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Institute for European Environmental Policy, London  
T/A:

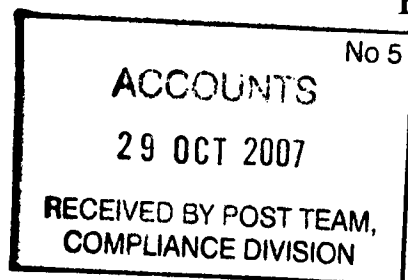


Institute <sup>for</sup>  
European  
Environmental  
Policy

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

Company No. 2458951  
Charity No. 802956

## FINANCIAL STATEMENTS



FOR THE YEAR ENDED

31ST DECEMBER 2006

Institute for European Environmental Policy, London  
Trustees' Report for 2006

The Institute for European Environmental Policy, London (trading as Institute for European Environmental Policy or IEEP) is a charity and a registered not-for-profit company limited by guarantee and, as such, is governed by its Memorandum of Association 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 2006, which have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association and the Charity Statement of Recommended Practice issued in 2005.

## **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 in all forms of national and international policy relating thereto, 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**

### **Overview of Aims and Activities**

The Institute's aims are both educational and to contribute to a better environment through improved policy. These are pursued mainly through projects which address many different aspects of European policy and the issues surrounding it. Often these policies are formulated in terms which are opaque to the non-specialist and this can be a major barrier to understanding and participation in the policy making process. This creates a need for independent and well informed organisations to explain and interpret both the policy making process and the policy measures themselves to make them more transparent and to improve their accessibility to civil society. This is an important strand in the Institute's work. It is pursued through briefing notes, newsletters, items on our website, presentations to conferences and university students, production of our *Manual of Environmental Policy*, published reports and other means. These seek to broaden the understanding of European policies affecting the environment and improve access to decisions which set standards and goals at a European and sometimes global level.

A second major strand of our work is the analysis of policy implementation and policy requirements for the future. We aim to cover not only environmental policy, including pollution control, climate change, waste disposal, the regulation of chemicals and nature conservation but also many of the sectors with the greatest environmental impacts – such as transport, agriculture, fisheries and regional policy. Our objective is to contribute to effective and relevant policy at the European and national level in particular.

Many of the key environmental issues, such as climate change and water pollution cannot be tackled by national policy alone. A concerted European effort is required, involving the formulation of appropriate measures addressing the variety of conditions within the continent and their respect and enforcement in practice. Work by the Institute considers inter alia:

- How far European policy is confronting the issues of the day;
- How effective existing measures have been in addressing the issues which they were designed to tackle – including the many variations within Europe;
- Improvements in policy that could be made;
- Where policy needs to develop in future as agendas change.

By engaging actively with decision makers and the wider policy community we hope to present information, analysis and arguments that will lead to better policy and a more sustainable Europe attuned to environmental concerns. Good philosophy is essential for a more sustainable planet.

### **Objectives and priorities for the year**

As in recent years, our objective was to maintain a well informed overview of EU policy making as a whole, enabling us to respond to the larger canvas as well as conducting research on a number of more specialised topics. During the year our priorities included:

- Contributing to the development of effective climate change policy in the EU;
- Seeking to increase awareness of the EU Sustainable Development Strategy and work with others to give it greater influence in policy making;
- Provide research and analysis directed at strengthening the environmental dimension of agricultural and fisheries policy which are determined largely at a European level;
- Seek to increase understanding of the significance of the forthcoming review of the EU budget for the environment and to provide analysis and understanding for those engaging in the debate.

All these issues were considered to be of strategic importance for the environment in Europe in the longer term as well as the immediate future. In addition, our aim was to contribute to the development of a wide range of policies where we have expertise.

### **Achievements and performance 2006**

To take forward these objectives the Institute engaged in about one hundred projects which were specifically funded by a wide range of organisations. These were undertaken alongside complementary activities such as writing articles, making conference and workshop presentations, meeting NGOs to discuss and explain European policy issues, direct meetings with policy makers in European and national institutions, and giving student seminars. The London and Brussels offices work closely together in pursuing these aims, broadening the Institute's perspective and increasing our access to the policy making community.

Amongst the notable projects and initiatives during the year were:

- A series of studies on key aspects of climate change policy. These included detailed examinations of the EU's pivotal policy for reducing greenhouse gas emissions, The Emissions Trading Scheme. Our work looked at the crucial detail of implementation and pointed to a number of ways of improving the scheme. Other projects included a review of the UK climate change programme, highlighting the need for a more coherent approach and studies of the sustainability of biofuels which are now being subsidised on a massive scale in Europe and elsewhere;
- Following our participation in the EU "Cars 21", high level group on the future of regulation for the car industry we continued to play an active role on vehicle emissions policy in Europe. EU regulations and voluntary agreements determine both

the level of pollutants permitted and the extent to which manufacturers must improve energy efficiency and contribute to climate change targets. Other activities included participation in a number of fora and events and analytical work on the regulation of CO<sub>2</sub> emissions for the European Commission.

- We contributed to the review of the Sustainable Development Strategy at a national and European level and undertook a detailed study of progress on the environment in a large number of EU countries at the request of the European Commission as an input into a key policy review;
- A study on behalf of a leading NGO questioned some of the strategic planning for future environmental policy in Europe and proposed a number of priority actions. This seems to have contributed to some new thinking by the European Commission in their policy planning framework up to 2012;
- In the search for better regulation and less red tape the crucial importance of environmental regulation in Europe as a motor for raising standards and engaging otherwise reluctant governments can be overlooked – or criticised as too burdensome for industry. During the year the Institute was active in presenting the evidence both that appropriate regulation was needed and that it was at an acceptable level for industry in nearly all cases. We worked with a range of stakeholders, including public agencies in the UK and the EU and conducted a study for DG Enterprise that was widely circulated in Europe. Regulation needs to be measured and targeted but it is indispensable in environmental terms. Our work shows why regulations should not be jettisoned on doctrinaire grounds;
- We continued to devote significant effort to the environmental dimension of European agricultural policy where we have developed considerable expertise. We had a particular role in developing debate and policy on the attachment of environmental conditions to agricultural policy (known as cross-compliance), now an important element of the CAP. The future of mountain and upland regions in Europe was another focus in the year. The Institute completed a twenty-five country study of European farm subsidies for those regions leading to recommendations for future policy;
- The EU set itself the target of halting the loss of biodiversity by 2010. This will not be easy to achieve given existing adverse trends. IEEP continued to be deeply involved in the debate about the policies needed to protect biodiversity and how to ensure that they are implemented effectively. During the year we examined several aspects of biodiversity in farmland and the level of incentive that farmers need in order to manage land in a sympathetic way. Other projects, designed for or commissioned by European policy makers focussed on funding for conservation work and the difficult issue of valuing biodiversity in a full and fair way so that it is given sufficient weight in decision making;
- In European fisheries, the crisis of unsustainable management continued. We continued to publish our free newsletter “El Anzuelo” drawing attention to front line issues for the fisheries sector; engaged in a practical regional project in South West England; helped to make the case for protected areas in the marine environment and led a major European project on measurable indicators for sustainable fisheries. The latter proved an influential input into a European review of the data that governments must provide in order to allow fishing to be monitored and appropriate policies devised. We had a direct input into the regulations being prepared.
- We undertook some early analysis of the potential importance of the EU budget debate for the environment and made first presentations to policy makers on the topic both in small meetings and a seminar in London.

During the year the Institute's work was made available to a wide audience in Europe. This was achieved through an updated and improved website, a new electronic newsletter with a growing circulation list, the placing of articles in journals, the publication of reports and briefing documents and numerous presentations and conference speeches in a range of countries as well as in Brussels and London. Good relations were maintained with the European policy community, this is essential for disseminating our results.

It is always difficult to measure the level of influence that a single organisation has on decision making, the design of policy and the analysis that underlies the ultimate policy outcomes. However, we had regular feedback that our analysis and views were reaching some of the key players and being taken seriously. Several of our reports during the year fed directly into EU policy decisions.

### **Plans for the future**

The broad aims of the Institute will remain highly relevant in 2007. We will be particularly concerned to increase our focus on the development of climate policy in Europe and attendant energy and transport issues. Legislation concerning vehicle emissions from cars will be an issue of continuing importance. The approaching review of the Common Agricultural Policy in 2008 will raise opportunities for reform that will be a priority for our agricultural and rural policy work. Similarly, the deadline of 2010 for stopping biodiversity decline requires more intensive analysis and policy review of the kind that the Institute can offer. In addition, we plan to widen our focus slightly more beyond the EU to give more weight to certain global issues, including the role of the USA in climate and fisheries policy and how this relates to EU policy.

During 2007 we intend to improve our communication effort to make our work and ideas more accessible to a wider audience. The website will be one of our priorities. We also intend to move office in Brussels so that we can host meetings effectively and have a better working environment.

### **Resources**

During 2006, the number of research staff, including the Director, was twenty-two and they were supported by five administrative staff (2005: four). 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 2006 who assisted us on a variety of projects and tasks in both London and Brussels.

Activities continued to expand during the year. Total income increased from £1,355,585 in 2005 to £1,931,849 in 2006 which included a significant increase in sums paid to project partners. With total expenditure on charitable activities increasing from £1,350,438 to £1,807,661, and after losses on exchange, the Institute made a surplus in 2006 of £117,598 (2005: £285). Unrestricted reserves stood at £469,479 at 31 December 2006 (2005: £351,881).

The Institute continued to benefit from the convenience of its strategic London location, adjacent to Whitehall, Westminster and the heart of the policy community. 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 the Brussels office included a number of well received reports, as well as conferences, a dinner debate held for the June Board meeting and a series of workshops and seminars.

## **Financial Review**

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

Further details of the financial performance for the year and reserves are included elsewhere in the Financial Statements.

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 London office which runs until October 2008, and the lease on its office in Brussels which runs until a break clause in 2007. A move to a new office in Brussels took place in September 2007, involving a new lease.

No assets are held on behalf of any other charity or trustee. There have been no significant changes in accounting policy in the year.

During the year the Institute established a joint venture, Alliance Environnement GEIE, a company incorporated in Belgium. The cost of this to the Institute was £3,400 which consisted only of the acquisition of 50% of the ordinary share capital of the joint venture. The joint venture was incorporated to act as a collection agent for its shareholders. The costs of establishing the venture have been treated as expenditure in the year as there is no expectation of recovering the initial outlay.

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**

At 31 December 2006 total unrestricted reserves were £469,479 of which £20,000 were designated for the costs which may arise on termination of the London and Brussels leases and £34,093 were committed to fixed assets, leaving £415,386 of general unrestricted reserves. Reserves are necessary for a number of reasons, in particular as working capital, as a buffer against fluctuations in cash flow, and to guard against the risk of financial fluctuations. The Trustees considered that general unrestricted reserves within the range £400,000-£450,000 would be the minimum appropriate at the current scale of the Institute's activities. With general unrestricted reserves at the end of the year of £415,386, the reserves are in the range, however further increases in future are necessary, and the Trustees are actively pursuing policies to achieve this goal, in particular through close financial monitoring and management by the Finance Committee.

## **Risk management**

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 the major risks to which the charity is exposed have been identified and reviewed and that systems are in place to mitigate the Institute's exposure to the major risks it faces. The Trustees review risks annually as part of an ongoing process.

## **Structure, governance and management**

The Institute for European Environmental Policy, London ("IEEP") is a Company Limited by Guarantee and not having a share capital and a registered charity. The charity's principal office is in London and there is also an office in Brussels.

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 Trustees maintain responsibility for the charity's strategy, governance and risk management. The Board meets quarterly and there is in addition a Finance Committee which also meets quarterly. The Finance Committee of the Board has a remit to maintain an overview of the financial operations and management of the Institute. It also provides help and advice for the Director, and has a duty to ensure the Institute's compliance with the relevant Charity Accounting obligations.

The day to day management of the charity is delegated by the Trustees to the Director of the Institute. Details of the Trustees and officers are shown below.

Trustees are recruited as individuals who bring relevant skills and experience to the Board. Recruitment takes place via contacts in organisations that have environmental interests and expertise or more widely when a particular type of more general management experience is sought.

Induction of Trustees includes being provided with relevant information about the charity and briefings from the Chair of Trustees, the Director of the Institute and meetings with staff and other Trustees as appropriate. Trustee training is made available to those new to trusteeship and where new issues arise.

Details of the charity's wider networks are given elsewhere in the Trustees report.

## **Reference and administrative information:**

### **Directors/Trustees**

The Directors of the company are also the Trustees of the charity.

Trustees who served during the and since the year end were:

- Gareth Bendon \*
- Sir Ken Collins (resigned September 2006)
- Graham Dalton \*
- Ralph Hallo (appointed March 2006)
- Dr Caroline Jackson, MEP ( Chair)
- Paul Meins \*
- Derek Osborn CB
- Fiona Reynolds, CBE
- Judith Ward

\* Finance Committee Member. Committee Chair was Gareth Bendon

Institute for European Environmental Policy, London  
Trustees' Report for 2006

We are grateful to Sir Ken Collins for his long service on the Board, since the establishment of the Institute in the UK. His remarkable depth of experience in European policy making in the European Parliament and elsewhere has been a great asset to the Institute.

### **Officers**

Director of the Institute	David Baldock
Secretary	Jonathan Taylor

### **Registration details**

The Institute for European Environmental Policy, London is a Company Limited by Guarantee and not having a share capital with Company number 2458951.  
It is also a registered charity with Charity number 802956.

### **Registered Office and Principal 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

### **Relationships with Others**

In the year IEEP London had two associate institutions - in Madrid (Instituto para la Política Ambiental Europea) and in Berlin (Ecologic, Institute for International and European Environmental Policy).

Much of our work is sponsored by other charities, and we are particularly grateful to the following for their support of our work during 2006:

Esmée Fairbairn Foundation  
The Goldsmith Foundation  
Greenpeace Foundation  
The Oak 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 the Environment as well as the 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.

### **Statement of Disclosure of Information to Auditors**

So far as the Trustees are aware there is no relevant audit information of which the auditors are unaware and the Trustees have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Auditors**

A resolution will be proposed at the Annual General Meeting that Kingston Smith LLP be re-appointed as auditors to the company for the coming year.

### **Small Companies Exemption**

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board:

Caroline Jackson Caroline Jackson

Date 20/09/07

# **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 2006 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 2006 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: 5/10/2007

K.S. J.S. L.S.

**Kingston Smith LLP**  
Chartered Accountants  
and Registered Auditors

**Institute for European Environmental Policy, London**  
**Statement of Financial Activities**  
**For the year ended 31st December 2006**

	Note	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
<b>INCOME AND EXPENDITURE</b>					
<b>Incoming Resources</b>					
Incoming resources from generated funds					
Investment income - interest received		3,106	-	3,106	1,890
Incoming resources from Charitable Activities					
Grants	2	-	65,345	65,345	43,183
Movement in Deferred Income		-	(11,550)	(11,550)	22,051
Research projects		1,957,606	-	1,957,606	1,345,725
Movement in Deferred Income		(86,657)	-	(86,657)	(60,527)
Other incoming resources		3,999	-	3,999	3,263
<b>Total Incoming Resources</b>		<b>1,878,054</b>	<b>53,795</b>	<b>1,931,849</b>	<b>1,355,585</b>
<b>Resources Expended</b>					
Charitable Activities					
Research projects		1,700,567	53,795	1,754,362	1,301,103
Governance costs		49,899	-	49,899	49,335
Other resources expended	17	3,400	-	3,400	-
<b>Total Resources Expended</b>	3	<b>1,753,866</b>	<b>53,795</b>	<b>1,807,661</b>	<b>1,350,438</b>
<b>Net Income/(Expenditure) before other recognised gains and losses</b>		<b>124,188</b>	<b>-</b>	<b>124,188</b>	<b>5,147</b>
<b>Other recognised gains and losses</b>					
Net (losses) / gains on foreign exchange		(6,590)	-	(6,590)	(4,862)
<b>Net movement in funds for the year</b>		<b>117,598</b>	<b>-</b>	<b>117,598</b>	<b>285</b>
<b>Reconciliation of Funds</b>					
Total funds brought forward		351,881	-	351,881	351,596
<b>Total funds carried forward</b>		<b>469,479</b>	<b>-</b>	<b>469,479</b>	<b>351,881</b>

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 2006

	Note	2006 £	2006 £	2005 £	2005 £
<b>Tangible Fixed Assets</b>	7		34,093		28,304
<b>Current Assets</b>					
Debtors	8	551,446		501,218	
Cash at bank	9	<u>382,839</u>		<u>294,767</u>	
		934,285		795,985	
<b>Creditors: Amounts falling due within one year</b>	10	<u>(498,899)</u>		<u>(472,408)</u>	
<b>Net Current Assets</b>			<u>435,386</u>		<u>323,577</u>
<b>Total Assets</b>			<u>469,479</u>		<u>351,881</u>
<b>Represented by</b>					
Unrestricted Funds	12		469,479		351,881
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u>469,479</u>		<u>351,881</u>

The accounts have been prepared under the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on 20/09/2007  
and are signed on its behalf by:

*Caroline Jackson*

**Dr Caroline Jackson**  
Chair

*[Signature]*  
Trustee

# **Institute for European Environmental Policy, London**

## **Notes to the Accounts**

### **For the year ended 31st December 2006**

#### **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 "Accounting and Reporting by Charities" (SORP 2005), the Companies Act 1985 and applicable United Kingdom 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.

Governance costs include those costs incurred in the governance of the charity and are primarily associated with constitutional compliance and statutory requirements.

Expenditure is allocated directly to the expenditure headings as far as practically possible to reflect the activities of the charity. Support costs have been allocated to the activities on the basis described in note 3.

##### **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 £500 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 2006 (Continued)

<b>2 Grants and Donations Receivable</b>				2006 £	2005 £
JNCC				1,000	1,000
WWF				-	50
The Fisheries Secretariat				-	11,941
ERR				-	3,000
JMG Foundation				-	15,000
VROM				-	4,032
Oak Foundation				-	8,160
Esmée Fairbairn Foundation				49,745	-
Greenpeace				14,600	-
				<u>65,345</u>	<u>43,183</u>
Movement in deferred and accrued income				(11,550)	22,051
				<u>53,795</u>	<u>65,234</u>
<b>3 Total Resources Expended</b>					
	Direct Project Costs £	Staff Costs £	Other Costs £	2006 Total £	2005 Total £
Costs of activities in furtherance of the objects					
Projects	512,812	973,466	268,084	1,754,362	1,301,103
Governance	-	36,859	13,040	49,899	49,335
Other resources expended	-	-	3,400	3,400	-
	<u>512,812</u>	<u>1,010,325</u>	<u>284,524</u>	<u>1,807,661</u>	<u>1,350,438</u>
		(note 4)			
<b>Other Costs include</b>		<b>Projects</b>	<b>Governance</b>	<b>2006 Total £</b>	<b>2005 Total £</b>
Property occupancy costs		£ 105,566	£ 7,518	113,084	91,941
Staff planning days		8,239	-	8,239	8,714
Telephone, postage and stationery		26,737	-	26,737	25,773
Auditors remuneration		-	3,920	3,920	3,770
Accountancy & other services provided by auditors		6,402	-	6,402	2,910
Payroll services		5,405	-	5,405	4,458
Legal and professional		9,498	-	9,498	7,957
Depreciation		17,621	680	18,301	17,980
Computer costs		26,193	-	26,193	22,832
Irrecoverable VAT		8,106	-	8,106	1,164
Other costs		54,317	922	55,239	25,770
		<u>268,084</u>	<u>13,040</u>	<u>281,124</u>	<u>213,269</u>
Other resources expended				3,400	-
Total other costs				<u>284,524</u>	<u>213,269</u>

**Institute for European Environmental Policy, London**  
**Notes to the Accounts**  
**For the year ended 31st December 2006 (Continued)**

**3 Total Resources Expended (continued)**

Basis of allocation of staff and other costs

<u>Project costs and basis of allocation</u>		2006 Total £	2005 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	973,466	836,261
Property occupancy costs	pro rata to staff cost allocation	105,566	83,910
Services and other operating expenses	Actual and estimated use	123,592	81,975
Professional fees	Actual and estimated use	21,305	14,095
Depreciation	pro rata to staff cost allocation	17,621	17,274
Total		<u>1,241,550</u>	<u>1,033,515</u>
<u>Governance costs and basis of allocation</u>		2006 Total £	2005 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	36,859	33,320
Property occupancy costs	pro rata to staff cost allocation	7,518	8,031
Services and other operating expenses	Actual and estimated use	922	2,278
Professional fees	Actual cost main audit and governance	3,920	5,000
Depreciation	pro rata to staff cost allocation	680	706
Total		<u>49,899</u>	<u>49,335</u>
<u>Direct Project Costs</u>		<u>512,812</u>	<u>267,588</u>
		<u>1,804,261</u>	<u>1,350,438</u>
Other resources expended		<u>3,400</u>	<u>-</u>
Total resources expended		<u>1,807,661</u>	<u>1,350,438</u>

**Institute for European Environmental Policy, London**  
**Notes to the Accounts**  
**For the year ended 31st December 2006 (Continued)**

**4 Employee information**

	2006 No.	2005 No.
The average number of employees during the period was:		
Director, research, teaching and writing	22	22
Finance and administration	5	4
	<u>27</u>	<u>26</u>
	2006	2005
The total costs of these employees were:	£	£
Wages and salaries	865,185	722,437
Social Security costs	69,444	71,109
Pension	47,856	51,712
	<u>982,485</u>	<u>845,258</u>
Other staff costs	27,840	24,323
Total staff costs per note 3	<u>1,010,325</u>	<u>869,581</u>

One employee received emoluments between £60,001 and £70,000 (2005 - 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 £560 (2005 -three Directors received £674).

**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**

	<b>Furniture &amp; Equipment</b>
<b>Cost</b>	<b>£</b>
Brought forward	159,549
Additions	24,090
Disposals	<u>(87,627)</u>
Carried forward	<u>96,012</u>
<b>Depreciation</b>	
Brought forward	131,245
Charge for the year	18,301
Eliminated on Disposal	<u>(87,627)</u>
Carried forward	<u>61,919</u>
<b>Net Book Value</b>	
At 31st December 2006	<u>34,093</u>
At 31st December 2005	<u>28,304</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 2006 (Continued)**

<b>8 Debtors</b>	<b>2006</b>	<b>2005</b>
	£	£
For work done and publications	239,652	319,010
Prepayments and accrued income	311,794	182,208
	<u>551,446</u>	<u>501,218</u>

All amounts fall due within one year.

<b>9 Cash at Bank</b>	<b>2006</b>	<b>2005</b>
	£	£
Bank	382,839	242,776
Amounts held for Third Parties (see note 15)	-	51,991
	<u>382,839</u>	<u>294,767</u>

<b>10 Creditors: Amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	£	£
Bank overdraft	28,004	27,925
Trade creditors	176,981	42,834
Taxation and Social Security	29,077	49,681
Amounts held for Third Parties (see note 15)	-	51,991
Deferred income	195,031	267,113
Accruals	69,806	32,864
	<u>498,899</u>	<u>472,408</u>

**11 Commitments**

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

	<b>2006</b>	<b>2005</b>
	<b>Property</b>	<b>Property</b>
	£	£
Less than one year	13,650	1,010
Two to five years	57,000	75,200
Greater than five years	-	-
	<u>70,650</u>	<u>76,210</u>
	<b>Other</b>	<b>Other</b>
	£	£
Less than one year	-	-
Two to five years	3,095	-
Greater than five years	-	-
	<u>3,095</u>	<u>-</u>

**Institute for European Environmental Policy, London**  
**Notes to the Accounts**  
**For the year ended 31st December 2006 (Continued)**

**12 Unrestricted Funds**

	Balance at 01.01.2006 £	Income & other gains £	Expenditure £	Funds transfers £	Balance at 31.12.2006 £
Unrestricted Reserves	331,881	1,878,054	(1,760,456)	-	449,479
Designated Premises Fund	20,000	-	-	-	20,000
<b>Total Unrestricted Funds</b>	<u>351,881</u>	<u>1,878,054</u>	<u>(1,760,456)</u>	<u>-</u>	<u>469,479</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 2006 (2005: £ 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 2006	51,991
Funds received in the year	112,405
Disbursements made	<u>(164,396)</u>
Balance held at 31st December 2006 (included in bank and in other creditors)	<u>-</u>

**16 Accounting for retirement benefits**

The charity makes contributions to individual money purchase schemes on behalf of its staff as described in note 1. Contributions in the year to these schemes were £47,856 (2005: £ 51,712)

**Institute for European Environmental Policy, London**  
**Notes to the Accounts**  
**For the year ended 31st December 2006 (Continued)**

**17 Investment in Joint Venture**

During the year the Institute established a joint venture, Alliance Environnement GEIE, a company incorporated in Belgium. The cost of this to the Institute was £3,400 which consisted only of the acquisition of 50% of the ordinary share capital of the joint venture. The joint venture was incorporated to act as a collection agent for its shareholders. The costs of establishing the venture have been treated as expenditure in the year as there is no expectation of recovering the initial outlay. The Institute's share of the loss for the period is £65 and, due to the fact that it is immaterial, it has not been included in the accounts.

# 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 2006

			2006 £	2005 £
<b>Income</b>				
Grants received			53,795	65,234
Research projects			1,870,949	1,285,198
Publications			-	-
Other income			3,999	3,263
			<u>1,928,743</u>	<u>1,353,695</u>
<b>Expenditure</b>				
<b>Project Costs</b>				
External services			426,008	210,118
Publications			7,804	13,868
Travel and subsistence			71,912	38,193
Other project costs			7,088	5,409
Salaries and NI contributions - direct activities			568,350	481,185
Salaries and NI contributions - associated activities			228,772	200,299
			<u>1,309,934</u>	<u>949,072</u>
			618,809	404,623
<b>Other Administration Expenses</b>				
	<b>Projects</b>	<b>Governance</b>		
	£	£		
Rent and service charges	105,566	7,518	113,084	91,941
Staff planning days	8,239	-	8,239	8,714
Finance and administrative assistance	176,344	36,859	213,203	188,097
Travel	10,097	-	10,097	5,975
Telephone, postage and stationery	26,737	-	26,737	25,773
Audit and accountancy	6,402	3,920	10,322	6,680
Payroll services	5,405	-	5,405	4,458
Legal and professional expenses	9,498	-	9,498	7,957
Sundry expenses	34,459	922	35,381	14,175
Depreciation	17,621	680	18,301	17,980
Irrecoverable VAT	8,106	-	8,106	1,164
Bad debts	8,158	-	8,158	4,017
Bank charges	1,603	-	1,603	1,603
Computer supplies	26,193	-	26,193	22,832
	<u>444,428</u>	<u>49,899</u>	<u>494,327</u>	<u>401,366</u>
<b>Net (Expenditure)/Income before interest and gains</b>				
			124,482	3,257
Joint venture write down of investment			(3,400)	-
Interest receivable			3,106	1,890
Foreign currency (losses) / gains			<u>(6,590)</u>	<u>(4,862)</u>
<b>Net Income for the Year</b>				
			<u>117,598</u>	<u>285</u>