

802956



Chartered Accountants

ACCOUNTS No 7
23 OCT 2006
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Institute for
European
Environmental
Policy

(COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL)

Company No. 2458951

Charity No. 802956

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2005

The Institute for European Environmental Policy (IEEP) Trustees' Report 2005

The Institute is a charity and a registered not-for-profit company limited by guarantee and, as such, is governed by its Memorandum of Understanding and Articles of Association. Directors, who are also the charitable Trustees, present their annual report together with the audited financial statements for the year ended 31 December 2005, which have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice.

Objects and Policies of the Charity

The objects of IEEP are to advance the education of the public in the protection of the environment in the continent of Europe, and to carry out research and enquiry into all aspects of the environment and environmental policy. These objects are achieved by all appropriate means, including research, the provision of advisory services and preparation of commissioned reports, organising conferences and training courses, and by publishing manuals and other books, reports, articles and newsletters, utilising both digital and paper media. Offices are maintained in London and Brussels, and the Institute has associate colleagues and functional links with similar institutions across Europe.

The Trustees appoint the Director who is responsible for selecting other staff and for the day to day management of the charity. The Trustees also appoint the Company Secretary.

Review of the Year

Death of Konrad von Moltke, Founding Director of the Institute

In May 2005, Konrad von Moltke, founder of the Institute for European Environmental Policy, died at his home in Vermont. Deeply engaged on both sides of the Atlantic, Konrad made a remarkable contribution to civic society in the widest sense, in academia and NGOs as well as independent institutes. His work on the emerging European Community, on international environmental governance and trade and investment was pursued with an insight and passion which will be much missed.

Konrad was one of the first to foresee the significance of the European Economic Community for the environment and the need for voices outside government to help in shaping policy. Concerned about an absence of focus on this topic at a European level, he persuaded the European Cultural Foundation to support a new institute, based in Bonn in 1976. This was soon joined by further offices in Paris, London, Arnhem, Madrid and Brussels, creating a pioneering network which gave weight to national perspectives alongside the growth of the European Institutions. The network continues today with IEEP in London and Brussels, Ecologic in Berlin and also Brussels and IPAE in Madrid. After leading the IEEP network for many years, Konrad moved to the United States in 1984. He played an active role in the Institute on International Environmental Governance at Dartmouth College, the World Wildlife Fund in Washington DC and the International Institute for Sustainable Development in Canada. However, he was frequently in Europe contributing to a variety of projects, initiatives, networks and debates from several bases, including IVM in the Netherlands and IDDRI in Paris. To all these networks he gave impetus and inspiration, tirelessly probing the future in the many languages at his command.

Resources

During 2005, the number of research staff, in addition to the Director, grew from 20 to 21 and the administrative staff grew from 4 to 5 with the appointment of a part time support post in the Brussels office. Associates and an honorary fellow also contributed to the Institute's work throughout the year, working closely with research staff on a number of projects. Whilst the Institute is not dependent on unpaid volunteers, we welcomed a number of interns throughout 2005 who assisted us on a variety of projects and tasks.

Activities continued to expand during the year, though costs for external services on projects declined. This meant that total income decreased from £1,387,897 in 2004 to £1,355,585 in 2005. With total expenditure increasing from £1,310,378 to £1,350,438, the Institute made a surplus in 2005 of £285. Unrestricted reserves stood at £351,881 at 31 December 2005.

The Institute continued to benefit from the convenience of its strategic London location, adjacent to Whitehall, Westminster and other agencies. The Brussels office, now in its fourth full year of operation, continues to go from strength to strength, growing in numbers and influence. Contributions from Brussels include a number of well received reports, as well as conferences, a dinner debate held for the June Board meeting at the European Parliament and a series of workshops and seminars. Many projects involve close collaboration between staff in the London and Brussels offices.

The Institute for European Environmental Policy (IEEP) Trustees' Report 2005

Development and Organisation

A number of targets for 2005 were set in the rolling Development Plan for 2005-07. These covered topics such as internal and external communication, policy impact, proactivity, our role in education, capacity building, increasing financial security, increased management capacity, a more European identity and investment in staff. Progress was made under all these headings but we recognise that there is further to go.

The organisational and management structure of the Institute was changed in early 2005 with the establishment of three policy research teams supported by an operations and finance team. This brought together staff from both London and Brussels in groups focusing first on environmental governance, second on industry, climate and transport and thirdly on agriculture, biodiversity and fisheries. This has had several benefits including greater research synergies and focus, improved management of resources and more support for research staff. We are developing the teams further in 2006.

Research Focus

The Institute continued to develop a wide range of activities in pursuit of our core objectives during 2005. Our primary focus remains on EU policy, taking account of both the international setting and the major role of national and regional actors in determining the environmental outcome on the ground. Climate change was one of our priorities for the year, expanding our portfolio of projects and contributing to public debate. There was also a programme of greater engagement in biodiversity policy, with two full time staff in the Brussels office. The environmental priorities of climate change, biodiversity, the EU Sustainable Development Strategy, better regulation and the launch of a number of EU Thematic Strategies on the environment were amongst the key topics which held the attention of the Institute for the year.

There were approximately one hundred projects attracting funding for the Institute in 2005, in addition to which we produced a variety of pro bono papers and contributed to a number of activities and minor projects. The Institute worked hard to increase the range and depth of our audience and to engage a broad spectrum of stakeholders. Previous plans for a redevelopment of the website were brought to fruition with a successful and positive relaunch of the site in June 2005, followed by a well received e-newsletter launched later in 2005. Both developments have brought increased recognition and promotion to the Institute and work continues to maintain and improve our initial achievements.

Sustainable Development

One of the first major events of the UK's Presidency of the EU was the European sustainable development networking event held at Windsor on July 14-15. The Institute was heavily involved in organising and preparing the papers for this successful event on behalf of Defra. It brought together more than a hundred participants from all 25 EU Member States, most of whom were officials with responsibility for developing and implementing their national sustainable development strategies (NSDSs). The purpose of the event – hosted annually by the current holder of the Presidency – was to provide a forum for networking and the exchange of good practice in relation to developing more effective NSDSs. The conference documents, proceedings and conclusions have been placed on the IEEP and Defra websites.

One follow up to the Windsor conference was a Commission proposal to provide financial support for a system of peer reviews of Member State national strategies. It is expected that about five of these would take place each year, with financial assistance from the Commission. IEEP has been commissioned by DG Environment to produce a Guidebook setting out a suggested step-by-step approach to preparing and undertaking a peer review.

Future of the Car Industry

At the start of 2005, Günter Verheugen, Vice President and Commissioner for Enterprise and Industry established a High Level Group to address the competitiveness of the European automotive industry. The group was entitled Competitive Automotive Regulatory System for the 21st Century (CARS 21) and lived up to its 'high level' epithet by including Commissioners Verheugen, Barrot and Dimas, as well as four government ministers including Margaret Beckett, then Secretary of State for Environment, Food and Rural Affairs. The Institute was invited to join the group and provided the only independent environmental representative. The Director of the Institute attended the High Level Group, supported by the IEEP Transport Team preparing and presenting materials. External funding to help cover the substantial unpaid demands on Institute time was obtained from the Goldsmith and Oak Foundations as well as the Dutch Ministry for Environment (VROM).

The Institute for European Environmental Policy (IEEP) Trustees' Report 2005

Better Regulation

In November the release of IEEP's report *'For Better or for Worse? The EU's Better Regulation Agenda and the Environment'* at a meeting in Westminster, was well received. The meeting was hosted by the all-party Associate Parliamentary Sustainable Waste Group (APSWG). In this and other fora, the Institute's work shows that the better regulation agenda has become too focused on competitiveness and needs to revert to its original, wider conception to include other important elements such as transparency, participation, efficiency, and effectiveness. Environmental regulation and competitiveness are not *per se* incompatible and there are a number of areas where the current agenda threatens to undermine the EU's future environmental policy. The environmental policy community needs to be more assertive in fighting its corner.

Advisory Services and Capacity Building

Briefing notes continued to be produced on a weekly basis for the statutory environment agencies and we were pleased to have our contract with the Environment Agency renewed. The contracts with other agencies have progressed well and we continued to receive positive feedback on the information and analysis we provided. The Association of National Park Authorities (ANPA) renewed a lapsed advisory service contract. This brought the number of advisory services to five: JNCC (including English Nature (EN), Countryside Agency (CA), Scottish Natural Heritage (SNH), Countryside Council for Wales (CCW) and the Joint Nature Conservation Committee (JNCC)); Environment Agency; English Heritage; Energy Savings Trust; and ANPA. Feedback from a one-day training course on EU decision-making, the institutions and key strategies for thirty staff from many of these organisations was extremely positive.

Climate Change

Climate change continues to gather momentum with the Institute involved with this increasingly prominent issue on the EU as well as national environmental agendas. Projects during 2005 included a report of the evaluation of the Royal Commission on Environmental Pollution's 22nd Report on Energy and Climate Change policy which helped to change the agenda in the UK. The Environment Agency commissioned some detailed work on the implementation of EU policy leading to a report on *Identifying Good Regulatory Practice in the EU Emissions Trading Scheme*. This was linked to a number of further projects. One considered how the Agency had implemented the Emissions Trading Scheme (ETS) at a technical level. It is essential that the ETS is credible and robust if it is to be effective as a keystone of EU climate policy. Towards the end of the year, we started work on a study to examine the ETS monitoring and updating guidelines, which are due for formal revision by the Commission. An overview of the key issues and action to be taken on climate change was carried out for the Royal Institute of Chartered Surveyors, which also identified some issues of particular concern to the profession.

Transport

The Transport team was active throughout 2005 with work focusing particularly on vehicle emissions, clean technologies, and climate change (see report on CARS21 above). Work continued on the two year co-funded (DG Research and Defra) policy orientated research project on clean technologies which examines the barriers and drivers to the development and uptake of liquid biofuels for the transport sector and the policy instrument responses needed. The project should lead to the identification of suitable instruments to encourage the uptake of clean technologies in the fields of agriculture, transport, industry and energy.

Biodiversity and Fisheries

The Esmée Fairbairn Foundation funding for fisheries work ended in Spring 2005 with a positive external evaluation. Much of the focus has been on 'greening' the Common Fisheries Policy, taking an ecosystems approach. A new application was submitted to the Foundation, which was subsequently awarded early in 2006. There will be greater emphasis on marine protected areas (MPAs).

A report during the year to the Commission on the impact of so-called 'ghost fishing' brought a successful end to what has been an important project in a new area for the fisheries programme. Other projects, some funded by DG Research, have focused particularly on indicators of sustainable fisheries.

A new programme focusing on Biodiversity and Nature Conservation has progressed well with work covering implementation of the EU Habitats Directive, assessing progress towards the EU's 2010 goal of halting biodiversity loss; and a DG-Environment project on the funding of Natura 2000, which includes a series of 33 seminars across the Union in partnership with WWF and the Nova Institut in Berlin.

The Institute for European Environmental Policy (IEEP)

Trustees' Report 2005

Agriculture and Rural Development

The Agriculture team completed a range of projects during the year and contributed to the continuing discussion on rural development policy and the EU regulations driving it both in current and potentially new Member States. Cross compliance i.e. attaching environmental conditions to CAP support payments, has become an important agricultural policy instrument – a way of raising standards on the millions of farms in Europe. It was the theme of several projects during the year, with the Institute becoming a centre of expertise in Europe. A study for Defra concerned with trade liberalisation was well received and work continued on several topics and existing projects including MEACAP which brings together international environmental commitments bearing on the CAP. Work began on perhaps the most significant project of the year, an Evaluation of Less Favoured Area (LFA) policy for DG Agriculture of the European Commission. The evaluation has to cover all 25 Member States and the Institute will be co-ordinating 23 partners to deliver the project.

In the autumn Institute staff spoke at two Commission organised events in Bulgaria and Romania. These events were part of the preparations for these countries joining the EU and were focused on the implementation of rural development requirements. The events were aimed at capacity building and were attended by staff from national and regional Agriculture and Environment Ministries and Departments.

Financial Affairs

The Institute's funds have been applied in furtherance of the company's objects, detailed above. Its assets are held for the efficient operation of the company and there is no difference in value from that shown in the accounts.

The Trustees are of the opinion that the assets of the charity at the accounting date are available and adequate within the normal commercial meaning attributed to those words, to fulfil the obligations of the charity. Other than unfinished projects allowed for in the accounts, the Institute's only significant outstanding commitments are the lease on its new London office which runs until October 2008, and the lease on its office in Brussels which runs until 2010.

There have been no changes in accounting policy and the charity has no subsidiary or associated undertaking.

No assets are held on behalf of any other charity or trustee.

The charity obtains the majority of its income from public sector organisations in European countries, including the UK, and is not financially dependent on the support of any particular individuals or organisations.

Reserves policy and risk management

At 31st December 2005 total unrestricted reserves were £351,881 of which £20,000 were designated and £28,304 were committed to fixed assets, leaving £303,577 of general funds. Reserves are necessary for a number of reasons and in particular as working capital, as a buffer against fluctuations in cashflow, and to guard against the risk of financial shocks, including significant bad debts. The Trustees consider that unrestricted funds within the range £400,000-£450,000 would be prudent at the current scale of the Institute's activities. With unrestricted general funds at the end of the year of £303,577, further increases in future are necessary, and the Trustees are actively pursuing policies to achieve this goal by 2008, in particular through close financial monitoring and management by the new Finance Committee.

A risk assessment and management exercise encompassing the strategic direction, operations, finances and staffing of the Institute has been carried out and reviewed by the Trustees, who are satisfied that systems are in place to mitigate the Institute's exposure to the major risks it faces. The Trustees are also aware that developing a thorough assessment of risk is an ongoing exercise and that further reviews will be required in future.

The Institute for European Environmental Policy (IEEP) Trustees' Report 2005

Legal and administrative information:

Directors/Trustees

The Institute's founding Chairman, the Earl of Cranbrook, retired in December 2005. We are immensely grateful for his guidance and support since the Institute was first established as an independent legal entity in 1990. His efforts and knowledgeable inputs have proved invaluable over the years.

Dr Caroline Jackson was formally appointed Chair of the Board of Directors, with effect from December 15th 2005, for a term of three years. The Earl of Cranbrook, the Director and the Trustees expressed their delight at the appointment. Caroline brings significant experience and knowledge to the role given her long career in politics and enthusiasm for the environment. In the European Parliament, she has been a leading member of the Environment Committee and between 1999 and 2004 was Chairman of the Committee on the Environment, Consumer Protection and Public Health.

During the year and subsequently, the Trustees were

- Gathorne, Earl of Cranbrook (Chairman, retired December 2005)
- Gareth Bendon
- Sir Ken Collins
- Graham Dalton (appointed September 2005)
- Ralph Hallo (appointed March 2006)
- Dr Caroline Jackson, MEP (appointed Chair December 2005)
- Paul Meins (appointed December 2005)
- Derek Osborn CB
- Fiona Reynolds, CBE
- Judith Ward

In accordance with the Articles of Association, Trustees/Directors are appointed by applying in writing to become members of the company, and an ordinary resolution is submitted to the Board to appoint them as Director, both of which proposals are voted upon by simple majority at the next meeting of the Board. Board Directors automatically become the charity's Trustees on appointment. Trustees/Directors serve for 6 years, and are eligible for re-appointment.

The Remuneration Committee, chaired by Gareth Bendon, which also included the Earl of Cranbrook and Ms Ward, met once during the year. The Committee makes recommendations to the Board on staff remuneration each year. In the first half of 2005 the Remuneration Committee was absorbed into a new Board Finance Committee, which has an expanded membership, and a remit to maintain an overview of the financial operations and management of the Institute. It will provide help and advice for the Director, and has a duty to ensure the Institute's compliance with the relevant Charity Accounting obligations. The initial focus of the Finance Committee has been on improving financial risk management and development of policies and procedures to maintain the Institute on a robust financial footing.

Registered Office

28 Queen Anne's Gate, London SW1H 9AB

Bankers

National Westminster Bank, Tavistock House, Tavistock Square, London WC1H 9XA

Solicitors

Bates Wells and Braithwaite, Cheapside House, 138 Cheapside, London EC2V 6BB

Auditors

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD

The Institute for European Environmental Policy (IEEP) Trustees' Report 2005

Relationships with Others

In the year IEEP London had two associate institutions - in Madrid (Instituto para la Política Ambiental Europea) and Berlin (Ecologic). The Stichting voor Europees Milieubeleid (STEM), a foundation registered in the Netherlands, ensures the European mission of associated institutes within the IEEP family. With the self-sufficiency of the individual organisations within the group, the role of STEM has become increasingly redundant in recent years, and in recognition of this steps were taken to begin the winding up of the foundation in consultation with interested parties.

Much of our work is sponsored by other charities, and we are particularly grateful to the following for their support of our work during 2005:

Esmée Fairbairn Foundation
The Oak Foundation
The Goldsmith Foundation
Royal Society for the Protection of Birds
World Wide Fund for Nature

Many projects were funded by the European Commission, the European Environment Agency, the UK Department for the Environment, Food and Rural Affairs, the Environment Agency, the UK statutory countryside agencies, the Organisation for Economic Cooperation and Development, the United Nations, and the Dutch Ministry of Agriculture, Nature Management and Fisheries. Their continued support is appreciated.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that period. In preparing those financial statements, the Directors are required to follow best practice and:


- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and detection of other irregularities.

Auditors

On 1st May 2006, Kingston Smith transferred their business to Kingston Smith LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Kingston Smith as extending to Kingston Smith LLP under the provision of section 26(5) of the Companies Act 1989. Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

On behalf of the Board



Caroline Jackson
Chair

Date 16 September 2006

Independent Auditors' Report To the Members of Institute for European Environmental Policy, London

We have audited the financial statements of the Institute of European Environmental Policy, London for the year ended 31st December 2005 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and 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

The trustees' (who are also the directors of the Institute for European Environmental Policy, London for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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 charitable company 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 other transactions is not disclosed.

We read the Trustees' Annual Report, which incorporates the Directors' Report required by the Companies Act 1985, and report to you our opinion on whether it is consistent with the financial statements. Our responsibilities do not extend to any 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 charitable company's circumstances, consistently applied and adequately disclosed.

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.

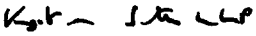
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31st December 2005 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the Trustees' Annual Report is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 18/10/2006


Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Institute for European Environmental Policy, London
Statement of Financial Activities
For the year ended 31st December 2005

	Note	Unrestricted Funds £	Restricted Funds £	Total 2005 £	Total 2004 £
INCOME AND EXPENDITURE					
Incoming Resources					
Activities in furtherance of the objects					
Grants and donations received	2	-	43,183	43,183	181,174
Movement in Deferred Income		-	22,051	22,051	(20,751)
Research projects		1,345,725	-	1,345,725	1,356,188
Movement in Deferred Income		(60,527)	-	(60,527)	(136,800)
Publications		-	-	-	69
Interest received		1,890	-	1,890	3,454
Other incoming resources		3,263	-	3,263	4,563
Total Incoming Resources		<u>1,290,351</u>	<u>65,234</u>	<u>1,355,585</u>	<u>1,387,897</u>
Charitable Expenditure					
Costs of activities in furtherance of the objects					
Projects		883,838	65,234	949,072	987,540
Support costs		231,775	-	231,775	199,199
Management and administration of the charity		169,591	-	169,591	123,639
Total Resources Expended	3	<u>1,285,204</u>	<u>65,234</u>	<u>1,350,438</u>	<u>1,310,378</u>
Net Income/(Expenditure) before gains and losses		5,147	-	5,147	77,519
Other recognised gains and losses					
Net (losses) / gains on foreign exchange		(4,862)	-	(4,862)	3,607
Net movement in funds for the year		285	-	285	81,126
Funds brought forward		<u>351,596</u>	<u>-</u>	<u>351,596</u>	<u>270,470</u>
Funds carried forward		<u><u>351,881</u></u>	<u><u>-</u></u>	<u><u>351,881</u></u>	<u><u>351,596</u></u>

All gains and losses arising in the year have been recognised above and arise from continuing operations.

Institute for European Environmental Policy, London

(Company limited by guarantee and not having a share capital)

Balance Sheet as at 31st December 2005

	Note	2005 £	2005 £	2004 £	2004 £
Tangible Fixed Assets	7		28,304		27,603
Current Assets					
Debtors	8	501,218		532,739	
Cash at bank	9	<u>294,767</u>		<u>452,546</u>	
		795,985		985,285	
Creditors: Amounts falling due within one year	10	<u>(472,408)</u>		<u>(661,292)</u>	
Net Current Assets			<u>323,577</u>		<u>323,993</u>
Total Assets			<u><u>351,881</u></u>		<u><u>351,596</u></u>
Represented by					
Unrestricted Funds	12		351,881		351,596
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u><u>351,881</u></u>		<u><u>351,596</u></u>

The financial statements were approved by the board on *21 September 2006* and are signed on its behalf by:

Caroline Jackson

Dr Caroline Jackson
Chair

Institute for European Environmental Policy, London

Notes to the Accounts

For the year ended 31st December 2005

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention. The financial statements are presented in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", the Companies Act 1985 and applicable accounting standards

The charity has taken advantage of the provisions of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities.

Income Classification

Grants are considered to be restricted where the donor attaches conditions to the use of funds and where the outcome will remain in the public domain. Research project income is where the funder is the principal recipient of the project findings and income is considered to be part of the core activities.

Income Recognition

Revenue grants are accounted for when receivable. Income for core research projects is recognised as costs are incurred, surpluses are recognised on completion of the project; advance payments in respect of uncompleted projects are carried forward in the accounts as deferred income.

Expenditure

Expenditure is included in the financial statements when it is incurred.

Charitable expenditure, support costs and management and administration consist of direct costs, and staff and office costs allocated on the basis of staff time occupied.

Foreign Currencies

Transactions during the year in foreign currencies have been translated into sterling at the rate ruling at the date of the transactions. Provision is made for significant losses arising on overseas debtors at the period end as a result of currency fluctuations since the invoice date. All differences on exchange are reflected in the Statement of Financial Activities.

Pension Scheme Arrangements

The company makes contributions to personal money purchase pension schemes for each eligible employee, the assets of the schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to the schemes. Where employees prefer to make contributions to their own schemes additional remuneration is paid to enable them to be treated on an equal basis. These additional payments are included in gross pay in note 4.

Tangible fixed assets

Tangible fixed assets costing more than £250 are capitalised at cost.

Depreciation is provided on a basis which will write off the cost of fixed assets over their estimated useful lives by equal annual instalments. The estimated life of the fixed assets is four years.

Stocks

No value has been ascribed to the stocks of publications on the basis that the majority of these are given away and it is therefore considered prudent to account for all production costs in the period they were incurred.

Fund Accounting

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor.

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objects of the charity.

Institute for European Environmental Policy, London
Notes to the Accounts
For the year ended 31st December 2005 (Continued)

2 Grants and Donations Receivable	2005	2004
	£	£
JNCC	1,000	4,000
WWF	50	950
The Fisheries Secretariat	11,941	21,886
ERR	3,000	-
JMG Foundation	15,000	-
Oak Foundation	4,032	-
VROM	8,160	-
Esmée Fairbairn Foundation	-	68,000
The Volvo Foundation	-	64,838
BIM	-	6,500
Green Alliance	-	15,000
	<u>43,183</u>	<u>181,174</u>

3 Total Resources Expended	Direct Project Costs £	Staff Costs £	Other Costs £	2005 Total £	2004 Total £
Costs of activities in furtherance of the objects					
Projects	267,588	681,484	-	949,072	987,540
Support costs	-	67,368	164,407	231,775	199,199
Management and administration	-	120,729	48,862	169,591	123,639
	<u>267,588</u>	<u>869,581</u>	<u>213,269</u>	<u>1,350,438</u>	<u>1,310,378</u>

(note 4)

Other Costs include	Support Costs £	Management & Admin £	2005 Total £	2004 Total £
Property occupancy costs	79,490	12,451	91,941	86,231
Staff planning days	7,534	1,180	8,714	-
Telephone, postage and stationery	22,284	3,489	25,773	25,712
Auditors remuneration	-	3,770	3,770	3,490
Accountancy & other services provided by auditors	-	2,910	2,910	4,304
Payroll services	-	4,458	4,458	4,030
Legal and professional	-	7,957	7,957	7,723
Depreciation	15,545	2,435	17,980	21,068
Computer costs	19,740	3,092	22,832	17,153
Other costs	19,814	7,120	26,934	24,708
	<u>164,407</u>	<u>48,862</u>	<u>213,269</u>	<u>194,419</u>

Institute for European Environmental Policy, London
Notes to the Accounts
For the year ended 31st December 2005 (Continued)

4 Employee information		2005	2004
		No.	No.
	The average number of employees during the period was:		
	Director, research, teaching and writing	22	20
	Finance and administration	4	3
		<u>26</u>	<u>23</u>
		2005	2004
	The total costs of these employees were:	£	£
	Wages and salaries	722,437	666,985
	Social Security costs	71,109	62,027
	Pension	51,712	18,649
		<u>845,258</u>	<u>747,661</u>
	Other staff costs	24,323	15,362
		<u>869,581</u>	<u>763,023</u>
	Total staff costs per note 3		

One employee received emoluments between £60,001 and £70,000 (2004 - 0). No employee received emoluments between £50,001 and £60,000 (2004 - 1).

5 Transactions with Directors

The Directors, who are also the Trustees for the charitable activities of the Institute, received no remuneration for services rendered during the year. Three directors were reimbursed for expenses incurred attending meetings in the year totalling £674 (2004 - two directors received £107).

6 Taxation

The company is taking advantage of the reliefs available for registered charities from tax charges and, therefore, no provision for taxation has been made.

7 Tangible Fixed Assets

			Furniture & Equipment
	Cost		£
	Brought forward		140,868
	Additions		18,681
			<u>159,549</u>
	Carried forward		159,549
	Depreciation		
	Brought forward		113,265
	Charge for the year		17,980
			<u>131,245</u>
	Carried forward		131,245
	Net Book Value		
	At 31st December 2005		<u>28,304</u>
	At 31st December 2004		<u>27,603</u>

All assets are in use for charitable purposes.

Institute for European Environmental Policy, London
Notes to the Accounts
For the year ended 31st December 2005 (Continued)

8	Debtors	2005	2004
		£	£
	For work done and publications	319,010	329,162
	Prepayments and accrued income	<u>182,208</u>	<u>203,577</u>
		<u>501,218</u>	<u>532,739</u>

All amounts fall due within one year.

9	Cash at Bank	2005	2004
		£	£
	Bank	242,776	261,022
	Amounts held for Third Parties (see note 15)	<u>51,991</u>	<u>191,524</u>
		<u>294,767</u>	<u>452,546</u>

10	Creditors: Amounts falling due within one year	2005	2004
		£	£
	Bank overdraft	27,925	45,466
	Trade creditors	42,834	99,359
	Taxation and Social Security	49,681	34,258
	Amounts held for Third Parties (see note 15)	51,991	191,524
	Deferred income	267,113	228,637
	Accruals	<u>32,864</u>	<u>62,048</u>
		<u>472,408</u>	<u>661,292</u>

11 Commitments

The company is committed to making the following operating lease payments within the next twelve months.

	2005	2004
	Property	Property
	£	£
Less than one year	1,010	-
Two to five years	75,200	57,000
Greater than five years	<u>-</u>	<u>18,200</u>
	<u>76,210</u>	<u>75,200</u>

Institute for European Environmental Policy, London
Notes to the Accounts
For the year ended 31st December 2005
(Continued)

12 Unrestricted Funds

	Balance at 01.01.2005 £	Income & other gains £	Expenditure £	Funds transfers £	Balance at 31.12.2005 £
Unrestricted Reserves	331,596	1,290,351	(1,290,066)	-	331,881
Designated Premises Fund	<u>20,000</u>	-	-	-	<u>20,000</u>
Total Unrestricted Funds	<u><u>351,596</u></u>	<u><u>1,290,351</u></u>	<u><u>(1,290,066)</u></u>	<u><u>-</u></u>	<u><u>351,881</u></u>

Designated Premises Fund

The Institute set aside £20,000 in 2005 for future obligations on concluding its current office leases in both London and Brussels (delapidations, etc); and for initial costs (contribution towards feasibility studies and other preparatory work) in relation to the possibility of joining in the so called *GreenHouse* building project in London. A consortium of environmental organisations is exploring the possibility of jointly taking a landmark 'green' office building in a major central London building development. Further contributions to the fund may be made in future years when more information is available about these costs.

13 Restricted Funds

The restricted funds all relate to projects carried out as part of the core work. No amounts remained unspent at the end of 31st December 2005 (2004: £nil).

14 Legal status

Institute for European Environmental Policy, London is a company limited by guarantee, and not having a share capital, governed by its Memorandum and Articles of Association. Every member undertakes to contribute to the assets of the company, if it is wound up, a sum not exceeding £1. The company is a registered charity number 802956.

15 Amounts held for Third Parties

During the year the charity has worked with the European Commission Directorate-General Research and has been administering funds on their behalf. IEEP has no powers to make payments from these funds except as directed by the European Commission.

	£
Balance held at 1st January 2005	191,524
Funds received in the year	288,474
Disbursements made	<u>(428,007)</u>
Balance held at 31st December 2005 (included in bank and in other creditors)	<u><u>51,991</u></u>

Institute for European Environmental Policy, London

(Company limited by guarantee and not having a share capital)

Income and Expenditure Account

For the year ended 31st December 2005

		2005 £	2004 £
Income			
Grants received		65,234	160,423
Research projects		1,285,198	1,219,388
Publications		-	69
Other income		3,263	4,563
		<u>1,353,695</u>	<u>1,384,443</u>
 Expenditure			
Project Costs			
External services		210,118	283,571
Publications		13,868	15,475
Travel and subsistence		38,193	51,470
Other project costs		5,409	2,419
Salaries and NI contributions - direct activities		481,185	459,454
Salaries and NI contributions - associated activities		200,299	175,151
		<u>949,072</u>	<u>987,540</u>
		404,623	396,903
 Other Administration Expenses			
	Support	Management	
	£	& Administration	
		£	
Rent and service charges	79,490	12,451	91,941
Staff planning days	7,534	1,180	8,714
Finance and administrative assistance	67,368	120,729	188,097
Travel	5,166	809	5,975
Telephone, postage and stationery	22,284	3,489	25,773
Audit and accountancy	-	6,680	6,680
Payroll services	-	4,458	4,458
Legal and professional expenses	-	7,957	7,957
Sundry expenses	12,256	1,919	14,175
Depreciation	15,545	2,435	17,980
Irrecoverable VAT	1,006	158	1,164
Bad debts	-	4,017	4,017
Bank charges	1,386	217	1,603
Computer supplies	19,740	3,092	22,832
	<u>231,775</u>	<u>169,591</u>	<u>401,366</u>
			<u>322,838</u>
Net (Expenditure)/Income before interest and gains		3,257	74,065
Interest receivable		1,890	3,454
Foreign currency (losses) / gains		(4,862)	3,607
Net Income for the Year		<u>285</u>	<u>81,126</u>