

The Labour Party

Financial statements for the year ended 31 December 2011

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Registered Party officers

Leader:	Rt Hon Ed Miliband MP
Nominating Officer:	Declan McHugh
Treasurer:	Iain McNicol
Deputy Treasurer:	Simon Mills
Deputy Treasurer:	Jackie Stacey
Deputy Treasurer:	Tracey Paul
Deputy Treasurer:	Margaret Lynch
Deputy Treasurer:	Ian Reilly
Deputy Treasurer:	Mike Creighton
Deputy Treasurer:	Colin Smyth
Deputy Treasurer:	David Hagendyk
Deputy Treasurer:	Hilary Perrin
Deputy Treasurer:	Declan McHugh

Registered address One Brewer's Green, London, SW1H 0RH

Treasurers' report

The financial statements for the year ended 31 December 2011 present the results for the first full year since going into opposition. As would be expected for the period following a General Election year there was a large fall in the amount of donations received, another indication that adherence to the Party's finance strategy is imperative. Income streams continue to be allocated to relevant expenditure ensuring that organisational costs and debt reductions are funded by internally generated income. Strong financial management remains vital if the Party is to pay for itself.

For so many reasons, the fact that the Party was able to retain the tens of thousands of new members who joined in the period following the election is tremendous news. Not least is the financial contribution that they plus our long-standing members make. Together with the hundreds of thousands of individuals who contribute through their membership of affiliated trade unions and socialist societies they are the lifeblood of the Party. This subscription income, which increased in the year, continues to be the Party's greatest source of income, funding organisational costs – it is our duty to control these costs and deliver value for money.

Following Iain McNicol's appointment as General Secretary, the Party embarked on a Management & Commercial Review with the aim of modernising and integrating the Party structure ready to deliver election success. As part of this process a Management Board was created to take on responsibility for presenting priorities and managing resources accordingly. A key element will be the understanding of the Party's financial position and working within set budgets to build on the financial stability established under Ray Collins.

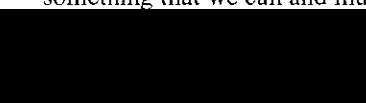
The results in certain key seats at the General Election led to a clear understanding of the organisational priorities required on the ground to mobilise members and supporters. As reported to Conference, a fundraising strategy - Project Game Plan – was built around this work with the aim of generating funds devoted to building the Party organisation. Project Game Plan is aimed at all levels of donor and asks for a commitment to fund each year in the election cycle. The success of this strategy, which was rolled out at the end of 2010, is best demonstrated by the 15 Trainee Organisers who have been working in our nations and regions since the second half of the year. Fundraising through active campaigning is also an important part of our strategy. As previously reported, the combination of focused fundraising, commercial awareness and cost control means the Party can move away from financial survival to building for the future – a major priority.

During the year the Party met its commitment under the agreed payment schedule to reduce unsecured loans by £2m and since the end of the year a plan has been agreed with the Party's bankers for the full repayment of their loans. The Party remains in a difficult financial position, but we continue to be focused on the goal of being debt free in the next Parliament. With each year we are another step closer to achieving what only a few years ago appeared impossible.

The Party remains deeply grateful for the fantastic support we receive from our affiliates, both trade unions and socialist societies, including the partnership we have with the Co-operative Party.

We are very grateful for the backing of all contributors to our Party: whatever the size of the contribution, their generosity always makes a difference.

We would like to thank all members, supporters and elected representatives for their continued commitment and backing to secure the future of the Party, and a big thanks to our staff for the incredible dedication they have shown and continue to show. Finally, every day we know why we need a strong effective Labour Party and the re-election of a Labour government – with all your support this is something that we can and must achieve.



Iain McNicol
Registered Treasurer



Diana Holland
Party Treasurer

Administrative information

Review of Political Activities

A detailed review of the Party's political activities during the period covered by the financial statements will be included in the National Executive Committee (NEC)'s Annual Report that will be submitted to the 2012 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2012.

Committees

The NEC is the governing body of the Labour Party that oversees the overall direction of the Party and the policy-making process. It carries out this role by setting strategic objectives on an annual basis and meeting regularly to review the work of the Party in these areas.

All members of the NEC are members of the National Policy Forum. This body oversees the development of Party policy. It meets throughout the year in full session and through policy commissions presents a report to Annual Conference.

The NEC also has a number of specialist committees and is responsible for upholding the rules of the Party and propriety of Labour selection processes. Details of the principal specialist committees of the NEC are as follows:

Committee	Responsibilities
Business Board	Oversight of the business functions of the organisation including the management of finances.
Joint Policy Committee (JPC)	The JPC is responsible for strategic oversight of the Party's policy development. It oversees the rolling programme, Partnership into Power, and acts as a steering group for the National Policy Forum (NPF). Jointly convened by the Leader and NEC Co-convenor, it is a joint committee made up of members of the NEC, Government or Shadow Cabinet and NPF.
Equalities Committee	The Committee advises the NEC on steps to increase the Party's membership and representation on elected bodies so as better to reflect the community in terms of gender, ethnicity, age, sexual orientation and disability and to assist and promote the Party's work in combating discrimination in all forms.
Organisation Committee	Responsible for Party rules and constitution; ensures the Party is operating effectively throughout the country to the highest standards; and has overall responsibility for membership, investigations, selections, local government, conferences, electoral law, boundaries strategy and internal elections.
Disputes Panel	Hears membership appeals and re-admission applications; considers Party disputes and conciliation; undertakes minor investigations and local government appeals where referred to the NEC; and conducts hearings and interviews around the country where necessary.
Selections Panel	Meets to make decisions about individual selection processes as necessary.

Administrative information (cont.)

Elected representatives

The Party's elected representatives at the Westminster, Scottish and European Parliaments and the National Assembly for Wales can be found on the Party's website at <http://www.labour.org.uk/labourpeople>.

Membership

As at 31 December 2011 the total individual membership of the Party was 193,300 (2010: 193,261).

Accounting units

As at 31 December 2011 the Party had 657 accounting units registered with the Electoral Commission.

Statement of Registered Treasurer's responsibilities

The Registered Treasurer of the Party is required by the Political Parties, Elections and Referendums Act 2000 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Party and of its surplus or deficit for that period. In preparing those financial statements, the Registered Treasurer is 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Party will continue in business.

The Registered Treasurer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Party at that time and to enable him to ensure that the financial statements comply with the Act. He also has delegated responsibility from the National Executive Committee for ensuring that appropriate controls are established for safeguarding the assets of the Party and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of the Labour Party

Independent Auditor's Report to the Members of the Labour Party

We have audited the financial statements of the Labour Party for the year ended 31 December 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes numbered 1 to 27.

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 Labour Party's members, as a body, in accordance with Section 43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the Labour Party'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 Labour Party and the Labour Party's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Registered Treasurer and auditor

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

We read all the information in the Treasurers' 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.

Independent Auditor's report to the members of the Labour Party

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Labour Party's affairs as at 31 December 2011 and of its surplus 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 Political Parties, Elections and Referendums Act 2000.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor

London

29 June 2012

Consolidated income and expenditure account for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Income			
Donations		4,011	13,034
Membership		5,205	4,927
Affiliations		8,037	7,930
Fundraising	4	424	566
Commercial income		3,031	4,087
Legacies		41	140
Interest receivable		54	83
Government grants	5	8,000	2,439
Notional income	6	300	866
Other income		2,223	2,198
Total income		<u>31,326</u>	<u>36,270</u>
Expenditure			
Costs of fundraising		(293)	(322)
Costs of commercial activity		(1,851)	(1,772)
Notional expenditure	6	(284)	(33)
Running costs	7	(24,039)	(20,406)
Campaign expenditure	8	(889)	(8,010)
Interest payable	9	(895)	(678)
Grants and payments to CLPs		(1,261)	(958)
Other	11	(741)	(1,661)
Total expenditure		<u>(30,253)</u>	<u>(33,840)</u>
Surplus from Party activities before taxation	12	1,073	2,430
Taxation	13	-	688
Surplus for the year		<u>1,073</u>	<u>3,118</u>

The Notes on pages 13 to 22 form part of these financial statements

Statement of total recognised gains and losses for the year ended 31 December 2011

Statement of total recognised gains and losses

	Notes	2011	2010
		£'000	£'000
Surplus for the year		1,073	3,118
Actuarial gain recognised in the pension scheme	22	926	6,030
Total recognised net gains relating to the year		1,999	9,148


The Notes on pages 13 to 22 form part of these financial statements

Consolidated balance sheet at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	14	6,466	6,259
Current assets			
Debtors and prepayments	15	1,861	2,570
Cash at bank and in hand		4,930	7,749
		<u>6,791</u>	<u>10,319</u>
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	16	(4,224)	(5,030)
Development fund loans	26	(6,188)	(6,046)
Other loans	27	(2,000)	(2,000)
Overdrafts and short term loans		(2,943)	(3,507)
		<u>(15,355)</u>	<u>(16,583)</u>
Net current liabilities		<u>(8,564)</u>	<u>(6,264)</u>
Total assets less current liabilities		(2,098)	(5)
Creditors: amounts falling due after more than one year			
Provisions for liabilities and charges	19	-	(250)
Net liabilities excluding pension asset/(liabilities)		<u>(7,694)</u>	<u>(7,495)</u>
Pension asset	22	2,217	19
Net liabilities including pension asset/(liabilities)		<u>(5,477)</u>	<u>(7,476)</u>
Reserves			
General		(6,549)	(8,555)
Revaluation reserve		1,072	1,079
	20	<u>(5,477)</u>	<u>(7,476)</u>

The financial statements on pages 9 to 22 were approved by the National Executive Committee on 29 June 2012 and signed on its behalf by:


Aine McNicol
General Secretary and Registered Treasurer


Diana Holland
Party Treasurer

The Notes on pages 13 to 22 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Net cash (outflow)/inflow from operating surplus before servicing of finance and taxation	24	(197)	2,771
Servicing of finance			
Interest paid on long term loans		(216)	(295)
Capital expenditure and other activities			
Payments to acquire tangible fixed assets		(387)	(1,684)
Receipt from sale of tangible fixed assets		47	-
		(753)	792
Financing			
Decrease in long term loans		(1,644)	(717)
(Decrease)/increase in cash	25	(2,397)	75

The Notes on pages 13 to 22 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

The financial statements have been prepared on the basis of historical cost as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards in the United Kingdom. The financial statements reflect the principles contained in the Statement of Accounts Guidance Notes issued by the Electoral Commission and in existence as at 5 May 2008.

The Party's accounting policies are set out below. These have been applied consistently.

The following principal accounting policies have been applied:

a. Income recognition

Income, which excludes value added tax, is recognised when all of the following conditions have been met:

- The Party is entitled to the asset;
- There is reasonable certainty that the asset will be received; and
- The value of the asset can be measured with reasonable certainty.

Applying these criteria to specific types of income results in the following treatment:

- Donations, including legacies, are recognised in the income and expenditure account on receipt. Donations of notional income are recognised on receipt at the relevant market value of the donation received with an expense of the same amount being recognised at the same time.
- Membership fees are recognised in the income and expenditure account when received
- Government grants are recognised in the year in which the related expenditure is incurred (see note 6).

All other income including affiliation fees is recognised on an accruals basis.

b. Tangible fixed assets

The investment properties and other properties both comprise freehold land and buildings held as long-term investments by Labour Party Properties Limited. They are carried at professional valuations or, if recently acquired, at cost.

No depreciation or amortisation is provided in respect of investment properties and other properties. The properties are subject to an annual impairment review carried out by the directors of Labour Party

Properties Limited with the assistance of an expert third Party who is retained throughout the year. Every fifth year a full professional valuation is completed. In addition, if the annual impairment reviews identify material differences then a full valuation will be conducted. The National Executive Committee (NEC) considers that this accounting policy results in the financial statements giving a true and fair view.

Long leasehold improvement assets are depreciated on a straight line basis over the period of the lease.

Expenditure on other tangible assets is only considered for capitalisation if it amounts to £10,000 or more and its useful economic life can be reasonably estimated at the year end.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

c. Value added tax

The Party is registered for value added tax (VAT) purposes, but it is only liable on chargeable transactions. All items of income and expenditure are shown in the financial statements net of VAT. A partial exemption formula has been agreed with HM Revenue and Customs and VAT has been recovered. The value of VAT that is irrecoverable is included in "Other expenditure" (see note 11).

d. Pension costs

The Labour Party is responsible for the solvency of the Labour Party Superannuation Society, which is a defined benefit pension scheme (see note 22). Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any pension scheme surplus (to the extent it is considered recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating charges, financing items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes to the financial statements

e. Accounting estimates

The preparation of financial statements requires the use of estimates and assumptions about future conditions. This is especially important in the setting of bad and doubtful debt provisions. The NEC believes that it has examined all reasonably available information in assessing the recoverability of debtors and set the provision prudently.

f. Operating leases

Rentals payable and receivable under operating leases are charged or credited to the income and expenditure account on a straight-line basis over the terms of the leases.

2. Basis of preparation

The Labour Party is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with accounting units. The consolidated financial statements incorporate the results of the Labour Party central organisation, its subsidiary undertaking Labour Party Properties Limited, the Scottish Labour Party and the Wales Labour Party. The Scottish Labour Party is a separate accounting unit registered with the Electoral Commission and as such is required to file its own financial statements with the Electoral Commission, but as its management is integrated with that of the Labour Party's central organisation it is considered appropriate to reflect its results in the consolidated financial statements. The consolidated financial statements do not include the results of other accounting units registered with the Electoral Commission except where Head Office undertakes accounting on behalf of certain accounting units or bears costs relating to accounting units, which are not then subsequently recharged to the accounting unit.

The income and expenditure account includes the consolidated results of the regional offices of the Labour Party, the Scottish Labour Party and the Wales Labour Party which contributed a deficit of (£11,000) (2010: surplus of £124,000) to the result for the year. The consolidated results of the regional offices are produced from accounts that are prepared mainly on a cash accounting basis rather than an accruals basis. It is not considered that restatement of the results on to an accruals basis for the current and prior years would have a material impact on the result for the year.

The Labour Party and its bankers, the Co-operative Bank and Unity Trust Bank, have agreed a plan for repayment of the short term loans. The Party's bankers have also agreed to continue providing support for short term working capital requirements. Furthermore the Party has agreed a structured

repayment plan with its other lenders and is committed to total annual repayments of £2m. The financial projections of the Party indicate that the facilities available to it from all resources and funding pledges made provide sufficient means for the Party to achieve its organisational and political objectives as well as service its debt for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Campaign expenditure in the consolidated statement of income and expenditure on page 9 represents the Party's expenditure in national elections, as defined by the Political Parties, Elections and Referendums Act 2000 and reported to the Electoral Commission.

3. Basis of taxation

The Party is treated as an unincorporated association for tax purposes and is therefore liable to corporation tax on its investment income. It also bears tax on any investment transactions that give rise to capital gains. No deferred tax is recognised in the Party's individual accounts as any investment income is taxed on the same basis as it is recognised in the income and expenditure account.

The taxation of each of the subsidiary companies under the control of the NEC is dealt with separately and a corporation tax liability arises on any adjusted income and expenditures as returned to HM Revenue and Customs. Deferred tax balances arising in subsidiary companies are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the subsidiary anticipates to make sufficient taxable income and expenditures in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Notes to the financial statements

4. Fundraising activities

	2011	2010
	£'000	£'000
Dinners	241	274
Other events	183	292
	<u>424</u>	<u>566</u>

5. Government grants

	2011	2010
	£'000	£'000
Short money	7,320	2,284
Policy Development Grant	680	155
	<u>8,000</u>	<u>2,439</u>

The Electoral Commission provides a Policy Development Grant for expenditure incurred in developing policies for inclusion in the Party's manifestos for elections to the Westminster, Scottish, European Parliament, and the Welsh Assembly and for local government elections in England, Scotland and Wales. Similar grants were payable to all the major political parties.

6. Notional income and expenditure

	2011	2010
	£'000	£'000
This comprises:		
Goods	32	139
Services	39	558
Seconded staff	229	169
	<u>300</u>	<u>866</u>

£16,153 of the notional expenditure incurred in 2011 (2010: £834,231) is included in the heading "Campaign expenditure" in the income and expenditure account.

7. Running costs

	2011	2010
	£'000	£'000
Staff related expenditure (see Note 10)	13,054	12,185
Building and premises	1,726	1,927
Depreciation and amortisation	133	133
Political activities and publishing	5,477	1,093
Administration	1,327	2,170
Movement in pension scheme deficit	-	(649)
Finance, IT and telecommunication costs	2,322	3,547
	<u>24,039</u>	<u>20,406</u>

8. Campaign expenditure

	2011	2010
	£'000	£'000
National elections	889	-
General Election	-	8,010
	<u>889</u>	<u>8,010</u>

9. Interest payable

	2011	2010
	£'000	£'000
Bank loans	341	350
Other loans	464	224
Development fund loans	90	104
	<u>895</u>	<u>678</u>

10. Employees

	2011	2010
	£'000	£'000
Staff related expenditure comprises:		
Wages and salaries	10,566	10,400
Social security costs	1,201	814
Other pension costs	1,261	847
Other costs	26	124
	<u>13,054</u>	<u>12,185</u>

Notes to the financial statements

10. Employees (continued)

The number of staff employed by the Party during the year comprises:

	Full time	Part time	Total
At 31 December 2011	249	58	307
At 31 December 2010	235	52	287
At 31 December 2009	182	44	226
Average for 2011	262	52	314
Average for 2010	217	60	277

The above figures include both head office and regional staff. The figures also include various persons employed on short-term contracts in the information technology, communications, conference and design and publishing departments.

11. Irrecoverable VAT

	2011	2010
	£'000	£'000
Irrecoverable VAT expensed in the year	670	1,387

12. Surplus from Party activities before taxation

	2011	2010
	£'000	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	58	224
Auditors' remuneration - audit services	(63)	(73)
- non-audit services	(21)	(25)
Operating lease charge - property	(640)	(716)
- equipment	(284)	(233)

13. Taxation

	2011	2010
	£'000	£'000
<i>Current tax</i>		
Taxation on taxable income	-	(688)
The difference between the actual and expected current tax charge is explained below:		
	2011	2010
	£'000	£'000
Tax on profit at the main rate of 26%/28%	279	(680)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7,866	(9,475)
Non-taxable income	(8,145)	10,155

Factors that may affect future tax changes

If the Party were to sell its re-valued investment and other freehold properties at their balance sheet values it is estimated that a tax liability of £279,000 (2010: £290,000) would arise. However, no sales that may give rise to a significant liability are envisaged in the foreseeable future.

Notes to the financial statements

14. Tangible assets

	Long leasehold improvements £'000	Freehold investment properties £'000	Other freehold properties £'000	Total £'000
Cost or valuation				
At 1 January 2011	1,065	2,570	3,420	7,055
Disposal	-	-	(47)	(47)
Additions	-	362	25	387
Revaluations	-	-	-	-
At 31 December 2011	1,065	2,932	3,398	7,395
Depreciation				
At 1 January 2011	796	-	-	796
Depreciation in the year	133	-	-	133
At 31 December 2011	929	-	-	929
Net book value at 31 December 2011	136	2,932	3,398	6,466
Net book value at 31 December 2010	269	2,570	3,420	6,259

The historic cost for all properties is £5,296,000 (2010: £4,956,000). The most recent professional open market valuations were carried out as at 31 December 2009 by Jones Shackel Oldham Chartered Surveyors.

Properties are subject to an annual impairment review in accordance with note 1b.

15. Debtors and prepayments

	2011 £'000	2010 £'000
Trade debtors –	868	1,551
Prepayments and accrued income	587	769
Other debtors	406	250
	1,861	2,570

16. Creditors, accruals and deferred income

	2011 £'000	2010 £'000
Trade creditors	1,081	1,470
Taxation and social security	367	301
Other creditors	1,764	2,175
Accruals and deferred income	1,012	1,084
	4,224	5,030

Notes to the financial statements

17. Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Bank loans	1,428	1,536
Other loans (see note 27)	4,168	5,704
	<u>5,596</u>	<u>7,240</u>
of which payable:		
In one to two years	2,285	2,000
In two to five years	3,311	4,334
In more than five years	-	906
	<u>5,596</u>	<u>7,240</u>

The variable rate bank loans are secured on the properties held by Labour Party Properties Limited and also the assets of the Lionel Cooke Memorial Fund Limited.

18. Deferred tax

	£'000
Balance at 1 January 2011	-
Charge to income and expenditure account	-
Balance at 31 December 2011	<u>-</u>

Analysis of deferred taxation asset

	2011	2010
	£'000	£'000
Accelerated capital allowances	-	-
Sundry timing differences	-	-
Deferred tax asset not recognised	-	-
	<u>-</u>	<u>-</u>

A consolidated deferred tax asset of £8,000 (21%) (2010: £8,000) has not been recognised. The rationale for this is that losses incurred to date are not considered to be recoverable. At 31 December 2010 the group had approximately £37,000 (2011: £37,000) of tax losses carried forward.

19. Provisions for liabilities and charges

	2011	2010
	£'000	£'000
Legal Provision	-	100
Dilapidations	-	150
	<u>-</u>	<u>250</u>

20. Reserves

	General	Revaluation reserves	Total
	£'000	£'000	£'000
At 1 January 2011	(8,555)	1,079	(7,476)
Surplus for the year	1,073	-	1,073
Actuarial gain	926	-	926
Revaluation	-	(7)	(7)
Realised gain	7	-	7
At 31 December 2011	<u>(6,549)</u>	<u>1,072</u>	<u>(5,477)</u>

21. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2011:

Name	Nature of business	Country of incorporation	Proportion of voting rights held
Labour Party Properties Limited	Property management and investment	England and Wales	100%
Labour Party Nominees Limited	Property trustee (non trading)	England and Wales	100%

All trading activities of all the Party's subsidiaries are located, and their income generated, entirely in the United Kingdom.

The statutory financial statements of each of the above companies are produced separately to these financial statements.

Notes to the financial statements

22. Pension fund

The Labour Party Superannuation Society is a funded Society of the defined benefit type providing retirement benefits based on final salary. The assets of the scheme, known as the Labour Party Superannuation Society, are held separately from those of the Party.

The contributions of the Party and the employees are 14.2 per cent and 6 percent of salaries respectively. The Party continues to monitor the scheme's funding ratios on a regular basis and further increases in employer contributions may be necessary to address any persistent scheme deficits.

Financial Reporting Standard 17 'Retirement benefits' (FRS 17)

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Society as at 31 December 2008. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. Actuarial gains and losses have been recognised in the period in which they occur, but outside the profit and loss account, through the Statement of Recognised Gains and Losses (STRGL).

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main Financial Assumptions

	2011	2010
Discount rate for society liabilities	4.75%	5.40%
Rate of general long term increase in salaries	4.10%	4.50%
RPI inflation	3.10%	3.50%
CPI inflation	2.20%	2.60%
Pension increases pre April 1997	0.00%	1.90%
Pension increases April 1997 to April 2005	2.25%	2.60%
Pension increases post April 2005	1.75%	1.90%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2026 at age 60 will live on average for a further 29.4 years after retirement if they are male and for a further 31.4 years after retirement if they are female. For a member currently aged 60 the assumptions are that they will live on average for a further 27.5 years if they are male and for a further 29.5 years if they are female.

Assets in the Scheme and their expected rates of return as at 31 December 2011

Main asset categories	Long term rate of return expected as at 31 December 2011	Value as at 31 December 2011 £'000
Equities	6.25%p.a	26,463
Fixed interest bonds	2.75%p.a	2,331
Index linked bonds	2.50%p.a	13,727
Property	6.25%p.a	4,394
Cash and other	1.75%p.a	536
Total market value		47,451

Assets in the Scheme and their expected rates of return as at 31 December 2010

Main asset categories	Long term rate of return expected as at 31 December 2010	Value as at 31 December 2010 £'000
Equities	7.50%p.a	23,826
Fixed interest bonds	4.25%p.a	2,024
Index linked bonds	4.00%p.a	12,841
Property	7.50%p.a	4,140
Cash and other	1.40%p.a	926
Total market value		43,757

The Labour Party employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is derived by aggregating the expected return for each asset class over actual asset allocation for the Society at 31 December 2011.

Actual return on Society assets

	2011 £'000	2010 £'000
Expected return on Society assets	2,442	2,173
Actuarial (loss)/gain on Society assets	(33)	2,202
Actual return on Society assets	2,409	4,375

Notes to the financial statements

22. Pension fund (continued)

Reconciliation of funded status to balance sheet

	2011	2010
	£'000	£'000
Fair value of Society assets	47,451	43,758
Present value of funded defined benefit obligations	(45,234)	(43,739)
Asset/(liability) recognised on the balance sheet	<u>2,217</u>	<u>19</u>

Changes to the present value of the defined benefit obligation during the year

	2011	2010
	£'000	£'000
Opening defined benefit obligation	43,739	45,400
Current service cost	902	645
Past service cost	90	27
Interest cost	2,362	2,576
Contributions by Society participants	568	400
Actuarial (gains)/losses on Society liabilities*	(959)	(3,828)
Net benefits paid out	(1,468)	(1,481)
Closing defined benefit obligation	<u>45,234</u>	<u>43,739</u>

* Includes changes to the actuarial assumptions.

Changes to the fair value of the Society assets during the year

	2011	2010
	£'000	£'000
Opening fair value of Society assets	43,758	38,740
Expected return on Society assets	2,442	2,173
Actuarial gains on Society assets	(33)	2,202
Contributions by the employer	2,184	1,724
Contributions by Society participants	568	400
Net benefits paid out	(1,468)	(1,481)
Closing fair value of Society assets	<u>47,451</u>	<u>43,758</u>

Analysis of amounts recognised in STRGL

	2011	2010
	£'000	£'000
Actual return less expected return on Society assets	(33)	2,202
Changes in assumptions underlying the present value of Society liabilities	959	3,828
Actuarial gain recognised in STRGL	<u>926</u>	<u>6,030</u>

The cumulative total of recognised actuarial losses is £9,965,000

Analysis of profit and loss charge

	2011	2010
	£'000	£'000
Current service cost	902	645
Past service cost	90	27
Interest cost	2,362	2,576
Expected return on Society assets	(2,442)	(2,173)
Expense recognised in profit and loss	<u>912</u>	<u>1,075</u>

The Party expects to contribute £1,900,000 to its defined benefit scheme in 2012.

History of asset values, DBO and surplus/deficit in Society

	2011	2010	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of Society assets	47,451	43,758	38,740	34,866	40,048
Defined benefit obligation	(45,234)	(43,739)	(45,400)	(35,392)	(38,110)
	<u>2,217</u>	<u>19</u>	<u>(6,660)</u>	<u>(526)</u>	<u>1,938</u>

History of experience gains and losses

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Experience gains/(losses) on Society assets	(33)	2,202	2,114	(7,420)	(1,673)
Experience gains/(losses) on Society liabilities	(220)	1,328	(1,741)	-	(70)

Notes to the financial statements

23. Lease commitments

At 31 December 2011, the Party's annual commitments under various non-cancellable operating leases were as follows:

	2011	2010
	£'000	£'000
Operating leases which expire:		
Within one year	80	90
In the second to fifth years inclusive	-	812
Over five years	-	-
	<u>80</u>	<u>902</u>

The above operating leases relate to lease rental commitments for leasehold land and buildings, equipment and vehicles. Any rent-free periods granted by the lessors have been recognised over the total period of the lease.

24. Reconciliation of the operating surplus to inflow from operating activities

	2011	2010
	£'000	£'000
Operating surplus for the year before taxation	1,073	2,430
Depreciation and impairment charges	133	133
Interest payable on long term finance	216	295
Reversal of tax provision	-	688
Decrease in debtors and prepayments	709	464
Decrease in creditors and accruals	(806)	(720)
Actuarial gain/(loss) on pension scheme	926	(6,030)
(Decrease) in pension liabilities	(2,198)	(6,679)
(Decrease)/increase in provisions for liabilities and charges	(250)	130
Net cash flow from operating activities	<u>(197)</u>	<u>2,771</u>

25. Analysis of net debt

	1 Jan 2011	Cash flow	31 December 2011
	£'000	£'000	£'000
Cash at bank and in hand	7,749	(2,819)	4,930
Development fund loans	(6,046)	(142)	(6,188)
Overdrafts and short term loans, excluding element of long term bank loans falling due within one year	(3,507)	564	(2,943)
Other loans falling due within one year	(2,000)	-	(2,000)
	<u>(3,804)</u>	<u>(2,397)</u>	<u>(6,201)</u>
Long term bank loans: included in Creditors: amounts falling due after one year	(1,536)	108	(1,428)
Other loans: included in Creditors: amounts falling due after one year	(5,704)	1,536	(4,168)
	<u>(7,240)</u>	<u>1,644</u>	<u>(5,596)</u>
Total	<u>(11,044)</u>	<u>(753)</u>	<u>(11,797)</u>

Notes to the financial statements

26. Related Party transactions

The Party has entered into the following transactions with its affiliated (non-consolidated) accounting units:

	£'000
Development fund loans	
Loans payable at 1 January 2011	6,046
Additional loans made available	352
Loans repaid	(210)
Loans payable at 31 December 2011	<u>6,188</u>

All development fund loans are made available to the Party on commercial terms.

The Party also provides Constituency Labour Parties, all of which are accounting units, with a proportion of the membership revenues which are raised centrally, and makes charges for insurance, computers and electoral data all of which are determined on a commercial basis. The income receivable is included within "Other income" for 2011.

27. Other loans

As at 31 December 2011 the Party has received the following amounts (loan plus accrued interest):

Name	Total due at 31 December 2011	Total due at 31 December 2010
Due in less than one year:	£'000	£'000
Nigel Morris	223	223
Derek Tullett	82	82
Dr Chai Patel	339	339
Rod Aldridge	223	223
Barry Townsley	230	230
Richard Caring	432	432
Sir David Garrard	471	471
	2,000	2,000
Due in more than than one year:		
Sir David Garrard	952	1,316
Rod Aldridge	476	647
Barry Townsley	488	664
Richard Caring	917	1,247
Nigel Morris	472	643
Derek Tullett	134	199
Dr Chai Patel	729	988
	4,168	5,704
	6,168	7,704

The rate of interest applicable to these unsecured loans is 6.5%.