

**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 2018**

# POLICY EXCHANGE LIMITED

## LEGAL AND ADMINISTRATIVE INFORMATION

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### Trustees

Diana Berry  
Pamela Dow

(Appointed 10 December  
2018)

Alexander Downer  
Andrew Feldman  
Candida Gertler  
Greta Jones  
Edward Lee  
Charlotte Metcalf  
Roger Orf  
Andrew Roberts  
George Robinson  
Robert Rosenkranz  
Peter Wall  
Nigel Wright  
Patricia Hodgson

(Appointed 1 May 2018)

(Appointed 19 March 2018)  
(Appointed 5 July 2018)

### Director

Dean Godson

### Charity number

1096300

### Company number

4297905

### Registered office

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

### Auditor

H W Fisher & Company  
Acre House  
11-15 William Road  
London  
United Kingdom  
NW1 3ER

### Bankers

Scottish Widows Bank  
67 Morrison Street  
Edinburgh  
EH3 8YJ

Natwest Bank PLC  
135 Bishopsgate  
London  
EC2M 3UR

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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The Trustees present their report and financial statements for the year ended 30 September 2018.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements 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)" (as amended for accounting periods commencing from 1 January 2016).

**Objects of the Charity and Mission**

The objects of Policy Exchange 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 Policy Exchange's mission:

- **Quality of research** – the Trustees consider that the authority and credibility of Policy Exchange's research output must be of the highest standard in order to ensure that its work has maximum impact. Policy Exchange 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 and advisers who are well established thought leaders in their respective fields.
- **Dissemination of ideas** – Policy Exchange 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. Policy Exchange'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 live streamed), interactive webinars and broadcast media interviews and set pieces. Social media platforms and the charity's website are central to achieving its aims and Policy Exchange devotes significant and on going resources to keeping them fresh and lively.
- **Two way dialogue with policy makers and opinion formers** – Policy Exchange 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**

Policy Exchange 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.

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. 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).



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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.

**Achievements and performance**

Political uncertainty in Westminster continued in 2017/18, once again prompting Policy Exchange to adapt to new conditions. In particular, a number of influential research papers on the Northern Ireland backstop were produced, leading the attempts to find technological and legal solutions to the impasse in European negotiations. There was also continued work emphasising the possibilities for a liberal trade regime after Brexit. This tied in with Policy Exchange's internationalist approach, which was evident throughout the year as the organisation hosted current and former Prime Ministers from Australia, New Zealand and Israel, as well as leading figures from the current US Administration.

Policy Exchange continued to lead the domestic agenda as well. At the 2018 UK Think tank awards, the Energy and Environment Unit won first prize in their category for a number of research reports that have gained cross-party support. The Housing Unit's research into beauty in the built environment has been affirmed at the centre of the Government's thinking. And reports on reforming treason laws have gained resounding support from notable figures in the field. All in all, Policy Exchange produced 26 major publications in this period, and hosted 52 events, not including Party Conferences. In addition, experts from Policy Exchange made 11 appearances in front of Parliamentary Select Committees, giving evidence to assist in the scrutiny of legislation.

In this period, Policy Exchange re-orientated their research programme around the 'four Ps': prosperity, people, place, patriotism.

**Reports, Events, and their Influence**

Party Conference Season once again ensured an active start to the financial year. Policy Exchange hosted 27 events across 4 venues at the Labour and Conservative Party conferences and welcomed 2,500 delegates. Our events were covered in *The Independent*, *The Guardian*, *the Mirror*, *The Times*, *the London Evening Standard*, *The Yorkshire Post*, *HuffPost*, *The Times Educational Supplement* and on BBC's *Newsnight* programme.

At the Labour Party Conference, events offered discussion of topics as diverse as devolution, the scope to aid scale-up businesses, the English language abroad, and an industrial strategy for the Digital Economy. Numerous MPs from Labour – including the Shadow Ministers for Scotland, Industrial Strategy, and the Shadow Secretary of State for Transport – were joined by figures from business, industry groups, academia, and Policy Exchange Research Fellows. The conference was capped off by a discussion of Clement Attlee's legacy and modern relevance, in which his biographer John Bew, Head of Britain's Britain in the World Project, was joined by Lord Glasman, Baroness Hayter, and Nick Thomas-Symonds.

At Conservative Party Conference, among the figures speaking at Policy Exchange events were Rt Hon Liz Truss MP, Jacob Rees-Mogg MP, Rt Hon Nicky Morgan MP, Rt Hon Nick Gibb MP, Rt Hon Amber Rudd MP, Rt Hon Matt Hancock MP, and two recently elected local Mayors, Andy Street and Ben Houchen. Highlights included a discussion of Policy Exchange's *Farming Tomorrow* paper, an address by Business Secretary Rt Hon Greg Clark MP, and events on industrial strategy, the potential for a consumer revolution in the sector, and the Northern Powerhouse. The centrepiece was a packed debate on whether Britain is undergoing an intellectual shift to the Left, prompting the comment from Jason Cowley, Editor of the *New Statesman*, that his was "the most stimulating event" he attended at Conference.

In November 2017, Jonathan Dupont published *Global Britain, Global Solutions*, making the case for increasing spending on R&D from the UK's international aid budget. The paper identified 40 projects which could allow UK scientists to make innovations that save and improve lives. It received praise from George Freeman MP, Chair of the Conservative Policy Forum.

In December, Rishi Sunak MP's *Undersea Cables* identified the risks posed if these channels of telecommunications remain undefended. Admiral James Stavridis, formerly NATO Supreme Allied Commander, endorsed the proposal and

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wrote of the need to prepare for “increased maritime hybrid activity” in the report. The report was commented on extensively by both print and broadcast media and was referenced in the House of Lords and at a meeting of the Joint Committee on the National Security Strategy at which National Security Adviser Sir Mark Sedwill gave evidence. The paper was also the subject of an interview on the *Today* programme with Robert Hannigan, former Director of GCHQ.

Policy Exchange’s international stature was underlined later that month, when it launched an Anglo-American project in Washington DC, bringing together then US National Security Advisor Lt Gen H.R. McMaster, and his counterpart, Britain’s most senior civil servant, Sir Mark Sedwill – the first time the holders of these two offices have shared a platform together. This followed a Policy Exchange roundtable with James Mattis, US Secretary of Defense, in November in London.

In December, the renowned historian of ideas and Fellow of All Souls College, Sir Noel Malcolm, offered an assessment on the flaws in the European Convention on Human Rights, combined with an argument that the whole concept of human rights needs to be rethought from its foundations. The work attracted responses from a former Chair of the Equality and Human Rights Commission, a former President of the Supreme Court, and others. It was the first of a number of Policy Exchange reports in the financial year that gave detailed consideration to constitutional issues - at a time when Brexit has significantly elevated their importance.

Other important events helped to close out 2017. First, broadcaster Tim Montgomerie joined Policy Exchange’s co-founder Nick Boles to discuss the latter’s ideas on housing policy. Shortly after, Labour MP Rachel Reeves, co-chair of the Jo Cox Commission on Loneliness, discussed how Parliament is continuing the work of the late Jo Cox in combatting loneliness in Britain today.

On the international stage, Policy Exchange was delighted to host retired Lt Gen I-B Chun, former Commander of the South Korean Special Warfare Command, who assessed the possibility of a military response to rising tensions between America and North Korea.

In January 2018, Policy Exchange’s Energy and Environment Unit produced a report looking at whether *Small Modular Reactors* could further boost the UK’s decarbonisation drive, offering a clean, stable source of energy. Later that month, David Goodhart, Head of Policy Exchange’s Immigration, Integration and Demography Unit, set out recommendations for what Britain’s immigration system should look like after Brexit, exploring how the current system of European free movement should end whilst preserving continuity and extending openness in some areas. He was subsequently invited to offer evidence to the Home Affairs Select Committee in June on the subject.

In February, the Economics and Social Policy Unit published a major report *Global Champion: The Case for Unilateral Free Trade*. It advocated unilateral tariff liberalisation, and a movement towards a system based on mutual recognition of regulations. The report drew on the considerable expertise of its authors, who included a former Special Adviser to three UK Chancellors, a former Chief Economist at the Institute of Directors, and a former Head of Trade Policy Issues at the OECD. This paper came shortly after an event at Policy Exchange in which Rt Hon Liz Truss MP, Chief Secretary to the Treasury, made an extended argument for the free market.

February was also active for the *Britain in the World* project. Most notably, the then Foreign Secretary Rt Hon Boris Johnson MP delivered a keynote speech, setting out a vision for a liberal Brexit that allowed for divergence from EU regulations, in line with Policy Exchange’s position on international trade. This was followed by the publication *Essential Reading on International Affairs*, compiled by John Bew, Gabriel Elefteriu, Jamie Gaskarth of Birmingham University, and RUSI’s Patrick Porter. Elefteriu gave an interview to BBC Radio 4’s Analysis, discussing the future of UK defence.

The following month, Hon Alexander Downer gave his valedictory address as outgoing Australian High Commissioner in London and incoming Chairman of Policy Exchange. Mr Downer was previously Australia’s longest-serving Foreign Secretary (1996-2007). He went on to talk about the prospects for a UK-Australian Free Trade Agreement on BBC Radio 4’s *Today Programme*.

In March 2018, former Australian High Court Judge Dyson Heydon AC QC contributed two reports to Policy Exchange’s Judicial Power Project, which considers the role of the judiciary within the constitution. *Enclaves and*

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*Exclaves* looked at the international phenomenon of rising judicial power across the common law world, while a separate paper asked *Does Political Criticism of Judges Damage Judicial Independence?* The same month also saw Sir Stephen Laws publish a report assessing how a recent Supreme Court ruling had expanded the role of the judiciary to afford it a role in regulating public policy.

March also saw John Bew's report *In Defence of Collective Security*, which looked at this foundation of Britain's national defence in light of the Skripal affair. The report stressed the importance of retaining the commitment that Clement Attlee and Ernest Bevin made to collective security, and the analysis was endorsed by Rt Hon Lord West of Spithead, former First Sea Lord of the Admiralty, in a Foreword. The same month, the Education Unit produced *Completing the Revolution* – a look at how funding for high quality resources could assist the Government's continuing drive to raise academic standards. The report received coverage on BBC's *Today Programme*, and was endorsed by the Schools Minister, Rt Hon Nick Gibb MP.

In continuation of its Anglo-American programme, Policy Exchange hosted a seminar in Washington DC in March to discuss Anglo-American policy towards Islamism. The seminar was attended by former Prime Minister Rt Hon David Cameron who reflected on his approach to this crucial question during his time in office as part of his opening address to the delegates.

In April, Policy Exchange's head of Industrial Policy, Sir Geoffrey Owen, examined the case of electric cars. Sir Geoffrey is a former Editor of the *Financial Times*, and followed up his report with an article in that publication. The month also saw Michael Taylor, Research Fellow in Economics, offer evidence to the Select Committee on the Environment, Farming, and Rural Affairs in support of a more liberal policy in this area.

May also saw Policy Exchange produce detailed thinking on the relationship between the constituent nations of the United Kingdom, supported by important new polling revealing that a clear majority of people in the UK are in favour of the Union. Professor Arthur Aughey published a 64-page analysis in a paper, *The State of the Union*, and Policy Exchange hosted an all-day conference on 'The Union and Unionism – Past Present and Future' with leader of the Scottish Conservatives Ruth Davidson MSP, Rt Hon Michael Gove MP, Arlene Foster MLA, Rt Hon Lord Darling, Rt Hon Jim Murphy, Rt Hon Brandon Lewis MP and Rt Hon Theresa Villiers MP. The event included a panel discussion in which leading Irish historian Lord Bew and author William Shawcross were joined by Professor Colin Kidd of the University of St Andrews and political historian Naomi Lloyd-Jones.

In May, the Housing unit published *Better Brownfield* in conjunction with Create Streets. The report – part of Policy Exchange's Liveable London Project – looked at how housing density could be increased around the edges of London by converting "big-box retail" and industrial space into attractive, mixed use areas that create jobs and houses. The report was strongly endorsed by the *London Evening Standard*.

In May, Jonathan Dupont continued Policy Exchange's strong record looking at the role of technology in *The Smart State*, in which he pointed to how 'GovTech' could create a more efficient, responsive and innovative State.

Anticipating the growing importance of the Northern Irish Backstop in Brexit negotiations, Policy Exchange also published *Getting Over the Line: Solutions to the Irish Border* in May. Authored by Professor Graham Gudgin, former Special Adviser to Northern Ireland's First Minister, and the former Irish diplomat Ray Bassett, this offered constructive suggestions to the trade frictions caused by Brexit. The Foreword was written by Nobel Peace Prize Winner Rt Hon Lord Trimble, who discussed the report on the BBC's *Today Programme*.

In the summer of 2018, Policy Exchange hosted major speeches from three Secretaries of State. In June, Environment Secretary Rt Hon Michael Gove MP delivered a wide-ranging speech on reforming capitalism, while the then International Development Secretary Rt Hon Penny Mordaunt MP spoke on the strategic role of soft power in relation to the UK's development policy. The following month, Rt Hon James Brokenshire MP launched a keynote speech on how to fix the housing market in his first public address after taking over at the Ministry for Housing, Communities and Local Government.

Policy Exchange was also delighted to welcome Rt Hon Theresa May MP as Guest of Honour at its annual Summer Reception where she paid tribute to Policy Exchange's track record of policy innovation, saying "can I give a sincere

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thanks to Policy Exchange for everything that you've been doing because it's 16 years now that you've been making the case for a modern compassionate reforming conservatism".

Concurrently, Policy Exchange was active in promoting the discussion of ideas on international themes. In May, a panel debate on the UK's space policy showed an ambition to grapple with large issues often ignored in the policy discussion. Guests joining Policy Exchange's Research Fellow Gabriel Elefteriu included Air Marshal Edward Stringer, and Jesse Norman MP.

The following month Policy Exchange was delighted to host Israeli Prime Minister Benjamin Netanyahu in conversation with author and royal biographer William Shawcross for Mr Netanyahu's only public appearance during his UK visit. Policy Exchange also hosted a valedictory address from Air Chief Marshal Sir Stuart Peach, outgoing Chief of the Defence Staff who chose Policy Exchange for his farewell address and who echoed Policy Exchange's past work on the prosecution of veterans.

In May, Policy Exchange's Dr Martyn Frampton, Head of the Security and Extremism Unit, spoke at the launch of his new book *The Muslim Brotherhood and the West*, joined by Foreign Affairs Select Committee Chairman Tom Tugendhat MP, and by former British Ambassador to Saudi Arabia, Sir John Jenkins. Capping off a busy June, Policy Exchange convened a high level panel to discuss the Five Eyes intelligence arrangements, with panel members comprising the former Prime Ministers of Australia and Canada, a former deputy Prime Minister of New Zealand and a former Secretary General of NATO amongst others.

Supplementing these events, July saw three policy reports with international dimensions. Michael Taylor analysed the *Prospects for Trade and Britain's Maritime Ports*, laying out how Free Ports could be considered to ensure the continued prosperity of Britain's ports sector. In the same month, Policy Exchange produced a report on the state of NATO to mark its 70th anniversary, with a Foreword written by former Defence Secretary Rt Hon Sir Michael Fallon MP, and former Secretary-General of NATO Rt Hon Lord Robertson of Port Ellen. Finally, Warwick Lightfoot and Dr Geoff Raby, former Australian Ambassador to China and to the WTO, and Head of Trade Policy at Policy Exchange, made the case for joining the CPTPP in their paper *Trading Tigers*. The report continued along the vein of *Farming Tomorrow* and *Global Champion* in making the case for a liberal, open trade policy for the UK once Brexit has been completed.

Turning back to domestic policy, June saw the publication of *Building More, Building Beautiful*, which launched a highly successful programme by Policy Exchange's Housing Unit. The report was co-authored by Jack Airey, Sir Robin Wales, and Sir Roger Scruton, and contained new polling research showing that placing beauty at the centre of new housebuilding drives can overcome people's aversion to new homes being built in their area.

In July, Policy Exchange was awarded *Prospect's* UK Think Tank of the Year Award 2018 in the Energy and Environment category. Shortly after, the unit published *The Future of Carbon Pricing* – outlining a revenue-neutral system of carbon taxation with a dividend paid to taxpayers. The proposal attracted cross-party support from senior politicians, with a joint Foreword by the former Labour Chancellor Rt Hon Lord Darling and the former Conservative Foreign Secretary Rt Hon Lord Hague.

In July, the Economics Unit published a thought-provoking collection of ideas on Brexit and the UK's economic performance. Dr Christopher Bickerton of Cambridge University claimed, in *Brexit and the British Growth Model*, that the UK needs a new model for economic growth that is less dependent on consumption. A range of responses were provided by Warwick Lightfoot, Dr Graham Gudgin, and John Mills. An associated event allowed for discussion by Juliet Samuel and Jeremy Warner of *The Telegraph*, and Adrian Wooldridge of *The Economist*. Earlier that month, Policy Exchange had hosted a conversation with Jesse Norman MP, whose new biography of Adam Smith has added to the discussion of ideas in the public realm. This marked the start of a series of events looking at capitalism, hosting speakers including Bank of England Governor Mark Carney and Dr Alan Greenspan, former Chair of the US Federal Reserve.

July also brought a major Judicial Power Project report, co-authored by Head of Unit Professor Richard Ekins, barrister Patrick Hennessey, Labour MP Khalid Mahmood and Conservative MP Tom Tugendhat, now Chair of the Foreign Affairs Select Committee. *Aiding the Enemy* called for an updated and effective law of treason which would be fit for



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modern warfare. In subsequent months, the report generated much interest from figures in politics, the media, and counter-terrorism, as the issue of returning ISIS fighters has highlighted the inadequacy of current legislation.

Later that month, The Demography, Immigration and Integration Unit produced The Border Audit – an analysis of the UK border's effectiveness at balancing openness and security. It offered recommendations for improvements in the wake of the Windrush scandal. Further activity came in the form of a speech at Policy Exchange by Amanda Spielman, Her Majesty's Chief Inspector for Education, Children's Services and Skills, where she spoke on the value of education as a form of social glue that strengthens British values.

The final report of the financial year was from the Energy and Environment Unit, titled Fuelling the Future, which discussed the role of hydrogen in producing a low carbon economy. It was published in September.

### **Outreach**

The Policy Exchange website is our digital shop window, and the site attracted more than half a million pageviews over the period, from more than 200,000 unique users, averaging more than 45,000 views per month. A majority of website visitors are based in the UK with a significant minority of 11% in the US.

On social media, our Twitter presence grew to more than 42,000 followers, making us one of the most followed UK think tanks on the platform. Tweets from Policy Exchange generated hundreds of thousands of impressions every month, peaking at a million in June 2018. Live tweets of Policy Exchange events, especially the panel discussion on the Five Eyes intelligence alliance and the speech from the then International Development Secretary Rt Hon Penny Mordaunt MP, drove much of the traffic during that period.

On Facebook our audience grew by 22% compared with the previous year, with our most popular livestreamed event being an "in-conversation" with Israeli Prime Minister Benjamin Netanyahu which was watched by more than 50,000 people. In total 144,000 minutes of livestreamed video were viewed via our Facebook page.

Policy Exchange subscribers on YouTube, where videos of our events are hosted, grew by 30% to just under 2,500. In total there were more than 88,000 views of Policy Exchange videos via our YouTube channel, totalling more than 860,000 minutes of watch time.

Research Fellows from Policy Exchange were active in informing the policy debate in the Palace of Westminster. Experts from Policy Exchange made a total of eleven appearances in front of Select Committees in the financial year on subjects ranging from UK-Irish relations in the context of Brexit, international trade, social media and hate crime, the UK's compliance with ECJ judgements after Brexit, and post-Brexit migration policy.

### ***In the media***

Policy Exchange authors were active contributors to the policy development across a range of print and broadcast media platforms, including the BBC, Channel 4, Sky News, *The Guardian*, *The Spectator*, *The Telegraph*, *the Times*, *The Sun*, *The Express*, *The New Statesman*, *The Economist*, *The Financial Times*, *Daily Mail*, *CapX*, *ConservativeHome*, and the *London Evening Standard*. International coverage included the National (Australia), alongside Newsweek, Forbes, Washington Free Beacon, and the Washington Post (US).

### **Future Plans**

Policy Exchange will continue to advocate an economically liberal policy that puts the consumer at the centre of policy, while encouraging the exchange of diverse perspectives. In particular, Policy will seek to develop its series on reforming capitalism and will publish a major study looking at a new social care system fit for the 21st century.

As the immediate considerations of withdrawing from the EU continue to dominate the national conversation, Policy Exchange will leverage its expertise on Northern Irish and constitutional issues to inform the debate around the Irish Backstop, and the legality of proceedings in Parliament.

Policy Exchange's Housing Unit will seek to continue the work of its *Building Beautiful* agenda - including how we can

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build the homes needed for an ageing population, as well as putting forward new ideas for addressing the shortage of homes in the South East.

The Education Unit will publish reports on behaviour in schools and the new T-Level qualification and will also embark on a programme looking at ideas for improving vocational education and training.

The Security and Extremism Unit will examine the decline of civility in British public life, especially in the context of rising threats to MPs and anger towards politicians. Building on Policy Exchange's report *Aiding the Enemy*, the unit plans further work around the prosecution of veterans and its impact on the morale and effectiveness of the British military.

Policy Exchange will continue to build on the success of reports by its Energy and Environment Unit, with a major event around its *Future of Carbon Pricing* paper. The event will play host to former Chancellor of the Exchequer Rt Hon Lord Darling and former Leader of the Conservative Party, Rt Hon Lord Howard.

Policy Exchange will continue to provide a speaking platform for UK and international thought leaders and influencers from across the policy spectrum as a means of reaching the widest possible audiences. Before the end of 2018, events are planned with Foreign Secretary Rt Hon Jeremy Hunt MP, the Secretary of State for International Trade Rt Hon Dr Liam Fox MP, the Bank of England Governor Mark Carney, former Chair of the US Federal Reserve Dr Alan Greenspan, the legendary educationalist E.D. Hirsch, and the renowned American social psychologist, Jonathan Haidt.

**Fundraising**

Policy Exchange relies on the support of a broad spread of regular donors for its core work. Fundraising for specific research and events is done on a project by project basis, according to Policy Exchange's own research priorities, and its editorial independence is a precondition of any engagement. Policy Exchange does not work with any external professional fundraisers or employ any large scale targeted fundraising activities and therefore does not participate in any fundraising regulatory schemes, relying instead on the quality of its research and its proven track record of effecting policy change, in order to attract support for its on going work. Fundraising costs incurred by the charity during the year mainly comprise salaries.

**Financial Review**

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

After adjusting for the 2017 Wolfson Economics Prize, income for 2018 was virtually unchanged on the previous year at £3,012,936. Despite an extremely active events programme and steady staff costs, total expenditure was down by 2% at £3,113,319, giving rise to net outgoing resources of £100,683 for the full year compared with net outgoing resources of £209,707 the previous 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	
Pamela Dow	(appointed 10.12.18)
Alexander Downer	(appointed 01.05.18)
Andrew Feldman	
Candida Gertler	
Patricia Hodgson	(appointed 05.07.18)
Greta Jones	
Edward Lee	
Charlotte Metcalf	
Roger Orf	
Krishna Rao	(retired 19.03.18)

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Andrew Roberts  
George Robinson  
Robert Rosenkranz  
Peter Wall  
Nigel Wright

(appointed 19.03.18)

**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, academia 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.

**Risk Management**

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

- **Ensuring continued policy impact against a changing landscape.** The Trustees recognise the changing priorities arising from the national decision to leave the European Union - and the challenges thrown up by the process of withdrawal - which have limited responses to policy reforms proposed by think tanks and others. Policy Exchange has adapted its research and events output to reflect the changing national priorities, with its output now centered around Britain's place in the world, international trade, and the creation of the right domestic conditions for enterprise and innovation. Policy Exchange continues to ensure that all its policy recommendations are well grounded and implementable, and places the highest value on cross party reach and on developing its website and social media platforms in order to deliver its output as widely as possible. Developing and maintaining engagement with Parliament, with the media and with other stakeholders is also vital to ensuring that our work is received widely and that our policy recommendations are taken up by the relevant decision makers.
- **Upholding the rigour and integrity of Policy Exchange's research and event programme.** The Trustees recognise that Policy Exchange's reputation for achieving policy impact depends on the quality and depth of its research output. In order to maintain its high standards and record of policy impact, Policy Exchange has developed internal systems for conducting its research activities. Individual research programmes are set by the programme heads and are regularly reviewed by senior management. Projects must go through a rigorous internal approval process before being allowed to proceed. Questions of independence, balance and impact are considered alongside the detail of the research itself. Researchers are encouraged to consult widely and Policy Exchange has developed extensive specialist networks with academics, field specialists and Government departments in order to better inform its work and assist with peer review. Emphasis is placed on ensuring that policy recommendations are evidence-based and implementable.
- **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 in addition Policy Exchange continues to pursue a policy of encouraging unrestricted donations for its day to day work, 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.

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Total reserves at 30 September 2018 stood at £1,717,166 of which £1,281,898 (75%) were free. Free reserves comprise of both unrestricted and designated funds. The proportion of free reserves to total reserves was unchanged on the previous year, reflecting a continuing willingness amongst donors towards unrestricted giving in support of Policy Exchange's general activities, rather than specific project-related support. Restricted reserves fell slightly from £480,576 at the start of the year to £435,268 whilst designated reserves dropped from £728,833 at the year end to £428,833, following the release of previous sums allocated for specific projects. Residual Designated funds comprise sums earmarked by the Trustees for a mixture of research and core projects, including an upgrade of the Policy Exchange event space and for website improvements.

The Trustees review carefully the level of unrestricted and designated 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 30 September 2018, free reserves of £1,281,898 comfortably exceeded this requirement and the Trustees are therefore satisfied that the Charity's reserves are sufficient.

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.

On behalf of the board of Trustees



.....  
George Robinson  
Trustee

Dated: 27/8/19



# **POLICY EXCHANGE LIMITED**

## **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

***FOR THE YEAR ENDED 30 SEPTEMBER 2018***

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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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law 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 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 financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements 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

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#### Opinion

We have audited the financial statements of Policy Exchange Limited (the 'charity') for the year ended 30 September 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2018 and of its incoming resources and application of resources, 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

# POLICY EXCHANGE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF POLICY EXCHANGE LIMITED

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#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which 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 financial statements 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

#### Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*H. W. Fisher & Company*  
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

*28.6.2019*

# POLICY EXCHANGE LIMITED

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### Current financial year

		Unrestricted funds general 2018 £	Unrestricted funds designated 2018 £	Restricted funds 2018 £	Total 2018 £	Total as restated 2017 £
	Notes					
<b>Income and endowments from:</b>						
Voluntary income	3	1,421,505	-	1,070,994	2,492,499	3,030,827
Incoming resources from charitable activities	4	246,560	-	-	246,560	228,000
Activities for generating voluntary income	5	64,354	-	18,333	82,687	128,278
Investments	6	1,522	-	-	1,522	2,557
Other income	7	189,668	-	-	189,668	163,903
<b>Total income</b>		<b>1,923,609</b>	<b>-</b>	<b>1,089,327</b>	<b>3,012,936</b>	<b>3,553,565</b>
<b>Expenditure on:</b>						
Raising funds	8	201,151	-	-	201,151	206,174
Research	9	441,299	-	2,471,169	2,912,468	3,557,098
<b>Total resources expended</b>		<b>642,450</b>	<b>-</b>	<b>2,471,169</b>	<b>3,113,619</b>	<b>3,763,272</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>1,281,159</b>	<b>-</b>	<b>(1,381,842)</b>	<b>(100,683)</b>	<b>(209,707)</b>
Gross transfers between funds		(1,036,534)	(300,000)	1,336,534	-	-
<b>Net income/(expenditure) for the year/ Net movement in funds</b>		<b>244,625</b>	<b>(300,000)</b>	<b>(45,308)</b>	<b>(100,683)</b>	<b>(209,707)</b>
<b>Fund balances at 1 October 2017</b>						
As originally reported		644,413	728,833	480,576	1,853,822	2,063,529
Prior year adjustment	26	(35,973)	-	-	(35,973)	(35,973)
<b>As restated</b>		<b>608,440</b>	<b>728,833</b>	<b>480,576</b>	<b>1,817,849</b>	<b>2,027,556</b>
<b>Fund balances at 30 September 2018</b>		<b>853,065</b>	<b>428,833</b>	<b>435,268</b>	<b>1,717,166</b>	<b>1,817,849</b>

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

## STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### Prior financial year

		Unrestricted funds general 2017 £	Unrestricted funds designated 2017 £	Restricted funds 2017 £	Total as restated 2017 £
	Notes				
<b><u>Income and endowments from:</u></b>					
Voluntary income	3	996,699	-	2,034,128	3,030,827
Incoming resources from charitable activities	4	228,000	-	-	228,000
Activities for generating voluntary income	5	106,611	-	21,667	128,278
Investments	6	2,557	-	-	2,557
Other income	7	163,903	-	-	163,903
<b>Total income</b>		<b>1,497,770</b>	<b>-</b>	<b>2,055,795</b>	<b>3,553,565</b>
<b><u>Expenditure on:</u></b>					
Raising funds	8	206,174	-	-	206,174
Research	9	602,025	-	2,955,073	3,557,098
<b>Total resources expended</b>		<b>808,199</b>	<b>-</b>	<b>2,955,073</b>	<b>3,763,272</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>689,571</b>	<b>-</b>	<b>(899,278)</b>	<b>(209,707)</b>
Gross transfers between funds		(634,133)	(37,209)	671,342	-
<b>Net income/(expenditure) for the year/ Net movement in funds</b>		<b>55,438</b>	<b>(37,209)</b>	<b>(227,936)</b>	<b>(209,707)</b>
Fund balances at 1 October 2016					
As originally reported		588,975	766,042	708,512	2,063,529
Prior year adjustment	26	(35,973)	-	-	(35,973)
<b>As restated</b>		<b>553,002</b>	<b>766,042</b>	<b>708,512</b>	<b>2,027,556</b>
<b>Fund balances at 30 September 2017</b>		<b>608,440</b>	<b>728,833</b>	<b>480,576</b>	<b>1,817,849</b>

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 2018

		2018		2017 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13		187,105		264,921
Investments	14		2		2
			<u>187,107</u>		<u>264,923</u>
<b>Current assets</b>					
Debtors	17	377,902		634,225	
Cash at bank and in hand		1,607,965		1,456,931	
		<u>1,985,867</u>		<u>2,091,156</u>	
<b>Creditors: amounts falling due within one year</b>	18	(455,808)		(538,230)	
Net current assets			<u>1,530,059</u>		<u>1,552,926</u>
<b>Total assets less current liabilities</b>			<u>1,717,166</u>		<u>1,817,849</u>
<b>Income funds</b>					
Restricted funds	20		435,268		480,576
<u>Unrestricted funds</u>					
Designated funds	21	428,833		728,833	
General unrestricted funds		853,065		608,440	
			<u>1,281,898</u>		<u>1,337,273</u>
			<u>1,717,166</u>		<u>1,817,849</u>

The financial statements were approved by the Trustees on 27/5/19

George Robinson  
Trustee

Company Registration No. 4297905

# POLICY EXCHANGE LIMITED

## STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Notes	2018		2017 as restated	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	25		165,462		(408,549)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(1,670)		(72,636)	
Interest received		1,522		2,557	
<b>Net cash used in investing activities</b>			(148)		(70,079)
<b>Financing activities</b>					
Payment of obligations under finance leases		(14,280)		27,290	
<b>Net cash (used in)/generated from financing activities</b>			(14,280)		27,290
<b>Net increase/(decrease) in cash and cash equivalents</b>			151,034		(451,338)
Cash and cash equivalents at beginning of year			1,456,931		1,908,269
<b>Cash and cash equivalents at end of year</b>			1,607,965		1,456,931

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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### **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**

The financial statements have been prepared in accordance with the 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)" (as amended for accounting periods commencing from 1 January 2016). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements 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.

#### **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 financial statements.

#### **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.

Support costs have been allocated in full to the single charitable activity - Research.



# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, 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 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

#### 1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible 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).

#### 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.

#### *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.

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 1 Accounting policies

(Continued)

#### *Basic financial liabilities*

Basic financial liabilities, including creditors 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 payments 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.

#### 1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to net income/(expenditure) for the year so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 1.13 Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Financial Activities.

### 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.

There were no critical accounting estimates and judgements.

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 3 Voluntary income

	Unrestricted funds general 2018 £	Restricted funds 2018 £	Total 2018 £	Unrestricted funds general 2017 £	Restricted funds 2017 £	Total 2017 £
Donations and gifts	1,421,505	1,070,994	2,492,499	996,699	2,034,128	3,030,827

### 4 Incoming resources from charitable activities

	Corporate events 2018 £	Corporate events 2017 £
Sales within charitable activities	246,560	228,000

### 5 Activities for generating voluntary income

	Unrestricted funds general 2018 £	Restricted funds 2018 £	Total 2018 £	Unrestricted funds general 2017 £	Restricted funds 2017 £	Total 2017 £
Business forum and book sales	64,354	18,333	82,687	106,611	21,667	128,278

### 6 Investments

	Unrestricted funds general 2018 £	Unrestricted funds general 2017 £
Interest receivable	1,522	2,557

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 7 Other income

	Unrestricted funds general 2018 £	Unrestricted funds general 2017 £
Other income	17,712	17,797
Rental income	171,956	146,106
	<u>189,668</u>	<u>163,903</u>

### 8 Raising funds

	Unrestricted funds general 2018 £	Unrestricted funds general 2017 £
<u>Costs of generating voluntary income</u>		
Staging fundraising events	10,280	15,511
Other fundraising costs	15,030	6,004
Staff costs	175,841	184,659
	<u>201,151</u>	<u>206,174</u>

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 9 Research

	Research 2018 £	Research 2017 £
Staff costs	1,183,310	1,205,737
Professional fees, research and events	856,809	1,175,300
Publications, printing and postage	34,867	41,229
Travel and subsistence	72,742	40,492
Premises	257,723	157,323
Website and IT support	18,936	19,354
Other costs	23,823	6,021
Wolfson prize awards and donation	-	295,000
	<u>2,448,210</u>	<u>2,940,456</u>
Share of support costs (see note 10)	450,357	593,075
Share of governance costs (see note 10)	13,901	23,567
	<u>2,912,468</u>	<u>3,557,098</u>
<b>Analysis by fund</b>		
Unrestricted funds - general	441,299	602,025
Restricted funds	2,471,169	2,955,073
	<u>2,912,468</u>	<u>3,557,098</u>

### 10 Support costs

	Support costs £	Governance costs £	2018 £	Support costs £	Governance costs £	2017 £
Staff costs	83,439	-	83,439	64,594	-	64,594
Depreciation	79,486	-	79,486	77,810	-	77,810
Other costs	74,879	-	74,879	157,724	-	157,724
Premises	212,553	-	212,553	292,947	-	292,947
Audit fees	-	13,901	13,901	-	23,567	23,567
	<u>450,357</u>	<u>13,901</u>	<u>464,258</u>	<u>593,075</u>	<u>23,567</u>	<u>616,642</u>
Analysed between						
Charitable activities	450,357	13,901	464,258	593,075	23,567	616,642

Governance costs includes payments to the auditors of £12,750 (2017- £14,010) for audit fees and £2,842 (2017- £3,929) for other services.

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 11 Trustees

No trustees received benefits or have been paid any remuneration (2017- none received) from the charity during the year.

### 12 Employees

#### Number of employees

The average monthly number of employees during the year was:

	2018 Number	2017 Number
Research	14	16
Fundraising	3	3
Administration	8	8
	<u>25</u>	<u>27</u>

#### Employment costs

	2018 £	2017 £
Wages and salaries	1,247,720	1,261,143
Social security costs	142,314	143,662
Other pension costs	52,556	50,185
	<u>1,442,590</u>	<u>1,454,990</u>

The key management personnel of the charity comprises the trustees, the Director, the Managing Director, the Director of Research and Strategy and the Director of Communications. The trustees do not receive any remuneration. Remuneration of key management personnel (excluding trustees) amounted to £348,752 (2017: £341,225) in the year.

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

	2018 Number	2017 Number
60,000 - 69,999	2	1
70,000 - 79,999	2	-
80,000 - 89,999	1	1
100,000 - 109,999	1	2
140,000 - 149,000	-	1
150,000 - 159,999	1	1

Contributions totalling £34,612 (2017: £29,150) 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 2018

### 13 Tangible fixed assets

	Short leasehold	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 October 2017	262,836	37,764	48,540	349,140
Additions	-	1,670	-	1,670
At 30 September 2018	262,836	39,434	48,540	350,810
<b>Depreciation and impairment</b>				
At 1 October 2017	54,473	14,388	15,358	84,219
Depreciation charged in the year	49,026	14,827	15,633	79,486
At 30 September 2018	103,499	29,215	30,991	163,705
<b>Carrying amount</b>				
At 30 September 2018	159,337	10,219	17,549	187,105
At 30 September 2017	208,363	23,376	33,182	264,921

### 14 Fixed asset investments

	Investment in subsidiary
	£
<b>Cost or valuation</b>	
At 1 October 2017 & 30 September 2018	2
<b>Carrying amount</b>	
At 30 September 2018	2
At 30 September 2017	2

### 15 Subsidiaries

Details of the charity's subsidiaries at 30 September 2018 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

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

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

<b>16 Financial instruments</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	214,434	194,727
Equity instruments measured at cost less impairment	2	2
	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	396,449	468,259
	<u>          </u>	<u>          </u>
<b>17 Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	165,870	179,264
Amounts owed by subsidiary undertakings	2,416	3,281
Other debtors	46,148	12,182
Prepayments and accrued income	163,468	439,498
	<u>          </u>	<u>          </u>
	377,902	634,225
	<u>          </u>	<u>          </u>
<b>18 Creditors: amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases	13,010	27,290
Other taxation and social security	46,349	42,681
Trade creditors	166,431	80,823
Other creditors	5,180	135
Accruals and deferred income	224,838	387,301
	<u>          </u>	<u>          </u>
	455,808	538,230
	<u>          </u>	<u>          </u>
<b>19 Retirement benefit schemes</b>		

### 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 £52,556 (2017 - £50,185).



# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2018

#### 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:

	Balance at 1 October 2016	Movement in funds			Movement in funds			Balance at 30 September 2018
	£	Incoming resources	Resources expended	Transfers from Designated funds	Transfers from Unrestricted funds	Incoming resources	Resources expended	£
Economics	-	568,586	(630,458)	-	61,872	319,700	(730,066)	410,366
Security and Extremism	509,422	171,250	(383,282)	-	-	307,950	(404,376)	-
Education	-	75,200	(294,547)	-	219,347	101,000	(238,688)	137,688
Crime and Justice	9,459	-	(407)	-	-	-	-	9,052
Environment and energy	-	306,355	(261,811)	-	-	242,521	(186,543)	100,522
Directors	46,627	136,250	(343,026)	16,617	143,532	60,000	(320,472)	260,472
Wolfson Economics Prize	1,170	559,154	(548,248)	-	-	-	(5,000)	7,076
Cities	24,320	20,000	(69,912)	25,592	-	2,000	(1,860)	140
Immigration, Integration and								
Demography	105,550	130,000	(194,555)	-	64,555	20,000	(192,204)	172,204
Social Policy	9,124	-	-	-	-	-	-	9,124
Technology	2,840	-	-	-	-	-	-	2,840
Foreign Policy	-	89,000	(228,827)	-	139,827	36,156	(391,960)	355,804
	708,512	2,055,795	(2,955,073)	42,209	629,133	1,089,327	(2,471,169)	1,336,534
								435,268

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 2018. 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 2018**

### 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 2016	Transfers	Balance at 1 October 2017	Transfers	Balance at 30 September 2018
	£	£	£	£	£
Research	278,402	(42,209)	236,193	-	236,193
Core maintenance	487,640	5,000	492,640	(300,000)	192,640
	<u>766,042</u>	<u>(37,209)</u>	<u>728,833</u>	<u>(300,000)</u>	<u>428,833</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.

Transfers from designated funds represents the overspend on the research funds being covered by the designated funds.

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2018

#### 22 Analysis of net assets between funds

Fund balances at 30 September 2018 are represented

by:

Tangible assets

Investments

Current assets/(liabilities)

	Unrestricted funds 2018 £	Designated funds 2018 £	Restricted funds 2018 £	Total 2018 £	Unrestricted funds 2017 £	Designated funds 2017 £	Restricted funds 2017 £	Total 2017 £
Tangible assets	187,105	-	-	187,105	264,921	-	-	264,921
Investments	2	-	-	2	2	-	-	2
Current assets/(liabilities)	665,958	428,833	435,268	1,530,059	343,517	728,833	480,576	1,552,926
	853,065	428,833	435,268	1,717,166	608,440	728,833	480,576	1,817,849

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 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:

	2018 £	2017 £
Within one year	535,035	390,962
Between two and five years	1,203,828	1,270,627
	<u>1,738,863</u>	<u>1,661,589</u>

#### Lessor

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:

	2018 £	2017 £
Within one year	<u>144,073</u>	<u>144,073</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 Related party transactions

During the year, Policy Exchange Limited paid £56,657 (2016: £17,500) to Dr. John Bew for consultancy services. Dr. John Bew is the son of Greta Jones, who is a trustee of Policy Exchange Limited. A balance of £5,833 (2016: nil) was owed to Dr. John Bew at the year end.

### 25 Cash generated from operations

	2018 £	2017 £
Deficit for the year	(100,683)	(209,707)
Adjustments for:		
Investment income recognised in statement of financial activities	(1,522)	(2,557)
Depreciation and impairment of tangible fixed assets	79,486	77,810
Movements in working capital:		
Decrease/(increase) in debtors	256,323	(168,544)
(Decrease) in creditors	(68,142)	(105,551)
<b>Cash generated from/(absorbed by) operations</b>	<u>165,462</u>	<u>(408,549)</u>

# POLICY EXCHANGE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 26 Prior period adjustment

#### Changes to the balance sheet

	At 1 October 2016			At 1 October 2017		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
	£	£	£	£	£	£
<b>Current assets</b>						
Debtors due within one year	501,654	(35,973)	465,681	670,198	(35,973)	634,225
	<u>501,654</u>	<u>(35,973)</u>	<u>465,681</u>	<u>670,198</u>	<u>(35,973)</u>	<u>634,225</u>
<b>Capital funds</b>						
Income funds						
Restricted funds	708,512	-	708,512	480,576	-	480,576
designated	766,042	-	766,042	728,833	-	728,833
Unrestricted funds	588,975	(35,973)	553,002	644,413	(35,973)	608,440
	<u>588,975</u>	<u>(35,973)</u>	<u>553,002</u>	<u>644,413</u>	<u>(35,973)</u>	<u>608,440</u>
<b>Total equity</b>	<u>2,063,529</u>	<u>(35,973)</u>	<u>2,027,556</u>	<u>1,853,822</u>	<u>(35,973)</u>	<u>1,817,849</u>

The prior year adjustment relates to the correction of errors in accounting for VAT in earlier years. The adjustment did not effect the Statement of Financial Activities for the year ended 30 September 2017.

