

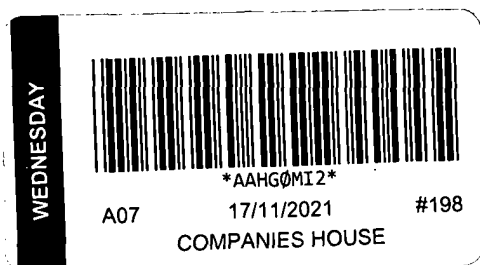
The Institute of Economic Affairs
(A Charitable Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

for the 15 month period ended

31 March 2021

Company Registration No. 755502
Registered Charity No. 235351



The Institute of Economic Affairs

TRUSTEES' REPORT

REFERENCE AND ADMINISTRATIVE DETAILS

Company Registration Number: 755502

Charity Registration Number: 235351

TRUSTEES

Neil Record	Chairman
Kevin Bell	
Christian Bjornskov	Appointed 10 November 2020
Robert Boyd	
Linda Edwards	
Robin Edwards	Treasurer
Sir Michael Hintze	
Professor Patrick Minford	
Bruno Prior	
Professor Martin Ricketts	
Linda Whetstone	

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

ACADEMIC & RESEARCH DIRECTOR
Syed Kamall

SECRETARY
A Mayer

REGISTERED OFFICE

2 Lord North Street
Westminster
London SW1P 3LB

AUDITOR

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

BANKERS

Barclays Bank PLC
Leicester
LE87 2BB

INVESTMENT MANAGERS

CCLA Investment Management Limited
Vanguard Asset Management

The Institute of Economic Affairs

TRUSTEES' REPORT

The Trustees present their report together with the financial statements of the Institute of Economic Affairs (IEA) for the fifteen month period ended 31 March 2021.

The financial statements comply with the Charities Act 2011, The Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (published October 2019).

STATUS

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

OBJECTIVES AND ACTIVITIES

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

Academic programmes:

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

Fundraising and subscriber support (more details of our approach are provided below).

PUBLIC BENEFIT

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

The Institute of Economic Affairs

TRUSTEES' REPORT

FUNDRAISING

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

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

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

A diligent approach is taken to ensure that all donations are intended, not accidental or from someone who may not understand the nature of the donation they are giving. The IEA has received no complaints regarding its fundraising activities.

REVIEW OF ACHIEVEMENTS

Like most organisations (and, of course, society in general), the IEA was profoundly affected by the outbreak of Covid-19, which dominated the landscape during most of the 15 months in question.

We took immediate steps to mitigate its potential impact on our output and activities. In the weeks and days running up to the first lockdown, in March 2020, we re-imagined and re-engineered our outputs to ensure we would be able to produce a constant flow of high quality, high profile, research, films, webinars, podcasts and more.

The key to this was to intensify our digital activity – and the results were both rewarding and spectacular. Within a month of lockdown we launched a seven-days-a-week schedule of new programmes, webinars and films for our YouTube channel, also supported by a daily digital newsletter.

The demands of such an intense schedule called for staff members to learn, absorb and master the techniques of TV production (whilst also constructing an inexpensive but highly effective in-house TV studio) from a standing start, in an incredibly short space of time.

All of this was greeted with huge enthusiasm by our followers and our donors (some of whom increased their giving as a result), whilst fellow think tanks and publishing professionals expressed their deep admiration for our achievements.

In the 15 months to 31 March 2021 our YouTube channel attracted 906,000 viewers – up from 312,000 in the preceding 15 months (and this trend has continued). At the same time, subscriptions to the channel more than doubled to over 11,000.

We were extremely keen, as an educational charity, to help students whose learning had been severely impacted by successive lockdowns. To this end, we produced two comprehensive series of films – Economics 101 and The History of Economics – aimed directly at a student audience. So far, these films have been watched over 400,000 times. And we also used our primer 'School of Thought: 101 great liberal thinkers' as a platform for a series of films and podcasts on the subject.

But this new focus on video did not detract from our written output. Across the 15-month period in question, we produced 35 publications, ranging from short briefings to full length books and reports (on topics such

The Institute of Economic Affairs

TRUSTEES' REPORT

as regulation, taxation, trade, healthcare and more). These included a series of Covid-19 briefings, examining and assessing the impact of the disease on society and the economy.

Whilst we moved away (at least temporarily) from printed papers, we ensured that these digital papers were widely disseminated and publicised through our communications team, our website, our newsletters, podcasts and our YouTube channel.

Whether physical or digital, our research output benefits from the support and guidance of a network of distinguished academic advisers whilst our main publications continue to be refereed by independent scholars.

The lockdown did not deter us from staging our showpiece event of the year - our annual Hayek Memorial Lecture. Instead of staging a bricks-and-mortar event (usually attended by around 400 people) we created a live virtual lecture, with author and historian Dr Steven Davies presenting *The World after the Pandemic*. The lecture attracted over 2,500 viewers, with the live audience able to put questions (through Zoom and YouTube) to Dr Davies.

Whilst the IEA's objectives remain essentially long-term in nature, the digital lessons we've learned during this period have been invaluable – and are likely to have a lasting impact on the way we communicate our ideas.

Our mission is to improve public understanding of the fundamental institutions of a free society by underlining the role of markets in solving economic and social problems.

The audience growth we have witnessed during this period speaks to our determination to communicate that message in a contemporary, compelling and relevant way.

FINANCIAL REVIEW

Total income for the 15 month period was £2,343,000 (2019 (12 months): £2,065,000) and total expenditure was £2,328,000 (2019: £2,458,000). After taking account of gains on investments of £35,000 (2019: £233,000), there was a net increase in funds of £50,000 (2019: reduction £160,000) in the period. Restricted income was £400,000 (2019: £375,000) compared with expenditure on restricted projects of £279,000 (2019: £546,000). Investment income on the Ralph Harris Endowment Fund during the period amounted to £24,000 (2019: £36,000). Total net assets were maintained at £3,026,000 (2019: £2,976,000). The financial statements, together with the notes thereto, expand on these outline details.

The Finance and General Purposes Committee, and the full Board of Managing Trustees, regularly review the amount of donations. There has been a 6% decrease, pro-rata, in the amount of donations in this 15 month period, compared with the year 2019. We are grateful to all our donors for supporting our work.

GRANT MAKING POLICY

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

INVESTMENT AND RESERVES POLICIES

The Institute's educational mission has a long-term orientation, as noted above, whereas our ability to carry out our work depends on attracting annual donations in a highly competitive fund-raising environment. Accordingly, the Trustees' policy is to invest conservatively, largely in equity funds, fixed interest funds and government securities. The Ralph Harris Fund is invested with a long-term time horizon. The Treasurer and the Finance and General Purposes Committee regularly review investment results. During the period, the value of the investments rose by 1.9% relative to a fall in the FTSE 100 Index of 11%.

The Institute of Economic Affairs

TRUSTEES' REPORT

The Trustees' policy on reserves, which is reviewed annually, is to have sufficient liquid funds on hand to cover two months of budgeted expenditure, which amounts to approximately £450,000. We believe this is adequate, under normal circumstances, to enable us to maintain operations in the event of seasonal or other fluctuations in donations and/or expenditure. This target has been met in that there was cash at bank and in hand of £660,000 at the year-end plus the cash deposits held within the Ralph Harris Fund of £752,000 which are available to endow the position of the Director General of the IEA. A transfer of £241,000 has been made during the period in this respect. The Trustees do not seek to accumulate reserves, but rather to apply donations in support of the Institute's programmes in accordance with donors' intent. The free reserves of the charity as at 31 March 2021, defined as being unrestricted, undesignated funds not represented by tangible fixed assets, amounted to £157,000 (2019: £194,000).

RISK REVIEW

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

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

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

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

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

FUTURE PLANS

In 2021-22, the IEA intends to further the progress made during the past 15 months. We will do so through our respected publications programme, which will produce high-calibre research on healthcare, the regulatory environment, universal basic income, broadcasting and more; through our extensive student and teacher outreach programme and through our comprehensive communications strategy.

Due to COVID-19 some activities have been rescheduled from 2020 to 2021.

COVID-19

The Trustees have received regular reports from the Senior Leadership Team regarding the impact of Covid-19 on the IEA and the proposed response, including updated and detailed income and expenditure forecasts. The 2020/21 budget was substantially revised downwards at the Finance and General Purposes Committee meetings in April and July 2020, a degree of caution endorsed by the Board in June. Further revisions in quarter four meetings showed increasing optimism, before stabilising in quarter five.

In response to an initial assessment of a 40% fall in income, expenditure plans were reduced by 30% by eliminating all non-essential spending and physical events, postponing building works and adopting a programme of voluntary surrenders, both of salary and vacation time that could not be used. The Board designated additional emergency funds to hedge against further downside risk. The IEA did not need to take advantage of COVID-loans, but have made use of the furlough scheme to manage a reduction in staff activity

The Institute of Economic Affairs

TRUSTEES' REPORT

that might otherwise have resulted in redundancies. The IEA offices were closed during lockdown and partially re-opened during periods when restrictions were eased. In normal times, our occupancy was 75-90% of staff, and during various stages of lockdown it was between 0-25%. We anticipate it returning to 40-70% as the new normal when lockdown measures are fully eased. We are fully prepared for hybrid operations.

The IEA's response to planned closure was rapid and agile. We invested early in online streaming and meeting services, and during the summer of 2020 built a digital studio, that we were then able to maintain as a service through the second wave. We invested in on-line staff well-being events to maintain morale, and have progressed to similar physical events (while maintaining COVID-secure operations) as the rules allow. The IEA has also published work on the impact of COVID policy on the economy throughout the pandemic, some of which has helped better policy formation, for example, the decision to replace the furlough scheme with a flex-furlough programme that allowed people to work part-time.

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 15 month period ended 31 March 2021 and up to the date of signing this report, unless otherwise stated.

Neil Record	Chairman
Kevin Bell	
Christian Bjornskov	Appointed 10 November 2020
Robert Boyd	
Linda Edwards	
Robin Edwards	Treasurer
Sir Michael Hintze	
Professor Patrick Minford	
Bruno Prior	
Professor Martin Ricketts	
Linda Whetstone	

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

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

PAY POLICY FOR SENIOR STAFF

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

TAXATION STATUS

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

The Institute of Economic Affairs

TRUSTEES' REPORT

AUDITOR

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

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

By order of the board



Neil Record
Chairman

19 July 2021

The Institute of Economic Affairs

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

In so far as the Trustees are aware:

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

By order of the board



Neil Record
Chairman

19 July 2021

The Institute of Economic Affairs

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

For the 15 month period ended 31 March 2021

Opinion

We have audited the financial statements of the Institute of Economic Affairs, ('the charitable company'), for the period ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2021 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the charitable company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

The Institute of Economic Affairs

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

For the 15 month period ended 31 March 2021

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of company law, for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud.

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

The Institute of Economic Affairs

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

For the 15 month period ended 31 March 2021

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the charitable company operates in and how the charitable company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities Act 2011, the charitable company's governing document, tax legislation and Charities (Protection and Social Investment) Act 2016. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to GDPR. We performed audit procedures to inquire of management whether the charitable company is in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

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

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Bucks

MK9 1BP

27 July 2021

The Institute of Economic Affairs
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
For the 15 month period ended 31 March 2021

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2021 (15mths) £000	Total 2019 (12mths) £000
INCOME FROM:						
Donations	2	1,750	400	-	2,150	1,831
Charitable activities:						
Publications and subscriptions		43	-	-	43	93
Special events		3	-	-	3	75
Other trading activities		30	-	-	30	28
CJRS Income		93	-	-	93	-
Investments:						
Dividends receivable		-	-	23	23	34
Interest receivable		-	-	1	1	4
TOTAL		1,919	400	24	2,343	2,065
EXPENDITURE ON:						
Raising Funds:						
Fundraising and subscriber support		367	-	-	367	340
Charitable activities:						
Academic programme:						
Research and Publications		814	113	-	927	948
Student/Teacher outreach		219	161	-	380	514
Special Events		83	-	-	83	93
Communications		566	5	-	571	563
TOTAL	3	2,049	279	-	2,328	2,458
Net Gains on Investments:						
Realised gains on disposals		-	-	13	13	36
Unrealised gains		-	-	22	22	197
NET (EXPENDITURE)/ INCOME	4	(130)	121	59	50	(160)
Transfers between funds		241	-	(241)	-	-
NET MOVEMENT IN FUNDS		111	121	(182)	50	(160)
RECONCILIATION OF FUNDS:						
TOTAL FUNDS BROUGHT FORWARD	11,12, 13,14	762	120	2,094	2,976	3,136
TOTAL FUNDS CARRIED FORWARD	11,12, 13,14	873	241	1,912	3,026	2,976

The Institute of Economic Affairs

BALANCE SHEET
As at 31 March 2021

Company Registration No. 755502
Registered Charity No. 235351

	Notes	31 March 2021	31 December 2019
		£000	£000
FIXED ASSETS			
Tangible assets	7	551	568
Investments	8	1,889	2,027
		<u>2,440</u>	<u>2,595</u>
CURRENT ASSETS			
Debtors	9	108	308
Cash at bank and in hand		660	383
		<u>768</u>	<u>691</u>
CREDITORS: Amounts falling due within one year	10	(182)	(310)
NET CURRENT ASSETS		<u>586</u>	<u>381</u>
NET ASSETS		<u>3,026</u>	<u>2,976</u>
THE FUNDS OF THE CHARITY:			
Endowment fund	11, 14	1,912	2,094
Restricted funds	12,14	241	120
Unrestricted funds	13,14	873	762
TOTAL FUNDS	14	<u>3,026</u>	<u>2,976</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 12 to 25 were approved by the Trustees and authorised for issue on

19 JULY 2021 and are signed on their behalf by:



Neil Record
Chairman

The Institute of Economic Affairs

STATEMENT OF CASH FLOWS

For the 15 month period ended 31 March 2021

		2021 15 months £000	2019 12 months £000
Net cash generated from/(used in) operating activities	(A)	86	(214)
Cash flows from investing activities:			
Dividends and interest		24	38
Proceeds from sale of investments		550	491
Purchase of investments		(377)	(185)
Purchase of fixed assets		(6)	-
Net cash provided by investing activities		191	344
Change in cash and cash equivalents in the period	(B)	277	130
Cash and cash equivalents at 1 January		383	253
Cash and cash equivalents at 31 March 2021 (31 December 2019)		660	383
(A) RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH USED IN OPERATIONS:			
Net income/(expenditure) for the reporting period (as per the statement of financial activities)		50	(160)
Adjustments for:			
Depreciation charges		23	19
Gains on investments		(35)	(233)
Dividends and interest		(24)	(38)
Decrease in debtors		200	217
Decrease in creditors		(128)	(19)
Net cash generated from/(used in) operating activities		86	(214)
(B) ANALYSIS OF CHANGES IN NET DEBT			
Cash at bank and in hand at 1 January		383	253
Cash flow		277	130
Cash at bank and in hand at 31 March 2021 (31 December 2019)		660	383

The Institute of Economic Affairs

ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING AND GOING CONCERN

The Institute of Economic Affairs (IEA) is a charitable company limited by guarantee, and is registered, domiciled and incorporated in England. Its registered office is 2 Lord North Street, Westminster, London SW1P 3LB. The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value except for investments which are recognised at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective October 2019, the Charities Act 2011, and the Companies Act 2006. The Institute constitutes a public benefit entity as defined by FRS 102.

The Trustees confirm that at the time of approving the financial statements, there is a reasonable expectation that the Institute has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Trustees have reviewed budgets and cash flow forecasts covering a period to 31 March 2023, taken account of current and anticipated financial performance in the current economic conditions, and the Institute's reserves position. For this reason, the going concern basis continues to be adopted in the preparation of the Institute's financial statements.

TANGIBLE FIXED ASSETS

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

Freehold property over 40 years

Office equipment over 3 years

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

STOCKS AND WORK IN PROGRESS

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

PENSION CONTRIBUTIONS

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

INCOME

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

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

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

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

Income received from the government Coronavirus Job Retention Scheme (CJRS) has been recognised on a receivables basis.

EXPENDITURE

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

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them. All costs are allocated between expenditure categories on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly. Support costs include central functions and have been allocated to activity cost categories on a basis

The Institute of Economic Affairs

ACCOUNTING POLICIES (continued)

consistent with the use of resources e.g. by floor space. Staff costs have been allocated according to the time spent on each activity.

FOREIGN CURRENCY

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

RESEARCH EXPENDITURE

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

ENDOWMENT FUND

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

UNRESTRICTED FUNDS

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

RESTRICTED FUNDS

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

OPERATING LEASES

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

FINANCIAL INSTRUMENTS

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

Financial assets:

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

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

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

Financial liabilities:

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

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

1 STATEMENT OF FINANCIAL ACTIVITIES – COMPARATIVE FIGURES (12 months)

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2019 £000
INCOME FROM:					
Donations	2	1,458	373	-	1,831
Charitable Activities:					
Publications and Subscriptions		93	-	-	93
Special events		75	-	-	75
Other trading activities		28	-	-	28
Investments:					
Dividends receivable		-	1	33	34
Interest receivable		-	1	3	4
TOTAL		1,654	375	36	2,065
EXPENDITURE ON:					
Raising Funds:					
Fundraising and subscriber support		340	-	-	340
Charitable activities:					
Academic programme:					
Research and Publications		647	301	-	948
Student/Teacher outreach		379	135	-	514
Special Events		93	-	-	93
Communications		453	110	-	563
TOTAL	3	1,912	546	-	2,458
Net Gains on Investments:					
Realised gains on disposals		-	20	16	36
Unrealised (losses)/gains		-	(14)	211	197
NET (EXPENDITURE)/INCOME	4	(258)	(165)	263	(160)
Transfers between funds		200	-	(200)	-
NET MOVEMENT IN FUNDS		(58)	(165)	63	(160)
RECONCILIATION OF FUNDS:					
TOTAL FUNDS BROUGHT FORWARD					
	11,12 13,14	820	285	2,031	3,136
TOTAL FUNDS CARRIED FORWARD					
	11,12 13,14	762	120	2,094	2,976

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

2	DONATIONS	31 March 2021 (15 months) £000	31 December 2019 (12 months) £000
	Foundations, corporate and individuals		
	Restricted	400	373
	Unrestricted	1,750	1,458
		<u>2,150</u>	<u>1,831</u>

3	ALLOCATION OF COSTS 2021 (15 months)	Direct costs £000	Support costs £000	2021 Total £000
	Fundraising and subscriber support	15	352	367
	Research and Publications	120	807	927
	Student/Teacher Outreach	48	332	380
	Special Events	-	83	83
	Communications	73	498	571
		<u>256</u>	<u>2,072</u>	<u>2,328</u>

ALLOCATION OF SUPPORT COSTS 2021 (15 months)

Personnel costs	1,852
Office costs	143
Property costs	70
Travel costs	7
	<u>2,072</u>

Support costs have been allocated as follows:

	Support costs	Personnel costs
Fundraising and subscriber support	17%	17%
Publications	39%	39%
Student/Teacher Outreach	16%	16%
Special Events	4%	4%
Communications	24%	24%

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

3	<i>ALLOCATION OF COSTS 2019 (12 months)</i>	<i>Direct costs £000</i>	<i>Support costs £000</i>	<i>2019 Total £000</i>
	<i>Fundraising and subscriber support</i>	39	301	340
	<i>Research and Publications</i>	226	722	948
	<i>Student/Teacher Outreach</i>	163	351	514
	<i>Special Events</i>	21	72	93
	<i>Communications</i>	136	427	563
		<u>585</u>	<u>1,873</u>	<u>2,458</u>

ALLOCATION OF SUPPORT COSTS 2019 (12 months)

<i>Personnel costs</i>	1,587
<i>Office costs</i>	196
<i>Property costs</i>	80
<i>Travel costs</i>	10
	<u>1,873</u>

Support costs have been allocated as follows:

	<i>Support costs</i>	<i>Personnel costs</i>
<i>Fundraising and subscriber support</i>	11%	17%
<i>Research and Publications</i>	36%	39%
<i>Student/Teacher Outreach</i>	34%	16%
<i>Special Events</i>	3%	4%
<i>Communications</i>	16%	24%

4	<i>NET EXPENDITURE</i>	<i>31 March 2021 (15 months) £000</i>	<i>31 December 2019 (12 months) £000</i>
	Net expenditure for the period is stated after charging:		
	Depreciation – charge for period	23	19
	Auditor's remuneration	19	15
	Legal fees	-	22
	Operating lease rentals – plant and machinery	16	11
		<u> </u>	<u> </u>

5 TAXATION

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

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the 15 month period ended 31 March 2021

6	EMPLOYEES	31 March 2021 (15 months) No.	31 December 2019 (12 months) No.
	The average monthly number of persons employed by the Institute during the period was:		
	Office and management	20	19
		<hr/>	<hr/>
		31 March 2021 (15 months) £000	31 December 2019 (12 months) £000
	Staff costs for above persons:		
	Wages and salaries, including benefits	1,294	1,031
	Social security costs	143	104
	Other pension costs	90	41
		<hr/>	<hr/>
		1,527	1,176
		<hr/>	<hr/>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the 15 month period was as follows:	31 March 2021 (15 months) No.	31 December 2019 (12 months) No.
	£60,001 - £70,000	3	2
	£70,001 - £80,000	-	1
	£90,001 - £100,000	3	-
	£120,001 - £130,000	-	-
	£180,001 - £190,000	-	1
	£190,001 - £200,000	1	-
		<hr/>	<hr/>

The employees earning over £60,000 participate in the company defined contribution pension scheme. Contributions paid in the period in respect of these employees amounted to £56,545 (2019: £19,400).

The key management personnel of the Institute comprise the Trustees, together with the Director General, the Managing Director, the Chief Operating Officer and the Academic & Research Director. The total employee benefits of these key management personnel were £586,460 (2019: £416,412), including pension and social security costs, and also consultancy fees paid to the Managing Director who provides his services on a consultancy basis.

No Trustees, or persons related or connected to them, received any remuneration or reimbursement of expenses from the Institute during the period, other than as detailed in note 17 below.

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the 15 month period ended 31 March 2021

7 TANGIBLE FIXED ASSETS

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2020	965	3	968
Additions in period	-	6	6
31 March 2021	<u>965</u>	<u>9</u>	<u>974</u>
Depreciation			
1 January 2020	397	3	400
Charged for period	22	1	23
31 March 2021	<u>419</u>	<u>4</u>	<u>423</u>
Net book value			
31 March 2021	<u>546</u>	<u>5</u>	<u>551</u>
31 December 2019	<u>568</u>	<u>-</u>	<u>568</u>

8 FIXED ASSET INVESTMENTS

	Open-end funds £000	Cash held on deposit £000	Total £000
Market value at			
1 January 2020	1,525	502	2,027
Additions	77	300	377
Disposals	(500)	(50)	(550)
Unrealised gains	35	-	35
Market value at 31 March 2021	<u>1,137</u>	<u>752</u>	<u>1,889</u>
Historical cost at 31 March 2021	<u>986</u>	<u>752</u>	<u>1,738</u>
Historical cost at 31 December 2019	<u>1,396</u>	<u>502</u>	<u>1,898</u>

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

9	DEBTORS	31 March 2021 (15 months) £000	31 December 2019 (12 months) £000
	Trade debtors	58	137
	Taxation recoverable	-	3
	Other debtors	-	4
	Prepayments and accrued income	50	164
		<u>108</u>	<u>308</u>

10	CREDITORS: Amounts falling due within one year	31 March 2021 (15 months) £000	31 December 2019 (12 months) £000
	Trade creditors	18	113
	Taxation and social security	33	36
	Other creditors	23	6
	Accruals and deferred income	108	155
		<u>182</u>	<u>310</u>

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

	31 March 2021 (15 months) £000	31 December 2019 (12 months) £000
Deferred income at 1 January 2020	108	2
Released to Statement of Financial Activities in period	(108)	(2)
Deferred in period	1	108
Deferred income at 31 March 2021	<u>1</u>	<u>108</u>

11 EXPENDABLE ENDOWMENT FUND

	At 1 January 2020 £000	Investment Income £000	Transfers between funds £000	Investment Gains £000	At 31 March 2021 £000
Ralph Harris Fund	2,094	24	(241)	35	1,912

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

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

12 RESTRICTED FUNDS

	At 1 January 2020	Income	Expenditure	At 31 March 2021
	£000	£000	£000	£000
Events and Publications	7	61	(68)	-
Richard Koch Breakthrough Prize	-	55	(15)	40
Roof Restoration Fund	-	34	-	34
Cultural Affairs Unit	-	55	-	55
Student Outreach and Opportunity	-	22	(16)	6
European Network	-	55	(50)	5
Think Tent	-	2	(2)	-
Vinson Centre at the University of Buckingham	-	116	(95)	21
M Fund	113	-	(33)	80
	<u>120</u>	<u>400</u>	<u>(279)</u>	<u>241</u>

Donations were received to support various events and publications.

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

Donations were received in response to a fundraising appeal to cover the costs of essential roof repair work in the next financial year.

The IEA's Cultural Affairs Unit, examines and reports on cultural affairs.

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

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

Donations were received to establish a marquee, Think Tent, organised with two other think tanks, to be the central point for free market debate at the Conservative Party Conference. In 2020, this event was an online event.

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

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

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

13 UNRESTRICTED FUNDS

	At 1 January 2020 £000	Income £000	Expenditure £000	Transfers £000	At 31 March 2021 £000
Designated Funds					
Fixed Asset Fund	568	-	-	(22)	546
Major Building Works Fund	-	-	-	170	170
Designated unrestricted funds	568	-	-	148	716
Unrestricted general funds	194	1,919	(2,049)	93	157
	<u>762</u>	<u>1,919</u>	<u>(2,049)</u>	<u>241</u>	<u>873</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 funds in order to reflect the depreciation of the freehold property in the period.

Funds were designated during the period to undertake major building works which were originally planned to be undertaken in 2020 but delayed due to the Coronavirus Pandemic.

Unrestricted general funds represent free reserves after allowing for all designated funds.

14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Designated Funds £000	General Funds £000	Restricted funds £000	Endowment fund £000	Total funds £000
Fund balances at 31 March 2021 are represented by:					
Tangible fixed assets	546	5	-	-	551
Investments	-	-	-	1,889	1,889
Current assets	170	334	241	23	768
Current liabilities	-	(182)	-	-	(182)
Total net assets	<u>716</u>	<u>157</u>	<u>241</u>	<u>1,912</u>	<u>3,026</u>

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 £90,034 (2019: £40,536). There were £22,750 contributions outstanding at the end of the period (2019: £6,238).

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the 15 month period ended 31 March 2021

16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 11 (2019: 10) members at the period end.

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

17 RELATED PARTY TRANSACTIONS

During the period £119,669 was incurred in employment costs (2019: £81,219) of the partner of the Director General, who is a full-time employee of the Institute. There was £6,828 outstanding at the period end (2019: nil) in respect of these transactions.

Donations from trustees in the period totalled £127,773 (2019: £108,880). Donations of £57,867 (2019: Nil) were received in the year from a company in which a Trustee is a director, and three Trustees are members. No amount was outstanding at the year end in respect of these transactions. No conditions were attached to any of these donations which would require the charity to alter significantly the nature of its existing activities.

18 COMMITMENT UNDER OPERATING LEASES

The total future minimum lease payments, at the reporting date, under non-cancellable operating leases are as follows:	31 March	31 December
	2021	2019
	(15 months)	(12 months)
	£000	£000
Amounts due:		
- within one year	11	11
- between one and five years	27	21
	<u> </u>	<u> </u>

19 FINANCIAL INSTRUMENTS

Financial Assets, at fair value: Investments held as fixed assets	31 March	31 December
	2021	2019
	(15 months)	(12 months)
	£000	£000
	1,889	2,027
	<u> </u>	<u> </u>