

Charity Registration No. 1096300

Company Registration No. 4297905 (England and Wales)

POLICY EXCHANGE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

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POLICY EXCHANGE LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

George Robinson
Diana Berry
Robert Rosenkranz
David Frum
Candida Gertler
Peter Wall
Greta Jones
Charlotte Metcalf
Andrew Roberts
Simon Wolfson
Edward Lee
S K Rao

Secretary

Robin Edwards

Charity number

1096300

Company number

4297905

Registered office

Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

Auditor

H W Fisher & Company
Acre House
11-15 William Road
London
NW1 3ER
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POLICY EXCHANGE LIMITED

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POLICY EXCHANGE LIMITED

(A COMPANY LIMITED BY GUARANTEE)

TRUSTEES' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The Trustees present their report and accounts for the year ended 30 September 2016.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charity's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)".

Objects of the Charity and Mission

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

The non partisan advancement of education 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.

Policy Exchange is one of the UK's leading independent think tanks. As an educational charity, our mission is to develop and promote new policy ideas which deliver better public services, a stronger society and a more dynamic economy for all.

The Trustees have considered the Charity Commission's guidance on public benefit and place a number of objectives at the heart of their strategic thinking when considering how best to discharge the Charity's mission:

- **Quality of research** – the Trustees consider that the authority and credibility of the Charity's research output must be of the highest standard in order to ensure that its work has maximum impact. The Charity does not take commissions. Its research is independent and evidence-based, and draws upon a wide circle of academics, field specialists and practitioners in order to better inform its thinking and conclusions. The Charity recruits senior policy experts from the political, business and academic worlds and is proud of its research heads who are well established thought leaders in their respective fields.
- **Dissemination of ideas** – the Charity makes use of a wide range of communications channels to reach as broad an audience as possible. Its communications strategy is constantly reviewed in order to take advantage of new developments and the Charity measures the quality and quantity of its audiences closely as it seeks to reach out to new audiences, both nationally and internationally. The Charity's output takes the form of long and short written reports, blogs and articles for the national press, a lively programme of events (which are increasingly livestreamed), interactive webinars and broadcast media interviews and set pieces. Social media platforms and the Charity's website are central to achieving its aims and the Charity devotes significant and ongoing resources to keeping them fresh and lively.
- **Two way dialogue with policy makers and opinion formers** – the Charity works closely with key decision makers and policy experts from all sides of the political spectrum, with whom it also shares its reports and ideas. Impact is measured by the extent to which the Charity's work is able to influence policy change, to the benefit of the wider public.

Structure, Governance and Management

The Charity is a registered charity, number 1096300, and is constituted as a Charitable Company limited by guarantee governed by its Memorandum and Articles of Association dated 9 November 2001 and revised on 3 May 2011. The company was registered as a charity with the Charity Commission on 3 March 2003.

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The Trustees, who are also Members of the Charity, serve a four year term before being required to seek re-election. The Trustees delegate the day-to-day running of the Charity to the Senior Management Team, led by Dean Godson, the Managing Director. The Senior Management Team makes quarterly reports to the Board of Trustees on any significant matters across all areas of the Charity, including changes in staff, policy research and financial issues. The Board of Trustees is responsible for making major decisions of a strategic nature with regard to both Policy Exchange Ltd and its trading subsidiary Policy Exchange Events Ltd (formerly The Ideas Space Ltd).

A separate Risk and Remuneration Committee, comprising three Trustees who serve on the Main Board, meets annually – or more often if required – to review the major risks which might threaten the successful operation of the Charity. Matters around pay and compensation for the Charity's Director are also part of the Committee's remit, which reports directly to the Chairman of Trustees at the relevant meeting of the Full Board of Trustees. The remuneration of other members of the Senior Management Team is set by the Managing Director in consultation with the Chairman.

Achievements and Performance

2015/16 has been a highly successful year for Policy Exchange, which has built upon its previous influence by responding decisively to large-scale change in the political landscape, and leading the field in areas of increasing relevance. This was most evident in the period following the 2016 EU referendum, during which we recalibrated and launched a new research agenda — but our expansion process had already begun with the setting up of several new units earlier in the year. During the year, we produced 28 high-profile publications, and held 58 celebrated events.

In October, our Judicial Power Project (JPP) was launched, which quickly began to attract significant attention from the Government, the judiciary, and key thinkers in legal and academic circles. The project has commissioned original online articles from leading legal academics, which are widely discussed across social media channels. Its reports have been similarly well received. In *Critically Assessing the Joint Committee on Human Rights' Report on Drone Warfare*, leading barrister Sean Aughey and former Army officer Tom Tugendhat MP critically dissected the legal reasoning of the aforementioned JCHR report. Another highly acclaimed paper, *Judging the Public Interest*, was written by two distinguished law professors — Richard Ekins of the University of Oxford and head of the JPP, and Christopher Forsyth of the University of Cambridge. Ekins explained his thinking in an article on *ConservativeHome*, and the paper was launched by Lord Justice Bean, Chair of the Law Commission, and Rt Hon Alistair Darling, former Chancellor of the Exchequer, at an event attended by Supreme Court and Court of Appeal Justices.

The November 2016 Spending Review further underlined our influence on British politics, with eight of our recent policy recommendations being announced as government policy. These recommendations came from reports including *Whitehall Rules!*, which focused on how to attract and maintain talent within the civil service, given the challenges it faces during periods of sustained austerity. Research from our *Governing Power* report was cited by *City AM*, *The Sun*, and the *Daily Mail* — and James Heap MP raised its proposals in an Energy and Climate Change Select Committee meeting with the Energy Secretary, Amber Rudd, who said that she takes seriously everything Policy Exchange sends her. *Budgeting for Balance* provided an analysis of the country's recent and ongoing public finances, offering commentary on fiscal rules and efficiency savings.

The then Education Secretary Nicky Morgan's speech to Policy Exchange in November was standing room only, and our Education Unit had, the previous month, published its celebrated *Higher, further, faster, more*. This looked at the issue of higher-level technical education, and was covered in *The Times*, *The Independent*,

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City AM, *FE Week*, *Times Education Supplement*, and *Times Higher Education*. The author — the unit's then head — Jonathan Simons, also appeared on the *Today* programme, and wrote an article about the report for *ConservativeHome*. Four of the publication's recommendations became Government policy. Simons also produced a short 'Policy Bite', entitled *Time to Care*, and edited *The Importance of Teachers*, which brought together a series of essays considering how best to improve teacher recruitment and retention.

In October, we held a highly acclaimed event to launch the second part of Charles Moore's authorised biography of Margaret Thatcher, which featured Moore in conversation with the then Chancellor, Rt Hon George Osborne MP.

The beginning of January saw the launch of our new Demography, Immigration and Integration Unit, which is led by David Goodhart. The unit received very extensive media coverage across the national press for its first *Integration Index*, which analysed the best and worst integrated areas in England and Wales. David also hosted a debate examining the extent to which London is a well-integrated, multi-ethnic city, with speakers including Shiria Khatun, Deputy Mayor of Tower Hamlets; and Rohan Silva, former adviser to David Cameron.

The early spring saw keynote addresses at Policy Exchange by the then Prime Minister, David Cameron, and the then Home Secretary, the Rt Hon Theresa May MP. Cameron spoke on the topic of prison reform, giving reference to plans for affording governors complete control over the way they run their prisons. May addressed the role of Police and Crime Commissioners, in a speech in which she namechecked the influence Policy Exchange has had on the drive for increased localism and democratic accountability in public services. She also launched the manifesto for the 2016 London Mayoral Campaign at Policy Exchange.

Spring also saw the publication of our report on obesity, *Britain Imbalanced*, authored by double Olympic gold medallist James Cracknell. The paper contained a number of proposals to prevent an increase in childhood obesity, and James was interviewed across a number of television and radio outlets. It also secured widespread print coverage, including reports in *The Sun*, *The Times*, *The Guardian*, *The Independent*, and the *Daily Mail*.

Our new National Security Unit was launched in March, for the purpose of looking beyond the Strategic Defence and Security Review to questions of grand strategy in future decades. Led by King's College London's John Bew — the biographer of Lord Castlereagh — the unit was set up to encourage the creation of a new generation of national security leaders. The unit was unveiled at an event featuring the Secretary of State for Defence, Rt Hon Michael Fallon MP, and the former Secretary General of NATO, Rt Hon Lord Robertson of Port Ellen, KT.

In *Efficient Energy Policy*, Energy and Environment Unit head, Richard Howard, argued that home-buyers should be encouraged to choose more energy-efficient properties by linking Stamp Duty to the energy performance of a home. The *Daily Telegraph*, *The Guardian*, the *Yorkshire Post*, and *Business Green* all covered the report. The unit also produced a second report on air pollution in London, entitled *Up in the Air*, as a follow on to a first report published in December. The first report highlighted the health impacts associated with air pollution; the second made a series of recommendations on how to achieve legal and health levels of air quality in the most cost-effective manner. The report was covered by the *Evening Standard*, *Guardian*, *FT*, *Daily Mail*, *Independent*, *The Atlantic*, *Time Magazine*, and *The Spectator*, and its recommendations were picked up by several of the London Mayoral candidates in their manifestos, and also by the EFRA select committee in a recent report on air pollution.

Meanwhile, our London-focused unit, the Capital City Foundation, hosted an event that brought together a range of expert commentators to discuss urban planning and design in the capital, including architect and author, Marwa Al-Sabouni, who joined us via a video link direct to Homs in Syria. Meanwhile, in a three-part series edited by the Housing Unit's head, Chris Walker, *The Homes London Needs* suggested that 50,000 new homes

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needed to be built every year in order to accommodate London's growing population and address the current housing shortage. And, in *Boosting London's Frontline Policing*, we argued the case for removing the front counters from police stations, and for establishing new 'Police Points' in recently vacated ticket office space on the London Underground. The report's main recommendation was adopted by London Conservative mayoral candidate, Zac Goldsmith MP, in his policing manifesto. The report was covered in the Evening Standard and City AM, and our Head of Crime and Justice, Glyn Gaskarth, was invited on to the Evening Standard's London Live TV programme to discuss its proposals.

The early part of 2016 saw a nationwide focus on the EU Referendum. We were delighted to host Steve Hilton, one of our Visiting Scholars, at a high-profile event in which he set out his argument for why the UK would be better off out of the EU. This was followed by a counter-balancing event the following week, in which our former founding Director, Nick Boles MP, presented the opposing view. In June, we held our annual summer party, at which Sir Lynton Crosby gave the main address.

The period directly following the referendum saw a wealth of foreign policy activity from our Britain in the World project. A private briefing was held in June, entitled *Never Trump: The Republican Foreign Policy Rebellion*, with Eliot Cohen — Robert E. Osgood Professor of Strategic Studies at the Paul H. Nitze School of Advanced International Studies, and former Counsellor at the State Department under Condoleezza Rice. Public events included *Wars of Religion in the 21st Century Europe*, featuring Lord Evans of Weardale, former Director General of MI5, alongside Tom Holland and Shiraz Maher. *UK-Chinese relations in a changing world* saw Gideon Rachman, chief foreign affairs editor for FT, in conversation with Con Coughlin, chief defence editor for the Daily Telegraph. Singapore's Ambassador-at-Large, Bilahari Kausikan, offered a candid perspective in a lecture, *What does Brexit mean for East Asia?*. And, in July, we published *Making Sense of British Foreign Policy After Brexit*, which offered our initial reaction to the strategic implications of Brexit for Britain's position in the world. This was picked up by a number of media outlets, including the *Daily Telegraph* and the *Daily Mail*.

The Demography, Immigration, Integration Unit was also highly active in the period following the referendum. Its head, David Goodhart, published a briefing paper on immigration policy in the wake of Brexit, which gained widespread coverage in the national media. And, in partnership with Professor Eric Kaufmann of Birkbeck College, the unit commissioned new polling, covering attitudes to immigration and integration.

Meanwhile, the Judicial Power Project held an outstanding seminar chaired by Professor Richard Ekins, which examined the jurisprudence of the European Court of Justice, its method of treaty construction in deciding case law, and the scope for the judiciary in the UK to review the process of the UK's exit from the EU.

The Economics and Social Policy Unit released two major reports in August. *Delivering Differently* argued for a new bottom-up and localised approach to public policy. *Welfare, Work and Young People* proposed that the Government should trial new Youth Employment Centres, and also suggested tailoring the Government's new Youth Obligation, in order that young people might be trained to work in sectors with large numbers of vacancies.

Over the summer, our Education Unit focused on two main themes: the role of school leadership and oversight, especially in multi-academy trusts; and Further Education (FE), skills, and Higher Education (HE). The unit organised a Parliamentary event with Neil Carmichael MP, Chair of the Education Select Committee, on high-quality apprenticeships. It also hosted Lord Willetts, and Professor Peter Coaldrake from Queensland University, to discuss UK-Australian HE reforms. An all-day conference was held on the future of HE and FE under the new Government, including keynote speeches from Wes Streeting MP, and Dr Claire Crawford. Meanwhile, the Environment and Energy Unit produced a major report on how to decarbonise domestic heating,

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Too Hot to Handle?, as well as holding an event with Rt Hon Lord Howell on the next steps for UK energy policy, and one with the Rt Hon Lord Deben, which considered the potential for 'CO₂ reuse' technologies.

September saw the launch of Policy Exchange's new research agenda, in which we reconfigured our priorities to match the changed political landscape — placing Brexit at the centre. Our response to the transformed environment involved recruiting new staff, widening and deepening our range of expertise, and building our events team. We announced that our focus on industrial strategy would be headed by Sir Geoffrey Owen, the leading UK author and former editor of the *Financial Times*, and that our focus on trade would be headed by Dr Geoff Raby. The new policy landscape after Brexit requires intellectual leadership, and we have assembled our strongest ever research team.

Moreover, we are increasingly focusing our attention on our website and social media platforms, not least because reaching as wide an audience as possible is a priority for us. We have upped our Twitter following to over 35,600 followers, making ours one of the most popular handles in the UK public policy space. More and more of our reports are 'digital first', recognising that their biggest readership will be online, and all of our panel discussions and lectures are filmed and available to view on the PX YouTube channel, as well as being publicised on Facebook and Twitter. Our research fellows write regular shorter pieces of analysis or commentary for the website, which we publicise on Facebook and Twitter and through the weekly Agenda, an email which goes out every Monday morning to around 10,600 people on our mailing lists.

In September, we moved office from 10 Storey's Gate to 8-10 Great George Street. Our new offices have made it even easier for ministers and officials to make it to our events. Along with the move to our new offices, and ahead of the party conference season, we also launched a new website, which is much easier to read on phones and tablets, and brings in content from our policy projects, such as the Britain in the World and Judicial Power projects.

At the end of the 2015/16 year, we held 30 successful events at the Conservative and Labour Party conferences. These ranged from *A Modern Day Industrial Strategy: What is the role of the Midlands Engine?*, featuring Rt Hon Greg Clark MP, Secretary of State for Business, Energy, and Industrial Strategy; to *Integration and Segregation: What should Casey say?* with Suella Fernandez MP, and topic experts Professors Eric Kauffman and Ted Cattle; to *Is there scope for a real Alternative Labour Economic Strategy post Brexit?* with political economist Richard Murphy and Professor Philip B. Whyman, Director of the Lancashire Institute for Economic and Business Research.

Future Plans

Following the EU Referendum result and Mrs May's election of the Conservative Party the Trustees agreed that the priorities and character of Policy Exchange's research agenda should be adjusted to take account of the radical change in the UK's political landscape. At the heart of this is the nexus of policy issues thrown up by the UK's departure from the EU. These range from constitutional and legal questions, to issues around trade and the future of UK foreign policy and Britain's place in the world. The new political landscape and change of administration has redefined the objectives and purposes of policy. They will now principally focus on matters relating to Brexit, the economy and industrial strategy, and social reform.

Central to this readjustment is a much greater emphasis on economic research. Withdrawal from the EU poses a wide range of practical economic policy choices that need to be explored. Areas of public policy that were out-with the discretion of the UK Government such as trade, farm support and state support for active industrial policies are now matters for decision by UK ministers in London and in the devolved administrations. The new Government's interest in industrial and regional policy mean that the practical scope for public intervention in many micro-economic decisions is now on the policy agenda for the first time since the 1970s and the early

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1980s. The priority the Government gives to social mobility illustrates the continuing relevance of Policy Exchange's long standing interest in social policy.

The recently appointed Head of the Economics and Social Policy Team, Warwick Lightfoot, has been appointed Director of Research. The **Economics Unit** will work across Policy Exchange's research programmes to help ensure that appropriate economic analysis is taken into account. A new **Trade Policy Unit** has established under Dr Geoff Raby, the former Australian Ambassador to China and Australia's chief international trade negotiator with the WTO. It will look at the opportunities that the UK will have to negotiate free trade agreements and examine what UK trade policy should be outside the EU.

Reflecting the new Government's interest in industry and reform of corporate governance Policy Exchange has recruited Sir Geoffrey Owen, former editor of the *Financial Times* and Head of the Centre for Economic Performance at LSE, the UK's principal authority on industrial performance, as Head of **Industrial Policy**. The Economics Unit also plans to examine the scope for an alternative economic strategy for the left, post-Brexit, and to explore the legacy of Keynes General Theory 80 years after its publication and 40 years after the Keynesian post war economic consensus was abandoned by the Labour Government in 1976.

Brexit and the debate surrounding the UK's departure from the EU will give added salience to the research agendas being pursued by Policy Exchange in relation to demography, judicial power, national security and foreign policy. The **Immigration, Integration and Demography Unit** under the leadership of David Goodhart will work on migration, control of borders and wider issues of national identity and integration. The **Security and Extremism Unit** led by Martyn Frampton will examine the changing attitudes of communities to democratic norms and values and the effectiveness of policy in this area.

Professor John Bew, Head of the **Britain in the World** project, will explore the UK's changing national interest in a post-Brexit environment and the challenges Britain and its NATO allies face, particularly the US, as the rules and institutions of the post-war world are challenged and further tested. This will include examining the case for reasserting the morality of the case for robust and effective foreign policy intervention. Policy Exchange's **Judicial Power Project** headed by Professor Richard Ekins will have an enhanced role examining the legal consequences of Brexit and the complexities surrounding the reestablishment of UK national sovereignty, the supremacy of parliament and the constitutional devices selected by the Government to execute the Brexit instruction from the electorate.

At the same time Policy Exchange will maintain its wide range of research interests in **education**, the future of higher education and vocational training ; technology, science and the digital **reform of public services**; and the evolving role of the **State in Society**. The **Capital City Foundation** will look at transport and along with the **Housing Unit** will further explore the challenge of urban design and planning in the metropolis.

Policy Exchange's **Energy and Environment Unit** headed by Richard Howard will continue its extensive research programme into climate change, decarbonisation of transport and power generation, and the implications of Brexit on waste management.

Financial Review

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

Income for the full year increased by just under 8% in 2015/16 to £2,567,901 despite the twin interruptions of the European Union Referendum in June 2016, followed shortly thereafter by the change of government team.

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Against this backdrop, the increase in unrestricted funding was particularly welcome, and which enabled unrestricted activities to turn a surplus of £68,104 for the year after transfers to reserves.

Total resources expended for the full year were up by 11.7% to £2,940,487, leading to a loss of £372,586. Expenditure was adversely impacted by one off costs associated with Policy Exchange's relocation to new premises in June 2016 and a major revamp of its website which was designed to coincide. Research costs reflected extensive polling conducted during the year in association with a major report which will be published shortly into the new financial year.

Directors and Trustees

The Directors of the company are also Trustees of the Charity, and there are no other trustees. The following Directors served throughout the year except where noted:

Diana Berry	
Simon Brocklebank-Fowler	(resigned 19.10.15)
Robin Edwards	(resigned 13.10.15)
Daniel Finkelstein	(resigned 10.10.15)
David Frum	
Candida Gertler	
Greta Jones	
Edward Lee	(appointed 21.10.15)
Charlotte Metcalf	
Krishna Rao	
Andrew Roberts	
George Robinson	
Robert Rosenkranz	
Charles Stewart-Smith	(resigned 19.10.15)
Peter Wall	
Simon Wolfson	

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 Quarterly Board Meetings.

All trustees have successful track records in the fields of journalism, commerce, the arts, the armed services 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 detailed documentation about the charity and are given the opportunity to spend time with management to familiarise themselves with the operations and understand the key issues that surround the organisation.

Risk Management

During the period under review, the Risk and Remuneration Committee identified three main operational risks for consideration:

- **Expiration of the Charity's premises lease on 29 September 2016 and financial risks associated with moving to more expensive premises.** The Charity was able to identify highly favourable new

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premises and relocate without any interruption to its regular activities, including a busy events programme and attendance at the Party Conferences. In order to help offset the increased costs of the new premises, the Charity was successful in sub-letting part of the new space.

- **Ensuring that the Charity's research programme adapted to the new Brexit-focused agenda following the unexpected EU Referendum in June 2016.** Immediately following the EU Referendum, the Charity undertook a thorough review of its research activities, led by the Director, Dean Godson. A new work programme was formulated which placed four of its research areas at the heart of its future work: Immigration/Integration; International Trade and Foreign Policy; restoration of British sovereignty and judicial power; formulation of a new regional Industrial Strategy as a means of stimulating economic growth and encouraging innovation. A new Trade Policy Unit was established, with former Australian Ambassador to China and Chief Australian negotiator with the WTO Dr Geoff Raby at its helm, and the Economics team was strengthened with the appointment of Warwick Lightfoot, former Chief Economic Adviser to three previous Chancellors. Dr Gerard Lyons was appointed as a Special Adviser on Brexit and financial markets and Sir Geoffrey Owen, former editor of the *Financial Times* came to advise on Industrial Policy. Plans to upgrade the company website were brought forward and enhanced, with a completely redesigned website and a new-look weekly news *Agenda* both going live in September 2016. The Trustees and Senior Management Team will monitor closely the impact of these new research priorities to ensure that they are effective.
- **Financial Risk associated with dips in income**, particularly caused by interruptions to business as a result of continued national, local and European elections and referenda. The reserves policy laid out below is intended to provide a cushion against financial volatility, but the Charity was also successful in securing an increased share of its funding in the form of unrestricted donations, giving it increased flexibility to allocate funds as needed.

Reserves Policy

The Trustees recognise the need to hold reserves and allow for seasonal or other fluctuations in donations and/or expenditure.

Total reserves at 30 September 2016 stood at £2,137,719 of which £1,429,207 (nearly 67%) were free. Heavy one off costs during the year, associated with the office relocation in particular, were more than covered by an increase in unrestricted donations during the year, allowing Policy Exchange to increase its unrestricted reserves by just over £70,000 after transfers between reserves. Restricted reserves fell from £1,149,202 at the start of the year to £708,512 as a busy work plan was discharged, and in response to some donors switching from restricted to unrestricted giving. Designated reserves at the year end remained unchanged at £766,042, being sums allocated by the Trustees for a mixture of research and core projects. The research projects include sums set aside for our Capital City Foundation and Judicial Power Project, whilst core projects include further IT and website upgrades.

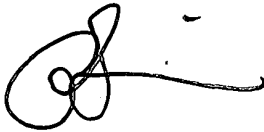
The Trustees review carefully the level of unrestricted reserves and aim to keep a level of free reserves equivalent to four months' regular operating costs in order to manage any unexpected shocks. At £1,429,207, free reserves at 30 September 2016 comfortably exceeded this requirement (£1,014,000) and the Trustees are therefore satisfied that the Charity's reserves are sufficient.

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Disclosure of Information to Auditors

Each of the Trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

Approved by the Board of Trustees on 30 JUNE 2017



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George Robinson
Trustee

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The trustees, who are also the directors of Policy Exchange Limited for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Companies Act 2006. 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.

POLICY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLICY EXCHANGE LIMITED

We have audited the financial statements of Policy Exchange Limited for the year ended 30 September 2016 set out on pages 13 to 28. 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), including Financial Reporting Standard 102.

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 auditors' 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 its 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, as set out on page 3, the trustees, who are also the directors of Policy Exchange Limited for the purposes of company law are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts 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 Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2016 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 requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the accounts are prepared is consistent with the accounts.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POLICY EXCHANGE LIMITED

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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.

Russell Nathan (Senior Statutory Auditor)
for and on behalf of H W Fisher & Company

Chartered Accountants

Statutory Auditor

Acre House

11-15 William Road

London

NW1 3ER

United Kingdom

30.6.2017

POLICY EXCHANGE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2016 £	Total 2015 £
<u>Income and endowments from:</u>						
Voluntary income	3	749,510	-	1,348,001	2,097,511	1,950,763
Incoming resources from charitable activities	4	223,700	-	-	223,700	250,980
Activities for generating voluntary income	5	155,853	-	65,334	221,187	169,203
Investments	6	7,631	-	-	7,631	9,602
Other income	7	17,872	-	-	17,872	18
Total income and endowments		1,154,566	-	1,413,335	2,567,901	2,380,566
<u>Expenditure on:</u>						
Raising funds	8	161,588	-	-	161,588	154,808
Research	9	685,183	-	2,093,716	2,778,899	2,478,121
Total resources expended		846,771	-	2,093,716	2,940,487	2,632,929
Net incoming/(outgoing) resources before transfers		307,795	-	(680,381)	(372,586)	(252,363)
Gross transfers between funds		(239,691)	-	239,691	-	-
Net income/(expenditure) for the year/ Net movement in funds		68,104	-	(440,690)	(372,586)	(252,363)
Fund balances at 1 October 2015		595,061	766,042	1,149,202	2,510,305	2,762,668
Fund balances at 30 September 2016		663,165	766,042	708,512	2,137,719	2,510,305

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

POLICY EXCHANGE LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	13		270,095		41,963
Investments	14		2		2
			<u>270,097</u>		<u>41,965</u>
Current assets					
Debtors	17	501,654		332,051	
Cash at bank and in hand		1,908,269		2,390,553	
		<u>2,409,923</u>		<u>2,722,604</u>	
Creditors: amounts falling due within one year	18	(542,301)		(254,264)	
Net current assets			<u>1,867,622</u>		<u>2,468,340</u>
Total assets less current liabilities			<u>2,137,719</u>		<u>2,510,305</u>
Income funds					
Restricted funds	20		708,512		1,149,202
<u>Unrestricted funds</u>					
Designated funds	21	766,042		766,042	
General unrestricted funds		<u>663,165</u>		<u>595,061</u>	
			<u>1,429,207</u>		<u>1,361,103</u>
			<u>2,137,719</u>		<u>2,510,305</u>

The accounts were approved by the Trustees on 30 JUNE 2017



George Robinson
Trustee

Company Registration No. 4297905

POLICY EXCHANGE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash absorbed by operations	24	(245,126)	(377,154)
Investing activities			
Purchase of tangible fixed assets		(266,166)	(1,020)
Proceeds on disposal of tangible fixed assets		21,377	-
Interest received		7,631	9,602
Net cash (used in)/generated from investing activities		(237,158)	8,582
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(482,284)	(368,572)
Cash and cash equivalents at beginning of year		2,390,553	2,759,125
Cash and cash equivalents at end of year		<u>1,908,269</u>	<u>2,390,553</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

Charity information

Policy Exchange Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is Acre House, 11-15 William Road, London, NW1 3ER, United Kingdom.

1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charity is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These accounts for the year ended 30 September 2016 are the first accounts of Policy Exchange Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 October 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the accounts, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the accounts.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

1.4 Incoming resources

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

1.5 Resources expended

Expenditure is recognised on an accruals basis, exclusive of value added tax.

Costs of generating funds are those costs incurred in attracting voluntary income, in particular grant funding and the costs of maintaining the company's profile within the sector.

Expenditure relating to research and events activities are those elements of expenditure directly incurred in performing these activities.

Governance costs include those costs incurred in the governance of the company's assets and are primarily associated with constitutional and statutory requirements.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Short leasehold	Over the life of the lease
Computer equipment	3 years straight line
Fixtures, fittings & equipment	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

1.7 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/(expenditure) for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.10 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

The charity operates a defined contributions stakeholder pension scheme. Contributions are charged in the accounts as they become payable in accordance with the rules of the scheme.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Voluntary income

	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2016 £	Total 2015 £
Donations and gifts	749,510	-	1,348,001	2,097,511	1,950,763
For the year ended 30 September 2015	357,762	20,000	1,573,001		1,950,763

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

4 Incoming resources from charitable activities

	2016 £	2015 £
Sales within charitable activities	223,700	250,980

5 Activities for generating voluntary income

	Unrestricted funds general £	Restricted funds £	Total 2016 £	Total 2015 £
Business forum and book sales	155,853	65,334	221,187	169,203
For the year ended 30 September 2015	169,203	-		169,203

6 Investments

	2016 £	2015 £
Interest receivable	7,631	9,602

7 Other income

	2016 £	2015 £
Other income	110	18
Rental income	17,762	-
	17,872	18

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 Raising funds

	2016	2015
	£	£
<u>Costs of generating voluntary income</u>		
Staging fundraising events	15,420	17,637
Other fundraising costs	9,521	9,654
Staff costs	136,647	127,517
	<u>161,588</u>	<u>154,808</u>
Costs of generating voluntary income	161,588	154,808
	<u>161,588</u>	<u>154,808</u>
For the year ended 30 September 2015		
Costs of generating voluntary income		<u>154,808</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

9 Research

	2016 £	2015 £
Staff costs	1,170,277	1,357,088
Professional fees, research and events	739,998	331,462
Publications, printing and postage	56,834	79,005
Travel and subsistence	28,744	39,851
Premises	57,383	87,629
Website and IT support	33,782	29,760
Other costs	6,698	236,892
	<u>2,093,716</u>	<u>2,161,687</u>
Share of support costs (see note 10)	650,610	294,652
Share of governance costs (see note 10)	34,573	21,782
	<u>2,778,899</u>	<u>2,478,121</u>
Analysis by fund		
Unrestricted funds - general	685,183	
Restricted funds	<u>2,093,716</u>	
	<u>2,778,899</u>	
For the year ended 30 September 2015		
Unrestricted funds - general		326,434
Restricted funds		<u>2,151,687</u>
		<u>2,478,121</u>

The other costs relating to costs of generating funds and activities undertaken directly are broken down in notes 6 and 7 respectively.

The total support costs are broken down in note 8.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

10 Support costs

	Support costs	Governance costs	2016	2015	Basis of allocation
	£	£	£	£	
Staff costs	39,022	-	39,022	56,173	
Depreciation	16,657	-	16,657	12,439	
Other costs	359,255	-	359,255	151,536	
Premises	235,676	-	235,676	74,504	
Audit and accountancy	-	34,573	34,573	21,782	Governance
	<u>650,610</u>	<u>34,573</u>	<u>685,183</u>	<u>316,434</u>	
Analysed between					
Charitable activities	<u>650,610</u>	<u>34,573</u>	<u>685,183</u>	<u>316,434</u>	

Governance costs includes payments to the auditors of £14,010 (2015- £8,150) for audit fees and £3,929 (2015- £819) for other services.

11 Trustees

No trustees received benefits (2015- none received) from the charity during the year.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

12 Employees

Number of employees

The average monthly number employees during the year was:

	2016 Number	2015 Number
Research	16	21
Fundraising	2	2
Administration	8	8
	<u>26</u>	<u>31</u>

Employment costs

	2016 £	2015 £
Wages and salaries	1,167,391	1,353,676
Social security costs	130,184	146,743
Other pension costs	48,371	40,359
	<u>1,345,946</u>	<u>1,540,778</u>

The key management personnel of the charity comprises the trustees, the Managing Director, the Director of Policy and Strategy and the Director of Finance and Operations. The trustees do not receive any remuneration. Remuneration of key management personnel (excluding trustees) amounted to £303,494 (2015: £272,675) in the year.

The number of employees whose annual remuneration was £60,000 or more were:

	2016 Number	2015 Number
60,000 - 69,999	2	4
70,000 - 79,999	-	1
80,000 - 89,999	2	2
90,000 - 99,999	-	1
100,000 - 109,999	-	1
140,000 - 149,000	1	-
	<u>1</u>	<u>-</u>

Contributions totalling £26,912 (2015: £33,746) were made to defined contribution pension schemes on behalf of employees whose emoluments exceed £60,000.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

13 Tangible fixed assets

	Short leasehold	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 October 2015	15,478	65,696	101,090	182,264
Additions	238,817	27,000	349	266,166
Disposals	(15,478)	(55,397)	(79,099)	(149,974)
At 30 September 2016	238,817	37,299	22,340	298,456
Depreciation and impairment				
At 1 October 2015	13,930	58,640	67,731	140,301
Depreciation charged in the year	7,382	2,517	6,758	16,657
Eliminated in respect of disposals	(15,478)	(60,970)	(52,149)	(128,597)
At 30 September 2016	5,834	187	22,340	28,361
Carrying amount				
At 30 September 2016	232,983	37,112	-	270,095
At 30 September 2015	1,548	7,056	33,359	41,963

14 Fixed asset investments

	Investment in subsidiary
	£
Cost or valuation	
At 1 October 2014 & 30 September 2015	2
Carrying amount	
At 30 September 2016	2
At 30 September 2015	2

15 Subsidiaries

These financial statements are separate charity financial statements for Policy Exchange Limited.

Details of the charity's subsidiaries at 30 September 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Policy Exchange Events Limited	United Kingdom	Conference/administration services	Ordinary	100.00

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

15 Subsidiaries

(Continued)

Policy Exchange Events Limited is not included in the consolidated accounts as its inclusion is not material for the purpose of giving a true and fair view.

16 Financial instruments

2016

2015

£

£

Carrying amount of financial assets

Debt instruments measured at amortised cost

435,255

283,267

Equity instruments measured at cost less impairment

2

2

Carrying amount of financial liabilities

Measured at amortised cost

542,301

233,942

17 Debtors

2016

2015

£

£

Amounts falling due within one year:

Trade debtors

280,030

236,200

Amounts due from subsidiary undertakings

4,416

3,019

Other debtors

150,809

44,048

Prepayments and accrued income

66,399

48,784

501,654

332,051

18 Creditors: amounts falling due within one year

2016

2015

£

£

Other taxation and social security

-

20,322

Trade creditors

183,054

31,690

Other creditors

5,891

1,835

Accruals and deferred income

353,356

200,417

542,301

254,264

19 Retirement benefit schemes

Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £15,420 (2015 - £17,637).

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

20 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds				Balance at 30 September 2016
	Balance at 1 October 2015	Incoming resources	Resources expended	Transfers from Unrestricted funds	
	£	£	£	£	£
Economics	-	271,567	(298,004)	26,437	-
Security and Extremism	376,236	396,969	(263,783)	-	509,422
Education	-	159,560	(257,589)	98,029	-
Crime and Justice	-	31,629	(22,170)	-	9,459
Social Policy	9,124	-	-	-	9,124
Environment	-	288,034	(290,668)	2,634	-
Technology Policy	-	38,033	(35,193)	-	2,840
Directors	334,607	192,543	(480,523)	-	46,627
Wolfson Economics Prize	9,035	10,000	(17,865)	-	1,170
Cities	314,650	5,000	(295,330)	-	24,320
BME	105,550	20,000	(132,591)	112,591	105,550
	<u>1,149,202</u>	<u>1,413,335</u>	<u>(2,093,716)</u>	<u>239,691</u>	<u>708,512</u>

Restricted funds relate to research projects undertaken with regard to all public policy areas. A typical research project will include detailed research, a written report or note, and related event(s). Surplus funds at the year end represent the balance of donations given for work which was still in progress at 30 September 2016. Transfers into restricted funds ensure either zero balances at year end, or sums needed to complete work still underway.

The Wolfson Prize Fund relates to a competition launched in October 2012. The competition is sponsored by the Charles Wolfson Charitable Trust and administered by Policy Exchange.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

21 Designated funds

The income funds of the charity include designated funds comprising the following unexpended balances held on trust for specific purposes:

	Balance at 1 October 2015	Movement in funds		Balance at 30 September 2016
	£	Incoming resources	Resources expended	£
Research	273,402	-	-	273,402
Core costs	492,640	-	-	492,640
	<u>766,042</u>	<u>-</u>	<u>-</u>	<u>766,042</u>

Research funds are to be used for projects associated with a number of different research areas. Core funds are to be used in relation to core projects including premises expenses and website and IT upgrades.

It is anticipated that a proportion of these funds will start to be utilised in the coming year.

22 Analysis of net assets between funds

	Unrestricted funds	Designated funds	Restricted funds	Total
	£	£	£	£
Fund balances at 30 September 2016 are represented by:				
Tangible assets	270,095	-	-	270,095
Investments	2	-	-	2
Current assets/(liabilities)	393,068	766,042	708,512	1,867,622
	<u>663,165</u>	<u>766,042</u>	<u>708,512</u>	<u>2,137,719</u>

23 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	390,962	124,739
Between two and five years	1,563,848	-
In over five years	97,741	-
	<u>2,052,551</u>	<u>124,739</u>

Lessor

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

23 Operating lease commitments

(Continued)

The operating leases represent sublease of office floor space to third parties. The leases are negotiated over terms of 5 years and has a break clause after two years. There are no options in place for either party to extend the lease terms. There are no contingent rent or escalation clauses. There are no significant restrictions imposed by lease arrangements.

At the reporting end date the charity had contracted with tenants for the following minimum lease payments:

	2016 £	2015 £
Within one year	144,073	-
Between two and five years	144,073	-
	<u>288,146</u>	<u>-</u>

The sub-lease with the contracted tenants has a break date of 5 October 2018, with an option exercisable six months prior to this date to terminate the lease from this date.

24 Cash generated from operations

	2016 £	2015 £
Deficit for the year	(372,586)	(252,363)
Adjustments for:		
Investment income recognised in profit or loss	(7,631)	(9,602)
Depreciation and impairment of tangible fixed assets	16,657	12,439
Movements in working capital:		
(Increase) in debtors	(169,603)	(113,111)
Increase/(decrease) in creditors	288,037	(14,517)
Cash absorbed by operations	<u>(245,126)</u>	<u>(377,154)</u>