

Company Registered Number: 4297905  
Charity Registration Number: 1096300

30/9/04

**POLICY EXCHANGE LTD (By Guarantee)**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 30 SEPTEMBER 2004**



**POLICY EXCHANGE LIMITED  
INDEX TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

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**LEGAL STATUS**

The charity is constituted as a company limited by guarantee and is, therefore, governed by a Memorandum and Articles of Association.

**REGISTERED COMPANY NUMBER:** 4297905

**REGISTERED CHARITY NUMBER:** 1096300

**REGISTERED ADDRESS:** 35 Ballards Lane  
London  
N3 1XW

**DIRECTORS AND TRUSTEES:** Alice Mary Rose Thomson  
Camilla Hilary Cavendish  
Iain Campbell Dale  
Michael Gove  
Richard John Micklethwait  
Robin Edwards  
Adam Afriye  
Rachel Whetstone  
Colin Barrow  
Charles Moore (Appointed 2 December 2004)

**AUDITORS:** Bolton & Co  
Chartered Accountants  
1 Fairholme Crescent  
Ashted  
Surrey  
KT21 2HN

**ACCOUNTANTS:** Berg Kaprow Lewis LLP  
35 Ballards Lane  
Finchley  
London  
N3 1XW

**BANKERS:** National Westminster Bank  
Great Portland Street Branch  
P O Box 2027  
125 Great Portland Street  
London  
W1A 1GA

**SECRETARY:** Robin Edwards

**PRINCIPAL OFFICE:** Clutha House  
10 Storeys Gate  
London  
SW1P 3AY

The company was registered as a charity with the Charity Commission on 3 March 2003.

#### **OBJECT OF THE CHARITY**

The objects of the charity as set out in its memorandum and articles are as follows:

The non-partisan advancement of education of the public in the economic, social and political sciences and their effect on public policy and the policy-making process in the UK and the promotion and publication of objective research.

#### **REVIEW OF FINANCIAL ACTIVITIES**

The results for the year and financial position of the Trust are set out in the annexed financial statements.

#### **DIRECTORS AND TRUSTEES**

All Directors of the company are also Trustees of the charity, and there are no other Trustees. The directors served throughout the year except where noted:-

Alice Mary Rose Thomson  
Camilla Hilary Cavendish  
Iain Campbell Dale  
Michael Gove  
Richard John Micklethwait  
Robin Edwards  
Adam Afriyie  
Rachel Whetstone  
Colin Barrow

Subsequent to the year end, on 2 December 2004, Charles Moore was appointed a director.

#### **APPOINTMENT OF DIRECTORS AND TRUSTEES**

The power to appoint and remove Trustees is vested in the trustees.

#### **RESERVES POLICY**

The Charity's policy on reserves is to maintain adequate reserves to enable it meet urgent running and expansion costs. All funds are unrestricted.

#### **RISK MANAGEMENT**

The trustees consider that they have put in place adequate measures to protect the assets of the charity.

#### **AUDITORS**

A resolution to re-appoint Bolton & Co as the company's auditor will be proposed at the forthcoming Annual General Meeting in accordance with section 385 of the Companies Act 1985..

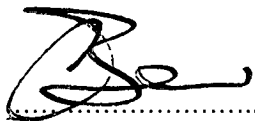
**STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The Charities Act 1993 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 Trust and of its results for that year. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the financial statements comply with the Companies Act 1985, Charities Acts 1993 and the Statement of Recommended Practice (SORP 2000) 'Accounting by Charities'. 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.

**ON BEHALF OF THE TRUSTEES**



Dated: 26/7/05.....

We have audited the financial statements on pages 5 to 10 for the year ended 30 September 2004 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Trustees and auditors**

As described on page 4 the trustees are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

We have been appointed as auditors under the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Directors' Report is not consistent with the financial statements, if the 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 directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

#### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity'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 as to whether the financial statements are free from material mis-statement, 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 of the Company's state of affairs as at 30 September 2004, 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.

*Bolton & Co*

**BOLTON & CO**  
Registered Auditors  
Chartered Accountants

Date: 27/7/05

1 Fairholme Crescent  
Ashted  
Surrey  
KT21 2HN

**POLICY EXCHANGE LTD**  
**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2004**

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|  | <u>Note</u> | <u>2004</u>    | <u>2003</u>     |
|--|-------------|----------------|-----------------|
|  |             | £              | £               |
| <b>INCOMING RESOURCES</b>  |             |                |                 |
| Donations  |             | 435,066        | 359,794         |
| Other income   | 2           | 92,238         | 26,106          |
| Interest received  |             | <u>2,651</u>   | <u>236</u>      |
| <b>Total incoming resources</b>  |             | 529,955        | 386,136         |
| <b>RESOURCES EXPENDED</b>  |             |                |                 |
| <b>Cost of generating funds:</b>                                       | 4           | <u>49,320</u>  | <u>24,550</u>   |
| <b>Charitable expenditure:</b>   |             |                |                 |
| <b>Costs of activities in furtherance of the charity's objectives:</b> |             |                |                 |
| Research costs   |             | 210,236        | 156,643         |
| Management and administration of the charity                           | 5           | <u>181,608</u> | <u>105,416</u>  |
| Charitable expenditure   | 3           | <u>391,844</u> | <u>262,059</u>  |
| <b>Total resources expended</b>  | 6           | <u>441,164</u> | <u>286,609</u>  |
| <b>Net Income / (Expenditure) for the year</b>                         |             | 88,791         | 99,527          |
| <b>FUND BALANCES BROUGHT FORWARD</b>                                   |             |                |                 |
| <b>AT 1 OCTOBER 2003</b>   |             | <u>67,300</u>  | <u>(32,227)</u> |
| <b>FUND BALANCES CARRIED FORWARD</b>                                   |             |                |                 |
| <b>AT 30 SEPTEMBER 2004</b>  |             | <u>156,091</u> | <u>67,300</u>   |

Incoming resources are all unrestricted

The comparative figures for other income and charitable expenditure – management and administration have both been reduced by £58,517 following the consideration given by the Trustees to the presentation of rechargeable costs as explained in note 1.3 to the financial statements.

|                                     |             | <u>2004</u>    |                | <u>2003</u>    |               |
|-------------------------------------|-------------|----------------|----------------|----------------|---------------|
|                                     | <u>Note</u> | £              | £              | £              | £             |
| <b>FIXED ASSETS</b>                 |             |                |                |                |               |
| Tangible assets                     | 7           |                | 19,278         |                | 16,348        |
| <b>CURRENT ASSETS</b>               |             |                |                |                |               |
| Debtors                             | 8           | 116,227        |                | 97,952         |               |
| Cash at bank and in hand            |             | 45,438         |                | 60,405         |               |
|                                     |             | <u>161,665</u> |                | <u>158,357</u> |               |
| <b>LIABILITIES</b>                  |             |                |                |                |               |
| Amounts falling due within one year | 9           | 24,852         |                | 107,405        |               |
| <b>NET CURRENT ASSETS</b>           |             |                |                |                |               |
|                                     |             |                | <u>136,813</u> |                | <u>50,952</u> |
| <b>NET ASSETS</b>                   |             |                |                |                |               |
|                                     |             |                | <u>156,091</u> |                | <u>67,300</u> |
| <b>FUNDS</b>                        |             |                |                |                |               |
| Unrestricted funds                  |             |                | <u>156,091</u> |                | <u>67,300</u> |

The financial statements were approved by the  
Board of Trustees on 26/7 2005 and signed on its behalf by:



.....Trustee



**1. ACCOUNTING POLICIES**

**1.1 Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice ( SORP 2000 ) 'Accounting by Charities' issued by the Charity Commissioners for England and Wales and the Companies Act 1985.

**1.2 Financial Reporting Standard Number 1**

Exemption has been taken from preparing a cash flow statement on the grounds that the Trust falls outside the size criteria specified in Appendix 2 of the Statement of Recommended Practice.

**1.3 Incoming Resources**

Voluntary income is received by way of donations and is included in full in the Statement of Financial Activities when receivable.

The Trustees have considered the presentation of charges made to made to other entities for shared staff and premises and believe that a fairer presentation would be to show such recharges as a reduction in the cost incurred rather than to include both income and costs in gross terms in the financial statements. The comparatives have been amended accordingly leading to a reduction of £58,517 in other income and a consequent reduction in costs.

**1.4 Resources Expended**

In line with the functional classification of costs in the Statement of Recommended Practice- Accounting by Charities ( October 2000 ) expenditure is allocated or attributed as follows:

**1 Direct charitable expenditure**

Costs of policy research

**11 Fundraising and publicity**

Costs of fundraising events.

**111 Management and administration of the Charity**

All other costs. No apportionments have been made of overheads.

**1.5 Tangible Fixed Assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

|                        |   |                       |
|------------------------|---|-----------------------|
| Computer Equipment     | - | 35% reducing balance. |
| Furniture and Fittings | - | 15% reducing balance. |

**2. OTHER INCOME**

|  | <u>2004</u>   | <u>2003</u>   |
|--|---------------|---------------|
|  | £             | £             |
| Business Forum membership                            | 18,930        | 2,348         |
| Research sponsorship                                 | 57,310        | 12,500        |
| Recharge of research project to Localis Research Ltd | 15,035        | 10,297        |
| Sale of reports                                      | 963           | 961           |
|  | <u>92,238</u> | <u>26,106</u> |

|           |   |                                      |                       |                       |
|-----------|---|--------------------------------------|-----------------------|-----------------------|
| <b>3.</b> | <b>DIRECT CHARITABLE EXPENDITURE</b>                |                                      | <u>2004</u>           | <u>2003</u>           |
|           |   |                                      | £                     | £                     |
|           | Research costs                                      |                                      | 210,236               | 156,643               |
|           | Management and administration                       |                                      | 181,608               | 105,416               |
|           |   |                                      | <u>391,844</u>        | <u>262,059</u>        |
|           |   |                                      | <u><u>391,844</u></u> | <u><u>262,059</u></u> |
| <b>4.</b> | <b>FUNDRAISING AND PUBLICITY</b>                    |                                      | <u>2004</u>           | <u>2003</u>           |
|           |   |                                      | £                     | £                     |
|           | Fundraising   |                                      | 49,320                | 24,550                |
|           |   |                                      | <u>49,320</u>         | <u>24,550</u>         |
|           |   |                                      | <u><u>49,320</u></u>  | <u><u>24,550</u></u>  |
| <b>5.</b> | <b>MANAGEMENT AND ADMINISTRATION OF THE CHARITY</b> |                                      | <u>2004</u>           | <u>2003</u>           |
|           |   | £                                    | £                     | £                     |
|           | Staff costs   |                                      | 101,533               | 70,115                |
|           | Less: recharges                                     |                                      | (43,147)              | (33,767)              |
|           |   |                                      | <u>58,386</u>         | <u>36,348</u>         |
|           | Depreciation  |                                      | 3,436                 | 3,858                 |
|           | <u>Other Costs</u>                                  |                                      |                       |                       |
|           | Legal & professional                                | 9,291                                |                       | 9,974                 |
|           | Bookkeeping and accountancy fees                    | 15,105                               |                       | 10,791                |
|           | Audit fees  | 1,850                                |                       | 1,750                 |
|           | Premises, insurance and security                    | 40,250                               |                       | 9,850                 |
|           | Other administrative costs                          | 44,530                               |                       | 28,479                |
|           | Website, utilities and IT support                   | 8,760                                |                       | 4,366                 |
|           |   |                                      | <u>119,786</u>        | <u>65,210</u>         |
|           |   |                                      | <u>181,608</u>        | <u>105,416</u>        |
|           |   |                                      | <u><u>181,608</u></u> | <u><u>105,416</u></u> |
| <b>6.</b> | <b>TOTAL RESOURCES EXPENDED</b>                     |                                      |                       |                       |
|           | <b>2004</b>   | <u>Staff and staff related costs</u> | <u>Depreciation</u>   | <u>Other costs</u>    |
|           |   | £                                    | £                     | £                     |
|           | Fundraising costs                                   | 49,320                               | -                     | -                     |
|           | Research costs                                      | 116,013                              | -                     | 94,223                |
|           | Management and administration                       | 58,386                               | 3,436                 | 119,786               |
|           |   | <u>223,719</u>                       | <u>3,436</u>          | <u>214,009</u>        |
|           |   | <u><u>223,719</u></u>                | <u><u>3,436</u></u>   | <u><u>214,009</u></u> |
|           | <b>2003</b>   | <u>Staff and staff related costs</u> | <u>Depreciation</u>   | <u>Other costs</u>    |
|           |   | £                                    | £                     | £                     |
|           | Fundraising costs                                   | 12,195                               | -                     | 12,355                |
|           | Research costs                                      | 117,052                              | -                     | 39,591                |
|           | Management and administration                       | 36,348                               | 3,858                 | 65,210                |
|           |   | <u>165,595</u>                       | <u>3,858</u>          | <u>117,156</u>        |
|           |   | <u><u>165,595</u></u>                | <u><u>3,858</u></u>   | <u><u>117,156</u></u> |
|           |   |                                      |                       | <u>441,164</u>        |
|           |   |                                      |                       | <u><u>286,609</u></u> |

|                       | <u>2004</u><br>£ | <u>2003</u><br>£ |
|-----------------------|------------------|------------------|
| <b>Staff costs:</b>   |                  |                  |
| Wages and salaries    | 240,663          | 180,281          |
| Less: recharges       | (43,147)         | (33,767)         |
|                       | <u>197,516</u>   | <u>146,514</u>   |
| Social security costs | 26,203           | 19,081           |
|                       | <u>223,719</u>   | <u>165,595</u>   |

7. TANGIBLE ASSETS

|                          | <u>Furniture and<br/>Fittings</u><br>£ | <u>Computer<br/>Equipment</u><br>£ | <u>Total</u><br>£ |
|--------------------------|--|------------------------------------|-------------------|
| <b>COST</b>              |  |                                    |                   |
| At 1 October 2003        | 17,901                                 | 5,338                              | 23,239            |
| Additions                | 1,339                                  | 5,002                              | 6,341             |
| At 30 September 2004     | <u>19,240</u>                          | <u>10,340</u>                      | <u>29,580</u>     |
| <b>DEPRECIATION</b>      |  |                                    |                   |
| At 1 October 2003        | 4,688                                  | 2,203                              | 6,891             |
| Depreciation in the year | 1,892                                  | 1,519                              | 3,411             |
| At 30 September 2004     | <u>6,580</u>                           | <u>3,722</u>                       | <u>10,302</u>     |
| <b>NET BOOK VALUE</b>    |  |                                    |                   |
| At 30 September 2004     | <u>12,660</u>                          | <u>6,618</u>                       | <u>19,278</u>     |
| At 30 September 2003     | <u>13,213</u>                          | <u>3,135</u>                       | <u>16,348</u>     |

8. DEBTORS

|                         | <u>2004</u><br>£ | <u>2003</u><br>£ |
|-------------------------|------------------|------------------|
| Trade debtors           | 8,886            | -                |
| Rent and other deposits | 18,757           | 20,282           |
| Other debtors           | 60,060           | 60,035           |
| Prepayments             | 13,340           | 12,268           |
| VAT receivable          | 12,089           | 5,367            |
| PAYE/NI Debtor          | 3,095            | -                |
|                         | <u>116,227</u>   | <u>97,952</u>    |

**9. LIABILITIES - Amounts falling due within one year**

|                              | <u>2004</u>   | <u>2003</u>    |
|------------------------------|---------------|----------------|
|                              | £             | £              |
| Trade Creditors              | 3,251         | 23,847         |
| Taxation and social security | -             | 6,532          |
| Accruals and other creditors | 16,512        | 58,967         |
| Loans                        | 5,089         | 18,059         |
|                              | <u>24,852</u> | <u>107,405</u> |

**10. EMPLOYMENT INFORMATION**

The total emoluments of the Trust's employees during the period amounted to:

|                               | <u>2004</u>    | <u>2003</u>    |
|-------------------------------|----------------|----------------|
|                               | £              | £              |
| Direct charitable expenditure | 116,013        | 117,052        |
| Fundraising                   | 49,320         | 12,195         |
| Administration                | 101,533        | 70,115         |
| Recharges                     | (43,147)       | (33,767)       |
|                               | <u>223,719</u> | <u>165,595</u> |

One employee earned over £50,000 per annum and no trustees were paid any remuneration or expenses.

The average number of employees including those employed on a part-time basis during the year was:

|                | <u>2004</u> | <u>2003</u> |
|----------------|-------------|-------------|
|                | £           | £           |
| Research       | 4           | 4           |
| Fundraising    | 1           | 1           |
| Administration | 3           | 4           |
|                | <u>8</u>    | <u>9</u>    |

**11. ACCUMULATED FUNDS**

There are no restricted and designated funds. The accumulated fund represents the surplus of incoming resources over resources expended. These funds are carried forward to be applied to the general aims of the Charity. These funds are donations and other incoming resources receivable for the objects of the charity without further specified purpose and are available as general funds.