

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

**Report and Financial Statements**

**31 December 1999**



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

**REPORT AND FINANCIAL STATEMENTS 1999**

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## **TRUSTEES' REPORT**

The Trustees have pleasure in submitting their annual report and accounts for the year ended 31 December 1999.

### **PRINCIPAL ACTIVITY**

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

### **REVIEW OF ACTIVITIES AND FUTURE PROSPECTS**

During 1999 the Institute published 30 titles and 1 publication in association with another publisher, organised 14 conferences, ran 3 major lectures and hosted 143 other events. It had subscribers from 58 countries and sold books in 67 countries. Permission to reprint or translate previous IEA publications was given to a number of overseas institutes and commercial publishers.

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

### **RESULTS FOR THE YEAR**

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

### **TRUSTEES**

The Trustees who served throughout the year were:

Sir Peter Walters	(Chairman)
Lord Vinson of Roddam Dene LVO	
Malcolm McAlpine	
Michael Fisher	
Sir Michael Richardson	
Mrs Linda Whetstone	
Professor Michael Beesley	(died 24 September 1999)
Professor Martin Ricketts	
Professor Geoffrey Wood	
Professor David Myddelton	
Robert Boyd	

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

### **METHOD OF ELECTION OF TRUSTEES**

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

### **LEGAL AND ADMINISTRATIVE INFORMATION**

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

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

**TRUSTEES' REPORT**

**OFFICERS AND PROFESSIONAL ADVISERS**

*Auditors:*

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

*Bankers*

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

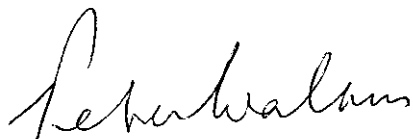
**YEAR 2000**

Following their initial review the Trustees continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the Trustees are not aware of any significant factors which have arisen which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with the issue cannot be quantified but are not expected to be significant.

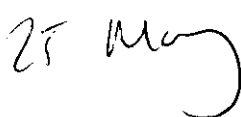
**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors.

Approved by the Trustees  
and signed on their behalf



Sir Peter Walters  
Chairman



2000

## **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and which enables them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

**Respective responsibilities of trustees and auditors**

As described on page 3 the Institute's Trustees are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs as at 31 December 1999 and of the incoming resources and application of resources, including the income and expenditure, of the Institute for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and  
Registered Auditors

25 May 2000

**STATEMENT OF FINANCIAL ACTIVITIES**  
**Year ended 31 December 1999**

	Note	Unrestricted Funds £	Restricted funds £	Total 1999 £	Total 1998 £
<b>INCOMING RESOURCES</b>					
Membership subscriptions		940,231	-	940,231	976,284
Publication sales		85,728	-	85,728	112,077
Conferences and lectures		114,262	-	114,262	100,185
Other income		22,088	32,500	54,588	44,872
Total incoming resources		1,162,309	32,500	1,194,809	1,233,418
<b>RESOURCES EXPENDED</b>					
Direct charitable expenditure:					
Awards granted		8,299	29,336	37,635	48,673
Membership support		73,763	-	73,763	69,242
Research costs		653,740	-	653,740	617,848
Publication costs		510,827	-	510,827	478,912
Conference costs		97,430	-	97,430	64,815
Total resources expended		1,344,059	29,336	1,373,395	1,279,490
<b>NET INCOMING RESOURCES/(DEFICIT) FOR THE YEAR</b>	2	(181,750)	3,164	(178,586)	(46,072)
Investment income		36,832	-	36,832	43,578
Interest receivable		12,388	-	12,388	14,744
<b>OTHER RECOGNISED GAINS AND LOSSES</b>					
Gain on revaluations and investment asset disposals held for charity use:					
Realised from sale of investments		(18,306)	-	(18,306)	-
Unrealised from investments	6	69,868	-	69,868	123,331
Total investment gains		51,562	-	51,562	123,331
<b>NET MOVEMENT IN FUNDS</b>		(80,968)	3,164	(77,804)	135,581
<b>TOTAL FUNDS BROUGHT FORWARD</b>		2,384,622	36,062	2,420,684	2,285,103
<b>TOTAL FUNDS CARRIED FORWARD</b>	9,10	2,303,654	39,226	2,342,880	2,420,684

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

**BALANCE SHEET**  
**31 December 1999**

	Note	£	1999 £	£	1998 £
<b>FIXED ASSETS</b>					
Tangible assets	5		980,819		957,240
Investments	6		817,093		1,156,610
			<u>1,797,912</u>		<u>2,113,850</u>
<b>CURRENT ASSETS</b>					
Debtors	7	169,304		93,551	
Cash at bank and in hand		<u>459,150</u>		<u>277,472</u>	
		628,454		371,023	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	8	<u>(83,486)</u>		<u>(64,189)</u>	
<b>NET CURRENT ASSETS</b>			<u>544,968</u>		<u>306,834</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,342,880</u>		<u>2,420,684</u>
<b>INCOME FUNDS</b>					
Restricted funds	9		39,226		36,062
Unrestricted funds:					
Designated funds	11		823,711		818,859
Other funds	10		<u>1,479,943</u>		<u>1,565,763</u>
<b>TOTAL FUNDS</b>			<u>2,342,880</u>		<u>2,420,684</u>


Approved by the Trustees  
and signed on their behalf by:



Sir Peter Walters  
Chairman



Robert Boyd



2000



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Income**

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

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

**Depreciation**

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

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

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

**Stocks**

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

**Research expenditure**

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

**Restricted and designated funds**

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

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

**Investments**

Investments held as fixed assets are stated at market value. Realised and unrealised gains and losses are shown separately in the appropriate section of the statement of financial activities.

**Pension funds**

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

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

	1999 £	1998 £
Net incoming resources for the year are stated after charging:		
Depreciation	55,480	48,775
Research	653,740	627,451
Auditors' remuneration	8,500	7,500
	<u>          </u>	<u>          </u>

**3. TAXATION**

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

**4. EMPLOYEES**

The average number of people employed by the Institute, excluding Trustees, was 21 (1998 - 19). The split between the various departments is as follows:

	1999 No	1998 No
General	16	14
Health & Welfare Unit	4	4
Environment Unit	1	1
	<u>          </u>	<u>          </u>
	21	19
	<u>          </u>	<u>          </u>

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

	1999 £	1998 £
Wages and salaries	666,571	648,964
Social security costs	47,542	43,797
Other pension costs	45,990	44,463
	<u>          </u>	<u>          </u>
	760,103	737,224
	<u>          </u>	<u>          </u>

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

	1999 Number	1998 Number
£ 50,001 - £ 60,000	-	1
£ 60,001 - £ 70,000	1	-
£ 100,001 - £110,000	-	1
£ 110,001 - £120,000	1	-
	<u>          </u>	<u>          </u>

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**5. TANGIBLE FIXED ASSETS**

	Freehold property £	Long leasehold property £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 1999	888,220	70,806	16,063	139,571	1,114,660
Additions	36,635	-	-	42,424	79,059
Disposals	-	-	-	(83,464)	(83,464)
At 31 December 1999	924,855	70,806	16,063	98,531	1,110,255
<b>Accumulated depreciation</b>					
At 1 January 1999	21,768	-	12,048	123,604	157,420
Charge for the year	22,683	-	4,015	28,782	55,480
Disposals	-	-	-	(83,464)	(83,464)
At 31 December 1999	44,451	-	16,063	68,922	129,436
<b>Net book value</b>					
At 31 December 1999	880,404	70,806	-	29,609	980,819
At 31 December 1998	866,452	70,806	4,015	15,967	957,240

**6. INVESTMENTS HELD AS FIXED ASSETS**

	Unit trusts £	Fixed interest securities £	Total £
<b>Total investments</b>			
Market value at 1 January	699,320	457,290	1,156,610
Additions at cost	-	392,599	392,599
Disposals	(337,217)	(464,767)	(801,984)
Net unrealised investment gains	100,824	(30,956)	69,868
Market value at 31 December	462,927	354,166	817,093

All investments are listed on a recognised stock exchange.

**7. DEBTORS**

	1999 £	1998 £
Trade debtors	28,399	21,876
Other debtors	22,277	16,780
Income tax recoverable	10,622	22,378
Prepayments and accrued income	108,006	32,517
	169,304	93,551

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

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

	1999 £	1998 £
Trade creditors	47,696	19,779
Taxation and social security	15,839	15,051
Accruals	19,951	29,359
	<u>83,486</u>	<u>64,189</u>

**9. RESTRICTED FUNDS**

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

	Movement in funds				
	Balance 1 January 1999 £	Incoming resources £	Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 1999 £
John Wood Prize Fund	9,532	-	-	(2,806)	6,726
Special Research Fund A	22,500	22,500	-	(22,500)	22,500
Special Research Fund B	4,030	-	-	(4,030)	-
Special Research Fund C	-	10,000	-	-	10,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	36,062	32,500	-	(29,336)	39,226

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

The Special Research Funds A and B represent funds donated to the Institute for the purpose of providing grants to meet the costs of specific book projects. The Special Research Fund C represents monies donated to the Institute for the purpose of providing funding into research into ways of financing the NHS.

**10. UNRESTRICTED FUNDS**

	<b>Balance at 1 January 1999 £</b>	<b>Incoming resources £</b>	<b>Gains/ (losses) and transfers £</b>	<b>Utilised/ released £</b>	<b>Balance 31 December 1999 £</b>
<b>Other funds</b>					
General income and expenditure account	(55,848)	1,152,585	-	(1,335,760)	(239,023)
Warren Fund	1,449,875	-	87,045	-	1,536,920
Other Funds	171,736	-	10,310	-	182,046
	<u>1,565,763</u>	<u>1,152,585</u>	<u>97,355</u>	<u>(1,335,760)</u>	<u>1,479,943</u>
<b>Designated funds (note 11)</b>	<u>818,859</u>	<u>9,724</u>	<u>3,427</u>	<u>(8,299)</u>	<u>823,711</u>
	<u>2,384,622</u>	<u>1,162,309</u>	<u>100,782</u>	<u>(1,344,059)</u>	<u>2,303,654</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**11. DESIGNATED FUNDS**

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

	Balance 1 January 1999 £	Incoming Resources £	Movement in funds Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 1999 £
Leonard Harris Fund	60,909	656	3,427	(8,299)	56,693
Freehold Fund	754,945	-	-	-	754,945
Novak Fund	3,005	9,068	-	-	12,073
	<u>818,859</u>	<u>9,724</u>	<u>3,427</u>	<u>(8,299)</u>	<u>823,711</u>

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

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

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

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

	Unrestricted funds £	Restricted funds £	Total funds £
<b>Fund balances at 31 December 1999 are represented by:</b>			
Tangible fixed assets	980,819	-	980,819
Investments	817,093	-	817,093
Current assets	589,228	39,226	628,454
Current liabilities	(83,486)	-	(83,486)
Total net assets	<u>2,303,654</u>	<u>39,226</u>	<u>2,342,880</u>

**13. POST BALANCE SHEET EVENTS**

Since the end of the financial year the Managing Trustees have approved the transfer of the Health & Welfare Unit's activities and staff to a new institute.

**14. PENSION SCHEMES**

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

The pension cost of the Institute's scheme amounted to £45,990 (1998 - £44,463). There were no contributions outstanding at the end of either the current or preceding financial years.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**15. STATUS**

The Institute is a company limited by guarantee and has no share capital. The Institute had 15 members at the year end (1998 - 15).

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

**ADDITIONAL INFORMATION**

The additional financial information on page 14 has been prepared from the accounting records of the Institute. While it does not form part of the statutory financial statements, it should be read in conjunction with the statutory financial statements set out on pages 5 to 12 and the auditors' report thereon.

**THE INSTITUTE OF ECONOMIC AFFAIRS**  
**(LIMITED BY GUARANTEE)**

**SUMMARY INCOME AND EXPENDITURE ACCOUNT**

**Year ended 31 December 1999**

	<b>General income and expenditure account 1999 £</b>	<b>Other unrestricted funds 1999 £</b>	<b>Total unrestricted funds 1999 £</b>	<b>Total unrestricted funds 1998 £</b>
<b>INCOME</b>				
Membership subscriptions	940,231	-	940,231	976,284
Publication sales	85,728	-	85,728	112,077
Conferences and lectures	114,262	-	114,262	100,185
Other income	12,364	9,724	22,088	16,327
	<u>1,152,585</u>	<u>9,724</u>	<u>1,162,309</u>	<u>1,204,873</u>
<b>EXPENDITURE</b>				
<b>Membership Support</b>				
Salaries and associated costs	61,264	-	61,264	56,966
Establishment costs	12,498	-	12,498	12,276
<b>Library and Research</b>				
Salaries and associated costs	519,682	-	519,682	483,221
Travel	15,075	-	15,075	13,540
Books and publications	5,798	-	5,798	5,190
Consultancy fees	7,166	-	7,166	11,764
Establishment costs	106,019	-	106,019	104,134
<b>Printing and publishing</b>				
Salaries and associated costs	179,156	-	179,156	166,587
Postage and telephone	85,889	-	85,889	81,122
Publication costs	175,871	-	175,871	157,350
Travel	22,614	-	22,613	20,310
Consultancy fees	10,749	-	10,749	17,644
Establishment costs	36,549	-	36,549	35,899
<b>Conference costs</b>				
Room hire and catering	97,430	-	97,430	64,815
<b>Awards granted</b>	-	8,299	8,299	6,167
	<u>1,335,760</u>	<u>8,299</u>	<u>1,344,059</u>	<u>1,236,985</u>
<b>OPERATING DEFICIT</b>	<u>(183,175)</u>	<u>1,425</u>	<u>(181,750)</u>	<u>(32,112)</u>

All activities are derived from continuing operations.