



Annual Report and Financial Statements

For the year ended 31 December 2017

The Conservative and Unionist Central Office "The Conservative Central Office"

Annual Report and Financial Statements

For the year ended 31 December 2017

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The Conservative Central Office

General information

The Conservative Central Office is the Office of the Leader of the Conservative Party. The Board of the Conservative Central Office lays down policies for the activities of the Conservative Central Office.

The principal objectives of the Conservative Central Office are to represent the interests of the Conservative Party by winning elections, to support the Parliamentary Party, to assist the Constituency Associations, in campaigning and other activities, and to promote Party policy.

The operations and budgets of the Conservative Central Office are subject to the scrutiny of the Board of the Conservative Central Office, to whom this Annual Report and Financial Statements is addressed.

The Board is responsible for the administration of the Conservative Central Office and the authorisation of expenditure within agreed guidelines.

The Board of the Conservative Central Office as at 31 December 2017

(Served throughout the year ended 31 December 2017, unless otherwise stated)

Rt Hon Sir Patrick McLoughlin	Party Chairman
Amanda Sater*	Deputy Chairman
Anthea McIntyre MEP	Vice Chairman – Training
Robert Semple OBE*	Chairman of the National Conservative Convention
Cllr Rory Love*	Chairman of the Conservative Councillors Association
Jonathan Evans	Chairman of the Welsh Conservative Party (to August 2017)
Byron Davies*	Chairman of the Welsh Conservative Party (from August 2017)
Robert Forman MBE WS*	Chairman, Scottish Conservatives Party
Gerry Yates	Vice President of the National Conservative Convention (to August 2017)
Andrew Sharpe*	Vice President of the National Conservative Convention
Ms Linda Arkley	Vice President of the National Conservative Convention (to August 2017)
Mr Tom Spiller*	Vice President of the National Conservative Convention
Pamela Hall*	Vice President of the National Conservative Convention (from August 2017)
Cllr James Pearson VR*	Vice President of the National Conservative Convention (from August 2017)
Ashley Fox MEP*	Leader of the Conservatives in the European Parliament
Rt Hon the Lord Hunt of Wirral MBE*	Chairman of the Association of Conservative Peers
Simon Day	Chief Financial Officer, CCHQ (to January 2017)
Sir Mick Davis*	Chief Executive and Party Treasurer
Sir Graham Brady MP*	Chairman of the 1922 Committee
Rt Hon Mark Field MP	Vice Chairman international Affairs (to May 2017)
Mr Stephen Phillips OBE*	Secretary to the Board of the Conservative Party
Sir Geoffrey Clifton-Brown MP*	MP on the Board of the Conservative Party
Charles Walker OBE MP*	MP on the Board of the Conservative Party
Chloe Smith MP	MP on the Board of the Conservative Party (to June 2017)
Robert Jenrick MP*	MP on the Board of the Conservative Party (from July 2017)
Alan Mabbutt OBE*	Registered Treasurer (from February 2017)

* - denotes in office at the date of the Annual Report and Financial Statements

The Conservative Central Office

General information

Party Officers

(Served throughout the year ended 31 December 2017, unless otherwise stated)

Rt Hon Sir Patrick McLoughlin	Party Chairman (to January 2018)
Rt Hon Brandon Lewis*	Party Chairman (from January 2018)
James Cleverly MP	Deputy Chairman (from January 2018)
Amanda Sater*	Deputy Chairman of the Conservative Party
Rt Hon Mark Field MP	Vice Chairman – International (to May 2017)
Dominic Johnson CBE*	Vice Chairman – Finance
Alec Shelbrooke MP	Vice Chairman – International (from May 2017)
David Brownlow*	Vice Chairman – Campaigning (from June 2017)
Paul Scully MP*	Vice Chairman – London (from December 2017)
Chris Skidmore MP*	Vice Chairman – Policy (from January 2018)
Kemi Bodenoach MP*	Vice Chairman – Candidates (from January 2018)
Ben Bradley MP*	Vice Chairman – Youth (from January 2018)
Maria Caulfield MP*	Vice Chairman – Women (from January 2018)
Andrew Jones MP*	Vice Chairman – Business Engagement (from January 2018)
Marcus Jones MP*	Vice Chairman – Local Government (from January 2018)
Rehman Chrishti MP*	Vice Chairman – Diverse Communities (from January 2018)
James Morrison MP*	Vice Chairman – Training and Development (from January 2018)
Helen Grant MP*	Vice Chairman – Diverse Communities (from January 2018)
Anthea McIntyre MEP	Vice Chairman – Training (to January 2018)
Stuart Andrew MP	Vice Chairman – Cities (to January 2018)

* - denotes in office at the date of the Annual Report and Financial Statements

Administrative Information

Committees

Conservative Agents' Benevolent Association
 Conservative Agents' Superannuation Fund
 C&UCO Properties Limited
 Candidates
 Conferences
 Constitutional Review
 Disciplinary
 Ethics and Integrity
 Finance and Audit, Membership

Current Chairmen

Sir Anthony Garrett CBE
 Noel Manns Frics
 Christopher Moran
 Kemi Bodenoach MP and Amanda Sater
 Rt Hon Brandon Lewis MP & Tom Spiller
 Appointed on an ad hoc basis
 Ken Green
 Appointed on an ad hoc basis
 Robert Semple OBE

The Conservative Central Office

General information

Conservative Campaign HQ Management

Position	Current Holder
Party Chairman	Rt Hon Brandon Lewis MP
Deputy Party Chairman	James Cleverly MP
Registered Treasurer and Director-General	Alan Mabbutt OBE
Director of Campaigning and Chief Agent	Darren Mott OBE
Chief Executive and Party Treasurer	Sir Mick Davis
Chief Financial Officer	Simon Day
Political Director	Iain Carter
Director Voter Communications	Chris Scott
Director of Candidates	Gareth Fox
Director of External Relation, Outreach	Amy Fisher
Director of Training	Sara Matthews
Marketing Director	Simon Chatfield

Persons Registered with the Electoral Commission

(Currently serving, unless otherwise stated)

Leader	Rt Hon Theresa May MP
Nominating Officer	Victoria Carslake
Registered Treasurer	Alan Mabbutt OBE

Elected Representatives

The list of Elected Members of Parliament is available on the website.

Accounting Units

At 31 December 2017 the Party had 684 (2016 - 684) accounting units registered with the Electoral Commission throughout the UK.

Central Office

4 Matthew Parker Street
London
SW1H 9HQ
Telephone: [REDACTED]

Website: www.conservatives.com

Auditors

BDO LLP
[REDACTED]

The Conservative Central Office Chairman's Report

I was honoured to be appointed Party Chairman at the start of this year and am conscious of the importance of everything we do here in Central Office. Whilst the General Election result last year was not what we had hoped, the Party is going through some important reforms that started under the previous Chairman and our Chief Executive.

We have made good progress implementing the outcomes of the Pickles Review, and I will continue to work with the team in Central Office to improve our internal operations and campaigning outcomes. We are a campaigning organisation at heart, and this has been the focus over the last year.

Over 114 Campaign Managers have been recruited across the country and are already delivering great results. This investment means that the Party once again has a strong team of professional campaigners employed in the field to work on a local level, and I am confident that this will be to the benefit of the Party at the next General Election.

As Party Chairman, I will be focused on making sure we are a modern political organisation that can continue to deliver electoral success. Key to this are our members, and the roll-out of centrally administered membership should be complete by the end of 2018. This will allow us to engage better with our existing members and encourage them to get involved with the Party at all levels. I am ambitious about driving up involvement in the Party and will be working ahead of the next General Election to increase our membership and activist numbers to compete with our opponents.

It is important that the Party and Central Office (CCHQ) continue to implement the reforms that came out of the Pickles Review so that we are in the best possible position by the time of the next General Election, and I look forward to working with everyone at CCHQ to deliver this.



Rt Hon Brandon Lewis MP
Chairman of the Board

Date 04/07/18

The Conservative Central Office

Treasurers' Financial Review

We are pleased to report that the Party achieved a surplus of £1.1 million for 2017 in another busy campaigning year. The Party not only fought the General Election in June but in the previous month had contested local elections across Great Britain, with elections to 35 English local authorities and all councils in Scotland and Wales, plus the newly created combined authority mayors in six areas of England (Cambridgeshire and Peterborough, Greater Manchester, the Liverpool City Region, Tees Valley, the West Midlands, and the West of England).

Thanks must go to our donors, whatever the size of donation, for their continued support in 2017 which allowed us to raise over £34.3 million in donation income, an 83% increase on the previous year. We are particularly grateful to our supporters who once again stepped up and generously supported the Party's General Election campaign, which allowed us to raise over £12.5 million in reportable donations between 3 May and 6 June 2017 alone.

During 2017 over two thirds of our donations continue to come from individuals demonstrating the strong support that the Party has from the electorate, which contrasts strongly with the Labour Party who received over 83% of its reportable donations from the Trade Unions.

As you would expect in a busy campaigning year, our expenditure went up from £27.8 million to £44.6 million. However, the focus continues to be to ensure that the Party achieves value for money in all its spending and it is pleasing to note that management and administrative expenses increase during 2017. The majority of the extra spending during the year went into front line campaigning through either direct spending or our investment in expanding our campaign manager programme across the country.

Our balance sheet net liabilities continued to fall in 2018 from £4.3 million to £3.2 million at the year end. The Party also finished the year strongly with approximately £3.9 million in cash reserves. It is pleasing to be able to continue to report that the Party does not have any outstanding external debt beyond Constituency Association loans, with all expenditure funded from income raised during the year.

Financial oversight on behalf of the Board of the Central Conservative Office was exercised throughout the year by the Finance and Audit Committee under the Chairmanship of Robert Semple OBE.

Without the dedication and professionalism of all our staff, including the treasurers, finance, compliance, HR and commercial teams, none of this would have been possible and they are due great credit, as are our colleagues on the Finance and Audit Committee.



Sir Mick Davis
CEO and Party Treasurer



Alan Mabbutt OBE
Registered Treasurer

Date 04/07/18

The Conservative Central Office

Statement of Responsibilities of the Board

The Board of the Conservative Central Office ("the Board") are responsible for preparing the chairman's report, the treasurers' financial review and the financial statements in accordance with applicable law and regulations.

The Political Parties, Elections and Referendums Act 2000 requires the Board to prepare financial statements for each financial year. Under that act the Board are required to prepare the financial statements in accordance with the accounting guidance issued by the Electoral Commission. The Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Conservative Central Office and of the surplus or deficit of the Conservative Central Office for that period.

In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting guidance has 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 Conservative Central Office will continue in business.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Conservative Central Office's transactions and disclose with reasonable accuracy at any time the financial position of the Conservative Central Office and enable them to ensure that the financial statements comply with the Political Parties, Elections and Referendums Act 2000. They are also responsible for safeguarding the assets of the Conservative Central Office and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Conservative Central Office website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Conservative Central Office website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.



The Conservative Central Office Report of the Independent Auditors

TO THE BOARD OF THE CONSERVATIVE CENTRAL OFFICE

Opinion

We have audited the financial statements of the Conservative Central Office for the year ended 31 December 2017, which comprise the consolidated income and expenditure account, the consolidated balance sheet, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the accounting guidance issued by the Electoral Commission.

In our opinion, the financial statements:

- give a true and fair view of the state of affairs of the Conservative Central Office as at 31 December 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with the accounting guidance issued by the Electoral Commission; and
- have been properly prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Conservative Central Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Conservative Central Office's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board are responsible for the other information. The other information comprises the information included in the Chairman's report and Treasurers' Financial Review, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

The Conservative Central Office

Report of the Independent Auditors (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Conservative Central Office and its environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's report and Treasurers' Financial Review.

Responsibilities of the Board of the Conservative Central Office

As explained more fully in the Statement of Responsibilities of the Board, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Conservative Central Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Conservative Central Office or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Board of the Conservative Central Office, 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 Board 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 Conservative Central Office and the Board as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



BDO LLP

Chartered Accountants and Registered Auditors

London

United Kingdom

Date

5/7/18

BDO LLP is a limited liability partnership registered in England and Wales (with registered number )

The Conservative Central Office

Consolidated Income and Expenditure Account

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Income			
Donation income		34,251	18,682
Membership fees	1a	835	1,459
Income from fundraising activities		677	657
Income from commercial activities		409	317
Income from legacies		1,697	301
Investment income	1b	67	178
Grant income	1c	562	460
Income from conferences		5,552	4,532
Notional income	1d	741	585
Other income		1,156	1,132
Total income		<u>45,947</u>	<u>28,303</u>
Expenditure			
Cost of fundraising activities		837	649
Cost of commercial activities		405	201
Notional expenditure		741	585
Staff costs		11,194	8,289
Management and administration expenses		7,904	7,449
Depreciation	6	601	462
Campaign expenditure	3	17,975	6,161
Interest payable	4	267	211
Conference expenditure		3,648	2,784
Other expenditure		1,068	965
Total expenditure		<u>44,640</u>	<u>27,756</u>
Surplus before taxation		1,307	547
Taxation charge	5	(227)	(263)
Surplus for the year	12	<u>1,080</u>	<u>284</u>

All amounts relate to continuing activities.

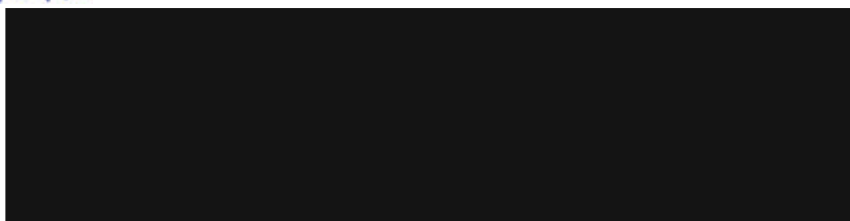
All recognised gains and losses in the current and prior period are included in the income and expenditure account.

The accounting policies and notes on pages 13 to 25 form part of these financial statements.

The Conservative Central Office Consolidated Balance Sheet As at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	6	1,891	1,726
Current assets			
Debtors	7	2,159	1,127
Investments	8	1,570	1,332
Cash at bank and in hand		3,871	1,531
		7,600	3,990
Creditors: amounts falling due within one year	9	(7,865)	(7,105)
Net current liabilities		(265)	(3,115)
Total assets less current liabilities		1,626	(1,389)
Provision for liabilities	11	(4,822)	(2,887)
Net liabilities		(3,196)	(4,276)
Reserves			
Capital reserve	12	1,172	1,172
Revenue reserve	12	(4,368)	(5,448)
Total capital and reserves		(3,196)	(4,276)

The financial statements were approved and authorised for issue by the Board of The Conservative Central Office on 4/7/18 and were signed on its behalf by Rt Hon Brandon Lewis.



The accounting policies and notes on pages 13 to 25 form part of these financial statements.

The Conservative Central Office Consolidated Cash Flow Statement For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash inflow/ (outflow) from operating activities	15a	3,894	(930)
Returns on investments and servicing of finance	15b	(240)	(178)
Taxation		(227)	(409)
Capital expenditure and financial investment	15c	(1,016)	(285)
Increase/ (decrease) in cash before financing		<u>2,411</u>	<u>(1,802)</u>
Financing	15d	(71)	138
Increase/ (decrease) in cash in the year	15e	<u><u>2,340</u></u>	<u><u>(1,664)</u></u>

The accounting policies and notes on pages 13 to 25 form part of these financial statements.

The Conservative Central Office

Accounting Policies

For the year ended 31 December 2017

Basis of preparation

The Conservative Central Office is not incorporated in law and is thus not bound by the Companies Act 2006. The group is required to prepare financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 ("PPERA"). The financial statements have been prepared under the historical cost convention, and in accordance with the Statement of Accounts Guidance Notes issued by the Electoral Commission, including the transitional arrangements permitted therein. Accordingly, the statements follow the format recommended by the Guidelines published by the Electoral Commission and include the disclosures encouraged with the exception of certain disclosures where the information cannot be reliably obtained, the disclosure would not be required under Companies Act 2006, or where the information can be obtained from other disclosures provided.

The Conservative Central Office relies on donation income to meet a large proportion of its expenditure, including most of its non-recurring expenditure. Loans from supporters of the Conservative Party are used to cover short-term cash requirements. Donation income is inherently unpredictable, but the Board is confident that sufficient donations will be received and existing facilities will continue to be available to meet the needs of the Conservative Central Office. In addition, the Board is satisfied that the Conservative Central Office will not be called upon to repay the loans it has received from Party supporters unless it has sufficient funds available for this purpose, with lenders agreeing to the deferral of loan repayments and/or the arrangement of replacement loans as necessary. This is consistent with the Board's experience in prior years.

Against this background, the Board has reviewed the expenditure budgets and cash flow projections for the Conservative Central Office for the 12 months from the date of this report and is satisfied that sufficient donation income and other funding will be generated for it to meet its financial obligations and remain within its available overdraft facility. On this basis, the Board considers that it is appropriate to prepare the accounts on the going concern basis.

The financial statements are presented in Sterling (£).

A summary of the principal accounting policies is set out below. The policies have been applied consistently, save where otherwise specified.

Consolidation

The financial statements include the assets and liabilities and results of quasi-subidiaries. The principal effect of this is to include in the accounts additional associated liabilities and also some additional investments and cash balances.

Income recognition

Income is recognised when a particular resource is receivable or when the Conservative Central Office's right to it becomes legally enforceable, when there is reasonable certainty that it will be received and when its monetary value can be determined. Donations and constituency income are recognised when cash is received or becomes receivable under a legal or constructive obligation. Income from membership fees and levies are recognised when they are received. Renewals are only recognised if they have been received before the approval of the financial statements and it is clear that the receipt is not related to events that have occurred since the relevant financial year end. Loans payable that are waived are treated as donations in the period in which the loans are waived. All incoming resources are reported gross.

Income in the form of grants is recognised over the period to which it relates. Income from legacies is only recognised when received, unless the personal representatives give notification that the legacy is receivable before the year end and payment is received after the year end.

Where the Conservative Central Office does not bear the risks or rewards of fundraising, only the net difference between the costs incurred and the income received is recognised. Certain goods and services are provided to MPs and constituency associations and these are charged at cost. Invoiced goods and services exclude Value Added Tax and are recognised within income from commercial activities when the goods are supplied or the service is provided. Amounts receivable at the year end are recorded within the appropriate category in current assets. Interest on investments, bank interest and dividends are recognised when receivable.

The Conservative Central Office

Accounting Policies

For the year ended 31 December 2017 *(continued)*

Where an organisation or individual bears the costs of goods or services that the Conservative Central Office would otherwise have been liable for, that cost is referred to as notional expenditure and the Conservative Central Office is deemed to have received notional income. Notional income and expenditure are presented separately in the income and expenditure account. Gifts of tangible fixed assets are recognised as income according to their current value on the date they are received. Work carried out for the Conservative Central Office by volunteers who provide their own time free of charge is not treated as a donation-in-kind.

Expenditure

Expenditure is recognised in the period in which it is incurred and amounts payable at the year end are recorded within the appropriate category in current liabilities.

Tangible fixed assets

Tangible fixed assets, comprising furniture, fixtures, fittings, computers and office equipment are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of these assets to their estimated residual value over the expected useful life of the asset concerned;

Furniture, fixtures & fittings	Straight line over 10 years
Office equipment	Straight line over 5 years
Computer equipment	Straight line over 3-9 years

Current asset investment

Current asset investments include shares held in funds which are valued on a regular basis and unlisted investments which are stated at cost. Investments have been classified as current asset investments and those held in funds are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the income and expenditure account within investment income.

Pension costs

The Conservative Central Office participates in the Conservative and Unionist Agents' Superannuation Fund along with the Conservative Constituency Associations. The Fund is a centralised pension scheme offering defined benefits. It is not possible to segregate the assets and liabilities of the Fund attributable to the Conservative Central Office. Accordingly, under the provisions of FRS 102, the Fund has been accounted for as if it was a defined contribution scheme. The amount charged to the income and expenditure account in respect of pension costs therefore represents the contributions payable for the year. Additional pension commitments have been agreed with the Trustees and are payable over a number of years and so they have been discounted. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet whilst provision has been made for the additional commitments.

Lease incentives

Reverse premiums, rent free periods and similar incentives received to enter into operating lease agreements are released to the income and expenditure account over the period of the lease.

Dilapidations provisions

Where the Conservative Central Office has entered into property lease agreements which result in an unavoidable commitment to return the leased premises to their original state, a provision is made for the best estimate of the expected reinstatement costs to be incurred.

Provisions are made as soon as they become quantifiable; therefore, when it is possible to make such a provision at the commencement of a property lease, an asset is also recognised and classified as a fixed asset, equal in value to the dilapidations provision. This asset is subject to depreciation calculated to write off its value evenly over the term of the lease.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2017

1. Income

	2017 £'000	2016 £'000
a Membership fees		
Party membership fees	<u>835</u>	<u>1,459</u>
b Investment income		
Dividends received	25	21
Interest receivable	4	3
Fair value gain on current asset investment	-	154
Other income	38	-
	<u>67</u>	<u>178</u>
c Grant income		
Policy development grant	315	268
Scottish parliament grant	247	192
	<u>562</u>	<u>460</u>
d Notional income		
Goods and services	<u>741</u>	<u>585</u>

The Conservative Central Office Notes to the Financial Statements For the year ended 31 December 2017 (*continued*)

2. Employees

The average number of permanent staff employed in the Conservative Central Office was:

	2017	2016
Central office staff	150	152
Regional office staff	64	46
	<u>214</u>	<u>198</u>

Their aggregate payroll costs were:

	2017 £'000	2016 £'000
Salaries	7,401	6,931
Social security costs	816	750
Pension costs	310	225
Cost of defined contribution scheme	2,280	-
	<u>10,807</u>	<u>7,906</u>

The Conservative Central Office participates in the Conservative and Unionist Agents' Superannuation Fund along with the Conservative Constituency Associations. The assets of the Fund are held separately by Trustees, independently of the participating employers.

Contributions to the Fund are determined by a qualified independent actuary using the projected unit method based on triennial valuations. The last actuarial valuation of the Fund was carried out as at 31 March 2016.

The key assumptions adopted for this valuation are as follows:

	%
Rate of increase in salaries	N.A
Rate of increase to pensions in payment (1997 to 2005)	5.00
Rate of increase to pensions in payment (post 2005 pensions)	2.50
Discount rate prior to retirement	4.40
Discount rate in retirement	4.40
Inflation - Retail Prices Index	3.34
Inflation - Consumer Prices Index	2.44
	Years
Assumed life expectancy for a female pensioner aged 65 at the valuation date	25.2
Assumed Life expectancy for a male pensioner aged 65 at the valuation date	23.8
Assumed life expectancy at age 65 for a female non pensioner currently aged 45	28.1
Assumed life expectancy at age 65 for a male non pensioner currently aged 45	26.4

The market value of the Fund's invested assets as at 31 March 2016 was £21.5 million. The actuarial value of these assets represented 76% of the value of the Fund's liabilities at that date. The fund has a shortfall of £6.8 million.

The Conservative Central Office and the Constituency Associations paid a contribution of 22.5% of salary to meet the cost of accruing benefits. These contributions stopped on 1 January 2012 when the fund ceased to have any employee members. In order to address the shortfall in the Fund, the Conservative Central Office has agreed to pay additional contributions, of £6.8 million over the period 1 April 2016 to 31 August 2028.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2017 (*continued*)

3. Result for the year

	2017 £'000	2016 £'000
The result is stated after charging/(crediting):		
Campaign expenditure:		
Scotland (reportable)	-	961
Wales (reportable)	-	387
General election (reportable)	16,620	1,849
Campaign expenditure (non-reportable)	1,355	2,964
Auditors' remuneration:		
Audit services to the Conservative Central Office	82	68
Other assurance services to the Conservative Central Office	27	-
Non-audit services to the Conservative Central Office	7	18
Audit services to quasi-subsiaries	3	3
Operating lease rentals:		
Land and buildings	879	636
Motor vehicles	7	7
Office equipment	31	77
Depreciation of tangible fixed assets:		
Owned assets	601	462
Westminster Foundation for Democracy:		
Project funding recognised during the year	(427)	(578)
Project expenditure supported by funding	427	578
	<hr/>	<hr/>

4. Interest payable

	2017 £'000	2016 £'000
Interest payable on loans and overdrafts	-	25
Unwinding of discounts on provisions	203	149
Interest payable on other loans	64	37
	<hr/>	<hr/>
	267	211
	<hr/>	<hr/>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2017 (*continued*)

5. Taxation

	2017 £'000	2016 £'000
Current tax on taxable income	231	237
Deferred tax – origination and reversal of timing differences	(4)	26
Total taxation charge	<u>227</u>	<u>263</u>

The difference between the actual and expected tax charge is explained below:

	2017 £'000	2016 £'000
Surplus before taxation	<u>1,307</u>	<u>547</u>
Tax on surplus at the basic rate of income tax in the UK of 20% (2015 - 20%)	261	109
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8,608	5,295
Non-taxable income	(8,638)	(5,167)
Origination and reversal of timing differences	(4)	26
Tax on surplus	<u>227</u>	<u>263</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2017 (*continued*)

6. Tangible fixed assets

	Furniture, fixtures & fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 January 2017	1,398	688	6,097	8,183
Additions	306	3	457	766
At 31 December 2017	<u>1,704</u>	<u>691</u>	<u>6,554</u>	<u>8,949</u>
Depreciation				
At 1 January 2017	714	663	5,080	6,457
Charge for the year	162	11	428	601
At 31 December 2017	<u>876</u>	<u>674</u>	<u>5,508</u>	<u>7,058</u>
Net book value				
At 31 December 2017	828	17	1,046	1,891
At 31 December 2016	<u>684</u>	<u>25</u>	<u>1,017</u>	<u>1,726</u>

7. Debtors

	2017 £'000	2016 £'000
Trade debtors	115	215
Other debtors	470	303
Prepayments and accrued income	1,574	609
	<u>2,159</u>	<u>1,127</u>

All amounts fall due within one year.

The Conservative Central Office
Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

8. Current asset investments

	2017 £'000	2016 £'000
Opening fair value	1,332	1,178
Purchases	250	-
(Losses)/ gains on remeasurement to fair value	(12)	154
Market value	<u>1,570</u>	<u>1,332</u>

Current asset investment of £1,551,000 (2016 - £1,332,000) are shares held in funds which are valued on a regular basis. The total loss recognised on these investment in the period was £12,000 (2016 – Gain £154,000), representing the fair value remeasurements shown above.

9. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Other loans payable (note 10)	3,954	4,024
Trade creditors	813	427
Social security and other taxation	346	189
Corporate tax payable	220	217
Deferred tax liability	-	26
Other creditors	150	169
Accruals and deferred income	2,382	2,053
	<u>7,865</u>	<u>7,105</u>

The Conservative Central Office
Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

10. Loans

	2017 £'000	2016 £'000
Interest free and repayable on demand:		
Loans from Constituency Associations	3,050	3,067
Interest bearing and repayable on demand:		
Loans from Constituency Associations	904	957
	<u>3,954</u>	<u>4,024</u>

11. Provisions for liabilities

	Pension commitment £'000	Dilapidations provision £'000	Total provision £'000
At 1 January 2017	2,638	250	2,888
Unwinding of discount	203	-	203
Utilisation of provision	(550)	-	(550)
Increase in provision	2,281	-	2,281
At 31 December 2017	<u>4,572</u>	<u>250</u>	<u>4,822</u>

The market value of the Fund's invested assets as at 31 March 2016 was £ 21.5 million. The actuarial value of these assets represented 76 % of the value of the Fund's liabilities at that date. The fund has a shortfall of £ 6.8 million.

In order to address the shortfall in the Fund, the Conservative Central Office has agreed to pay additional contributions, of £6 .8 million over the period 1 April 2016 to 31 August 2028. The total due has been provided in the accounts and has been discounted at 4.4% per annum. Payments are offset against the provision with a finance charge for unwinding of the discount.

The dilapidations provision relates to the estimated costs expected to arise on vacating premises currently occupied by the Conservative Central Office.

The Conservative Central Office
Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

12. Capital and reserves

The movements in capital and reserves during the period are as follows:

	Capital Reserve £'000	Revenue Reserves £'000	Total capital and reserves £'000
At 1 January 2016	1,172	(5,732)	(4,560)
Net surplus for the year	-	284	284
At 31 December 2016	<u>1,172</u>	<u>(5,448)</u>	<u>(4,276)</u>
At 1 January 2017	1,172	(5,448)	(4,276)
Net surplus for the year	-	1,080	1,080
At 31 December 2017	<u>1,172</u>	<u>(4,368)</u>	<u>(3,196)</u>

13. Financial commitments

Minimum commitments payable under non-cancellable operating leases are as follows:

	Land and buildings	
	2017 £'000	2016 £'000
Less than one year	659	456
Between two and five years	2,636	1,824
In more than five years	2,276	2,052
Total	<u>5,571</u>	<u>4,332</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2017 (*continued*)

14. Quasi-subsidiaries

The financial statements incorporate the quasi-subsidiaries of the Conservative Central Office, namely the 1949 Conservative & Unionist Trust, C&UCO Management Limited, C&UCO Services Limited (all of which were dormant during the year under review), C&UCO Properties Limited, The Conservative Party Foundation Limited and the Conservative Party Association. Quasi-subsidiaries are entities which are not legally owned by the Conservative Central Office but over which it has control and beneficial ownership.

The net assets of the quasi-subsidiaries totalled £15,578,000 at 31 December 2017 (2016 - £14,494,000), comprising fixed assets £390,000 (2016 - £573,000), investments of £1,551,000 (2016 - £1,313,000), debtors of £1,000 (2016 - £27,000), cash at bank of £2,430,000 (2016 - £1,743,000), creditors and accruals of £23,000 (2016 - £10,000) and provisions of £250,000 (2016 - £250,000). There are also intra-group balances, of £ 11,547,000 (2016 - £11,152,000) due from the Conservative Central Office, which are eliminated on consolidation. In aggregate, the quasi-subsidiaries reported a gain for the year of £1,153,000 (2016 - £326,000).

15. Notes to the cash flow statement

(a) Reconciliation of operating surplus to operating cash flows

	2017 £'000	2016 £'000
Surplus before taxation	1,307	547
Depreciation on tangible fixed assets	601	462
Change in value of investment	12	(154)
Increase in debtors	(1,032)	(5)
Increase/ (decrease) in creditors/provision	2,766	(1,967)
	<u>3,654</u>	<u>(1,117)</u>
Interest payable	267	212
Investment income	(27)	(24)
Net cash inflow from operating activities	<u>3,894</u>	<u>(930)</u>

(b) Returns on investments and servicing of finance

	2017 £'000	2016 £'000
Interest paid	(267)	(202)
Dividends received	25	21
Rent received	-	-
Interest received	2	3
Cash outflow from returns on investments and servicing of finance	<u>(240)</u>	<u>(178)</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2017 (*continued*)

15. Notes to the cash flow statement (*continued*)

(c) Capital expenditure and financial investment

	2017 £'000	2016 £'000
Payments to acquire fixed assets	(766)	(285)
Purchase of current asset investment	(250)	-
Cash outflow from capital expenditure and financial investment	<u>(1,016)</u>	<u>(285)</u>

(d) Financing

	2017 £'000	2016 £'000
Interest converted to loans	9	(9)
Movement in Constituency loan	(80)	147
Cash (outflow)/ inflow from financing	<u>(71)</u>	<u>138</u>

(e) Reconciliation of net cash flow to movement in net debt

	Note	2017 £'000	2016 £'000
Increase/ (decrease) in cash in the year		2,340	(1,664)
Cash inflow/ (outflow) from financing	15d	71	(138)
Change in net debt resulting from cash flows		<u>2,411</u>	<u>(1,802)</u>
Non-cash movements		229	154
Movement in net debt in the year		<u>2,640</u>	<u>(1,648)</u>
Opening net debt		(1,152)	496
Closing net funds	15f	<u>1,488</u>	<u>(1,152)</u>

The Conservative Central Office
Notes to the Financial Statements
For the year ended 31 December 2017 (*continued*)

(f) *Analysis of movements in net debt*

	1 January 2017 £'000	Cash flow £'000	Non-cash movements £'000	31 December 2017 £'000
Cash at bank and in hand	1,531	2,340	-	3,871
	<u>1,531</u>	<u>2,340</u>	<u>-</u>	<u>3,871</u>
Current asset investments	1,332	-	238	1,570
Loans due falling due within one year	(4,024)	80	(9)	(3,954)
Net funds/(debt)	<u>(1,161)</u>	<u>2,420</u>	<u>229</u>	<u>1,488</u>

The Conservative Central Office Notes to the Financial Statements For the year ended 31 December 2017 *(continued)*

16. Related party transactions

The Board of the Conservative Central Office has determined that, under FRS 102, related parties to the Conservative Central Office include the Leader of the Conservative Party and any person who has, at any time during the year, been a member of the Board of the Conservative Central Office or a Party Officer, or is a close family member.

Under FRS 102, transactions and balances with these related parties, or with certain partnerships, companies, trusts or other entities, must be disclosed. Details of such transactions and balances (except where nil) for the year ended 31 December 2017 are provided below:

a) The following transactions were made by Sir Mick Davis during the year:

Donations £1,370,000	(2016 - £1,038,000)
Donation in kind £28,000	(2016 - £19,000)

b) The following transactions were made by Dominic Johnson CBE during the year:

Donations £64,025	(2016 - £Nil)
Donations in Kind £2,731	(2016 - £Nil)

c) The following transactions were made by Mr David Brownlow during the year:

Donations £639,040	(2016 - £Nil)
Donations in Kind £23,302	(2016 - £Nil)

d) The following transactions were made by [REDACTED] a close family Member of Theresa May during the year:

Donations £1,000	(2016 - £Nil)
Donations in Kind £Nil	(2016 - £Nil)

e) Certain other individual members of the Board and Party Officers made donations in aggregate of :

Donations £1,385	(2016 - £65)
Donation in Kind £Nil	(2016 - £1,125)

17. Controlling party

As described on page 7, The Board of the Conservative Central Office is responsible for the management and administration of the Conservative Central Office and the Leader of the Party is considered to be a person of significant control due to the right to appoint or remove a majority of the Board of the Party.

18. Contingent Liabilities

The Party, from time to time, has a number of legal cases ongoing. It is not considered possible to reliably estimate the amount of costs that might be payable on current cases as they are dependent on the outcome of investigations and legal proceedings which are ongoing. No further information can be disclosed on the grounds that it can be expected to prejudice the outcome of the legal process.