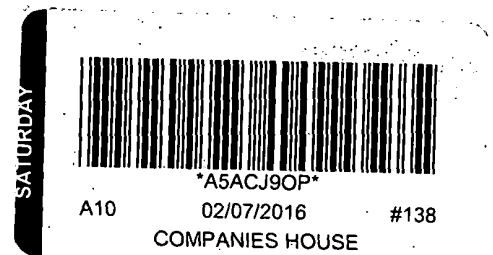


The Institute of Economic Affairs
(A Charitable Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 December 2015



Company Registration No. 755502
Registered Charity No. 235351

The Institute of Economic Affairs

TRUSTEES' REPORT

Company Registration Number: 755502

Charity Registration Number: 235351

TRUSTEES

Neil Record	Chairman (appointed 3 rd March 2015)
Professor DR Myddelton	Chairman (retired 3 rd March 2015)
Kevin Bell	
Robert Boyd	Treasurer
Michael Fisher	
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, 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

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

The Trustees present their report together with the financial statements of the Institute of Economic Affairs for the financial year ended 31 December 2015.

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 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.

The Institute of Economic Affairs

TRUSTEES' REPORT

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 11% lower than in 2014. We continue to seek flexibility in responding to potential changes, both in income and in programme opportunities.

Over the year, there were around 410,000 visits to the website (www.iea.org.uk).

We continued to expand our student/teacher educational outreach programme with a record number of students interning at the IEA, participating in workshops, attending events, developing skills and working on research projects. We also continued to run Freedom Week, a one-week educational seminar held at Cambridge University which is free to attend.

In July, we held our first annual conference for 16-25 year olds, THINK, a two-day event which featured speakers from all over the world and attracted nearly 300 young people, many of whom had never come across the IEA before. All sessions were filmed for ieaTV including the 'Economics of Game of Thrones' which has had nearly 2,000 views since.

We have continued to organise a series of regional sixth-form economics conferences at schools across the UK. We now partner with more than 20 schools a year and reach more than 4,000 students.

The IEA published seven monographs in print in 2015, together with three editions of our journal, Economic Affairs. A further nineteen titles were published as briefings and discussion papers. Many IEA publications that were previously out of print have also been made available through our print-on-demand system. In all we published more than 100 authors across our monographs, discussion papers, other shorter papers and journal. In addition we co-published two books with trade publishers.

Our magazine, EA, has proved very successful with students and teachers throughout the UK. Each edition features some of the best writers in the world on economic freedom. 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 IEA organised about 100 events in 2015, 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 Professor William Easterly. Nearly 600 people attended, including large numbers of students, making it our most successful event ever.

The IEA continued to expand its media coverage, with senior IEA staff and fellows making just shy of 4,000 media appearances across print, radio and television. In addition, more than 8,800 people now follow the IEA on Facebook and 11,000 follow us on Twitter.

The IEA takes no corporate position on whether Britain should stay in the EU and a wide range of views are held by the Institute's staff, trustees and wider supporters. Not only are there substantial internal disagreements on whether the UK should remain in the EU or leave it, but there are differing views about, for example, what policies the UK should embrace if it did choose to leave the EU and what the various risks and opportunities are from taking various different courses of action.

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.

The Institute of Economic Affairs

TRUSTEES' REPORT

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. We hold a formal meeting of academic advisers once a year, under the chairmanship of Professor Martin Ricketts, one of our 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; infrastructure deficiencies; and other aspects of government interference. The IEA has recently embarked on a major project (the Paragon Initiative) to critically examine every aspect of government activity from an economic perspective and propose major reform.

FINANCIAL REVIEW

Total income for the year was £1,693,000 and total expenditure was £2,132,000. After taking account of realised gains on disposal of investments of £288,000, and unrealised losses on investments still held at the year end of £107,000, there was a net reduction in funds of £258,000 in the year. Restricted income was £644,000 compared with expenditure on restricted projects of £842,000. Investment income on the Ralph Harris Fund during the year amounted to £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 an 11% decrease in the amount of donations in 2015, compared with 2014. 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. 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 £244,000 at the year end plus the cash deposits held within the Ralph Harris Fund of £316,000 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 2015, defined as being unrestricted, undesignated funds not represented by tangible fixed assets, amounted to £242,000 (2014: £141,000).

The Institute of Economic Affairs

TRUSTEES' REPORT

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 under a system managed by the Academic and Research 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 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 2016 and beyond, continuing our long-established programme of publications and conferences, focusing especially on developing our website and student/teacher outreach and ieaTV.

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 2015 and up to the date of signing this report, unless otherwise stated.

Neil Record	Chairman (appointed 3 rd March 2015)
Professor DR Myddelton	Chairman (retired 3 rd March 2015)
Kevin Bell	
Robert Boyd	Treasurer
Michael Fisher	
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.

The Institute of Economic Affairs

TRUSTEES' REPORT

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

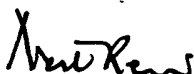
The charitable company is a registered charity and, as such, for taxation purposes is entitled to exemption under the Income and Corporation Taxes Act 1988.

AUDITOR

A resolution to reappoint RSM UK Audit LLP (formerly 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 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
25 April 2016

The Institute of Economic Affairs

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

In so far as the Trustees are aware:

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

By order of the board



Neil Record
Chairman
25 April 2016

The Institute of Economic Affairs

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

For the year ended 31 December 2015

We have audited the financial statements of the Institute of Economic Affairs for the year ended 31 December 2015 on pages 9 to 24. 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".

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.

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.

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 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 2015 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.

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 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 take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the Trustees' Report.

RSM UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor
Chartered Accountants

The Pinnacle, 170 Midsummer Boulevard
Milton Keynes, Bucks MK9 1BP

4 May 2016

The Institute of Economic Affairs
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
For the year ended 31 December 2015

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2015 £000	Total 2014 £000 Note 1
INCOME FROM:						
Donations	2	904	638	-	1,542	1,763
Charitable Activities:						
Publications and						
Subscriptions		26	-	-	26	22
Events		53	-	-	53	58
Other Trading Activities		18	-	-	18	13
Investments:						
Dividends receivable		-	6	38	44	50
Interest receivable		1	-	9	10	16
TOTAL		1,002	644	47	1,693	1,922
EXPENDITURE ON:						
Raising Funds:						
Fundraising and subscriber						
support		201	-	-	201	195
Charitable activities:						
Academic programme:						
Publications		346	464	-	810	886
Student/Teacher outreach		189	235	-	424	554
Events		340	77	-	417	539
Communications		214	66	-	280	243
TOTAL	3	1,290	842	-	2,132	2,417
Net Gains/(Losses) on						
Investments:						
Realised gains on disposals		124	57	107	288	17
Unrealised (losses)/gains		-	(43)	(64)	(107)	152
NET INCOME/ (EXPENDITURE)	4	(164)	(184)	90	(258)	(326)
Gross transfers between funds		200	-	(200)	-	-
NET MOVEMENT IN FUNDS		36	(184)	(110)	(258)	(326)
RECONCILIATION OF FUNDS:						
TOTAL FUNDS BROUGHT FORWARD	11,12, 13,14	844	658	2,599	4,101	4,427
TOTAL FUNDS CARRIED FORWARD	11,12, 13,14	880	474	2,489	3,843	4,101

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 2015

Company Registration No. 755502

Registered Charity No. 235351

	Notes	2015	2014
		£000	£000
FIXED ASSETS			
Tangible assets	7	638	664
Investments	8	2,810	3,169
		<u>3,448</u>	<u>3,833</u>
CURRENT ASSETS			
Debtors	9	301	300
Cash at bank and in hand		244	173
		<u>545</u>	<u>473</u>
CREDITORS: Amounts falling due within one year	10	(150)	(205)
NET CURRENT ASSETS		<u>395</u>	<u>268</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,843</u>	<u>4,101</u>
THE FUNDS OF THE CHARITY:			
Endowment fund	11	2,489	2,599
Restricted funds	12,14	474	658
Unrestricted funds	13,14	880	844
TOTAL FUNDS	14	<u>3,843</u>	<u>4,101</u>

The financial statements on pages 9 to 24 were approved by the Trustees and authorised for issue on 25 April 2016 and are signed on their behalf by:



Neil Record

Trustee

25 April 2016

The Institute of Economic Affairs

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 £000	2014 £000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities (A)	(523)	(563)
Cash flows from investing activities:		
Dividends and interest	54	66
Proceeds from sale of investments	1,013	458
Purchase of investments	(473)	(207)
Net cash provided by investing activities	594	317
Change in cash and cash equivalents in the year	71	(246)
Cash and cash equivalents at 1 January	173	419
Cash and cash equivalents at 31 December	244	173
(A)		
RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Net (expenditure) for the reporting period (as per the statement of financial activities)	(258)	(326)
Adjustments for:		
Depreciation charges	26	25
(Gains) on investments	(181)	(169)
Dividends and interest	(54)	(66)
(Increase) in debtors	(1)	(120)
(Decrease)/Increase in creditors	(55)	93
Net cash used in operating activities	(523)	(563)

The Institute of Economic Affairs

ACCOUNTING POLICIES

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.

RECONCILIATION WITH PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRACTICE

This is the first year that the charity has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total reserves as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

In preparing the accounts the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP (FRS 102), a restatement of comparative items was needed.

Holiday Pay Accrual:

FRS 102 requires short term employee benefits to be charged to the SOFA as the employee service is received. This has resulted in the charity recognising a liability for holiday pay of £9,000 on transition to FRS 102. Previous holiday pay accruals were not recognised and were charged to the SOFA as they were paid.

In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income/(expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for the recognition of holiday pay accruals.

Reconciliation of reported net income	£'000
Reported net (expenditure) before transfers as previously stated	(317)
Adjustment for holiday pay expense	(9)
2014 net (expenditure) as restated	<u><u>(326)</u></u>
Reconciliation of funds	
Unrestricted funds as previously stated	853
Adjustment for holiday pay accrual	(9)
2014 unrestricted funds as restated	<u><u>844</u></u>

TANGIBLE FIXED ASSETS

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

Freehold property	over 40 years
Office equipment	over 3 years

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

The Institute of Economic Affairs

ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTY

Investment property is initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the SOFA.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The trustees consider that, because the investment property is not held for consumption, but for its investment potential, to depreciate it would not give a true and fair view. If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation.

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.

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.

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

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.

The Institute of Economic Affairs

ACCOUNTING POLICIES (continued)

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, 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. Realised gains and losses on disposal and unrealised gains and losses due to the movement in market value of investments are recognised in the Statement of Financial Activities.

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

Financial liabilities:

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

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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 2015

1. STATEMENT OF FINANCIAL ACTIVITIES – COMPARATIVE FIGURES

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2014 £000
INCOME FROM:					
Donations	2	1,206	557	-	1,763
Charitable Activities:					
Publications and Subscriptions		22	-	-	22
Events		58	-	-	58
Other Trading Activities		13	-	-	13
Investments:					
Dividends receivable		-	9	41	50
Interest receivable		1	-	15	16
TOTAL		1,300	566	56	1,922
EXPENDITURE ON:					
Fundraising and subscriber support		195	-	-	195
Charitable activities:					
Academic programme:					
Publications		603	283	-	886
Student/Teacher outreach		394	160	-	554
Events		320	219	-	539
Communications		192	51	-	243
TOTAL	3	1,704	713	-	2,417
Net Gains on Investments:					
Realised gains on disposals		-	-	17	17
Unrealised gains		-	21	131	152
NET INCOME/ (EXPENDITURE)	4	(404)	(126)	204	(326)
Transfers between funds		200	-	(200)	-
NET MOVEMENT IN FUNDS		(204)	(126)	4	(326)
RECONCILIATION OF FUNDS:					
TOTAL FUNDS BROUGHT FORWARD	11,12 13,14	1,048	784	2,595	4,427
TOTAL FUNDS CARRIED FORWARD	11,12 13,14	844	658	2,599	4,101

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

2	DONATIONS (VOLUNTARY INCOME)	2015	2014
		£000	£000
	Foundations, corporate and individuals		
	Restricted	638	412
	Unrestricted	904	1,351
		<u>1,542</u>	<u>1,763</u>

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

ALLOCATION OF SUPPORT COSTS 2015

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

Support costs have been allocated as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3	<i>ALLOCATION OF COSTS 2014</i>	<i>Direct costs £000</i>	<i>Support costs £000</i>	<i>2014 Total £000</i>
	<i>Fundraising and subscriber support</i>	21	174	195
	<i>Publications</i>	266	620	886
	<i>Student/Teacher Outreach</i>	134	420	554
	<i>Events</i>	232	307	539
	<i>Communications</i>	86	157	243
		<u>739</u>	<u>1,678</u>	<u>2,417</u>

ALLOCATION OF SUPPORT COSTS 2014

<i>Personnel costs</i>	1,002
<i>Office costs</i>	181
<i>Property costs</i>	475
<i>Travel costs</i>	20
	<u>1,678</u>

Support costs have been allocated as follows:

	<i>Support costs</i>	<i>Personnel costs</i>
<i>Fundraising and subscriber support</i>	8%	12%
<i>Publications</i>	31%	41%
<i>Student/Teacher Outreach</i>	31%	21%
<i>Events</i>	23%	15%
<i>Communications</i>	7%	11%

4	<i>NET INCOMING RESOURCES/(RESOURCES EXPENDED)</i>	<i>2015 £000</i>	<i>2014 £000</i>
	Net incoming resources/(resources expended) for the year are stated after charging:		
	Depreciation – charge for year	26	25
	Auditor's remuneration	12	12
	Operating lease rentals – plant and machinery	6	4
		<u> </u>	<u> </u>

There were no professional fees other than auditor's remuneration paid in the year.

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 2015

6	EMPLOYEES	2015	2014
		No.	No.
	The average monthly number of persons employed by the Institute during the year was:		
	Office and management	19	16
		<hr/>	<hr/>
		2015	2014
		£000	£000
	Staff costs for above persons:		
	Wages and salaries, including benefits	819	697
	Social security costs	86	76
	Other pension costs	66	51
		<hr/>	<hr/>
		971	824
		<hr/>	<hr/>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:	2015	2014
		No.	No.
	£60,001 - £70,000	1	-
	£70,001 - £80,000	1	1
	£90,001 - £100,000	1	-
	£100,001 - £110,000	-	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 £45,663 (2014: £29,526).

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 £316,677 (2014: £260,025), 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.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

7 TANGIBLE FIXED ASSETS

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2015 and 31 December 2015	965	95	1,060
Depreciation			
1 January 2015	309	87	396
Charged for year	18	8	26
31 December 2015	327	95	422
Net book value			
31 December 2015	638	-	638
31 December 2014	656	8	664

8 FIXED ASSET INVESTMENTS

	Open-end funds £000	Cash held on deposit £000	Property £000	Total £000
Market value at				
1 January 2015	2,753	316	100	3,169
Additions	-	473	-	473
Disposals	(294)	(331)	(100)	(725)
Unrealised gains	(107)	-	-	(107)
Market value at 31 December 2015	2,352	458	-	2,810
Historical cost at 31 December 2015	1,682	353	-	2,035
Historical cost at 31 December 2014	1,976	221	71	2,268

Property represents an equity share in leasehold property, and was previously included in the accounts at the Trustees' assessment of market value. This property was sold during the year and the Institute's share generated a profit on disposal of £123,539.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9	DEBTORS	2015 £000	2014 £000
	Trade debtors	165	130
	Taxation recoverable	-	15
	Prepayments and accrued income	136	155
		<u>301</u>	<u>300</u>

10	CREDITORS: Amounts falling due within one year	2015 £000	2014 £000
	Trade creditors	49	103
	Taxation and social security	28	24
	Other creditors	8	5
	Accruals and deferred income	65	73
		<u>150</u>	<u>205</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.

	2015 £000	2014 £000
Deferred income at 1 January 2015	24	3
Released to Statement of Financial Activities in year	(24)	(3)
Deferred in year	33	24
Deferred income at 31 December 2015	<u>33</u>	<u>24</u>

11 EXPENDABLE ENDOWMENT FUND

	At 1 January 2015 £000	Investment Income £000	Transfers between funds £000	Investment Gains £000	At 31 December 2015 £000
Ralph Harris Fund	2,599	47	(200)	43	2,489

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 2015

12 RESTRICTED FUNDS

	At 1 January 2015 £000	Income £000	Expenditure £000	Net Investment Gains £000	At 31 December 2015 £000
State of the Economy conference	-	6	(6)	-	-
Student Internship	-	1	(1)	-	-
Events - 60 th and Memorial	-	25	(25)	-	-
Educational Fellowships	9	26	(35)	-	-
Tax and Growth Project	-	58	(58)	-	-
Trade Policy Research Centre	-	56	(56)	-	-
Brexit Prize Essay Competition	11	-	(11)	-	-
EU Employment Report	-	15	(15)	-	-
Future Freedom	-	76	(76)	-	-
Earhart grant for Monograph on relationship between the UK and EU	15	(11)	(4)	-	-
Paragon Initiative	-	230	(230)	-	-
European Network	45	70	(115)	-	-
Think Tent	-	55	(55)	-	-
THINK Conference	-	7	(7)	-	-
Age Endeavour	-	24	(24)	-	-
Health Project	72	-	(42)	-	30
M Fund	506	6	(82)	14	444
	<u>658</u>	<u>644</u>	<u>(842)</u>	<u>14</u>	<u>474</u>

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

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

Donations were received towards an event to celebrate the 60th Anniversary of the IEA and a memorial event for the IEA former Director General, John Blundell.

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

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

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.

Following the Brexit Prize Essay Competition in 2014, a monograph was published in 2015.

A donation from an individual was received to support a paper examining the relationship between UK employment and EU membership.

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

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

The Earhart Foundation funded a Monograph examining how the EU might look if it were remodelled from a classical liberal perspective. This was not completed before the Foundation ceased and the balance of the grant was returned.

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.

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 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 2015 £000	Income £000	Expenditure £000	Transfers £000	At 31 December 2015 £000
Designated Funds					
Fixed Asset Fund	656	-	-	(18)	638
Dorian Fund	16	-	-	(16)	-
Warren Fund	32	-	-	(32)	-
Designated unrestricted funds	704	-	-	(66)	638
Unrestricted general funds	140	1,126	(1,290)	266	242
	<u>844</u>	<u>1,126</u>	<u>(1,290)</u>	<u>200</u>	<u>880</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 was designated by the Trustees to support the costs of an education director, and has now been fully expended.

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015 are represented by:					
Tangible fixed assets	638	-	-	-	638
Investments	-	-	359	2,451	2,810
Current assets	-	392	115	38	545
Current liabilities	-	(150)	-	-	(150)
Total net assets	<u>638</u>	<u>242</u>	<u>474</u>	<u>2,489</u>	<u>3,843</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 £71,458 (2014: £51,133). There were £8,057 contributions outstanding at the end of the year (2014: £4,578).

16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 10 (2014: 11) 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 £9,000 (2014: nil) 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 £135,510 (2014: £131,332). 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

2015
£000

2014
£000

At 31 December 2015, the Institute had annual commitments under non-cancellable operating leases as follows:

Plant and machinery:

Expiring between 2 and 5 years

- payable in one year	16	4
- payable in one to two years	16	4
- payable in two to five year	14	4

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

19	FINANCIAL INSTRUMENTS	2015	2014
		£000	£000
	Financial Assets:		
	Investments held as fixed assets	2,810	3,169
	Trade and other receivables (note 9)	165	145
	Cash and bank balances	244	173
	Total	3,219	3,487
		=====	=====
	Financial Liabilities:		
	Trade and other payables (note 10)	85	132
	Total	85	132
		=====	=====