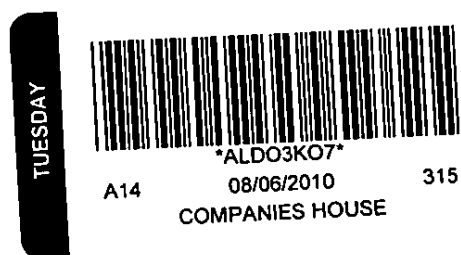


The Institute of Economic Affairs
(A Charitable Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

31 December 2009



Company Registration No 755502
Registered Charity No CC/235351

The Institute of Economic Affairs

TRUSTEES' REPORT

Company Registration Number 755502

Charity Registration Number CC/235351

TRUSTEES

Professor DR Myddelton Chairman

Kevin Bell

Robert Boyd

Michael Fisher

Michael Hintze

Malcolm McAlpine

Professor Patrick Minford

Dr Mark Pennington

Neil Record

Professor Martin Ricketts

Linda Whetstone

DIRECTOR GENERAL

Mark Littlewood

EDITORIAL DIRECTOR

Professor Philip Booth

SECRETARY

C Rusbridge

REGISTERED OFFICE

2 Lord North Street

Westminster

London SW1P 3LB

AUDITORS

Baker Tilly UK Audit LLP

Chartered Accountants

1st Floor

46 Clarendon Road

Watford

Herts

WD17 1JJ

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

The Trustees present their report together with the accounts of the Institute of Economic Affairs (IEA) for the calendar year 2009

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 set out its objects and powers and governed under its Articles of Association. It is a registered charity [No. CC/235351].

GOVERNANCE

During the year John Blundell, who had been Director General since 1993, was succeeded by Mark Littlewood. 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. 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. Three of the Trustees, the Chairman of the Board, the Treasurer and the Chairman of the Finance and General Purposes Committee, together form a sub-committee which reviews the Director General's performance annually, and they also serve as a Nominations Committee and as an Audit Committee.

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 costs of Administration and Research.

Academic programmes

- Publications
- Student/teacher outreach
- Lectures, conferences, seminars and special events
- Communication and distribution, including website

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 endeavour to bring issues relating to economics and politics to the attention of the public through the academic programmes, fundraising and subscriber support detailed above. 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 above statements comply with the fourth commencement order of the Charities Act 2006.

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 various activities listed above.

2009 has been a difficult year, but we broadly maintained our level of output. Normal donations and subscriptions were somewhat higher than in the previous year. Expenditure was roughly the same in real terms as in the five previous years. We are planning to modify our way of operating to allow greater flexibility to respond to potential changes, both in income and in programme opportunities.

The Institute of Economic Affairs

TRUSTEES' REPORT

REVIEW OF ACHIEVEMENTS (continued)

We continued to develop our website, on which over 5 million pages were visited during the year and 189,000 copies of monographs and web publications were downloaded. The number of unique visitors in any month reached a peak of 20,200 in November 2009. The blog which we started in 2008 has developed strongly, with more than fifty different authors contributing posts. It has received on average just under 5,000 unique visitors per month, twice as many as in the last four months of 2008, and traffic continues to grow. The average number of comments per post remains disappointing relative to the number of readers. We have also significantly extended our range of audio and video files available to teachers and students.

We continued to expand our extensive student/teacher outreach programme and speakers were provided for a number of undergraduate and sixth-form events. The IEA has now established a very successful interns programme whereby several students spend eight weeks working on research projects. In addition, students are regularly invited to our main events. We very much welcome their presence and their enthusiasm. A number of special events have been organised for students, to expose them to the economic ideas of academics. Most notably a sixth-form event in Oxford was attended by 150 students. The IEA Political Economy Conference was also attended by about 60 students and teachers. The IEA now sponsors a PhD student, who is conducting research into the measurement of poverty.

During 2009 the Institute published six titles, co-published three titles and distributed a further thirteen, excluding web publications and the journal, *Economic Affairs*. The IEA organised twenty major conferences and many more lunch, dinner and evening events, including lectures, seminars, book launches and other special events.

Investment income on the Ralph Harris Fund during the year amounted to £71,000.

Our relatively conservative investment strategy meant that under 50% of our total portfolio was invested in equity markets. We are pleased that despite the worst global financial crisis for three-quarters of century, our largest fund, the Ralph Harris Fund, at the end of 2009, was valued at less than ten per cent below the original sum raised.

Our objectives continue to be essentially long-term in nature and it remains very difficult to assess the extent of 'public understanding' and changes therein. We can measure the quantity of many of our activities each year, and we try hard to maintain or improve the quality. Most of our activities may be regarded as contributing towards a cumulative portfolio of 'work-in-progress' at any given moment.

All our main publications are refereed by independent scholars and we benefit from a network of distinguished academic advisers, to whom we are most grateful. There is a formal meeting of academic advisers once a year, under the chairmanship of Professor Martin Ricketts, one of our Managing Trustees.

Continuing themes are over-regulation, much of it stemming from the European Union, systemic problems in the welfare state, corruption, both intellectual and financial, in public life, and other pervasive aspects of government interference. In early 2010, as this Report is being written, evidence of serious government failure in economic affairs is all too widespread. The UK's public finances rival Greece's. Hence the IEA's role in spreading public understanding is as important as ever.

The Institute of Economic Affairs

TRUSTEES' REPORT

FINANCIAL REVIEW

Total incoming resources during the year were £1,437,000 and total resources expended were £1,213,000 before exceptional costs of £203,000, leaving total net incoming resources of £21,000. For details of exceptional costs, please refer to note 7 of the accounts. The net increase in funds was £301,000, after allowing for realised and unrealised gains and losses on investments. The accounts, together with the notes thereto, expand on these outline details.

Our income mainly comprises donations from individuals, companies, foundations and personal trusts, together with revenue from sales of publications and from conferences and income from investments. We do not accept donations or grants from government. The Finance and General Purposes Committee, and the full Board of Managing Trustees, regularly review the amount of donations.

GRANT MAKING POLICIES

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 POLICY

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.

The Trustees' reserves policy, which is reviewed at least annually, is to maintain sufficiently liquid reserves, including designated funds, equivalent to at least six months expenditure. We believe this is adequate, under normal circumstances, to enable us to maintain operations in the event of seasonal or other possible fluctuations in donations and other income and/or expenditure. Some of our activities, especially publications, are programmed well in advance, and are difficult or expensive to modify at short notice. The free reserves of the charity as at 31st December 2009, defined as being unrestricted, undesignated funds not represented by fixed assets, amounted to £29,000.

RISK REVIEW

The primary 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. As noted above, all the IEA's major publications are peer reviewed under a system managed by the Editorial and Programme Director, Professor Philip Booth, and supervised by the Chairman of our Academic Advisory Board, Professor Martin Ricketts. The IEA takes great care to maintain its strict independence from commercial, party political or other interests. It does not accept commissions to perform research on behalf of others.

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 employee's 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.

The Institute of Economic Affairs

TRUSTEES' REPORT

FUTURE PLANS

Under its new Director General, the Institute intends to enhance its activities in 2010 and beyond, continuing our long-established programme of publications and conferences and focusing especially on developing our website and our outreach programme for students and teachers. We recognise our need to attract new readers, listeners and viewers (and new authors). Our journal *Economic Affairs* provides a flexible platform for the latter. Currently our main focus for research, which we review regularly, is on the following areas related to free markets: the welfare state, the impact of the European Union and regulation, and especially financial regulation.

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 2009.

Professor DR Myddelton Chairman
Kevin Bell
Robert Boyd
Michael Fisher
Michael Hintze
Malcolm McAlpine
Professor Patrick Minford
Dr Mark Pennington
Neil Record
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, provided that the prescribed maximum of twelve Trustees is not exceeded. This is normally done on the recommendation of the Nominations Committee. Any Trustee so appointed shall retain office until the next Annual General Meeting, but will then be eligible for re-election. Thereafter Trustees retire, but may be 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 financial statements.

In accordance with company law, as the charitable company's directors, we certify that

- so far as we are aware, there is no relevant audit information of which the charitable company's auditors are unaware
- we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information

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.

The Institute of Economic Affairs

TRUSTEES' REPORT

AUDITORS

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

This report has been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (issued in March 2005)

By order of the board



Professor DR Myddelton
Chairman

1 June 2010

The Institute of Economic Affairs

TRUSTEES' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of the Institute of Economic Affairs for the year ended 31 December 2009 on pages 10 to 24

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.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities 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) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under the Companies Act 2006 and section 43 of the Charities Act 1993 and report to you in accordance with those Acts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006 and the Charities Act 1993. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006 and the Charities Act 1993, and
- the information given in the Trustees' Report is consistent with the financial statements

Baker Tilly UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

1st Floor

46 Clarendon Road

Watford

Herts WD17 1JJ

4 June 2010

The Institute of Economic Affairs

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 December 2009

	Notes	Unrestricted funds £000	Restricted funds £000	Expendable endowment funds £000	Total Funds 2009 £000	Total Funds 2008 £000
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	1	882	204	62	1,148	1,581
Activities for generating funds		45	-	-	45	-
Investment income						
Dividends receivable		14	37	-	51	55
Interest receivable		8	34	-	42	73
Incoming resources from charitable activities						
Academic programme						
Publications and subscriptions		61	-	-	61	70
Lectures, conferences and seminars		86	-	-	86	122
Other income		4	-	-	4	4
Total incoming resources		1,100	275	62	1,437	1,905
RESOURCES EXPENDED						
Costs of generating funds		20	-	-	20	4
Charitable activities						
Fundraising and subscriber support		122	22	-	144	146
Academic programme						
Publications		226	59	-	285	387
Student/Teacher Outreach		119	73	-	192	229
Lectures, conferences and seminars and special events (including website)		250	47	-	297	281
Communications and distribution		195	27	-	222	250
Governance	3	46	2	-	48	45
Exceptional costs	7	43	165	-	208	
Total resources expended	2	1,021	395	-	1,416	1,342
NET INCOMING RESOURCES/(RESOURCES EXPENDED)						
	4	79	(120)	62	21	563

The Institute of Economic Affairs

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING AN INCOME AND EXPENDITURE ACCOUNT) (continued)

For the year ended 31 December 2009

	Notes	Unrestricted funds £000	Restricted funds £000	Expendable endowment funds £000	Total 2009 £000	Total 2008 £000
NET INCOMING RESOURCES/(RESOURCES EXPENDED)		79	(120)	62	21	563
Gross transfers between funds		-	165	(165)	-	-
Realised gains/(losses) on investment assets	9	7	-	-	7	(18)
NET INCOME/ (EXPENDITURE)		86	45	(103)	28	545
Unrealised gains/(losses) on investment assets	9	86	-	187	273	(451)
NET MOVEMENT IN FUNDS		172	45	84	301	94
TOTAL FUNDS BROUGHT FORWARD		1,932	31	2,195	4,158	4,064
TOTAL FUNDS CARRIED FORWARD	15	2,104	76	2,279	4,459	4,158

All of the above results are derived from continuing activities

The Institute of Economic Affairs

BALANCE SHEET

As at 31 December 2009

Company registration no 755502

Charity registration no CC/235351

	Notes	2009 £000	2008 £000
FIXED ASSETS			
Tangible assets	8	683	708
Investments	9	3,703	3,307
		<u>4,386</u>	<u>4,015</u>
CURRENT ASSETS			
Debtors	10	79	190
Cash at bank and in hand		133	51
		<u>212</u>	<u>241</u>
CREDITORS Amounts falling due within one year	11	(139)	(98)
NET CURRENT ASSETS		<u>73</u>	<u>143</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,459</u>	<u>4,158</u>
FUNDS			
Expendable Endowment funds	12	2,279	2,195
Restricted funds	13	76	31
Unrestricted funds			
Designated funds	14	2,074	1,602
General funds	14	30	330
TOTAL FUNDS	15	<u>4,459</u>	<u>4,158</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 24 were approved by the Trustees and authorised for issue on 2010 and are signed on its behalf by

1 June
DR Myddelton
Professor DR Myddelton

Trustee

1

The Institute of Economic Affairs

ACCOUNTING POLICIES

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 2006 and follow the recommendations in Accounting and Reporting by Charities Statement of Recommended Practice, issued in March 2005

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

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 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 for the subscription period covered

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

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

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity

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 floorspace

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, others are apportioned on an appropriate basis e g floorspace

The Institute of Economic Affairs

ACCOUNTING POLICIES

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.

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 for which the trustees have currently designated 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 a specific purpose.

ENDOWMENT FUNDS

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.

INVESTMENTS

Investments held as fixed assets comprise equities, open-ended funds, fixed interest securities and currency and are stated at year end market value. Property is stated at the trustees' assessment of year-end market value.

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

1	DONATIONS (VOLUNTARY INCOME)	2009 £000	2008 £000
	Foundations, corporate and individuals	714	1,082
	Legacies	434	499
		<u>1,148</u>	<u>1,581</u>

2	ALLOCATION OF COSTS 2009	Direct Costs £000	Support costs £000	2009 Total £000
	Costs of generating funds	20	-	20
	Fundraising and subscriber support	58	86	144
	Publications	167	118	285
	Student/Teacher Outreach	122	70	192
	Lectures, conferences and seminars (including website)	133	164	297
	Communications & distribution	86	136	222
	Governance	23	25	48
	Exceptional costs (see note 7)	208	-	208
		<u>817</u>	<u>599</u>	<u>1,416</u>

ALLOCATION OF SUPPORT COSTS

Printing, post and stationery	46
Newspapers and books	3
Maintenance	7
Rates	7
Utilities and cleaning	17
Telephone and Internet	7
Software & support	9
Building insurance	7
Bank and credit card charges	4
Sundry expenses	3
Salary costs	475
Travel costs	14
	<u>599</u>

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

Support costs have been allocated as follows

	Support costs	Salary costs
Fundraising and subscriber support	10%	12%
Publications	25%	20%
Student/teacher Outreach	20%	12%
Lectures conferences, seminars and special events (including website)	35%	31%
Communications & Distribution	10%	24%
Governance	0%	1%

The allocation is based on floorspace and the cost of those members of staff involved in each activity

2	ALLOCATION OF COSTS 2008	<i>Direct costs</i> <i>£000</i>	<i>Support costs</i> <i>£000</i>	<i>2008 Total</i> <i>£000</i>
	<i>Cost of generating funds</i>	4	-	4
	<i>Fundraising and subscriber support</i>	25	121	146
	<i>Publications</i>	268	119	387
	<i>Student/Teacher Outreach</i>	159	70	229
	<i>Lectures, conferences and seminars (including website)</i>	105	176	281
	<i>Communications & distribution</i>	136	114	250
	<i>Governance</i>	14	31	45
		<u>711</u>	<u>631</u>	<u>1,342</u>

ALLOCATION OF SUPPORT COSTS

<i>Printing, post and stationery</i>	46
<i>Newspapers and books</i>	4
<i>Maintenance</i>	30
<i>Rates</i>	7
<i>Utilities and cleaning</i>	18
<i>Telephone and Internet</i>	7
<i>Software</i>	11
<i>Building insurance</i>	7
<i>Sundry expenses</i>	3
<i>Bank and credit card charges</i>	4
<i>Salary costs</i>	471
<i>Travel costs</i>	23
	<u>631</u>

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

Support costs have been allocated as follows

	<i>Support costs</i>	<i>Salary costs</i>
<i>Fundraising and subscriber support</i>	10%	22%
<i>Publications</i>	25%	17%
<i>Student/teacher Outreach</i>	20%	9%
<i>Lectures conferences, seminars and special events (including website)</i>	35%	26%
<i>Communications & Distribution</i>	10%	20%
<i>Governance</i>	0%	6%

The allocation is based on floorspace and the cost of those members of staff involved in each activity

3	GOVERNANCE	2009 £000	2008 £000
	Salaries and staff costs	27	31
	Audit	9	8
	Legal and professional	12	6
		<hr/> 48	<hr/> 45
4	NET INCOMING RESOURCES/(RESOURCES EXPENDED)	2009 £000	2008 £000
	Net incoming resources/(resources expended) for the year are stated after charging		
	Depreciation	25	30
	Auditor's remuneration	9	8
		<hr/> 34	<hr/> 38

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 2009

6	EMPLOYEES	2009	2008
		No	No
	The average monthly number of persons employed by the Institute during the year was		
	Office and management	12	12
		<hr/>	<hr/>
		2009	2008
		£000	£000
	Staff costs for above persons		
	Wages and salaries	441	458
	Social security costs	43	51
	Other pension costs	33	43
	Exceptional costs		
	Termination payment	165	-
		<hr/>	<hr/>
		682	552
		<hr/>	<hr/>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows	2009	2008
		No	No
	£60,001 - £70,000	1	1
	£120,001 - £130,000	1	1
		<hr/>	<hr/>

The employees earning over £60,000 participate in either the company or personal pension schemes. Contributions paid in the year in respect of these employees amounted to £156,560 (2008 £31,129)

No trustees, or persons related or connected to them, received reimbursement of expenses from the Institute during the year

No trustee, or person related or connected to them received any remuneration during the year

7	EXCEPTIONAL COSTS	2009	2008
		£000	£000
	Costs related to the termination of the employment of the Director General		
	Termination payment	165	-
	Recruitment / legal fees	43	-
		<hr/>	<hr/>
		208	-
		<hr/>	<hr/>

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
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8 TANGIBLE FIXED ASSETS

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2009	965	69	1,034
Additions	-	-	-
31 December 2009	<u>965</u>	<u>69</u>	<u>1,034</u>
Depreciation			
1 January 2009	258	68	326
Charged in the year	24	1	25
31 December 2009	<u>282</u>	<u>69</u>	<u>351</u>
Net book value			
31 December 2009	<u>683</u>	<u>-</u>	<u>683</u>
31 December 2008	<u>707</u>	<u>1</u>	<u>708</u>

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9 FIXED ASSETS INVESTMENTS

	Equities £000	Open- end funds £000	Fixed interest securities £000	Cash held on deposit £000	Property £000	Total £000
Market value at 1 January 2009	477	1,342	579	809	100	3,307
Additions	-	-	-	538	-	538
Disposals at opening market value	(248)	(91)	(76)	-	-	(415)
Unrealised gain/(loss)	81	206	(14)	-	-	273
Market value at 31 December 2009	310	1,457	489	1,347	100	3,703
Historical cost at 31 December 2009	183	1,600	475	1,346	71	3,675

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

	2009 £000	2008 £000
COIF Fixed interest Fund	489	507
COIF Deposit Account – Harris	349	457
COIF Deposit Account - Warren	306	-
COIF Deposit Account – Dorian	474	-
UBS Nominee Account – M Fund	206	-
Barclays iShares II plc European	-	171
Gartmore UK Index Fund	278	220
M&G Global Growth Fund	270	219
M&G Charifund Income Fund	-	134
M&G Index Linked A Fund	228	216
Mellon Fund Newton Income	233	216
Newton Global Growth & Income Fund	239	210

Equities and fixed interest securities are held directly by the Charity. Equities include £230,329 (2008 £155,020) of non-UK investments

Property represents an equity share in leasehold property, and is included in the accounts at the trustees' assessment of market value

10 DEBTORS

	2009 £000	2008 £000
Due within one year		
Trade debtors	26	11
Income tax recoverable	10	3
Prepayments and accrued income	43	176
	79	190

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11	CREDITORS Amounts falling due within one year	2009 £000	2008 £000
	Trade creditors	45	23
	Taxation and social security	17	15
	Other creditors	30	26
	Accruals and deferred income (see below)	47	34
		<u>139</u>	<u>98</u>

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

	£000
Brought forward	3
Released in year	(3)
Deferred in year	3
Carried forward	<u>3</u>

12 EXPENDABLE
 ENDOWMENT FUNDS

	At 1 January 2009 £000	Income £000	Expenditure £000	Transfer to general funds £000	Revaluation £000	At 31 December 2009 £000
Ralph Harris Fund	2,195	62	-	(165)	187	2,279

The Ralph Harris Fund has been established to endow the position of Director General of the IEA as "Director General and Ralph Harris Fellow"

The transfer to restricted funds was made in December 2009. It represents the Termination Payment to the former Director General.

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13 RESTRICTED FUNDS

	At 1 January 2009 £000	Income £000	Expenditure £000	Transfers £000	At 31 December 2009 £000
Lord Vinson publication	3	10	(1)	-	12
European Free Trade Publication	4	27	(31)	-	-
Pension Commission Donation	-	30	(5)	-	25
Seldon family donation	-	12	(12)	-	-
State of the Economy conference – student bursaries	2	14	(13)	-	3
Freedom Week	-	22	(22)	-	-
Centre for Research into Post Communist Economies	-	19	(19)	-	-
Earhart grant for Franklin Cudjoe	-	20	(5)	-	15
Earhart grant for C Kukathas	-	8	(8)	-	-
N Record climate change seminar	-	36	(36)	-	-
C Taylor – Higher Education paper	-	6	(6)	-	-
Ralph Harris Fund	22	71	(237)	165	21
	<u>31</u>	<u>275</u>	<u>(395)</u>	<u>165</u>	<u>76</u>

Lord Vinson's donation was in support of the publication "Taxation and Red Tape" due for publication in 2010

The European Free Trade Publication is a restricted fund to support trade research and publications by an independent scholar

The Public Sector Pensions Commission has been set up in order to present to the next government a realistic set of options for reform of the present public sector pension arrangements

The Seldon family donation contributed to publishing costs of "A Life for Liberty "

State of the Economy conference – donations are received to cover the cost of bursary places for students

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Donations were received to fund a Freedom Week conference for students in Oxford in July 2009

The Centre for Research into Post Communist Economies is for research into post communist economies and is funded, via the Institute, by the Earhart Foundation

The Earhart Foundation is funding a research fellowship for Franklin Cudjoe

The Earhart Foundation funded support of Professor C Kukathas

Mr N Record funded the costs of a Climate Change seminar in November 2009

Mr C Taylor supported publication of a paper on higher education

The Ralph Harris Fund has been established to endow the position of Director General of the IEA as "Director General and Ralph Harris Fellow" The transfer was made from the expendable endowment fund For details see note 12

14 UNRESTRICTED FUNDS

	At 1 January 2009 £000	Income £000	Expenditure £000	Transfers £000	Investment (losses)/ gains £000	At 31 December 2009 £000
Designated funds						
Fixed Asset Fund	707	-	-	(24)	-	683
Leonard Harris Fund	3	-	(3)	-	-	-
Malcolm Fund	432	7	(8)	-	86	517
Dorian Fund	-	373	-	98	-	471
Warren Fund	460	-	-	(64)	7	403
	<u>1,602</u>	<u>380</u>	<u>(11)</u>	<u>10</u>	<u>93</u>	<u>2,074</u>
Designated unrestricted funds						
Unrestricted general funds	330	720	(1,010)	(10)	-	30
	<u>1,932</u>	<u>1,100</u>	<u>(1,021)</u>	<u>-</u>	<u>93</u>	<u>2,104</u>

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 Leonard Harris Fund has currently been designated by the Trustees to make grants, including funding student bursaries

The Malcolm Fund was set up to promote research into 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 Dorian Fund has been designated by the Trustees to support the costs of an education director

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The Warren Fund is used by the Trustees to support major commitments extending over more than a single year such as major projects culminating in one or more publications and/or conferences. In the past this fund has been used to finance transitional help when we have spun off subsidiary units. A transfer has been made to the General Fund in order to provide working capital for the IEA.

15 ANALYSIS OF NET ASSETS BETWEEN FUNDS	Designated Funds £000	General Funds £000	Restricted funds £000	Expendable Endowment funds £000	Total funds £000
Fund balances at 31 December 2009 are represented by					
Tangible fixed assets	683	-	-	-	683
Investments	1,392	11	21	2,279	3,703
Current assets	-	157	55	-	212
Current liabilities	-	(139)	-	-	(139)
 Total net assets	 2,075	 29	 76	 2,279	 4,459

16 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 £167,681 (2008 £43,000). There were no contributions outstanding at the end of either the current or preceding financial years.

17 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 11 (2008 11) 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.