

Company Number: 2977740
Charity Number: 1042046

DEMOS
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2008

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	Barclays Bank plc Fleet Street London EC4Y 1ET
AUDITORS	Horwath Clark Whitehill Chartered Accountants St Bride's House 10 Salisbury Square London EC4Y 8EH

DEMOS
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements for the year ended 31 December 2008.

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

Demos is a company limited by guarantee with charitable objects.

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.

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 Director of Research, the Head of Finance and Operations, the Operations Manager 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.

Our specific objectives for 2008 were:

- To prepare and implement a recovery plan to achieve a turnaround of the organisations' finances.
- To reduce headcount to a smaller core staff working at high utilisation.
- To develop a broader cadre of Associates who can support Demos' projects.
- To implement robust finance and business processes.

These objectives were all achieved during 2008, and Demos generated positive net income for the year. Specific achievements included:

- Reduction in fixed costs, mainly through a reduction in staff numbers, whilst maintaining income at a level sufficient to generate an operating surplus.
- Negotiation of a loan facility of £100,000 with Charities Aid Foundation / Venturesome to provide an adequate cash balance to allow the organisation to trade its way out of deficit; £80,000 of this facility has been utilised.
- Refreshing the board of trustees, with two new directors starting in 2008 and a further two early in 2009.
- Establishment of a Finance sub-committee which meets in any month when there is no trustees' meeting to review the financial health of the organisation.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

- A meeting with all existing Demos Associates to agree the terms of their affiliation to Demos, and establishment of a formal process for appointing new Associates requiring sign-off by the Board of Trustees.
- Development of a recovery plan starting from the second half of 2008, which will allow Demos to improve its net funding position by the end of 2009.
- Establishment of a new area of research – the Capabilities programme – and securing funding to cover the costs of running the programme and for specific research projects within it.

Our main aim for 2009 is to consolidate on the base established in 2008, with the specific objectives of:

- Continuing to improve Demos' reputation and profile.
- To launch new projects in each of the main programme areas of Capabilities, Citizenship, Independence and Security.
- Launching two new programmes with political themes; specifically to explore Progressive Conservative thinking and policy and to renew the ideas and thinking of the Left through open debate and new policy ideas.
- Producing at least two major publications that receive significant exposure and feedback.
- Hosting a comprehensive series of events at the autumn Party Conferences.
- Achieving an operating profit of at least 5% of turnover and continuing to improve its net funding position.

PUBLICATIONS

Demos publishes in a number of different formats including pdf web files, books, project reports, collections, and occasional commentary papers. Titles published this year include:

- *Making It Personal* by Niamh Gallagher
- *Everyday Democracy Index* by Kirsten Bound
- *Politics of Public Behaviour* by Duncan O'Leary
- *A Common Language* by Duncan O'Leary
- *Democratising Engagement* by Jamie Bartlett
- *UK Confidential* by Charlie Edwards
- *The Talking Cure* by Jack Stilgoe
- *The Future Face of Enterprise* by Alessandra Buonfino
- *Making the Most of Collaboration* by Pete Bradwell
- *State of Trust* by Samuel Jones
- *A More United Kingdom* by Alessandra Buonfino
- *Video Republic* by Celia Haddon, Pete Bradwell and Charlie Tims
- *Essays on Integration and Participation* by Pete Harrington
- *Network Citizens* by Pete Bradwell
- *After the Apocalypse* by Peter Harrington
- *Material World* by Samuel Jones
- *The Skills Paradox* by Duncan O'Leary

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

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 week, ranging from large-scale public debates to smaller scale seminars on particular issues. In addition Demos staff gave presentations and speeches, and took part in debates at conferences and events throughout the year. Notable events during the year included:

- A large conference on public services to launch Making it Personal report
- The final in a series of high profile public seminars with the Dutch Embassy
- A speech by Shadow Work and Pension Secretary Chris Grayling on achievement
- A speech by Home Secretary Jacqui Smith on privacy
- Public debate on science and universities
- A public debate about politics and emotions at Hay on Wye Literature Festival
- Two expert seminars on cultural policy
- A debate about democracy with the author Paul Ginsborg
- A speech by Shadow Chancellor George Osborne on fairness
- A public debate between Dutch and British immigration ministers on multi-culturalism
- A speech by Liberal Democrat leader Nick Clegg on being a liberal
- Numerous public launches over the year of Demos reports on, for example, health, skills, the economic crash, conservation, the internet, Brazil and privacy

PROJECTS

Demos carried out a wide range of research projects during 2008, using a range of methodologies. Many projects involve case studies, and rely on qualitative data obtained from individual and/or group interviews. Our network of contacts with leading opinion formers and practitioners enables Demos to be particularly effective in this type of work. Additionally, where relevant, techniques of quantitative data collection and analysis are employed. Projects of particular note include:

- Making the most of collaboration – a report on the value and potential of co-production methods in different spheres of work, public services and government
- Video Republic – identifies a new public realm of activity, creativity and debate online and the challenges it poses for policy, politics, organisations and individuals
- Extending the Atlas of Ideas project (examining the newly emerging geography of scientific and technical innovation globally) to include Brazil
- Network citizens – an investigation into the role of networks in organisations, both positive and negative
- Material World – a report setting out the huge public value of conservation to our society, and arguing that ordinary people should be much more involved in decision about conservation
- Social Care Constitution – this project looked at social care provision in the UK and proposed a constitution to govern the rights and obligations of providers and users
- Citizen Scientists examined up close several in a new breed of scientist – who are merging their scientific expertise with a social and political purpose
- Resilient Nation took the concept of UK resilience– the country's capacity to deal with shocks – and showed that it depends not on infrastructure and services but on trusting ordinary people
- Trust in Local Government is a long running project to examine the role of this important human value in the way local government relates to the public to get better services.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

FIXED ASSETS

Changes in fixed assets are shown in note 7 to the financial statements.

FUNDS

The charity has a number of funds which are detailed in note 14 in the financial statements.

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.

RESERVES

The Directors intend to maintain a cash and debtors reserve sufficient to meet the company's obligations to all of its creditors and to staff. The shortfall in incoming resources in 2007, which were insufficient to meet resources expended, left Demos with negative net funds at the end of the year. Although the position has improved during 2008, Demos is still not in a position to maintain adequate reserves, and the Directors will review the target reserve level at the end of 2009 when net funds are expected to be positive.

One restricted fund was in deficit at the year, however, funding has now been received to cover part of the deficit with further funding due following a final financial report submitted to the funder.

RISK ASSESSMENT

A detailed risk assessment has been prepared in accordance with guidance set out by the Charity Commission which sets out the risks faced by Demos and procedures have been put in place to mitigate those risks identified.

RESPONSIBILITIES OF THE DIRECTORS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of its income resources and application of resources of the charitable company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements 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 assume that the company will continue on that basis

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

RESPONSIBILITIES OF THE DIRECTORS (Continued)

Each of the directors confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the directors also confirms that they have taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

The trustees (who serve as Company Directors for the purposes of the Companies Act)

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

Andrew MacKenzie (to March 2008)
Edward Straw (Chair, to September 2008)
Simon Cooper (to July 2009)
Nick Claydon
Mary Rainey (to March 2009)
George Ferguson
Phil Collins (from July 2008, Chair from September 2008)
Neil Sherlock (from May 2008)
Ed Smith (from January 2009)
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 2008 was 6 (2007 – 6). 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

During 2008 and 2009 the directors have approached potential new directors who can provide a balance of skills and experience, as well as political allegiances. The process of refreshing the board continues and is expected to be completed, for the time being, by the end of 2009. 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.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

BASIS OF PREPARATION OF THE ACCOUNTS

At 31 December 2008, the balance sheet showed net liabilities of £127,780. The accounts have been prepared on a going concern basis. The poor results of 2007 left Demos with negative net funds at the end of the year. Once the financial position was clear, the directors hired an interim manager to prepare a recovery plan for Demos. On the basis of the recovery plan, which forecast a positive profit and cash flow position for the remainder of 2008 through to the end of 2009, the directors decided to allow Demos to continue to trade. Demos achieved a small improvement in its net funds position for the year and has continued to trade during 2009.

Following implementation of the recovery plan, the directors took the following actions to ensure effective management and rigorous monitoring of Demos' financial situation:

- Appointment of a new Executive Director in September 2008.
- Ensuring that improved business and finance process were implemented.
- Increasing the frequency of trustee meetings to every other month, and creating a Finance sub-committee to meet in any month when there is no trustees' meeting to review the financial health of the organisation.
- Review of monthly management accounts and financial estimates for the year.

As a result of these actions the directors are confident that the recovery plan is being successfully implemented and monitored. The forecast results for 2009 show an improvement and the budgeted results for 2010 show continuing improvements.

Although Demos continues to generate a surplus from its incoming resources, lags in receipts of grant and contract income mean that it has had to delay payments to its creditors to maintain a positive cash balance. As this is a short-term problem it is being managed through informal arrangements with creditors; the directors consider this to be an appropriate approach. Both Demos and its largest creditor wish to achieve more certainty over the timing of repayment of the outstanding balance, and Demos has proposed a repayment schedule which the creditor has indicated that it is willing to accept in principle; final agreement to this had not been reached at the time of signing of the accounts but the directors are confident that a repayment schedule will shortly be agreed that can be managed within Demos' current cash flow forecast.

The directors consider that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. The directors needed assurance that the funding secured for projects, less direct expenses, are sufficient to cover Demos' fixed costs and generate a small surplus. They have reviewed the latest estimates of results for 2009 and the budget for 2010 together with a cash flow forecast reflecting the agreed arrangements with creditors. They consider that these indicate that Demos can continue to operate as a going concern.

AUDITORS

Horwath Clark Whitehill were appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the directors on 15/12/09 and signed on their behalf by



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEMOS

We have audited the financial statements of Demos for the year ended 31 December 2008 which comprise the statement of financial activities, balance sheet and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 the directors and auditors

The responsibilities of the directors (who are also the directors of Demos for the purposes of company law) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the statement of responsibilities of the directors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the annual report of the directors is consistent with the financial statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and other transactions is not disclosed.

We read the annual report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEMOS (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the group and charitable company's state of affairs as at 31 December 2008 and the group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to the disclosures in note 1(b) of the financial statements concerning the charitable company's ability to continue as a going concern. As disclosed in note 1(b) the trustees consider that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

The directors have prepared these financial statements on the going concern basis. If the adoption of the going concern basis is inappropriate then adjustments, which it is not practicable to quantify, would be required, including those to write down assets to their recoverable value and to provided for any further liabilities that may arise.

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors

Date: *18 December 2009*

St Bride's House
10 Salisbury Square
London EC4Y 8EH

DEMOS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN
INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Restricted £	Unrestricted £	Total 2008 £	Total 2007 £
INCOMING RESOURCES					
<i>Incoming resources from general funds</i>					
Voluntary income		-	1,250	1,250	-
Activities for generating funds					
Sales income		-	1,567	1,567	108,753
Rental income		-	2,775	2,775	-
Investment income		-	706	706	1,675
<i>Incoming resources from charitable activities</i>					
Projects	2	207,121	1,192,382	1,399,503	1,485,058
Events and seminars		-	35,132	35,132	113,671
Publications and subscriptions		-	15,776	15,776	25,818
Other incoming resources		-	8,655	8,655	3,397
Total incoming resources		<u>207,121</u>	<u>1,258,243</u>	<u>1,465,364</u>	<u>1,738,372</u>
Resources expended					
Costs of generated funds:					
Fundraising and publicity		-	-	-	3,615
Charitable activities					
Projects		200,481	1,041,333	1,241,814	1,773,533
Events and seminars		-	46,418	46,418	236,636
Publications and subscriptions		-	105,208	105,208	182,132
Governance costs		-	64,547	64,547	70,812
Total resources expended	3	<u>200,481</u>	<u>1,257,506</u>	<u>1,457,987</u>	<u>2,266,728</u>
Net incoming/(outgoing) resources for the year before transfers	4	6,640	737	7,377	(528,356)
Transfers between funds		4,025	(4,025)	-	-
Net income/(expenditure) for the year		10,665	(3,288)	7,377	(528,356)
Reconciliation of funds					
Funds at the start of the year		17,769	(152,926)	(135,157)	393,199
Funds at the end of the year		<u>28,434</u>	<u>(141,214)</u>	<u>(127,780)</u>	<u>(135,157)</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed above and in note 13 to the financial statements.

DEMOS
BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	The group		The charity	
		2008 £	2007 £	2008 £	2007 £
TANGIBLE FIXED ASSETS	7	<u>2,823</u>	<u>13,374</u>	<u>2,823</u>	<u>13,374</u>
CURRENT ASSETS					
Stock	8	-	15,380	-	15,380
Debtors	9	<u>267,432</u>	<u>319,516</u>	<u>287,035</u>	<u>314,079</u>
Cash at bank and in hand		<u>74,177</u>	<u>9,654</u>	<u>73,791</u>	<u>7,299</u>
		341,609	344,550	360,826	336,758
LIABILITIES					
CREDITORS: amounts falling due within one year	10	<u>392,212</u>	<u>493,081</u>	<u>389,912</u>	<u>464,435</u>
NET CURRENT LIABILITIES		<u>(50,603)</u>	<u>(148,531)</u>	<u>(29,086)</u>	<u>(127,677)</u>
CREDITORS: amounts falling due after one year	12	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
NET LIABILITIES	13	<u>(127,780)</u>	<u>(135,157)</u>	<u>(106,263)</u>	<u>(114,303)</u>
FUNDS	14				
Restricted funds in deficit		(17,547)	-	(17,547)	-
Restricted funds in surplus		45,981	17,769	45,981	17,769
Unrestricted funds					
Trading subsidiary reserves in deficit		(21,518)	(20,855)	-	-
General funds		<u>(134,696)</u>	<u>(132,071)</u>	<u>(134,697)</u>	<u>(132,072)</u>
TOTAL FUNDS		<u>(127,780)</u>	<u>(135,157)</u>	<u>(106,263)</u>	<u>(114,303)</u>

Approved by the directors on
And signed on their behalf by

18/12/09

Director



DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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 1985.

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 the provisions of paragraph 304 of the SORP.

(b) Going concern

At 31 December 2008, the balance sheet showed net liabilities of £127,780. The accounts have been prepared on a going concern basis. The poor results of 2007 left Demos with negative net funds at the end of the year. Once the financial position was clear, the directors hired an interim manager to prepare a recovery plan for Demos. On the basis of the recovery plan, which forecast a positive profit and cash flow position for the remainder of 2008 through to the end of 2009, the directors decided to allow Demos to continue to trade. Demos achieved a small improvement in its net funds position for the year and has continued to trade during 2009.

Following implementation of the recovery plan, the directors took the following actions to ensure effective management and rigorous monitoring of Demos' financial situation:

- Appointment of a new Executive Director in September 2008.
- Ensuring that improved business and finance process were implemented.
- Increasing the frequency of trustee meetings to every other month, and creating a Finance sub-committee to meet in any month when there is no trustees' meeting to review the financial health of the organisation.
- Review of monthly management accounts and financial estimates for the year.

As a result of these actions the directors are confident that the recovery plan is being successfully implemented and monitored and that the results for Demos will continue to improve in 2009 and 2010.

Although Demos continues to generate a surplus from its incoming resources, lags in receipts of grant and contract income mean that it has had to delay payments to its creditors to maintain a positive cash balance. As this is a short-term problem it is being managed through informal arrangements with creditors; the directors consider this to be an appropriate approach. Both Demos and its largest creditor wish to achieve more certainty over the timing of repayment of the outstanding balance, and Demos has proposed a repayment schedule which the creditor has indicated that it is willing to accept in principle; final agreement to this had not been reached at the time of signing of the accounts but the directors are confident that a repayment schedule will shortly be agreed that can be managed within Demos' current cash flow forecast.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (Continued)

(b) Going concern (Continued)

The directors consider that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. The directors needed assurance that the funding secured for projects, less direct expenses, are sufficient to cover Demos' fixed costs and generate a small surplus. They have reviewed the latest estimates of results for 2009 and the budget for 2010 together with a cash flow forecast reflecting the agreed arrangements with creditors. They consider that these indicate that Demos can continue to operate as a going concern.

(c) Voluntary income

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

(d) 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.

(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.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (Continued)

(f) Resources expended

Costs of generating funds relate to the costs incurred by the charitable company in seeking voluntary contributions from third parties.

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. Overheads and other costs which cannot be directly allocated are apportioned on the following basis which is an estimate based on staff time, of the amount attributable to each activity.

Projects	82%
Publications and subscriptions	5%
Events and seminars	2%
Support cost	11%

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.

(g) 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.

(h) Operating leases

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

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (Continued)

(i) Stocks

In previous years stocks were stated at the lower of cost and net realisable value and provision made where necessary for obsolete, slow moving and defective stocks. As most publications are fully funded by sponsors of projects, and in general sales of books and pamphlets are low, the decision was taken from 2008 to expense all publications at the time of publishing.

(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.

(k) Transfers between funds

Where restricted income does not cover the full costs of the specific activity it is given for, a transfer is made from the unrestricted fund to compensate the shortfall where appropriate.

2. PROJECT INCOME

	Restricted £	Unrestricted £	Total 2008 £	Total 2007 £
Government Departments	52,182	89,976	142,158	64,691
Local Government	1,728	83,673	85,401	125,550
NDPBs	20,729	148,573	169,302	493,957
Non-UK Organisations	72,207	118,602	190,809	134,968
Commercial organisations	40,275	380,891	421,166	359,918
Charities and Foundations	20,000	186,690	206,690	156,080
Cultural and Educational organisations	-	121,273	121,273	107,384
Other	-	62,704	62,704	42,510
	<u>207,121</u>	<u>1,192,382</u>	<u>1,399,503</u>	<u>1,485,058</u>

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

3. TOTAL RESOURCES EXPENDED

	Projects £	Events & seminars £	Publications & subscriptions £	Governance £	Support costs £	Total £	Total £
Staff costs (note 5)	610,609	16,391	34,282	32,601	79,606	773,489	1,027,779
Other staff costs	26,534	647	1,618	-	3,559	32,358	26,074
Office costs	41,143	1,003	2,509	-	5,519	50,174	90,165
Premises	103,324	2,520	6,300	-	13,861	126,005	105,447
Venue and catering	2,093	16,526	-	-	-	18,619	141,210
Consultancy. Professional fees and freelance payments	174,452	-	-	-	-	174,452	492,451
Publications design and print	56,549	-	32,309	-	-	88,858	116,783
Public relations	-	-	-	-	-	-	3,615
Travel	33,663	821	2,053	-	4,516	41,053	68,423
Bank charges	4,112	100	251	-	552	5,015	3,439
Audit and accountancy	-	-	-	24,934	24,934	49,868	36,351
Irrecoverable VAT	40,145	979	2,448	-	5,385	48,957	62,524
Depreciation	9,710	237	592	-	1,303	11,842	13,670
Bad debts	-	-	-	-	-	-	27,790
Write off of obsolete stock	-	-	15,380	-	-	15,380	38,752
Loss on disposal	-	-	-	-	-	-	439
Sundry expenditure	20,280	183	454	-	1,000	21,917	11,816
Total resources expended	1,122,614	39,407	98,196	57,535	140,235	1,457,987	2,266,728
Support costs	119,200	7,011	7,012	7,012	(140,235)	-	-
Total resources expended	1,241,814	46,418	105,208	64,547	-	1,457,987	2,266,728

DEMOS
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4. NET OUTGOING RESOURCES FOR THE YEAR	2008	2007
	£	£
This is stated after charging:		
Depreciation	11,842	13,670
Directors' remuneration	Nil	Nil
Directors' reimbursed expenses	Nil	Nil
Auditors' remuneration:		
Audit	15,000	8,636
Under accrual in respect previous year (previous auditors)	17,669	7,329
Other services	-	5,875
Operating lease rentals:		
Property	80,000	80,000
	<u>80,000</u>	<u>80,000</u>

5. STAFF COSTS AND NUMBERS

Salaries and wages	684,511	875,522
Social security costs	61,614	96,646
Pension costs	27,364	40,611
Ex gratia	-	15,000
	<u>773,489</u>	<u>1,027,779</u>

No employee (2007: one employee earned between £60,000 and £70,000) received emoluments amounting to over £60,000 in the year.

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

	2008	2007
	No	No
Projects	18.1	19.5
Events and seminars	0.7	2.1
Publications and subscriptions	1.0	0.8
Support costs	2.1	3.2
Governance	0.5	1.1
	<u>22.4</u>	<u>26.7</u>

6. TAXATION

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

DEMOS
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7. TANGIBLE FIXED ASSETS- Group And Charity

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2008	27,929	34,109	62,038
Additions in year	-	1,291	1,291
At 31 December 2008	<u>27,929</u>	<u>35,400</u>	<u>63,329</u>
Depreciation			
At 1 January 2008	22,015	26,649	48,664
Charge for the year	5,586	6,256	11,842
At 31 December 2008	<u>27,601</u>	<u>32,905</u>	<u>60,506</u>
Net book value			
At 31 December 2008	<u>328</u>	<u>2,495</u>	<u>2,823</u>
<i>At 31 December 2007</i>	<u>5,914</u>	<u>7,460</u>	<u>13,374</u>

All tangible fixed assets are used for direct charitable purposes

8. STOCK

	Group 2008 £	2007 £	Charity 2008 £	2007 £
Finished goods for resale	-	15,380	-	15,380

9. DEBTORS

	Group 2008 £	2007 £	Charity 2008 £	2007 £
Trade debtors	206,999	232,830	205,236	215,557
Amounts due from subsidiary	-	-	21,366	13,336
Prepayments	33,610	52,156	33,610	52,156
Accrued income	26,823	34,530	26,823	33,030
	<u>267,432</u>	<u>319,516</u>	<u>287,035</u>	<u>314,079</u>

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10. CREDITORS: amounts falling due within one year

	Group		Charity	
	2008	<i>2007</i>	2008	<i>2007</i>
	£	£	£	£
Trade creditors	107,111	123,982	104,841	96,647
Deferred income	161,774	238,736	161,774	238,736
Taxations and social security	25,904	58,994	25,874	57,683
Other creditors	49,600	49,600	49,600	49,600
Accruals	47,823	21,769	47,823	21,769
	<u>392,212</u>	<u>493,081</u>	<u>389,912</u>	<u>464,435</u>

11. DEFERRED INCOME

	Group		Charity	
	2008	<i>2007</i>	2008	<i>2007</i>
	£	£	£	£
At 1 January 2008	238,736	107,442	238,736	107,442
Released to Statement of Financial Activities	(238,736)	(107,442)	(238,736)	(107,442)
Project income received and deferred in year	161,774	238,736	161,774	238,736
At 31 December 2008	<u>161,774</u>	<u>238,736</u>	<u>161,774</u>	<u>238,736</u>

Income is deferred where Demos has not met all the conditions required to gain entitlement to incoming resources.

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

	Group		Charity	
	2008	<i>2007</i>	2008	<i>2007</i>
	£	£	£	£
Venturesome Loan	80,000	-	80,000	-
	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>

An analysis of the maturity of loans is given below.

	2008	<i>2007</i>
	£	£
Amounts due within one year	-	-
Amounts due between one and two years	26,667	-
Amounts due between two and five years	53,333	-
Total loan	<u>80,000</u>	<u>-</u>

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13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds £	General funds £	Total funds £
Tangible fixed assets	-	2,823	2,823
Net current assets/(liabilities)	28,434	(64,037)	(35,603)
Long-term liabilities	-	(80,000)	(80,000)
Net assets/(liabilities) at 31 December 2008	28,434	(141,214)	(112,780)

14. MOVEMENT IN FUNDS

	<i>At 1 January 2008</i> £	Incoming resources £	Outgoing resources £	Transfers £	At 31 December 2008 £
Restricted funds					
NESTA – The disrupters Local Government Leadership	-	(1,200)	-	1,200	-
NESTA – Future innovation	-	1,728	(1,728)	-	-
Connecting the Dots	-	21,929	(21,929)	-	-
JRF – Bradford Housing	-	20,000	(5,000)	-	15,000
ESRC-Radicalisation	-	20,000	(20,000)	-	-
Public Safety Canada – Radicalisation	3,293	72,207	(75,500)	-	-
Mosque workshops – Tackling Extremism	-	40,275	(31,632)	-	8,643
Science, Technology and Civil Society	-	32,182	(9,844)	-	22,338
	<u>14,476</u>	<u>-</u>	<u>(34,848)</u>	<u>2,825</u>	<u>(17,547)</u>
Total restricted funds	17,769	207,121	(200,481)	4,025	28,434
Unrestricted funds:					
General fund	<u>(152,926)</u>	<u>1,258,243</u>	<u>(1,257,506)</u>	<u>(4,025)</u>	<u>(156,214)</u>
Total	(135,157)	1,465,364	(1,457,987)	-	(127,780)

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 is in deficit as expenditure had been incurred but no funding was receivable at 31 December 2008. Funding is expected in 2009 to pay back the deficit on this fund and part of this funding has already been received.

DEMOS
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15. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2008	2007
	£	£
Within one year	80,000	-
1 – 2 years	-	<u>80,000</u>

16. 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.

	2008	2007
	£	£
Turnover	1,567	107,095
Cost of sales	-	<u>(111,035)</u>
Gross profit	1,567	(3,940)
Administrative expenses	(122)	(18,576)
Other income	(2,164)	<u>1,500</u>
Operating profit	(719)	(21,016)
Interest receivable	<u>56</u>	<u>306</u>
Loss on ordinary activities	(663)	(20,710)
Funds brought forward	(20,855)	<u>(145)</u>
Funds carried forward	(21,518)	<u>(20,855)</u>
The aggregate of the assets, liabilities and funds was:		
Assets	3,715	21,127
Liabilities	(25,233)	<u>(41,982)</u>
Funds	(21,518)	<u>(20,855)</u>