

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



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

THE INSTITUTE OF ECONOMIC AFFAIRS
(Limited by Guarantee)

Report and Financial Statements

31 December 1998

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



REPORT AND FINANCIAL STATEMENTS 1998

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TRUSTEES' REPORT

The Trustees have pleasure in submitting their annual report and accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The Institute's main activity is the promotion and advancement of learning by research into economic and political science, and by educating the public therein.

REVIEW OF ACTIVITIES AND FUTURE PROSPECTS

During 1998 the Institute published 25 titles and 3 publications in association with other publishers, organised 12 conferences, ran 11 major lectures and hosted 135 other events. It had subscribers from 56 countries and sold books in 65 countries. Permission to reprint or translate previous IEA publications was given to 20 overseas publishers. Conference delegates were received from 50 countries and the Institute is corresponding with economists in 80 countries.

The Trustees believe that the Institute is well placed to continue and increase its activities.

RESULTS FOR THE YEAR

Details of the results for the year are set out in the statement of financial activities on page 5.

TRUSTEES

The Trustees who served throughout the year were:

Professor Harold Rose, Chairman (resigned as Chairman and Trustee 30 June 1998)
Sir Peter Walters, Chairman (appointed Chairman 1 July 1998)
Lord Vinson of Roddam Dene LVO
Malcolm McAlpine
Michael Fisher
Sir Michael Richardson
Mrs Linda Whetstone
Professor Michael Beesley
Professor Martin Ricketts
Professor Geoffrey Wood
Professor David Myddelton
Robert Boyd

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

METHOD OF ELECTION OF TRUSTEES

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 his office until the next Annual General Meeting, but he shall then be eligible for re-election.

LEGAL AND ADMINISTRATIVE INFORMATION

The Institute for Economic Affairs is a company registered by guarantee (company registration number 755502) and is a registered charity (registered charity number CC/235351). The registered office of the Institute is 2 Lord North Street, London, SW1P 3LB.

The Institute of Economic Affairs consists of a main core section, which is responsible for the running of the Institute and research into a wide range of economic subjects excepting those which are covered by its specialised units. The specialised units are the Health and Welfare Unit, the Environment Unit, the Education and Training Unit and the Trade and Development Unit.

The Institute is governed by its memorandum and articles of association.

TRUSTEES' REPORT

OFFICERS AND PROFESSIONAL ADVISERS

Auditors:

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Bankers

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

Solicitors:

Bird & Bird
90 Fetter Lane
London EC4A 1JP

Stockbrokers:

Laing & Cruickshank Investment Management Ltd
Broadwalk House
5 Appold Street
London EC2A 2DA

YEAR 2000

Measures have been taken to deal with the impact of the year 2000 and the estimated costs of necessary changes will not be significant to the Institute.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Trustees
and signed on their behalf



Sir Peter Walters
Chairman

25 May 1999

**STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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 Institute as at the end of the financial year and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and which enables 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.



AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF ECONOMIC AFFAIRS (LIMITED BY GUARANTEE)

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of trustees and auditors

As described on page 3 the Institute's Trustees 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 Institute'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 Institute's affairs as at 31 December 1998 and of the incoming resources and application of resources, including the income and expenditure, of the Institute for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

7 June 1999


STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 December 1998

	Note	Unrestricted Funds £	Restricted funds £	Total 1998 £	Total 1997 (restated) £
INCOMING RESOURCES					
Membership subscriptions		976,284	-	976,284	946,974
Publication sales		112,077	-	112,077	106,272
Conferences and lectures		100,185	-	100,185	70,995
Other income		16,327	28,545	44,872	64,757
Total incoming resources		1,204,873	28,545	1,233,418	1,188,998
RESOURCES EXPENDED					
Direct charitable expenditure:					
Awards granted		6,167	42,506	48,673	6,686
Membership support		69,242	-	69,242	64,198
Research costs		617,848	-	617,848	576,633
Publication costs		478,912	-	478,912	468,037
Conference costs		64,815	-	64,815	69,585
Total resources expended		1,236,984	42,506	1,279,490	1,185,139
NET INCOMING RESOURCES/DEFICIT FOR THE YEAR	2	(32,111)	(13,961)	(46,072)	3,859
Investment income		43,285	293	43,578	39,380
Interest receivable		14,645	99	14,744	22,802
OTHER RECOGNISED GAINS AND LOSES					
Gain on revaluations and investment asset disposals held for charity use:					
Realised from investments		-	-	-	64,584
Unrealised from investments	9,10	122,758	573	123,331	1,321
Total investment gains		122,758	573	123,331	65,905
NET MOVEMENT IN FUNDS		148,577	(12,996)	135,581	131,946
TOTAL FUNDS BROUGHT FORWARD					
As previously reported		2,159,980	49,058	2,209,038	2,078,413
Prior period adjustment	13	76,065	-	76,065	74,744
As restated	9,10	2,236,045	49,058	2,285,103	2,153,157
TOTAL FUNDS CARRIED FORWARD	9,10	2,384,622	36,062	2,420,684	2,285,103

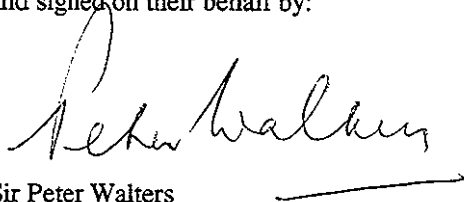
All activities are derived from continuing operations. There are no recognised gains or losses for the current and preceding financial years other than as stated above and hence a statement of recognised gains and losses will not be included.

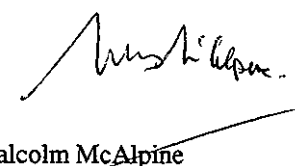

BALANCE SHEET
31 December 1998

	Note	1998	1997 (restated)
		£	£
FIXED ASSETS			
Tangible assets	5	957,240	992,571
Investments	6	1,156,610	824,547
		<u>2,113,850</u>	<u>1,817,118</u>
CURRENT ASSETS			
Debtors	7	93,551	83,257
Cash at bank and in hand		277,472	452,760
		<u>371,023</u>	<u>536,017</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(64,189)	(68,032)
NET CURRENT ASSETS		<u>306,834</u>	<u>467,985</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,420,684</u>	<u>2,285,103</u>
INCOME FUNDS			
Restricted funds	9	36,062	49,058
Unrestricted funds:			
Designated funds	11	818,859	777,427
Other funds	10	1,565,763	1,458,618
TOTAL FUNDS		<u>2,420,684</u>	<u>2,285,103</u>

The notes to the accounts form an integral part of the financial statements.

Approved by the Trustees
and signed on their behalf by:


Sir Peter Walters


Malcolm McAlpine

25 May

1999

**NOTES TO THE ACCOUNTS****Year ended 31 December 1998****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the Statement of Recommended Practice "Accounting by Charities" and applicable accounting standards. The particular accounting policies adopted by the trustees are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Income

Income is the amount derived from the provision of goods and services, donations received and other income from investments. Income is credited to the general income and expenditure account (an unrestricted fund) unless specified for particular use by either the donor or the Trustees.

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

Depreciation

No depreciation is charged on the long leasehold property. This departure from the requirements of the Companies Act 1985 and standard accounting practice is wholly immaterial.

Motor vehicles and fixtures and fittings are written down over their expected useful economic lives on the following bases:

- Motor vehicles - straight line over 4 years
- Office equipment - straight line over 3 years
- Freehold property - straight line over 40 years

Stocks

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

Research expenditure

Research expenditure is written off in the accounts as it is incurred.

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. Realised and unrealised gains and losses are shown separately in the appropriate section of the statement of financial activities.

Pension funds

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


NOTES TO THE ACCOUNTS
Year ended 31 December 1998

2. NET INCOMING RESOURCES/(DEFICIT)

	1998 £	1997 £
Net incoming resources for the year are stated after charging:		
Depreciation	48,775	33,951
Research	627,451	576,633
Auditors' remuneration	7,500	7,000
	<u>703,726</u>	<u>617,584</u>

3. TAXATION

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

4. EMPLOYEES

The average number of people employed by the Institute, excluding Trustees, was 19 (1997 - 19) of employees. The split between the various departments is as follows:

	1998 £	1997 £
General	14	14
Health & Welfare Unit	4	4
Environment Unit	1	1

The costs in respect of these employees, which were all charged to the general income and expenditure account, were:

	1998 £	1997 £
Wages and salaries	648,964	435,444
Social security costs	13,347	42,522
Other pension costs	44,463	34,098
	<u>706,774</u>	<u>512,064</u>

The number of employees with emoluments (salaries and pension contributions combined) over £40,000 per annum fell into the following bands:

	1998 Number	1997 Number
£ 50,001 - £ 60,000	1	1
£ 100,001 - £110,000	1	1
	<u>2</u>	<u>2</u>

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


NOTES TO THE ACCOUNTS
Year ended 31 December 1998

5. TANGIBLE FIXED ASSETS

	Freehold property £	Long leasehold property £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 January 1998	888,220	70,806	16,063	134,836	1,109,925
Additions	-	-	-	13,444	13,444
Disposals	-	-	-	(8,709)	(8,709)
At 31 December 1998	888,220	70,806	16,063	139,571	1,114,660
Accumulated depreciation					
At 1 January 1998	-	-	8,032	109,322	117,354
Charge for the year	21,768	-	4,016	22,991	48,775
Disposals	-	-	-	(8,709)	(8,709)
At 31 December 1998	21,768	-	12,048	123,604	157,420
Net book value					
At 31 December 1998	866,452	70,806	4,015	15,967	957,240
At 31 December 1997	888,220	70,806	8,031	25,514	992,571

6. INVESTMENTS HELD AS FIXED ASSETS

	Unit trusts £	Fixed interest securities £	Total £
Total investments			
Market value at 1 January	575,637	248,910	824,547
Additions at cost	61,557	147,175	208,732
Net unrealised investment gains	62,126	61,205	123,331
Market value at 31 December	699,320	457,290	1,156,610

All investments are listed on a recognised stock exchange.

7. DEBTORS

	1998 £	1997 £
Trade debtors	21,876	43,152
Other debtors	16,780	22,155
Income tax recoverable	22,378	12,662
Prepayments and accrued income	32,517	5,288
	93,551	83,257


NOTES TO THE ACCOUNTS
Year ended 31 December 1998

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	19,779	31,575
Taxation and social security	15,051	14,492
Accruals	29,359	21,965
	<u>64,189</u>	<u>68,032</u>

9. 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				
	Balance 1 January 1998 £	Incoming resources £	Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 1998 £
John Wood Prize Fund	12,991	392	573	(4,424)	9,532
Special Research Fund A	36,067	22,500	-	(36,067)	22,500
Special Research Fund B	-	6,045	-	(2,015)	4,030
	<u>49,058</u>	<u>28,937</u>	<u>573</u>	<u>(42,506)</u>	<u>36,062</u>

The John Wood Prize Fund represents funds donated to the Institute for the specific purpose of providing a prize fund for an essay competition.

The Special Research Funds represent funds donated to the Institute for the purpose of providing grants to meet the costs of a specific book projects.

10. UNRESTRICTED FUNDS

	Movement in funds						
	Balance at 1 January 1998 (as previously stated) £	Prior period adjustment £	Balance 1 January 1998 £	Incoming resources £	Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 1998 £
Other funds							
General income and expenditure account	(151,763)	76,065	(75,698)	1,250,667	-	(1,230,817)	(55,848)
Warren Fund	1,376,693	-	1,376,693	0	73,182	-	1,449,875
Other Funds	157,623	-	157,623	5,734	8,379	-	171,736
	<u>1,382,553</u>	<u>76,065</u>	<u>1,458,618</u>	<u>1,256,401</u>	<u>81,561</u>	<u>(1,230,817)</u>	<u>1,565,763</u>
Designated funds (note 11)	<u>777,427</u>	<u>-</u>	<u>777,427</u>	<u>6,402</u>	<u>41,197</u>	<u>(6,167)</u>	<u>818,859</u>
	<u>2,159,980</u>	<u>76,065</u>	<u>2,236,045</u>	<u>1,262,803</u>	<u>122,758</u>	<u>(1,236,984)</u>	<u>2,384,622</u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

11. DESIGNATED FUNDS

The income funds of the Institute include the following designated funds:

	Balance 1 January 1998 £	Incoming Resources £	Movement in funds Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 1998 £
Leonard Harris Fund	60,588	3,397	3,091	(6,167)	60,909
Freehold Fund	716,839	0	38,106	-	754,945
Novak Fund	-	3,005	-	-	3,005
	<u>777,427</u>	<u>6,402</u>	<u>41,197</u>	<u>(6,167)</u>	<u>818,859</u>

The Leonard Harris Fund has currently been designated by the Trustees as being at the specific disposal of Lord Harris, Arthur Seldon and John Blundell to make grants.

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

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

12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	Total funds £
Fund balances at 31 December 1998 are represented by:			
Tangible fixed assets	957,240	-	957,240
Investments	1,156,610	-	1,156,610
Current assets	334,961	36,062	371,023
Current liabilities	(64,189)	-	(64,189)
Total net assets	<u>2,384,622</u>	<u>36,062</u>	<u>2,420,684</u>

13. PRIOR PERIOD ADJUSTMENT

The prior period adjustment represents the effect of a change in the accounting policy so as to carry investments in the balance sheet at market value rather than cost.

The prior period adjustment gives rise to a cumulative credit to reserves of £76,065 in the 1997 accounts of which £74,744 relates to 1996 and prior periods.

14. PENSION SCHEMES

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

The pension cost of the Institute's scheme amounted to £44,463 (1997 - £34,098). There were no contributions outstanding at the end of either the current or preceding financial years.

**NOTES TO THE ACCOUNTS****Year ended 31 December 1998****15. STATUS**

The Institute is a company limited by guarantee and has no share capital. The Institute had 15 members at the year end (1997 - 15).

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.