

Company Number: 2977740
Charity Number: 1042046

DEMOS
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011

DEMOS
COMPANY INFORMATION

STATUS	The organisation is a charitable company limited by guarantee, incorporated on 11 October 1994 and registered as a charity on 11 November 1994.
GOVERNING DOCUMENT	The Company was established under a Memorandum of Association which establishes the objects and powers of the charity.
COMPANY NUMBER	2977740
CHARITY NUMBER	1042046
REGISTERED OFFICE AND OPERATIONAL ADDRESS	Magdalen House 136 Tooley Street London SE1 2TU
BANKERS	Alliance & Leicester plc (known as Santander Plc) Carlton Park Narborough Leicester LE19 0AL
AUDITORS	Tudor John Chartered Accountants Nightingale House 46 - 48 East Street Epsom Surrey KT17 1HQ

DEMOS
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ending 31 December 2011.

Reference and administrative information set out on page one forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities (issued in March 2005).

ACTIVITIES AND REVIEW

The Charity's objects are governed by our Memorandum and Articles of Association which state that Demos exists:

- To promote education for the public benefit in issues of politics, economics, the environment and public policy,
- To promote for the public benefit research in any of the above fields of education and to publish the useful results of such research.

The trustees have had due regard to the Charity Commission's guidance on public benefit when considering the charity's objectives and activities. There have been no changes in the objects or the policies of the charity during the year. The principal activities of research, education and publication are reflected in the organisational structure of the charity. The overall management of Demos is the responsibility of the director who provides leadership to the organisation and specifically leads the development of the intellectual and research agenda of the charity. Reporting to the director are the Deputy Director, the Head of Finance, the Head of Communications and heads of programmes. Research projects are managed by heads of programmes and other Senior Researchers. A team of Senior Researchers and Researchers undertakes research projects, supported by temporary assistants and interns. Freelance collaborations are entered into to fulfil technical and consultancy roles, as well as helping with particular aspects of research, writing and the production of publications. All projects have a budgetary review before contracts with funders are signed, and are subject to an extensive quality review process from initiation through to publishing the final report. All staff are encouraged to contribute to any appropriate aspects of research, administration, the achievement of the charitable objects and the planning processes.

Aims for 2011

Our main aim for 2011 was to improve the financial standing of the organisation following a year where we accumulated a large deficit. To do this, we set the following objectives

- Continuing to improve Demos' reputation and profile
- To implement more stringent cost control measures on research projects
- To reduce the use of expensive Associate Researchers by developing in-house expertise
- To launch a high profile, year long Commission on Assisted Dying to give us continued exposure on a challenging and important social issue
- To produce at least two major publications that receive significant exposure and feedback
- To host a comprehensive series of events at the autumn Party Conferences

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

During 2011 we met our objectives and did very well in spite of significant disruption – our Deputy Director and main fundraiser, Julia Margo, took maternity leave from May to November 2011, whilst our Director Kitty Ussher resigned in August 2011. However, the staff worked extremely hard during these changes to ensure the organisation stayed on track. Claudia Wood, Head of Public Services and Welfare stepped up to be acting Deputy Director in Julia's absence and the Trustees moved quickly to recruit a new Director, David Goodhart, so that we were able to announce his appointment in time for Party Conferences in September 2011. As a result of the cost controls implemented at the beginning of 2011 and the momentum we set in securing new funded projects, we ended 2011 in a very strong financial position. We also took a strategic decision during the year not to replace staff lost through natural wastage unless it damaged the capacity of the organisation, and to sub-let our events space. These steps led to a considerable reduction in our fixed costs – we halved our rent and reduced our salary bill by 30 per cent, both of which eased our financial position considerably.

Achievements during 2011

Specific achievements for 2011 include:

- The highly successful Commission on Assisted Dying, a very large and high profile commission exploring a controversial topic, led by Lord Charles Falconer.
- A new stream of work using innovative Facebook survey methodology exploring the far-right populist movement in Europe, leading to Europe-wide multi-country press launches and events running well into 2012.
- The most successful Party Conference season for many years, where we hosted over 50 events over the three Conferences. The Demos brand was a dominant presence at the Conference Fringe and we consistently secured the best speakers and attendees.
- Several high profile publications and events, including *The Character Inquiry* and *The Home Front*, launched by the Deputy Prime Minister Nick Clegg, and the Commission on Assisted Dying's final report.

PUBLICATIONS

Demos publishes in a number of different formats including pdf, web files, books, project reports, collections, and occasional commentary papers.

Demos began 2011 by building on our strong reputation in family policy with *The Home Front*, launched by Deputy Prime Minister, the Rt Hon. Nick Clegg MP. Our commitment to this area of policy was consolidated later in the year with the publication of *The Character Inquiry*.

Demos entered new territory with major reports on government and private finance. *National Treasure* caused a storm within Westminster and Whitehall by recommending how the Treasury can be strengthened and improved. *Of Mutual Benefit* presented a realistic and fairer answer to welfare and income support, offering a way for the middle classes to better protect themselves from financial shocks.

The Entrepreneurial State and *Risky Business* both examined neglected areas of the British economy and shone a spotlight onto sectors that could be crucial to Britain's emergence from low growth.

Demos ended the year with the final report from the Commission on Assisted Dying, thus concluding a year-long project building the most comprehensive picture to date of the effect a change in the law on assisting suicide would have. The impact of the report has been widespread, provoking detailed and more nuanced discussions of the subject than ever before, and the tabling of parliamentary debates.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

Titles published during the year include:

- **The Commission on Assisted Dying – Final Report**
- **Open Dialogue** - Max Wind-Cowie, Beatrice Karol Burks
- **Up to the Job** - John Knell, John Philpott
- **Destination Unknown: Autumn 2011** - Claudia Wood
- **London's Calling: Young Londoners, Social Mobility and Access to Higher Education** - Stephen Evans, Rob Whitehead
- **A Place for Pride** - Max Wind-Cowie, Tom Gregory
- **Good Growth: A Demos and PwC Report on Economic Wellbeing** - Kitty Ussher
- **The New Face of Digital Populism** - Jamie Bartlett, Jonathan Birdwell, Mark Littler
- **Inside the EDL: Populist Politics in a Digital Age** - Jamie Bartlett, Mark Littler
- **Youth Labour's Lost** - Matt Grist, Jonathan Birdwell, Tom Gregory, Jenny Ousbey
- **Tailor Made** - Claudia Wood
- **Risky Business** - Helen Burrows, Kitty Ussher
- **Are we there yet? - A Collection on Race and Conservatism** - Max Wind-Cowie
- **Truth, Lies and the Internet: A Report into Young People's Digital Fluency** - Jamie Bartlett, Carl Miller
- **Under the Influence** - Jamie Bartlett, Matt Grist
- **The Civic Long Tail** - Charles Leadbeater
- **Coping with the Cuts** - Claudia Wood, PhillidaCheetham, Tom Gregory
- **The Truth About Suicide** - Louise Bazalgette, William Bradley, Jenny Ousbey
- **Service International** - Jonathan Birdwell
- **Reinventing the Workplace** - Dan Leighton, Tom Gregory
- **The Entrepreneurial State** - Mariana Mazzucato
- **Experience Required: A Demos Report on Capability-building and Work-readiness** - Matt Grist, PhillidaCheetham
- **Taking Drugs Seriously: A Demos and UK Drug Policy Commission Report on Legal Highs** - Jonathan Birdwell, Jake Chapman
- **After Osama** - Jonathan Birdwell, Mark Littler
- **The Character Inquiry** - Jen Lexmond, Matt Grist

**DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

- **Destination Unknown: Spring 2011** - Claudia Wood, Eugene Grant
- **Through the Looking Glass** - Richard Darlington, Julia Margo, Sarah Sternberg, Beatrice Karol Burks
- **Coming of Age** - Louise Bazalgette, Philip Tew, John Holden, Nick Hubble, Jago Morrison
- **Under the Influence: What We Know about Binge-drinking** - Jamie Bartlett, Matt Grist
- **City Limits: The Progressive Case for Financial Services Reform** - Kitty Ussher, Jonathan Edwards
- **The Forgotten Half: A Demos and PEF Report on School-to-work Transitions** - Jonathan Birdwell, Matt Grist, Julia Margo
- **Of Mutual Benefit: Personalised Welfare for the Many** - Max Wind-Cowie
- **National Treasure** - Kitty Ussher, ImogenWalford
- **Open Economics** - Dan Leighton, Max Wind-Cowie
- **Back to the Future** - Dan Leighton
- **The Home Front** - Jen Lexmond, Louise Bazalgette, Julia Margo

LECTURES, CONFERENCES AND SEMINARS

Demos organised a wide range of lectures, events and conferences during the year. On average, Demos hosts and organises two events each month, ranging from large-scale public debates to smaller scale seminars on particular issues. In addition Demos staff give presentations and speeches, and take part in debates at conferences and events. Notable events during the year include:

The Home Front

Very high profile launch of *The Home Front*, with high attendance for a keynote speech by DPM Nick Clegg MP. Also on the panel was the Children's Commissioner Dr. Maggie Atkinson.

Open Society Roundtable

The first of the private roundtables on different facets of the 'open society', this session on human rights featured Professor Francesca Klug, Professor John Gray and Aryeh Neier, President of the Open Society Foundation. Chaired by Philip Collins.

University of Birmingham Commission

A full day of policy discussions and evidence hearing for the University of Birmingham and Demos Commission on localism.

Cultural Industries and Economics

Held at the British Museum, this roundtable explored how to measure arts spending in the time of cuts. Chaired by Irene Lucas, speakers included David Throsby, Hasan Bakhski, Samuel Jones and David O'Brien.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

National Treasure

A panel event attended by senior Treasury representatives and interested partners, featuring discussion between Sir Nicholas Macpherson, Permanent Secretary to the Treasury; Paul Johnson, Director of the IFS and Kitty. Chaired by Chris Giles of the FT.

Of Mutual Benefit

The new Progressive Conservatism pamphlet was launched with contributions from Lord Freud, Minister for Welfare Reform; Frank Field MP and Jack McGarry of Unum UK.

Launch of Taking Drugs Seriously

Report was launched with a panel event, featuring contributions from Baroness Oona King, John Maples, Tom Brake MP, and chaired by columnist Jenni Russell.

David Brooks in conversation with Demos

Conversation between David Brooks, New York Times columnist and author of *The Social Animal*, and Philip Collins and Dr Matt Grist, to explore the implications of *The Character Inquiry*.

Experience Required launch

Launched report with introduction by Dr Matt Grist and the National Young Volunteers' Service's Chief Executive Terry Ryall, followed by the screening of a short film made by Demos and young people who participated in vTalent year.

Through a web darkly: Does the Internet spread democracy or ignorance?

Demos and the Open Society Institute hosted a panel discussion on the impact of the Internet on democratic culture, institutes and engagement with EvgenyMorozov, Ben Hammersley, Dan Hind and Tom Chatfield.

Reinventing the Workplace

Pamphlet launched with Rt Hon Vince Cable MP, Dan Leighton, Patrick Lewis of the John Lewis Partnership and Kitty Ussher.

Capitalism and Freedom

Discussion on the effects of markets on open societies and liberal values, with Lord Maurice Glasman, John Kay, Dan Leighton and Diane Coyle.

Brussels Far Right conference

This one-day conference in Brussels was hosted by the OSI and focused on the issues raised by Jamie Bartlett and Jonathan Birdwell's recent work on European Populism. George Soros concluded the day with a keynote speech.

Panel launch of Pride of Place

Lord Glasman, David Green (Civitas), David Goodhart and Max Wind-Cowie spoke at a panel event to launch our high profile work on patriotism.

Centre for London conference

This packed two-day policy conference was the Centre for London's flagship event for 2011 and featured keynote speeches by both Boris Johnson and Ken Livingstone.

Annual Lecture: Nick Clegg MP

Following in the footsteps of Professor AmartyaSen, our 2011 Annual Lecture was delivered by the Deputy Prime Minister on the *Open Society and its Enemies: Promoting fairness in difficult times*.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

PROJECTS

Demos carried out a wide range of research projects during 2011, drawing on a varied range of innovative methodologies which Demos is now known for, including focus groups and interviews, citizen's juries and ethnographic study. We added a wholly new and innovative Facebook polling approach to our suite of research tools in 2011, and are drawing increasingly on quantitative data collection and analysis to complement our strong qualitative approach. Projects of particular note include:

Coping with the Cuts, which used extensive Freedom of Information requests to build a unique national picture of how adult social services across the country are adapting to budget cuts. By highlighting innovative ways for councils to mitigate the effect of severe budget cuts, Demos provided a tool for both local and national government.

The New Face of Digital Populism: in the summer of 2011, Demos pioneered research using online social networking to build the biggest data set of individuals sympathetic to far-right groups across different European countries. The initial findings, which were of interest to newspapers, academics and activists across the continent, were published in the report.

The Commission on Assisted Dying was a yearlong, ground-breaking piece of work. Demos provided the secretariat for a group of high level commissioners led by Lord Falconer to explore a controversial issue. We carried out a range of supporting research including a review of suicide statistics and focus groups with disabled people.

Tailor Made looked at the future of personalisation for those with multiple and complex needs. It was warmly welcomed by the care sector.

Good Growth was completed in partnership with PwC, and developed a new measure for economic growth which took into account a wider range of factors including education, health and transport infrastructure.

Coming of Age explored the experiences of ageing by using pioneering methods, including a review of new fiction by older people to explore how older people are portrayed in modern society

Through the Looking Glass discussed the issue of self esteem among young women and brought together a review of existing polling and survey data to demonstrate how certain risk factors could be identified and girls at risk of poor self esteem helped earlier.

The Home Front used ethnographic research – visiting and observing low income families in their own homes – to uncover counter-intuitive findings about parenting styles and income. This proved very influential and was used to inform the government's paternity leave strategy.

We also continued to engage a wider range of funder through our Partnership Programme (5 members in 2011).

DEMOS PROJECTS LIMITED

The charity controls Demos Projects Limited (company number 2667039), a company limited by guarantee. Two Directors of Demos Projects Limited are also Directors of Demos. The results of the subsidiary are shown in note 16 and have been consolidated with Demos results, all the profits made by the subsidiary are gift aided to Demos.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

RESERVES

Demos currently has no reserves and is in a net liabilities position as described below. However we paid down a considerable amount of debt in 2011, and have a target of clearing our debt and starting to build reserves by the end of 2012, which we are on track to achieve. Our strategy for achieving this during 2011 was to take a firmer hold of project costs and to reduce our fixed costs (rent and staff costs), which we have been able to do without undermining Demos' capacity to deliver high quality work to deadline; as well as expand our Party Conference programme to secure a larger income. This also proved a real success.

At the end of 2011 we also launched our new events programme (Demos Live) to help diversify our funding sources and reduce the burden on research-based fundraising. This started very strongly with considerable interest from potential funders in 2011, however it is in 2012 that the Programme will come into its own and we have recruited a new Head of Events, to replace Sarah Kennedy, to oversee our new events strategy and delivery of the programme with clear financial targets in place.

Our research pipeline is now strong due to increased interest from funders following on from a highly successful Party Conference 2011. We are confident of several large projects being contracted imminently and to be delivered through 2012. We also have no reason to believe the 2012 Party Conference will not generate the same or more income as 2011, and we have interest already for repeat events from our 2011 funders.

RISK ASSESSMENT

Demos adopted a risk assessment in accordance with guidance set out by the Charity Commission at the 2011 Annual General Meeting. This has not been formally updated, but from time to time the Directors review Demos' risks and the actions put in place to mitigate them.

RESPONSIBILITIES OF THE DIRECTORS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

• DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

RESPONSIBILITIES OF THE DIRECTORS (Continued)

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company 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.

Insofar as each of the Directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware. Each Director has taken all of the steps that he/she should have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TRUSTEES

The following served as company directors and charity trustees during the year and up to the date of this report:

Simon Cooper (to July 2009)

Nick Claydon

Mary Rainey (to March 2009)

George Ferguson (to May 2010)

Phil Collins

Neil Sherlock (to December 2011) – replaced with John Knell in January 2012

Ed Smith (from January 2009, to December 2010)

Penny Egan (from March 2009)

Elsbeth Johnson (from December 2009)

All directors are members of the charitable company and guarantee to contribute to the assets of the company in the event of it being wound up such amounts as may be required not exceeding £1. The number of guarantees at 31 December 2011 was 4 (2010 – 5). The directors have no beneficial interest in the charitable company nor in its activities and are not remunerated. A register of business interests is maintained.

Method of recruitment of new directors

The Board is looking for one or two new directors this year, having already replaced Neil Sherlock who served on the board until the end of 2011. All new directors are given an in-depth induction to the organisation through meetings with senior officers and the Chair of Directors. All new directors are also furnished with relevant documentation including examples of recent work, minutes of meetings and our annual report.

BASIS OF PREPARATION OF THE ACCOUNTS

At 31 December 2010, the balance sheet showed net liabilities of £550,052. However, 2011 was characterised by incredibly hard work across the team to monitor and reduce project and fixed costs and maintain a strong focus on fundraising throughout the year. Productivity rose dramatically: fundraising returned to 2009 levels and yet the payroll costs are substantially lower as the work is being delivered with a smaller team. The procedures introduced to bear down on costs have ensured that outside freelancers are not brought in until permanent staff are working at full capacity.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

The production of internal monthly management accounts has confirmed that this approach is working. The audited balance sheet at the end of December 2011 shows a net liability of £205K which includes deferred income for contracts that are in the process of being delivered of around £160K, indicating that we have paid down £185K in outstanding debts. The figure shows that the company has generated surpluses for every month of 2011 and ended the year with a surplus of £314K. As a result, the vast majority of long-term creditors have been paid. At the year end a small balance of the outstanding 2010 balance with HMRC remained which was settled in full in March 2012. Demos has been up-to-date with HMRC payments as they fall due since September 2010 and the small number of remaining old creditors have payment plans in place. Repayment of the loan from Venturesome is also being made according to the agreed schedule of £3,000 per month and will be paid off in full by the end of 2012.

Replacing the Director and Deputy Director quickly with staff who were able to hit the ground running has ensured the momentum of fundraising and project delivery were not disturbed in 2011. Their ongoing work and the new Director's strong intellectual direction and plans for 2012, combined with the existing pipeline of funded work which remains sufficiently strong, means it is possible to make a reasonable assumption that the company will be able to trade itself back to solvency and be in a position to build reserves by the end of 2012, in line with the budget for 2012. We have also begun our Demos Live Events series, which will supplement our research income in addition to the income we generate from Party Conference. We have also significantly reduced our fixed costs – effectively halving our rental costs through subletting and reducing our staff costs by around 30 per cent through not replacing permanent staff following natural wastage. We have also stopped using expensive Associates. We believe these steps will ensure we will meet our target of building reserves by the end of 2012. However, we have discussed contingencies with the trustees, including reducing staff costs further. Demos does not have access to bank lending, however if necessary it would also be possible to arrange an additional facility through Venturesome, but at this stage the company has no plans to do this.

Meanwhile the quality of the work remains strong, with a high volume of original work being published and a strong media profile. An extremely successful Party Conference season, where we hosted over 50 events across the three conferences and had the strongest presence among all of the think tanks, has generated considerable interest among potential funders to carry out follow up research, events, and even advance expressions of interest for next year's Conference. This helped to reinvigorate project based income for the last quarter of 2011 and we are confident substantial new contracts will be signed during the first quarter of 2012.

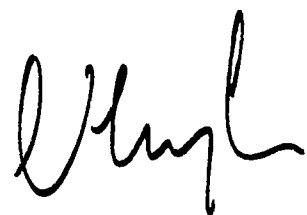
The Directors have reviewed the latest estimates of results for 2011 and the budget for 2012 together with a cash flow forecast reflecting the agreed arrangements with creditors. Based upon these forecasts they consider that these indicate that Demos can meet its liabilities as they fall due for the foreseeable future and have therefore prepared the financial statements on the going concern basis.

The directors' report has been taking advantage of the exemptions available to small companies under the Companies Act 2006.

Approved by the directors on

22/3/12

and signed on their behalf by



Report of the Independent Auditors to the Members of Demos

We have audited the financial statements of Demos for the period ended 31 December 2011 on pages thirteen to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Report of the Independent Auditors to the Members of Demos

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 exemption in preparing the Report of the Trustees.

Tudor John

Hazel Mulhall BSc FCA DChA
Senior Statutory Auditor
Tudor John
Chartered Accountants
and Registered Auditors
Nightingale House
46-48 East Street
Epsom
Surrey
KT17 1HQ

Date: 28/3/2012

DEMOS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN
INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Restricted £	Unrestricted £	Total 2011 £	Total 2010 £
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Voluntary income		5,082	-	5,082	-
Rental income			33,854	33,854	-
Investment income		-	-	-	11
<i>Incoming resources from charitable Activities</i>					
Projects	2	117,735	1,320,330	1,438,065	1,139,135
Events and seminars		7,500	263,976	271,476	234,256
Publications and subscriptions		-	54,148	54,148	7,830
Secondments		-	95,293	95,293	151,802
Total incoming resources		130,317	1,767,601	1,897,918	1,533,034
Resources expended					
<i>Charitable activities</i>					
Projects		106,934	1,070,596	1,177,530	1,563,351
Events and seminars		-	220,376	220,376	172,058
Publications and subscriptions		-	1,589	1,589	21,230
Other resources expended		-	63,254	63,254	-
Governance costs		-	89,463	89,463	60,543
Total resources expended	3	106,934	1,445,278	1,552,212	1,817,182
Net (outgoing)/incoming resources for the year before transfers	4	23,383	290,254	345,706	(284,148)
Transfers between funds		(11,921)	11,921	-	-
Net (expenditure)/income for the year and net movement in funds		11,462	334,244	345,706	(284,148)
Reconciliation of funds					
Funds at the start of the year		53,094	(603,146)	(550,052)	(265,904)
Funds at the end of the year		64,556	(268,902)	(204,346)	(550,052)

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

**DEMOS
BALANCE SHEETS
AS AT 31 DECEMBER 2011**

	Notes	Group		Charity	
		2011 £	2010 £	2011 £	2010 £
TANGIBLE FIXED ASSETS	7	<u>9,763</u>	<u>17,484</u>	<u>9,763</u>	<u>17,484</u>
CURRENT ASSETS					
Debtors	8	<u>214,369</u>	<u>236,212</u>	<u>236,591</u>	<u>257,670</u>
Cash at bank and in hand		<u>65,483</u>	<u>31,435</u>	<u>65,483</u>	<u>31,435</u>
		279,852	267,648	302,074	289,105
LIABILITIES					
CREDITORS: amounts falling due within one year	9	<u>494,721</u>	<u>799,156</u>	<u>494,721</u>	<u>799,156</u>
NET CURRENT LIABILITIES		<u>(214,869)</u>	<u>(531,509)</u>	<u>(192,648)</u>	<u>(510,051)</u>
CREDITORS: amounts falling due after one year	11	<u>-</u>	<u>36,027</u>	<u>-</u>	<u>36,027</u>
NET LIABILITIES	12	<u>(205,106)</u>	<u>(550,052)</u>	<u>(182,885)</u>	<u>(528,594)</u>
FUNDS	13				
Restricted funds in deficit		-	(3,494)	-	(3,494)
Restricted funds in surplus		<u>64,556</u>	<u>56,588</u>	<u>64,556</u>	<u>56,588</u>
Unrestricted funds					
Trading subsidiary reserves in deficit		-	-	-	-
General funds		<u>(269,663)</u>	<u>(603,146)</u>	<u>(247,441)</u>	<u>(581,688)</u>
TOTAL FUNDS		<u>(205,107)</u>	<u>(550,052)</u>	<u>(182,885)</u>	<u>(528,594)</u>

Approved by the directors and authorised for issue on and signed on their behalf by

22/3/12

Director



DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards. They follow the recommendations in the Statement of Recommended Practice. Accounting and Reporting by Charities (issued in March 2005) and the Companies Act 2006.

The Statement of Financial Activities ("SOFA") and Balance Sheet consolidate the results of Demos and its subsidiary Demos Projects Limited on a line by line basis. A separate SOFA is not presented because Demos has taken advantage of s408 of Companies Act 2006. There were two transactions within Demos Projects Limited during the year. Therefore, the total incoming resources for Demos as an individual charity and its net movement in funds for the year to 31 December 2011 changed just a bit and the same as for the group.

(b) Voluntary income

Voluntary income is received by way of donations and grants are included in full in the Statement of Financial Activities when receivable.

(c) Grants and contracts

Revenue grants are credited to the Statement of Financial Activities when received or receivable whichever is earlier, unless they relate to a specific future period, in which case they are deferred.

Contractual income is recognised in the Statement of Financial Activities as entitlement is earned through completion of the contract.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (Continued)

(e) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is chargeable to the funds. Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

(f) Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate on the date of the transaction.

(g) Resources expended

Resources expended are allocated to the particular activity where the cost relates directly to that activity. Resources expended include attributable VAT which cannot be recovered. The direct payroll costs of each activity are allocated on the basis of job function.

Support costs are re-allocated to each of the activities on the following basis which is an estimate, based on staff time, of the amount attributable to each activity.

Projects	85%
Publications and subscriptions	5%
Events and seminars	5%
Governance	5%

Governance costs include compliance with constitutional and statutory requirements.

(h) Tangible fixed assets

Tangible fixed assets costing more than £500 are capitalised in the balance sheet at purchase costs plus the cost of bringing the asset into working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life. The depreciation rates in use are as follows:

Office equipment	5 years
Computer equipment	3 years

Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

Assets are reviewed for impairment if circumstances indicate that their carrying amount may not be recoverable. Impaired assets are written down to their recoverable value being the higher of their net realisable value and value in use.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (Continued)

(i) Operating leases

Rent payable under operating leases, where all the risks and rewards of ownership remain with the lessors, are charged to the Statement of Financial Activities in the year in which they fall due.

(j) Pensions

The charitable company contributes to a stakeholder pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the charitable company to the fund. The charitable company has no liability under the scheme other than for the payment of those contributions.

2. PROJECT INCOME

	Restricted	Unrestricted	Total 2011	Total 2010
	£	£	£	£
Financial Services	-	88,063	88,063	-
Government Departments	-	-	-	13,697
Local Government	-	39,390	39,390	55,064
NDPBs	-	77,125	77,125	69,225
Non-UK Organisations	-	27,960	27,960	44,835
Commercial organisations	-	312,107	312,107	214,099
Charities and Foundations	117,735	441,640	559,375	654,291
Cultural and Educational organisations	-	55,643	55,643	59,904
Other sources	-	121,127	121,127	37,020
Centre for London	-	157,275	157,275	-
	<u>117,735</u>	<u>1,320,330</u>	<u>1,438,065</u>	<u>1,148,135</u>

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Projects	Events & seminars	Publications & subscriptions	Governance	Support costs	Other resources	2011 Total	2010 Total
	£	£	£	£	£	£	£	£
3. TOTAL RESOURCES EXPENDED								
Staff costs (note 5)	355,613	48,367	-	75,884	139,389	63,254	682,507	883,226
Other staff costs	20,353	1,903	-	-	2,144	-	24,400	48,154
Office costs	45,694	4,272	-	-	4,813	-	54,779	38,827
Premises	94,282	8,814	-	-	9,931	-	113,027	110,940
Venue and catering	137,883	129,109	-	-	-	-	266,992	198,535
Consultancy and freelance fees	103,755	-	-	-	-	-	103,755	267,793
Publications, design and print	84,714	7,919	-	-	8,923	-	101,556	144,799
Travel	1,059	99	-	-	111	-	1,269	44,614
Interest payable and charges	9,084	849	-	-	957	-	10,890	8,542
Audit and accountancy	-	-	-	11,989	-	-	11,989	18,255
Irrecoverable VAT	31,004	2,898	-	-	3,266	-	37,168	30,030
Depreciation	11,281	1,055	-	-	1,188	-	13,524	12,651
Centre for London	125,205	-	-	-	-	-	125,205	-
Sundry expenditure	4,297	402	-	-	453	-	5,151	10,816
Total resources expended	1,024,224	205,686	-	87,873	171,174	63,254	1,552,212	1,817,182
Support costs	153,306	14,690	1,589	1,589	(171,174)	-	-	-
Total resources expended	1,177,530	220,376	1,589	89,463	-	63,254	1,552,212	1,817,182

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

4. NET INCOMING RESOURCES FOR THE YEAR	2011	2010
	£	£
This is stated after charging:		
Depreciation	14,127	12,651
Directors' remuneration	Nil	Nil
Directors' reimbursed expenses	Nil	Nil
Auditors' remuneration:		
Audit	10,000	18,000
Under accrual for previous year's fee	-	255
Other assurance services	-	-
Operating lease rentals:		
Property	80,000	75,000

5. STAFF COSTS AND NUMBERS	2011	2010
	£	£
Salaries and wages	588,865	771,621
Social security costs	63,389	78,974
Pension costs	30,253	32,631
	682,507	883,226

The number of employees who earned more than £60,000 during the year was as follows:

	2011	2010
£60,001 - £70,000	1	-
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1

The average weekly number of employees (full time equivalent) during the year was as follows:

	2011	2010
	No	No
Projects	11.6	14.5
Events and seminars	1.8	1.1
Publications and subscriptions	-	-
Support costs	1.2	2.5
Governance	0.5	0.1
	15.1	18.2

6. TAXATION

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

7. TANGIBLE FIXED ASSETS- Group And Charity

	Office Equipment £	Computer equipment and website £	Total £
Cost			
At 1 January 2011	28,502	72,156	100,658
Additions	-	6,406	6,406
Disposals	-	-	-
At 31 December 2011	28,502	78,562	107,064
Depreciation			
At 1 January 2011	28,169	55,005	83,174
Charge for the year	120	14,007	14,127
Disposals	-	-	-
At 31 December 2011	28,289	69,012	97,021
Net book value			
At 31 December 2011	213	9,549	9,763
<i>At 31 December 2010</i>	<i>333</i>	<i>17,151</i>	<i>17,484</i>

All tangible fixed assets are used for direct charitable purposes

8. DEBTORS

	Group 2011 £	2010 £	Charity 2011 £	2010 £
Trade debtors	123,072	165,155	123,072	165,155
Other debtors	29,500	13,500	29,500	13,500
Amounts due from subsidiary	-	--	22,222	21,458
Prepayments	35,331	46,507	35,331	46,507
Accrued income	26,467	11,050	26,467	11,050
	214,369	236,212	236,591	257,670

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

9. CREDITORS: amounts falling due within one year

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Venturesome loan	36,027	32,937	36,027	32,937
Trade creditors	139,424	234,889	139,424	234,889
Deferred income	159,867	261,125	159,867	261,125
Taxation and social security	39,991	145,639	39,991	145,639
Other creditors	56,624	49,600	56,624	49,600
Accruals	62,788	74,966	62,788	74,966
	<u>494,721</u>	<u>799,156</u>	<u>494,721</u>	<u>799,156</u>

10. DEFERRED INCOME

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
At 1 January 2011	261,125	120,389	261,389	120,389
Released to Statement of Financial Activities	(261,125)	(120,389)	(261,125)	(120,389)
Project income received and deferred in year	159,867	261,125	159,867	261,125
At 31 December 2011	<u>159,867</u>	<u>261,125</u>	<u>159,867</u>	<u>261,125</u>

Income is deferred where the conditions required for entitlement were not met at 31 December.

11. CREDITORS: amounts falling due after more than one year

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Venturesome loan	-	36,027	-	36,027
	<u>-</u>	<u>36,027</u>	<u>-</u>	<u>36,027</u>

An analysis of the maturity of the above loan is given below:

	2011	2010
	£	£
Amounts due within one year	36,027	32,937
Amounts due between one and two years	-	36,027
	<u>36,027</u>	<u>68,964</u>
Total loan	<u>36,027</u>	<u>68,964</u>

The loan is unsecured and repayable in monthly instalments with the last payment being due on 31 December 2012. Interest is payable at a rate of 9% for the remaining term of the loan.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds £	General funds £	Total funds £
Tangible fixed assets	-	9,763	9,763
Net current liabilities	64,556	(279,425)	(214,869)
Long-term liabilities	-	-	-
Net liabilities at 31 December 2011	<u>64,556</u>	<u>(269,662)</u>	<u>(205,106)</u>

13. MOVEMENT IN FUNDS

	<i>At 1 January 2011 £</i>	<i>Incoming resources £</i>	<i>Outgoing resources £</i>	<i>Transfers £</i>	At 31 December 2011 £
Restricted funds					
Open Society	27,960	-	(27,960)	-	-
Donations	-	6,082	(5,082)	-	1,000
Character Inquiry	-	10,000	(10,000)	-	-
Mosque workshops - Tackling Extremism	16,128	-	(16,128)	-	-
Science, Technology and Civil Society	(3,494)	-	-	3,494	-
CalousteGulbenkian	-	49,300	(19,900)	(457)	28,943
Taking Drugs Seriously	12,500	12,500	(12,864)	(12,136)	-
Multi-dimensional poverty	-	44,935	(15,000)	(2,822)	27,113
Party Conference	-	7,500	-	-	7,500
Total restricted funds	<u>53,094</u>	<u>130,317</u>	<u>(106,934)</u>	<u>(11,921)</u>	<u>64,556</u>
Unrestricted funds:					
Designated fund	-	157,275	(125,205)	-	32,070
General fund	(603,146)	1,610,326	(1,320,073)	11,921	(300,972)
Total	<u>(550,052)</u>	<u>1,897,918</u>	<u>(1,552,212)</u>	<u>-</u>	<u>(204,346)</u>

Restricted funds are represented by grants donated for the projects named above. Further information on these projects is included in the trustees' annual report or on the charity's website.

The Science, Technology and Civil Society fund was in deficit as expenditure had been incurred but no funding was receivable at 31 December 2010. Final receipt of funding for the project was received in 2011 to pay back the deficit on this fund.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

14. OPERATING LEASE COMMITMENTS

The charitable company had annual commitments under operating leases expiring as follows:

	Land and buildings	
	2011	2010
	£	£
Within two to five years	90,000	90,000

The premises are sublet at an annual income of £48,000.

15. SUBSIDIARY UNDERTAKING

The charitable company controls Demos Projects Limited, a company limited by guarantee registered in England (company number 2667039). The subsidiary is used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the Statement of Financial Activities. Available profits are gift aided to the charitable company. A summary of the results of the subsidiary is shown below.

	2011	2010
	£	£
Turnover	-	-
Cost of sales	-	-
	-	-
Gross profit	-	-
Administrative expenses	(764)	-
Other income	-	-
	(764)	-
Operating loss	(764)	-
Interest receivable	-	-
	(764)	-
Loss on ordinary activities	(764)	-
Funds brought forward	(21,458)	(21,458)
Funds carried forward	(22,222)	(21,458)
The aggregate of the assets, liabilities and funds was:		
Assets	-	-
Liabilities	(22,222)	(21,458)
Funds	(22,222)	(21,458)