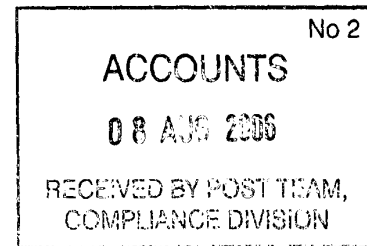


235351

31/12/05



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

REPORT AND FINANCIAL STATEMENTS

31 December 2005

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

The Institute of Economic Affairs

TRUSTEES AND OFFICERS

Company Registration Number: 755502

Charity Registration Number: CC/235351

TRUSTEES

Professor DR Myddelton	Chairman
Kevin Bell	
Robert Boyd	
Michael Fisher	
Michael Hintze	
Malcolm McAlpine	
Professor Patrick Minford	
Professor Martin Ricketts	
Professor J R Shackleton	
Sir Peter Walters	
Linda Whetstone	

SECRETARY

C Batty

REGISTERED OFFICE

2 Lord North Street
Westminster
London SW1P 3LB

AUDITORS

Baker Tilly
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Herts
WD17 1JJ

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

The Trustees submit their report and the financial statements of The Institute of Economic Affairs for the year ended 31 December 2005.

STATUS

The organisation is a charitable company limited by guarantee, established through a trust deed in November 1955 and incorporated in 1963. It is a registered charity. The charitable company was established under a Memorandum of Association which set out its objects and powers, and is governed under its Articles of Association.

OBJECTS

The company is a charity and its principal activity during the year was the promotion and advancement of learning by research into economic and political science, and by educating the public therein.

FINANCIAL RESULTS

Total incoming resources for the year were £1,137,000 and total resources expended were £1,168,000, leaving net resources expended for the year of £31,000, of which net incoming resources of £17,000 were in relation to restricted projects. After allowing for realised and unrealised gains and losses on investments, the net increase in funds was £203,000.

ORGANISATION

The IEA's activities are grouped into the following main areas:

Academic programmes:

- Research
- Publications
- Website
- Conferences, lectures, seminars and special events
- Student/teacher outreach
- Fundraising
- Administration and support

The IEA is managed by the Director General, who oversees all aspects of its activities and is responsible for achieving its goals, reporting three times a year to the full board of Trustees and more frequently to its Finance and General Purposes Committee.

REVIEW OF ACTIVITIES AND 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 academic programmes listed above under Organisation. During 2005 the Institute published 9 titles, and distributed a further 12 titles as well as co-publishing 3 titles. We further developed our website. The IEA organised 27 major conferences and many more lunch, dinner and evening events, including a number of events as part of the student/teacher outreach programme. This represents a similar level of output to recent years.

It is difficult to measure the impact of our work, especially over a period as short as one year, since our objectives are essentially long-term, relating to decades or even generations. In particular our authors are encouraged to follow their economic analysis wherever it leads them, regardless of what may currently be regarded as 'politically possible'. Hence even if some IEA publications may not have any immediate impact, that by no means represents failure. Some of our greatest past successes came to fruition only after several years. Our activities each year are best regarded as part of a cumulative effort culminating in a substantial 'stock' of work-in-progress at any given time.

We do take great care to maintain the quality of our output, with all our main publications being externally refereed. We continue to benefit from a network of distinguished academic advisers.

The Institute of Economic Affairs

TRUSTEES' REPORT

FUTURE STRATEGY

The IEA intends to continue to develop and enhance its programmes in 2006, especially the website and the outreach programme for students and teachers. We recognise our need to attract new readers (and new authors). Currently our main focus, which we review regularly, is on four areas related to free markets: regulation, taxation, the welfare state and the impact of the European Union.

RESERVES POLICY

The Trustees' policy, which is reviewed annually, is to maintain sufficiently liquid unrestricted reserves equivalent to at least six months' expenditure. We believe this is adequate to enable us to maintain normal operations in the event of possible seasonal or other fluctuations in donations and/or expenditure. The free reserves of the Charity as at 31 December 2005, defined as being unrestricted, undesignated funds not represented by fixed assets, were £184,000.

INVESTMENT POLICY

The Institute's educational mission has a long-term orientation, as noted above, whereas its ability to carry out its work depends on attracting annual donations in a highly competitive fund-raising environment. Accordingly the Trustees' policy is to invest conservatively, mostly in managed funds and government securities. Investment income is not reinvested but used to support the Institute's work. Investment results are reviewed regularly by the Treasurer and the Finance and General Purposes Committee, and the policy is reviewed annually by the full board of Trustees.

GRANT MAKING POLICY

The Trustees make occasional grants to individuals to support their research and to attend conferences. These are often from restricted funds raised specifically for such purposes. From time to time, grants may be made to other institutes, but this is not a regular part of the Institute's work. All such projects are assessed in terms of the Institute's mission to improve understanding of the requirements of a free society by analysing and expounding the actual and potential role of markets in solving economic and social problems.

RISK REVIEW

The primary risks 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. All the IEA's major publications are peer reviewed. The IEA takes care to maintain its strict independence from commercial, political or other interests. It does not accept commissions to perform research on behalf of others.

The performance of key personnel is reviewed annually, either by the Director General or by a small committee of Trustees, to check that both 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 are largely covered by the Reserves and Investment policies referred to above.

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

The Institute of Economic Affairs

TRUSTEES' REPORT

TRUSTEES

The following trustees have held office since 1 January 2005:

Professor DR Myddelton	Chairman
Kevin Bell	
Robert Boyd	
Michael Fisher	
Michael Hintze	appointed 1 July 2005
Malcolm McAlpine	
Professor Patrick Minford	
Professor Martin Ricketts	
Professor J R Shackleton	appointed 1 July 2005
Sir Peter Walters	
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, provided that the prescribed maximum of twelve Trustees be not exceeded. Any Trustee so appointed shall retain office until the next Annual General Meeting, but will then be eligible for re-election. Thereafter trustees resign, but may be 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.

TAXATION STATUS

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

AUDITORS

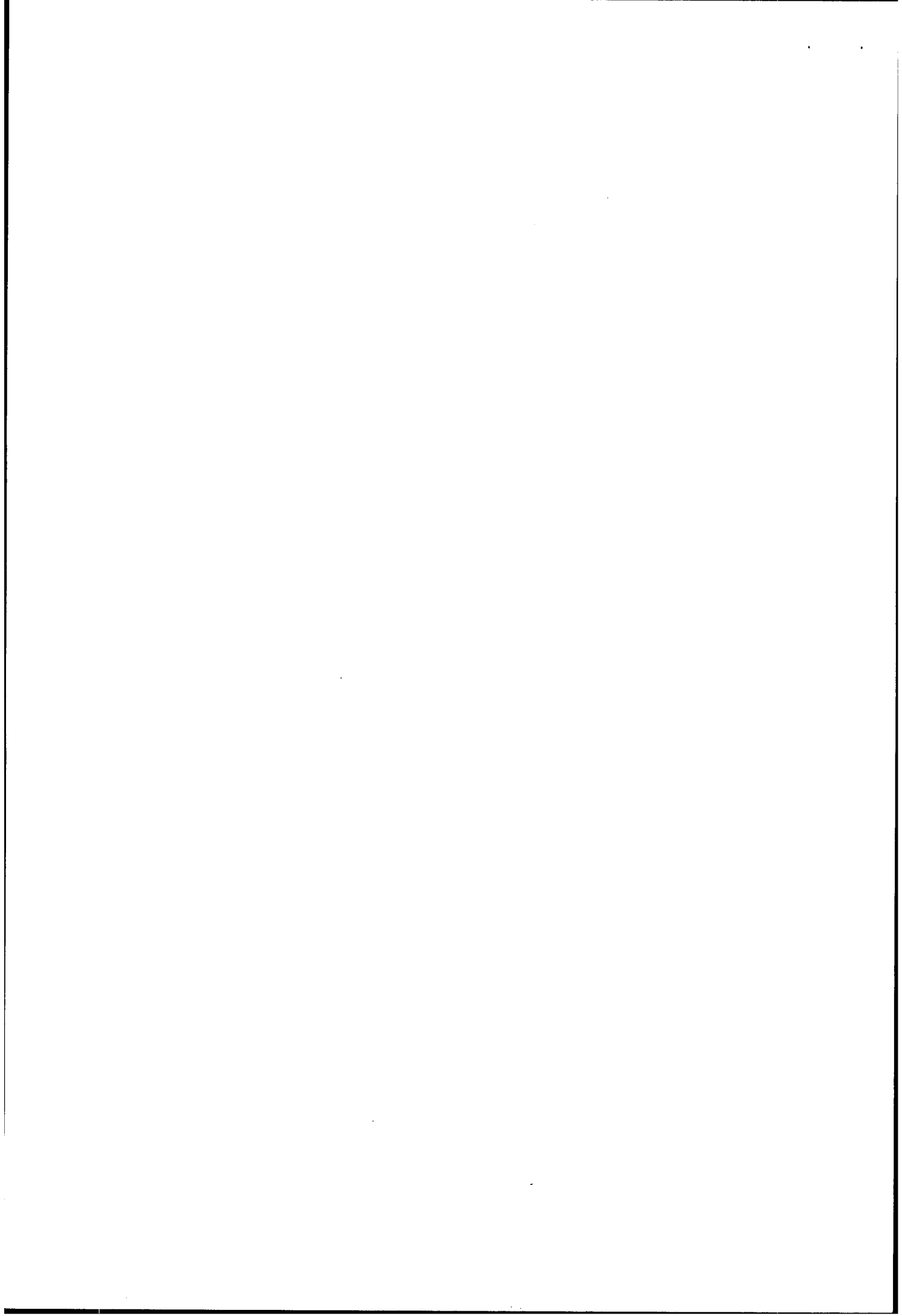
A resolution to appoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



Professor DR Myddelton
Chairman

27 June 2006



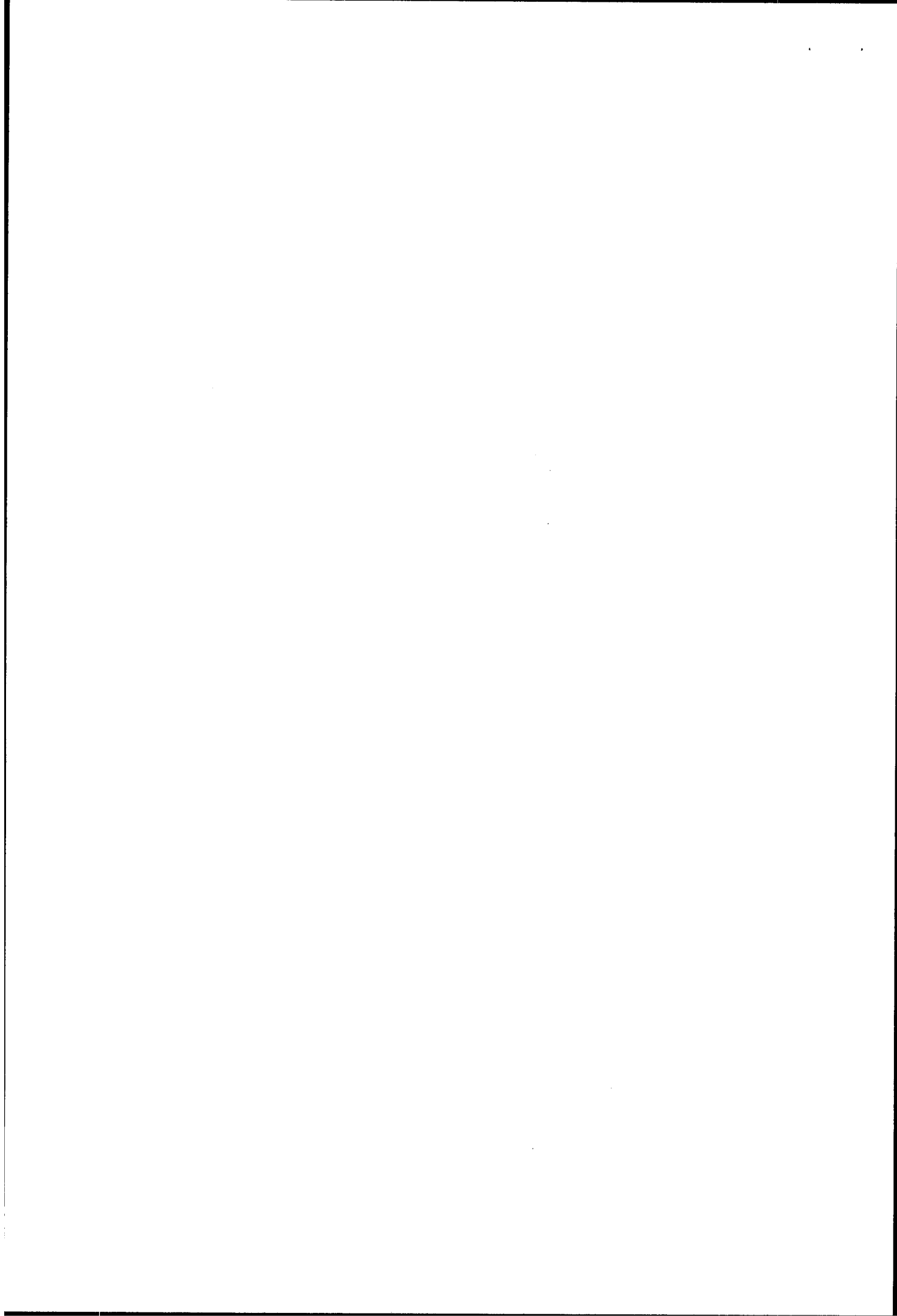
The Institute of Economic Affairs

TRUSTEES' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources, including the net income and expenditure for the year. In preparing those financial statements, the Trustees are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue on that basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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

We have audited the financial statements on pages 7 to 16.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Annual Report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the charitable company Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

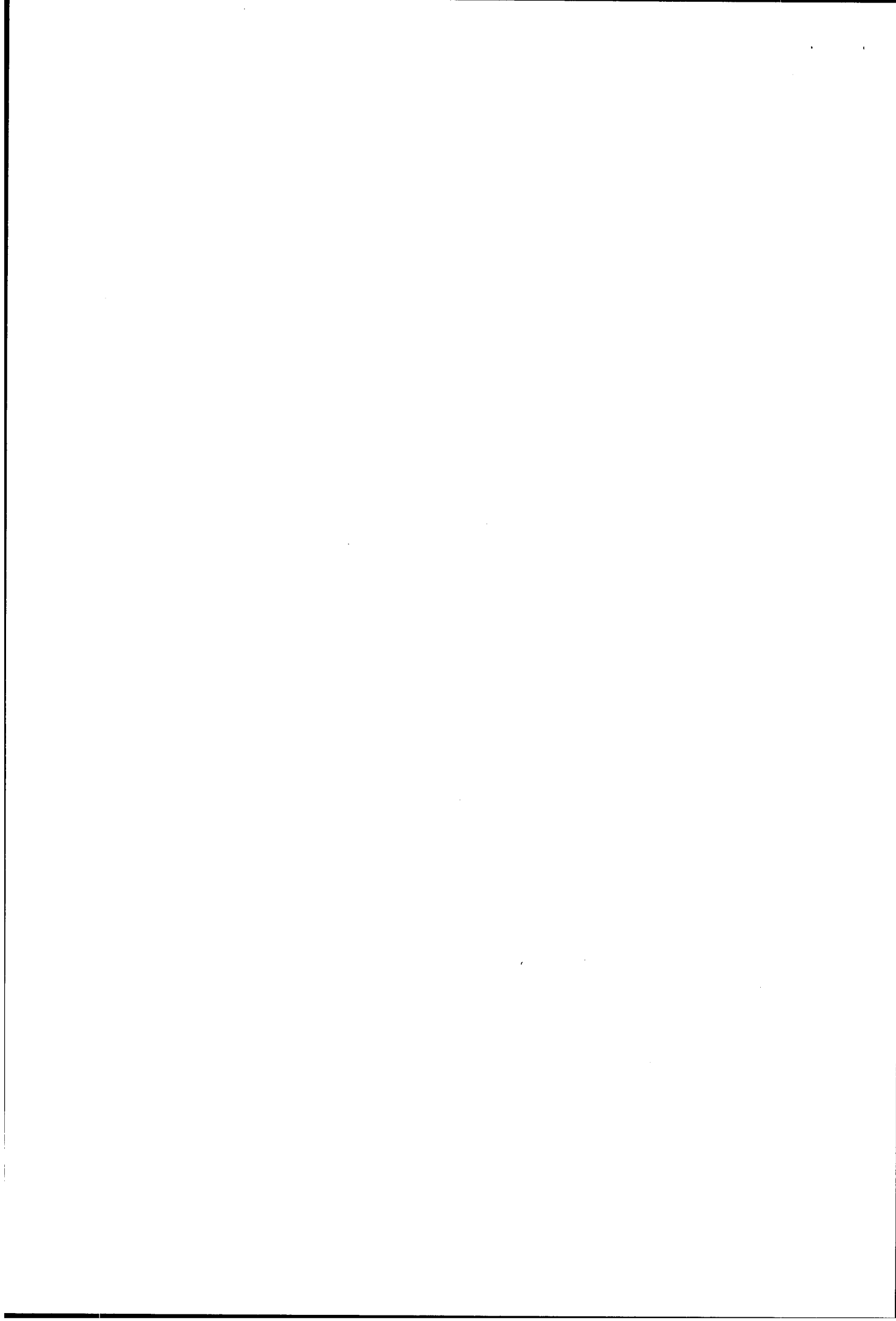
Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Herts WD17 1JJ

27/6/2006



The Institute of Economic Affairs

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

For the year ended 31 December 2005

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2005 £000	Total 2004 £000
INCOMING RESOURCES					
Membership donations	1	757	113	870	692
Activities in furtherance of the charity's objects:					
Academic programme:					
Publications and subscriptions		94	-	94	89
Lectures, conferences and seminars		130	-	130	184
Other income		21	-	21	4
Activities for generating funds:					
Investment income		14	-	14	27
Interest receivable		8	-	8	7
Total incoming resources		1,024	113	1,137	1,003
RESOURCES EXPENDED					
Charitable expenditure					
Costs of activities in furtherance of the charity's objects:					
Membership support		115	-	115	55
Academic programme:					
Publications		302	70	372	377
Lectures, conferences and seminars		276	13	289	355
Communications and distribution		214	-	214	188
Support costs	2	98	13	111	152
Management and administration	3	67	-	67	64
Total resources expended		1,072	96	1,168	1,191
NET RESOURCES EXPENDED BEFORE TRANSFERS					
	4	(48)	17	(31)	(188)
Gross transfers between funds	11	-	-	-	-
NET RESOURCES EXPENDED		(48)	17	(31)	(188)
Gains/(losses) on investment assets					
Realised	8	5	-	5	(1)
Losses on disposal of fixed assets		(2)	-	(2)	-
NET INCOME/(EXPENDITURE)		(45)	17	(28)	(189)
Unrealised gains on investment assets	8	231	-	231	64
NET MOVEMENT IN FUNDS		186	17	203	(125)
TOTAL FUNDS BROUGHT FORWARD					
		1,997	50	2,047	2,172
TOTAL FUNDS CARRIED FORWARD					
	14	2,183	67	2,250	2,047

All of the above results are derived from continuing activities.

There are no recognised gains or losses other than those dealt with in the statement of financial activities.

The Institute of Economic Affairs

BALANCE SHEET

31 December 2005

	<i>Notes</i>	2005 £000	2004 £000
FIXED ASSETS			
Tangible assets	7	777	881
Investments	8	1,332	1,024
		<u>2,109</u>	<u>1,905</u>
CURRENT ASSETS			
Debtors	9	90	87
Cash at bank and in hand		190	236
		<u>280</u>	<u>323</u>
CREDITORS: Amounts falling due within one year	10	(139)	(181)
NET CURRENT ASSETS		<u>141</u>	<u>142</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,250</u>	<u>2,047</u>
FUNDS			
Restricted funds	11	67	50
Unrestricted funds			
Designated funds (including revaluation reserve £399,000)	12	1,999	1,813
General funds	13	184	184
TOTAL FUNDS	14	<u>2,250</u>	<u>2,047</u>

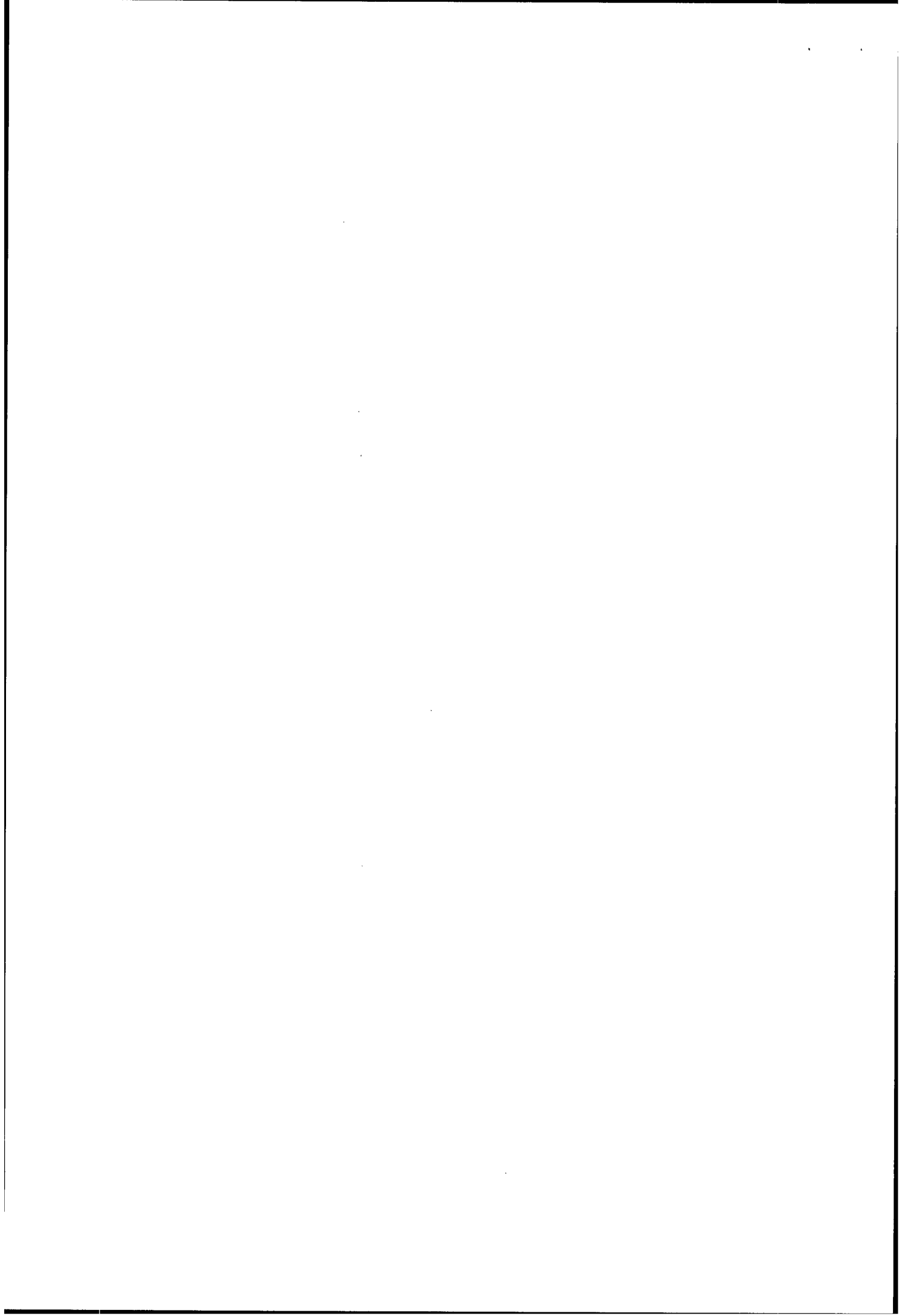
Approved by the Trustees on
and signed on their behalf by



Professor DR Myddelton

27 June 2006

Trustee



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 1985 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice, issued in October 2000.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets other than investment properties at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Freehold property	over 40 years
Office equipment	over 3 years

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

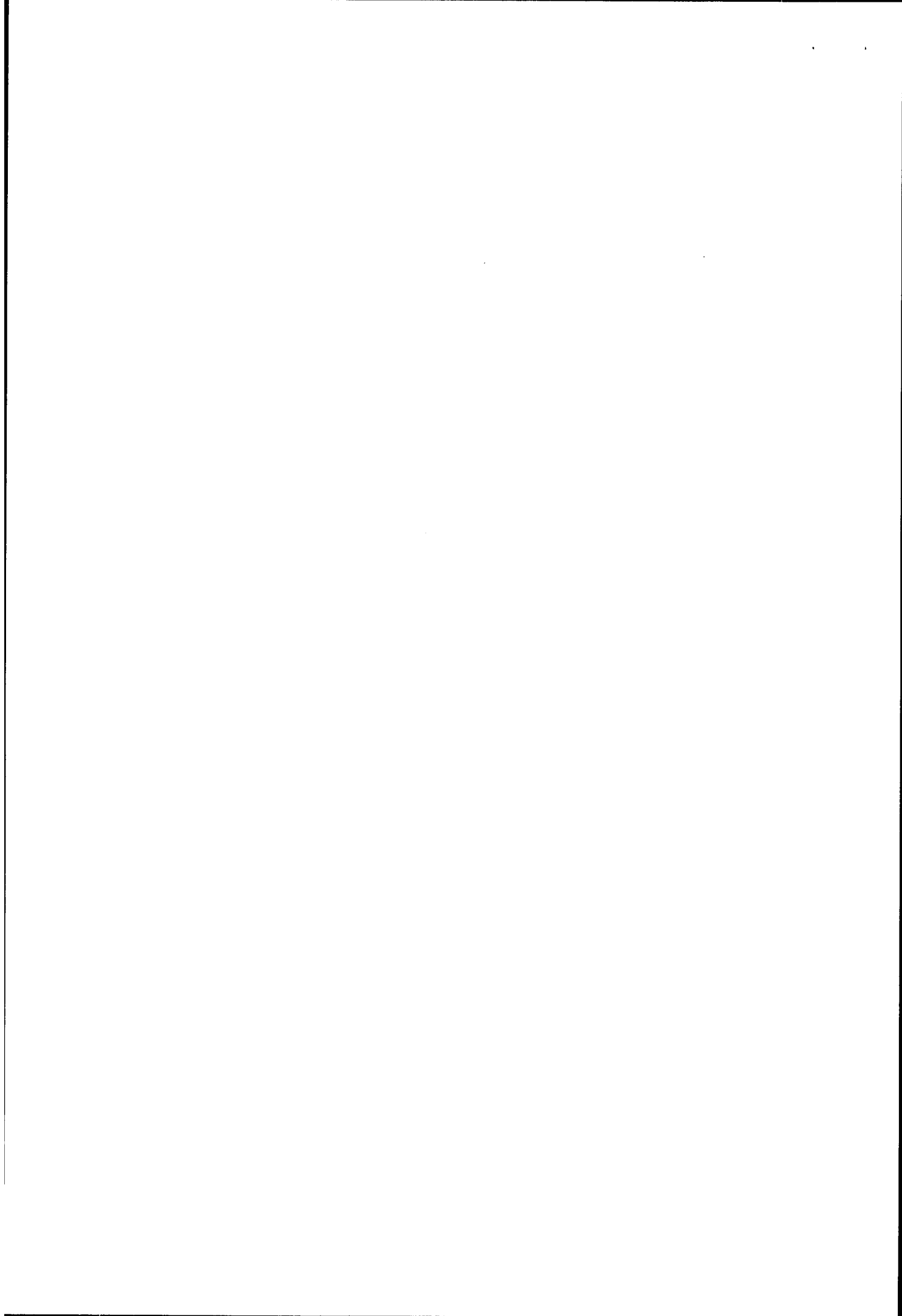
All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributable to particular headings they have been allocated to activities on a basis consistent with use of the resources.

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.



The Institute of Economic Affairs

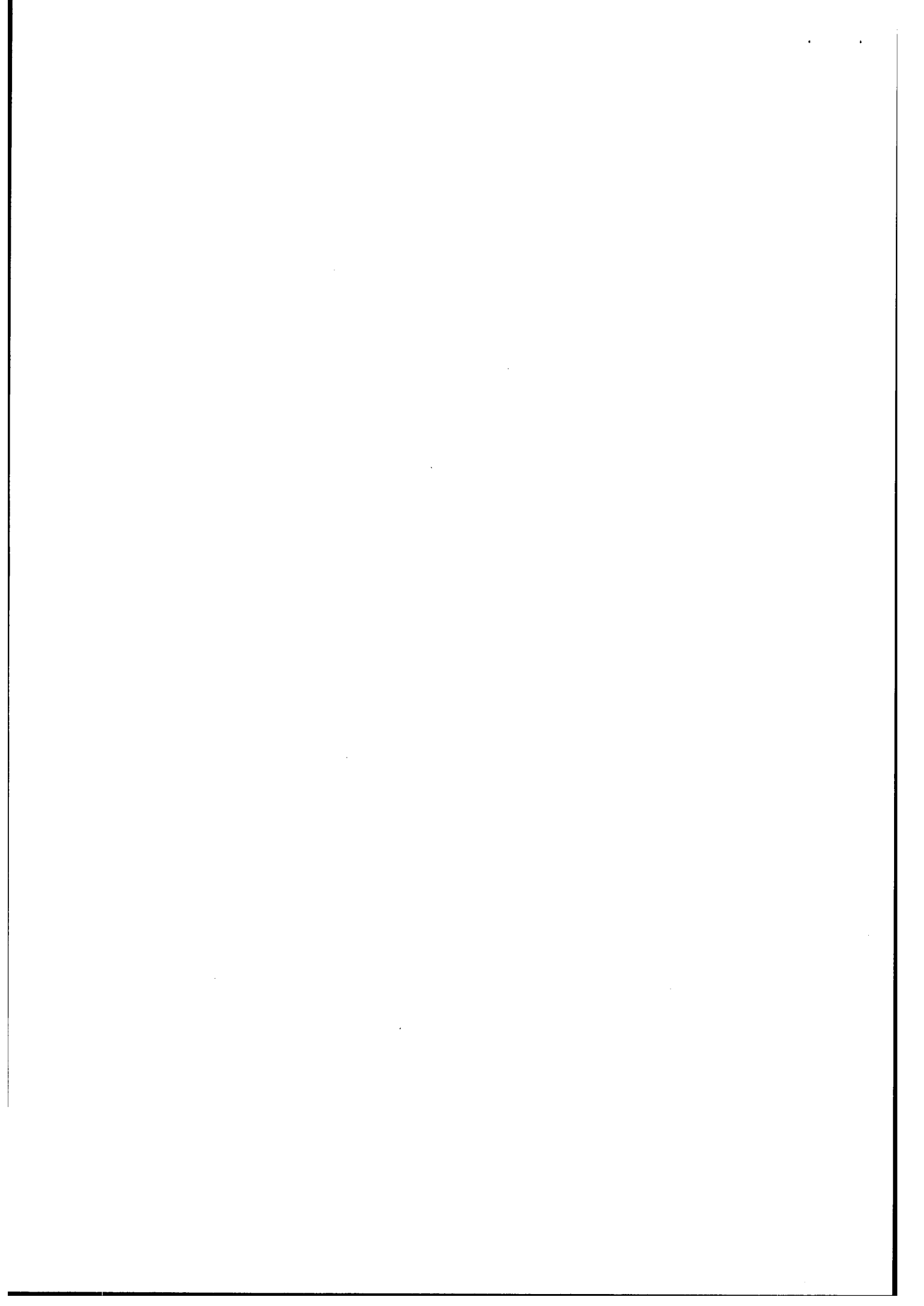
ACCOUNTING POLICIES

RESTRICTED AND DESIGNATED FUNDS

Restricted funds are those donated to the Institute for a specific purpose. Designated funds are unrestricted funds for which the Trustees have currently designated specific purposes.

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' best estimate of year-end market value.



The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1	MEMBERSHIP DONATIONS	2005 £000	2004 £000
	Foundations, corporate and individuals	870	692
		<u>870</u>	<u>692</u>
2	SUPPORT COSTS	2005 £000	2004 £000
	Salaries and staff costs	38	74
	Printing, postage and stationery	14	13
	Premises expenses	53	55
	Sundry office expenses	6	10
		<u>111</u>	<u>152</u>
		<u>111</u>	<u>152</u>
3	MANAGEMENT AND ADMINISTRATION	2005 £000	2004 £000
	Salaries and staff costs	59	57
	Audit and accountancy	5	7
	Legal and professional	3	-
		<u>67</u>	<u>64</u>
		<u>67</u>	<u>64</u>
4	NET INCOMING RESOURCES/(RESOURCES EXPENDED)	2005 £000	2004 £000
	Net incoming resources/(resources expended) for the year are stated after charging:		
	Depreciation	31	30
	Auditor's remuneration	5	7
		<u>36</u>	<u>37</u>
		<u>36</u>	<u>37</u>

5 TAXATION

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

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

6	EMPLOYEES	2005	2004
		No.	No.
	The average monthly number of persons employed by the Institute during the year was:		
	Office and management	12	12
		<u> </u>	<u> </u>
		2005	2004
		£000	£000
	Staff costs for above persons:		
	Wages and salaries	416	432
	Social security costs	46	49
	Other pension costs	38	38
		<u> </u>	<u> </u>
		500	519
		<u> </u>	<u> </u>
	The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows:		
		2005	2004
		No.	No.
	£ 50,001 - £ 60,000	1	1
	£110,001 - £120,000	1	1
		<u> </u>	<u> </u>

The employees earning over £50,000 participate in the company pension scheme. Contributions paid in the year in respect of these employees amounted to £28,000 (2004 £28,000).

No trustee, or person related or connected to them, has received any remuneration or reimbursement of expenses from the Institute during the year.

7 TANGIBLE FIXED ASSETS

	Freehold property £000	Equity share in leasehold property £000	Office equipment £000	Total £000
Cost or valuation				
31 December 2004	955	71	109	1,135
Additions	-	-	1	1
Disposals	-	-	(50)	(50)
Transfer to investments	-	(71)	-	(71)
31 December 2005	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	955	-	60	1,015
Depreciation				
31 December 2004	161	-	93	254
Charged in the year	24	-	7	31
Eliminated on disposal	-	-	(47)	(47)
31 December 2005	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	185	-	53	238
Net book value				
31 December 2005	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	770	-	7	777
31 December 2004	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	794	71	16	881

The trustees are of the opinion that the market value of freehold property at 31 December 2005 would exceed the depreciated net amount shown in the financial statements.

The Institute of Economic Affairs
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2005

8	FIXED ASSETS INVESTMENTS	Equities £000	Open- end funds £000	Fixed interest securities £000	Currency £000	Property £000	Total £000
	Market value at						
	31 December 2004	230	353	412	29	-	1,024
	Additions	107	-	-	13	-	120
	Disposals	(82)	-	(37)	-	-	(119)
	Transfer from tangible fixed assets	-	-	-	-	71	71
	Realised gain	-	-	5	-	-	5
	Unrealised gain	123	79	-	-	29	231
	Market value at 31 December 2005	378	432	380	42	100	1,332
	Historical cost at 31 December 2005	224	308	359	42	71	1,004

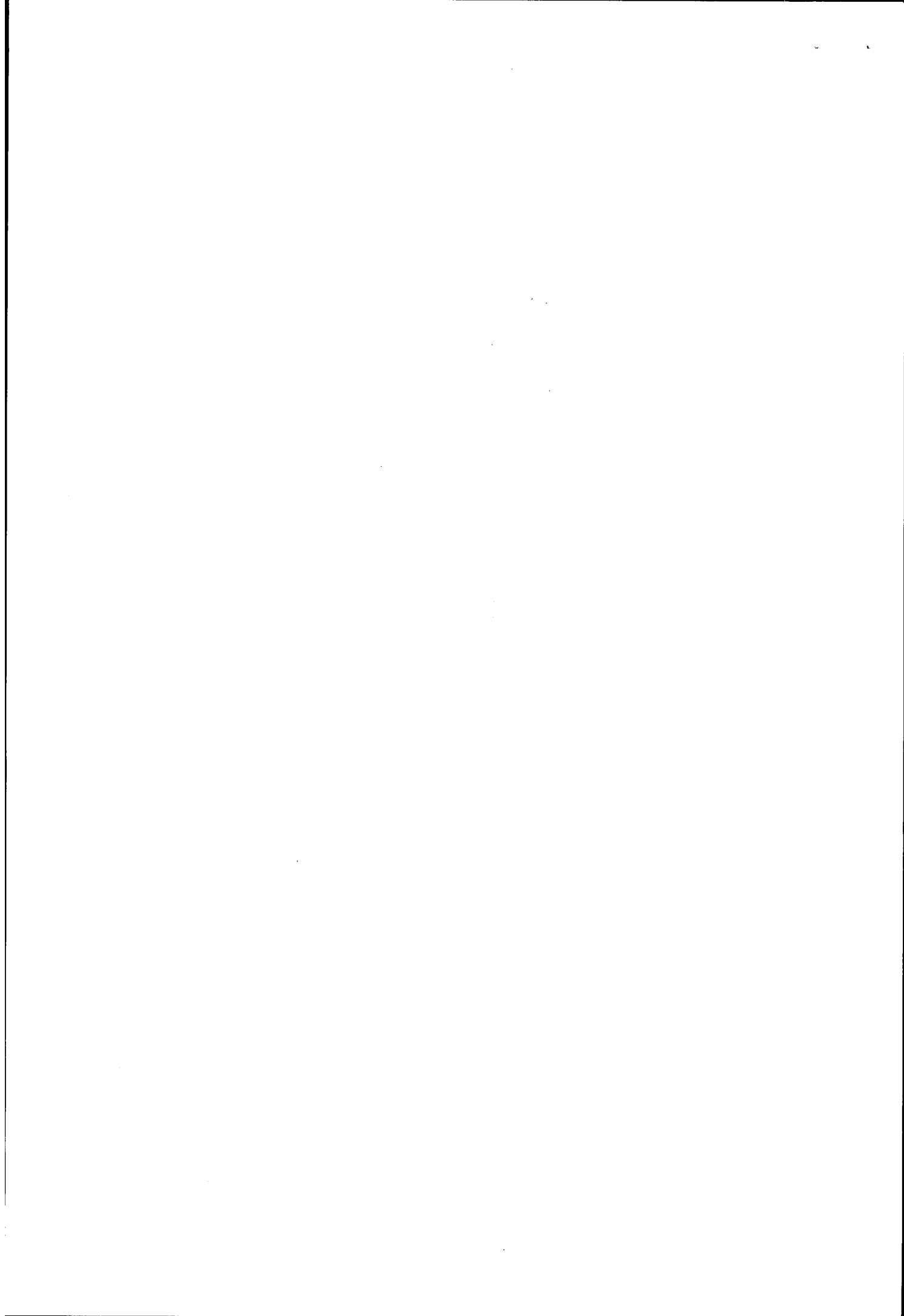
The following investments represent more than 5% of the value of the charity's investment portfolio:

	2005 £000	2004 £000
Treasury 5.75% stock 2009	187	187
Treasury 2.5% stock 2020	183	170
Gartmore UK Index Fund	269	223
Fidelity Funds International Fund (Luxembourg)	74	56
Franklin Templeton Global Growth Fund (Luxembourg)	89	75

Equities and fixed interest securities are held directly by the Charity. Equities include £31,000 (2004 £65,000) and open-ended funds £163,000 (2004 £131,000) of non-UK investments.

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

9	DEBTORS	2005 £000	2004 £000
	Due within one year:		
	Trade debtors	53	62
	Other debtors	1	1
	Income tax recoverable	12	12
	Prepayments and accrued income	24	12
		90	87



The Institute of Economic Affairs
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2005

10	CREDITORS: Amounts falling due within one year	2005 £000	2004 £000
	Trade creditors	29	61
	Taxation and social security	19	20
	Other creditors and accruals	60	42
	Deferred income	31	58
		<u>139</u>	<u>181</u>

11 RESTRICTED FUNDS

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

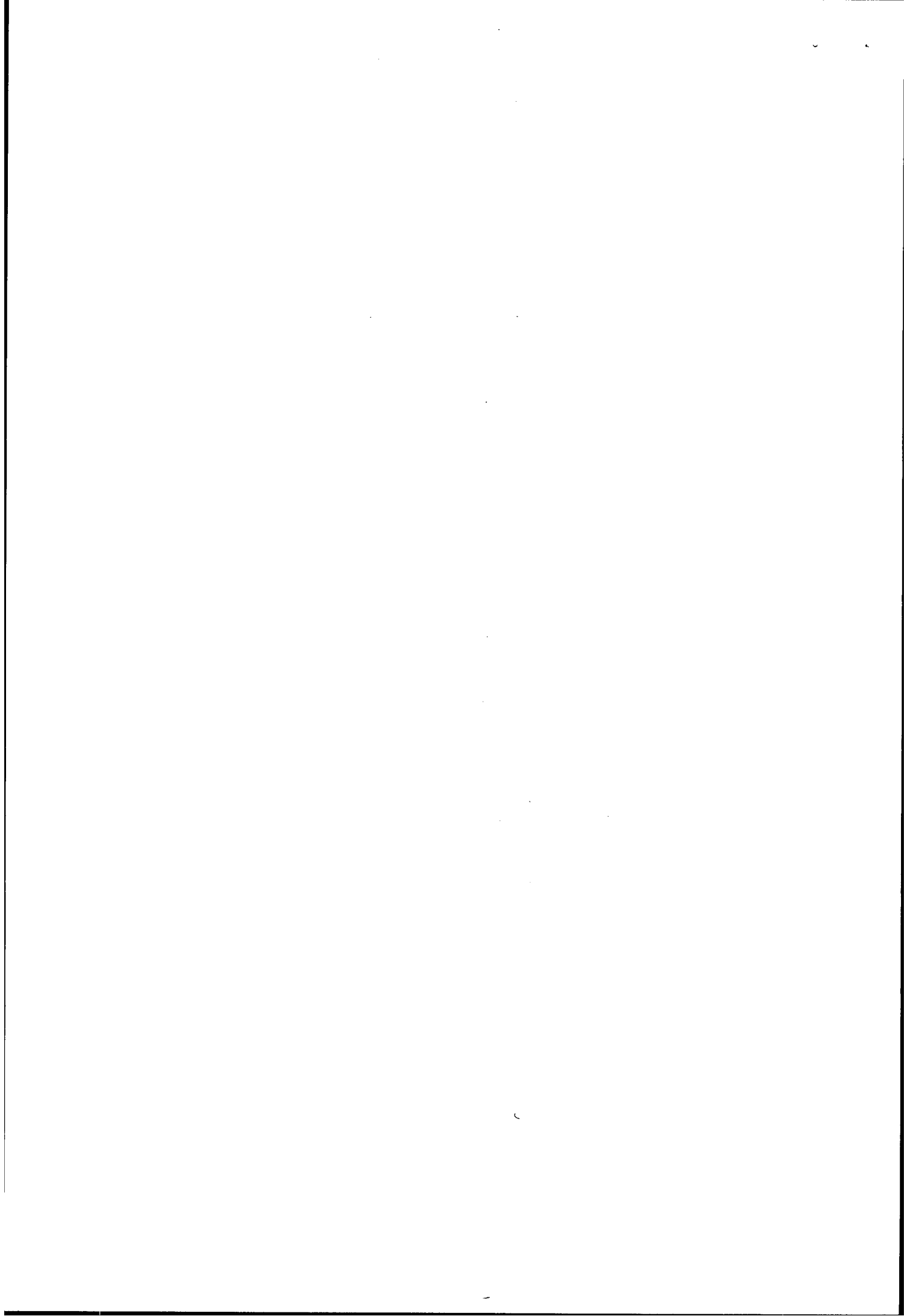
	Movement in funds				At 31 December 2005 £000
	At 31 December 2004 £000	Income £000	Expenditure £000	Transfers £000	
	Classical Liberal Publication	9	-	(5)	
Student and Teacher Outreach Programme	-	22	-	-	22
UK's relationship with Europe publication update	2	-	-	(1)	1
European Free Trade Publication	2	4	(6)	1	1
Railways and Goods Publication	1	-	-	-	1
British Countryside Publication	25	-	(25)	-	-
Foundation for Business Responsibility	-	12	(12)	-	-
Lord Harris Travel Fund	11	2	(13)	-	-
Exxon Mobil	-	21	(21)	-	-
RLH Foundation	-	27	(1)	-	26
Alan Walters "364 Economists" Book	-	3	-	-	3
Foundation for Education in Economics Bursaries	-	7	-	-	7
Hans Rausing Fund	-	15	(13)	-	2
	<u>50</u>	<u>113</u>	<u>(96)</u>	<u>-</u>	<u>67</u>

The Classical Liberal Publication Fund was provided by the Earhart Foundation of Ann Arbor, Michigan to support a study of social capital by Drs John Meadowcroft & Mark Pennington.

The Student and Teacher Outreach Programme reflects a grant from the Templeton Foundation for subscriptions to IEA Publications for teachers.

The UK's relationship with Europe publication update is a restricted fund to support research and writing by an independent scholar into this area.

The European Free Trade Publication is a restricted fund to support trade research and publications by an independent scholar.



The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

The Railways and Goods Publication is now almost fully utilised and will be closed in the coming year.

The British Countryside Publication Fund was provided by the Esmee Fairbairn Foundation of London, UK to support a multi-authored monograph on the economics of the countryside published in Autumn 2005.

Foundation for Business Responsibility - the second of three grants from the Foundation Business Responsibility of London, UK to support monographs, events and other activities relating to the moral aspects of the market economy.

Lord Harris Travel Fund was monies collected from a range of sources to defray travel costs for Lord Harris of High Cross. The fund was partly used in February 2005.

The Exxon Mobil Fund is a research grant for Richard North.

The RLH Foundation Fund reflects a grant from the RLH Foundation for a seminar for teachers and a writing competition for students.

The Alan Walters balance is to fund the "364 Economists" monograph to be published in 2006.

The Foundation for Education in Economics Fund is to pay for student bursaries.

The Hans Rausing Fund is to pay for the salary costs of an analyst.

12 DESIGNATED FUNDS

	At 31 December 2004 £000	Income £000	Expenditure £000	Investment gains £000	Transfers £000	At 31 December 2005 £000
Fixed Asset Fund	755	-	-	29	86	870
Leonard Harris Fund	19	-	(5)	-	-	14
Novak Fund	6	-	(2)	-	-	4
The Malcolm Fund	381	11	-	39	-	431
Warren Fund	640	-	-	163	(133)	670
Aims of Industry Fund	12	-	(2)	-	-	10
	<u>1,813</u>	<u>11</u>	<u>(9)</u>	<u>231</u>	<u>(47)</u>	<u>1,999</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.

The Leonard Harris Fund has currently been designated by the Trustees to make grants, including funding student bursaries.

The Novak Fund represents donations made to the Institute currently designated and used by the Trustees for the purpose of funding a series of annual lectures on markets and morality.

The Malcolm Fund was set up with the aim of producing income to promote research into the further 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.

The Warren Fund is used by the Trustees to support major commitments, fund unforeseen revenue shortfalls, and to generate investment income to support the Institute's activities.

The Institute of Economic Affairs

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

The Aims of Industry Fund was received in 2001 and is to be used for the following purposes:

- (i) to fund teachers and students to attend IEA and IEA related events as Michael Ivens Fellows; and
- (ii) to pay any costs associated with the awarding annually of the Free Enterprise Award.

13 UNRESTRICTED FUNDS

	At 31 December 2004 £000	Income £000	Expenditure £000	Investment Gains £000	Transfers £000	At 31 December 2005 £000
General income and expenditure account	-	1,013	(1,063)	3	47	-
Other general fund	184	-	-	-	-	184
	<u>184</u>	<u>1,013</u>	<u>(1,063)</u>	<u>3</u>	<u>47</u>	<u>184</u>
Designated Funds (see note 12)	1,813	11	(9)	231	(47)	1,999
	<u>1,997</u>	<u>1,024</u>	<u>(1,072)</u>	<u>234</u>	<u>-</u>	<u>2,183</u>

14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Designated Funds £000	General Funds £000	Restricted funds £000	Total funds £000
Fund balances at 31 December 2005 are represented by:				
Tangible fixed assets	770	7	-	777
Investments	1,229	103	-	1,332
Current assets	-	213	67	280
Current liabilities	-	(139)	-	(139)
Total net assets	<u>1,999</u>	<u>184</u>	<u>67</u>	<u>2,250</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 £38,000 (2004: £38,000). There were no contributions outstanding at the end of either the current or preceding financial years.

16 STATUS

The Institute is a company limited by guarantee and has no share capital. The Institute had 11 (2004: 9) 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.

