

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu
International



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

THE INSTITUTE OF ECONOMIC AFFAIRS
(Limited by Guarantee)

Report and Financial Statements

31 December 1996

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





REPORT AND FINANCIAL STATEMENTS 1996

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TRUSTEES' REPORT

The Trustees have pleasure in submitting their annual report and accounts for the year ended 31 December 1996.

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 1996 the Institute had 32 publications, organised 14 conferences, ran 10 major lectures and hosted 133 other events. It had subscribers from close to 56 countries and sold books in 65 countries. Permission to reprint/translate previous IEA publications was given to several overseas publishers. Additionally, the Institute imported a number of titles from the United States for sale in Europe.

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

RESULTS FOR THE YEAR AND TRANSFERS TO RESERVES

Details of the results for the year are set out in the statement of financial activities on page 5. The surplus for the year of £65,870 (1995 - £14,419 deficit) has been transferred to reserves.

TRUSTEES

The Trustees who served throughout the year were:

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

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

LEGAL AND ADMINISTRATIVE INFORMATION

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

The Institute of Economic Affairs consists of a main core section, which is responsible for the running of the Institute and research into a wide range of economic subjects excepting those which are covered by its specialised units. The specialised units are the Health and Welfare Unit, the Environment Unit and the Education and Training Unit (which was established during 1996).

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

FIXED ASSETS

The Institute acquired the freehold of 2 Lord North Street during the year for £869,100. Details of fixed asset movements in the year can be found in notes 5, 6 and 7 to the accounts.



TRUSTEES' REPORT

AUDITORS

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

Approved by the Trustees
and signed on their behalf

Professor Harold Rose

Chairman

31st May

1997



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 have been followed;
- 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 to enable 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.



Chartered Accountants

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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 1996 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

25 JUNE 1997


STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 December 1996

	Note	Unrestricted funds £	Restricted funds £	Total 1996 £	Total 1995 £
INCOME					
Membership subscriptions		971,211	-	971,211	808,458
Publication sales		110,715	-	110,715	89,010
Conferences and lectures		74,136	-	74,136	58,400
Total income		1,156,062	-	1,156,062	955,868
EXPENDITURE					
Membership support		71,740	-	71,740	63,427
Research costs		640,932	-	640,932	564,399
Publications		436,363	-	436,363	391,969
Conferences		68,114	-	68,114	61,903
Awards granted		2,670	1,300	3,970	8,850
Total expenditure		1,219,819	1,300	1,221,119	1,090,548
Operating deficit	2	(63,757)	(1,300)	(65,057)	(134,680)
Net gain on disposal of tangible fixed assets		61,605	-	61,605	-
Bank deposit interest		22,640	-	22,640	18,638
Other investment interest		97,733	-	97,733	124,623
Losses on investment assets					
- realised		(35,051)	-	(35,051)	-
- unrealised	7	(16,000)	-	(16,000)	(23,000)
Net income/(expenditure) for the year		67,170	(1,300)	65,870	(14,419)
Fund balances brought forward at 1 January 1996	10,11	1,997,043	15,500	2,012,543	2,026,962
Fund balances carried forward at 31 December 1996	10,11	2,064,213	14,200	2,078,413	2,012,543

All activities are derived from continuing operations.


BALANCE SHEET
31 December 1996

	Note	£	1996 £	£	1995 £
FIXED ASSETS					
Intangible assets	5		-		1
Tangible assets	6		1,003,830		69,108
Investments	7		888,447		1,615,685
			<u>1,892,277</u>		<u>1,684,794</u>
CURRENT ASSETS					
Debtors	8	96,274		163,486	
Bank deposits and cash		174,490		296,524	
		<u>270,764</u>		<u>460,010</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(84,628)		(132,261)	
NET CURRENT ASSETS			<u>186,136</u>		<u>327,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,078,413</u>		<u>2,012,543</u>
INCOME FUNDS					
Restricted funds	10		14,200		15,500
Unrestricted funds:					
Designated funds	11		776,209		758,337
Other funds	11		1,288,004		1,238,706
			<u>2,078,413</u>		<u>2,012,543</u>

Approved by the Trustees
and signed on their behalf by:

Professor Harold Rose

Malcolm McAlpine

31 May 1997

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1996**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below. The recommendations of Statement of Recommended Practice, Accounting for Charities, issued by the Accounting Standards Board in October 1995, have been implemented in the preparation of these financial statements.

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 freehold property and long leasehold property. This departure from the requirements of the Companies Act 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

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 cost less provision for any permanent diminution in value.

Operating leases

Rentals are charged to profit and loss in equal annual amounts over the lease term.

Pension funds

The expected cost of providing pensions, as calculated by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost evenly over the service lives of employees in the scheme.



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

2. OPERATING DEFICIT

	1996	1995
	£	£
The operating deficit is arrived at after charging:		
Depreciation	33,974	26,775
Auditors' remuneration	8,000	8,400
Rentals under operating leases:		
Other operating leases	57,886	83,000
	<u>57,886</u>	<u>83,000</u>

3. TAX

The Institute's activities are for charitable purposes only and therefore its income and gains are exempt from corporation tax.

4. EMPLOYEES

The average number of people employed by the Institute, excluding Trustees, was 21 (1995 - 16). The costs in respect of these employees, which were all charged to the general income and expenditure account, were:

	1996	1995
	£	£
Wages and salaries	591,269	509,068
Social security costs	42,655	41,533
Other pension costs	49,320	40,798
	<u>683,244</u>	<u>591,399</u>

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

	1996	1995
	Number	Number
£ 50,001 - £ 60,000	1	1
£ 90,001 - £ 100,000	-	1
£ 100,001 - £ 110,000	1	-

No remuneration has been paid to the Trustees in either the current or preceding financial years.

5. INTANGIBLE FIXED ASSETS

	£
Cost of copyright	
At 1 January 1996	1
Written off in year	(1)
	<u>-</u>
At 31 December 1996	<u>-</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
6. TANGIBLE FIXED ASSETS

	Freehold property £	Long leasehold property £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 January 1996	17,500	16,600	13,522	118,483	166,105
Additions	869,100	70,806	16,063	34,397	990,366
Disposals	-	(16,600)	(13,522)	(20,607)	(50,729)
At 31 December 1996	886,600	70,806	16,063	132,273	1,105,742
Accumulated depreciation					
At 1 January 1996	-	-	8,452	88,545	96,997
Charge for the year	-	-	4,016	29,958	33,974
Disposals	-	-	(8,452)	(20,607)	(29,059)
At 31 December 1996	-	-	4,016	97,896	101,912
Net book value					
At 31 December 1996	886,600	70,806	12,047	34,377	1,003,830
At 31 December 1995	17,500	16,600	5,070	29,938	69,108

7. INVESTMENTS HELD AS FIXED ASSETS

	Unit trusts £	Fixed interest securities £	Total £
Cost			
At 1 January 1996	335,415	1,303,270	1,638,685
Disposals	-	(734,238)	(734,238)
At 31 December 1996	335,415	569,032	904,447
Provision			
At 1 January 1996	-	23,000	23,000
Provided in the year	-	16,000	16,000
Disposals	-	(23,000)	(23,000)
At 31 December 1996	-	16,000	16,000
Net book value			
At 31 December 1996	335,415	553,032	888,447
At 31 December 1995	335,415	1,280,270	1,615,685
All investments are listed on a recognised stock exchange.			
Market value			
At 31 December 1996	416,751	562,440	979,191
At 31 December 1995	429,719	1,261,104	1,690,823



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

8. DEBTORS

	1996 £	1995 £
Trade debtors	23,563	7,299
Other debtors	19,830	81,759
Prepayments and accrued income	23,050	59,706
Income tax recoverable	29,831	14,722
	<u>96,274</u>	<u>163,486</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Trade creditors	27,020	28,891
Other creditors	15,658	65,720
Accruals	41,950	37,650
	<u>84,628</u>	<u>132,261</u>

Other creditors include taxation and social security balances of £15,238 (1995 - £15,617).

10. RESTRICTED FUNDS

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

	Balance 1 January 1996 £	Incoming resources £	Movement in funds		Balance 31 December 1996 £
			Gains/ (losses) and transfers £	Utilised/ released £	
John Wood Prize Fund	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>(1,300)</u>	<u>14,200</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

11. UNRESTRICTED FUNDS

	Balance 1 January 1996 £	Incoming resources £	Movement in funds Gains/ (losses) and transfers £	Utilised/ released £	Balance 31 December 1996 £
Other funds					
General income and expenditure account	(185,824)	1,217,667	-	(1,217,149)	(185,306)
Warren Fund	1,270,960	77,665	(32,938)	-	1,315,687
Other Funds	153,570	7,038	(2,985)	-	157,623
	<u>1,238,706</u>	<u>1,302,370</u>	<u>(35,923)</u>	<u>(1,217,149)</u>	<u>1,288,004</u>
Designated funds (note 12)	758,337	35,670	(15,128)	(2,670)	776,209
	<u>1,997,043</u>	<u>1,338,040</u>	<u>(51,051)</u>	<u>(1,219,819)</u>	<u>2,064,213</u>

12. DESIGNATED FUNDS

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

	Balance 1 January 1996 £	Incoming resources £	Movement in funds Gains/(losses) and transfers £	Utilised/ released £	Balance 31 December 1996 £
Leonard Harris Fund	59,931	3,662	(1,553)	(2,670)	59,370
Freehold Fund	698,406	32,008	(13,575)	-	716,839
	<u>758,337</u>	<u>35,670</u>	<u>(15,128)</u>	<u>(2,670)</u>	<u>776,209</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 by the Trustees for the purpose of acquiring freehold property.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	Total funds £
Fund balances at 31 December 1996 are represented by:			
Tangible fixed assets	1,003,830	-	1,003,830
Investments	888,447	-	888,447
Current assets	256,564	14,200	270,764
Current liabilities	(84,628)	-	(84,628)
Total net assets	<u>2,064,213</u>	<u>14,200</u>	<u>2,078,413</u>

14. RELATED PARTY TRANSACTIONS

John Blundell, Director of the Institute, had a loan outstanding from the Institute at 1 January 1996 of £60,000. The loan was repaid in full during the year. Interest was charged on the loan at the rate of 7.75% per annum.

15. PENSION SCHEMES

The Institute operates defined benefit and defined contribution schemes, the defined contribution scheme accounting for the majority of qualifying employees. Contributions to the scheme are made to an independent insurance company.

The pension cost of the Institute's schemes amounted to £49,320 (1995 - £40,798). There were no contributions outstanding at the end of either the current or preceding financial years.

16. STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 15 members at the year end (1995 - 17).

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.