

The Institute of Economic Affairs
(A Charitable Company Limited by Guarantee)

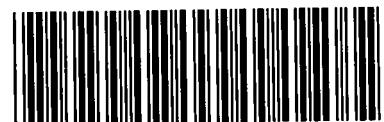
TRUSTEES' REPORT AND FINANCIAL STATEMENTS

for the year ended

31 December 2018

Company Registration No. 755502
Registered Charity No. 235351

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COMPANIES HOUSE

The Institute of Economic Affairs

TRUSTEES' REPORT

REFERENCE AND ADMINISTRATIVE DETAILS

Company Registration Number: 755502

Charity Registration Number: 235351

TRUSTEES

Neil Record	Chairman
Kevin Bell	
Robert Boyd	Treasurer until 5 June 2018
Robin Edwards	Treasurer from 5 June 2018
Sir Michael Hintze	
Professor Patrick Minford	
Jon Moynihan	Appointed 5 June 2018, resigned 28 November 2018
Professor Mark Pennington	Resigned 17 November 2018
Bruno Prior	
Professor Martin Ricketts	
Linda Whetstone	

DIRECTOR GENERAL – responsible for day to day management.
Mark Littlewood

RESEARCH DIRECTOR
Jamie Whyte

SECRETARY
C Rusbridge

REGISTERED OFFICE

2 Lord North Street
Westminster
London SW1P 3LB

AUDITOR

RSM UK Audit LLP
The Pinnacle, 170 Midsummer Boulevard
Milton Keynes
Bucks
MK9 1BP

BANKERS

Barclays Bank PLC
Leicester
LE87 2BB

INVESTMENT MANAGERS

CCLA Investment Management Limited
BNY Mellon Fund Managers Limited
M & G Securities Limited
Vanguard Asset Management

The Institute of Economic Affairs

TRUSTEES' REPORT

The Trustees present their report together with the financial statements of the Institute of Economic Affairs (IEA) for the financial year ended 31 December 2018.

The financial statements comply with the Charities Act 2011, The Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (published on 16 July 2014).

STATUS

The Institute of Economic Affairs is a charitable company limited by guarantee. The Institute was established through a trust deed in November 1955 and incorporated in 1963. It was set up under a Memorandum of Association which sets out its objects and powers and is governed under its Articles of Association. It is a registered charity No. CC/235351.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The IEA is managed by its Director General, Mark Littlewood, who oversees all aspects of its affairs and is responsible for achieving its goals. He reports three times a year to the full Board of Trustees and more frequently to its Finance and General Purposes Committee, comprising the committee Chairman, Bruno Prior, the Chairman of the Board, Neil Record, the Treasurer, Robin Edwards, and board member, Robert Boyd. These individuals also serve as the Audit Committee. Decisions about the level and mix of activities are made by the Trustees; about detailed day-to-day operations by senior staff, sometimes with advice from the Finance and General Purposes Committee. Two of the Trustees, the Chairman of the Board, Neil Record, and the Chairman of the Finance and General Purposes Committee, Bruno Prior, form a sub-committee which reviews the Director General's performance annually. Three of the Trustees, the Chairman of the Board, Neil Record, Kevin Bell, and Linda Whetstone, together form a Nominations subcommittee which recommends potential Trustees to the full Board from time to time.

As stated in note 17, the partner of the Director General is an employee of the charity.

OBJECTIVES AND ACTIVITIES

The charity's main aims are to promote learning by means of research into economics and politics and to improve public understanding thereof. We try to achieve our objectives by means of the activities listed below, which include allocated support costs.

Academic programmes:

- Research, publication and launch events
- Student/teacher outreach
- Special events
- Communication and distribution, including digital and media

Fundraising and subscriber support.

PUBLIC BENEFIT

As detailed above, the charity's main aims are to promote learning by means of research into economics and politics and to improve public understanding thereof. We bring analysis of issues relating to political economy to the public's attention through our various academic programmes and other activities. The Trustees confirm that, in exercising their powers and fulfilling their responsibilities in pursuit of the aims described above, they have paid due regard to the guidance on public benefit published by the Charity Commission.

The Institute of Economic Affairs

TRUSTEES' REPORT

FUNDRAISING

The IEA is entirely independent of any political party or group, and is funded by voluntary donations from individuals, companies and foundations who want to support its work plus a small amount of income from subscriptions, event partnerships and conferences, plus books sales and investments.

The IEA does not use commercial fundraisers nor carry out mass mailing/communications exercises. Most donors come to the IEA unprompted or via third party recommendations. Where the IEA seeks prospective donors to pro-actively reach out to, this is done using published data from the Electoral Commission and similar organisations.

Donors are communicated with in the format and with the frequency they prefer. Internal protocols exist to desist from communicating with donors who have ceased to donate and not responded to further communication. New donors are investigated to the best of the IEA's ability to ensure that donations have not come from government organisations and are from people or organisations of good standing.

REVIEW OF ACHIEVEMENTS

Our mission is: "To improve understanding of the fundamental institutions of a free society by analysing and expounding the role of markets in solving economic and social problems."

We aim to achieve our mission by undertaking the activities listed above. We continue to seek flexibility in responding to potential changes, both in income and in programme opportunities.

In 2018, the IEA furthered its tradition of publishing high-quality, high-profile books and research papers on a wide range of economic issues.

In all, the IEA produced nearly 50 publications and generated over a million words of research, ranging from short briefings to full length books and reports.

Topics included the gender pay gap, healthcare, the regressive nature of so-called 'sin taxes', the minimum wage, free trade, the impact of technology on the future of work and, inevitably, Brexit.

2018 also saw the introduction of the IEA's International Trade and Competition Unit, which produced reports on opportunities for Britain's fishing industry, regulation of global financial services and the UK's regulatory landscape.

The IEA also continued its tradition of publishing introductory works on key economic figures and concepts. Its primer 'An introduction to Capitalism' was distributed extensively to students, teachers, academics and more.

This kind of publication dovetails with the IEA's student outreach programme, which is an integral part of the Institute's mission to further public understanding of free markets and the benefits they bring. The programme is the largest run by any think tank in Europe, reaching over 35,000 students during the course of the year – through schools conferences, residential courses, internships, student-focused publications, teacher seminars and a one-day 'Think' conference, which brings together leading speakers from around the world and attracted more than 600 young attendees.

2018 also saw the introduction of the IEA Student Opportunity Fund which, through the generosity of donors, provided travel, accommodation and maintenance support to students who otherwise couldn't access IEA programmes.

Communicating research and advocating the case for free markets is also a key part of IEA activity. Across 2018, page views on the IEA website topped 1.3 million – an increase of more than a quarter of a million on 2017.

The Institute of Economic Affairs

TRUSTEES' REPORT

At the same time, the IEA's media presence continued to grow. IEA publications were covered in the media over 5,500 times, whilst IEA staff appeared, on average, five times a day across television, radio, press and online media – featuring on high-profile programmes such as the BBC's Question Time and Any Questions and in publications such as The Sunday Times and The Economist.

The IEA's social media also continued to grow – with over 32,000 followers on Twitter, an increase of more than 10,000 across the year. At the same time, the IEA weekend e-newsletter attracted 2,000 new subscribers to reach over 12,000 people each Sunday.

The IEA also continued to expand its online presence through a weekly series of Podcasts, covering topics such as generational inequality, immigration and more. Across the year, the Podcasts attracted around 80,000 listeners.

2018 also saw the launch of the IEA's FREER initiative, distributing papers and briefings on key issues such as freedom of speech and the UK housing crisis to parliamentarians.

On the global front, IEA publications continued to be translated into languages around the world. One such work, Foundations for a Free Society, has now been translated into 13 languages, including Farsi, Arabic and Korean.

Also internationally, EPICENTER – the IEA's network of leading think tanks across Europe – continued to attract new participants. Across 2018, EPICENTER publications covered topics such as the digital economy, trade policy, energy security and more, whilst it staged events such as a conference for the launch of its Nanny State Index 2018.

Back in the UK, the IEA's annual Hayek Lecture featured acclaimed author Matt Ridley. His lecture on innovation, 'How many Light Bulbs does it take to Change the World?', attracted a record audience of over 500 to Church House, Westminster. The lecture will also form the basis of a book in 2019.

The Richard Koch Breakthrough Prize has now become one of the highlights of the IEA year. In 2018 the essay competition – which features a first prize of £50,000 – sought solutions to the UK's housing crisis. It attracted nearly 350 entries from the UK and beyond and the winners received their awards at a ceremony held at the University of London. The pick of the winning entries will feature in a book to be launched in 2019.

The IEA's main publications are referred by independent scholars and its research benefits from a network of distinguished academic advisers.

Whilst the Institute's objectives remain essentially long-term in nature, the growing audience for its research and its activities reflect the IEA's determination to further its mission of improving "the understanding of the fundamental institutions of a free society by analysing and expounding the role of markets in solving economic and social problems".

FINANCIAL REVIEW

Total income for the year was £2,521,000 (2017: £2,132,000) and total expenditure was £2,862,000 (2017: £2,327,000). After taking account of losses on investments of £139,000 (2017: Gains £131,000), there was a net reduction in funds of £480,000 (2017: £64,000) in the year. Restricted income was £793,000 (2017: £704,000) compared with expenditure on restricted projects of £896,000 (2017: £811,000). Investment income on the Ralph Harris Endowment Fund during the year amounted to £38,000 (2017: £44,000). Total net assets were maintained at £3,136,000 (2017: £3,616,000). The financial statements, together with the notes thereto, expand on these outline details.

The Finance and General Purposes Committee, and the full Board of Managing Trustees, regularly review the amount of donations. There has been a 19% increase in the amount of donations in 2018, compared with 2017. We are grateful to all our donors for supporting our work.

The Institute of Economic Affairs

TRUSTEES' REPORT

GRANT MAKING POLICY

The Trustees make occasional grants to individuals to support their research and to attend conferences. These are often from restricted funds donated specifically for such purposes. From time to time grants may be made to other institutes where the Trustees think it appropriate. All such projects are assessed by reference to our mission.

INVESTMENT AND RESERVES POLICIES

The Institute's educational mission has a long-term orientation, as noted above, whereas our ability to carry out our work depends on attracting annual donations in a highly competitive fund-raising environment. Accordingly, the Trustees' policy is to invest conservatively, largely in equity funds, fixed interest funds and government securities. The Ralph Harris Fund is invested with a long-term time horizon. Income on investments is used to support the IEA's work. The Treasurer and the Finance and General Purposes Committee regularly review investment results. During the year, the value of the investments fell by 4.4% relative to a fall in global equity markets of 12%.

The Trustees' policy on reserves, which is reviewed annually, is to have sufficient liquid funds on hand to cover two months of budgeted expenditure, which amounts to approximately £350,000. We believe this is adequate, under normal circumstances, to enable us to maintain operations in the event of seasonal or other fluctuations in donations and/or expenditure. This target has been met in that there was cash at bank and in hand of £253,000 at the year-end plus the cash deposits held within the Ralph Harris Fund of £517,000 which are available to endow the position of the Director General of the IEA. A transfer of £200,000, for the year 2019, has been made during the year in this respect. The Trustees do not seek to accumulate reserves, but rather to apply donations in support of the Institute's programmes in accordance with donors' intent. The free reserves of the charity as at 31 December 2018, defined as being unrestricted, undesignated funds not represented by tangible fixed assets, amounted to £233,000 (2017: £294,000).

RISK REVIEW

The principal risks and uncertainties to which the IEA is exposed are reputational, loss of key personnel, and financial.

Reputational risk centres on the quality and integrity of the Institute's research and publications and other activities. All the IEA's major publications are peer reviewed. The system was managed in 2018 by the Academic and Research Director, Jamie Whyte, and supervised by the Chairman of our Academic Advisory Board, Professor Martin Ricketts.

The IEA maintains strict independence from commercial, party political or other interests. It does not accept commissions to perform research on behalf of commercial or governmental interests.

The performance of key personnel is reviewed at least annually, either by the Director General or by a small committee of Trustees, led by the Chairman, to assess whether both the employer's and employees' objectives are being satisfied. As with any small organisation, it is not possible to completely protect against the loss of key people.

Financial risks and uncertainties are largely covered by the Reserves and Investment policies noted above. The Trustees examine at least once a year the major strategic, operational and financial risks and uncertainties which the Institute faces, either at regular or special Board meetings, or through the Finance and General Purposes Committee.

FUTURE PLANS

In 2019, the IEA intends to build on the progress made during the past 12 months. It will do so through its respected publications programme, which will produce high-calibre research on health and social care, executive pay, the digital economy, school choice and more; its extensive student and teacher outreach programme and its comprehensive communications strategy.

The Institute of Economic Affairs

TRUSTEES' REPORT

TRUSTEES

The following were Trustees (who are directors for the purposes of company law) at the time of signing this report and financial statements. They all held office throughout the year 2018 and up to the date of signing this report, unless otherwise stated.

Neil Record	Chairman
Kevin Bell	
Robert Boyd	Treasurer until 5 June 2018
Robin Edwards	Treasurer from 5 June 2018
Sir Michael Hintze	
Professor Patrick Minford	
Jon Moynihan	Appointed 5 June 2018, resigned 28 November 2018
Professor Mark Pennington	Resigned 17 November 2018
Bruno Prior	
Professor Martin Ricketts	
Linda Whetstone	

None of the Trustees has an interest, direct or indirect, in any contract entered into by the Institute. The Trustees may from time to time, and at any time, appoint any person to be a Trustee, up to the prescribed maximum of twelve. Appointments are normally made on the recommendation of the Nominations Committee. Any Trustee so appointed retains office until the next Annual General Meeting, and is then eligible for re-election on a three-year rotating basis.

New Trustees are 'trained' mostly on the job by attending meetings of Trustees. They are provided with notes covering the Institute's mission, history, organisation, governance and details of the other Trustees, together with the latest Trustees' report and accounts. Newly appointed Trustees will usually already have substantial board level or departmental management experience in either the commercial or academic arenas.

PAY POLICY FOR SENIOR STAFF

The performance of key personnel is reviewed at least annually, either by the Director General or by a small committee of Trustees, led by the Chairman. Pay increases and bonuses are awarded to reward merit. Decisions regarding pay levels are informed by reference to other think tanks and also comparable positions in related sectors.

TAXATION STATUS

The charitable company is a registered charity and, as such, for taxation purposes is entitled to exemption under the Income and Corporation Taxes Act 1988.

AUDITOR

A resolution to reappoint RSM UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

The Trustees have taken advantage of the exemptions available under the small companies' regime from the requirement to prepare a strategic report and in preparing the Trustees' Report.

By order of the board



Neil Record
Chairman

29 April 2019

The Institute of Economic Affairs

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



Neil Record
Chairman

29 April 2019

The Institute of Economic Affairs

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF ECONOMIC AFFAIRS

For the year ended 31 December 2018

Opinion

We have audited the financial statements of the Institute of Economic Affairs, ('the charitable company'), for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

The Institute of Economic Affairs

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF ECONOMIC AFFAIRS

For the year ended 31 December 2018

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Trustees' Report.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Bucks

MK9 1BP

22 May 2019

The Institute of Economic Affairs
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
For the year ended 31 December 2018

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2018 £000	Total 2017 £000
INCOME FROM:						
Donations	2	1,595	790	-	2,385	2,008
Charitable activities:						
Publications and subscriptions		25	-	-	25	16
Special events		55	-	-	55	42
Other trading activities		15	-	-	15	16
Investments:						
Dividends receivable		-	2	34	36	42
Interest receivable		-	1	4	5	8
TOTAL		1,690	793	38	2,521	2,132
EXPENDITURE ON:						
Raising Funds:						
Fundraising and subscriber support		428	-	-	428	367
Charitable activities:						
Academic programme:						
Research and Publications		583	605	-	1,188	836
Student/Teacher outreach		398	144	-	542	626
Special Events		55	-	-	55	40
Communications		502	147	-	649	458
TOTAL	3	1,966	896	-	2,862	2,327
Net Gains on Investments:						
Realised gains on disposals		-	100	24	124	16
Unrealised gains		-	(101)	(162)	(263)	115
NET EXPENDITURE	4	(276)	(104)	(100)	(480)	(64)
Transfers between funds		200	-	(200)	-	-
NET MOVEMENT IN FUNDS		(76)	(104)	(300)	(480)	(64)
RECONCILIATION OF FUNDS:						
TOTAL FUNDS BROUGHT FORWARD	11,12, 13,14	896	389	2,331	3,616	3,680
TOTAL FUNDS CARRIED FORWARD	11,12, 13,14	820	285	2,031	3,136	3,616

The Institute of Economic Affairs

BALANCE SHEET

As at 31 December 2018

Company Registration No. 755502

Registered Charity No. 235351

	Notes	2018	2017
		£000	£000
FIXED ASSETS			
Tangible assets	7	587	602
Investments	8	2,100	2,629
		<u>2,687</u>	<u>3,231</u>
CURRENT ASSETS			
Debtors	9	525	477
Cash at bank and in hand		253	160
		<u>778</u>	<u>637</u>
CREDITORS: Amounts falling due within one year	10	(329)	(252)
NET CURRENT ASSETS		<u>449</u>	<u>385</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, AND NET ASSETS		<u>3,136</u>	<u>3,616</u>
THE FUNDS OF THE CHARITY:			
Endowment fund	11	2,031	2,331
Restricted funds	12,14	285	389
Unrestricted funds	13,14	820	896
TOTAL FUNDS	14	<u>3,136</u>	<u>3,616</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 10 to 23 were approved by the Trustees and authorised for issue on

29 April 2019 and are signed on their behalf by:



Neil Record
Chairman

29 April 2019

The Institute of Economic Affairs

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

		2018 £000	2017 £000
Net cash used in operating activities	(A)	(335)	(280)
Cash flows from investing activities:			
Dividends and interest		41	50
Proceeds from sale of investments		976	2,453
Purchase of investments		(586)	(2,072)
Purchase of fixed assets		(3)	-
Net cash provided by investing activities		428	431
Change in cash and cash equivalents in the year		93	151
Cash and cash equivalents at 1 January		160	9
Cash and cash equivalents at 31 December		253	160
(A)			
RECONCILIATION OF NET INCOME/(EXPENDITURE)			
TO NET CASH USED IN OPERATIONS:			
Net expenditure for the reporting period (as per the statement of financial activities)		(480)	(64)
Adjustments for:			
Depreciation charges		18	18
Losses/(gains) on investments		139	(131)
Dividends and interest		(41)	(50)
Increase in debtors		(48)	(92)
Increase in creditors		77	39
Net cash used in operating activities		(335)	(280)

The Institute of Economic Affairs

ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND GOING CONCERN

The Institute of Economic Affairs (IEA) is a charitable company limited by guarantee, and is registered, domiciled and incorporated in England. The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value except for investments which are recognised at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective January 2015, the Charities Act 2011, and the Companies Act 2006. The Institute constitutes a public benefit entity as defined by FRS 102. The registered office and principal place of business is as detailed on page 1.

The Trustees confirm that at the time of approving the financial statements, there is a reasonable expectation that the Institute has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Trustees have taken account of current and anticipated financial performance in the current economic conditions, and the Institute's reserves position. For this reason, the going concern basis continues to be adopted in the preparation of the Institute's financial statements.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost, less depreciation. Depreciation is provided on tangible fixed assets, other than freehold land, at rates calculated to write each asset down evenly over its expected useful life, as follows:-

Freehold property	over 40 years
Office equipment	over 3 years

Expenditure of a capital nature below £1,000 is not capitalised, but charged to the Statement of Financial Activities in the year of expenditure.

STOCKS AND WORK IN PROGRESS

No value for accounts purposes is attributed to stocks of unsold publications.

PENSION CONTRIBUTIONS

The Institute operates a defined contribution scheme. Contributions are charged to the Statement of Financial Activities on an accruals basis. Amounts payable at the year end are included in other creditors.

INCOME

Income from donations is included in income when these have been pledged by the donor, it is probable that the income will be received and the amount can be measured reliably, except:

- when donors specify that donations given to the charity must be used in future accounting periods, the income is deferred until those periods;
- when donors impose conditions, which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in income until the pre-conditions for use have been met.

Subscription income is credited to income for the subscription period covered.

All other income including income from investments is credited to income when receivable by the charity.

EXPENDITURE

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

All costs are allocated between expenditure categories on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly. Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources e.g. by floor space. Staff costs have been allocated according to the time spent on each activity.

The Institute of Economic Affairs

ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

RESEARCH EXPENDITURE

Research expenditure is written off in the financial statements as it is incurred.

ENDOWMENT FUND

The Ralph Harris Fund is an expendable endowment fund whose use is restricted to financial support for the position of the Director General, including employment and support costs.

UNRESTRICTED FUNDS

Unrestricted funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objectives. Designated funds are unrestricted funds which the Trustees have currently designated for specific purposes. General funds are unrestricted funds for which no specific purposes have been designated.

RESTRICTED FUNDS

Restricted funds are those donated to the Institute for one or more specific purposes.

OPERATING LEASES

All operating lease rentals are recognised in the Statement of Financial Activities on a straight line basis over the life of the lease.

FINANCIAL INSTRUMENTS

The charity has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments. The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments.

Financial assets:

Basic financial assets, including investments held as fixed assets, and trade and other receivables, are initially recognised at transaction price.

Investments held as fixed assets comprise equities, open-ended funds, fixed interest securities and currency and are stated at year end market value (bid-price). Realised gains and losses on disposal and unrealised gains and losses due to the movement in market value of investments and are recognised in the Statement of Financial Activities.

Other financial assets are assessed at the end of each reporting period for objective evidence of impairment due to reduction in the recoverable amount. Any impairment losses are recognised in the Statement of Financial Activities.

Financial liabilities:

Basic financial liabilities, including trade and other payables are initially recognised at transaction price. Any subsequent changes to amounts payable are recognised in the Statement of Financial Activities. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates and areas of judgement included within these accounts.

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1 STATEMENT OF FINANCIAL ACTIVITIES – COMPARATIVE FIGURES

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2017 £000
INCOME FROM:					
Donations	2	1,310	698	-	2,008
Charitable Activities:					
Publications and Subscriptions		16	-	-	16
Events		42	-	-	42
Other Trading Activities		16	-	-	16
Investments:					
Dividends receivable		-	6	36	42
Interest receivable		-	-	8	8
TOTAL		1,384	704	44	2,132
EXPENDITURE ON:					
Fundraising and subscriber support		355	12	-	367
Charitable activities:					
Academic programme:					
Research and Publications		384	452	-	836
Student/Teacher outreach		378	248	-	626
Special Events		40	-	-	40
Communications		359	99	-	458
TOTAL	3	1,516	811	-	2,327
Net Gains on Investments:					
Realised gains on disposals		-	-	16	16
Unrealised losses		-	27	88	115
NET (EXPENDITURE)/INCOME	4	(132)	(80)	148	(64)
Transfers between funds		400	-	(400)	-
NET MOVEMENT IN FUNDS		268	(80)	(252)	(64)
RECONCILIATION OF FUNDS:					
TOTAL FUNDS BROUGHT FORWARD	11,12 13,14	628	469	2,583	3,680
TOTAL FUNDS CARRIED FORWARD	11,12 13,14	896	389	2,331	3,616

The Institute of Economic Affairs
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2	DONATIONS	2018 £000	2017 £000
	Foundations, corporate and individuals		
	Restricted	790	698
	Unrestricted	1,595	1,310
		<u>2,385</u>	<u>2,008</u>

3	ALLOCATION OF COSTS 2018	Direct Costs £000	Support costs £000	2018 Total £000
	Fundraising and subscriber support	40	388	428
	Research and Publications	339	849	1,188
	Student/Teacher Outreach	161	381	542
	Special Events	15	40	55
	Communications	160	489	649
		<u>715</u>	<u>2,147</u>	<u>2,862</u>

ALLOCATION OF SUPPORT COSTS 2018

Personnel costs	1,819
Office costs	253
Property costs	65
Travel costs	10
	<u>2,147</u>

Support costs have been allocated as follows:

	Support costs	Personnel Costs
Fundraising and subscriber support	13%	19%
Publications	37%	40%
Student/Teacher Outreach	33%	15%
Special Events	1%	2%
Communications	16%	24%

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NOTES TO THE FINANCIAL STATEMENTS
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3	<i>ALLOCATION OF COSTS 2017</i>	<i>Direct costs</i> <i>£000</i>	<i>Support costs</i> <i>£000</i>	<i>2017 Total</i> <i>£000</i>
	<i>Fundraising and subscriber support</i>	33	334	367
	<i>Research and Publications</i>	178	658	836
	<i>Student/Teacher Outreach</i>	223	403	626
	<i>Special Events</i>	23	17	40
	<i>Communications</i>	121	337	458
		<u>578</u>	<u>1,749</u>	<u>2,327</u>

ALLOCATION OF SUPPORT COSTS 2017

<i>Personnel costs</i>	1,528
<i>Office costs</i>	154
<i>Property costs</i>	57
<i>Travel costs</i>	10
	<u>1,749</u>

Support costs have been allocated as follows:

	<i>Support costs</i>	<i>Personnel costs</i>
<i>Fundraising and subscriber support</i>	13%	20%
<i>Research and Publications</i>	35%	38%
<i>Student/Teacher Outreach</i>	37%	21%
<i>Special Events</i>	1%	1%
<i>Communications</i>	14%	20%

4	<i>NET EXPENDITURE</i>	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
	Net expenditure for the year is stated after charging:		
	Depreciation – charge for year	18	18
	Auditor's remuneration	14	11
	Legal fees	31	11
	Operating lease rentals – plant and machinery	17	18
		<u> </u>	<u> </u>

5 **TAXATION**

The Institute is not liable to corporation tax on its income and gains in the current year to the extent that they are applied for charitable purposes.

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6	EMPLOYEES	2018	2017
		No.	No.
	The average monthly number of persons employed by the Institute during the year was:		
	Office and management	21	24
		<hr/>	<hr/>
		2018	2017
		£000	£000
	Staff costs for above persons:		
	Wages and salaries, including benefits	1,030	1,007
	Social security costs	109	105
	Other pension costs	70	99
		<hr/>	<hr/>
		1,209	1,211
		<hr/>	<hr/>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:	2018	2017
		No.	No.
	£60,001 - £70,000	1	1
	£80,001 - £90,000	1	-
	£120,001 - £130,000	1	-
	£130,001 - £140,000	-	1
		<hr/>	<hr/>

The employees earning over £60,000 participate in the company defined contribution pension scheme. Contributions paid in the year in respect of these employees amounted to £42,767 (2017: £57,824).

The key management personnel of the Institute comprise the Trustees, the Director General, and the Research Director. The total employee benefits of these key management personnel were £288,050 (2017: £286,922), including pension and social security costs.

No Trustees, or persons related or connected to them, received any remuneration or reimbursement of expenses from the Institute during the year.

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

7 TANGIBLE FIXED ASSETS

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2018	965	24	989
Additions in year	-	3	3
31 December 2018	<u>965</u>	<u>27</u>	<u>992</u>
Depreciation			
1 January 2018	363	24	387
Charged for year	17	1	18
31 December 2018	<u>380</u>	<u>25</u>	<u>405</u>
Net book value			
31 December 2018	<u>585</u>	<u>2</u>	<u>587</u>
31 December 2017	<u>602</u>	<u>-</u>	<u>602</u>

8 FIXED ASSET INVESTMENTS

	Open-end funds £000	Cash held on deposit £000	Total £000
Market value at			
1 January 2018	2,194	435	2,629
Additions	-	586	586
Disposals	(538)	(438)	(976)
Unrealised gains	(139)	-	(139)
Market value at 31 December 2018	<u>1,517</u>	<u>583</u>	<u>2,100</u>
Historical cost at 31 December 2018	<u>1,555</u>	<u>583</u>	<u>2,138</u>
Historical cost at 31 December 2017	<u>1,808</u>	<u>435</u>	<u>2,243</u>

The Institute of Economic Affairs
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For the year ended 31 December 2018

9	DEBTORS	2018 £000	2017 £000
	Trade debtors	344	307
	Taxation recoverable	8	-
	Other debtors	10	17
	Prepayments and accrued income	163	153
		<u>525</u>	<u>477</u>

10	CREDITORS: Amounts falling due within one year	2018 £000	2017 £000
	Trade creditors	192	110
	Taxation and social security	35	39
	Other creditors	9	12
	Accruals and deferred income	93	91
		<u>329</u>	<u>252</u>

Deferred income has arisen as a result of 2 year subscriptions paid in advance. Amounts are released to the Statement of Financial Activities within the year to which the subscription relates.

	2018 £000	2017 £000
Deferred income at 1 January 2018	2	42
Released to Statement of Financial Activities in year	(2)	(42)
Deferred in year	2	2
Deferred income at 31 December 2018	<u>2</u>	<u>2</u>

11 EXPENDABLE ENDOWMENT FUND

	At 1 January 2018 £000	Investment Income £000	Transfers between funds £000	Investment Losses £000	At 31 December 2018 £000
Ralph Harris Fund	2,331	38	(200)	(138)	2,031

The Ralph Harris Fund has been established as an expendable endowment fund to endow the position of Director General of the IEA as "Director General and Ralph Harris Fellow."

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12 RESTRICTED FUNDS

	At 1 January 2018 £000	Income £000	Expenditure £000	Net Investment Losses £000	At 31 December 2018 £000
Events and Publications	27	76	(78)	-	25
Richard Koch Breakthrough Prize	29	55	(84)	-	-
Educational Fellowships	-	149	(149)	-	-
FREER	-	45	(45)	-	-
ITCU	-	129	(129)	-	-
Paragon Initiative	-	50	(50)	-	-
Student Outreach and Opportunity	-	40	(40)	-	-
European Network	-	1	(1)	-	-
Nanny State Index Conference	-	107	(67)	-	40
Think Tent	-	77	(77)	-	-
THINK Conference	-	8	(8)	-	-
Age Endeavour	-	24	(24)	-	-
Vinson Centre at the University of Buckingham	-	29	(29)	-	-
M Fund	333	3	(115)	(1)	220
	<u>389</u>	<u>793</u>	<u>(896)</u>	<u>(1)</u>	<u>285</u>

Donations were received to support various events and publications.

The Richard Koch Breakthrough prize will be awarded in a competition concerning innovative Free-Market Breakthrough policies.

Donations were received to support fellowships for graduate study and for exploration of practical applications of market-based economics.

The FREER initiative distributes papers and briefings on key issues such as freedom of speech and the UK housing crisis to parliamentarians.

ITCU, the IEA's International Trade and Competition Unit, examines and reports on trade related matters.

The Paragon Initiative is a five-year research programme that will critically examine every aspect of government activity from an economic perspective.

The IEA's Student Outreach Programme aims to spread understanding of free markets and their benefits to students, and includes a Student Opportunity Fund to provide financial support to students who otherwise couldn't access IEA programmes.

Donations were received to support a network of public policy organisations from European countries.

The Nanny State Index is a league table of the worst places in the EU to eat, drink, smoke and vape. The 2019 edition will be launched in a one-day conference in Brussels.

Donations were received to establish a marquee, Think Tent, organised with two other think tanks, to be the central point for free market debate at the Conservative Party Conference.

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

THINK is an annual conference for 16-25 year olds featuring speakers from around the world.

The Age Endeavour Fellowship supports IEA research into work and the elderly.

The Vinson Centre at the University of Buckingham seeks to further the study of liberal economics in the UK.

The M Fund was set up to promote research into the reduction in the size of the public sector and to promote an interest in market economy policies on the part of teachers and senior pupils.

13 UNRESTRICTED FUNDS

	At 1 January 2018 £000	Income £000	Expenditure £000	Transfers £000	At 31 December 2018 £000
Designated Funds					
Fixed Asset Fund	602	-	-	(17)	585
Warren Fund	4	-	-	(4)	-
Designated unrestricted funds	606	-	-	(21)	585
Unrestricted general funds	290	1,690	(1,966)	221	235
	896	1,690	(1,966)	200	820

The Fixed Asset Fund represents donations made to the Institute currently designated and used by the Trustees for the purpose of acquiring freehold and investment property. A transfer has been made between the Fixed Asset Fund and General Fund in order to reflect the depreciation of the freehold property in the year.

The Warren Fund has been used by the Trustees to provide working capital.

General funds represent free reserves after allowing for all designated funds.

14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Designated Funds £000	General Funds £000	Restricted funds £000	Endowment fund £000	Total funds £000
Fund balances at 31 December 2018 are represented by:					
Tangible fixed assets	585	2	-	-	587
Investments	-	-	103	1,997	2,100
Current assets	-	562	182	34	778
Current liabilities	-	(329)	-	-	(329)
Total net assets	585	235	285	2,031	3,136

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15 PENSION SCHEMES

The Institute operates a defined contribution scheme and contributions to the scheme are made to an independent insurance company.

The pension costs of the Institute's scheme amounted to £70,319 (2017: £99,484). There were £8,525 contributions outstanding at the end of the year (2017: £12,221).

16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 9 (2017: 10) members at the year end.

The Memorandum of Association provides that members are liable to contribute a sum not exceeding £1 each in the event of the company being wound up while they are members or within one year of ceasing to be members.

17 RELATED PARTY TRANSACTIONS

During the year £80,497 was incurred in employment costs (2017: consultancy fees and employment costs: £70,865) of the partner of the Director General, who is a full-time employee of the Institute. There were no amounts outstanding at the year end (2017: nil) in respect of these transactions.

Donations from trustees in the year totalled £127,000 (2017: £104,975). No conditions were attached to any of these donations which would require the charity to alter significantly the nature of its existing activities.

During the year a donation was received in respect of a joint initiative with Network for a Free Society, a charity in which Linda Whetstone, a Trustee of the IEA, is a Trustee and the Chairman/Director. In this regard a payment of £16,706 due to Network for a Free Society was accrued in these accounts and made in January 2019.

18 COMMITMENT UNDER OPERATING LEASES

The total future minimum lease payments, at the reporting date, under non-cancellable operating leases are as follows:	2018	2017
	£000	£000
Amounts due:		
- within one year	11	14
- between one and five years	13	12

19 FINANCIAL INSTRUMENTS

	2018	2017
	£000	£000
Financial Assets:		
Investments held as fixed assets	2,100	2,629
Trade and other receivables (note 9)	478	452
Total	2,578	3,081
Financial Liabilities:		
Trade and other payables (note 10)	293	210
Total	293	210