

Company Registered Number: 4297905
Charity Registration Number: 1096300

POLICY EXCHANGE LTD (By Guarantee)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2003



POLICY EXCHANGE LIMITED

**INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	Page
Legal and Company information	1
Chairman's Report	2
Directors' and Trustees' Report	3
Auditors' Report	5
Statement of Financial Activities	6
Balance Sheet	7
Notes to the Financial Statements	8

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

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

**DIRECTORS' AND TRUSTEES' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

The company was registered as a charity with the Charity Commission on 3 March 2003. This report and financial statements has been prepared on the basis that the organisation was a charity for the whole of the year 30 September 2003 as in the opinion of the trustees the formal registration as a charity on 3 March 2003 makes charitable the existing funds.

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	(Appointed 7 July 2003)
Rachel Whetstone	(Appointed 7 July 2003)
Colin Barrow	(Appointed 7 July 2003)

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

During the year Bolton & Co were appointed by the directors as auditors. A resolution to confirm the appointment of Bolton & Co as the company's auditor will be proposed at the forthcoming Annual General Meeting.

**DIRECTORS' AND TRUSTEES' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003 (CONTINUED)**

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: 9/5 July 2004
.....

POLICY EXCHANGE LTD

We have audited the financial statements on pages 6 to 12 for the year ended 30 September 2003 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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.

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 Trust'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 2003, 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

1 Fairholme Crescent
Ashted
Surrey
KT21 2HN

Date: *13th July 2004*

**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
INCOMING RESOURCES			
Donations		359,794	67,030
Other income	2	84,623	15,409
Interest received		<u>236</u>	<u>-</u>
Total incoming resources		444,653	82,439
RESOURCES EXPENDED			
Cost of generating funds:	4	<u>24,550</u>	<u>8,889</u>
Charitable expenditure:			
Costs of activities in furtherance of the charity's objectives:			
Research costs		156,643	27,081
Management and administration of the charity	5	<u>163,933</u>	<u>78,696</u>
Charitable expenditure	3	<u>320,576</u>	<u>105,777</u>
Total resources expended	6	<u>345,126</u>	<u>114,666</u>
Net Income / (Expenditure) for the year		99,527	(32,227)
FUND BALANCES BROUGHT FORWARD AT 1 OCTOBER 2002			
		<u>(32,227)</u>	<u>-</u>
FUND BALANCES CARRIED FORWARD AT 30 SEPTEMBER 2003			
		<u>67,300</u>	<u>(32,227)</u>

Incoming resources are all unrestricted

BALANCE SHEET AT 30 SEPTEMBER 2003

		<u>2003</u>		<u>2002</u>	
	<u>Note</u>	£	£	£	£
FIXED ASSETS					
Tangible assets	7		16,348		17,189
CURRENT ASSETS					
Debtors	8	97,952		55,263	
Cash at bank and in hand		60,405		6,875	
		<u>158,357</u>		<u>62,138</u>	
LIABILITIES					
Amounts falling due within one year	9	107,405		111,554	
NET CURRENT ASSETS					
			<u>50,952</u>		<u>(49,416)</u>
NET ASSETS					
			<u>67,300</u>		<u>(32,227)</u>
FUNDS					
Unrestricted funds			<u>67,300</u>		<u>(32,227)</u>

The financial statements were approved by the
Board of Trustees on 2004 and signed on its behalf by:



.....Trustee

YEAR ENDED 30 SEPTEMBER 2003
NOTES TO THE FINANCIAL STATEMENTS

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.

Other income relates to charges made to other entities for shared staff and premises.

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>2003</u>	<u>2002</u>
	£	£
Management charges	33,767	7,909
Premises charges	24,750	7,500
Business Forum membership	2,348	-
Research sponsorship	12,500	-
Recharge of research project to Localis Research Ltd	10,297	-
Sale of reports	961	-
	<u>84,623</u>	<u>15,409</u>

YEAR ENDED 30 SEPTEMBER 2003
 NOTES TO THE FINANCIAL STATEMENTS (contd)

3.	DIRECT CHARITABLE EXPENDITURE		<u>2003</u>	<u>2002</u>
			£	£
	Research costs		156,643	27,081
	Management and administration		163,933	78,696
			<u>320,576</u>	<u>105,777</u>
			=====	=====
4.	FUNDRAISING AND PUBLICITY		<u>2003</u>	<u>2002</u>
			£	£
	Fundraising events		24,550	8,889
			<u>24,550</u>	<u>8,889</u>
			=====	=====
5.	MANAGEMENT AND ADMINISTRATION OF THE CHARITY		<u>2003</u>	<u>2002</u>
			£	£
	Staff costs	70,115		27,682
	Depreciation	3,858		3,033
	<u>Other Costs</u>			
	Legal & professional	9,974	10,972	
	Bookkeeping and accountancy fees	10,791	3,500	
	Audit fees	1,750	1,200	
	Premises, insurance and security	34,600	7,356	
	Other administrative costs	28,479	11,089	
	Website, utilities and IT support	4,366	13,864	
		<u>89,960</u>	<u>47,981</u>	
		<u>163,933</u>	<u>78,696</u>	
		=====	=====	
6.	TOTAL RESOURCES EXPENDED			
	2003	Staff and staff related costs	Depreciation	Other costs
		£	£	£
	Fundraising costs	12,195	-	12,355
	Research costs	117,052	-	39,591
	Management and administration	70,115	3,858	89,959
		<u>199,362</u>	<u>3,858</u>	<u>141,906</u>
		=====	=====	<u>345,126</u>
		=====	=====	=====
	2002	Staff and staff related costs	Depreciation	Other costs
		£	£	£
	Fundraising costs	5,937	-	2,952
	Research costs	17,229	-	9,852
	Management and administration	27,682	3,033	47,981
		<u>50,848</u>	<u>3,033</u>	<u>60,785</u>
		=====	=====	<u>114,666</u>
		=====	=====	=====

YEAR ENDED 30 SEPTEMBER 2003
 NOTES TO THE FINANCIAL STATEMENTS (contd)

	<u>2003</u> £	<u>2002</u> £
Staff costs:		
Wages and salaries	180,281	46,356
Social security costs	19,081	4,492
	<u>199,362</u>	<u>50,848</u>

7. TANGIBLE ASSETS

	<u>Furniture and Fittings</u> £	<u>Computer Equipment</u> £	<u>Total</u> £
COST			
At 1 October 2002	16,793	3,429	20,222
Additions	1,108	1,909	3,017
At 30 September 2003	<u>17,901</u>	<u>5,338</u>	<u>23,239</u>
DEPRECIATION			
At 1 October 2002	2,519	514	3,033
Depreciation in the year	2,169	1,689	3,858
At 30 September 2003	<u>4,688</u>	<u>2,203</u>	<u>6,891</u>
NET BOOK VALUE			
At 30 September 2003	<u>13,213</u>	<u>3,135</u>	<u>16,348</u>
At 30 September 2002	<u>14,274</u>	<u>2,915</u>	<u>17,189</u>

8. DEBTORS

	<u>2003</u> £	<u>2002</u> £
Rent and other deposits	20,282	19,256
Other debtors	60,035	13,210
Prepayments	12,268	13,415
VAT receivable	5,367	9,382
	<u>97,952</u>	<u>55,263</u>

YEAR ENDED 30 SEPTEMBER 2003

NOTES TO THE FINANCIAL STATEMENTS (contd)9. **LIABILITIES - Amounts falling due within one year**

	<u>2003</u>	<u>2002</u>
	£	£
Trade Creditors	23,847	6,942
Taxation and social security	6,532	2,698
Accruals and other creditors	58,967	26,914
Loans	18,059	75,000
	<u>107,405</u>	<u>111,554</u>

10. **EMPLOYMENT INFORMATION**

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

	<u>2003</u>	<u>2002</u>
	£	£
Direct charitable expenditure	117,052	17,229
Fundraising	12,195	5,937
Administration	70,115	27,682
	<u>199,362</u>	<u>50,848</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>2003</u>	<u>2002</u>
	£	£
Research	8	2
Fundraising	1	1
Administration	4	2
	<u>13</u>	<u>5</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.