

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

**Deloitte  
& Touche**

**THE INSTITUTE OF ECONOMIC AFFAIRS  
(Limited by Guarantee)**

**Report and Financial Statements**

**31 December 2000**

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



**REPORT AND FINANCIAL STATEMENTS 2000**

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## **TRUSTEES' REPORT**

The Trustees have pleasure in submitting their annual report and accounts for the year ended 31 December 2000.

### **PRINCIPAL ACTIVITY**

During 2000 the Institute published 14 books and 4 issues of Economic Affairs, reprinted 4 books and 1 publication in association with another publisher, organized 18 conferences, ran 8 major lectures and hosted 132 other events, with a total attendance of 5,808. The number of subscribers at the end of the year was 1,087. The IEA website received 476,000 hits. Permission to reprint or translate previous IEA publications was given to a number of overseas institutes and commercial publishers.

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

During the year the activities previously carried on within the Institute's "Health and Welfare" Unit were established as a separate institute, "Civitas: The Institute for the Study of Civil Society." The IEA supported the establishment of the new Institute with a substantial cash grant. Also during the year the Institute was reorganised around programmes rather than units as previously.

### **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:

Sir Peter Walters	(Chairman)
Robert Boyd	
Michael Fisher	
Malcolm McAlpine	
Professor David Myddelton	
Sir Michael Richardson	
Professor Martin Ricketts	
Lord Vinson of Roddam Dene LVO	
Mrs Linda Whetstone	
Professor Geoffrey Wood	

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 limited 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 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

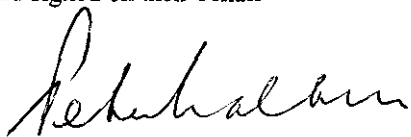
*Bankers*

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

**AUDITORS**

Messrs Deloitte & Touche will retire as auditors on completion of the audit for the year 2000. The Managing Trustees have approved the appointment of Messrs Baker Tilley to succeed them.

Approved by the Trustees  
and signed on their behalf



Sir Peter Walters  
Chairman

22 May 2001

## **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 which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 2000 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

30 May 2001

**STATEMENT OF FINANCIAL ACTIVITIES**  
**Year ended 31 December 2000**

	Note	Unrestricted funds £	Restricted funds £	Total 2000 £	Total 1999 £
<b>INCOMING RESOURCES</b>					
Membership subscriptions		1,109,125	-	1,109,125	893,883
Publication sales		71,320	-	71,320	132,076
Conferences and lectures		126,043	-	126,043	114,262
Other income		11,248	9,724	20,972	54,588
Total incoming resources		1,317,736	9,724	1,327,460	1,194,809
<b>RESOURCES EXPENDED</b>					
Direct charitable expenditure:					
Awards granted		273,746	39,226	312,972	37,635
Membership support		55,414	-	55,414	73,763
Research costs		492,986	-	492,986	653,740
Publication costs		364,891	-	364,891	510,827
Conference costs		101,577	-	101,577	97,430
Total resources expended		1,288,614	39,226	1,327,840	1,373,395
<b>NET INCOMING RESOURCES/(DEFICIT) FOR THE YEAR</b>	2	29,122	(29,502)	(380)	(178,586)
Investment income		25,434	-	25,434	36,832
Interest receivable		18,213	-	18,213	12,388
<b>OTHER RECOGNISED GAINS AND LOSSES</b>					
Gain on revaluations and investment asset disposals held for charity use:					
Realised from sale of investments		(1,640)	-	(1,640)	(18,306)
Unrealised from investments	6	4,935	-	4,935	69,868
Total investment gains		3,295	-	3,295	51,562
<b>NET MOVEMENT IN FUNDS</b>		76,064	(29,502)	46,562	(77,804)
<b>TOTAL FUNDS BROUGHT FORWARD</b>		2,303,654	39,226	2,342,880	2,420,684
<b>TOTAL FUNDS CARRIED FORWARD</b>	9,10,11	2,379,718	9,724	2,389,442	2,342,880

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.

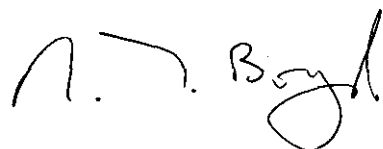
**BALANCE SHEET**  
**31 December 2000**

	Note	£	2000 £	£	1999 £
<b>FIXED ASSETS</b>					
Tangible assets	5		954,053		980,819
Investments	6		833,599		817,093
			<u>1,787,652</u>		<u>1,797,912</u>
<b>CURRENT ASSETS</b>					
Debtors	7	146,314		169,304	
Cash at bank and in hand		542,242		459,150	
		<u>688,556</u>		<u>628,454</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(86,766)</u>		<u>(83,486)</u>	
<b>NET CURRENT ASSETS</b>			<u>601,790</u>		<u>544,968</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,389,442</u>		<u>2,342,880</u>
<b>REPRESENTED BY:</b>					
<b>INCOME FUNDS</b>					
Restricted funds	9		9,724		39,226
Unrestricted funds:					
Designated funds	10		2,384,589		823,711
Other funds	11		<u>(4,871)</u>		<u>1,479,943</u>
<b>TOTAL FUNDS</b>			<u>2,389,442</u>		<u>2,342,880</u>

Approved by the Trustees  
and signed on their behalf by:



Sir Peter Walters  
Chairman



Robert Boyd

22 May 2001



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**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 2000**

**2. NET INCOMING RESOURCES/(DEFICIT)**

	2000 £	1999 £
Net incoming resources for the year are stated after charging:		
Depreciation	41,130	55,480
Research	492,986	653,740
Auditors' remuneration	9,000	8,500

Prior year income of £46,348 has been reclassified from membership subscriptions to publication sales to conform with current year's presentation.

**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 18 (1999 - 21). The split between the various departments is as follows:

	2000 No.	1999 No.
General	18	16
Health & Welfare Unit	-	4
Environment Unit	-	1
	<u>18</u>	<u>21</u>

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

	£	£
Wages and salaries	397,054	666,571
Social security costs	38,828	47,542
Other pension costs	37,546	45,990
	<u>473,428</u>	<u>760,103</u>

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

	No.	No.
£40,001 - £50,000	1	-
£50,001 - £60,000	-	-
£60,001 - £70,000	-	1
£100,001 - £110,000	-	-
£110,001 - £120,000	1	1

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 2000**

**5. TANGIBLE FIXED ASSETS**

	Freehold property £	Long leasehold property £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 2000	924,855	70,806	16,063	98,531	1,110,255
Additions	-	-	-	15,915	15,915
Disposals	-	-	(16,063)	(25,935)	(41,998)
At 31 December 2000	924,855	70,806	-	88,511	1,084,172
<b>Accumulated depreciation</b>					
At 1 January 2000	44,451	-	16,063	68,922	129,436
Charge for the year	22,684	-	-	18,446	41,130
Disposals	-	-	(16,063)	(24,384)	(40,447)
At 31 December 2000	67,135	-	-	62,984	130,119
<b>Net book value</b>					
At 31 December 2000	857,720	70,806	-	25,527	954,053
At 31 December 1999	880,404	70,806	-	29,609	980,819

**6. INVESTMENTS HELD AS FIXED ASSETS**

	Equities £	Unit trusts £	Fixed interest securities £	Total £
<b>Total investments</b>				
Market value at 1 January	-	462,927	354,166	817,093
Additions at cost	163,158	-	73,527	236,685
Disposals	-	(225,114)	-	(225,114)
Net unrealised investment gain/(loss)	3,710	(14,609)	15,834	4,935
Market value at 31 December	166,868	223,204	443,527	833,599

All investments are listed on a recognised stock exchange.

**7. DEBTORS**

	2000 £	1999 £
Trade debtors	9,887	28,399
Other debtors	6,027	22,277
Income tax recoverable	1,383	10,622
Prepayments and accrued income	129,017	108,006
	146,314	169,304

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Trade creditors	32,418	47,696
Taxation and social security	13,675	15,839
Accruals	40,673	19,951
	<u>86,766</u>	<u>83,486</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:

	Balance 1 January 2000 £	Movement in funds		Balance 31 December 2000 £
		Incoming resources £	Utilised/ released £	
John Wood Prize Fund	6,726	-	(6,726)	-
Special Research Fund A	22,500	9,724	(22,500)	9,724
Special Research Fund B	10,000	-	(10,000)	-
	<u>39,226</u>	<u>9,724</u>	<u>(39,226)</u>	<u>9,724</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 A and B represent funds donated to the Institute for the purpose of providing grants to meet the costs of specific book projects.

**10. DESIGNATED FUNDS**

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

	Balance 1 January 2000 £	Change in status £	Movement in funds			Balance 31 December 2000 £
			Incoming resources £	Gains/ (losses) and transfers £	Utilised/ released £	
Freehold Fund	754,945	-	-	-	-	754,945
Leonard Harris Fund	56,693	-	-	1,392	(5,546)	52,539
Media Fellowship Fund	-	-	4,950	-	(2,800)	2,150
Novak Fund	12,073	-	-	-	(400)	11,673
Malcolm's Fund	-	-	250,000	6,005	-	256,005
Warren Fund	-	1,536,920	-	35,357	(265,000)	1,307,277
	<u>823,711</u>	<u>1,536,920</u>	<u>254,950</u>	<u>42,754</u>	<u>(273,746)</u>	<u>2,384,589</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**10. DESIGNATED FUNDS (continued)**

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 as being at the specific disposal of Lord Harris, Arthur Seldon and John Blundell to make grants.

The Media Fellowship Fund supports a media fellowship to promote the ideas of the IEA in the broadcasting and printed 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's 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 has been recategorised as a Designated Fund. It is used by the Trustees to support major commitments, fund unforeseen revenue shortfalls, and to generate investment income to support the Institute's activities.

**11. UNRESTRICTED FUNDS**

	Balance 1 January 2000 £	Change in status £	Incoming resources £	Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 2000 £
<b>Other funds</b>						
General income and expenditure account	(239,023)	-	1,062,786	-	(1,014,868)	(191,105)
Other Funds	182,046	-	-	4,188	-	186,234
Warren Fund	1,536,920	(1,536,920)	-	-	-	-
	<u>1,479,943</u>	<u>(1,536,920)</u>	<u>1,062,786</u>	<u>4,188</u>	<u>(1,014,868)</u>	<u>(4,871)</u>
<b>Designated Funds (note 10)</b>	<u>823,711</u>	<u>1,536,920</u>	<u>254,950</u>	<u>42,754</u>	<u>(273,746)</u>	<u>2,384,589</u>
	<u>2,303,654</u>	<u>-</u>	<u>1,317,736</u>	<u>46,942</u>	<u>(1,288,614)</u>	<u>2,379,718</u>

**12. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds £	Restricted funds £	Total funds £
<b>Fund balances at 31 December 2000 are represented by:</b>			
Tangible fixed assets	954,053	-	954,053
Investments	833,599	-	833,599
Current assets	678,832	9,724	688,556
Current liabilities	(86,766)	-	(86,766)
<b>Total net assets</b>	<u>2,379,718</u>	<u>9,724</u>	<u>2,389,442</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**13. 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 £37,546 (1999 - £45,990). There were no contributions outstanding at the end of either the current or preceding financial years.

**14. STATUS**

The Institute is a company limited by guarantee and has no share capital. The Institute had 15 members at the year end (1999 - 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.