

Company Number: 2977740
Charity Number: 1042046

DEMOS
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2009

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 Carlton Park Narborough Leicester LE19 0AL
AUDITORS	Crowe Clark Whitehill LLP Chartered Accountants St Bride's House 10 Salisbury Square London EC4Y 8EH

DEMOS
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the financial statements for the year ended 31 December 2009.

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 Deputy Director, the Chief Operating Officer, the Head of Operations 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 main aim for 2009 was 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.

Although the qualitative objectives were all achieved during 2009, Demos' financial results were disappointing. A combination of delays to the start of projects towards the end of the year which resulted in a reduction in income, together with under-forecasting of project and overhead costs resulted in an overall result which was worse than break-even. As a result steps were taken early in 2010 to reduce the cost base to insure against a further shortfall in income.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

Specific achievements for 2010 include:

- The successful launch of two new programmes with political themes: first the Progressive Conservatism Project and later Open Left.
- Launch of significant new projects in each of the main programme areas of Capabilities, Citizenship, Independence and Security.
- A very successful conference season, with a range of 35 events across all three party conferences, with almost universally high-quality debates
- Several high profile publications and events, including In Loco Parentis, and Building Character, the first stage of the ambitious Character Inquiry

Our over-riding objective for 2010 was to establish a secure financial foundation whilst continuing to build on the high quality of work and good reputation that Demos has achieved over the last two years.

PUBLICATIONS

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

- *A Constitution for Social Care* by Jamie Bartlett and Silvia Guglielmi
- *Knowledge Nomads* by Jack Stilgoe and Natalie Day
- *Citizen Scientists* by Jack Stilgoe
- *Resilient Nation* by Charlie Edwards
- *The Liberal Republic* by Richard Reeves and Philip Collins
- *A Stitch in Time: Tackling Educational Disengagement* by Sonia Sodha and Silvia Guglielmi
- *A Citizens' Charter for Reform* by Celia Hannon and Sonia Sodha
- *What Next for Labour?* by Peter Harrington and Beatrice Karol Burks
- *The Culture of Churn for UK Ministers* by Richard Reeves and Hugh Cleary
- *The Edgeless University* by Peter Bardwell
- *Wishful Thinking* by Alessandra Buonfino and Silvia Guglielmi
- *Resuscitating Democracy* by Jonty Olliff-Cooper
- *Expressive Lives* by Samuel Jones
- *Recapitalising the Poor* by Max Wind-Cowie
- *Getting More for Less* by Jamie Bartlett
- *Mistaking Mistakes* by Julian Baggini
- *Reinventing the Firm* by William Davies
- *The Liberal Moment* by Nick Clegg
- *Leading from the Front* by Jonty Olliff-Cooper, Max Wind-Cowie and Jamie Bartlett
- *Powerful People: Power Failures* by Liam Byrne
- *Powerful People: Economically Powerful People* by David Lammy
- *At Your Service* by Jamie Bartlett
- *Making of Me* by Jen Lexmond and Shelagh Wright
- *Building Character* by Jen Lexmond and Richard Reeves
- *Connecting the Dots* by Jake Chapman, Charlie Edwards and Simon Hampson
- *Service Nation* by Sonia Sodha and Dan Leighton
- *The NHS in an Age of Progressive Austerity* by Claudia Wood
- *The Power Gap* by Dan Leighton

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

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 give presentations and speeches, and take part in debates at conferences and events. Notable events during the year include:

- The Progressive Conservatism Project launched successfully on 22nd January, with a keynote speech and Q&A from David Cameron
- The launch of a Social Care Constitution, with the spokesmen from all three parties
- A panel on Quantitative Easing for the shadow Treasury team, with Graham Turner (GFC Economic); Dr Geoff Tilly (ONS & HMT), and Professor Victoria Chick.
- A joint event with ACEVO, Recession-Proofing: the role of the Third Sector, with a keynote speech by Stephen Bubb of ACEVO and response by Nick Hurd MP, shadow Third Sector minister
- The launch of Knowledge Nomads, with panel discussion including Dr. Caroline S. Wagner, Michael White The Guardian; Dr. Tony Wood - Vice President and Worldwide Head of Medicinal Chemistry, Pfizer Global and Dr. James Wilsdon - Director, Science Policy Centre, The Royal Society
- An event on 21st Century Britain: a Royal Republic? with David Marquand, Stuart White, Prof Cecile Laborde and Jon Cruddas MP
- An event on 'Nudgonomics' with Richard Thaler and John Kay
- A panel debate on 'How to be Good' – which launched the Capabilities Programme
- The launch of Edgeless Universities with David Lammy and Ed Smith
- The launch of Expressive Lives at the Royal Opera House, with President Obama's adviser on culture Bill Ivey
- A 'Citizens Convention' on MPs expenses, a joint enterprise with IPSOS/Mori, which resulted in the only submission to the Kelly Inquiry which drew on the views of a representative group of Citizens
- At the Conservative conference we launched a report on public service reform, Leading from the Front, with Francis Maude
- The launch of the Building Character report at the ICA with Maria Miller MP
- A series of three seminars with PricewaterhouseCooper on Progressive Austerity, with Vince Cable MP, James Purnell MP, David Gauke MP, Professor Julian le Grand, Phil Hammond MP, Patricia Hewitt MP, David Willetts MP and Nick Timmins
- A roundtable on the 'NHS in an age of progressive austerity'. with John Appleby and Patricia Hewitt MP
- The launch of the Open Left project together with the excellent Open Left website which has earned a reputation as a key discussion zone for centre-left thinking
- A roundtable event in the House of Commons with David Freud, shadow welfare reform minister, to launch Recapitalising the Poor (which included a Foreword from David Cameron)
- The launch of More for Less, a report on cost efficiency in the public sector, with Michael Bishard of the Institute for Government and Gareth Davies, head of the Strategy Unit
- A keynote speech from George Osborne MP on 'Progressive reform in an age of austerity'
- A youth citizen's convention on youth civic service
- The launch of the Power Gap with Danny Finkelstein and James Purnell MP
- A very successful conference season, with a range of 35 events across all three party conferences, with almost universally high-quality debates

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

PROJECTS

Demos carried out a wide range of research projects during 2009, 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:

- Parenting, Character and Life Chances - a one-year project examining how parenting influences character development and thereby life chances
- Reinventing the Firm - six-month project looking at ownership models of companies
- Common Currency - seminars on innovation in the cultural and creative sectors
- Venture Capital - an examination of regulatory and fiscal models to enhance the contribution of VC to long-term, sustainable economic growth
- Urban infrastructure – investigating the role of industrial heritage in urban regeneration and 'place-shaping'
- Economic Literacy - assessing the impact of higher levels of economic understanding
- In Loco Parentis - examining best practice for the growing number of children in care, and an agenda for improving their outcomes
- Anatomy of Youth - exploring perceptions of youth, community and engagement
- Digital Citizenship – a series of events on the impact of technology on citizenship
- National Civic Service - examining young people's attitudes to civic service
- Royal Opera House - an evaluation of the impact of the Royal Opera House's production part on creative education and industries in the Thames Gateway area, also assessing the impact of a cultural institution's work to build the cultural and creative capabilities of participants in its programmes
- Coming of Age - exploring ageing in culture and society and investigating how public policy should respond to the challenges posed by our ageing society
- The Home Front - stage two of the project on parenting and the early years, focusing on specific programmes to support parents
- The Power Gap - a landmark project on everyday power showing how far we have to travel to become a nation of powerful people

During the year we also launched two projects with explicit political themes:

- Progressive Conservatism - developing policies and ideas that are firmly rooted in the conservative tradition but also reflect the progressive values of personal and community empowerment, combating poverty and tackling inequality
- Open Left – a project about rediscovering the Left's idealism, pluralism and appetite for radical ideas, starting from a belief that the future of the Left requires a new openness for a new era of open politics

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

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 13 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. The position has not improved, and Demos is still not in a position to maintain adequate reserves. The Directors will review the target reserve level by the end of 2011 when net funds are expected to be positive.

Two restricted funds were in deficit at the year end, however funding is due which will eliminate the deficits following final financial reports submitted to the funders.

RISK ASSESSMENT

Demos adopted a risk assessment in accordance with guidance set out by the Charity Commission at the 2003 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 2009

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
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 2009 was 7 (2008 – 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

The process of refreshing the board which began in 2008 has been completed, for the time being. 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 2009

BASIS OF PREPARATION OF THE ACCOUNTS

2009 was a turnaround year for Demos in terms of its brand and positioning and a number of investments were made, for example, in the Progressive Conservatism Project that did not begin to pay off until 2010. This investment was vindicated by, for example, the company's success in winning the 2010 Public Affairs Think Tank of the Year Award which has given potential partners the confidence to work with Demos.

In early 2010 the company traded strongly but was then hit by a period of uncertainty as a result of the general election, which reduced the volume of contracts that were signed in the second quarter of the year. However this effect was temporary and since then the company has then benefited from an increased demand for think tank policy research that has come from having a new government, and the fact that that government is a coalition. The 2010 party conference was particularly strong for Demos, and the company was profitable in the final two quarters of the year which enabled them to pay back a significant proportion of the outstanding liabilities by end 2010. In addition a partnership programme was launched bringing in additional income on a subscription basis. The net debt position of the company is estimated to stand at around £100,000, excluding the Venturesome loan, at the end of 2010.


At the same time, following the departure of the Director, Richard Reeves, to work for the Deputy Prime Minister following the general election, the company appointed a new director, Kitty Ussher, with effect from mid-September 2010. She has reorganised the finance function of the firm, including bringing in a new Head of Finance, and implemented new internal procedures designed to bear down on costs and obtain more effective financial performance systems within the company, and between the company and the board. Coupled with a strong pipeline, and the launch of a second new subscription service (Open Left Business Dialogue), this approach is expected to eliminate the firm's net liabilities during 2011 and start to build reserves. This approach was approved by the Board of Trustees at its meeting on 12 January 2011. The trading position at the start of 2011 is good with a full set of contracted projects and very positive discussions with potential funders of proposals in the pipeline.

At 31 December 2009, the balance sheet showed net liabilities of £265,904 and net current liabilities of £226,717 and net current liabilities of £226,717. As a result of this the company may not be able to meet all of its liabilities as they fall due.

The Directors have reviewed the latest estimates of results for 2010 and the budget for 2011 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 the fall due for the foreseeable future and have therefore prepared the financial statements on the going concern basis.

AUDITORS

On 1 October 2010, Horwath Clark Whitehill LLP changed its name to Crowe Clark Whitehill LLP. Crowe Clark Whitehill LLP has indicated its willingness to be reappointed as statutory auditor.

Approved by the directors on 25/1/11 and signed on their behalf by 

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEMOS

We have audited the group and parent company financial statements of Demos for the year ended 31 December 2009 set out on pages 11 to 21. 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 Chapter 3 of Part 16 of the Companies Act 2006 and section 44 of the Charities Act 1994. 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 trustees and auditors

The Directors responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

We have been appointed auditors under the Companies Act 2006 and section 43 of the Charities Act 1993 and report to you in accordance with those Acts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006 and the Charities Act 1993. We also report to you if in our opinion the information given in the Directors' Report is not consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charity's financial statements are not in agreement with those records, if we have not received all the information and explanations we require for our audit or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

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 of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the Companies Act 2006 and the Charities Act 1993; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – going concern

In forming our opinion, which is not qualified, 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.

At 31 December 2009, the balance sheet showed net liabilities of £265,904 and net current liabilities of £226,717. As a result of this the company may not be able to meet all of its liabilities as they fall due. The directors therefore consider that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

N. Hashemi

Naziar Hashemi

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

25 January 2011

DEMOS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN
INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Restricted £	Unrestricted £	Total 2009 £	Total 2008 £
INCOMING RESOURCES					
<i>Incoming resources from general funds</i>					
Voluntary income		-	-	-	1,250
Activities for generating funds					
Sales income		-	-	-	1,567
Rental income		-	-	-	2,775
Investment income		-	63	63	706
<i>Incoming resources from charitable activities</i>					
Projects	2	146,492	1,128,688	1,275,180	1,399,503
Events and seminars		-	188,215	188,215	35,132
Publications and subscriptions		-	6,334	6,334	15,776
Other incoming resources		-	38,223	38,223	8,655
Total incoming resources		<u>146,492</u>	<u>1,361,523</u>	<u>1,508,015</u>	<u>1,465,364</u>
Resources expended					
<i>Charitable activities</i>					
Projects		194,746	1,113,669	1,308,415	1,241,814
Events and seminars		-	139,687	139,687	46,418
Publications and subscriptions		-	139,046	139,046	105,208
Governance costs		-	58,991	58,991	64,547
Total resources expended	3	<u>194,746</u>	<u>1,451,393</u>	<u>1,646,139</u>	<u>1,457,987</u>
Net (outgoing)/incoming resources for the year before transfers	4	(48,254)	(89,870)	(138,124)	7,377
Transfers between funds		3,000	(3,000)	-	-
Net (expenditure)/income for the year and net movement in funds		(45,254)	(92,870)	(138,124)	7,377
Reconciliation of funds					
Funds at the start of the year		28,434	(156,214)	(127,780)	(135,157)
Funds at the end of the year		<u>(16,820)</u>	<u>(249,084)</u>	<u>(265,904)</u>	<u>(127,780)</u>

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 2009

	Notes	Group		Charity	
		2009 £	2008 £	2009 £	2008 £
TANGIBLE FIXED ASSETS	7	<u>29,777</u>	<u>2,823</u>	<u>29,777</u>	<u>2,823</u>
CURRENT ASSETS					
Debtors	8	<u>376,680</u>	<u>267,432</u>	<u>397,818</u>	<u>287,035</u>
Cash at bank and in hand		<u>10,647</u>	<u>74,177</u>	<u>10,592</u>	<u>73,791</u>
		387,327	341,609	408,410	360,826
LIABILITIES					
CREDITORS: amounts falling due within one year	9	<u>614,044</u>	<u>392,212</u>	<u>613,669</u>	<u>389,912</u>
NET CURRENT LIABILITIES		<u>(226,717)</u>	<u>(50,603)</u>	<u>(205,259)</u>	<u>(29,086)</u>
CREDITORS: amounts falling due after one year	11	<u>68,964</u>	<u>80,000</u>	<u>68,964</u>	<u>80,000</u>
NET LIABILITIES	12	<u>(265,904)</u>	<u>(127,780)</u>	<u>(244,446)</u>	<u>(106,263)</u>
FUNDS	13				
Restricted funds in deficit		<u>(35,935)</u>	<u>(17,547)</u>	<u>(35,935)</u>	<u>(17,547)</u>
Restricted funds in surplus		<u>19,115</u>	<u>45,981</u>	<u>19,115</u>	<u>45,981</u>
Unrestricted funds					
Trading subsidiary reserves in deficit		<u>(21,458)</u>	<u>(21,518)</u>	-	-
General funds		<u>(227,626)</u>	<u>(134,696)</u>	<u>(227,626)</u>	<u>(134,697)</u>
TOTAL FUNDS		<u>(265,904)</u>	<u>(127,780)</u>	<u>(244,446)</u>	<u>(106,263)</u>

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

Director



25/1/11

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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. The total incoming resources for Demos as an individual charity was £1,507,955 and its net movement in funds was £138,184 for the year to 31 December 2009.

(b) Going concern

At 31 December 2009, the balance sheet showed net liabilities of £265,904 and net current liabilities of £226,717. As a result of this the company may not be able to meet all of its liabilities as they fall due. The directors therefore consider that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

The company has agreed a repayment schedule with its largest creditor, and is maintaining these repayments. It has also come to informal arrangements with its other overdue creditors and is managing to make payments gradually as funds become available. Repayment of the loan from Venturesome is also being made according to the agreed schedule. The directors have reviewed the latest estimates of results for 2010 and the budget for 2011 together with a cash flow forecast reflecting the agreed arrangements with creditors and the company restructuring set out on the directors' report.

In light of this review the directors consider it to be a reasonable assumption needed that the funding secured for projects, less direct expenses, will be sufficient to cover Demos' fixed costs, generate a small surplus and meet the expected liabilities as they fall due. They have therefore prepared the financial statements on the going concern basis.

(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 2009

1. ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation

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

(g) 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	77%
Publications and subscriptions	7%
Events and seminars	4%
Support cost	12%

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.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES (Continued)

(i) 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.

(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	Total
	£	£	2009	2008
	£	£	£	£
Government Departments	32,812	49,635	82,447	<i>142,158</i>
Local Government	-	9,231	9,231	<i>85,401</i>
NDPBs	-	211,188	211,188	<i>169,302</i>
Non-UK Organisations	32,180	-	32,180	<i>190,809</i>
Commercial organisations	-	312,274	312,274	<i>421,166</i>
Charities and Foundations	26,500	398,121	424,621	<i>206,690</i>
Cultural and Educational organisations	-	117,953	117,953	<i>121,273</i>
Other sources	55,000	30,286	85,286	<i>62,704</i>
	<u>146,492</u>	<u>1,128,688</u>	<u>1,275,180</u>	<i><u>1,399,503</u></i>

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. TOTAL RESOURCES EXPENDED

	Projects £	Events & seminars £	Publications & subscriptions £	Governance £	Support costs £	2009 Total £	2008 Total £
Staff costs (note 5)	627,349	32,717	59,687	39,209	98,789	857,751	773,489
Other staff costs	33,184	1,724	3,017	-	5,171	43,096	32,358
Office costs	45,858	2,382	4,169	-	7,147	59,556	50,174
Premises	83,600	4,343	7,600	-	13,028	108,571	126,005
Venue and catering	91,592	86,455	-	-	-	178,047	18,619
Consultancy and freelance fees	188,204	-	-	-	-	188,204	174,452
Publications, design and print	23,248	-	49,087	-	-	72,335	88,858
Travel	42,903	2,229	3,900	-	6,686	55,718	41,053
Interest payable and charges	7,588	394	690	-	1,182	9,854	5,015
Audit and accountancy	-	-	-	12,278	12,278	24,556	49,868
Irrecoverable VAT	17,809	925	1,619	-	2,775	23,128	48,957
Write off obsolete stock	-	-	-	-	-	-	15,380
Depreciation	7,972	414	725	-	1,242	10,353	11,842
Sundry expenditure	11,527	599	1,048	-	1,796	14,970	21,917
Total resources expended	1,180,834	132,182	131,542	51,487	150,094	1,646,139	1,457,987
Support costs	127,581	7,505	7,504	7,504	(150,094)	-	-
Total resources expended	1,308,415	139,687	139,046	58,991	-	1,646,139	1,457,987

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

7. TANGIBLE FIXED ASSETS- Group And Charity

	Office equipment £	Computer equipment and website £	Total £
Cost			
At 1 January 2009	27,929	35,400	63,329
Additions in year	573	36,734	37,307
At 31 December 2009	28,502	72,134	100,636
Depreciation			
At 1 January 2009	27,601	32,905	60,506
Charge for the year	448	9,905	10,353
At 31 December 2009	28,049	42,810	70,859
Net book value			
At 31 December 2009	453	29,324	29,777
At 31 December 2008	<i>328</i>	<i>2,495</i>	<i>2,823</i>

All tangible fixed assets are used for direct charitable purposes

8. DEBTORS

	Group 2009 £	2008 £	Charity 2009 £	2008 £
Trade debtors	308,488	206,999	308,488	205,236
Amounts due from subsidiary	-	-	21,138	21,366
Prepayments	5,584	33,610	5,584	33,610
Accrued income	62,608	26,823	62,608	26,823
	376,680	267,432	397,818	287,035

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

9. CREDITORS: amounts falling due within one year

	Group		Charity	
	2009	<i>2008</i>	2009	<i>2008</i>
	£	£	£	£
Venturesome loan	31,036	-	31,036	-
Trade creditors	189,531	107,111	189,531	104,841
Deferred income	120,389	161,774	120,389	161,774
Taxation and social security	171,534	25,904	171,534	25,874
Other creditors	49,600	49,600	49,600	49,600
Accruals	51,954	47,823	51,579	47,823
	<u>614,044</u>	<u>392,212</u>	<u>613,669</u>	<u>389,912</u>

10. DEFERRED INCOME

	Group		Charity	
	2009	<i>2008</i>	2009	<i>2008</i>
	£	£	£	£
At 1 January 2009	161,774	238,736	161,774	238,736
Released to Statement of Financial Activities	(161,774)	(238,736)	(161,774)	(238,736)
Project income received and deferred in year	<u>120,389</u>	<u>161,774</u>	<u>120,389</u>	<u>161,774</u>
At 31 December 2009	<u>120,389</u>	<u>161,774</u>	<u>120,389</u>	<u>161,774</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	
	2009	<i>2008</i>	2009	<i>2008</i>
	£	£	£	£
Venturesome loan	<u>68,964</u>	<u>80,000</u>	<u>68,964</u>	<u>80,000</u>
	<u>68,964</u>	<u>80,000</u>	<u>68,964</u>	<u>80,000</u>

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

	2009	<i>2008</i>
	£	£
Amounts due within one year	31,036	-
Amounts due between one and two years	32,937	26,667
Amounts due between two and five years	<u>36,027</u>	<u>53,333</u>
Total loan	<u>100,000</u>	<u>80,000</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 7% until 31 December 2010 and then at 9% for the remaining term of the loan.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds £	General funds £	Total funds £
Tangible fixed assets	-	29,777	29,777
Net current liabilities	(16,820)	(209,897)	(226,717)
Long-term liabilities	-	(68,964)	(68,964)
Net liabilities at 31 December 2009	(16,820)	(249,084)	(265,904)

13. MOVEMENT IN FUNDS

	At 1 January 2009 £	Incoming resources £	Outgoing resources £	Transfers £	At 31 December 2009 £
Restricted funds					
Connecting the Dots	15,000	-	(15,000)	-	-
Public Safety Canada – Radicalisation	8,643	27,513	(59,211)	-	(23,055)
Mosque workshops – Tackling Extremism	22,338	32,812	(37,252)	-	17,898
Science, Technology and Civil Society	(17,547)	4,667	-	-	(12,880)
Cultural Learning	-	(3,000)	-	3,000	-
Progressive Conservatism	-	50,000	(50,000)	-	-
Open Left	-	5,000	(5,000)	-	-
The Power Gap	-	29,500	(28,283)	-	1,217
Total restricted funds	28,434	146,492	(194,746)	3,000	(16,820)
Unrestricted funds:					
General fund	(156,214)	1,361,523	(1,451,393)	(3,000)	(249,084)
Total	(127,780)	1,508,015	(1,646,139)	-	(265,904)

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 2009. Final receipt of funding for the project is expected in 2011 to pay back the deficit on this fund.

The Public Safety Canada Radicalisation fund is in deficit as expenditure has been incurred for which funding will be received on submission in 2010 of a grant expenditure statement. This funding has now been received.

DEMOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

4. NET INCOMING RESOURCES FOR THE YEAR	2009	2008
	£	£
This is stated after charging:		
Depreciation	10,353	<i>11,842</i>
Directors' remuneration	Nil	<i>Nil</i>
Directors' reimbursed expenses	Nil	<i>Nil</i>
Auditors' remuneration:		
Audit	15,000	<i>15,000</i>
Under accrual in respect of 2008 audit fee	3,250	<i>-</i>
Under accrual in respect of 2007 audit fee – previous auditors	-	<i>17,669</i>
Operating lease rentals:		
Property	80,000	<i>80,000</i>

5. STAFF COSTS AND NUMBERS	2009	2008
	£	£
Salaries and wages	751,132	<i>684,511</i>
Social security costs	79,004	<i>61,614</i>
Pension costs	27,615	<i>27,364</i>
	857,751	<i>773,489</i>

One employee earned between £60,001 and £70,000 and one employee earned between £70,001 and £80,000 during the year (2008: no employee earned over £60,000).

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

	2009	2008
	No	No
Projects	14.6	<i>18.1</i>
Events and seminars	1.2	<i>0.7</i>
Publications and subscriptions	1.9	<i>1.0</i>
Support costs	1.8	<i>2.1</i>
Governance	0.4	<i>0.5</i>
	19.9	<i>22.4</i>

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 2009

14. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2009	2008
	£	£
Within one year	-	<u>80,000</u>

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.

	2009	2008
	£	£
Turnover	-	1,567
Cost of sales	-	-
Gross profit	-	1,567
Administrative expenses	(450)	(122)
Other income	510	(2,164)
Operating profit	60	(719)
Interest receivable	-	56
Profit / (loss) on ordinary activities	60	(663)
Funds brought forward	(21,518)	(20,855)
Funds carried forward	(21,458)	(21,518)

The aggregate of the assets, liabilities and funds was:

Assets	55	3,715
Liabilities	(21,513)	(25,233)
Funds	(21,458)	(21,518)