

# The Institute of Economic Affairs

## REPORT AND FINANCIAL STATEMENTS

31 December 2001



Company Registration No. 755502  
Registered Charity No. CC/235351

# The Institute of Economic Affairs

## TRUSTEES AND OFFICERS

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### TRUSTEES

Professor DR Myddelton	Chairman
Robert Boyd	
Michael Fisher	
Malcolm McAlpine	
Sir Michael Richardson	
Professor Martin Ricketts	
Lord Vinson, LVO	
Sir Peter Walters	
Linda Whetstone	
Professor Geoffrey E Wood	

### SECRETARY

C Batty

### REGISTERED OFFICE

2 Lord North Street  
Westminster  
London SW1P 3LB

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

### BANKERS

Barclays Bank plc  
Pall Mall Corporate Banking Centre  
Pall Corporate Group  
PO Box 15163  
London SW1A 1QD

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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The trustees submit their report and the financial statements of The Institute of Economic Affairs for the year ended 31 December 2001.

### STATUS

The organisation is a charitable company limited by guarantee, incorporated in 1963 and is a registered charity.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association.

### OBJECTS

The company is a charity and its principal activity during the year was the promotion and advancement of learning by research into economic and political science, and by educating the public therein.

### RESULTS

The net outgoing resources for the year amounted to £221,525, of which £9,724 was used on restricted projects.

### ORGANISATION

The IEA is run on a daily basis by the General Director, who oversees all aspects of its activities and is responsible for achieving its goals in a sustainable manner. The Editorial Director is in charge of the research and publications of the IEA, liaising with the authors, the academic advisory council and the publishers. The General Director reports three times a year to the full board of Trustees and monthly to its Finance and General Purposes Committee.

### REVIEW OF ACTIVITIES AND ACHIEVEMENTS

The IEA undertakes four main activities:

- A research and publications programme
- Conferences, working lunches and other events
- A student / teacher outreach programme
- A comprehensive web site.

In 2001 the IEA continued to expand the publications and events programme. In all, the IEA produced 16 monographs and co-published 3 books, as well as the quarterly journal. It hosted 149 events attracting over 7,000 guests. The IEA redesigned its web site ([www.iea.org.uk](http://www.iea.org.uk)) to make it simpler and more accessible.

### FUTURE STRATEGY

The IEA plans to continue to enhance all its programmes in 2002. In particular there will be a major expansion of the student / teacher outreach programme and greater emphasis on bringing the research of the IEA to the public's attention.

### RESERVES POLICY

The Managing Trustees' policy is to maintain reserves at a level deemed sufficient to maintain normal operations whilst covering short-term funding needs. These, for example, may arise from seasonal fluctuations in donations and expenditures. A shortfall in reserves may be covered by a transfer from the Warren Fund. The appropriate level of reserves is reviewed annually.

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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### INVESTMENT POLICY

The Institute's educational mission has a long-term orientation, whereas its ability to carry out its work depends on attracting annual donations in a highly competitive fund-raising environment. At the same time, opportunities may occur to advance the Institute's work through special projects. Accordingly, it is the Managing Trustees' policy to manage investments in a conservative manner. Investment income is not reinvested but used to support the Institute's work. Investment results are reviewed regularly and policy is reviewed annually.

### GRANT MAKING POLICY

The Managing Trustees make occasional grants to individuals to support their research. These are often from restricted funds raised specifically for such purposes. From time to time, grants may be made to other institutes, but this is not a regular part of the Institute's work. In both cases, projects are assessed in terms of the Institute's mission to improve understanding of a free society with particular reference to the role of markets in solving economic and social problems.

### RISK REVIEW

The primary risks 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. All the IEA's publications are refereed to a high standard by an Academic Advisory Council. In addition IEA authors must sign a statement confirming that they have no direct financial interest in the subject of their research. The IEA moreover strives to maintain its independence from commercial, political or other interests. It does not accept commissions to perform research on behalf of others.

The Managing Trustees have examined the major strategic, operational and financial risks which the Institute faces. Policies and systems have been established to mitigate and monitor these risks.

### MARKET VALUE OF LAND AND BUILDINGS

The trustees are of the opinion that the market value of properties at 31 December 2001 would exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable as they outweigh the benefit to users of the accounts.

### TRUSTEES

The following trustees have held office since 1 January 2001:

Professor DR Myddelton	Chairman
Robert Boyd	
Michael Fisher	
Malcolm McAlpine	
Sir Michael Richardson	
Professor Martin Ricketts	
Lord Vinson, LVO	
Sir Peter Walters	
Linda Whetstone	
Professor Geoffrey E Wood	

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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None of the trustees has an interest, direct or indirect, in any contract entered into by the Institute.

The Managing Trustees may from time to time and at any time, appoint any person to be a Managing Trustee, provided that the prescribed maximum of twelve Managing Trustees be not exceeded. Any Managing Trustee so appointed shall retain office until the next Annual General Meeting, but will then be eligible for re-election.

### TAXATION STATUS

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

### AUDITORS

During the year Baker Tilly, Chartered Accountants were appointed to replace Messrs Deloitte and Touche. A resolution to appoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



Chairman

30 APRIL 2002

# The Institute of Economic Affairs

## TRUSTEES' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure for the financial year. In preparing those financial statements, the trustees should follow best practices and:

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

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

## AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF ECONOMIC AFFAIRS

We have audited the financial statements on pages 7 to 16.

### **Respective responsibilities of trustees and auditors**

As described on page 5 the trustees who are directors for the purpose of company law and trustees for the purpose of charity law, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with 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 judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 at 31 December 2001 and of its incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# The Institute of Economic Affairs

## STATEMENT OF FINANCIAL ACTIVITIES

31 December 2001

	Notes	Unrestricted funds £	Restricted funds £	Total 2001 £	Total 2000 £
<b>INCOMING RESOURCES</b>					
Membership donations	1	886,737	-	886,737	1,109,125
Activities in furtherance of the charity's objects:					
Publication sales		100,154	-	100,154	71,320
Conferences and lectures		156,192	-	156,192	126,043
Other income		2,628	-	2,628	20,972
Activities for generating funds:					
Investment income		12,536	-	12,536	25,434
Interest receivable		34,145	-	34,145	18,213
Total incoming resources		1,192,392	-	1,192,392	1,371,107
<b>RESOURCES EXPENDED</b>					
Charitable expenditure					
Costs of activities in furtherance of the charity's objects:					
Awards granted	3	140,000	9,724	149,724	312,972
Membership support		58,688	-	58,688	55,414
Research costs		522,163	-	522,163	492,986
Publication costs		491,363	-	491,363	364,891
Conference costs		169,446	-	169,446	101,577
Total resources expended	2	1,381,660	9,724	1,391,384	1,327,840
<b>NET INCOMING RESOURCES/(RESOURCES EXPENDED)</b>					
Net gains/(losses) on investment assets	4	(189,268)	(9,724)	(198,992)	43,267
		(22,533)	-	(22,533)	3,295
<b>NET MOVEMENT IN FUNDS</b>		(211,801)	(9,724)	(221,525)	46,562
<b>TOTAL FUNDS BROUGHT FORWARD</b>					
		2,379,718	9,724	2,389,442	2,342,880
<b>TOTAL FUNDS CARRIED FORWARD</b>					
	14	2,167,917	-	2,167,917	2,389,442

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above. The surplus/(deficit) for the year for Companies Act purposes comprises the net outgoing resources for the year plus realised gains/(losses) on investments and was £(177,111) (2000 £41,627).

Movements in funds are disclosed in Notes 11, 12 and 13 to the financial statements.





# The Institute of Economic Affairs

## BALANCE SHEET

31 December 2001

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	7	922,926	954,053
Investments	8	968,261	833,599
		<u>1,891,187</u>	<u>1,787,652</u>
<b>CURRENT ASSETS</b>			
Debtors	9	160,461	146,314
Cash at bank and in hand		288,422	542,242
		<u>448,883</u>	<u>688,556</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	(172,153)	(86,766)
<b>NET CURRENT ASSETS</b>		<u>276,730</u>	<u>601,790</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,167,917</u>	<u>2,389,442</u>
<b>FUNDS</b>			
Restricted funds	11	-	9,724
Unrestricted funds			
Designated funds	12	1,983,741	2,384,589
General funds	13	184,176	(4,871)
<b>TOTAL FUNDS</b>	13	<u>2,167,917</u>	<u>2,389,442</u>

Approved by the Trustees on 30 APRIL 2002  
and signed on their behalf by

 Trustee  
 Trustee

# The Institute of Economic Affairs

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed asset investments at market value, and in accordance with the Companies Act 1985 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice, issued in October 2000.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets other than investment properties at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Freehold property	over 40 years
Office equipment	over 3 years

Investment properties are stated at cost, as the trustees consider that the costs of a valuation outweighs the benefit to the users of the accounts. No depreciation is provided on freehold investment properties or on leasehold investment properties where the unexpired lease term exceeds 20 years.

### STOCKS AND WORK IN PROGRESS

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

### PENSIONS CONTRIBUTIONS

The Institute operates a defined contribution scheme. Contributions are charged to the profit and loss accounts as incurred.

### INCOMING RESOURCES

Income from donations is included in incoming resources when these are receivable, 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 incoming resources until the pre-conditions for use have been met.

Subscription income is credited to incoming resources at the start of the subscription period.

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

### RESOURCES EXPENDED

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributable to particular headings they have been allocated to activities on a basis consistent with use of the resources.

### 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 accounts as it is incurred.

# The Institute of Economic Affairs

## ACCOUNTING POLICIES

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### RESTRICTED AND DESIGNATED FUNDS

Restricted funds are those donated to the Institute for a specific purpose. Designated funds are unrestricted funds for which the Trustees have currently designated specific purposes.

Transfers are made from these funds to the general income and expenditure account as considered appropriate by the Trustees.

### INVESTMENTS

Investments held as fixed assets are stated at market value.

**The Institute of Economic Affairs**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2001

1	MEMBERSHIP DONATIONS	2001 £	2000 £
	Foundations	133,011	122,004
	Individuals	283,756	576,745
	Corporate	469,970	410,376
		<u>£886,737</u>	<u>£1,109,125</u>

2	TOTAL RESOURCES EXPENDED					2001 Total £	2000 Total £
		Awards Granted	Membership Support	Research Costs	Publication Costs	Conference Costs	
	Grants awarded	149,724					
	Salaries		46,787	401,672	136,819		
	Infrastructure costs		11,901	100,948	34,801		
	Travel			12,607	23,964		
	Books and publications			4,070			
	Consultancy			2,866	4,298		
	Postage and telephone				38,905		
	Publication costs				252,576		
	Conference costs					169,446	
		<u>149,724</u>	<u>58,688</u>	<u>522,163</u>	<u>491,363</u>	<u>169,446</u>	
						<u>£1,391,384</u>	<u>£1,327,840</u>

3	GRANTS AWARDED	2001 £	2000 £
	The amount payable in the year comprises:		
	1 Institutional grant		
	Civitas: The Institute for the Study of Civil Society	140,000	273,746
	Research and publication -		
	1 individual grant	9,724	39,226
		<u>£149,724</u>	<u>£312,972</u>

**COMMITMENTS**

The Trustees have authorised certain grants in 2002, totalling £90,000 (2001 £140,000).

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

4	NET INCOMING RESOURCES/(RESOURCES EXPENDED)	2001 £	2000 £
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Net incoming resources/(resources expended) for the year are stated after charging:

Depreciation	41,239	41,130
Research	522,164	492,986
Auditors' remuneration	5,900	9,000

## 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.

6	EMPLOYEES	2001 No.	2000 No.
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The average monthly number of persons employed by the Institute during the year was:

General	15	18
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2001 £	2000 £
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Staff costs for above persons:

Wages and salaries	387,248	397,054
Social security costs	37,084	38,828
Other pension costs	35,446	37,546
	459,778	473,428

The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows:

	2001 No	2000 No
£100,001 - £110,000	1	-
£110,001 - £120,000	-	1

The employee earning over £50,000 participates in the company pension scheme.

No trustee, or person related or connected to them, has received any remuneration from the Institute during the year.

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 7 TANGIBLE FIXED ASSETS

	Freehold properties £	Freehold properties £	Investment properties Long leasehold property £	Office equipment £	Total £
Cost or valuation					
31 December 2000	907,355	17,500	70,806	88,511	1,084,172
Additions	-	-	-	11,186	11,186
Disposals	-	-	-	(12,683)	(12,683)
31 December 2001	907,355	17,500	70,806	87,014	1,082,675
Depreciation					
31 December 2000	67,135	-	-	62,984	130,119
Charged in the year	22,684	-	-	18,555	41,239
Disposals	-	-	-	(11,609)	(11,609)
31 December 2001	89,819	-	-	69,930	159,749
Net book value					
31 December 2001	817,536	17,500	70,806	17,084	922,926
31 December 2000	840,220	17,500	70,806	25,527	954,053

### 8 FIXED ASSETS INVESTMENTS

	Equities £	Open-end funds £	Fixed interest securities £	Currency £	Total £
Market value at					
31 December 2000	166,868	223,204	443,527	-	833,599
Additions at cost	10,841	92,927	79,477	17,619	200,864
Disposals	(31,572)	-	-	-	(31,572)
Net unrealised investment gain/(loss)	16,808	(47,039)	(4,459)	-	(34,690)
Market value at 31 December 2001	163,005	269,092	518,545	17,619	968,261
Historical cost at 31 December 2001	163,158	227,291	528,106	17,619	936,174

The following investments represent more than 5% of the value of the charity's investment portfolio:

	2001 £
Treasury 5% stock 2004	80,592
Treasury 5.75% stock 2009	185,280
Treasury 6.25% stock 2010	162,500
Gartmore UK Index Fund	128,070
Fidelity Funds International Fund (Luxembourg)	66,229
Franklin Templeton Global Growth Fund (Luxembourg)	74,793

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

9	DEBTORS	2001 £	2000 £
	Due within one year:		
	Trade debtors	17,084	9,887
	Other debtors	12,714	6,027
	Income tax recoverable	6,714	1,383
	Prepayments and accrued income	123,949	129,017
		<u>160,461</u>	<u>146,314</u>
10	CREDITORS: Amounts falling due within one year	2001 £	2000 £
	Trade creditors	47,920	32,418
	Taxation and social security	10,391	13,675
	Accruals	54,913	40,673
	Deferred income	58,929	-
		<u>172,153</u>	<u>86,766</u>

### 11 RESTRICTED FUNDS

The income funds of the Institute include a restricted fund comprising the following unexpended balance of donations and grants held in trust to be applied for a specific purpose:

	Movement in funds			At 31 December 2001 £
	At 31 December 2000 £	Income £	Expenditure £	
Special Research Fund A	9,724	-	(9,724)	-

**The Institute of Economic Affairs**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2001

12 DESIGNATED FUNDS

	At 31 December 2000 £	Income £	Expenditure £	Investment gains £	Transfers £	At 31 December 2001 £
Freehold Fund	754,945	-	-	-	-	754,945
Leonard Harris Fund	52,539	2,167	(10,426)	(1,494)	-	42,786
Media Fellowship Fund	2,150	5,113	(4,800)	-	-	2,463
Novak Fund	11,673	-	(5,250)	-	-	6,423
The Malcolm Fund	256,005	10,584	-	30,545	-	297,134
Warren Fund	1,307,277	30,707	-	(45,152)	(421,842)	870,990
Aims of Industry Fund	-	10,000	(1,000)	-	-	9,000
	<u>2,384,589</u>	<u>58,571</u>	<u>(21,476)</u>	<u>(16,101)</u>	<u>(421,842)</u>	<u>1,983,741</u>

The Freehold Fund represents donations made to the Institute currently designated and used by the Trustees for the purpose of acquiring freehold property.

The Leonard Harris Fund has currently been designated by the Trustees to make grants.

The Media Fellowship Fund supports a media fellowship to promote the work of the IEA in the broadcasting and printing media.

The Novak Fund represents donations made to the Institute currently designated and used by the Trustees for the purpose of funding a series of annual lectures.

The Malcolm Fund was set up with the aim of producing income to promote research into the further 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.

The Warren Fund is used by the Trustees to support major commitments, fund unforeseen revenue shortfalls, and to generate investment income to support the Institute's activities.

The Aims of Industry Fund was received in 2001 and is to be used for the following purposes:

- (i) to fund teachers/students to attend IEA and IEA related funds as Michael Ivens Fellows; and
- (ii) to pay any costs associated with the awarding annually of the Free Enterprise Award.



# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 13 UNRESTRICTED FUNDS

	At 31 December 2000 £	Income £	Expenditure £	Investment Gains £	Transfers £	At 31 December 2001 £
General income and expenditure account	(191,105)	1,129,447	(1,360,184)	-	421,842	-
Other general fund	186,234	4,374	-	(6,432)	-	184,176
	(4,871)	1,133,821	(1,360,184)	(6,432)	421,842	184,176
Designated Funds (see note 12)	2,384,589	58,571	(21,476)	(16,101)	(421,842)	1,983,741
	2,379,718	1,192,392	(1,381,660)	(22,533)	-	2,167,917

### 14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Designated Funds £	General Funds £	Restricted funds £	Total funds £
Fund balances at 31 December 2001 are represented by:				
Tangible fixed assets	848,098	74,828	-	922,926
Investments	881,975	86,286	-	968,261
Current assets	253,668	195,215	-	448,883
Current liabilities	-	(172,153)	-	(172,153)
Total net assets	1,983,741	184,176	-	2,167,917

### 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 £35,446 (2000 : £37,546). There were no contributions outstanding at the end of either the current or preceding financial years.

### 16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 10 (2000 : 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.