

The Labour Party

Financial statements for the year ended 31 December 2013

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Registered Party officers

Leader:	Rt Hon Ed Miliband MP
Treasurer	Iain McNicol
Nominating Officer	Margaret Lynch
Deputy Treasurer	Greg Beales
Deputy Treasurer	Torsten Bell
Deputy Treasurer	David Hagendyk
Deputy Treasurer	Patrick Heneghan
Deputy Treasurer	Carol Linforth
Deputy Treasurer	Spencer Livermore
Deputy Treasurer	Margaret Lynch
Deputy Treasurer	Simon Mills
Deputy Treasurer	Ian Price
Deputy Treasurer	Bob Roberts
Deputy Treasurer	Katherine Segal
Deputy Treasurer	Fiona Stanton
Registered address	One Brewer's Green, London, SW1H 0RH

Treasurers' report

The financial statements for the year ended 31 December 2013 present the result of a hugely successful financial period. Income of £33m was consistent with the previous year, however our continued financial discipline ensured that costs were controlled to an even greater extent. This resulted in a surplus of £5.5m, an increase from the £2.8m achieved in the previous year.

Membership income continued to grow during the year with another net increase in the number of party members. Year on year growth at a time when the public is supposedly anti-politics suggests that The Labour Party is doing something right. As it is always omitted from media reports on our finances it is again worth noting that funds received from our members amounted to over £8m. The total increases to £10.5m with contributions from our elected representatives, making funds from members our greatest income segment.

The focus on debt reduction remains and we are pleased to report that the party met all its loan obligations in the year. Net liabilities were reduced to £2.6m by the end of the year. As we reported last year it is worth referring to 2006 when the net liabilities were £24.5m to see the huge progress that we have made (both figures exclude the pension asset/liability). Each year when this report is prepared we are another step closer to clearing the whole of the legacy debt from the 2005 campaign and earlier.

The pension asset under Financial Reporting Standard 17 'Retirement Benefits' has been determined by the Party's actuaries based on the pension scheme membership information as at 31 December 2013. The pension fund asset has increased to £9.2m from the £3.7m reported in 2012 largely due to the performance of investments. Since the end of the year the Scheme's Trustees have completed an investment review, pro-actively moving funds to diversify holdings with the ultimate aim of reducing risk while maintaining returns at the level expected. To comply with our responsibilities under Auto Enrolment the party has expanded the pension offer to employees with the launch of a defined contribution scheme. The scheme, which requires lower contributions and is portable, enhances the party's ability to provide a pension provision suitable for all staff.

It would not be right to comment on the financial success of 2013 without acknowledging the challenges that lie ahead. The aim of Party Reform is to deliver a more inclusive, wider engaging and therefore stronger party. This cannot be achieved by jeopardising the financial stability that we have worked so hard to establish. While implementing the recommendations of the Collins' Report we must also deliver the campaign that ensures the party is a one-term opposition. We know that the Tories will massively outspend us, however we also know from 2010 that this does not guarantee them victory. Policies win elections, not pounds and the investment that we have made in our organiser structure will ensure that we get our message across. We now have over 100 trained, full-time campaign organisers on the ground in our key seats, more than we've ever had in the run up to any previous election.

Again, we have come so far in recent years it cannot be risked now – our financial discipline must be maintained both throughout the campaign and beyond.

As always, 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 also very grateful for the backing of all contributors to our Party, each year our message remains the same: whatever the size of the contribution, their generosity always makes a difference.

We would like to thank all members, supporters, elected representatives and staff for their continued commitment and backing as we work towards achieving the goals of the party, including the local fundraising activities that take place across Constituency Labour Parties.

Finally a huge thanks to all Labour people across our communities, first for the success that we worked so hard to deliver in 2013, and secondly for the incredible dedication and commitment that will be shown in the coming year achieving the victory that we all strive for.

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 2014 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2014.

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, Agenda 2015, 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.
Audit and Risk Management	Responsibility for the Party's risk register and policies to mitigate risks.

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 2013 the total individual membership of the Party was 189,531 (2012: 187,537).

Accounting units

As at 31 December 2013 the Party had 656 (2012: 656) 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 2013 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.

In addition, we read all the financial and non-financial information in the Treasurers' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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

Statutory Auditor
London

26. June 2014

Consolidated income and expenditure account for the year ended 31 December 2013

		2013	2012
	Notes	£'000	£'000
Income			
Donations		5,146	5,162
Membership		5,684	5,508
Affiliations		8,026	7,965
Fundraising	4	610	649
Commercial income		3,089	3,373
Legacies		60	119
Interest receivable		39	62
Government grants	5	6,912	6,656
Notional income	6	462	780
Other income		3,239	2,750
Investment Income	7	69	-
Total income		33,336	33,024
Expenditure			
Costs of fundraising		(347)	(295)
Costs of commercial activity		(1,474)	(1,790)
Notional expenditure	6	(462)	(780)
Running costs	8	(22,487)	(23,938)
Interest payable	9	(773)	(843)
Grants and payments to CLPs		(1,012)	(1,013)
Other	11	(1,301)	(1,538)
Total expenditure		(27,856)	(30,197)
Surplus from Party activities before taxation	12	5,480	2,827
Taxation	13	(14)	-
Surplus for the year		5,466	2,827

Statement of total recognised gains and losses for the year ended 31 December 2013

Statement of total recognised gains and losses

	Notes	2013	2012
		£'000	£'000
Surplus for the year		5,466	2,827
Actuarial gain recognised in the pension scheme	22	3,496	725
Total recognised net gains relating to the year		8,962	3,552

The Notes on pages 12 to 21 form part of these financial statements

Consolidated balance sheet at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	14	6,181	6,700
Current assets			
Debtors and prepayments	15	1,907	1,952
Cash at bank and in hand		9,181	5,003
		11,088	6,955
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	16	(4,691)	(4,143)
Development fund loans	26	(7,883)	(6,208)
Other loans	27	(2,624)	(2,236)
Overdrafts and short term loans		(320)	(416)
		(15,518)	(13,003)
Net current liabilities		(4,430)	(6,048)
Total assets less current liabilities		1,751	652
Creditors: amounts falling due after more than one year	17	(4,097)	(6,082)
Provisions for liabilities and charges	19	(225)	(225)
Net liabilities		(2,571)	(5,655)
Pension asset	22	(9,181)	(3,730)
Reserves			
General		5,965	(2,997)
Revaluation reserve		645	1,072
	20	(2,571)	(5,655)

The financial statements on pages 8 to 21 were approved by the National Executive Committee on 19.6.14.....
and signed on its behalf by:

 Iain McNicol

General Secretary and Registered Treasurer

The Notes on pages 12 to 21 form part of these financial statements.

 Diana Holland
Party Treasurer

Consolidated cash flow statement for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating surplus before servicing of finance and taxation	24	4,782	3,069
Servicing of finance			
Interest paid on long term loans		(586)	(749)
Capital expenditure and other activities			
Payments to acquire tangible fixed assets		-	(462)
		4,196	1,858
Financing			
(Decrease)/increase in long term loans		(1,985)	486
Increase in cash	25	2,211	2,344

The Notes on pages 12 to 21 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 10).

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.

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.

Notes to the financial statements

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.

g. Investments

Investments in non-quoted shares are normally valued at cost less provision for impairment.

Where investments are donated to the party the potential fair value is considered and if a reliable fair value can be determined the investment is recognized at its deemed cost, i.e. the fair value at the date of donation. If a sufficiently reliable fair value is not available for donated assets no cost is recognized.

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 surplus of £44,000 (2012: 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 a formal agreement for the full repayment of the loans. The Party's bankers have also agreed to continue providing support for short term working capital requirements. 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 (£Nil in 2013 and 2012) 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.

During the year the party were donated a 2.5% equity holding in a private company. Considering the small size of the holding and limited information available by which to value this shareholding it has not been attributed a value at the date of donation in the financial statements.

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.

4. Fundraising activities

	2013	2012
	£'000	£'000
Dinners	573	541
Other events	37	108
	610	649

Notes to the financial statements

5. Government grants

	2013	2012
	£'000	£'000
Short money	6,457	6,085
Policy Development Grant	455	571
	<u>6,912</u>	<u>6,656</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

	2013	2012
	£'000	£'000
This comprises:		
Goods	61	33
Services	138	383
Seconded staff	263	364
	<u>462</u>	<u>780</u>

7. Investment Income

	2013	2012
	£'000	£'000
Dividends Received	69	-
	<u>69</u>	<u>-</u>

8. Running costs

	2013	2012
	£'000	£'000
Staff related expenditure (see Note 10)	13,596	13,806
Building and premises	1,888	1,725
Depreciation and amortisation	92	228
Political activities and publishing	3,294	3,845
Administration	1,384	1,957
Finance, IT and telecommunication costs	2,233	2,377
	<u>22,487</u>	<u>23,938</u>

9. Interest payable

	2013	2012
	£'000	£'000
Bank loans	312	385
Other loans	274	364
Development fund loans	187	94
	<u>773</u>	<u>843</u>

10. Employees

	2013	2012
	£'000	£'000
Staff related expenditure comprises:		
Wages and salaries	10,191	12,043
Social security costs	1,290	1,165
Other pension costs	1,960	1,254
Other costs	155	132
	<u>13,596</u>	<u>14,594</u>

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

	Full time	Part time	Total
At 31 December 2013	274	59	333
At 31 December 2012	230	54	284
At 31 December 2011	249	58	307
Average for 2013	294	69	363
Average for 2012	251	54	305

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.

Notes to the financial statements

11. Irrecoverable VAT

	2013	2012
	£'000	£'000
Irrecoverable VAT expensed in the year	<u>1,053</u>	<u>1,011</u>

Irrecoverable VAT is included within Other Expenditure in the Income & Expenditure Account.

12. Surplus from Party activities before taxation

	2013	2012
	£'000	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	<u>508</u>	<u>346</u>
Auditors' remuneration		
- audit services	(71)	(67)
- non-audit services	(10)	(17)
Operating lease charge		
- property	(587)	(536)
- equipment	<u>(194)</u>	<u>(192)</u>

13. Taxation

	2013	2012
	£'000	£'000
<i>Current tax</i>		
Taxation on taxable income	<u>14</u>	<u>-</u>

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

	2013	2012
	£'000	£'000
Tax on profit at the main rate of 20%(24%)	1,096	561
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5,571	7,162
Non-taxable income	(6,653)	(7,723)
Movement in the deferred tax not recognised	14	-

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 £214,000 (2012: £247,000) 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	Freehold investment properties	Other freehold properties	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2013	462	2,932	3,398	6,792
Revaluation	-	10	(437)	(427)
At 31 December 2013	462	2,942	2,961	6,365
Depreciation				
At 1 January 2013	92	-	-	92
Depreciation in the year	92	-	-	92
At 31 December 2013	184	-	-	184
Net book value at 31 December 2013	278	2,942	2,961	6,181
Net book value at 31 December 2012	370	2,932	3,398	6,700

The historic cost for all properties is £5,296,000 (2012: £5,296,000). The most recent professional open market valuations were carried out as at 30 April 2014 by Jones Shackle Oldham Chartered Surveyors. Properties are subject to an annual impairment review in accordance with note 1b.

15. Debtors and prepayments

	2013	2012
	£'000	£'000
Trade debtors	571	665
Prepayments and accrued income	768	709
Other debtors	568	578
	1,907	1,952

16. Creditors, accruals and deferred income

	2013	2012
	£'000	£'000
Trade creditors	771	467
Taxation and social security	464	341
Other creditors	1,989	1,394
Accruals and deferred income	1,467	1,941
	4,691	4,143

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

	2013	2012
	£'000	£'000
Bank loans	3,280	3,550
Other loans (see note 27)	817	2,532
	4,097	6,082

of which payable:

In one to two years	2,052	2,465
In two to five years	1,414	3,617
In more than five years	631	-
	4,097	6,082

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.

Notes to the financial statements

18. Deferred tax

Balance at 1 January 2013	-
Charge to income and expenditure account	-
Balance at 31 December 2013	-

Analysis of deferred taxation asset

	2013	2012
	£'000	£'000
Accelerated capital allowances	23	21
Losses carried forward	(60)	(103)
	(37)	(82)
Deferred tax asset not recognised	37	82
	-	-

A consolidated deferred tax asset of £37,000 (2012: £82,000) has not been recognised. The rationale for this is that losses incurred to date are not considered to be recoverable. At 31 December 2013 the group had approximately £298,000 (2012: £103,000) of tax losses carried forward.

19. Provisions for liabilities and charges

	2013	2012
	£'000	£'000
Dilapidations	225	225

20. Reserves

	General	Revaluation reserves	Total
	£'000	£'000	£'000
At 1 January 2013	(2,997)	1,072	(1,925)
Surplus for the year	5,466	-	5,466
Actuarial gain	3,496	-	3,496
Revaluation	-	(427)	(427)
At 31 December 2013	5,965	645	6,610

21. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2013:

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.

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 2012. 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).

Notes to the financial statements

22. Pension fund (continued)

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

Main Financial Assumptions

	2013	2012
Discount rate for society liabilities	4.45%	4.55%
Rate of general long term increase in salaries	4.40%	4.00%
RPI inflation	3.40%	3.00%
CPI inflation	2.40%	2.30%
Pension increases pre April 1997	0.00%	0.00%
Pension increases April 1997 to April 2005	2.4%	2.30%
Pension increases post April 2005	1.85%	1.80%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2028 at age 60 will live on average for a further 28.4 years after retirement if they are male and for a further 30.4 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 26.9 years if they are male and for a further 28.9 years if they are female.

Assets in the Scheme and their expected rates of return as at 31 December 2013

Main asset categories	Long term rate of return expected as at 31 December 2013	Value as at 31 December 2013 £'000
Equities	7.10%p.a	25,550
Fixed interest bonds	3.60%p.a	4,495
Index linked bonds	3.35%p.a	25,308
Property	7.10%p.a	4,937
Cash and other	0.90%p.a	1,542
Total market value		61,832

Assets in the Scheme and their expected rates of return as at 31 December 2012

Main asset categories	Long term rate of return expected as at 31 December 2012	Value as at 31 December 2012 £'000
Equities	6.25%p.a	30,749
Fixed interest bonds	2.75%p.a	2,388
Index linked bonds	2.50%p.a	13,749
Property	6.25%p.a	4,529
Cash and other	1.00%p.a	361
Total market value		51,776

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 2013.

Actual return on Society assets

	2013 £'000	2012 £'000
Expected return on Society assets	2,301	1,929
Actuarial gain on Society assets	5,623	1,642
Actual return on Society assets	7,924	3,571

Reconciliation of funded status to balance sheet

	2013 £'000	2012 £'000
Fair value of Society assets	61,832	51,776
Present value of funded defined benefit obligations	(52,651)	(48,046)
Asset recognised on the balance sheet	9,181	3,730

Notes to the financial statements

22. Pension fund (continued)

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

	2013 £'000	2012 £'000
Opening defined benefit obligation	48,046	45,234
Current service cost	1,200	1,104
Interest cost	2,186	2,142
Contributions by Society participants	622	591
Actuarial losses on Society liabilities*	2,127	917
Net benefits paid out	(1,816)	(1,942)
Past service cost	286	-
Closing defined benefit obligation	52,651	48,046

* Includes changes to the actuarial assumptions.

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

	2013 £'000	2012 £'000
Opening fair value of Society assets	51,776	47,451
Expected return on Society assets	2,301	1,929
Actuarial gains on Society assets	5,623	1,642
Contributions by the employer	3,326	2,105
Contributions by Society participants	622	591
Net benefits paid out	(1,816)	(1,942)
Closing fair value of Society assets	61,832	51,776

Analysis of amounts recognised in STRGL

	2013 £'000	2012 £'000
Actual return less expected return on Society assets	5,623	1,642
Changes in assumptions underlying the present value of Society liabilities	(2,127)	(917)
Actuarial gain recognised in STRGL	3,496	725

The cumulative total of recognised actuarial losses is £5,744,000

Analysis of profit and loss charge

	2013 £'000	2012 £'000
Current service cost	1,200	1,104
Past service cost	286	-
Interest cost	2,186	2,142
Expected return on Society assets	(2,301)	(1,929)
Expense recognised in profit and loss	1,371	1,317

The Party expects to contribute £2,960,000 to its defined benefit scheme in 2014.

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of Society assets	61,832	51,776	47,451	43,758	38,740
Defined benefit obligation	(52,651)	(48,046)	(45,234)	(43,739)	(45,400)
	9,181	3,730	2,217	19	(6,660)

History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Experience gains/(losses) on Society assets	5,623	1,642	(33)	2,202	2,114
Experience gains/(losses) on Society liabilities	(225)	(610)	(220)	1,328	(1,741)

Notes to the financial statements

23. Lease commitments

At 31 December 2013, the Party's annual commitments under various non-cancellable operating leases were as follows:

	2013	2012
	£'000	£'000
Operating leases which expire:		
Within one year	-	320
In the second to fifth years inclusive	584	560
In more than five years	40	-
	<u>624</u>	<u>880</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

	2013	2012
	£'000	£'000
Operating surplus for the year before taxation	5,480	2,827
Depreciation and impairment charges	92	92
Loss on disposal of fixed assets	-	136
Interest payable on long term finance	586	749
Decrease/(increase) in debtors and prepayments	45	(90)
Increase/(decrease) in creditors and accruals	534	(82)
Actuarial gain on pension scheme	3,496	725
Decrease in pension liabilities	(5,451)	(1,513)
Increase in provisions for liabilities and charges	-	225
Net cash flow from operating activities	<u>4,782</u>	<u>3,069</u>

25. Analysis of net debt

	1 Jan 2013	Cash flow	31 December 2013
	£'000	£'000	£'000
Cash at bank and in hand	5,003	4,178	9,181
Development fund loans	(6,208)	(1,675)	(7,883)
Overdrafts and short term loans, excluding element of long term bank loans falling due within one year	(416)	96	(320)
Other loans falling due within one year	(2,236)	(388)	(2,624)
	<u>(3,857)</u>	<u>2,211</u>	<u>(1,646)</u>
Long term bank loans: included in Creditors: amounts falling due after one year	(3,550)	1,466	(2,084)
Other loans: included in Creditors: amounts falling due after one year	(2,532)	519	(2,013)
	<u>(6,082)</u>	<u>1,985</u>	<u>(4,097)</u>
Total	<u>(9,939)</u>	<u>4,196</u>	<u>(5,743)</u>

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 2013	6,208
Additional loans made available	1,977
Loans repaid	(302)
Loans payable at 31 December 2013	<u>7,883</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 2013.

Notes to the financial statements

27. Other loans

As at 31 December 2013 the Party has received the following amounts (loan plus accrued interest):

Name	Total due at 31 December 2013	Total due at 31 December 2012
Due in less than one year:	£'000	£'000
Nigel Morris	223	223
Derek Tullett	-	82
Dr Chai Patel	339	339
Rod Aldridge	223	223
Barry Townsley	230	230
Richard Caring	432	432
Sir David Garrard	1,177	707
	2,624	2,236
Due in more than than one year:		
Nigel Morris	96	290
Derek Tullett	-	66
Dr Chai Patel	157	452
Rod Aldridge	100	294
Barry Townsley	100	300
Richard Caring	188	564
Sir David Garrard	176	566
	817	2,532
	3,441	4,768

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