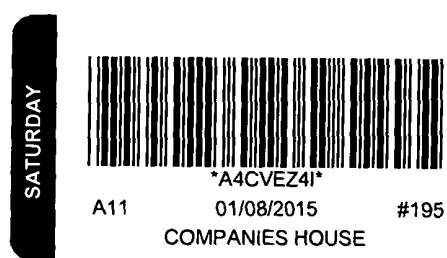


The Institute of Economic Affairs
(A Charitable Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 December 2014



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

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

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 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. 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 33% higher than in 2013. 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) were up by nearly 38% to 1,823,000. Thirty two IEA publications were each downloaded more than 3,000 times.

The Institute of Economic Affairs

TRUSTEES' REPORT

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 applicants in 2014.

We organise a series of regional sixth-form conferences at schools across the UK. Total attendances increased significantly over 2013. The IEA State of the Economy Conference was attended by more than 60 students, financed by bursary donations from IEA supporters.

The IEA published or co-published six titles in print in 2014, 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 100 authors across our monographs, web papers and journal and our triennial student/teacher supplement reached 2,000 individuals or educational establishments across the UK. In addition we co-published five 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 2014, 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 John Taylor, in June 2014 and attracted an audience of over 500.

The IEA continued to expand its media coverage, with senior IEA staff and fellows making around 4,000 media appearances across print, radio and television – up nearly 70 per cent on the previous year. In addition, more than 5,900 people now follow the IEA on Facebook and 6,700 follow us on Twitter.

The IEA takes no view on the desirability or otherwise of the United Kingdom leaving the European Union. The focus of the IEA's Brexit Prize competition during the year was to explore possible details of the UK's future outside the EU if that were the people's choice in any future referendum. The competition attracted 120 entries and a great deal of media attention. We are grateful to the panel of judges, chaired by Lord Lawson, for their work and we congratulate Iain Mansfield, who won the prize for the best essay.

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 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. In early 2015, 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.

The Institute of Economic Affairs

TRUSTEES' REPORT

FINANCIAL REVIEW

Total incoming resources during the year were £1,922,000 and total resources expended were £2,408,000 leaving net resources expended of £486,000. Restricted income was £566,000 compared with resources expended on restricted projects of £713,000. The net decrease in funds was £317,000, after allowing for realised and unrealised gains and losses on investments. Investment income on the Ralph Harris Fund during the year amounted to £56,000. 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 33% increase in the amount of donations in 2014 and we are grateful to all our donors for supporting our work.

During the year the Institute received a legacy of \$500,000 from Nobel Laureate Ronald Coase. Thanks to his generosity we were able to undertake a major refurbishment at 2 Lord North Street.

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 to cover two months of budgeted expenditure. 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. 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 2014, defined as being unrestricted, undesignated funds not represented by tangible fixed assets, amounted to £141,000 (2013: £274,000).

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 Institute of Economic Affairs

TRUSTEES' REPORT

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 2015 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 2014 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.

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

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

The Institute of Economic Affairs

TRUSTEES' REPORT

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005). The Trustees have taken advantage of the exemptions available under the small companies' regime.

By order of the board



Neil Record
Chairman

27 April 2015

The Institute of Economic Affairs

TRUSTEES' REPORT

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;
- 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

27 April 2015

The Institute of Economic Affairs

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

For the year ended 31 December 2014

We have audited the financial statements of the Institute of Economic Affairs for the year ended 31 December 2014 on pages 9 to 20. 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 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 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 2014 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 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.

Baker Tilly UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

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

Chartered Accountants

The Pinnacle, 170 Midsummer Boulevard

Milton Keynes, Bucks MK9 1BP

29 April 2015

The Institute of Economic Affairs

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 December 2014

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total 2014 £000	Total 2013 £000
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	1	1,206	557	-	1,763	1,330
Activities for generating funds		13	-	-	13	16
Investment income						
Dividends receivable		-	9	41	50	52
Interest receivable		1	-	15	16	26
Incoming resources from charitable activities:						
Academic programme:						
Publications and subscriptions		22	-	-	22	34
Events		58	-	-	58	69
Total incoming resources		1,300	566	56	1,922	1,527
RESOURCES EXPENDED						
Charitable activities:						
Fundraising and subscriber Support		193	-	-	193	214
Academic programme:						
Publications		579	283	-	862	624
Student/Teacher outreach		388	160	-	548	285
Events		315	219	-	534	236
Communications		197	51	-	248	185
Governance	3	23	-	-	23	22
Total resources expended	2	1,695	713	-	2,408	1,566
NET INCOMING RESOURCES/(RESOURCES EXPENDED)						
	4	(395)	(147)	56	(486)	(39)
Other recognised gains and losses:						
Unrealised gains on investments	8	-	21	131	152	269
Realised gains/(losses) on disposal of investments		-	-	17	17	28
NET MOVEMENT IN FUNDS						
		(395)	(126)	204	(317)	258
Transfers between funds		200	-	(200)	-	-
TOTAL FUNDS BROUGHT FORWARD	11,12, 13,14	1,048	784	2,595	4,427	4,169
TOTAL FUNDS CARRIED FORWARD	11,12, 13,14	853	658	2,599	4,110	4,427

All of the above results are derived from continuing activities.

The Statement of Financial Activities includes all gains and losses in the year.

The Institute of Economic Affairs

BALANCE SHEET

As at 31 December 2014

Company Registration No. 755502

Registered Charity No. 235351

	Notes	2014	2013
		£000	£000
FIXED ASSETS			
Tangible assets	7	664	689
Investments	8	3,169	3,251
		<u>3,833</u>	<u>3,940</u>
CURRENT ASSETS			
Debtors	9	300	180
Cash at bank and in hand		173	419
		<u>473</u>	<u>599</u>
CREDITORS: Amounts falling due within one year	10	(196)	(112)
NET CURRENT ASSETS		<u>277</u>	<u>487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,110</u>	<u>4,427</u>
FUNDS			
Endowment fund	11	2,599	2,595
Restricted funds	12,14	658	784
Unrestricted funds			
Designated funds	13,14	704	774
General funds	13	149	274
TOTAL FUNDS	14	<u>4,110</u>	<u>4,427</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 9 to 20 were approved by the Trustees and authorised for issue on 27 April 2015 and are signed on their behalf by:


Neil Record

Trustee

27 April 2015

The Institute of Economic Affairs

ACCOUNTING POLICIES

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, 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.

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.

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 floor space. Staff costs have been allocated according to the time spent on each activity.

The Institute of Economic Affairs

ACCOUNTING POLICIES (continued)

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.

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.

Leasehold 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.

Realised gains and losses on the disposal of investments are recognised in the Statement of Financial Activities. Unrealised gains and losses represent the movement in market value of investments and are recognised in the Statement of Financial Activities.

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.

CASH FLOW STATEMENT

The company has taken advantage of the small company exemption from preparing a cash flow statement under the terms of FRS 1.

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

		2014 £000	2013 £000
1	DONATIONS (VOLUNTARY INCOME)		
	Foundations, corporate and individuals		
	Restricted	412	408
	Unrestricted	1,351	922
		<u>1,763</u>	<u>1,330</u>

2	ALLOCATION OF COSTS 2014	Direct Costs £000	Support costs £000	2014 Total £000
	Fundraising and subscriber support	21	172	193
	Publications	266	596	862
	Student/Teacher Outreach	134	414	548
	Events	232	302	534
	Communications	86	162	248
	Governance	13	10	23
		<u>752</u>	<u>1,656</u>	<u>2,408</u>

ALLOCATION OF SUPPORT COSTS 2014

Personnel costs	993
Office costs	168
Property costs	475
Travel costs	20
	<u>1,656</u>

Support costs have been allocated as follows:

	Support costs	Personnel Costs
Fundraising and subscriber support	8%	12%
Publications	30%	40%
Student/Teacher Outreach	31%	21%
Events	23%	15%
Communications	8%	11%
Governance	0%	1%

The Institute of Economic Affairs
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

		<i>Direct costs £000</i>	<i>Support costs £000</i>	<i>2013 Total £000</i>
2	ALLOCATION OF COSTS 2013			
	<i>Fundraising and subscriber support</i>	16	198	214
	<i>Publications</i>	267	357	624
	<i>Student/Teacher Outreach</i>	90	195	285
	<i>Events</i>	73	163	236
	<i>Communications</i>	30	155	185
	<i>Governance</i>	14	8	22
		<u>490</u>	<u>1,076</u>	<u>1,566</u>

ALLOCATION OF SUPPORT COSTS 2013

<i>Personnel costs</i>	820
<i>Office costs</i>	158
<i>Property costs</i>	79
<i>Travel costs</i>	19
	<u>1,076</u>

Support costs have been allocated as follows:

	<i>Support costs</i>	<i>Personnel costs</i>
<i>Fundraising and subscriber support</i>	14%	20%
<i>Publications</i>	28%	35%
<i>Student/Teacher Outreach</i>	24%	16%
<i>Events</i>	24%	12%
<i>Communications</i>	10%	16%
<i>Governance</i>	0%	1%

	<i>2014 £000</i>	<i>2013 £000</i>
3	GOVERNANCE	
	Salaries and staff costs	10
	Audit	12
	Legal and professional	1
	<u>23</u>	<u>22</u>

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4	NET INCOMING RESOURCES/(RESOURCES EXPENDED)	2014 £000	2013 £000
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Net incoming resources/(resources expended) for the year are stated after charging:

Depreciation – charge for year	25	26
Auditor's remuneration	12	11
Operating lease rentals – plant and machinery	4	2

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	2014 No.	2013 No.
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The average monthly number of persons employed by the Institute during the year was:

Office and management	16	13
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Staff costs for above persons:

Wages and salaries, including benefits	697	593
Social security costs	76	66
Other pension costs	51	38

824	697
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The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

£60,001 - £70,000	-	1
£70,001 - £80,000	1	-
£100,001 - £110,000	1	1

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 £29,526 (2013: £18,909).

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 2014

7 TANGIBLE FIXED ASSETS

	Freehold property £000	Office equipment £000	Total £000
Cost			
1 January 2014 and 31 December 2014	965	95	1,060
Depreciation			
1 January 2014	292	79	371
Charged for year	17	8	25
31 December 2014	309	87	396
Net book value			
31 December 2014	656	8	664
31 December 2013	673	16	689

8 FIXED ASSET INVESTMENTS

	Open-end funds £000	Cash held on deposit £000	Property £000	Total £000
Market value at				
1 January 2014	2,748	403	100	3,251
Additions	-	207	-	207
Disposals	(147)	(294)	-	(441)
Unrealised gains	152	-	-	152
Market value at 31 December 2014	2,753	316	100	3,169
Historical cost at 31 December 2014	1,976	221	71	2,268
Historical cost at 31 December 2013	2,123	332	71	2,526

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9	DEBTORS	2014 £000	2013 £000
	Trade debtors	130	69
	Taxation recoverable	15	8
	Prepayments and accrued income	155	103
		<u>300</u>	<u>180</u>

10	CREDITORS: Amounts falling due within one year	2014 £000	2013 £000
	Trade creditors	103	39
	Taxation and social security	24	20
	Other creditors	5	14
	Accruals and deferred income	64	39
		<u>196</u>	<u>112</u>

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

	2014 £000	2013 £000
Deferred income at 1 January 2014	3	3
Released to Statement of Financial Activities in year	(3)	(3)
Deferred in year	24	3
Deferred income at 31 December 2014	<u>24</u>	<u>3</u>

11 EXPENDABLE ENDOWMENT FUND

	At 1 January 2014 £000	Investment Income £000	Transfers between funds £000	Investment Gains £000	At 31 December 2014 £000
Ralph Harris Fund	2,595	56	(200)	148	2,599

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."

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12 RESTRICTED FUNDS

	At 1 January 2014 £000	Income £000	Expenditure £000	Investment Gains £000	At 31 December 2014 £000
State of the Economy conference	-	2	(2)	-	-
Freedom Forum	-	13	(13)	-	-
Earhart grant for Pablo Pietro	-	9	-	-	9
Earhart grant for Kristian Niemietz	-	6	(6)	-	-
Trade Policy Research Centre	-	77	(77)	-	-
Brexit Essay Competition	158	35	(182)	-	11
Sock Puppets	15	-	(15)	-	-
Bit Coin Monograph	-	2	(2)	-	-
Earhart grant for Fortress Europe Monograph	-	15	-	-	15
IEA TV and Audio Visual	-	85	(85)	-	-
European Network	45	105	(105)	-	45
Thinktent	-	51	(51)	-	-
Transport Unit	-	50	(50)	-	-
Age Endeavour	-	25	(25)	-	-
Health Project	-	82	(10)	-	72
M Fund	566	9	(90)	21	506
	<u>784</u>	<u>566</u>	<u>(713)</u>	<u>21</u>	<u>658</u>

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

A donation was received towards the cost of the Freedom Forum, which is a long weekend residential education and information event for between 250 to 300 participants.

The Earhart Foundation has funded a research fellowship for Kristian Niemietz at the IEA, and a graduate fellowship for Pablo Pietro at Kings College London.

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.

Significant donations were collected in 2013 to fund the Brexit Prize competition which was concluded and awarded in 2014. A monograph will be published in 2015.

A donation was received to develop further in 2014 the ideas within the Sock Puppets web papers already published in 2013.

A donation was received to support a monograph on Bitcoin which was published in the year.

The Earhart Foundation has funded a monograph on the theme of Fortress Europe to be published in 2015.

Donations were received to support the development of IEA TV and improvement of audio visual equipment for IEA events.

Donations were received to establish a European Network of Free Market Think Tanks.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

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.

Funding has been received for a project 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 2014 £000	Income £000	Expenditure £000	Transfers £000	At 31 December 2014 £000
Designated Funds					
Fixed Asset Fund	673	-	-	(17)	656
Dorian Fund	69	-	-	(53)	16
Warren Fund	32	-	-	-	32
Designated unrestricted funds	774	-	-	(70)	704
Unrestricted general funds	274	1,300	(1,695)	270	149
	1,048	1,300	(1,695)	200	853

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.

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 2014 are represented by:					
Tangible fixed assets	656	8	-	-	664
Investments	48	138	425	2,558	3,169
Current assets	-	199	233	41	473
Current liabilities	-	(196)	-	-	(196)
Total net assets	704	149	658	2,599	4,110

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 £51,133 (2013: £37,590). There were £4,578 contributions outstanding at the end of the year (2013: £14,169).

16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 11 (2013: 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

There were no related party transactions in the year (2013: nil).

18 COMMITMENT UNDER OPERATING LEASES

2014	2013
£000	£000

At 31 December 2014, the Institute had annual commitments under non-cancellable operating leases as follows:

Plant and machinery:

Expiring between 2 and 5 years

4	2
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