

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having
a Share Capital and a Registered Charity)

EXECUTIVE COMMITTEE REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having
a Share Capital and a Registered Charity)

Company Number: 954616

EXECUTIVE COMMITTEE REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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CONTENTS

COMPANY INFORMATION	1
REPORT OF THE EXECUTIVE COMMITTEE	2
STATEMENT OF RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE	4
AUDITORS' REPORT	5
STATEMENT OF FINANCIAL ACTIVITIES	6
BALANCE SHEET	7
NOTES TO THE FINANCIAL STATEMENTS	8

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
COMPANY INFORMATION

COMPANY REGISTERED OFFICE: 7 Ridgmount Street
London
WC1E 7AE

COMPANY REGISTERED NUMBER: 954616

REGISTERED CHARITY NUMBER: 258815

COMPANY BANKERS: National Westminster Bank plc
City of London Office
1 Princes Street
London
EC2R 8PA

AUDITORS: PKF
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
(Company Registered Number: 954616)
Registered Charity: 258815
7 Ridgmount Street, London, WC1E 7AE
REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2003

MEMBERS OF THE EXECUTIVE COMMITTEE

G Aaronson QC	J J Maynes
J F Chown	M H Robson
R S Collier (Honorary Company Secretary)	A Redston
N C Dee (Chairman of the Executive Committee from 28 April)	N O Taube
K Etherington (Chairman of the Executive Committee to 28 April)	Prof. J Tiley (to 30 June)
W J Hopper	Prof. J Vickers (President of IFS from 30 June)
Prof. M King (President of IFS to 30 June)	

Both Mr K Etherington and Prof M King left the Committee on leaving office. Prof John Vickers joined the Committee on taking up the Presidency of IFS.

PRINCIPAL OFFICERS

Director	R Chote
Executive Administrator	R H Markless

The members of the Executive Committee present their report and the financial statements for the year ended 31 December 2003.

CONSTITUTION

The Institute is incorporated as a company limited by guarantee not having a share capital guarantee (No. 954616) and a registered charity (No. 258815). The governing document of the company is the Memorandum and Articles of Association.

OBJECTS OF THE INSTITUTE

To advance education for the benefit of the public by promoting on a non-political basis the study and discussion of and the exchange and dissemination of information and knowledge concerning national economic and social effects and influences of existing taxes and proposed changes in fiscal systems.

HOW HAS THE INSTITUTE TRIED TO FURTHER THESE AIMS?

During the year the Institute has carried out a wide range of research and has publicised the resulting findings as widely as possible through publications, conference participation, on its own web site and in the media.

HOW IS THE INSTITUTE ORGANISED?

The Institute employs directly some forty staff based at its offices in London. Research staff are divided into sectors and a small core of administrative and secretarial staff provide support facilities. The Institute employs a small number of senior academic staff on joint contracts with UK universities on a part-time basis. In addition, a number of other academics from both UK and overseas institutions work with the staff as Research Fellows and Research Associates on an *ad-hoc* collaborative basis. A regional grouping of IFS members in NW England meet regularly to discuss matters of mutual interest and occasionally sponsor related activities in that area.

WHAT HAS THE INSTITUTE ACHIEVED DURING THE YEAR?

A number of research projects have been completed and in addition to providing final reports to funders the Institute has itself published 3 reports, 22 working papers, 13 on-line briefing notes and a quarterly journal. Publication has also taken place in outside journals and as contributions to many books. Much of this work has been widely reported in the media and referred to frequently in Parliament. The Institute also ran 9 conferences and lectures during the year and staff have participated in numerous conferences organised by other organisations. A fuller account of the Institute's activities can be found on its web site (www.ifs.org.uk) where an increasing amount of IFS dissemination takes place.

IMPORTANT EVENTS DURING 2003

During 2003 Prof Mervyn King, President of the Institute was appointed Governor of the Bank of England and stood down from the Presidency at the IFS' AGM on 30 June. He was succeeded by Prof John Vickers, Chairman of the Office of Fair Trading. In April Ken Etherington stood down as Chairman of the Executive Committee having held this role since July 1997 and he was succeeded by Nicholas Dee.

THE INSTITUTE FOR FISCAL STUDIES
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REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2003

FINANCIAL RESULTS FOR THE YEAR

The results for the year are as shown in the Statement of Financial Activities on page 6 and show a steady increase in turnover reflecting the continued growth for IFS research.

The financial policy laid down by the Executive Committee in 2003 was that the Institute should aim to break even at the operating level after any contributions to reserves. The investment policy of the Executive Committee has been to invest cash reserves in interest bearing accounts and not to risk any of the principal.

The Institute attempts to raise its research funds from a range of organisations so that it is not dependent upon a single source of funding although 36% was provided by the Economic and Social Research Council. With regard to its publishing and mainstream conference activities the Institute aims to break even, whilst keeping prices as low as possible to maximise public access to our findings. Conferences run by our Centre for Microdata Methods and Practice (cemmap) aim to make a moderate surplus which contributes to the overhead recovery of the Centre and together with the biennial residential conference they were the main reasons for the growth in conference income. Expenditure in these areas includes the relevant proportion of staff costs involved.

RESERVES POLICY

With a view to ensuring an adequate level of working capital is maintained, the Executive Committee's objective is to reach a position where the lower of either its cash reserves (as represented by all liquid assets) or book reserves (as represented by total fund balances) represents at least 20% of total annual expenditure. The Balance Sheet on page 7 indicates that whilst the latter of these objectives has been met cash reserves were still significantly below that level.

In 2001 the Committee decided that it would change its financial policy to require the Institute to aim to make a surplus equivalent to 1% of turnover in 2002 which would be transferred to reserves and in 2003 to increase this to 2%. This policy would be subject to review annually and in 2003 1.5% of turnover was transferred.

RISKS AND INTERNAL CONTROL

The Executive Committee has overall responsibility for ensuring that the Institute has appropriate systems of control, both financial and operational. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year, the Executive Committee continued to review the major financial and operational risks facing the Institute. It continues to monitor, on an annual basis, the implementation of any changes necessary to ensure that, as far as is reasonable, controls are in place to protect the Institute, its Members, its staff, the general public and other stakeholders.

FUTURE DEVELOPMENTS

The Executive Committee plans to develop the activities of the Institute in furtherance of research into fiscal policy to include matters of international as well as of United Kingdom interest

AUDITORS

PKF is eligible for reappointment and a resolution to reappoint them will be put to the Annual General Meeting.

**THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
REPORT OF THE EXECUTIVE COMMITTEE
YEAR ENDED 31 DECEMBER 2003**

STATEMENT OF RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE

Company law requires the Executive Committee (as the directors of the company) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the Executive Committee are required to:

- 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 Institute will continue in business.

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

The maintenance and integrity of The Institute for Fiscal Studies' web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The Executive Committee is responsible for ensuring that its report is prepared in accordance with Company and Charity law in the United Kingdom.

BY ORDER OF THE EXECUTIVE COMMITTEE,



N C DEE

(Chairman of the Executive Committee)
26 April 2004

**AUDITORS' REPORT TO THE MEMBERS OF
THE INSTITUTE FOR FISCAL STUDIES**

We have audited the financial statements of The Institute For Fiscal Studies for the year ended 31 December 2003 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the members of the Executive Committee and auditors

The responsibilities of the members of the Executive Committee (who act as trustees for the charitable activities and who are the directors for the purposes of company law of The Institute For Fiscal Studies) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Responsibilities of the Executive Committee.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Executive Committee is not consistent with the financial statements, if 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 directors' remuneration and transactions with the charitable company is not disclosed.

We read the Report of the Executive and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors 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 of the state of the charitable company's affairs as at 31 December 2003 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK


PKF
Registered Auditors

26 April

2004

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 DECEMBER 2003

Notes

		<u>2003</u>	<u>2002</u>
		£	£
INCOME AND EXPENDITURE			
Incoming resources from activities to further the objects			
Membership subscriptions	2	88,488	100,671
Research contract grants		2,891,286	2,763,121
Publication sales		65,249	63,612
Conference income		143,070	88,749
Branch (deficit)/surplus	8	(215)	816
INCOMING RESOURCES EXCLUDING INTEREST		<hr/> 3,187,878	<hr/> 3,016,969
Charitable resources expended			
Research activities		2,238,071	2,069,625
Support for research activities	3	439,701	489,067
Publications		63,656	60,872
Conferences		92,349	61,492
Support for membership		61,445	67,349
Promotion of Institute's activities		9,548	10,431
Management and administration	4	235,459	226,521
TOTAL RESOURCES EXPENDED	5	<hr/> 3,140,229	<hr/> 2,985,357
NET INCOMING RESOURCES FROM ACTIVITIES BEFORE INTEREST AND PRIOR YEAR ITEMS		47,649	31,612
INTEREST RECEIVABLE		15,812	9,458
PRIOR YEARS VAT RECLAIM		-	101,355
TOTAL NET INCOMING RESOURCES FOR THE YEAR		<hr/> 63,461	<hr/> 142,425
FUND BALANCES BROUGHT FORWARD AT 1 JANUARY 2003		741,744	599,319
FUND BALANCES CARRIED FORWARD AT 31 DECEMBER 2003	12	<hr/> 805,205	<hr/> 741,744

There were no other recognised gains or losses other than the net incoming resources for the year.

All amounts relate to continuing operations.

THE INSTITUTE FOR FISCAL STUDIES
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BALANCE SHEET
31 DECEMBER 2003

FIXED ASSETS	<u>Notes</u>	£ <u>2003</u>	£	£ <u>2002</u>	£
Tangible assets	9	136,637		230,118	
 CURRENT ASSETS					
Debtors	10	939,224		815,959	
Bank deposits		394,271		210,393	
Cash at bank and in hand		8,626		56,270	
		1,342,121		1,082,622	
 CREDITORS					
Amounts falling due within one year	11	673,553		570,996	
		668,568		511,626	
NET CURRENT ASSETS		668,568		511,626	
NET ASSETS		805,205		741,744	
 UNRESTRICTED FUNDS					
General Funds	12	805,205		741,744	
		805,205		741,744	

Approved by the Executive Committee on 26 April 2004

John Vickers

.....
PROF. J VICKERS

Members of the Executive Committee

N. C. Dee

.....
N. C. DEE

THE INSTITUTE FOR FISCAL STUDIES
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. They have also been prepared in accordance with the recommendations contained in the Statement of Recommended Practice – Reporting and Accounting by Charities issued by the Charity Commission in October 2000 except that interest receivable has been included separately from other incoming resources in the Statement of Financial Activities for the reason given in the following paragraph.

As explained in the Report of the Executive Committee, the financial policy in 2003 was that the Institute should aim to break even after allowing 1.5% of turnover to be transferred to reserves and additionally to allow the reserves to increase as a result of interest received. The Statement of Financial Activities has therefore been drawn up in order to show the extent to which this aim has been achieved. Total incoming resources including interest amounted to **£3,203,690** (2002: £3,127,782). The accounts include the deficit and assets for The Institute for Fiscal Studies (North West).

The principal accounting policies applied in the preparation of the accounts are as follows:-

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets and depreciation

All tangible fixed assets costing more than £250 are capitalised and depreciated. Depreciation of fixed assets is calculated to write off the cost of each asset over the term of its estimated useful life.

The Executive Committee determined that all costs relating to refurbishment of the premises prior to 2003 should be written off to the year in which the lease existing at the time expired (23 June 2004) whilst all other assets other than furniture are written off over three years with furniture being written off over five years. Assets are written off on a straight-line basis commencing from the quarter after the date of purchase.

(c) Subscriptions and donations

These are credited to the Statement of Financial Activities if applicable to the year to the extent that they are received by the time the accounts are prepared.

(d) Publication sales

Sales of books and publications are credited to the Statement of Financial Activities in respect of sales for the year. No value is placed on book stocks.

(e) Research contract grants

The Institute is usually legally entitled to income from research contract grants in stages over the course of each project, which approximates to when related expenditure is incurred. Accordingly, all research contract grant income is credited to the Statement of Financial Activities when it falls due to be received to the extent that it is matched by relevant expenditure. Any income received in advance of expenditure is treated as deferred income.

(f) Allocation of expenses

Direct and indirect expenses are included when incurred. The majority of expenses are directly attributable to specific activities. A proportion of certain expenses is not readily identifiable with specific research activities and these have been apportioned on an appropriate basis, based on estimates of direct research costs as a proportion of total costs between management and administration and indirect research costs.

(g) Pension costs

The pension cost charge represents contributions payable by the Institute to employees' personal pension plans in respect of the year.

(h) Operating leases

Leasing charges in respect of operating leases are charged to the Statement of Financial Activities as they are incurred.

(i) Foreign currency

Transactions in foreign currencies are calculated at the exchange rate ruling at the date of the transaction and the exchange gain or loss is included in the category of income or expenditure to which it relates.

THE INSTITUTE FOR FISCAL STUDIES
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

2 MEMBERSHIP SUBSCRIPTIONS

	<u>2003</u>	<u>2002</u>
	£	£
Corporate	57,664	68,000
Individuals	13,374	14,221
Partnerships	17,450	18,450
	88,488	100,671
	88,488	100,671

3 APPORTIONED EXPENDITURE

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
Legal and professional		13,625	37,471
Telephone		10,602	10,984
Printing, postage and stationery		23,832	29,267
Insurance		23,368	19,213
Leasing and maintenance of equipment		4,630	5,476
Depreciation	1(b) & 9	122,155	167,554
Computer running costs		59,169	45,851
Miscellaneous		4,465	4,631
Unrecoverable VAT (VAT recovered)		(4,653)	3,433
Property costs (excluding rental payments)		52,382	50,355
Operating lease payments: Property rentals	240,052	237,099	
		549,627	611,334
		549,627	611,334
Allocated as:			
Support for research activities		439,701	489,067
Management and administration	4	109,926	122,267
		549,627	611,334
		549,627	611,334

The auditors' fees for other services in the year were **£nil** (2002: £18,990 in respect of the provision of advice on VAT matters). The Institute paid £2,100 (2002: £2,152) to provide indemnity insurance for the Trustees.

4 MANAGEMENT AND ADMINISTRATION

Apportioned expenditure (note 3)	109,926	122,267
Staff costs	114,446	91,408
Audit fee - current year	5,950	5,600
Audit fee - under-accrual from prior year	-	300
Travelling	1,898	4,559
Entertaining	3,239	2,387
	235,459	226,521
	235,459	226,521

THE INSTITUTE FOR FISCAL STUDIES
(A Company Limited by Guarantee not having a Share Capital)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

5 TOTAL RESOURCES EXPENDED

	Staff costs £	Depreciation £	Other £	Total <u>2003</u> £	Total <u>2002</u> £
Direct charitable expenditure	2,096,653	97,724	648,948	2,843,325	2,691,487
Membership and promotion	42,919	-	18,526	61,445	67,349
Management and administration	114,446	24,431	96,582	235,459	226,521
	<u>2,254,018</u>	<u>122,155</u>	<u>764,056</u>	<u>3,140,229</u>	<u>2,985,357</u>

6 STAFF COSTS

	<u>2003</u> £	<u>2002</u> £
Staff costs:		
Wages and salaries	1,324,854	1,268,841
Social security costs	144,068	125,097
Pension costs (see note 14)	182,189	165,337
	<u>1,651,111</u>	<u>1,559,275</u>
Staff from universities and government	351,445	320,318
Research Fellows and Research Associates, Graduate Scholars and other associated research staff costs	251,462	203,968
Staff on secondment or covered by the Institute's permanent health scheme	-	41,595
	<u>2,254,018</u>	<u>2,125,156</u>

Staff costs have been allocated to expenditure headings where they can be specifically identified and the balance is charged to management and administration costs. The average number of employees analysed by function, was:

	<u>2003</u>	<u>2002</u>
Direct charitable expenditure	38	37
Membership and promotion	1	1
Management and administration	3	3
	<u>42</u>	<u>41</u>

The emoluments of the employees (excluding pension contributions) fell in the following ranges in excess of £50,000.

	Number of employees	
	<u>2003</u>	<u>2002</u>
£50,001 - 60,000	2	2
£60,001 - 70,000	2	2
£70,000 - 80,000	-	1
£80,000 - 90,000	1	-
	<u>5</u>	<u>5</u>

THE INSTITUTE FOR FISCAL STUDIES
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

7 EXECUTIVE COMMITTEE EMOLUMENTS

Members of the Executive Committee received no remuneration in respect of their duties as members of the Executive Committee. One Executive Committee Member claimed a total of **£70** (2002: £183 claimed by one Member) in respect of travel expenses.

8 BRANCH SURPLUS

The Institute for Fiscal Studies (North West) is a branch of the main charity. The branch transactions are not material to the main charity's accounts. The significant results for the year were as follows:

	<u>2003</u> £	<u>2002</u> £
Branch meetings (deficit)	(779)	(370)
Annual dinner surplus	33	662
Interest received	531	524
	_____	_____
(Deficit)/surplus for the year	<u>(215)</u>	<u>816</u>

9 TANGIBLE FIXED ASSETS

	Fixtures and improvements to short leasehold premises £	Office equipment £	Total £
Cost			
At 1 January 2003	570,258	312,395	882,653
Additions	803	27,871	28,674
Disposals	-	(108,879)	(108,879)
	_____	_____	_____
At 31 December 2003	<u>571,061</u>	<u>231,387</u>	<u>802,448</u>
	_____	_____	_____
Depreciation			
At 1 January 2003	455,716	196,819	652,535
Charge for the year	64,642	57,513	122,155
Disposals and assets no longer in use	-	(108,879)	(108,879)
	_____	_____	_____
At 31 December 2003	<u>520,358</u>	<u>145,453</u>	<u>665,811</u>
	_____	_____	_____
Net book amounts			
At 31 December 2003	<u>50,703</u>	<u>85,934</u>	<u>136,637</u>
	_____	_____	_____
At 31 December 2002	<u>114,542</u>	<u>115,576</u>	<u>230,118</u>
	_____	_____	_____

All fixed assets are held for use on a continuing basis for the purpose of charity activities.

THE INSTITUTE FOR FISCAL STUDIES
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

10	DEBTORS	<u>2003</u>	<u>2002</u>
		£	£
	Research grants receivable (note 1e)	824,258	721,679
	Prepayments and accrued income	114,966	94,280
		<hr/>	<hr/>
		939,224	815,959
		<hr/> <hr/>	<hr/> <hr/>

11	CREDITORS	<u>2003</u>	<u>2002</u>
		£	£
	Amounts falling due within one year		
	Grants received in advance of expenditure (note 1e)	260,811	208,357
	Taxation and social security	50,507	41,469
	Accrued expenses	362,235	321,170
		<hr/>	<hr/>
		673,553	570,996
		<hr/> <hr/>	<hr/> <hr/>

12	UNRESTRICTED FUNDS	
		Accumulated Reserve
		£
	At 1 January 2003	741,744
	Net incoming resources	63,461
		<hr/>
	Balance at 31 December 2003	805,205
		<hr/> <hr/>

13 OPERATING LEASE COMMITMENTS

At the end of the year the Institute had operating lease commitments in respect of buildings running to 23 June 2004 to pay during the following year as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Contracts expiring:		
Less than one year	115,410	-
After one year but less than five years	-	240,052
After five years	-	-
	<hr/>	<hr/>
	115,410	240,052
	<hr/> <hr/>	<hr/> <hr/>

14 PENSION SCHEME

The total pension cost to the Institute for the contributions to employees pension shares under group personal pension plans with Scottish Mutual was **£171,067** (2002: £146,203).

In addition three staff participate in other personal pension schemes, to which the Institute contributed **£11,122** (2002: £19,134).

15 RELATED PARTY TRANSACTIONS

A member of the close family of one trustee, Anne Redston, has a controlling interest in the company Seven Crosses Limited. This company received **£7,812** (2002: Nil) for research services during the year. The fees charged are on an arms length basis and reflect the fees normally charged for this service in the external market place. Anne Redston had no involvement in the setting up, offering or acceptance of the engagement or in delivery of the service.