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Company Registered Number: 4207986  
Charity Registration Number: 1096300

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ACCOUNTS  
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POLICY EXCHANGE LTD (By Guarantee)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2006

IS/P458/ACCOUNTS/0906ACC

**POLICY EXCHANGE LIMITED  
INDEX TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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	Page
Legal and Company information	1
Directors' and Trustees' Report	2
Auditors' Report	4
Statement of Financial Activities	5
Balance Sheet	6
Notes to the Financial Statements	7

**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  
Robin Edwards  
Rachel Whetstone  
Charles Moore  
Theodore Thomas More Agnew  
Richard Henry Briance  
Richard Albert Ehrman  
George Robinson  
Timothy Steel  
Elizabeth Mary Alice Noel

**AUDITORS:** Bolton & Co Accountants Limited  
Chartered Accountants  
Squirrels Wood  
Reigate Road  
Leatherhead  
Surrey  
KT22 8QY

**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	(Resigned 27 February 2007)
Michael Gove	(Resigned 18 January 2006)
Richard John Micklethwait	(Resigned 27 February 2007)
Robin Edwards	
Rachel Whetstone	
Charles Moore	
George Robinson	
Richard Albert Ehrman	
Richard Henry Briance	(Appointed 18 January 2006)
Timothy Steel	(Appointed 28 March 2006)
Theodore Thomas More Agnew	(Appointed 1 April 2006)

Subsequent to the year end, Elizabeth Mary Alice Noel was appointed as a director on 5 June 2007.

### **APPOINTMENT AND TRAINING OF TRUSTEES**

Trustees may from time to time, and at any time, appoint any person to be a Trustee at any of the Board Meetings held once a month.

All trustees have successful track records in the fields of journalism, commerce or government. Each one has experience in participating in formal committee structures and understands the responsibilities of acting as a trustee for a charitable organisation. All new trustees are given the opportunity to spend time with management to familiarise themselves with the operations and understand the key issues that surround the organisation. At each meeting a full set of management accounts, budgets and forecasts is presented and time set aside for proper scrutiny of this information.

### **RESERVES POLICY**

The Trustees recognise the need to hold reserves to allow protection of core activities in the event of possible seasonal or other fluctuations in donations and/or expenditure. General reserves at 30 September 2006 amounted to £400,733. Total expenditure was £723,298. This level recognises that the bulk of the charity's income is potentially quite volatile while most of its costs (salaries/premise) are relatively fixed. Reserve levels will continue to be monitored carefully.

### **RISK MANAGEMENT**

The Trustees through regular Board meetings reviews at least once a year, the major strategic, operational and financial risks to which Policy Exchange is exposed and have established systems and procedures to mitigate those risks.

The most significant risk faced is the potential volatility of funding which a change in Government could effect. The reserves policy addresses this and the ongoing expansion of the donor base aims to reduce this volatility.

## AUDITORS

A resolution to re-appoint Bolton & Co Accountants Limited 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:

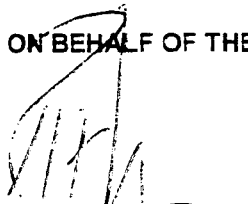
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

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 2005) 'Accounting and Reporting 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.

## STATEMENT OF DISCLOSURE TO AUDITOR

- a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE TRUSTEES

  
Trustee

Dated..... 20/10/07

We have audited the financial statements of Policy Exchange Ltd set out on pages 5 to 11 for the year ended 30 September 2006 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 charity'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 charity and the charity'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 trustees' (who are also the directors of Policy Exchange Ltd for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 Trustees' Annual Report is not consistent with the financial statements, if the charity 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 Trustees' Annual Report and consider whether it is consistent with the audited financial statements. 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 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 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 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 Charity's state of affairs as at 30 September 2006, 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 ACCOUNTANTS LIMITED**

Registered Auditors  
Chartered Accountants

Squirrels Wood  
Reigate Road  
Leatherhead  
Surrey  
KT22 8QY

Date:

**POLICY EXCHANGE LTD**  
**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2006**


	Note	2006 £	2005 £
<b>INCOMING RESOURCES</b>			
Donations		796,689	473,296
Corporate Event Sponsorship		78,133	-
Other income	2	103,961	91,172
Miscellaneous income		1,074	-
Interest received		3,775	3,735
		<hr/>	<hr/>
<b>Total incoming resources</b>		983,632	568,203
<b>RESOURCES EXPENDED</b>			
<b>Cost of generating funds:</b>	3	63,251	33,445
		<hr/>	<hr/>
<b>Charitable expenditure:</b>			
<b>Costs of activities in furtherance of the charity's objectives:</b>			
Research costs	3	460,942	377,981
Management and administration of the charity	3	193,105	167,719
		<hr/>	<hr/>
Charitable expenditure		654,047	545,700
		<hr/>	<hr/>
<b>Governance costs</b>	3	6,000	4,750
		<hr/>	<hr/>
<b>Total resources expended</b>	3	723,298	583,895
		<hr/>	<hr/>
<b>Net Income/(Expenditure) for the year</b>		260,334	(15,692)
<b>FUND BALANCES BROUGHT FORWARD</b>			
<b>AT 1 OCTOBER 2005</b>		140,399	156,091
		<hr/>	<hr/>
<b>FUND BALANCES CARRIED FORWARD</b>			
<b>AT 30 SEPTEMBER 2006</b>		400,733	140,399
		<hr/>	<hr/>

Incoming resources are all unrestricted

		<u>2006</u>		<u>2005</u>	
	<u>Note</u>	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	4		16,467		17,657
<b>CURRENT ASSETS</b>					
Debtors	5	264,040		136,823	
Cash at bank and in hand		187,952		51,928	
		<u>451,992</u>		<u>188,751</u>	
<b>LIABILITIES</b>					
Amounts falling due within one year	6	<u>(67,726)</u>		<u>(66,009)</u>	
<b>NET CURRENT ASSETS</b>			<u>384,266</u>		<u>122,742</u>
<b>NET ASSETS</b>			<u>400,733</u>		<u>140,399</u>
<b>FUNDS</b>					
Unrestricted funds			<u>400,733</u>		<u>140,399</u>

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

The financial statements were approved by the Board of Trustees on 24/7/07 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 2005) 'Accounting and Reporting 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

Donations

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 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.

Business Forum

Annual subscriptions are included in incoming resources on a time apportionment basis.

Corporate Event Sponsorship

Corporate event sponsorship is included in incoming resources when received, as it is non-refundable.

1.4 Resources Expended

In line with the functional classification of costs in the Statement of Recommended Practice- Accounting by Charities (April 2005) expenditure is allocated or attributed as follows:

1.4.1 Direct charitable expenditure

Costs of policy research

1.4.2 Fundraising and publicity

Costs of fundraising events.

1.4.3 Management and administration of the Charity

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

1.4.4 Governance Costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees.

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>2006</u>	<u>2005</u>
	£	£
Business Forum membership	46,417	3,639
Research sponsorship	41,000	55,342
Recharge of research projects to Localis Research Ltd	14,250	30,000
Sale of reports	2,294	2,191
	<u>103,961</u>	<u>91,172</u>

3. TOTAL RESOURCES EXPENDED

	<u>Research</u> £	<u>Fundraising</u> £	<u>Management and Admin</u> £	<u>Governance</u> £	<u>Total 2006</u> £	<u>Total 2005</u> £
Staff and related costs	315,118	38,289	84,716		438,123	380,278
Less: recharges			(25,851)		(25,851)	(41,653)
Consultancy	30,153				30,153	5,166
Travel	10,162	174			10,336	974
Events	33,946	788			34,734	36,779
Publications	67,658				67,658	43,101
Opinion research	3,905				3,905	6,603
Legal and professional		24,000	1,344		25,344	10,374
Depreciation			3,607		3,607	3,921
Bookkeeping and accountancy fees			27,049	3,000	30,049	16,650
Premises, insurance and security			56,786		56,786	56,640
Other administrative costs			35,037		35,037	48,726
Website, utilities and IT support			15,747		15,747	14,476
VAT assessment charges			2,820		2,820	-
Audit fees				3,000	3,000	1,950
Less : recharge of admin costs to Localis Research Ltd			(8,150)			
	<u>460,942</u>	<u>63,251</u>	<u>193,105</u>	<u>6,000</u>	<u>723,298</u>	<u>583,895</u>

All the above costs are directly allocated to activities. Support costs have been allocated to Research and Fundraising.

4. TANGIBLE ASSETS

	<u>Furniture and Fittings</u> £	<u>Computer Equipment</u> £	<u>Total</u> £
<b>COST</b>			
At 1 October 2005	20,088	11,792	31,880
Additions	660	1,757	2,417
At 30 September 2006	<u>20,748</u>	<u>13,549</u>	<u>34,297</u>
<b>DEPRECIATION</b>			
At 1 October 2005	8,691	5,532	14,223
Depreciation in the year	1,669	1,938	3,607
At 30 September 2006	<u>10,360</u>	<u>7,470</u>	<u>17,830</u>
<b>NET BOOK VALUE</b>			
At 30 September 2006	<u>10,388</u>	<u>6,079</u>	<u>16,467</u>
At 30 September 2005	<u>11,397</u>	<u>6,260</u>	<u>17,657</u>

5. DEBTORS

	<u>2006</u> £	<u>2005</u> £
Trade debtors	62,761	6,972
Rent and other deposits	18,757	18,757
Other debtors	129,691	79,306
Prepayments	34,939	25,455
VAT receivable	6,778	6,333
PAYE/NI Debtor	11,114	-
	<u>264,040</u>	<u>136,823</u>

6. LIABILITIES - Amounts falling due within one year

	<u>2006</u>	<u>2005</u>
	£	£
Trade Creditors	9,759	33,267
Taxation and social security	-	2,156
Net Wages	201	2,270
Accruals and other creditors	57,766	28,316
	<u>67,726</u>	<u>66,009</u>

7. EMPLOYMENT INFORMATION

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

	<u>2006</u>	<u>2005</u>
	£	£
Direct charitable expenditure	315,118	285,358
Fundraising	38,289	33,445
Administration	84,715	61,475
Recharges	(25,851)	(41,653)
	<u>412,271</u>	<u>338,625</u>
	<u>2006</u>	<u>2005</u>
	£	£
Gross wages	389,470	336,482
Employer's National Insurance	41,569	36,556
Pension costs	7,083	7,239
	<u>438,122</u>	<u>380,278</u>
Less: recharges	(25,851)	(41,653)
	<u>412,271</u>	<u>380,625</u>

One employee earned over £60,000 per annum

<u>Bands</u>	<u>No of employees</u>
70,000 – 80,000	1

No pension contributions were paid for this employee.

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>2006</u>	<u>2005</u>
	£	£
Research	19	5
Fundraising	1	1
Administration	4	5
	<u>          </u>	<u>          </u>
	24	11
	<u>          </u>	<u>          </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.

12. **PENSIONS**

The charity operates a defined contribution stakeholder pension scheme in respect of certain employees. The amount payable by the company was £7,083 (2005: £7,239).