

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

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

for the year ended

31 December 2016

Company Registration No. 755502  
Registered Charity No. 235351

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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Company Registration Number: 755502

Charity Registration Number: 235351

### TRUSTEES

Neil Record	Chairman
Kevin Bell	
Robert Boyd	Treasurer
Robin Edwards	Appointed 7 March 2017
Michael Fisher	Retired 7 March 2017
Sir Michael Hintze	
Professor Patrick Minford	
Professor Mark Pennington	
Bruno Prior	
Professor Martin Ricketts	
Linda Whetstone	

### DIRECTOR GENERAL

Mark Littlewood

### ACADEMIC AND RESEARCH DIRECTOR

Professor Philip Booth

### SECRETARY

C Rusbridge

### 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  
BNY Mellon Fund Managers Limited  
M & G Securities Limited  
Henderson Global Investors

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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The Trustees present their report together with the financial statements of the Institute of Economic Affairs for the financial year ended 31 December 2016.

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 on 16 July 2014).

### STATUS

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

### GOVERNANCE

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, Kevin Bell, the Chairman of the Board, Neil Record, the Treasurer, Robert Boyd and board member, Bruno Prior. 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, Kevin Bell, 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 and publications
- Student/teacher outreach
- Lectures, conferences, and special events
- Communication and distribution, including website

Fundraising and subscriber support.

### PUBLIC BENEFIT

As detailed above, the charity's main aims are to promote learning by means of research into economics and politics and to improve public understanding thereof. We 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.

### REVIEW OF ACHIEVEMENTS

Our mission is: "To improve understanding of the fundamental institutions of a free society by analysing and expounding the role of markets in solving economic and social problems."

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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We aim to achieve our mission by undertaking the activities listed above. We continue to seek flexibility in responding to potential changes, both in income and in programme opportunities.

In 2016, we continued to grow our educational outreach programme, reaching approximately 5,000 students face to face. This was achieved through:

- Our ever-expanding series of regional sixth-form economics conferences at schools the length and breadth of the UK. Typically, each of the 20 conferences attracted over 200 students.
- Our second annual 'THINK' conference - staged at the Royal Geographical Society - which featured expert speakers from around the world and attracted hundreds of young people interested in exploring ways of solving the world's economic problems.
- Freedom Week, our week-long residential educational seminar held (free of charge) at Cambridge University.
- Our first economics debating competition, which quickly became a standing-room only event.
- Our internship programme, which attracted over 200 students across the year and, for the first time, included over 60 sixth formers on specially-devised one-week programmes of seminars, lectures and more.

In addition, we reached tens of thousands more through our student-focused magazine, EA, which continued to grow - in terms of both content and distribution. Circulation in 2016 increased from 30,000 to 47,000, whilst the autumn 2016 issue reached a record 64 pages.

EA is sent to every school in the UK teaching 'A' level or IB Economics or Business Studies and articles are used as teaching modules in schools and universities. The twice-yearly magazine features some of the best writers in the world on economic freedom. Topics covered in 2016 included behavioural economics, the sharing economy, gender pay, capitalism and the environment, NHS funding, minimum wage policies and much more.

2016 was also one of our most prolific years for publications.

The IEA published over 30 books and research papers in 2016, on policy areas ranging from Britain's relationship with the EU to the problems in the NHS, the government's role in pay regulation, corporation tax, the housing crisis, the case for privatising the BBC, pension reform and much more.

One of our major publications was "Taxation, Government Spending and Economic Growth", which attracted extensive media coverage and caught the eye of the Treasury, which asked the IEA to present its findings to Treasury policy officials. In addition, the editor of the report, IEA Senior Academic Fellow Professor Philip Booth, appeared before the Treasury Select Committee in December. The report will also form the basis of a written submission to the Treasury Committee's inquiry into tax policy.

In addition, 2016 saw the first full year of The Paragon Initiative, our major five-year programme providing a wide-ranging and fundamental reassessment of what government should – and shouldn't – do.

Each 2016 Paragon publication – covering topics including the health service, migration policy, disability benefits and more – was distributed to targeted groups of key influencers, stakeholders, commentators, parliamentarians and their teams. A number of MPs requested one-on-one briefings on our Paragon research, or highlighted our work in both public and private meetings. For example, our work on the NHS was spotlighted by Owen Paterson MP and our work on the national living wage was cited in the House of Commons. Since its launch in late 2015, the project's work has reached an estimated aggregated audience of 590 million people, through over 1,100 appearances across print, radio, TV and online media.

Also in 2016, visits to our website ([www.iea.org.uk](http://www.iea.org.uk)) reached a new high of nearly 803,000.

At the same time we saw spectacular audience growth across ieatv – our online TV channel – and social media. We made 54 films across the year, amassing over 150,000 views. We attracted over 14,500 followers on Twitter (up by nearly 4,500) and nearly 12,000 Facebook 'likes' (up by over 3,500).

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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This was primarily due to the late-year recruitment of additional staff to form our new Digital Team and we anticipate further growth in 2017.

The IEA also continued to expand its media capability and reach in 2016. With a growing number of spokesmen and women available to us, we received over 3,500 media 'hits' and featured, on average, around five times a day across television and radio.

Across the year, the IEA also staged over 100 events - from major conferences to lunches, dinners and evening events - and welcomed around 5,000 guests. At our Westminster offices, we greeted over 70 MPs (including 11 Government ministers and 4 members of the Cabinet).

High profile speakers included former Secretary of State for Culture, Media and Sport, Rt Hon John Whittingdale MP; Dan Hannan MEP; former Foreign Office Minister Jeremy Browne; former Secretary of State for Health, Lord Andrew Lansley; former Deputy Leader of the SNP Stewart Hosie MP and Chairman of the Education Select Committee, Neil Carmichael MP.

In addition, we co-hosted the inaugural Europe Liberty Forum at the Waldorf Hilton, bringing together hundreds of think tank members from across Europe; attracted over 400 people to our annual Hayek Memorial Lecture, featuring Professor George Selgin, of the Cato Institute in Washington DC; and staged INNOV8, a one-day conference on how innovation in science and technology can be fostered, and given regulatory room to grow.

The IEA's objectives are essentially long-term in nature and it remains extremely difficult to assess from year to year the extent of 'public understanding' and changes therein. We measure the volume of many of our activities, aim to maintain or improve their quality and regularly introduce new and innovative ways of pursuing those objectives.

All our main publications are refereed by independent scholars and we benefit from a network of distinguished academic advisers. We hold a formal meeting of academic advisers once a year, under the chairmanship of Professor Martin Ricketts, one of our Trustees.

Continuing themes of the IEA's work are: over-regulation; systemic problems in the welfare state, including social security, education and health services; infrastructure deficiencies; and other aspects of government interference.

### FINANCIAL REVIEW

Total income for the year was £1,913,000 (2015: £1,693,000) and total expenditure was £2,355,000 (2015: £2,132,000). After taking account of realised gains on disposal of investments of £119,000 (2015: £288,000), and unrealised gains on investments still held at the year-end of £160,000 (2015: Losses £107,000), there was a net reduction in funds of £163,000 (2015: £258,000) in the year. Restricted income was £702,000 (2015: £644,000) compared with expenditure on restricted projects of £739,000 (2015: £842,000). Investment income on the Ralph Harris Fund during the year amounted to £47,000 (2015: £47,000). The financial statements, together with the notes thereto, expand on these outline details.

Our income mainly comprises donations from individuals, companies, foundations and personal trusts, together with revenue from sales of publications and from conferences and income from investments. We do not accept donations or grants from government. It is a feature of the modern UK scene that all too many so-called "charities" do receive much - in many cases most - of their funds from government (that is, from taxpayers). The Finance and General Purposes Committee, and the full Board of Managing Trustees, regularly review the amount of donations. There has been a 6% increase in the amount of donations in 2016, compared with 2015. 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

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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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. Income on investments is used to support the IEA's work. The Treasurer and the Finance and General Purposes Committee regularly review investment results. During the year, the rate of return on investments has been approximately 2%.

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 £350,000. 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 £9,000 at the year end plus the cash deposits held within general funds of £38,000, and the Ralph Harris Fund of £398,000 which are available to endow the position of the Director General of the IEA. A transfer of £200,000 has been budgeted for 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 December 2016, defined as being unrestricted, undesignated funds not represented by tangible fixed assets, amounted to £8,000 (2015: £242,000).

### 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. As noted above, all the IEA's major publications are peer reviewed. The system was managed in 2016 by the outgoing Academic and Research Director, Professor Philip Booth, and supervised by the Chairman of our Academic Advisory Board, Professor Martin Ricketts. Professor Booth will be replaced in 2017 by our incoming Research Director, the prizewinning author and academic, Jamie Whyte.

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

The Institute intends to enhance its activities still further in 2017 and beyond.

This includes building on our long-established programme of publications through the appointment of new key personnel (including for the first time, a Chief Economist); the growth of our student/teacher outreach; the continuation of our intense media activity and the further development of our digital output (including our website, IEA TV and our social media activity).

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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### TRUSTEES

The following were Trustees (who are directors for the purposes of company law) at the time of signing this report and financial statements. They all held office throughout the year 2016 and up to the date of signing this report, unless otherwise stated.

Neil Record	Chairman
Kevin Bell	
Robert Boyd	Treasurer
Robin Edwards	Appointed 7 March 2017
Michael Fisher	Retired 7 March 2017
Sir Michael Hintze	
Professor Patrick Minford	
Professor Mark Pennington	
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 accounts. Newly appointed Trustees will usually already have substantial board level or departmental management experience in either the commercial or academic arena.

### 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.

### AUDITOR

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

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in July 2014) (Charities SORP (FRS102)). 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

10 May 2017



# The Institute of Economic Affairs

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

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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

10 May 2017



# The Institute of Economic Affairs

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

For the year ended 31 December 2016

We have audited the financial statements of the Institute of Economic Affairs (the 'charitable company') for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year 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.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, 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 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.

### Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, the trustees (who are also directors of the 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

12 May 2017

**The Institute of Economic Affairs**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)**  
**For the year ended 31 December 2016**

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2016 £000	Total 2015 £000
<b>INCOME FROM:</b>						Note 1
Donations	2	945	696	-	1,641	1,542
Charitable Activities:						
Publications and						
Subscriptions		42	-	-	42	26
Special Events		136	-	-	136	53
Other Trading Activities		40	-	-	40	18
Investments:						
Dividends receivable		-	6	38	44	44
Interest receivable		1	-	9	10	10
<b>TOTAL</b>		<b>1,164</b>	<b>702</b>	<b>47</b>	<b>1,913</b>	<b>1,693</b>
<b>EXPENDITURE ON:</b>						
Raising Funds:						
Fundraising and subscriber						
support		275	47	-	322	201
Charitable activities:						
Academic programme:						
Publications		510	325	-	835	810
Student/Teacher outreach		274	298	-	572	424
Special Events		135	-	-	135	417
Communications		422	69	-	491	280
<b>TOTAL</b>	3	<b>1,616</b>	<b>739</b>	<b>-</b>	<b>2,355</b>	<b>2,132</b>
Net Gains/(Losses) on						
Investments:						
Realised gains on disposals		-	-	119	119	288
Unrealised gains/(losses)		-	32	128	160	(107)
<b>NET</b>						
<b>(EXPENDITURE)/INCOME</b>	4	<b>(452)</b>	<b>(5)</b>	<b>294</b>	<b>(163)</b>	<b>(258)</b>
Gross transfers between funds		200	-	(200)	-	-
<b>NET MOVEMENT IN</b>						
<b>FUNDS</b>		<b>(252)</b>	<b>(5)</b>	<b>94</b>	<b>(163)</b>	<b>(258)</b>
<b>RECONCILIATION OF</b>						
<b>FUNDS:</b>						
TOTAL FUNDS BROUGHT	11,12,					
FORWARD	13,14	880	474	2,489	3,843	4,101
TOTAL FUNDS CARRIED	11,12,					
FORWARD	13,14	628	469	2,583	3,680	3,843

All of the operations for both years are continuing. There were no recognised gains or losses other than those stated above.

# The Institute of Economic Affairs

## BALANCE SHEET

As at 31 December 2016

Company Registration No. 755502

Registered Charity No. 235351

	Notes	2016	2015
		£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	7	620	638
Investments	8	2,879	2,810
		<u>3,499</u>	<u>3,448</u>
<b>CURRENT ASSETS</b>			
Debtors	9	385	301
Cash at bank and in hand		9	244
		<u>394</u>	<u>545</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	(213)	(150)
<b>NET CURRENT ASSETS</b>		<u>181</u>	<u>395</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,680</u>	<u>3,843</u>
<b>THE FUNDS OF THE CHARITY:</b>			
Endowment fund	11	2,583	2,489
Restricted funds	12,14	469	474
Unrestricted funds	13,14	628	880
<b>TOTAL FUNDS</b>	14	<u>3,680</u>	<u>3,843</u>

The financial statements on pages 9 to 22 were approved by the Trustees and authorised for issue on 10 May 2017 and are signed on their behalf by:



Neil Record  
Chairman

10 May 2017

# The Institute of Economic Affairs

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

		2016 £000	2015 £000
Net cash used in operating activities	(A)	(499)	(523)
Cash flows from investing activities:			
Dividends and interest		54	54
Proceeds from sale of investments		666	1,013
Purchase of investments		(456)	(473)
Net cash from investing activities		264	594
Change in cash and cash equivalents in the year		(235)	71
Cash and cash equivalents at 1 January		244	173
Cash and cash equivalents at 31 December		9	244
(A)			
RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH USED IN OPERATIONS:			
Net expenditure for the reporting period (as per the statement of financial activities)		(163)	(258)
Adjustments for:			
Depreciation charges		18	26
Gains on investments		(279)	(181)
Dividends and interest		(54)	(54)
Increase in debtors		(84)	(1)
Increase/(Decrease) in creditors		63	(55)
Net cash used in operating activities		(499)	(523)

# The Institute of Economic Affairs

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING AND GOING CONCERN

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) issued on 16 July 2014, 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 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
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Office equipment	over 3 years
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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.

### INCOME

Income from donations is included in income when these are receivable, except:

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

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

# The Institute of Economic Affairs

## ACCOUNTING POLICIES (continued)

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### 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, and cash and bank balances 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 and 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.

#### **Critical areas of judgement:**

Leases – in categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the charity as lessee.

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 1 STATEMENT OF FINANCIAL ACTIVITIES – COMPARATIVE FIGURES

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2015 £000
<b>INCOME FROM:</b>					
Donations	2	904	638	-	1,542
<b>Charitable Activities:</b>					
Publications and Subscriptions		26	-	-	26
Events		53	-	-	53
Other Trading Activities		18	-	-	18
<b>Investments:</b>					
Dividends receivable		-	6	38	44
Interest receivable		1	-	9	10
<b>TOTAL</b>		<b>1,002</b>	<b>644</b>	<b>47</b>	<b>1,693</b>
<b>EXPENDITURE ON:</b>					
Fundraising and subscriber support		201	-	-	201
<b>Charitable activities:</b>					
<b>Academic programme:</b>					
Publications		346	464	-	810
Student/Teacher outreach		189	235	-	424
Events		340	77	-	417
Communications		214	66	-	280
<b>TOTAL</b>	3	<b>1,290</b>	<b>842</b>	<b>-</b>	<b>2,132</b>
<b>Net Gains/(Losses) on Investments:</b>					
Realised gains on disposals		124	57	107	288
Unrealised losses		-	(43)	(64)	(107)
<b>NET (EXPENDITURE)/INCOME</b>	4	<b>(164)</b>	<b>(184)</b>	<b>90</b>	<b>(258)</b>
Transfers between funds		200	-	(200)	-
<b>NET MOVEMENT IN FUNDS</b>		<b>36</b>	<b>(184)</b>	<b>(110)</b>	<b>(258)</b>
<b>RECONCILIATION OF FUNDS:</b>					
<b>TOTAL FUNDS BROUGHT FORWARD</b>	11,12 13,14	<b>844</b>	<b>658</b>	<b>2,599</b>	<b>4,101</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>	11,12 13,14	<b>880</b>	<b>474</b>	<b>2,489</b>	<b>3,843</b>



# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2	DONATIONS (VOLUNTARY INCOME)	2016 £000	2015 £000
	Foundations, corporate and individuals		
	Restricted	696	638
	Unrestricted	945	904
		<u>1,641</u>	<u>1,542</u>

3	ALLOCATION OF COSTS 2016	Direct Costs £000	Support costs £000	2016 Total £000
	Fundraising and subscriber support	42	280	322
	Publications	167	668	835
	Student/Teacher Outreach	189	383	572
	Special Events	100	35	135
	Communications	127	364	491
		<u>625</u>	<u>1,730</u>	<u>2,355</u>

### ALLOCATION OF SUPPORT COSTS 2016

Personnel costs	1,499
Office costs	158
Property costs	67
Travel costs	6
	<u>1,730</u>

Support costs have been allocated as follows:

	Support costs	Personnel Costs
Fundraising and subscriber support	11%	17%
Publications	36%	39%
Student/Teacher Outreach	36%	20%
Special Events	2%	2%
Communications	15%	22%

**The Institute of Economic Affairs**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

3	<i>ALLOCATION OF COSTS 2015</i>	<i>Direct costs</i> <i>£000</i>	<i>Support costs</i> <i>£000</i>	<i>2015 Total</i> <i>£000</i>
	<i>Fundraising and subscriber support</i>	27	174	201
	<i>Publications</i>	279	531	810
	<i>Student/Teacher Outreach</i>	155	269	424
	<i>Events</i>	167	250	417
	<i>Communications</i>	80	200	280
		<u>708</u>	<u>1,424</u>	<u>2,132</u>

*ALLOCATION OF SUPPORT COSTS 2015*

<i>Personnel costs</i>	1,154
<i>Office costs</i>	185
<i>Property costs</i>	74
<i>Travel costs</i>	11
	<u>1,424</u>

*Support costs have been allocated as follows:*

	<i>Support costs</i>	<i>Personnel costs</i>
<i>Fundraising and subscriber support</i>	9%	13%
<i>Publications</i>	30%	39%
<i>Student/Teacher Outreach</i>	27%	17%
<i>Events</i>	24%	16%
<i>Communications</i>	10%	15%

4	<i>NET INCOME/(EXPENDITURE)</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
	Net income/(expenditure) for the year are stated after charging:		
	Depreciation – charge for year	18	26
	Auditor's remuneration	11	12
	Legal Fees	1	-
	Operating lease rentals – plant and machinery	18	6
		<u>          </u>	<u>          </u>

5 **TAXATION**

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

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6	EMPLOYEES	2016 No.	2015 No.
	The average monthly number of persons employed by the Institute during the year was:		
	Office and management	22	19
		<hr/>	<hr/>
		2016 £000	2015 £000
	Staff costs for above persons:		
	Wages and salaries, including benefits	894	819
	Social security costs	97	86
	Other pension costs	91	66
		<hr/>	<hr/>
		1,082	971
		<hr/>	<hr/>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:	2016 No.	2015 No.
	£60,001 - £70,000	1	1
	£70,001 - £80,000	1	1
	£90,001 - £100,000	1	1
		<hr/>	<hr/>

The employees earning over £60,000 participate in the company defined contribution pension scheme. Contributions paid in the year in respect of these employees amounted to £56,164 (2015: £45,663).

The key management personnel of the Institute comprise the Trustees, the Director General, the Chief Operating Officer and the Academic and Research Director. The total employee benefits of these key management personnel were £324,288 (2015: £316,677), including pension and social security costs.

No Trustees, or persons related or connected to them, received any remuneration or reimbursement of expenses from the Institute during the year.

**The Institute of Economic Affairs**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**7 TANGIBLE FIXED ASSETS**

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2016 and 31 December 2016	965	95	1,060
Depreciation			
1 January 2016	327	95	422
Charged for year	18	-	18
31 December 2016	345	95	440
Net book value			
31 December 2016	620	-	620
31 December 2015	638	-	638

**8 FIXED ASSET INVESTMENTS**

	Open-end funds £000	Cash held on deposit £000	Total £000
Market value at			
1 January 2016	2,352	458	2,810
Additions	-	456	456
Disposals	(116)	(431)	(547)
Unrealised gains	160	-	160
Market value at 31 December 2016	2,396	483	2,879
Historical cost at 31 December 2016	1,566	483	2,049
Historical cost at 31 December 2015	1,682	458	2,140

**The Institute of Economic Affairs**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

9	DEBTORS	2016 £000	2015 £000
	Trade debtors	312	165
	Taxation recoverable	2	-
	Other debtors	4	-
	Prepayments and accrued income	67	136
		<u>385</u>	<u>301</u>

10	CREDITORS: Amounts falling due within one year	2016 £000	2015 £000
	Trade creditors	95	49
	Taxation and social security	25	28
	Other creditors	9	8
	Accruals and deferred income	84	65
		<u>213</u>	<u>150</u>

Deferred income has arisen as a result of 2 year subscriptions, and conference income and donations paid in advance. Amounts are released to the Statement of Financial Activities within the year to which the subscription, income or donation relates.

	2016 £000	2015 £000
Deferred income at 1 January 2016	33	24
Released to Statement of Financial Activities in year	(33)	(24)
Deferred in year	42	33
Deferred income at 31 December 2016	<u>42</u>	<u>33</u>

11 EXPENDABLE ENDOWMENT FUND

	At 1 January 2016 £000	Investment Income £000	Transfers between funds £000	Investment Gains £000	At 31 December 2016 £000
Ralph Harris Fund	2,489	47	(200)	247	2,583

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 year ended 31 December 2016

### 12 RESTRICTED FUNDS

	At 1 January 2016 £000	Income £000	Expenditure £000	Net Investment Gains £000	At 31 December 2016 £000
Student Internship	-	1	(1)	-	-
Richard Koch Breakthrough Prize	-	52	(29)	-	23
Educational Fellowships	-	125	(125)	-	-
Education Programme	-	76	(76)	-	-
Tax and Growth Project	-	6	(6)	-	-
Future Freedom	-	76	(76)	-	-
Paragon Initiative	-	109	(109)	-	-
European Network	-	60	(60)	-	-
Nanny State Index Conference	-	69	(18)	-	51
Think Tent	-	35	(35)	-	-
THINK Conference	-	14	(14)	-	-
Age Endeavour	-	19	(19)	-	-
Health Project	30	9	(39)	-	-
Vinson Centre at the University of Buckinghamshire	-	45	(45)	-	-
M Fund	444	6	(87)	32	395
	<u>474</u>	<u>702</u>	<u>(739)</u>	<u>32</u>	<u>469</u>

A donation was received from a UK university towards the cost of an internship for one of its students.

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

Donations were received to support fellowships for graduate study and for exploration of practical applications of market-based economics.

Donations were received towards the IEA Education Programme.

The Tax and Growth Project funds research on issues of taxation, government spending and economic growth.

The Future Freedom project aims to inspire, educate and support the young of today to be the free marketeers of the future.

The Paragon Initiative is a five-year research programme that will critically examine every aspect of government activity from an economic perspective.

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

The Nanny State Index is a league table of the worst places in the EU to eat, drink, smoke and vape. Following the tremendous interest the NSI generated in 2016, the 2017 edition will be launched in a one-day conference in Brussels.

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Donations were received to establish a marquee, organised with two other think tanks, to be the central point for free market debate at the Conservative Party Conference.

THINK is an annual conference for 16-25 year olds featuring speakers from around the world.

The Age Endeavour Fellowship supports IEA research into work and the elderly.

The Health project aims to encourage independence and enterprise for a healthy old age.

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.

### 13 UNRESTRICTED FUNDS

	At 1 January 2016 £000	Income £000	Expenditure £000	Transfers £000	At 31 December 2016 £000
Designated Funds					
Fixed Asset Fund	638	-	-	(18)	620
Warren Fund	-	-	-	-	-
Designated unrestricted funds	638	-	-	(18)	620
Unrestricted general funds	242	1,164	(1,616)	218	8
	880	1,164	(1,616)	200	628

The Fixed Asset Fund represents donations made to the Institute currently designated and used by the Trustees for the purpose of acquiring freehold and investment property. A transfer has been made between the Fixed Asset Fund and General Fund in order to reflect the depreciation of the freehold property in the year.

The Warren Fund has been used by the Trustees to provide working capital.

### 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 December 2016 are represented by:					
Tangible fixed assets	620	-	-	-	620
Investments	-	39	295	2,545	2,879
Current assets	-	182	174	38	394
Current liabilities	-	(213)	-	-	(213)
Total net assets	620	8	469	2,583	3,680



# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 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 £103,900 (2015: £71,458). There were £9,333 contributions outstanding at the end of the year (2015: £8,057).

### 16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 10 (2015: 10) members at the year end.

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

### 17 RELATED PARTY TRANSACTIONS

During the year £47,600 (2015: £9,000) was paid to the partner of the Director General, in respect of a short term maternity cover contract.

Donations from trustees in the year totalled £97,742 (2015: £135,510). 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 under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Amounts due:		
- within one year	18	16
- between one and five years	26	37

### 19 FINANCIAL INSTRUMENTS

	2016 £000	2015 £000
Financial Assets:		
Investments held as fixed assets	2,879	2,810
Trade and other receivables (note 9)	314	165
Cash and bank balances	9	244
Total	3,202	3,219
Financial Liabilities:		
Trade and other payables (note 10)	129	85
Total	129	85