

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 2021

POLICY EXCHANGE LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Pamela Dow	
	Alexander Downer	
	Andrew Feldman	
	David Harding	
	Patricia Hodgson	
	Greta Jones	
	Andrew Law	(Appointed 22 January 2021)
	Charlotte Metcalf	
	David Ord	
	Roger Orf	
	Andrew Roberts	
	Robert Rosenkranz	
	William Salomon	
	Peter Wall	
	Simon Wolfson	
	Nigel Wright	
Director	Dean Godson	
Charity number	1096300	
Company number	4297905	
Registered office	Acre House 11-15 William Road London United Kingdom NW1 3ER	
Auditor	HW Fisher LLP Acre House 11-15 William Road London United Kingdom NW1 3ER	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
	Natwest Bank PLC 135 Bishopsgate London EC2M 3UR	

POLICY EXCHANGE LIMITED

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POLICY EXCHANGE LIMITED
TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

The Trustees present their report and financial statements for the year ended 30 September 2021.

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 financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)" (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 ongoing resources to keeping them fresh and lively.
- **Two way dialogue with policy makers and opinion formers from across the political spectrum** – Policy Exchange works closely with key decision makers and policy experts of all political stripes, 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 of England and Wales 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. None of the Trustees has any beneficial interest in the Company. The Trustees delegate the day-to-day running of the Charity to the Director, Dean Godson, who is in turn supported by a Senior Management Team. The Director 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.

Achievements and performance

Policy Exchange's programme of research and events in 2020/21 has reaffirmed our place at the heart of the national policy conversation. Our work covered a wide range of issues, from addressing the waiting list backlog in the NHS; Planning reform; Knife Crime; economic recovery from the Pandemic; and Britain's future role in the Indo-Pacific; to reform of Government; developing the market for electric vehicles; 'Green' finance; Islamism; and creating digital identities. In recognition of our contributions to policy and public debate, Policy Exchange won the Advocacy Award at the Prospect Think Tank Awards of 2020.

Despite the pandemic, we led an extremely active events programme too. Keynote and international speakers included the Prime Minister, Rt Hon Boris Johnson MP; the serving Australian Prime Minister Hon Scott Morrison AC; Deputy US National Security Adviser Matthew Pottinger; future Indo-Pacific Adviser to US President Joe Biden Dr Kurt Campbell; former French Socialist Prime Minister Manuel Valls; and HE Harsh Vardhan Shringla, Foreign Secretary of India.

Policy Exchange produced 45 publications and hosted 64 events over the course of the year including the 2020 party conference season.

Reports and their influence

Health policy remained a priority during the reporting period. Policy Exchange published *Saving a Lost Decade*, a major piece of research on the future of public health policy. It assessed the options facing the Government following the decision to restructure Public Health England and received widespread praise from the health community. The Health and Social Care Unit also published a paper assessing the initial phase of the vaccine rollout as well as a major report on the recovery of elective care which set out over thirty policy recommendations to tackle the waiting list in elective care.

The Economics and Social Policy Unit continued to work on the policy response to the Covid-19 crisis and has contributed to the wider work of Policy Exchange by publishing papers on issues such as the macro-economic management of the economy and the housing market. The report *Monetary Response to the Coronavirus Crisis* was extensively covered by the Economics Editor of *The Guardian*, Larry Elliott, who speculated in his column that the approach described in the report was an indication of the future direction of the Bank of England. The Unit also published a response to the Government's Spending Review and called for a pro-growth economic strategy as the best way to address Britain's fiscal position.

The Housing Unit's key contribution to the ongoing debate on UK housing policy was a report with the recommendation of 'Street Votes'. This would give whole streets a say over their redevelopment and was previously submitted to the Government's Planning White Paper consultation. It received endorsements from political figures across the spectrum.

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In the field of education and skills, Policy Exchange's David Goodhart published his latest book, *Head, Hand, Heart* and was made a Financial Times 'Book of the Year'. It has been one of the key influences behind Government thinking on moving the focus away from higher education and achieving a better spread of reward and status in the labour market. David also co-authored *Technical Breakthrough: Delivering Britain's Higher-level Skills*. The paper argues that most of the renewed investment in technical skills should be delivered by universities and especially new universities like Nottingham Trent. It makes an imaginative pitch for a repurposing of parts of higher education, similar to the reinvention of 'applied universities', the old polytechnics in new form. Policy Exchange's report on *Academic Freedom in the UK* formed the basis for the Department for Education's White Paper and was cited six times in the White Paper with five of the seven policy recommendations directly adopted or adapted.

The Energy and Environment Unit published a range of influential reports in 2020/21, including *The Future of UK-EU Energy Cooperation*, *The Future of the North Sea*, *Charging Up* and *Capital Shift*. It also published *Powering Net Zero*, which set out why 'local electricity pricing' holds the key to a Net Zero Energy System. The report, *Crossed Wires* considered the growing challenge of connecting offshore wind farms to the UK's onshore electricity network. The Unit also launched Policy Exchange's new journal, *Environmental Affairs*. The first edition, *The Geopolitics of Climate Change*, explored the rising geopolitical impact of environmental policy and was launched with a keynote speech delivered by General David Petraeus, former Commander of United States Central Command. Among other eminent figures in the field, the journal featured articles by General Petraeus; Hon Malcolm Turnbull AC; Rt Hon Lord Hague of Richmond.

The Judicial Power Project published a range of papers including the research note, *Overseas Operation Bill*, endorsed by the former head of the SAS, Lt Gen Graeme Lamb KBE, CMG, DSO. It set out ten ways in which the Government's Overseas Operations Bill could be amended to improve its effectiveness and to minimise the risk of unintended consequences. The Project also published a symposium on Supreme Court reform, in which distinguished legal commentators engaged with the question of how and by whom appellate authority should be exercised. The report, *Reforming the Lord Chancellor's Role in Senior Judicial Appointments*, endorsed by Rt Hon Jack Straw, made the case for reforming judicial appointments, in which judges effectively appoint other judges. In addition, the Judicial Power Project published a major study of judicial interference with the Government's control of the UK's borders. It made a lengthy submission in response to the Government consultation on judicial review reform and offered a critique of the Law Commission's misconceived consultation into hate crimes.

The History Matters Project, chaired by Sir Trevor Phillips, has been at the heart of discussion on decolonisation of museums, curricula, and other institutions in the public space. The project documented hundreds of instances of 'decolonisation' through its regular newsletters, five of which were published during the reporting period. Policy Exchange also published *Protecting Local Heritage: How to bring democracy to the renaming of streets*, and another with a foreword by the Rt Hon Sir Nicholas Soames in response to a panel discussion at Churchill College, Cambridge. The paper highlights and analyses the many historically inaccurate claims that were made at the panel discussion.

As technology touches on all areas of policy, the Technology Unit's work ranged from finance to health policy. In October the Unit published, *Verified: The UK's Digital ID Dilemmas*, a major new report on digital identity. It argues that the Government needs to develop better systems to allow people to create and use 'digital identities' to prove their identity online, which could prevent billions of pounds of fraud a year. In December, the Technology Policy Unit continued supporting the work of Policy Exchange's Reform of Government Commission, and in July the Unit published a report outlining how the U.K. can pursue a new direction in innovation policy.

Finally, the Britain in the World Project published several influential reports including on the UK's maritime sector, Japan's new security policy and post-Brexit opportunities for the UK. It also published *A Washington Strategy for British diplomacy* which urged the Government to recognise 'the need for radical diplomatic change in a post-Brexit and post-Trump world'. The paper made a strong impact in diplomatic circles in both the UK and Washington DC, and was noted by the new Biden Administration.

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Impact on government policy

A range of Policy Exchange proposals were adopted by the Government over the course of 2020/21. The Prime Minister's 10-Point Plan for a Green Industrial Revolution included many echoes of Policy Exchange's research in this area over more than a decade. These included a commitment to nuclear Small Modular Reactors (SMRs), reflecting our pioneering work in a 2018 paper and the report *Small Modular Reactors*; the Government bringing forward the phase-out date for petrol and diesel cars to 2030, which we recommended in our 2019 report *Modernising the UK*; various commitments to invest in public transport, echoing recommendations in reports such as *Driving Down Emissions* published in 2017 and *Up In the Air* published in 2016; and the creation of a national infrastructure bank to support green infrastructure implementing proposals from Policy Exchange's 2009 paper, *Delivering a 21st Century Infrastructure for Britain*.

The announcement by the Government of a review into the transport connectivity in all parts of the United Kingdom mirrored a specific recommendation from the 2019 report *Modernising the United Kingdom*.

The impact of our research was also evident in the Government's publication of the Integrated Review. It argues for a 'tilt' to the Indo-Pacific, reflecting the framework and strategy recommended by Policy Exchange's Indo-Pacific Commission and the report *A Very British Tilt: Towards a new UK strategy in the Indo-Pacific*. The Commission's work was led by Rt Hon Stephen Harper, the former Canadian Prime Minister, and with a Foreword by Hon Shinzo Abe, former Prime Minister of Japan. The Integrated Review also recommends the UK taking a leading role in the shaping of a new international order, as argued by John Bew in his 2019 paper, *Making Global Britain Work*; putting the space domain at the core of the Government's strategic vision for this country, as recommended by the work of Policy Exchange's Space Policy Unit and the adoption of Net Assessment as a cross-government capability, as recommended by *A Question of Power: Towards Better UK Strategy Through Net Assessment*. Key other themes in the Integrated Review, such as the notion of 'strategic competition' with our global adversaries, can be closely linked to Policy Exchange's research output.

Elsewhere in domestic policy, the Queen's Speech put into legislative terms the planning reforms Policy Exchange has been proposing for the past three years, notably 'building beautiful' to win local consent for new developments.

The Health and Social Care Unit called for the creation of a 'New Institute for Health Improvement housed in the Department of Health and Social Care, reporting to Ministers and the Chief Medical Officer'; for the Government to improve transparency around covid-19 vaccination deployment data; for investment in diagnostics to bring the UK in line with OECD comparator countries with the setup of surgical hubs; and for a long-term multi-year settlement for elective recovery. These recommendations were all adopted by Government.

Future Plans

Policy Exchange will continue to develop and promote new policy ideas which deliver better public services, a stronger society, and a more dynamic economy.

Policy Exchange has embarked on a major project to review UK regulation following our departure from the European Union. Led by the former Head of the Civil Service Lord Sedwill, a high-level panel will examine ways in which regulation can be better geared to achieve practical improvements to people's everyday lives, including public sector workers from police officers to teachers, whose time and energy is spent dealing with suffocating regulation rather than the tasks the public would expect.

The History Matters project is drawing up a set of universally applicable principles which will provide heads of institutions with a clearly defined procedure through which, once they have demonstrated that there may be a basis for change, they can determine the best approach to take regarding any proposed change. The project is also looking at the changing curatorial narratives at the Imperial War Museum in London over the past two decades, in particular focussing on the museum's failure to engage with the post-war conflicts adequately.

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The Skills, Social Mobility and Levelling Up Unit is soon to publish a paper on rethinking social mobility for the 'Levelling Up' era, authored by Alun Francis, a leading innovator in the field of further education.

We also have packed programmes for the upcoming party conferences, including Lisa Nandy, Shadow Foreign Secretary, appearing with Sebastian Payne, author of the widely acclaimed *Broken Heartlands* at Labour's Conference, and an 'in conversation' event with Rt Hon Sajid Javid MP, Health Secretary, and Fraser Nelson, Editor of *The Spectator*, at Conservative Party Conference.

Digital Outreach

Over this pandemic period we experienced consistent growth across all platforms. Our website saw a 15% increase in traffic compared to the same period last year, with over 700,000 page views. 60% of our audience were from the UK and 40% were international, with 10% from the US. Our social media channels continued to grow, with the biggest increases being YouTube and LinkedIn.

Our digital platform for events remains a market leader for UK Think Tanks. In October 2020 we had a successful online presence at both Virtual Labour and Conservative party conferences. Having taken steps to build our own studio system, we are well placed to transition to a programme of hybrid events in the future.

Looking ahead, the rollout of multiple podcast series is planned in order to help us reach new audiences.

Fundraising

Policy Exchange relies on the support of a broad spread of regular donors for its 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 with donors. 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 ongoing 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.

Policy Exchange was pleased to record a surplus of £206,686 on slightly raised income of £3,396,554 (2020: 3,348,991). Costs remained almost exactly in line with the previous year at £3,189,868.

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 2021 stood at £2,134,493 of which £1,264,742 were general unrestricted and £100,000 were designated unrestricted, therefore overall £1,364,742 (64%) were unrestricted. Designated reserves dropped from £150,000 at the start of the year to £100,000 at the year end, following the release of previous sums allocated for specific projects. Residual Designated Funds comprise sums earmarked by the Trustees for core projects, including ongoing website and future relocation costs.

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The Trustees review carefully the level of unrestricted reserves and aim to keep a level of unrestricted reserves equivalent to between four and six months' regular operating costs in order to manage any unexpected shocks. At £1,364,742, unrestricted reserves at 30 September 2021 comfortably exceeded this requirement and the Trustees are therefore satisfied that the Charity's reserves are sufficient.

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 and up to the date of signature of the financial statements except where noted:

Diana Berry	(retired 15.04.21)
Pamela Dow	(appointed 10.12.18) (on Leave of Absence)
Alexander Downer	
Andrew Feldman	
David Harding	
Patricia Hodgson	
Greta Jones	
Andrew Law	(appointed 22.01.21)
Edward Lee	(retired 05.06.21)
Charlotte Metcalf	
David Ord	
Roger Orf	
Andrew Roberts	
George Robinson	(retired 15.04.21)
Robert Rosenkranz	
William Salomon	
Peter Wall	
Simon Wolfson	
Nigel Wright	

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.

Statement of disclosure to auditor

So far as each person who was a trustee at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the Trustees individually have taken all the necessary steps that they ought to have taken as trustees in order to make themselves aware of all relevant audit information and to establish that the Charity's auditor is aware of that information.

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Risk Management

The Risk and Remuneration Committee identified three particular ongoing operational risks for consideration:

- **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 robust internal systems for conducting its research activities. Individual research programmes are set by the programme heads and are regularly reviewed by the Senior Management Team and, where necessary, by the Board of Trustees. 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.** The reserves policy laid out above 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.
- The Trustees have specifically considered the effect of the **Covid-19 pandemic** on the Charity's activities and have worked with the Senior Management Team to review possible risks and actions to mitigate them. The Charity has adapted its research programme to focus on the crisis and has invested in new systems for staging webinars (see earlier). An active media outreach has helped to keep the Charity's profile strong during the various lockdowns.

On behalf of the board of Trustees

William Salomon
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William Salomon

Trustee

Dated: 27 Jun 2022

POLICY EXCHANGE LIMITED

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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; 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 TRUSTEES OF POLICY EXCHANGE LIMITED

Opinion

We have audited the financial statements of Policy Exchange Limited (the 'charity') for the year ended 30 September 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.

POLICY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF POLICY EXCHANGE LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the charity has in place, the areas of the financial statements that are most susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. The charity did not inform us of any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the charity. We determined that the following were most relevant: the Charity SORP, FRS 102, Charities Act 2011 and Companies Act 2006.
- We considered the incentives and opportunities that exist in the charity, including the extent of management bias, which presents a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the charity, together with the discussions held with the charity at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Documenting and verifying all significant related party balances and transactions.
- Reviewing documentation such as the Trustees' Minutes for discussions of irregularities including fraud.
- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual.
- Obtaining third-party confirmation of material bank balances.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

POLICY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF POLICY EXCHANGE LIMITED

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.

HW Fisher LLP

Russell Nathan (Senior Statutory Auditor)

for and on behalf of HW Fisher LLP

Chartered Accountants

Statutory Auditor

Acre House

11-15 William Road

London

NW1 3ER

United Kingdom

27 Jun 2022

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POLICY EXCHANGE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Current financial year

		Unrestricted funds general 2021	Unrestricted funds designated 2021	Restricted funds 2021	Total 2021	Total 2020
	Notes	£	£	£	£	£
<u>Income and endowments from:</u>						
Donations, gifts and grants	3	1,414,886	-	1,548,009	2,962,895	2,997,455
Incoming resources from charitable activities	4	160,000	-	-	160,000	157,000
Trading income	5	97,802	-	-	97,802	26,387
Investments	6	249	-	-	249	2,634
Other income	7	175,608	-	-	175,608	165,515
Total income		1,848,545	-	1,548,009	3,396,554	3,348,991
<u>Expenditure on:</u>						
Raising funds	8	185,935	-	-	185,935	174,528
Research	9	323,574	-	2,680,359	3,003,933	3,042,539
Total resources expended		509,509	-	2,680,359	3,189,868	3,217,067
Net incoming/(outgoing) resources before transfers		1,339,036	-	(1,132,350)	206,686	131,924
Net incoming/(outgoing) resources before transfers		1,339,036	-	(1,132,350)	206,686	131,924
Gross transfers between funds		(1,383,254)	(50,000)	1,433,254	-	-
Net (expenditure)/income for the year/ Net movement in funds		(44,218)	(50,000)	300,904	206,686	131,924
Fund balances at 1 October 2020		1,308,960	150,000	468,847	1,927,807	1,795,883
Fund balances at 30 September 2021		1,264,742	100,000	769,751	2,134,493	1,927,807

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 2021

Prior financial year

		Unrestricted funds general 2020 £	Unrestricted funds designated 2020 £	Restricted funds 2020 £	Total 2020 £
	Notes				
<u>Income and endowments from:</u>					
Donations, gifts and grants	3	1,906,149	-	1,091,306	2,997,455
Incoming resources from charitable activities	4	157,000	-	-	157,000
Trading income	5	26,387	-	-	26,387
Investments	6	2,634	-	-	2,634
Other income	7	165,515	-	-	165,515
Total income		2,257,685	-	1,091,306	3,348,991
<u>Expenditure on:</u>					
Raising funds	8	174,528	-	-	174,528
Research	9	550,157	-	2,492,382	3,042,539
Total resources expended		724,685	-	2,492,382	3,217,067
Net incoming/(outgoing) resources before transfers		1,533,000	-	(1,401,076)	131,924
Gross transfers between funds		(1,567,213)	(56,228)	1,623,441	-
Net (expenditure)/income for the year/ Net movement in funds		(34,213)	(56,228)	222,365	131,924
Fund balances at 1 October 2019		1,343,173	206,228	246,482	1,795,883
Fund balances at 30 September 2020		1,308,960	150,000	468,847	1,927,807

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 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	14		34,645		84,143
Investments	15		2		2
			<u>34,647</u>		<u>84,145</u>
Current assets					
Debtors	17	558,969		404,155	
Cash at bank and in hand		2,205,754		2,139,853	
		<u>2,764,723</u>		<u>2,544,008</u>	
Creditors: amounts falling due within one year	18	(664,877)		(700,346)	
Net current assets			2,099,846		1,843,662
Total assets less current liabilities			<u>2,134,493</u>		<u>1,927,807</u>
Income funds					
Restricted funds	20		769,751		468,847
<u>Unrestricted funds</u>					
Designated funds	21	100,000		150,000	
General unrestricted funds		1,264,742		1,308,960	
		<u>1,364,742</u>		<u>1,458,960</u>	
			<u>2,134,493</u>		<u>1,927,807</u>

22 Jun 2022

The financial statements were approved by the Trustees on

William Salomon

William Salomon

Trustee

Company Registration No. 4297905

POLICY EXCHANGE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

		2021		2020	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	25		77,407		418,263
Investing activities					
Purchase of tangible fixed assets		(11,755)		(13,486)	
Investment income received		249		2,634	
Net cash used in investing activities			(11,506)		(10,852)
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			65,901		407,411
Cash and cash equivalents at beginning of year			2,139,853		1,732,442
Cash and cash equivalents at end of year			2,205,754		2,139,853

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). 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 £.

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

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

1.2 Going concern

As stated in the Trustees' Report, the trustees have considered the effect of the Covid-19 outbreak. The trustees consider that the outbreak has caused some disruption to the charity's operations and the level of significance will be dependent upon the length of time of the disruption. The trustees of Policy Exchange Limited, along with the senior management team, continue to monitor the situation carefully and have put plans in place to mitigate the risk to the companies' operations. Further details of this can be seen in the Risk Management section of the Trustees' Report. The trustees have a reasonable expectation that Policy Exchange Limited can continue as a going concern for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the accounts.

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.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Accounting policies

(Continued)

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 and are primarily associated with constitutional and statutory requirements.

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

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.

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 its financial instruments.

The charity only has assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of fixed asset investments that are initially recognised at transaction value and subsequently recognised at their fair value.

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.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Accounting policies (Continued)

1.11 Retirement benefits

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

1.12 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.

3 Donations, gifts and grants

	Unrestricted funds general 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds general 2020 £	Restricted funds 2020 £	Total 2020 £
Donations and gifts	1,414,886	1,548,009	2,962,895	1,873,378	1,091,306	2,964,684
Grants receivable	-	-	-	32,771	-	32,771
	<u>1,414,886</u>	<u>1,548,009</u>	<u>2,962,895</u>	<u>1,906,149</u>	<u>1,091,306</u>	<u>2,997,455</u>

During the year, £nil (2020: £32,771) was received under the CJRS as a government grant.

4 Incoming resources from charitable activities

	Corporate events 2021 £	Corporate events 2020 £
Sales within charitable activities	<u>160,000</u>	<u>157,000</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

5 Trading income

	Unrestricted funds general 2021 £	Unrestricted funds general 2020 £
Business forum and book sales	97,802	26,387

6 Investments

	Unrestricted funds general 2021 £	Unrestricted funds general 2020 £
Interest receivable	249	2,634

7 Other income

	Unrestricted funds general 2021 £	Unrestricted funds general 2020 £
Other income	-	1,143
Rental income	175,608	164,372
	175,608	165,515

8 Raising funds

	Unrestricted funds general 2021 £	Unrestricted funds general 2020 £
<u>Costs of generating voluntary income</u>		
Staging fundraising events	31,759	9,967
Other fundraising costs	(9,838)	(1,747)
Staff costs	164,014	166,308
	185,935	174,528

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

9 Research

	2021 £	2020 £
Staff costs	1,164,739	1,065,807
Professional fees, research and events	991,345	788,193
Publications, printing and postage	42,822	22,222
Travel and subsistence	32,753	38,360
Premises	374,649	411,661
Website and IT support	38,324	31,795
Other costs	35,727	20,344
	<u>2,680,359</u>	<u>2,378,382</u>
Grant funding of activities (see note 10)	-	114,000
Share of support costs (see note 11)	290,411	537,277
Share of governance costs (see note 11)	33,163	12,880
	<u>3,003,933</u>	<u>3,042,539</u>
Analysis by fund		
Unrestricted funds - general	323,574	550,157
Restricted funds	2,680,359	2,492,382
	<u>3,003,933</u>	<u>3,042,539</u>

10 Grants payable

	2020 £
Grants to institutions:	
Other	114,000
	<u>114,000</u>

Grants payable relate to a 3 year project with the Woolf Institute, Cambridge on "British Islam and English Law". This work was published in January 2022.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

11 Support costs

	Support costs	Governance costs	2021	Support costs	Governance costs	2020
	£	£	£	£	£	£
Staff costs	95,154	-	95,154	96,798	-	96,798
Depreciation	61,253	-	61,253	56,497	-	56,497
Other costs	104,843	-	104,843	276,191	-	276,191
Premises	29,161	-	29,161	107,791	-	107,791
Audit fees	-	33,163	33,163	-	12,880	12,880
	290,411	33,163	323,574	537,277	12,880	550,157
Analysed between						
Charitable activities	290,411	33,163	323,574	537,277	12,880	550,157

Governance costs includes payments to the auditors of £18,384 (2020: £10,316) for audit fees and £10,529 (2020: £2,564) for other services.

12 Trustees

No trustees received benefits or have been paid any remuneration (2020- none received) from the charity during the year.

13 Employees

The average monthly number of employees during the year was:

	2021 Number	2020 Number
Research	17	16
Fundraising	2	2
Administration	5	6
Total	24	24
Employment costs	2021 £	2020 £
Wages and salaries	1,228,693	1,139,643
Social security costs	135,377	126,906
Other pension costs	59,837	62,364
	1,423,907	1,328,913

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 Employees

(Continued)

Included in Wages and Salaries is £22,500 (2020: £nil) relating to a termination payment payable to an employee under a settlement agreement. This amount was paid within the year.

The key management personnel of the charity comprises the trustees, the Director, the Managing Director, the Director of Policy and Communications, and the Director of Research. The trustees do not receive any remuneration. Remuneration of key management personnel amounted to £521,244 (2020: £379,250) in the year.

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

	2021 Number	2020 Number
60,000 - 69,999	1	-
70,000 - 79,999	1	-
100,000 - 109,999	1	2
110,000 - 119,999	1	-
150,000 - 159,999	1	1

Contributions totalling £32,883 (2020: £24,250) were made to defined contribution pension schemes on behalf of employees whose emoluments exceed £60,000.

14 Tangible fixed assets

	Short leasehold £	Computer equipment £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 October 2020	262,836	65,070	50,110	378,016
Additions	-	11,755	-	11,755
At 30 September 2021	262,836	76,825	50,110	389,771
Depreciation and impairment				
At 1 October 2020	201,551	45,177	47,145	293,873
Depreciation charged in the year	49,027	10,564	1,662	61,253
At 30 September 2021	250,578	55,741	48,807	355,126
Carrying amount				
At 30 September 2021	12,258	21,084	1,303	34,645
At 30 September 2020	61,285	19,893	2,965	84,143

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Fixed asset investments

	Investment in subsidiary £
Cost or valuation	
At 1 October 2020 & 30 September 2021	2
Carrying amount	
At 30 September 2021	2
At 30 September 2020	2

16 Subsidiaries

Details of the charity's subsidiaries at 30 September 2021 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.

17 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	163,402	137,249
Other debtors	246,074	118,310
Prepayments and accrued income	149,493	148,596
	558,969	404,155

18 Creditors: amounts falling due within one year

	2021 £	2020 £
Other taxation and social security	52,663	36,948
Trade creditors	308,305	227,889
Other creditors	92,408	79,814
Accruals and deferred income	211,501	355,695
	664,877	700,346

Total deferred income at the year end amounted to £144,746 (2020: £271,649). This amount represents income for subscriptions, donations and sublease rental income that relate to future accounting periods and will be shown in the next financial year.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 £59,837 (2020 - £62,364).

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 2019	Movement in funds				Movement in funds				Balance at 30 September 2021
		Incoming resources	Resources expended	Transfers from Designated funds	Transfers from Unrestricted funds	Balance at 1 October 2020	Incoming resources	Resources expended	Transfers from Unrestricted funds	
	£	£	£	£	£	£	£	£	£	
Economics	-	55,000	(542,294)	-	487,294	-	35,000	(495,148)	460,148	-
Security and Extremism	-	176,479	(645,908)	7,698	461,731	-	450,000	(480,397)	30,397	-
Education	10,455	219,544	(105,747)	-	-	124,252	160,000	(118,824)	-	165,428
Crime and Justice	9,052	-	(680)	-	-	8,372	-	-	-	8,372
Environment and energy	102,386	180,049	(147,704)	-	-	134,731	452,000	(333,520)	-	253,211
Directors	-	174,000	(408,232)	-	313,975	79,743	221,000	(490,015)	405,272	216,000
Wolfson Economics Prize	7,076	-	-	-	-	7,076	173,509	(159,394)	-	21,191
Cities	-	-	(101,088)	48,530	52,558	-	10,000	(57,911)	47,911	-
Immigration, Integration and Demography	105,549	-	(30,529)	-	30,529	105,549	-	(17,947)	17,947	105,549
Health and Social Policy	9,124	77,700	(79,834)	-	2,134	9,124	26,500	(102,317)	66,693	-
Technology Policy	2,840	22,500	(98,928)	-	73,588	-	-	(60,549)	60,549	-
Foreign Policy	-	186,034	(331,438)	-	145,404	-	20,000	(364,338)	344,338	-
	246,482	1,091,306	(2,492,382)	56,228	1,567,213	468,847	1,548,009	(2,680,360)	1,433,255	769,751

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 2021. 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 2021

21 Designated funds

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

	Balance at 1 October 2019	Transfers	Balance at 1 October 2020	Transfers	Balance at 30 September 2021
	£	£	£	£	£
Research	56,228	(56,228)	-	-	-
Core maintenance	150,000	-	150,000	(50,000)	100,000
	<u>206,228</u>	<u>(56,228)</u>	<u>150,000</u>	<u>(50,000)</u>	<u>100,000</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 2021

22	Analysis of net assets between funds	Unrestricted funds 2021 £	Designated funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Designated funds 2020 £	Restricted funds 2020 £	Total 2020 £
	Fund balances at 30 September 2021 are represented by:								
	Tangible assets	34,645	-	-	34,645	84,143	-	-	84,143
	Investments	2	-	-	2	2	-	-	2
	Current assets/(liabilities)	1,230,095	100,000	769,751	2,099,846	1,224,815	150,000	468,847	1,843,662
		<u>1,264,742</u>	<u>100,000</u>	<u>769,751</u>	<u>2,134,493</u>	<u>1,308,960</u>	<u>150,000</u>	<u>468,847</u>	<u>1,927,807</u>

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

23 Operating lease commitments

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

	2021 £	2020 £
Within one year	97,741	390,962
Between two and five years	-	97,741
	<u>97,741</u>	<u>488,703</u>

Lessor

The operating lease represents the sublease of office floor space to third parties. The lease was negotiated over terms of 5 years with 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:

	2021 £	2020 £
Within one year	36,018	144,073
Between two and five years	-	36,018
	<u>36,018</u>	<u>180,091</u>

Non-adjusting post balance sheet event

On nearing termination of the above leases, the entity entered into a lease that commenced on 29 October 2021. This lease contains an 11-month rent free period, with an annual rental charge thereafter of £278,375 paid in quarterly installments. The lease term of 10 years will be subject to a break clause after 5 years, with rent reviews occurring every 5 years.

24 Related party transactions

The total donations recognised as income in the year from the charity's trustees and related parties amounted to £779,009 (2020: £499,000). One donation of £80,000 was part of a three year donation of £240,000 received in the prior year, the coming year amount of £80,000 has been recognised in deferred income.

POLICY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

25	Cash generated from operations	2021	2020
		£	£
	Surplus for the year	206,686	131,924
	Adjustments for:		
	Investment income recognised in statement of financial activities	(249)	(2,634)
	Depreciation and impairment of tangible fixed assets	61,253	56,497
	Movements in working capital:		
	(Increase) in debtors	(154,814)	(37,934)
	(Decrease)/increase in creditors	(35,469)	270,410
	Cash generated from operations	77,407	418,263
		<hr/>	<hr/>
26	Analysis of changes in net funds		
	The charity had no debt during the year.		