

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

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

31 December 2012



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

Professor DR Myddelton Chairman

Kevin Bell

Robert Boyd

Michael Fisher

Michael Hintze

Professor Patrick Minford

Professor Mark Pennington

Neil Record

Professor Martin Ricketts

Linda Whetstone

### DIRECTOR GENERAL

Mark Littlewood

### EDITORIAL AND PROGRAMME DIRECTOR

Professor Philip Booth

### SECRETARY

C Rusbridge

### REGISTERED OFFICE

2 Lord North Street

Westminster

London SW1P 3LB

### AUDITOR

Baker Tilly UK Audit LLP

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Bucks

MK9 1BP

### BANKERS

Barclays Bank plc

Pall Mall Corporate Banking Centre

Pall Corporate Group

PO Box 15163

London SW1A 1QD

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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The Trustees present their report together with the accounts of the Institute of Economic Affairs for the financial year 2012

### 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. Decisions about the level and mix of activities are made by the Trustees, about detailed day-to-day operations by senior staff, sometimes with advice from the Finance and General Purposes Committee. Three of the Trustees, the Chairman of the Board, the Treasurer, Robert Boyd, and the Chairman of the Finance and General Purposes Committee, Kevin Bell, together form a sub-committee which reviews the Director General's performance annually, and they also serve as a Nominations Committee and as an Audit Committee.

### OBJECTIVES AND ACTIVITIES

The charity's main aims are to promote learning by means of research into economics and politics and to improve public understanding thereof.

We try to achieve our objectives by means of the activities listed below, which include allocated costs of Administration and Research.

#### Academic programmes

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

#### Fundraising and subscriber support

### PUBLIC BENEFIT

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

We aim to achieve our mission by undertaking the various activities listed above.

Ordinary donations were some 7% higher than in 2011. We continue to seek flexibility in responding to potential changes, both in income and in programme opportunities.

Over the year, visits to the website ([www.iea.org.uk](http://www.iea.org.uk)) were up by 38% to 828,000. Fourteen IEA publications were each downloaded more than 1,000 times.

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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We continued to expand the student/teacher outreach programme, under Dr Steve Davies, our Director of Education. The IEA intern programme reached new highs, with a record number of students spending up to eight weeks working on research projects. The students are regularly invited to our main events and a number of special events - exposing them to the ideas of academic economists - were organised for them. One of these was Freedom Week, which we are now running jointly with the Adam Smith Institute and which had a record number of applications in 2012.

Our sixth-form event in Oxford was attended by 200 students. As a result of the high demand, we are organising a new series of regional sixth-form conferences at schools across the UK for the coming year. The IEA State of the Economy Conference was attended by more than 60 students, financed by bursary donations from IEA supporters.

The IEA completed sponsorship of a PhD student, Kristian Niemietz. His second Research Monograph "Redefining the Poverty Debate", published in late 2012, was widely covered in the media.

The IEA published or co-published six titles in print in 2012, together with three editions of our journal, *Economic Affairs*. A further fourteen titles were published in our Main Web series. Many IEA publications that were previously out of print have also been made available through our print-on-demand system. In all we published about 150 authors across our monographs, web papers and journal and our triannual student/teacher supplement reached 2,000 individuals or educational establishments across the UK. In addition we co-published five books with trade publishers.

The IEA organised about 100 events in 2012, including major conferences and many lunch, dinner and evening events, including lectures, seminars, interviews, debates, book launches and other special events. Our annual Hayek Memorial Lecture was delivered by Nobel Prize winner Elinor Ostrom in March 2012 and attracted an audience of over 500. (Sadly she died soon afterwards.) The renowned US economist Art Laffer also attracted an audience of some 200 in a specially-staged Autumn lecture.

The IEA also continued to expand its media coverage, with senior IEA staff and fellows making nearly 1,400 media appearances across print, radio and television - up 17 per cent on the previous year. In addition, more than 3,000 people now follow the IEA on Facebook and 2,500 follow us on Twitter.

Our 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, and we aim to maintain or improve their quality.

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

Continuing themes are over-regulation, much of it stemming from the European Union, systemic problems in the welfare state, including social security, education and health services, corruption, both intellectual and financial, in public life, and other pervasive aspects of government interference. In early 2013, as this Report is being written, the UK government is still incurring enormous annual deficits. Yet appreciation of the urgent need to cut back significantly the scope of government remains limited. Hence the IEA's role in spreading public understanding is as important as ever.

### FINANCIAL REVIEW

Total incoming resources during the year were £1,059,000 and total resources expended were £1,194,000 leaving net resources expended of £135,000. Restricted income was £319,000 compared with resources expended on restricted projects of £406,000. The net increase in funds was £54,000, after allowing for realised and unrealised gains and losses on investments. Investment income on the Ralph Harris Fund during the year amounted to £70,000. The accounts, together with the notes thereto, expand on these outline details.

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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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 7% increase in the amount of donations in 2012 and 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. Income on investments is used to support the IEA's work. The Treasurer and the Finance and General Purposes Committee regularly review investment results.

The Trustees' policy on reserves, which is reviewed annually, is to have sufficient liquid funds on hand, or backed by firm commitments at the beginning of each year, to cover two months of budgeted expenditure. 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 2012, defined as being unrestricted, undesignated funds not represented by tangible fixed assets, amounted to £164,000 (2011: £127,000).

### RISK REVIEW

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

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

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

Financial risks and uncertainties are largely covered by the Reserves and Investment policies noted above.

The Trustees examine at least once a year the major strategic, operational and financial risks and uncertainties which the Institute faces, either at regular or special Board meetings, or through the Finance and General Purposes Committee.

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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### FUTURE PLANS

The Institute intends to enhance its activities in 2013 and beyond, continuing our long-established programme of publications and conferences, focusing especially on developing our website and student/teacher outreach

We recognise our need to attract new readers, listeners and viewers (and new authors). Currently our main focus for research is on the welfare state, the impact of regulation and the causes and effects of high levels of government spending

### 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 2012.

Professor DR Myddelton                      Chairman  
Kevin Bell  
Robert Boyd  
Michael Fisher  
Michael Hintze  
Professor Patrick Minford  
Professor Mark Pennington  
Neil Record  
Professor Martin Ricketts  
Linda Whetstone

None of the Trustees has an interest, direct or indirect, in any contract entered into by the Institute. The Trustees may from time to time, and at any time, appoint any person to be a Trustee, 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.

### 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

Following a re-tendering exercise in 2012, Baker Tilly UK Audit LLP were reappointed as auditors. A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

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

By order of the board

  
Professor DR Myddelton  
Chairman

13 May 2013

# The Institute of Economic Affairs

## TRUSTEES' REPORT

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### 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

# The Institute of Economic Affairs

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

For the year ended 31 December 2012

We have audited the financial statements of the Institute of Economic Affairs for the year ended 31 December 2012 on pages 8 to 19. 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).

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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 6, the trustees (who are also directors 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.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

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 2012 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,
- have been prepared in accordance with the Companies Act 2006.

### Opinion on other requirement of 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.

### Matters on which we are required to report by exception

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:

- the charity has not kept adequate accounting records, 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 or 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.

*Baker Tilly UK Audit LLP*

SARAH MASON (Senior Statutory Auditor)

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

The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
Bucks  
MK9 1BP

*21 May 2013*

**The Institute of Economic Affairs**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)**  
**For the year ended 31 December 2012**

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2012 £000	Total 2011 £000
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds						
Voluntary income	1	594	237	-	831	772
Activities for generating funds		18	-	-	18	8
Investment income						
Dividends receivable		3	49	-	52	51
Interest receivable		2	33	-	35	40
Incoming resources from charitable activities						
Academic programme						
Publications and subscriptions		33	-	-	33	37
Events		90	-	-	90	112
<b>Total incoming resources</b>		<b>740</b>	<b>319</b>	<b>-</b>	<b>1,059</b>	<b>1,020</b>
<b>RESOURCES EXPENDED</b>						
Charitable activities						
Fundraising and subscriber Support		97	86	-	183	154
Academic programme						
Publications		272	209	-	481	461
Student/Teacher outreach		125	41	-	166	181
Events		179	34	-	213	226
Communications		95	35	-	130	136
Governance	3	20	1	-	21	20
<b>Total resources expended</b>	2	<b>788</b>	<b>406</b>	<b>-</b>	<b>1,194</b>	<b>1,178</b>
<b>NET RESOURCES EXPENDED/EXPENDITURE</b>	4	<b>(48)</b>	<b>(87)</b>	<b>-</b>	<b>(135)</b>	<b>(158)</b>
Other recognised gains and losses						
Unrealised (losses)/gains on investments	8	13	26	179	218	(71)
Realised (losses) on disposal of investments		-	-	(29)	(29)	(11)
<b>NET MOVEMENT IN FUNDS</b>		<b>(35)</b>	<b>(61)</b>	<b>150</b>	<b>54</b>	<b>(240)</b>
Transfers between funds		-	75	(75)	-	-
<b>TOTAL FUNDS BROUGHT FORWARD</b>	11,12 13,14	<b>1,133</b>	<b>615</b>	<b>2,367</b>	<b>4,115</b>	<b>4,355</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>	11,12 13,14	<b>1,098</b>	<b>629</b>	<b>2,442</b>	<b>4,169</b>	<b>4,115</b>

All of the above results are derived from continuing activities

# The Institute of Economic Affairs

## BALANCE SHEET

As at 31 December 2012

Company Registration No. 755502

Registered Charity No 235351

	Notes	2012	2011
		£000	£000
FIXED ASSETS			
Tangible assets	7	693	636
Investments	8	3,392	3,386
		<u>4,085</u>	<u>4,022</u>
CURRENT ASSETS			
Debtors	9	211	61
Cash at bank and in hand		8	118
		<u>219</u>	<u>179</u>
CREDITORS Amounts falling due within one year	10	(135)	(86)
NET CURRENT ASSETS		<u>84</u>	<u>93</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,169</u>	<u>4,115</u>
FUNDS			
Endowment funds	11	2,442	2,367
Restricted funds	12,14	629	615
Unrestricted funds			
Designated funds	13,14	932	1,004
General funds	13	166	129
TOTAL FUNDS	14	<u>4,169</u>	<u>4,115</u>

The financial statements on pages 8 to 19 were approved by the Trustees and authorised for issue on

13 May 2013 and are signed on its behalf by

Professor DR Myddelton

Trustee

13 May 2013

# The Institute of Economic Affairs

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed asset investments at market value, and in accordance with the Companies Act 2006 and follow the recommendations in Accounting and Reporting by Charities Statement of Recommended Practice, issued in March 2005. The Trustees consider that there are no material uncertainties that may cast doubt upon the charity's ability to continue as a going concern and hence the financial statements have been prepared on this basis.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

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 as incurred.

### INCOMING RESOURCES

Income from donations is included in incoming resources when these are receivable, except

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

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

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

### RESOURCES EXPENDED

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

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

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

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 floorspace. 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 accounts as it is incurred.

### UNRESTRICTED FUNDS

Unrestricted funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objectives. Designated funds are unrestricted funds 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.

### 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.

### INVESTMENTS

Investments held as fixed assets comprise equities, open-ended funds, fixed interest securities and currency and are stated at year end market value.

Property is stated at the Trustees' assessment of year-end market value. No depreciation is charged on the property in accordance with SSAP 19. This departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated, is, in the opinion of the Trustees, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards.

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

		2012 £000	2011 £000
1	DONATIONS (VOLUNTARY INCOME)		
	Foundations, corporate and individuals		
	Restricted	237	93
	Unrestricted	594	679
		<u>831</u>	<u>772</u>

2	ALLOCATION OF COSTS 2012	Direct Costs £000	Support costs £000	2012 Total £000
	Fundraising and subscriber support	30	153	183
	Publications	210	271	481
	Student/Teacher Outreach	73	93	166
	Events	86	127	213
	Communications	27	103	130
	Governance	15	6	21
		<u>441</u>	<u>753</u>	<u>1,194</u>

### ALLOCATION OF SUPPORT COSTS 2012

Personnel costs	675
Office costs	90
Property costs	(22)
Travel costs	10
	<u>753</u>

Support costs have been allocated as follows

	Support costs	Personnel Costs
Fundraising and subscriber support	14%	21%
Publications	28%	37%
Student/Teacher Outreach	24%	11%
Events	24%	16%
Communications	10%	14%
Governance	0%	1%

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

	<i>Direct costs £000</i>	<i>Support costs £000</i>	<i>2011 Total £000</i>
2 <i>ALLOCATION OF COSTS 2011</i>			
<i>Fundraising and subscriber support</i>	17	137	154
<i>Publications</i>	179	282	461
<i>Student/Teacher Outreach</i>	72	109	181
<i>Events</i>	81	145	226
<i>Communications</i>	21	115	136
<i>Governance</i>	14	6	20
	<u>384</u>	<u>794</u>	<u>1178</u>

*£88,000 of payments to the Trade Policy Research Centre have been reclassified from Student/Teacher Outreach to Publications to better reflect the nature of these costs, which is consistent with the classification adopted in the current year*

### *ALLOCATION OF SUPPORT COSTS 2011*

<i>Personnel costs</i>	614
<i>Office costs</i>	90
<i>Property costs</i>	71
<i>Travel costs</i>	19
	<u>794</u>

*Support costs have been allocated as follows*

	<i>Support costs</i>	<i>Personnel costs</i>
<i>Fundraising and subscriber support</i>	12%	19%
<i>Publications</i>	28%	38%
<i>Student/Teacher Outreach</i>	25%	10%
<i>Events</i>	25%	16%
<i>Communications</i>	10%	16%
<i>Governance</i>	0%	1%

	<i>2012 £000</i>	<i>2011 £000</i>
3 <i>GOVERNANCE</i>		
<i>Salaries and staff costs</i>	6	6
<i>Audit</i>	10	12
<i>Legal and professional</i>	5	2
	<u>21</u>	<u>20</u>

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

4	NET RESOURCES EXPENDED/EXPENDITURE	2012 £000	2011 £000
	Net resources expended for the year are stated after charging		
	Depreciation – charge for year	19	26
	Depreciation – credit in respect of prior years	(75)	-
	Auditor's remuneration	10	10
		<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

6	EMPLOYEES	2012 No	2011 No
	The average monthly number of persons employed by the Institute during the year was		
	Office and management	10	11
		<u>          </u>	<u>          </u>
		2012 £000	2011 £000
	Staff costs for above persons		
	Wages and salaries, including benefits	443	441
	Social security costs	50	49
	Other pension costs	20	20
		<u>513</u>	<u>510</u>
		<u>          </u>	<u>          </u>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows	2012 No	2011 No
	£60,001 - £70,000	1	1
	£90,000 - £100,000	1	1
		<u>          </u>	<u>          </u>

The employees earning over £60,000 participate in the company pension scheme Contributions paid in the year in respect of these employees amounted to £8,362 (2011 £5,769)

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 2012

**7 TANGIBLE FIXED ASSETS**

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2012	965	72	1,037
Additions	-	1	1
31 December 2012	<u>965</u>	<u>73</u>	<u>1,038</u>
Depreciation			
1 January 2012	331	70	401
Credited in respect of prior years	(75)	-	(75)
Charged for year	18	1	19
31 December 2012	<u>274</u>	<u>71</u>	<u>345</u>
Net book value			
31 December 2012	<u>691</u>	<u>2</u>	<u>693</u>
31 December 2011	<u>634</u>	<u>2</u>	<u>636</u>

Prior to 1 January 2012, depreciation had been charged over 40 years on both land and buildings, but from that date on buildings only. The credit in the year relates to depreciation charged on land from 1996 to 2011, to correct the historic position.

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 8 FIXED ASSET INVESTMENTS

	Open-end funds £000	Cash held on deposit £000	Property £000	Total £000
Market value at 1 January 2012	2,600	686	100	3,386
Additions	591	327	-	918
Disposals	(585)	(703)	-	(1,288)
Unrealised gains	218	-	-	218
Cash in transit	158	-	-	158
Market value at 31 December 2012	2,982	310	100	3,392
Historical cost at 31 December 2012	2,617	268	71	2,956
Historical cost at 31 December 2011	2,644	686	71	3,401

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

9 DEBTORS	2012 £000	2011 £000
Due within one year		
Trade debtors	140	44
Taxation recoverable	3	4
Prepayments and accrued income	68	13
	211	61

10 CREDITORS	2012 £000	2011 £000
Amounts falling due within one year		
Trade creditors	43	36
Taxation and social security	16	32
Other creditors	3	4
Accruals and deferred income	21	14
Bank overdraft	52	-
	135	86

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 year to which the subscription relates.

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 11 EXPENDABLE ENDOWMENT FUND

	At 1 January 2012 £000	Transfer to restricted funds £000	Investment Gains £000	At 31 December 2012 £000
Ralph Harris Fund	2,367	(75)	150	2,442

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"

### 12 RESTRICTED FUNDS

	At 1 January 2012 £000	Income £000	Expenditure £000	Investment Gains £000	Transfers £000	At 31 December 2012 £000
NFS publication	-	9	-	-	-	9
State of the Economy conference	4	5	(7)	-	-	2
AFIEA re James Tooley	-	34	(34)	-	-	-
Earhart grant for Franklin Cudjoe	2	-	(2)	-	-	-
Earhart grant for Kristian Niemeitz	-	6	(6)	-	-	-
Trade Policy Research Centre	6	58	(58)	-	-	6
Supporter Database	10	-	(10)	-	-	-
Lifestyle Unit	-	50	(19)	-	-	31
Transport Unit	-	50	(50)	-	-	-
Age Endeavour	-	25	(25)	-	-	-
Ralph Harris Fund (note 11)	20	70	(145)	-	75	20
M Fund	573	12	(50)	26	-	561
	<u>615</u>	<u>319</u>	<u>(406)</u>	<u>26</u>	<u>75</u>	<u>629</u>

Network for a Free Society has provided funding for a monograph on the foundations of liberty by Dr Eamonn Butler

State of the Economy conference donations cover the cost of bursary places for students

American Friends of the IEA funded research by IEA author Dr James Tooley, Professor of Education Policy at the E G West Centre, Newcastle University, into barriers to education entrepreneurs

The Earhart Foundation is funding research fellowships for Franklin Cudjoe and Kristian Niemeitz

The Trade Policy Research Centre carries out research into the UK's trade policy options outside the Common Commercial Policy/Single Market Framework of the EU

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

A donation was received in 2011 towards developments to the supporter database carried out during 2012

The IEA Lifestyle Economics Unit investigates, researches and promotes public discussion on the regulation and taxation of controversial lifestyle products in the UK

The IEA Transport Unit creates papers, monographs and events on the role of markets in the transport sector

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

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 2012 £000	Income £000	Expenditure £000	Investment Gains £000	Transfers £000	At 31 December 2012 £000
Designated Funds						
Fixed Asset Fund	634	-	57	-	-	691
Dorian Fund	288	8	-	13	(100)	209
Warren Fund	82	-	-	-	(50)	32
Designated unrestricted funds	1,004	8	57	13	(150)	932
Unrestricted general funds	129	732	(845)	-	150	166
	<u>1,133</u>	<u>740</u>	<u>(788)</u>	<u>13</u>	<u>-</u>	<u>1,098</u>

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

The Dorian Fund has been designated by the Trustees to support the costs of an education director.

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

# The Institute of Economic Affairs

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 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 2012 are represented by					
Tangible fixed assets	691	2	-	-	693
Investments	241	134	575	2,442	3,392
Current assets	-	165	54	-	219
Current liabilities	-	( 135)	-	-	( 135)
Total net assets	<u>932</u>	<u>166</u>	<u>629</u>	<u>2,442</u>	<u>4,169</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 £19,815 (2011 £19,703) There were £3,263 contributions outstanding at the end of the year (2011 £3,524)

### 16 STATUS

The Institute is a company limited by guarantee and has no share capital The Institute had 10 (2011 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