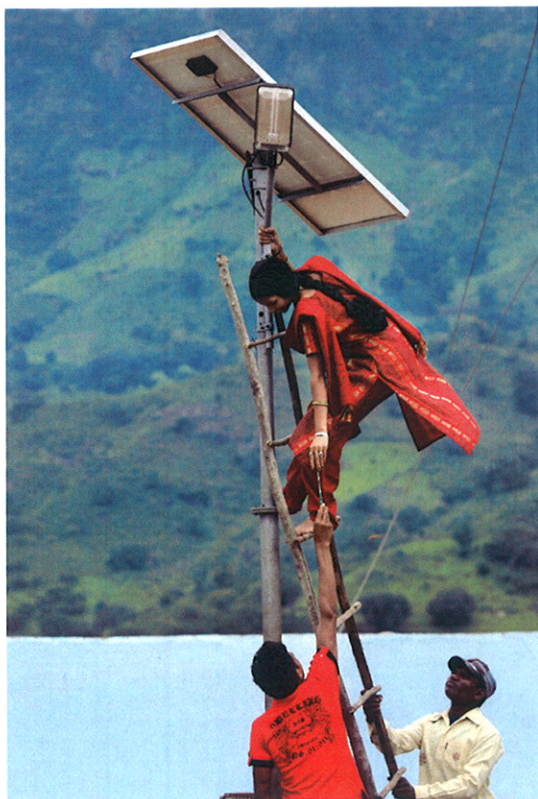


**Overseas
Development
Institute**



Annual Report and Financial Statements

31 March 2010

ODI at 50: advancing knowledge, shaping policy, inspiring practice

Company Limited by Guarantee
Registration Number
661818 (England and Wales)
Charity Registration Number
228248

Cover Picture: Abbie Trayler-Smith / Panos

INDIA Eastern Ghats, Orissa

20 year old Meenakshi Diwan tends to maintenance works in the solar village Tinginapu. Meenakshi is one of four women from the village of Tinginapu who has been trained in solar powered engineering by The Orissa Tribal Empowerment and Livelihoods Programme (OTELP), an organisation funded by DFID (Department for International Development) and run with the state government of Orissa. The Orissa Tribal Women's Barefoot Solar Engineers Association has now got a contract to build 3,000 solar-powered lanterns for schools and other institutions and is training other people in the community.

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ODI Charity Board of Trustees	Dr. Daleep Mukarji OBE - Chair (appointed June 2010) Lord Adair Turner of Ecchinswell- Chair (resigned June 2010) Andrew Barnett Jo Beall (resigned July 2009) William Day Ann Grant Isobel Hunter Richard Laing Professor Michael Lipton Avinash Persaud (resigned March 2010) Sue Unsworth Stewart Wallis OBE Baroness Janet Whitaker (resigned September 2009)
ODI Sales Ltd (Trading Subsidiary) Board of Directors	Richard Laing - Chair (appointed February 2010) Andrew Barnett (appointed February 2010) Peter Cleland (appointed February 2010)
Director	Alison Evans (appointed May 2009)
Secretary	Moira Malcolm Helena Turgel (maternity cover)
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ODI Company registration number	661818 (England and Wales)
ODI Sales Ltd Company registration number	7157505 (England and Wales)
Charity registration number	228248

Reference and administrative information 31 March 2010

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Investment managers BlackRock Investment Management (UK)
Limited
33 King William Street
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Lord Adair Turner of Ecchinswell (outgoing Chair, resigned in June 2010)

In the last ODI Annual Report, I commented on the dramatic changes taking place in the global economic landscape. A financial and economic crisis that began in OECD countries was being felt across developing countries that had no part in its making, and that were expected to feel the impact very deeply.

Research by ODI during the last year has shown that developing countries have indeed been affected by the downturn, but that some countries have been better able to manage the consequences than others. These countries provide important lessons for others that have struggled, and ODI has been a critical source of comparative evidence on the different impacts of the crisis on low-income and small and vulnerable economies, as well as low-income groups and households.

Beyond the financial crisis, ODI has continued to gather the evidence to influence critical debates about social protection, pro-poor value chains, the need to understand the politics when engaging in fragile states, better humanitarian response, and likely changes in the development narrative as a result of climate change.

In its 50th year, ODI can be very proud of its reputation as the UK's leading international development think tank and I am pleased to have played my part in ensuring that reputation is maintained. I am, of course, sad to be stepping down as Chair but I retain my strong interest in ODI and am delighted to hand over the reins to Dr. Daleep Mukarji. Daleep brings invaluable experience and skills to ODI, from his intellectual engagement and experience in development, to his personal commitment to poverty reduction. I am certain that he will make a vital contribution to the leadership of this outstanding organisation.

Dr. Daleep Mukarji, OBE (incoming Chair, appointed in June 2010)

First, I must thank Adair for his leadership as Chair of ODI during tumultuous times. I look forward to building on his good work in the future.

It is particularly exciting to be taking up this role during ODI's 50th anniversary year – an opportunity to work with ODI's Director and her staff to reflect on half a century of excellence and chart our future course. The task ahead is to maintain the outstanding reputation of ODI while responding to new opportunities and challenges.

My career in development has shown me that there is so much more to poverty than the lack of money, and so much more to poverty reduction than aid. The solutions to sustained and inclusive growth and development are not one-size-fits all. There is a huge need to generate evidence, from the micro to the macro level, that helps us to understand the way the world works and to better tailor our solutions. With mounting global risks and challenges, and a shifting local and global economic landscape, this kind of evidence on what works and why is needed more than ever. And harnessing this evidence is the great strength of ODI. I look forward to working with the Institute to develop its agenda in the months ahead.

Alison Evans, Director

As we celebrate ODI's 50th year it is worth reflecting for a moment on its establishment in June 1960. With a grant from the Ford Foundation, and William Clark as our first Director, the objective was to create a centre for analytical work on development problems; to provide a forum for sharing that work as widely as possible; and to keep the urgency of the challenges facing the developing world in the public eye. Today our mission may have evolved but our core business remains the same, encapsulated in our 50th anniversary strapline: *to advance knowledge, to inform policy and inspire practice* on international development and humanitarian affairs.

It would be fair to say that there has been much soul-searching within ODI about how best to mark our 50th anniversary. Should we trumpet our achievements, or sound a warning bell for the future of the international development agenda? Should we congratulate ourselves on reaching half a century, or mourn the fact that we are still needed? The answer has to be a combination of all of these. So the tone for our 50th year is one of celebration without complacency.

And thinking about the world around us there is definitely no room for complacency. Globalisation is in crisis and we face demographic, economic and security challenges, as well as increasingly scarce natural resources. At the same time the world's centre of economic gravity is shifting. In 2009 China became the leading trading partner of Brazil, India and South Africa, and over 40% of the world's researchers are now to be found in Asia. Emerging and converging market economies have become important economic actors, investing and trading increasingly with one another and across the developing world.

A new geography of poverty and vulnerability is also emerging, shaped on the one hand by access to new technology, new sources of finance and knowledge and on the other by the complex effects of climate change, urbanisation and changing patterns of resource use. There are new uncertainties on the changing patterns of conflict, disasters and insecurity. This new geography exposes the heterogeneity of the global economy in which terms such as North and South, developed and developing are becoming less meaningful and in which some longstanding recipients of aid become aid providers and in which low-income countries look to emerging economies for investment, trade and knowledge sharing.

Rapid change is not new to ODI, however. It is our ability to be ahead of the curve, to be responsive and timely, that has helped to build our reputation over 50 years. Early examples include work on aid to the former Soviet-bloc, the early years of the General Agreement on Trade and Tariffs (GATT), on rural development and sustainable livelihoods, the formation of the European Union, Poverty Reduction Strategy Papers and humanitarian policy and practice. In the last year alone, we have been ahead of the curve on Aid for Trade, REDD-net, low-carbon growth strategies, the second order impacts of the global financial crisis, more effective international engagement in fragile states and increased demands for accountability and transparency in aid delivery. The stories of change highlighted in this Report show how delivering the right kind of information in the right way at the right time can have a significant impact, from our work on the impact of the global financial crisis on children, to the critical importance of land issues in post-conflict situations, to the creation of a much-needed online resource to track climate change finance.

And this ability to be responsive extends to our ODI Fellows too. We have seen the Fellowship Scheme go from strength to strength, from just three Fellows in 1963, to more than 80 today, dealing with the daily realities that confront government ministries in low-income countries. In this changing geography, the Fellowship scheme is responding, helping to support a wider group of countries on an expanding range of issues from climate change to regional integration.

Looking forward in 2010-11 you will see more work from ODI on the Millennium Development Goals and the beginnings of a discussion on a post-2015 framework; and more cutting edge narrative on the role of the G-20 and a growth and development framework for low-income and vulnerable economies. There will be more output from the Climate Change and Development Knowledge Network in which ODI is a core partner, plus the gearing up of our new Budget Strengthening Initiative which seeks to promote better budgeting in the poorest and most fragile states. There will be further work on aid effectiveness in the lead up to the High Level Forum on Aid Effectiveness in Seoul in 2011 and continued engagement in the beyond-aid agenda. Throughout our work you will see a strong focus on shifting geographies, on supporting resilience and innovation in low-income countries and on the need for a strong evidence base on equity.

Our task going forward is to ensure that ODI remains fit for purpose – flexible, dynamic and forward looking. With 50 years of hard won knowledge and expertise behind us, ODI is in good shape to move ahead.

The Trustees present their statutory report together with the financial statements of Overseas Development Institute (ODI) for the year ended 31 March 2010.

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 32 and 33 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

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 60 of the Companies Act 2006 from using the word 'limited' as part of its name.

The Charity fully owns a trading subsidiary, ODI Sales Limited, registered in England and Wales on 15 February 2010 with the Company Registration No. 7157505. The object of the company is to carry on business as a general commercial company, to procure profits and gains for the purpose of paying them to the Charity.

The subsidiary was set-up to allow the Charity to continue to operate exclusively in non-business activity, as defined by HMRC with respect to Value Added Tax (VAT).

ODI Sales Limited has a Board of Directors, chaired by Richard Laing. Both Richard Laing and Andrew Barnett are Trustees for the Charity. Peter Cleland is a Director of ODI Sales Limited and independent of the Charity.

The Board of Trustees and Council

The Institute is governed by a Board of up to 12 Trustees chaired by Lord Adair Turner during the course of the 2009-10 and handed over to Dr. Daleep Mukarji OBE during the first quarter of 2010-11.

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 Board of Trustees and other Members up to a maximum of 40. The Chair of the Board also presides over the Council.

The Council is responsible for electing the Board based on nominations from the Nominations Committee (made up of both Board and Council Members). 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 on the basis of 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 and objectives of the Institute and any current issues. 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, Strategic Plan and other relevant current literature.

The Institute attempts to keep a balance across the Council Membership between people with research, business, media, Non-Governmental Organisational and political backgrounds. It also aims to maintain a gender balance. Brief biographical details of two of ODI's Council Members are provided below.

Sir Mike Aaronson has 35 years practical experience of public and international affairs, initially as a humanitarian relief worker in Eastern Nigeria, for the following 16 years as a diplomat, and then for 17 years with Save the Children UK from which he retired as chief executive in 2005. Mike now holds a number of senior non-executive and advisory appointments including as a Non-Executive Director of Oxford Policy Management and Chairman of Frimley Park Hospital NHS Foundation Trust. He was a founder, and from 2001-2008 Chair, of the Centre for Humanitarian Dialogue, Geneva. He is also a Civil Service Commissioner, a visiting Fellow of Nuffield College, Oxford, and a Visiting Professor at the University of Surrey. He was made a CBE in 2000 and was knighted in 2006.

Salil Shetty was made Secretary General of Amnesty International in June 2010. Prior to that he worked as the Director of the United Nations Millennium Campaign and is the former Chief Executive of ActionAid. Mr. Shetty serves on the boards of Agence France-Presse Foundation and the Global Call to Action Against Poverty. He is a member of the Advisory Council of the American-Indian Foundation and Twaweza.

Trustees

Trustees must be Council Members in order to be elected. They can serve for up to three terms, each of three years. As with the Council, the aim is to maintain a balance amongst the Trustees of research, academic, business and political expertise knowledge and gender. Board Members are both Charity Trustees and Directors under company law.

When elected, Trustees are provided with a Trustee pack with information on the constitution, the annual cycle, the various terms of reference for the Council and Board, job descriptions of senior staff, business and strategic plans, accounts, relevant policies and references to relevant laws and regulations.

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

William Day is Chairman of the Sustainable Development Commission, Chairman of Water and Sanitation for the Urban Poor (WSUP), Special Advisor to the United Nations Development Program (UNDP), a Senior Associate of the University of Cambridge Programme for Industry and a Sustainability Advisor to PwC. From 1996 to 2004 he was Chief Executive of Care International and, before that, Relief Coordinator for the Horn of Africa with Oxfam GB.

Richard Laing is Chief Executive of CDC Group plc, the UK's bilateral Development Finance Institution. Prior to this, he held a number of positions at De La Rue plc in Brazil and the UK, latterly as Group Finance Director. He is a Trustee of Plan UK and was a non-executive Director of Camelot plc. He worked previously in agribusiness in developing countries, and at PricewaterhouseCoopers. Richard is a Trustee of the charity and the Chair of ODI Sales Limited.

Members' liability

In the event of the charity being wound up the Members, and those within one year of ceasing to be Members, are required to contribute an amount not exceeding £1 (as a result of ODI being a company limited by guarantee).

The Institute's insurance policy indemnifies Trustees up to £1 million.

Statement of Trustees' responsibilities

The Trustees (who are also directors of ODI for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities), (the Charities SORP);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK Accounting Standards 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 charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- ◆ so far as the Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware; and
- ◆ the Trustee has taken all the steps that he/she ought to have taken as a Trustee 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 s418 of the Companies Act 2006.

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

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 is responsible for strategy and reviewing progress against business and strategic plans, 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. The Director is supported by a Senior Management Team (SMT). During the course of 2009-10, a significant re-structure of SMT was undertaken to better reflect the Institute's emphasis on management excellence.

The new SMT comprises:

- ◆ Director - Alison Evans
- ◆ Deputy Director – John Young
- ◆ Director of Research – Andy Norton
- ◆ Director of Communications – Gillian Hart
- ◆ Director of Finance – Alexis Chapman (interim)

The role of the SMT is to provide strategic leadership of the Institute. This involves:

- ◆ developing the strategic vision and the annual business plans in line with the Institute's mission and ensuring that progress is monitored;
- ◆ maximising the strengths and capacity of the organisation and overseeing the delivery of value for money;
- ◆ managing reputation, risk and change; and
- ◆ taking strategic decisions on research programmes, fundraising, public affairs, finance, human resources, IT and premises.

Biographical information for two Members of ODI's SMT is given below:

Gillian Hart is the Director of Communications for ODI. She brings more than 25 years blue-chip strategic brand building and integrated marketing communications to the Senior Management Team and the Communications department at ODI. She is also a Non-Executive Director and Chair of the Governance Committee for South London Healthcare Trust. Before joining ODI, Gillian worked as a Branding Consultant for Macmillan Group Publishers on projects aimed at enriching the user experience and providing a platform for further development of the Macmillan brands digitally in response to the changing market conditions in publishing. Prior to this, she held various senior Marketing positions at the Financial Times working to build the FT brand in Europe, Middle East, Africa and Asia Pacific, where she gained a broad understanding of integrated marketing communications with a specialisation in e-commerce across different markets and cultures.

Alexis Chapman is the interim Director of Finance for ODI. She is a qualified accountant and a former Director of Finance and Director of Marketing with Save the Children UK. Since 2004, Alexis has worked across the voluntary sector on coaching and consulting assignments, specifically building the capacity of boards and senior teams to engage in strategic conversations around finance. She has worked with a range of organisations including the International Save the Children Alliance, the RNIB, the King's Fund and WWF. She has been a Trustee of the Charity Finance Directors' Group and is currently a Trustee of Merlin and a Member of the Comic Relief Committee.

As part of the Institute's ongoing efforts to enhance its effectiveness and efficiency, the Heads of Programmes and Departments have been given greater prominence in the Institute's management framework. Heads of Programmes are at the forefront of ODI's mission and business and are responsible for much of the Institute's direct fundraising, research and advisory support and line management of research staff. Three of ODI's Heads of Programmes are introduced below:

Dr Sara Pantuliano is the Head of the Humanitarian Policy Group. She is a political scientist with extensive experience in conflict and post-conflict contexts. Prior to joining ODI in 2006, she led UNDP Sudan's Peace Building Unit, managed a high-profile post-conflict response in the Nuba Mountains and was a resource person and an observer at the IGAD Sudan peace process. She holds a PhD in Politics and has lectured at the University of Dar es Salaam. She has written extensively on Sudan and is a regular media commentator on Sudan issues. Her current work focuses on underexplored dimensions of displacement, particularly the role of land in return and reintegration processes and displacement in urban contexts. She is the Editor of the ODI Journal *Disasters*.

Rachel Slater is the Head of the Social Protection programme. She specialises in social protection, food security and rural and agricultural development. She has particular expertise in sub-Saharan Africa (especially Ethiopia, Lesotho, Malawi, South Africa and Zambia) and South Asia. Her most recent work includes policy analysis and providing advisory support to social protection policy-makers and implementers, and the development of innovative social protection instruments and implementation mechanisms (including the design of targeting tools for social protection programmes, and a toolbox for maximising linkages between growth and social protection).

Marcus Manuel is the Head of the Centre for Aid and Public Expenditure (CAPE), currently on secondment from the UK Department for International Development (DfID), where he held the position of Pan-Africa Strategy and Programmes Director; one of three Directors responsible for collectively managing DFID's programmes in Africa. He has over 20 years of development and management experience working at both operational delivery and strategic policymaking levels with a track record of delivering analytical, creative and strategic approaches to issues. Over the last 10 years he has worked as a Senior Manager in DfID and HM Treasury with responsibility for programmes and staff in Africa and Asia as well as for global development issues. Previous roles included Senior Economic Adviser in the Ministry of Finance in Uganda; Macroeconomic Adviser in HM Treasury and Corporate Planner in British Petroleum.

Employees

In 2010 ODI has maintained a constant number of core staff (133) of the highest calibre and continues to deliver a cutting edge programme of research in line with Business Plan requirements. Staff involved with research and the dissemination of information account for an average of 83% of ODI's total work force.

ODI continues to attract a large volume of high quality applicants during recruitment, enabling the Institute to recruit an extremely high calibre of staff with wide ranging experiences. All ODI staff complete an annual appraisal and a learning and development plan, and are encouraged to participate in the learning and development opportunities available at ODI. Research staff are also provided with a formal career path and annual opportunities for career progression during their careers at ODI. The Institute also seeks the views of staff through regular staff surveys and staff meetings.

ODI's work is led by staff members who work alongside colleagues from a broad network of associates and partners from all over the world, particularly in developing countries. Many of these associates have previously worked at ODI and have sought to continue their working relationship. This provides the Institute with an extensive pool of experience, allowing ODI to deliver its mission with the flexibility necessitated by the market in which it operates.

ODI strives to be an equal opportunities employer and applies 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

ODI does not yet have a formal volunteer or internship programme, but does offer a wide range of exceptional opportunities for people looking to gain experience in international development and humanitarian policy and practice by working alongside ODI's world class pool of researchers. The Institute also benefits hugely from the efforts of these volunteers, who themselves represent a high calibre intellectual force.

Risk management

The Trustees undertake a full risk assessment on an annual basis and monitor progress on a quarterly 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 internal risk management processes have been integrated into the Institute's annual business planning and reporting cycle which has enabled improved decision making by the Trustees.

The Trustees have identified the following areas of risk:

Governance

The support of the Board was identified as crucial to the successful transition to a new Senior Management Team and the recent and scheduled departure of some Board Members has emphasised the need to conduct a Governance Review to ensure optimum Board competence and effectiveness. This will be led by Dr. Mukarji, the new Chair.

Leadership and management

The Senior Management Team contains some new posts. There remain clear continuities of personnel, however, including amongst the Heads of Programme and Departments that ensures a strong platform on which to manage ODI effectively. SMT and Management

Group members continue to engage in training and development to ensure that they are working as effectively as possible and in line with new systems and business processes.

Personnel

Staff welfare issues continue to be monitored through regular staff surveys and meetings. Improved efficiency in the business systems and work on incentives and rewards will be undertaken. Attention will be given to embedding ODI's values.

An increase in the volume of ODI work in post-conflict and fragile states means that additional measures are being put in place to ensure staff safety, security and wellbeing while travelling to, and working in, countries posing complex risks.

Capacity

The ability of recruit and retain staff with the necessary skills is critical to the success of ODI. Ongoing work on the recruitment strategy, rewards and incentives plus continued success in delivering cutting edge research have all been identified as mitigation strategies.

Financial

Variable financial performance at programme level presents a risk to the sustainability of ODI. Tight financial management combined with improved project and programme management is designed to avoid losses and project overruns.

Improved oversight of financial information exists at all levels through improved systems and greater transparency.

Funding

Changing external market factors will be met with internal flexibility, efficiency and effectiveness. ODI recognises the needs of its funders and will continue to focus on building those relationships, demonstrating impact and value while always maintaining independence through its work.

Mission delivery

The maintenance of ODI's reputation as the UK's leading independent think tank on international development and humanitarian issues is paramount. Being at the leading edge of new ideas, assuring quality and responding in a timely and effective way to international and national policy processes and events remain central to its mission. The new Senior Management Team has been configured to ensure this, including the establishment of a Director of Research post to lead the Institute's overall research strategy and oversee in-house and external quality assurance mechanisms.

Organisational change processes

Moving into the second year of an organisational effectiveness programme, the focus will be on ensuring that the main benefits of the programme are secured and that associated risks are closely monitored and addressed. Internal communications remains a crucial tool in managing risks associated with the programme.

OBJECTIVES AND ACTIVITIES

ODI is Britain's leading independent think tank on international development and humanitarian affairs. Our 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. We work with partners in the public and private sectors, in both developing and developed countries.

These objectives fit within the Charities Act 2006 definition of 'charitable' by focusing on the prevention or relief of poverty through, specifically, the study, discussion and exchange of information on the economic and social development of nations. In determining the aims and objectives of the Institute, the Trustees have had regard to the Charity Commission's general guidance on public benefit. Those who benefit ultimately from our work are those living in developing regions. As the impact of improved policy for international development and humanitarian issues is far reaching, nobody is excluded from these benefits.

With a reputation for high-quality research and policy advice, ODI is in demand by governments, international institutions and other partners around the globe. In addition to applied research and policy advice, ODI undertakes commissions that include monitoring and evaluation and the development and delivery of tailored training courses, as well as expertise in communications and knowledge management.

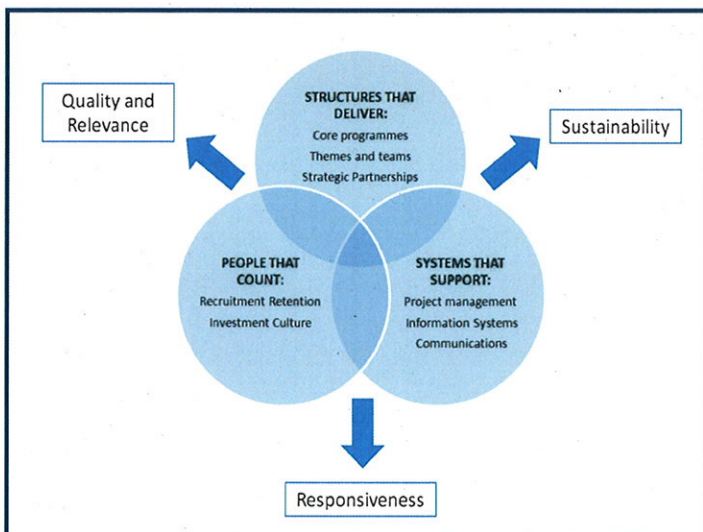
In the past year, ODI has been contracted by more than a dozen donor governments. We have also carried out projects supported or requested by the Bill & Melinda Gates Foundation, Commonwealth Secretariat, the East African Community (EAC) and the Organisation for Economic Cooperation and Development (OECD), as well as many international financial institutions, multinational companies, non-governmental organisations, think tanks and United Nations agencies.

The annual business planning process (which includes objective setting for programmes and individuals) refers back to the 2008 Strategic Review which outlined the objectives for the Institute up to 2013. These annual and multi-annual planning processes provide a framework through which the Trustees and managers can (i) assess ODI's relevance

against the changing external environment; and (ii) plan strategically for its enhancement. This is done in furtherance of ODI's charitable purposes with the ultimate objective of maximising benefit to the public.

To underpin delivery of the Institute's mission, priority has been given to an organisational effectiveness programme focusing on improving: internal structures, systems and support to staff. Box 1 illustrates the way in which these objectives interact to assist the organisation respond effectively to a rapidly changing external environment. Work towards these objectives continues into 2010-11.

Box 1: Supporting the Delivery of the ODI mission



FINANCIAL REPORT FOR THE YEAR

Results for the year

The ODI's incoming resources for the year amounted to £17.1m, a modest increase of 6% over the previous year. Research grants and project finance fund the research programmes described in paragraphs above in this report and, at 81%, make up the majority of the ODI's activities and incoming resources. The Fellowship Scheme and revenue from publications make up most of the balance of 19%.

These activities generated net incoming resources of £356k (2008-09: £503k). The Institute also benefitted from investment gains of £290k in the year, mitigating investments losses in the previous year of £168k. Overall a net increase in funds of £647k (2008-09: £335k) was generated in the year.

During the year 2009-10, the Institute's staff remained largely the same with a marginal increase of 2% linked mainly to new project-related staff. The number of research staff remained at broadly the same level across the year.

Charts 1 and 2 show the apportioning of revenue from research grants and project finance receivable (£13.9m) based on the old group structure compared with the new programme structure. This is based on figures shown in note 1 to the financial statements on page 34 and does not include income from other sources (e.g. Fellowship grants and project finance receivable, Publications revenue, income from the trading subsidiary etc.):

Chart 1: Revenue by group

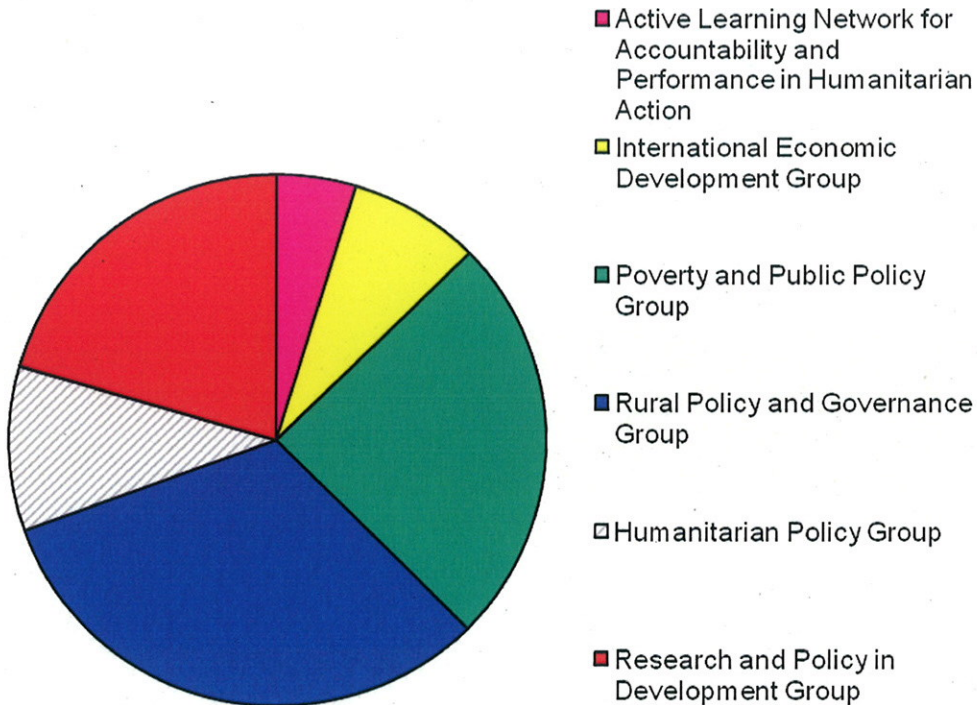
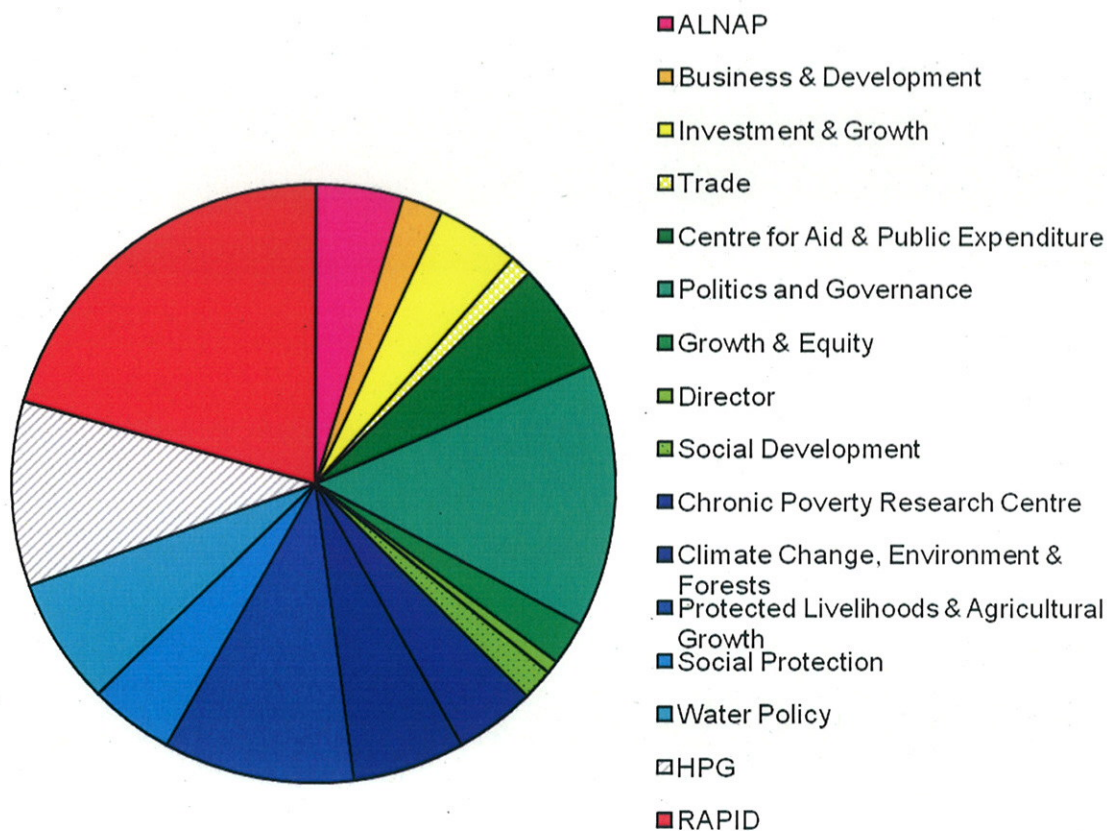


Chart 2: Revenue by programme



Financial position

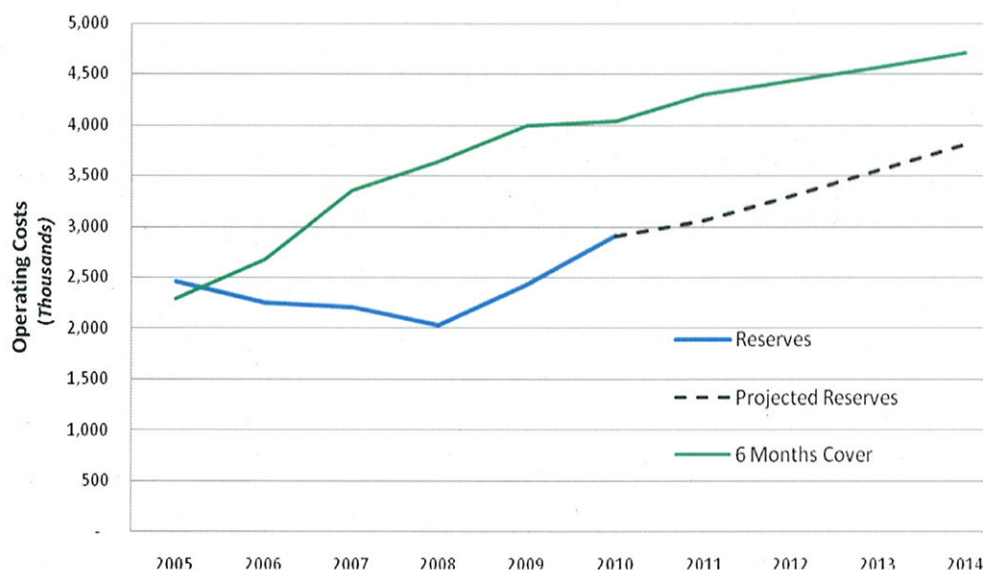
The balance sheet reflects an overall growth in net assets of 28% with total funds standing at £3.2m (2008-09: £2.5m) at the end of the year. These funds are all unrestricted.

The tangible fixed assets fund is a fund designated by the Trustees and represents the net book value of the charity's tangible fixed assets £268k (2008-09: £103K). The fund has been established to recognise the fact that these assets are not convertible into cash with ease. The value of this fund has risen during the year reflecting an ongoing major investment in information systems designed to improve the effectiveness of the Institute.

The general funds of the charity at 31 March 2010 amount to £2.9m (2008-09: £2.4m). These funds are equivalent to the charity's free reserves. The Trustees have stated their intention to build reserves towards the desired policy position over time and in the years 2008-09 and in 2009-10 this objective has been achieved with closing reserves at the end of the year to 31 March 2010 representing 73% of the target level of £4m.

The ODI's requirement for reserves grows as the organisation grows and therefore the ODI has put plans in place to ensure that it can generate a modest operating surplus in future years and thereby continue to improve its reserve position relative to the stated policy position. This is illustrated in chart 3.

Chart 3: Reserves trends



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' desired level of reserves is six months of estimated future annual expenditure. The Trustees are of the opinion that this provides sufficient flexibility to cover minimum legal requirements and to provide cover against temporary shortfalls in incoming resources due to timing differences in income flows. It would also provide adequate working capital to cover core costs, and enable the charity to cope with and respond to unforeseen emergencies whilst specific action plans are implemented.

At present, it is recognised that current reserve levels fall beneath this target. The Trustees are focussed on building the effective delivery of the core activities delivered by the ODI. They have decided to approach the achievement of the reserves policy by building towards the ideal level over a five to ten year period.

Investment policy

The Institute's investment policy has been reviewed and updated in the year. The Trustees have agreed that investments underpinning the Institute's general funds should be highly liquid and take minimal credit risk with no tolerance for loss over any time horizon.

The Institute is in the process of implementing the new investment policy and is therefore divesting from the equity element of its investment over a six month period. At the year end, ODI held investments in the Charinco and Charishare common investment accumulation funds which had a market value of £1,499k at 31 March 2010 (2008-09: £1,209k). The funds are managed by BlackRock Investment Management (UK) Limited.

The Trustees regularly review the performance of the investments and of the fund managers.

PLANS FOR FUTURE PERIODS

ODI at 50: advancing knowledge, shaping policy, inspiring practice

ODI's 50th anniversary year offers a unique opportunity to showcase, particularly to its longstanding funders and supporters, the impact that it has made, as well as starting the process of reaching out to new audiences, partners and funders as part of its future agenda. One of the opportunities of the 50th year will be to review what kind of strategic alliances



Speakers at the 50th Anniversary network event included the Rt. Hon. Vince Cable MP. Among the guests were staff, Board and Council Members (past and present) and ODI supporters such as broadcaster Jon Snow. Photo: ODI/Leo Johnson 2010

the Institute needs in the future and how best to reflect the shifting centre of gravity in power and influence in the world to expand the Institute's reach beyond the UK and Europe.

Plans for the 50th year include a variety of events and publications, including a major development debate and the digitisation of ODI's back catalogue (a major step in bringing the best of ODI thinking to Southern audiences).

At the programme level there are multiple old and new agendas to keep working on. One of the most important will focus on how aid and the system for aid delivery can be more effective, especially at a time when public finance pressures and concerns about transparency and accountability in aid are rising to the fore. How concerns about aid relate to the widening 'beyond aid' agenda,

taking in the role of trade, foreign direct investment, access to finance and business development in low-income countries are also crucial research areas, linked as they are to the G-20 agenda of a framework for strong, sustainable and balanced growth for the world economy.

As 2015 draws nearer, work will also continue across the Institute on the Millennium Development Goals. The aim of the poverty and the MDGs priority theme is to identify and develop 'breakthrough strategies' to enhance progress towards MDGs 1-7, in particular those that could be taken to scale and have an impact by 2015.

ODI is working on developing a library of development progress stories, funded by the Bill & Melinda Gates Foundation, outlining what has worked in development and why. The stories aim to provide the development community (advocacy groups, the media, policy makers and researchers) and the engaged public with well-documented and accessible information on development progress.

To complement the progress stories, ODI is also reviewing progress towards the MDG targets. This analysis, also based on research funded in part by the Bill & Melinda Gates Foundation, will be presented as a report offering a detailed score card for the MDGs, to be published later in 2010.

Activity on the MDGs will be particularly focused towards the run up to and the follow up on the 2010 UN General Assembly MDG Review Meeting in New York in September.

The DfID funded Climate Change and Development Knowledge Network (CDKN) will address shortcomings in the current knowledge base on climate change, with special emphasis on its implications for development and poverty reduction. It will do this by

'...I'm here to congratulate ODI on its 50th Anniversary, it's grown, flourished and become a very, very, successful, influential institute' the Rt. Hon. Vince Cable MP, ex-ODI Fellow, speaking at the 50th anniversary event.

bringing together existing high quality and relevant research and information, and funding new priority research and analysis.

It will ensure that knowledge is communicated rapidly to policy-makers and practitioners in a way that aids policy and decision-making, and programme design and practice. In addition, the Network will aim to strengthen developing country research capacity and support the emerging international knowledge system on climate change and development.

The work of the network in 2010 will lead up to and follow on from the UN Climate Change Conference in Mexico in December.

Internally, 2010-11 will be a year for realising the benefits of various changes and initiatives that began in 2009-10. We look forward to working with our new Chair, Dr. Mukarji, and with a fully reconfigured SMT. One of the initial projects of the SMT will be to assess ways in which the organisation can further enhance its ability to demonstrate impact and value for money. This will be supported by new project and programme management systems which will help us to operate with greater efficiency and even more responsiveness. Other work on the organisational effectiveness agenda will include work on reward and incentives and a broad quality assurance agenda to underpin all that we do in maintaining our reputation as the UK's leading independent think tank on international development and humanitarian issues.

Signed on behalf of the Board:

Chair



Approved by the Board on: 19:7:2010

Independent auditor's report to the Members of Overseas Development Institute

We have audited the financial statements of Overseas Development Institute for the year ended 31 March 2010 which comprise the consolidated statement of financial activities, the group and parent charity balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees are also the directors of the company for the purposes of company law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the statement of Trustees' responsibilities contained within the Trustees' report.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Trustees' annual report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Trustees' remuneration specified by law are not made.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' report. 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 other information.

Basis of audit 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 group's and charity's circumstances, consistently applied and adequately disclosed.

Independent auditor's report Year to 31 March 2010

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that 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 of the state of the group's and the parent charity's affairs as at 31 March 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ◆ the information given in the Trustees' annual report is consistent with the financial statements.

Amanda Francis

Amanda Francis, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
12 New Fetter Lane
London
EC4A 1AG

19 July 2010

Consolidated statement of financial activities Year to 31 March 2010

	Notes	General funds £	Designated funds £	Total funds 2010 £	Total funds 2009 £
Income and expenditure					
Incoming resources					
Incoming resources from charitable activities					
. Research grants and project finance receivable	1	13,940,779	—	13,940,779	13,277,484
. Fellowship grants and project finance receivable	1	2,878,513	—	2,878,513	2,491,979
. Publications revenue		137,414	—	137,414	137,367
Incoming resources from generated funds					
. Interest receivable		1,231	—	1,231	14,480
. Income from trading subsidiary	7	16,355	—	16,355	—
Other income					
. Miscellaneous income		49,049	—	49,049	21,298
. Gains on foreign exchange	2	122,261	—	122,261	278,498
Total incoming resources		17,145,602	—	17,145,602	16,221,106
Resources expended					
Cost of generating funds					
. Resources expended by trading subsidiary	7	4,292	—	4,292	—
Charitable activities					
. Research and dissemination of information	3	14,138,384	—	14,138,384	13,458,501
. Fellowship activities and services	4	2,617,184	—	2,617,184	2,217,323
Governance costs	5	29,516	—	29,516	42,073
Total resources expended		16,789,376	—	16,789,376	15,717,897
Net incoming resources before transfers and net investment gains					
		356,226	—	356,226	503,209
Transfers between funds					
	15	(165,549)	165,549	—	—
		190,677	165,549	356,226	503,209
Statement of total recognised gains and losses					
Realised gains on the disposal of investments					
		40,044	—	40,044	—
Net income		230,721	165,549	396,270	503,209
Gains (losses) on the revaluation of investments					
	12	250,603	—	250,603	(168,234)
Net movement in funds	9	481,324	165,549	646,873	334,975
Balances brought forward at 1 April 2009					
		2,430,279	102,676	2,532,955	2,197,980
Balances carried forward at 31 March 2010					
		2,911,603	268,225	3,179,828	2,532,955

Consolidated statement of financial activities Year to 31 March 2010

	2010 £	2009 £
Historical cost net movement in funds		
Net movement in funds (page 17)	646,873	334,975
Unrealised (gains) losses on investments	(250,603)	168,234
Difference between historical cost realised gains on listed investments and actual realised gains on the revalued amounts	34,692	-----
Historical cost net movement in funds	430,962	503,209

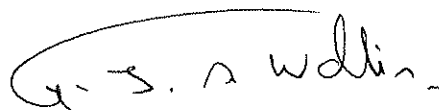
Continuing activities

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

Balance sheets 31 March 2010

	Notes	Charity 2010 £	Group 2010 £	Charity 2009 £	Group 2009 £
Fixed assets					
Tangible assets	11	268,225	268,225	102,676	102,676
Investments	12	1,499,450	1,499,440	1,208,792	1,208,792
		<u>1,767,675</u>	<u>1,767,665</u>	<u>1,311,468</u>	<u>1,311,468</u>
Current assets					
Debtors	13	3,529,666	3,529,666	4,641,000	4,641,000
Short-term deposits		500,689	500,689	39,405	39,405
Cash at bank and in hand		1,040,545	1,040,545	719,503	719,503
		<u>5,070,900</u>	<u>5,070,900</u>	<u>5,399,908</u>	<u>5,399,908</u>
Creditors: amounts falling due within one year	14	(3,670,810)	(3,658,737)	(4,178,421)	(4,178,421)
Net current assets		<u>1,400,090</u>	<u>1,412,163</u>	<u>1,221,487</u>	<u>1,221,487</u>
Total net assets		<u>3,167,765</u>	<u>3,179,828</u>	<u>2,532,955</u>	<u>2,532,955</u>
Represented by:					
Funds and reserves					
<i>Income funds</i>					
Unrestricted funds					
Tangible fixed assets fund	15	268,225	268,225	102,676	102,676
General funds		2,899,540	2,899,540	2,430,279	2,430,279
		<u>3,167,765</u>	<u>3,167,765</u>	<u>2,532,955</u>	<u>2,532,955</u>
Non-charitable trading funds		—	12,063	—	—
		<u>3,167,765</u>	<u>3,179,828</u>	<u>2,532,955</u>	<u>2,532,955</u>

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



Trustee of the Overseas Development Institute
Company Registration Number
661818 (England and Wales)

Approved on: 19 July 2010

Consolidated cash flow statement Year to 31 March 2010

	Notes	2010 £	2009 £
Cash inflow/(outflow) from operating activities	A	1,018,369	(222,968)
Returns on investments and servicing of finance			
Interest received		1,231	14,480
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(237,274)	—
Management of liquid resources			
Short-term deposits		(461,284)	210,595
Increase in cash	B	321,042	2,107

Notes to the cash flow statement for the year to 31 March 2010.

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

	2010 £	2009 £
Net incoming resources before transfers and net investment gains	356,226	503,209
Depreciation	71,725	63,451
Interest receivable	(1,231)	(14,480)
Decrease in stock	—	44,890
Decrease/(increase) in debtors	1,111,334	(1,431,899)
(Decrease)/increase in creditors	(519,685)	611,861
Net cash inflow/(outflow) from operating activities	1,018,369	(222,968)

B Analysis of changes in net funds

	At 1 April 2009 £	Cash flows £	At 31 March 2010 £
Short-term deposits	39,405	461,284	500,689
Cash at bank and in hand	719,503	321,042	1,040,545
	758,908	782,326	1,541,234

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 2006. 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.

Basis of consolidation

These financial statements consolidate the results of the charity and its wholly owned subsidiary, ODI Sales Limited, on a line by line basis. A separate statement of financial activities is not prepared by the charity itself following the exemption afforded by section 408 of the Companies Act 2006 and the note in paragraph 397 of SORP 2005.

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, as such, is deemed unrestricted. It 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 cost of generating funds comprises the expenditure on commercial trading operations
- b. 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.

- c. 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 listed 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.

The investment in the subsidiary undertaking, ODI Sales Limited, is stated at cost.

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:

	2010 £	2009 £
Research and dissemination of information		
. Humanitarian Policy Group (HPG)	1,394,926	943,860
. Active Learning Network for Accountability and Performance (ALNAP)	652,858	585,514
. International Economic Development Group (IEDG)	1,095,707	1,314,004
. Poverty and Public Policy Group (PPPG)	3,485,239	3,420,608
. Rural Policy and Governance Group (RPGG)	4,444,184	4,753,019
. Research and Policy in Development (RAPID formerly PARTCOM)	2,867,865	2,260,479
	<u>13,940,779</u>	<u>13,277,484</u>

During the year the Institute restructured and activity is now defined by programme as explained in the Trustees' report.

The following table breaks down the income for 2010 per programme.

	2010 £
The Humanitarian Policy Group (HPG)	1,394,926
The Centre for Aid and Public Expenditure (CAPE)	831,147
Growth and Equity	329,730
Politics and Governance	1,987,401
Social Development	237,427
Director	99,534
Climate Change Environment and Forests	842,915
Chronic Poverty Research Centre	604,541
Social Protection	631,310
Protected Livelihoods and Agricultural Growth	1,411,735
The Water Policy Programme	953,683
Research in Policy and Development (RAPID)	2,867,865
Business and Development	302,331
Investment and Growth	630,746
Trade	162,630
	<u>13,287,921</u>
Active Learning Network for Accountability and Performance (ALNAP)	652,858
	<u>13,940,779</u>

As explained under the principal accounting policies, the majority of the Institute's income is deemed contractual in nature and is classified as unrestricted. Any income that might be defined as restricted has been applied fully towards the programme or project for which it was given.

In addition to the above, income from Fellowship grants and related project finance amounting to £2,878,513 (2009 - £2,491,979) was receivable during the year. This income is shown separately in the statement of financial activities on page 28.

2 Gains on foreign exchange

	2010 £	2009 £
Realised gain on debtors and creditors	122,261	140,010
Unrealised gain on foreign currency bank balances	—	138,488
	<u>122,261</u>	<u>278,498</u>

3 Research and dissemination of information

	2010 £	2009 £
Staff costs (note 8)	4,936,689	5,009,019
Temporary staff	36,718	23,486
Research fees payable to consultants and related costs	4,482,101	3,582,220
Dissemination of information	926,628	867,674
Travel	1,000,570	1,232,101
Support costs allocation (note 6)	2,486,666	2,409,718
Other costs	269,012	334,283
	<u>14,138,384</u>	<u>13,458,501</u>

4 Fellowship activities and services

	2010 £	2009 £
Supplementation	1,994,073	1,512,307
Staff costs (note 8)	197,313	183,783
Support costs allocation (note 6)	69,003	66,868
Other costs	356,795	454,365
	<u>2,617,184</u>	<u>2,217,323</u>

5 Governance costs

	2010 £	2009 £
Auditors' remuneration	21,033	35,288
Legal fees	6,132	3,672
Other costs	2,351	3,113
	<u>29,516</u>	<u>42,073</u>

Auditors remuneration in 2010 has been impacted by an overprovision of fees in 2009 and fees for other services.

6 Support costs

	2010 £	2009 £
Staff costs (note 8)	986,622	946,277
Staff overheads	467,719	438,580
Premises	345,191	315,368
Depreciation	71,725	63,451
Other costs	684,412	712,910
	<u>2,555,669</u>	<u>2,476,586</u>

6 Support costs (continued)

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

	2010 £	2009 £
Research and dissemination of information	2,486,666	2,409,718
Fellowship activities and services	69,003	66,868
	<u>2,555,669</u>	<u>2,476,586</u>

7 ODI Sales Limited

Overseas Development Institute owns the entire called up share capital of ODI Sales Limited, a trading company registered in England and Wales, Company Registration Number 7157505, incorporated on 15 February 2010.

A summary of the trading results of ODI Sales Limited for the period from incorporation to 31 March 2010 are given below. Any taxable profits of ODI Sales Limited will be Gift-Aided to the charity.

ODI Sales Limited	2010 £
Turnover	16,355
Cost of sales	<u>(4,292)</u>
Operating profit	12,063
Net interest receivable	—
Profit for the year	12,063
Tax on ordinary activities	—
Net profit for the year	12,063
Paid to charity	—
Profit for the financial year	<u>12,063</u>

At 31 March 2010 the capital and reserves amounted to £12,073 which comprises £10 issued share capital and retained profits of £12,063.

8 Staff costs and Trustees' remuneration

	2010 £	2009 £
Staff costs during the year were as follows:		
Wages and salaries	5,049,189	5,081,812
Social security costs	423,137	435,069
Other pension costs	648,298	622,198
	<u>6,120,624</u>	<u>6,139,079</u>
Temporary staff costs	395,965	310,377
	<u>6,516,589</u>	<u>6,449,456</u>

8 Staff costs and Trustees' remuneration (continued)

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

	2010 £	2009 £
Research and dissemination of information	4,936,689	5,009,019
Fellowship activities and services	197,313	183,783
Support	986,622	946,277
	6,120,624	6,139,079

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:

	2010	2009
£60,001 - £70,000	4	4
£70,001 - £80,000	—	3
£80,001 - £90,000	4	4
£90,001 - £100,000	1	—
£100,001 - £110,000	—	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:

	2010	2009
Research and dissemination of information	109	110
Fellowship activities and services	3	3
Support	21	18
	133	131

During the year ended 31 March 2010 expenses of £83 (2009 - £763) were reimbursed to one Trustee (2009 – two Trustees) for attending Board and Council meetings.

Four Trustees were paid £98,755 (2009 – £11,654, one Trustee) for project based work. The payment for such services was authorised by the Charity Commission.

The Trustees have taken out Trustee indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to ODI. The premium paid by the charity amounted to £5,508 (2009 - £263) and provided cover of £1,000,000 (2009 - £1,000,000).

9 Net movement in funds

This is stated after charging:

	2010 £	2009 £
Auditors' remuneration		
. Audit services: Current year	17,625	27,449
. Non-audit services: Taxation	2,292	1,120
Other services	1,116	6,719
Depreciation	71,725	63,451
Operating lease rentals		
. Premises	345,191	315,368

10 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.

The subsidiary, ODI Sales Limited donates its taxable profits, if any, to Overseas Development Institute each year.

11 Tangible fixed assets

	Leasehold improve- ments £	Furniture, fixtures and fittings £	Equipment £	Total £
Cost				
At 1 April 2009	203,057	72,487	174,428	449,972
Additions during the year	19,713	—	217,561	237,274
Disposals	—	(72,487)	(108,941)	(181,428)
At 31 March 2010	222,770	—	283,048	505,818
Depreciation				
At 1 April 2009	126,145	72,487	148,664	347,296
Charge for year	32,208	—	39,517	71,725
Elimination on disposals	—	(72,487)	(108,941)	(181,428)
At 31 March 2010	158,353	—	79,240	237,593
Net book values				
At 31 March 2010	64,417	—	203,808	268,225
At 31 March 2009	76,912	—	25,764	102,676

Included within equipment above are additions amounting to £176,300 relating to new software. The software will not be brought into use until the year ending 31 March 2011 and, therefore, has not been depreciated during the year ended 31 March 2010.

12 Investments

Group	Total £
Listed investments	
Market value at 1 April 2009	1,208,792
Additions at cost	117,184
Disposals (proceeds: £117,183 gain: £40,044)	(77,139)
Unrealised investment gains	250,603
Market value at 31 March 2010	<u>1,499,440</u>
Historical cost of listed investments at 31 March 2010	<u>730,027</u>

Charity	Shares in subsidiary company £	Listed investments £	Total £
Market value at 1 April 2009	—	1,208,792	1,208,792
Additions	10	117,184	117,194
Disposals	—	(77,139)	(77,139)
Unrealised investment gains	—	250,603	250,603
Market value at 31 March 2010	<u>10</u>	<u>1,499,440</u>	<u>1,499,450</u>
Historical cost of investments at 31 March 2010	<u>10</u>	<u>730,017</u>	<u>730,027</u>

At 31 March 2010 listed investments comprised the following holdings in United Kingdom common investment funds:

	£
Charinco accumulation units	904,510
Charishare accumulation units	594,930
	<u>1,499,440</u>

At 31 March 2010 the charity owned the entire called up share capital of ODI Sales Limited, a company incorporated in England, whose principal activity is to carry on business as a general commercial company to procure profits and gains for the purpose of paying them to the charity. A summary of the financial results of the company is shown in note 7.

13 Debtors

	Charity 2010 £	Group 2010 £	Charity 2009 £	Group 2009 £
Grants receivable and accrued income	3,427,751	3,427,751	4,560,926	4,560,926
Other debtors	19,855	19,855	13,495	13,495
Prepayments	82,060	82,060	66,579	66,579
	<u>3,529,666</u>	<u>3,529,666</u>	<u>4,641,000</u>	<u>4,641,000</u>

14 Creditors: amounts falling due within one year

	Charity 2010 £	Group 2010 £	Charity 2009 £	Group 2009 £
Grants received in advance	2,551,831	2,551,831	2,941,872	2,941,872
Expense creditors	807,206	807,206	888,510	888,510
Social security and other taxes	131,982	131,982	144,830	144,830
Accruals and deferred	167,718	167,718	203,209	203,209
Amount owed to subsidiary undertaking	12,073	—	—	—
	3,670,810	3,658,737	4,178,421	4,178,421

15 Tangible fixed assets fund

	£
At 1 April 2009	102,676
Transfer from general funds being net movements in year	165,549
At 31 March 2010	268,225

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.

16 Analysis of net assets between funds

Group	General funds and non-charitable trading funds £	Tangible fixed assets fund £	Total funds £
Fund balances at 31 March 2010 are represented by:			
Tangible fixed assets	—	268,225	268,225
Investments	1,499,440	—	1,499,440
Net current assets	1,412,163	—	1,412,163
Total net assets	2,911,603	268,225	3,179,828
Charity	General funds £	Tangible fixed assets fund £	Total funds £
Fund balances at 31 March 2010 are represented by:			
Tangible fixed assets	—	268,225	268,225
Investments	1,499,450	—	1,499,450
Net current assets	1,400,090	—	1,400,090
Total net assets	2,899,540	268,225	3,167,765

17 Lease commitments

At 31 March 2010 the charity had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2010	2009
Group and charity	£	£
Operating leases which expire		
· Within two to five years	185,500	185,500

18 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.

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", accounts 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 2008. 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 4.4% per annum, salary increases would be 4.3% 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 3.3% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.3% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 3.3% per annum. The valuation was carried out using the projected unit method.

18 Pension commitments (continued)

The Universities Superannuation Scheme (USS) (continued)

At the valuation date, the value of the assets of the scheme was £28,842 million and the value of the past service liabilities was £28,135 million indicating a surplus of £707 million. The assets therefore were sufficient to cover 103% 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 Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 104%.

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 2011. The contribution rate will be reviewed as part of each valuation.

The total pension costs for the charity under this scheme were £496,637 (2009 - £464,649). The contribution rate payable by the charity was 14 % of pensionable salaries.

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.

Superannuation Arrangements of the University of London (SAUL)

The scheme is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 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:

18 Pension commitments (continued)

	Past service	Future service
Valuation method: Projected		
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 £1,266 million representing 100% of the liability using the Technical Provision basis and 83% of the liability using the Secondary Funding Objective.

Following the latest valuation the employer contributions have remained at 13.0% of salaries. Member contributions have also remained at 6.0% of salaries.

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 2008).

The next formal valuation is due at 31 March 2011 when the above rates will be reviewed.

The total pension costs for the charity under this scheme were £151,661 (2009 - £157,549). The contribution rate payable by the charity was 10.5% of pensionable salaries.