

Company Number: 2977740
Charity Number: 1042046

DEMOS
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2010

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 2010

The directors present their report and the financial statements for the year ending 31 December 2010.

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. 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.

Aims for 2010

Our main aim for 2010 was to consolidate on the base established in 2009, 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.
- To launch 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.
- 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.
- To achieve an operating profit of at least 5% of turnover and continue to improve its net funding position.

Although the qualitative objectives were all achieved during 2010, Demos' financial results were not as successful as hoped. Delays due to the General Election in the second quarter meant funders were not willing to fund projects until after the results and political landscape were settled. The 3rd and 4th quarter were much improved in terms of secured contracts, however, due to the time it often takes to sign off these contracts and begin the work, much of this income was deferred to 2011, and as a result the financial results for 2010 look worse than in the previous year. Overhead costs also increased but this has since been wholly brought under control due to the new senior and financial management and decision making structure.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

Achievements during 2010

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
- Several high profile publications and events, including In Loco Parentis, and Building Character, the first stage of the ambitious Character Inquiry

Our overriding 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:

- Society of Equals by Graeme Cooke
- Everyday Equality by Max Wind-Cowie
- Wealth of Opportunity by Julia Margo and William Bradley
- We Mean Power by James Purnell and Graeme Cooke
- Ex Curricula by Sonia Sodha and Julia Margo
- All Together by Robert Hewison, John Holden and Samuel Jones
- Private Lives by Peter Bradwell
- The Politics of Perpetual Renewal by Anthony Painter
- The New Frontier by Richard Reeves and Thishani Nadesan
- An Anatomy of Youth by Celia Hannon and Charlie Tims
- Liberation Welfare by Graeme Cooke and Paul Gregg
- The Long View by Claire Coulier
- Resilient Places by Samuel Jones and Melissa Mean
- Civic Streets by Max Wind-Cowie
- Trust in Practice by Jonathan Birdwell, Faizal Farook and Samuel Jones
- Engaging Mosques by Jamie Bartlett and Jen Lexmond
- In Loco Parentis by Celia Hannon, Aaron Peters, Louise Bazalgette and Claudia Wood
- Measuring Social Value by Dan Leighton and Claudia Wood
- Reinventing Venture Capital by Howard Reed
- From Suspects to Citizens by Jamie Bartlett and Jonathan Birdwell
- Good Work by Jonty Olliff-Cooper
- The Power of Unreason by Jamie Bartlett and Carl Miller
- Practice Makes Perfect by Paul Corrigan
- Destination Unknown by Eugene Grant and Claudia Wood
- Culture Shock by Samuel Jones
- Proof Positive by Michael Little
- Born Creative by Charlie Tims
- Dying for Change by Jake Garber and Charles Leadbeater
- Personal Best by Claudia Wood
- The Edge of Violence by Jamie Bartlett, Jonathan Birdwell and Michael King
- Counting the Cost by Eugene Grant and Claudia Wood
- 3D Poverty by Sonia Sodha and William Bradley

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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:

- At the Margins, a panel discussion on the impact of the financial crisis on literature, as part of the LSE Literature Festival 2010
- The 2010 Demos Annual Lecture delivered by Nobel Laureate Professor Amartya Sen, with responses including Ed Milliband MP and Baroness Shirley Williams
- Hosting a Crisis Camp event in aid of earthquake-stricken Haiti
- Politics of Fairness, the launch of three reports on creating a more equal society, with a panel including David Willets MP, David Laws MP and James Purnell MP, chaired by columnist Jenni Russell
- The Demos Politics 2010 speaker series, featuring Vince Cable MP, Andy Burnham MP, David Milliband MP, David Willets MP and Caroline Lucas MEP
- A keynote speech from Margaret Hodge MP to launch a Demos/DCMS Policy Fellowship on cultural participation and wellbeing
- Dr Nicholas Christakis, author of 'Connected', debating with Richard Horton, editor of the Lancet, on the topic of the power of social networking
- Broken Places, a Demos and RIBA Building Futures debate on urban design and regeneration
- Launching An Anatomy of Youth, a report in partnership with v, with a drinks reception and exhibit
- A panel discussion and reception to launch Resilient Places, a Demos and British Waterways report, featuring Times columnist David Aaronovitch
- A keynote address at Demos from David Cameron MP to launch the Character Inquiry
- How Labour Wins Again, a speech by Liam Byrne MP on the next step for the party
- The launch of In Loco Parentis, a report published with the support of Barnardo's, with a panel discussion featuring Tim Loughton MP
- A Hustings of Ideas hosted by the Open Left Project, bringing together leading Labour Party figures to discuss the major themes of the party leadership contest
- An online Q&A with Andy Burnham MP, looking at his ideas for the future of the Labour Party
- A roundtable discussion to launch Reinventing Venture Capital, a Demos and London Stock Exchange report, including Managing Director of NESTA Investments Matthew Mead
- Keynote speech by Deputy Prime Minister Nick Clegg MP on his vision for a more liberal Britain
- A busy and successful party conferences season, with 37 events across all three parties, including the Demos Grill
- A series of 'Memos to Labour's new leader' from prominent Labour MPs, hosted by the Open Left Project
- The launch of The Crisis of Social Democracy, a groundbreaking publication from the Open Left Project written by Peter Kellner, President of YouGov
- A series of private roundtables in partnership with PriceWaterhouseCoopers to mark the launch of Good Growth
- Deliberative events throughout October to discuss attitudes to poverty and poverty measurement in the UK with members of the public
- Jamie Bartlett and Carl Miller in conversation with conspiracy theorists about their report The Power of Unreason
- Seminar at the Association of British Insurers on the future of financial services

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

PROJECTS

Demos carried out a wide range of research projects during 2010, 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:

- The Character Inquiry – bringing together research leaders and experts to explore how developing character skills can be encouraged in public and private life
- Reinventing Venture Capital – investigating the role that venture capital can play in building a fairer, greener and more innovative UK
- Multidimensional Poverty – a programme of work to develop a new, multidimensional measure of poverty
- Greening Public Services – this research will look at the role the public sector can play in driving the move to a low-carbon economy
- Measuring Capabilities – a report piloting tools to measure the difference that structured activities make to a young person's capabilities
- Born Creative – gathering ideas from across the cultural world on how to support the development of creative capabilities
- How Britain Dies – examines how death can be a less clinical, more personal and more positive experience
- Legal Highs – a look at how government can effectively approach new harmful chemical substances
- Good Growth – looks at how government can address flaws in economic policy in ways that are financially, socially and environmentally sustainable
- City Limits – a project investigating how the City can be reformed without damaging the UK's long-term competitiveness
- At Your Service II – building on previous research into personal budgets in providing health and social care
- Through the Looking Glass – an investigation of the causes and implications of a perceived decline in confidence and well-being amongst young women and girls
- The Future of Work – exploring the possibilities for a new politics of work
- Access All Areas
- Advising Ambition
- Next Time it's Personal
- Coming of Age

During the year we also launched additional funding programmes, to provide more opportunities for funders to engage with us outside of mainstream research sponsorship:

- Partner Programme – attending five bespoke events through the year, first refusal of research sponsorship and discounted events at Party Conference
- Open Left Partner Programme – four roundtables through the year discussing the future of the Labour party

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 15 and have been consolidated with Demos results, any profits made by the subsidiary are gift aided to Demos.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

RESERVES

Demos currently has no reserves and is in a net liabilities position as described below. We have a target of clearing our debt and starting to build reserves by the end of 2012. Our strategy for achieving this will be a combination of generating income from research projects; our new events programme (Demos Live!); and Party Conference events. Our research pipeline is now very 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. Our Demos Live! Events programme, whilst only one month into planning, has already secured five event sponsors and we are confident this will prove a highly successful supplement to research income. Finally, we also have no reason to believe the 2012 Party Conference will not generate the same or more income (£245k with around 50% surplus) as 2011, as we have the same team in place and interest already for repeat events from our 2011 funders.

In addition to healthy income spread across 2012 from different sources, we have also significantly reduced our fixed costs during 2011 (both rental and staff costs – detail below) which will assist in securing a healthy surplus in 2012.

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 been 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.

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.

DEMOS
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

RESPONSIBILITIES OF THE DIRECTORS (Continued)

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 2010 was 5 (2009 – 7). 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.

BASIS OF PREPARATION OF THE ACCOUNTS

At 31 December 2010, the balance sheet showed net liabilities of £550,052. As stated in the 2009 accounts, the company was hit by a period of uncertainty in the second quarter of 2010 as a result of the General Election, which reduced the volume of contracts that were signed in the second quarter of the year. This was on top of a weak financial position that has persisted since 2007. However the election effect was temporary and the company signed a number of high value contracts in late 2010 that are not reflected in the audited accounts for the 2010 calendar year because the bulk of the work commenced in early 2011.

In September 2010, the company appointed a new director, former Treasury minister Kitty Ussher. She brought in a new Head of Finance who started work in November 2010 and together they implemented new internal procedures designed to bear down on costs, apportion profit targets to the core research team, and provide more timely financial information both for internal purposes and between the company and the board. Productivity has risen dramatically: fundraising is back up 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 2010

BASIS OF PREPARATION OF THE ACCOUNTS (CONTINUED)

The production of internal monthly management accounts has confirmed that this approach is working. The unaudited balance sheet at the end of September 2011 shows a net liability of £214k which includes deferred income for contracts that are in the process of being delivered of around £154K. The company estimates that it has generated surpluses up until the latest period for which data is available. The vast majority of long-term creditors have been paid, including all monies owed from 2009-10 to HMRC. 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.


The pipeline remains sufficiently strong for the remainder of 2011 and the end of 2012 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. Although this is only in the first month of planning we have already secured five events sponsors and are confident that this will prove a fruitful on-going source of income throughout 2012 in addition to the income we generate from Party Conference. We have also significantly reduced our fixed costs – including halving our rental costs through subletting and reducing our staff costs by around 30% 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, building on the company's success in winning the 2010 Public Affairs Think Tank of the Year award. 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 has helped to reinvigorate project based income for the last quarter of 2011 and we are confident substantial new contracts will be signed at the end of 2011 and 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 the 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 28/11/11 and signed on their behalf by


(Neil Shallock)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DEMOS

We have audited the group and parent company financial statements of Demos for the year ended 31 December 2010 set out on pages 11 to 21.

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 auditor's 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 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We read all the information in the Trustees' Annual Report 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 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2010, the balance sheet showed net liabilities of £550,052 and net current liabilities of £531,509. 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.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DEMOS (CONTINUED)

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
- 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.

N. Hashemi

Naziar Hashemi

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

29 November 2011

DEMOS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Restricted £	Unrestricted £	Total 2010 £	Total 2009 £
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Investment income		-	11	11	63
<i>Incoming resources from charitable Activities</i>					
Projects	2	189,480	949,655	1,139,135	1,275,180
Events and seminars		-	234,256	234,256	188,215
Publications and subscriptions		-	7,830	7,830	6,334
Secondments		-	151,802	151,802	38,223
Total incoming resources		<u>189,480</u>	<u>1,343,554</u>	<u>1,533,034</u>	<u>1,508,015</u>
Resources expended					
<i>Charitable activities</i>					
Projects		128,952	1,434,399	1,563,351	1,308,415
Events and seminars		-	172,058	172,058	139,687
Publications and subscriptions		-	21,230	21,230	139,046
Governance costs		-	60,543	60,543	58,991
Total resources expended	3	<u>128,952</u>	<u>1,688,230</u>	<u>1,817,182</u>	<u>1,646,139</u>
Net (outgoing)/incoming resources for the year before transfers	4	60,528	(344,676)	(284,148)	(138,124)
Transfers between funds		9,386	(9,386)	-	-
Net (expenditure)/income for the year and net movement in funds		69,914	(354,062)	(284,148)	(138,124)
Reconciliation of funds					
Funds at the start of the year		(16,820)	(249,084)	(265,904)	(127,780)
Funds at the end of the year		<u>53,094</u>	<u>(603,146)</u>	<u>(550,052)</u>	<u>(265,904)</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 2010

	Notes	2010 £	Group 2009 £	2010 £	Charity 2009 £
TANGIBLE FIXED ASSETS	7	<u>17,484</u>	<u>29,777</u>	<u>17,484</u>	<u>29,777</u>
CURRENT ASSETS					
Debtors	8	236,212	376,680	257,670	397,818
Cash at bank and in hand		<u>31,435</u>	<u>10,647</u>	<u>31,435</u>	<u>10,592</u>
		267,647	387,327	289,105	408,410
CREDITORS: amounts falling due within one year	9	<u>799,156</u>	<u>614,044</u>	<u>799,156</u>	<u>613,669</u>
NET CURRENT LIABILITIES		<u>(531,509)</u>	<u>(226,717)</u>	<u>(510,051)</u>	<u>(205,259)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(514,025)</u>	<u>(196,940)</u>	<u>(492,567)</u>	<u>(175,482)</u>
CREDITORS: amounts falling due after one year	11	<u>36,027</u>	<u>68,964</u>	<u>36,027</u>	<u>68,964</u>
NET LIABILITIES	12	<u>(550,052)</u>	<u>(265,904)</u>	<u>(528,594)</u>	<u>(244,446)</u>
FUNDS	13				
Restricted funds in deficit		(3,494)	(35,935)	(3,494)	(35,935)
Restricted funds in surplus		56,588	19,115	56,588	19,115
Unrestricted funds					
Trading subsidiary reserves in deficit		-	(21,458)	-	-
General funds		<u>(603,146)</u>	<u>(227,626)</u>	<u>(581,688)</u>	<u>(227,626)</u>
TOTAL FUNDS		<u>(550,052)</u>	<u>(265,904)</u>	<u>(528,594)</u>	<u>(244,446)</u>

Approved by the directors and authorised for issue on
and signed on their behalf by 28/11/11

Director

Neil Shepherd

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

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 no 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 2010 was the same as for the group.

(b) Going concern

At 31 December 2010, the balance sheet showed net liabilities of £550,052 and net current liabilities of £531,509. As a result of this the company may not be able to meet 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. This is discussed in more detail within the Directors' Report.

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 maintain these regular payment schedules. 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 2011 and the budget for 2012 together with a cash flow forecast reflecting the agreed arrangements with creditors and the company restructuring as set out on the directors' report. In light of this review the directors consider it to be a reasonable assumption 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.

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

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.

DEMOS
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 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 2010	Total 2009
	£	£	£	£
Government Departments	-	13,697	13,697	82,447
Local Government	-	55,064	55,064	9,231
NDPBs	-	69,225	69,225	211,188
Non-UK Organisations	44,835	-	44,835	32,180
Commercial organisations	-	214,099	214,099	312,274
Charities and Foundations	139,645	505,646	645,291	424,621
Cultural and Educational organisations	-	59,904	59,904	117,953
Other sources	5,000	32,020	37,020	85,286
	<u>189,480</u>	<u>949,655</u>	<u>1,139,135</u>	<u>1,275,180</u>

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

3. TOTAL RESOURCES EXPENDED

	Projects £	Events & seminars £	Publications & subscriptions £	Governance £	Support costs £	2010 Total £	2009 Total £
Staff costs (note 5)	690,749	31,989	-	33,400	127,088	883,226	857,751
Other staff costs	39,005	1,926	-	-	7,223	48,154	43,096
Office costs	31,450	1,553	-	-	5,824	38,827	59,556
Premises	89,861	4,438	-	-	16,641	110,940	108,571
Venue and catering	107,945	90,590	-	-	-	198,535	178,047
Consultancy and freelance fees	262,601	-	-	-	5,192	267,793	188,204
Publications, design and print	115,462	16,995	12,342	-	-	144,799	72,335
Travel	24,921	13,196	-	-	6,497	44,614	55,718
Interest payable and charges	6,919	342	-	-	1,281	8,542	9,854
Audit and accountancy	-	-	-	18,255	-	18,255	24,556
Irrecoverable VAT	24,324	1,201	-	-	4,505	30,030	23,128
Depreciation	10,247	506	-	-	1,898	12,651	10,353
Sundry expenditure	8,761	433	-	-	1,622	10,816	14,970
Total resources expended	1,412,245	163,169	12,342	51,655	177,771	1,817,182	1,646,139
Support costs	151,106	8,889	8,888	8,888	(177,771)	-	-
Total resources expended	1,563,351	172,058	21,230	60,543	-	1,817,182	1,646,139

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

4. NET OUTGOING RESOURCES FOR THE YEAR	2010 £	2009 £
This is stated after charging:		
Depreciation	12,651	10,353
Directors' remuneration	Nil	Nil
Directors' reimbursed expenses	Nil	Nil
Auditors' remuneration:		
Audit	18,000	17,625
Under accrual for previous year's fee	255	3,250
Other assurance services	-	1,300
Operating lease rentals:		
Property	<u>75,000</u>	<u>80,000</u>

5. STAFF COSTS AND NUMBERS	2010 £	2009 £
Salaries and wages	771,621	751,132
Social security costs	78,974	79,004
Pension costs	<u>32,631</u>	<u>27,615</u>
	<u>883,226</u>	<u>857,751</u>

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

	2010	2009
£60,001 - £70,000	-	1
£70,001 - £80,000	1	1
£80,001 - £90,000	1	-

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

	2010 No	2009 No
Projects	14.5	14.6
Events and seminars	1.1	1.2
Publications and subscriptions	-	1.9
Support costs	2.5	1.8
Governance	<u>0.1</u>	<u>0.4</u>
	<u>18.2</u>	<u>19.9</u>

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 2010

7. TANGIBLE FIXED ASSETS- Group And Charity

	Office Equipment £	Computer equipment and website £	Total £
Cost			
At 1 January 2010	28,502	72,134	100,636
Additions	-	627	627
Disposals	-	(606)	(606)
At 31 December 2010	<u>28,502</u>	<u>72,155</u>	<u>100,657</u>
Depreciation			
At 1 January 2010	28,049	42,810	70,859
Charge for the year	120	12,531	12,651
Disposals	-	(337)	(337)
At 31 December 2010	<u>28,169</u>	<u>55,004</u>	<u>83,173</u>
Net book value			
At 31 December 2010	<u>333</u>	<u>17,151</u>	<u>17,484</u>
At 31 December 2009	<u>453</u>	<u>29,324</u>	<u>29,777</u>

All tangible fixed assets are used for direct charitable purposes

8. DEBTORS

	Group 2010 £	2009 £	Charity 2010 £	2009 £
Trade debtors	165,155	308,488	165,155	308,488
Other debtors	13,500	-	13,500	-
Amounts due from subsidiary	-	-	21,458	21,138
Prepayments	46,507	5,584	46,507	5,584
Accrued income	11,050	62,608	11,050	62,608
	<u>236,212</u>	<u>376,680</u>	<u>257,670</u>	<u>397,818</u>

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

9. CREDITORS: amounts falling due within one year

	Group 2010 £	2009 £	Charity 2010 £	2009 £
Venturesome loan	32,937	31,036	32,937	31,036
Trade creditors	234,889	189,531	234,889	189,531
Deferred income	261,125	120,389	261,125	120,389
Taxation and social security	145,639	171,534	145,639	171,534
Other creditors	49,600	49,600	49,600	49,600
Accruals	74,966	51,954	74,966	51,579
	<u>799,156</u>	<u>614,044</u>	<u>799,156</u>	<u>613,669</u>

10. DEFERRED INCOME

	Group 2010 £	2009 £	Charity 2010 £	2009 £
At 1 January 2010	120,389	161,774	120,389	161,774
Released to Statement of Financial Activities	(120,389)	(161,774)	(120,389)	(161,774)
Project income received and deferred in year	<u>261,125</u>	<u>120,389</u>	<u>261,125</u>	<u>120,389</u>
At 31 December 2010	<u>261,125</u>	<u>120,389</u>	<u>261,125</u>	<u>120,389</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 2010 £	2009 £	Charity 2010 £	2009 £
Venturesome loan	<u>36,027</u>	<u>68,964</u>	<u>36,027</u>	<u>68,964</u>
	<u>36,027</u>	<u>68,964</u>	<u>36,027</u>	<u>68,964</u>

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

	2010 £	2009 £
Amounts due within one year	32,937	31,036
Amounts due between one and two years	36,027	32,937
Amounts due between two and five years	-	36,027
Total loan	<u>68,964</u>	<u>100,000</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 9% for the remaining term of the loan.

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

12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds £	General funds £	Total funds £
Tangible fixed assets	-	17,484	17,484
Net current liabilities	53,094	(584,603)	(531,509)
Long-term liabilities	-	(36,027)	(36,027)
Net liabilities at 31 December 2010	53,094	(603,146)	(550,052)

13. MOVEMENT IN FUNDS

	At 1 January 2010 £	Incoming resources £	Outgoing resources £	Transfers £	At 31 December 2010 £
Restricted funds					
Open Society	-	27,960	-	-	27,960
Public Safety Canada – Radicalisation	(23,055)	44,835	(21,780)	-	-
Mosque workshops – Tackling Extremism	17,898	-	(1,770)	-	16,128
Science, Technology and Civil Society	(12,880)	-	-	9,386	(3,494)
Votes at 16	-	4,900	(4,900)	-	-
Taking Drugs Seriously	-	37,500	(25,000)	-	12,500
Multi-dimensional poverty	-	54,300	(54,300)	-	-
Open Left	-	5,000	(5,000)	-	-
The Power Gap	1,217	-	(1,217)	-	-
Annual Conference	-	14,985	(14,985)	-	-
Total restricted funds	(16,820)	189,480	(128,952)	9,386	53,094
Unrestricted funds:					
General fund	(249,084)	1,343,554	(1,688,230)	(9,386)	(603,146)
Total	(265,904)	1,533,034	(1,817,182)	-	(550,052)

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 was received in 2011 to pay back the deficit on this fund.

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

14. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2010	2009
	£	£
Within two to five years	<u>90,000</u>	<u>-</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.

	2010	2009
	£	£
Turnover	-	-
Cost of sales	<u>-</u>	<u>-</u>
Gross profit	-	-
Administrative expenses	-	(450)
Other income	<u>-</u>	<u>510</u>
Operating profit	-	60
Interest receivable	<u>-</u>	<u>-</u>
Profit on ordinary activities	-	60
Funds brought forward	<u>(21,458)</u>	<u>(21,518)</u>
Funds carried forward	<u>(21,458)</u>	<u>(21,458)</u>
The aggregate of the assets, liabilities and funds was:		
Assets	-	55
Liabilities	<u>(21,458)</u>	<u>(21,513)</u>
Funds	<u>(21,458)</u>	<u>(21,458)</u>