



Annual Report and Financial Statements

For the year ended 31 December 2012

The Conservative and Unionist Central Office

"The Conservative Central Office"

Annual Report and Financial Statements

For the year ended 31 December 2012

	Page
General Information	2
Chairman's Report	5
Treasurers' Financial Review	6
Statement of Responsibilities of the Board	7
Report of the Independent Auditors	8
Consolidated Income and Expenditure Account	9
Consolidated Statement of Total Recognised Gains and Losses and Note of Historical Cost Profits and Losses	10
Consolidated Balance Sheet	11
Consolidated Cash Flow Statement	12
Accounting Policies	13
Notes to the Financial Statements	15

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 31st December 2012

(Served throughout the year ended 31 December 2012, unless otherwise stated)

Lord Feldman of Elstree*	Party Chairman & Chairman of the Board
Rt Hon Baroness Warsi	Party Chairman (to September 2012)
Grant Shapps MP*	Party Chairman (from September 2012)
Jeremy Middleton CBE	Deputy Chairman of the Board and Chairman of the National Conservative Convention (to March 2012)
Emma Pidding*	Deputy Chairman of the Board and Chairman of the National Conservative Convention (from March 2012)
The Lady Fiona Hodgson CBE	President of the National Conservative Convention (to March 2012)
Paul Swaddle*	President of the National Conservative Convention (from March 2012)
Martin Callanan MEP	Leader of Conservatives in European Parliament (to June 2012)
Richard Ashworth MEP*	Leader of Conservatives in European Parliament (from June 2012)
Stephen Gilbert*	Party Leader's Appointment to the Board
Cllr Robert Gordon CBE*	Chairman of the Conservative Councillors Association
Cllr Jeff James*	Chairman of the Welsh Conservative Party (from July 2012)
Catrin Edwards	Chairman of the Welsh Conservative Party (to July 2012)
Pat McPhee*	Scottish Conservative and Unionist Party
Norman Green	Registered Treasurer (to November 2012)
Simon Day*	Registered Treasurer (from November 2012)
Robert Semple*	Vice President of the National Conservative Convention
Rt Hon Baroness Shephard JP DL	Chairman of the Association of Conservative Peers (to March 2012)
Lord MacGregor of Pulham Market OBE*	Chairman of the Association of Conservative Peers (from March 2012)
Lord Fink of Northwood*	Party Treasurer
Graham Brady MP*	Chairman of the 1922 Committee
Steve Bell*	Vice President of the National Conservative Convention
Charles Heslop*	Vice President of the National Conservative Convention
Brian Binley MP*	MP on the Board of the Conservative Party
Priti Patel MP*	MP on the Board of the Conservative Party
Charles Walker MP*	MP on the Board of the Conservative Party

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

The Conservative Central Office

General information

Party Officers as at 31st December 2012

(Served throughout the year ended 31 December 2012, unless otherwise stated)

Rt Hon Baroness Warsi	Party Chairman (to September 2012)
Grant Shapps*	Party Chairman (from September 2012)
Lord Feldman of Elstree*	Party Chairman
Michael Fallon MP	Deputy Chairman of the Conservative Party (to September 2012)
Sarah Newton MP*	Deputy Chairman of the Conservative Party (from September 2012)
Jeremy Middleton CBE	Chairman of the National Conservative Convention (to March 2012)
Emma Pidding*	Chairman of the National Conservative Convention (from March 2012)
Mark Pritchard MP	Deputy Chairman - International Office (to March 2012)
Geoffrey Clifton-Brown MP*	Vice Chairman – International
Alan Lewis CBE*	Vice Chairman – Business
Alok Sharma MP*	Vice Chairman – BME Communities (from September 2012)
Richard Harrington MP*	Vice Chairman – Target Seat Campaigning (from September 2012)
Bob Neill MP*	Vice Chairman – Local Government (from September 2012)
Michael Fabricant MP*	Vice Chairman – Parliamentary Campaigning (from September 2012)
Nicola Blackwood MP*	Vice Chairman – Social Action
Andrew Stephenson MP*	Vice Chairman – Conservative Future

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

Administrative Information

Committees

Conservative Agents' Benevolent Association
 Conservative Agents' Superannuation Fund
 Appeals (formerly Individual Member Review)
 C&UCO Properties Limited
 Candidates
 Conferences
 Constitutional Review
 Disciplinary
 Ethics & Integrity
 Finance & Audit
 Membership

Current Chairmen

Chris Poole CBE
 Brian Hanson CBE
 Mathew Carrington
 Christopher Moran
 Carlyn Chisholm
 Charles Heslop
 Appointed on an ad hoc basis
 Simon Mott
 Appointed on an ad hoc basis
 Charles Barwell OBE
 Rob Semple

The Conservative Central Office

General information

Conservative Campaign HQ Management

Position	Current Holder
Party Chairman	Lord Feldman of Elstree
Party Chairman	Grant Shapps MP
Party Treasurer	Michael Farmer
Finance Director & Registered Treasurer	Simon Day
Director of Campaigning	Stephen Gilbert
Director of Communications	Giles Kenningham
Director of the Voluntary Party and Conference Planning	Stephen Phillips
Research Director	Alex Dawson
Business Engagement Director	Kate Rock

Persons Registered with the Electoral Commission

(Currently serving, unless otherwise stated)

Leader	Rt Hon David Cameron MP
Nominating Officer	Alan Mabbutt
Registered Treasurer	Simon Day

Elected Representatives

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

Accounting Units

At 31 December 2012 the Party had 674 (2011 - 674) accounting units registered with the Electoral Commission throughout the UK.

Central Office

30 Millbank
London SW1P 4DP
Telephone: 020 7222 9000

Website: www.conservatives.com

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

The Conservative Central Office Chairman's Report

Over the last year, the Conservative Party in the Coalition Government has continued to work to rectify the extremely difficult situation we inherited from the last Labour Government – the biggest peacetime deficit in our history, an out-of-control immigration system and a welfare system that did not work for those who wanted to work hard and get on.

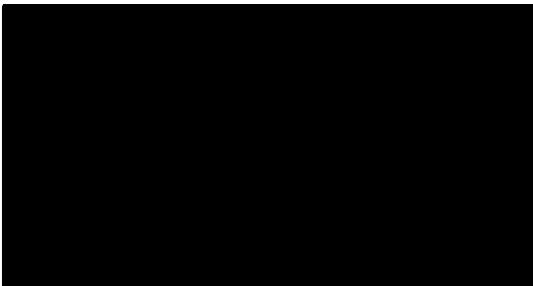
While there's more to do, we have cut Labour's deficit by a third, cut net immigration by over a third, and put a limit on the amount of benefits people can claim – so no out-of-work household can claim more than the average family earns.

In addition to this, crime is down by more than 10 per cent, there are 1.25 million new jobs in the private sector, and we have cut tax for 25 million people, benefiting the typical taxpayer by almost £600.

Local elections were held across the UK in May, alongside three mayoral elections including the London mayoralty, where Boris Johnson was returned for a second term as Mayor.

And in November 2012, the first ever elections were held for the newly created Police and Crime Commissioners. Our Conservative candidates produced strong results nationally, winning 16 of the seats, which were being contested – more than any other Party.

However, none of this would have been possible without the loyal support of the incredibly hard working volunteers, activists, candidates and professional staff we rely on. With the next General Election now very much on the political horizon we will continue the good work we have been doing and lend every effort to ensuring a Conservative majority Government in 2015.



Lord Feldman of Elstree
Chairman of the Board

Date 27th June 2013

The Conservative Central Office

Treasurers' Financial Review

In 2012 we recorded a surplus of £0.9 million, which in challenging economic times reflects a strong performance in the year.

Total income was £24.2 million in 2012 which was up on 2011 (£23.7 million). Donation income in 2012 amounted to £14.6 million reflecting the hard work of our Treasurers' team in bringing in donations to maintain the focus on campaigning.

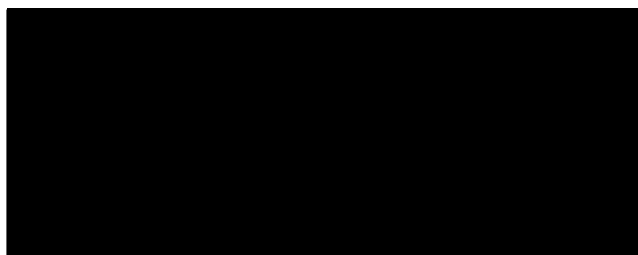
Our expenditure continues to be tightly controlled whilst maintaining focus on expenditure on campaigning in important successful elections in London and the Police and Crime Commissioners. We continued to reduce our overheads with management and administration expenses falling by £0.25 million and staff costs by £0.2 million. Costs of fundraising and conference also demonstrated the positive results of the drive for value for money falling by a combined £0.4 million since 2011.

Our balance sheet net liabilities have reduced by £0.9 million to £7.8 million at the end of the year reflecting the surplus in the year.

Financial oversight on behalf of the Party Board was exercised throughout the year by the Finance and Audit Committee under the Chairmanship of Charles Barwell OBE.

Our donors to the central party and to its constituency associations continue to give us their most generous support and we are grateful to every donor, whatever the size of donation, for their support.

Without the dedication and professionalism of all our staff, including the treasurers, finance, compliance 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.



Michael Farmer
Party Treasurer

Simon Day
Finance Director & Registered Treasurer

Date 27th June 2013

The Conservative Central Office

Statement of Responsibilities of the Board

The Board of the Conservative Central Office are responsible for preparing the annual report and the financial statements in accordance with applicable law and the accounting guidance issued by the Electoral Commission.

The Board of the Conservative Central Office is required, by the Political Parties, Elections and Referendums Act 2000, to prepare financial statements for each financial period, which give a true and fair view in accordance with the accounting guidance issued by the Electoral Commission of the state of affairs of the Conservative Central Office and of its surplus or deficit for that period. In preparing those financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Conservative Central Office at that time and to enable the Board to ensure that the financial statements comply with the Act. The Board is 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, www.conservatives.com, 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 this website is the responsibility of the Board. This responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Board have taken all the steps that they ought to have taken to make themselves aware of any information required by the auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Board are not aware of any relevant audit information of which the auditors are not aware.

The Conservative Central Office

Report of the Independent Auditors

To the Board of the Conservative Central Office

We have audited the financial statements of the Conservative Central Office, for the year ended 31 December 2012, which comprise the Consolidated Income and Expenditure Account, the Consolidated Statements of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting guidance issued by the Electoral Commission.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of the Conservative Central Office and auditors

As explained more fully in the statement of responsibilities of the Board, the Board of the Conservative Central Office are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the accounting guidance issued by the Electoral Commission. 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

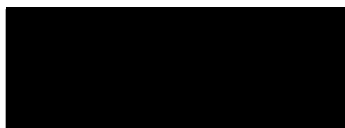
Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with the accounting guidance issued by the Electoral Commission, of the state of affairs of the Conservative Central Office as at 31 December 2012 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.

Opinion on other matters

In our opinion the information given in the General Information, the Chairman's Report and the Treasurers' Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.



BDO LLP

Chartered Accountants and Registered Auditors,
London

Date

28/6/13

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Conservative Central Office

Consolidated Income and Expenditure Account

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Income			
Donation income		14,607	14,891
Membership fees	1a	747	863
Income from fundraising activities		456	824
Income from commercial activities		621	524
Income from legacies		99	260
Investment income	1b	49	48
Grant income	1c	322	447
Income from conferences		4,279	4,235
Notional income	1d	779	570
Other income		2,289	998
Total income		24,248	23,660
Expenditure			
Cost of fundraising activities		598	714
Cost of commercial activities		181	125
Notional expenditure		779	570
Staff costs		7,849	8,062
Management and administration expenses		5,192	5,433
Depreciation	3	638	752
Campaign expenditure		1,846	2,147
Interest payable	4	525	501
Conference expenditure		2,541	2,793
Other expenditure		2,634	1,728
Total expenditure		22,783	22,825
Surplus before taxation	3	1,465	835
Taxation charge	5	(521)	(146)
Surplus for the year	13	944	689

All amounts relate to continuing activities.

The accounting policies and notes on pages 13 to 26 form part of these financial statements

The Conservative Central Office **Consolidated Statement of Total Recognised Gains and Losses** **and Note of Historical Cost Profits and Losses** **For the year ended 31 December 2012**

Statement of Total Recognised Gains and Losses

	2012	2011
	£'000	£'000
Surplus for the year	944	689
Taxation arising on disposal of revalued property	-	(125)
Total recognised gains and losses since the last annual report	<u>944</u>	<u>564</u>

Note of Historical Cost Profits and Losses

	2012	2011
	£'000	£'000
Reported surplus before taxation	1,465	835
Historical cost profit on disposal of tangible fixed assets	-	263
	<u>1,465</u>	<u>1,098</u>
Taxation charge	(521)	(271)
Retained historical cost surplus for the year	<u>944</u>	<u>827</u>

The accounting policies and notes on pages 13 to 26 form part of these financial statements

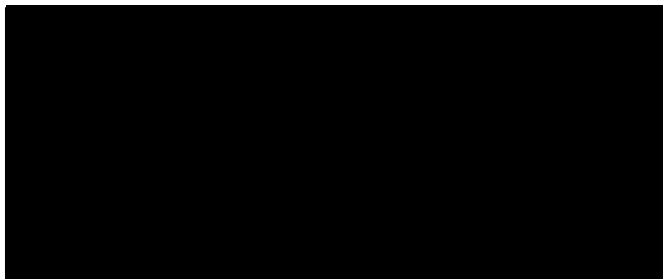
The Conservative Central Office

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	6	1,016	1,641
Current assets			
Debtors	7	2,017	2,175
Investments	8	43	43
Cash at bank and in hand		5,911	5,336
		<u>7,971</u>	<u>7,554</u>
Creditors: amounts falling due within one year	9	(10,108)	(10,941)
Net current liabilities		<u>(2,137)</u>	<u>(3,387)</u>
Total assets less current liabilities		(1,121)	(1,746)
Creditors: amounts falling due after more than one year	10	(2,875)	(2,870)
Provision for liabilities	12	(3,778)	(4,102)
Net liabilities		<u><u>(7,774)</u></u>	<u><u>(8,718)</u></u>
Reserves			
Capital reserve	13	1,172	1,172
Revaluation reserve	13	-	-
Revenue reserve	13	(8,946)	(9,890)
Total capital and reserves		<u><u>(7,774)</u></u>	<u><u>(8,718)</u></u>

The financial statements were approved and authorised for issue by the Board of the Conservative Central Office on 27th June 2013 and were signed on its behalf by Simon Day (Finance Director & Registered Treasurer).



The accounting policies and notes on pages 13 to 26 form part of these financial statements

The Conservative Central Office **Consolidated Cash Flow Statement** **For the year ended 31 December 2012**

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	16a	826	226
Returns on investments and servicing of finance	16b	(217)	(188)
Taxation		(216)	(117)
Proceeds of Investments		-	9
Capital expenditure and financial investment	16c	(13)	424
Increase in cash before financing		<u>380</u>	<u>354</u>
Financing	16d	(128)	(305)
Increase in cash in the year		<u>252</u>	<u>49</u>

The accounting policies and notes on pages 13 to 26 form part of these financial statements.

The Conservative Central Office Accounting Policies For the year ended 31 December 2012

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 applicable accounting standards and 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.

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 period to 30 June 2013 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.

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-subsiidiaries. 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 when receivable. 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.

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.

The Conservative Central Office

Accounting Policies

For the year ended 31 December 2012 (*continued*)

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

Other 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; generally 10 years for office furniture, fixtures and fittings; 4-9 years for IT related assets and 5 years for other office equipment.

Investments

Investments are shown at the lower of cost or valuation. Profits or losses arising on the sale of investments are credited to, or charged against, the income and expenditure account.

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 17, 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.

Leases

Rentals under operating leases are charged to the income and expenditure account as incurred. Assets acquired under finance leases are stated at cost less accumulated depreciation, the future capital payments being included in creditors. The capital portion of finance lease repayments reduces the outstanding creditor and the interest portion is charged against income in proportion to the outstanding capital creditor.

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 to the date of the first rent review or break clause.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the onerous obligations under that 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 dilapidations provision.

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 2012

1. Income

	2012 £'000	2011 £'000
a Membership fees		
Party membership fees	<u>747</u>	<u>863</u>
b Investment income		
Dividends received	13	14
Rent receivable	3	4
Interest received	33	30
	<u>49</u>	<u>48</u>
c Grant income		
Policy development grant	203	346
Scottish parliament grant	119	101
	<u>322</u>	<u>447</u>
Notional income		
d Goods and services	779	570
	<u>779</u>	<u>570</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 (*continued*)

2. Employees

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

	2012	2011
Central office staff	115	115
Regional office staff	57	59
	<u>172</u>	<u>174</u>

Their aggregate payroll costs were:

	2012 £'000	2011 £'000
Salaries	6,741	6,830
Social security costs	705	723
Pension costs	252	296
	<u>7,698</u>	<u>7,849</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 2011.

The key assumptions adopted for this valuation are as follows:

	%
Rate of increase in salaries	4.80
Rate of increase to pensions in payment (1997 to 2005)	3.20
Rate of increase to pensions in payment (post 2005 pensions)	2.10
Discount rate prior to retirement	4.96
Discount rate in retirement	4.96
Inflation - Retail Prices Index	3.80
Inflation - Consumer Prices Index	3.30
	Years
Assumed life expectancy for a female pensioner aged 60 at the valuation date	29.2
Assumed Life expectancy for a male pensioner aged 60 at the valuation date	27.2
Assumed life expectancy at age 60 for a female non pensioner currently aged 40	30.8
Assumed life expectancy at age 60 for a male non pensioner currently aged 40	29.2

The market value of the Fund's invested assets as at 31 March 2011 was £ 24.3 m. The actuarial value of these assets represented 78 % of the value of the Fund's liabilities at that date. The fund has a shortfall of £ 6.9 m.

In order to address the shortfall in the Fund, the Conservative Central Office has agreed to pay additional contributions, of £5.7 m over a period until 31 March 2021. In addition, 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.

An amount of £nil (2011 - £26,333) is included in creditors in respect of contributions for 2012 owed to the pension scheme at the balance sheet date.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 (*continued*)

3. Result for the year

	2012 £'000	2011 £'000
The result is stated after charging/(crediting):		
Election campaign expenditure:		
Parliamentary by elections	132	119
Referendum on UK wide voting system	-	525
Scottish Assembly elections	-	235
Welsh Assembly elections	-	212
London Mayoral elections	1,714	1,056
Auditors' remuneration:		
Audit services to the Conservative Central Office	78	88
Non-audit services to the Conservative Central Office	14	2
Audit services to quasi-subsiidiaries	7	7
Operating lease rentals:		
Land and buildings	550	378
Motor vehicles	15	18
Office equipment	67	120
Profit on disposal of fixed assets	-	234
Depreciation of tangible fixed assets:		
Owned assets	552	658
Leased assets	86	95
Westminster Foundation for Democracy:		
Project funding recognised during the year	(651)	(466)
Project expenditure supported by funding	651	466

4. Interest payable

	2012 £'000	2011 £'000
Interest payable on bank loans and overdrafts	44	15
Interest payable on finance leases	10	14
Interest payable on unwinding of discounts on provisions	238	257
Interest payable on other loans	233	215
	<u>525</u>	<u>501</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 (*continued*)

5. Taxation

Current tax

	2012 £'000	2011 £'000
Tax on taxable income at the basic rate of income tax in the UK of 20 %	521	271
	<u>521</u>	<u>271</u>

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

	2012 £'000	2011 £'000
Surplus before taxation	<u>1,465</u>	<u>833</u>
Tax on surplus at the basic rate of income tax in the UK of 20% (2011 - 20%)	293	167
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,342	3,875
Non-taxable income	(4,114)	(3,771)
Total charge	<u>521</u>	<u>271</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 (*continued*)

6. Tangible fixed assets

	Furniture, fixtures & fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 January 2012	1,707	633	4,259	6,599
Additions	-	-	13	13
At 31 December 2012	<u>1,707</u>	<u>633</u>	<u>4,272</u>	<u>6,612</u>
Depreciation				
At 1 January 2012	1,628	492	2,838	4,958
Charge for the year	79	96	463	638
At 31 December 2012	<u>1,707</u>	<u>588</u>	<u>3,301</u>	<u>5,596</u>
Net book value				
At 31 December 2012	<u>-</u>	<u>45</u>	<u>971</u>	<u>1,016</u>
At 31 December 2011	<u>79</u>	<u>141</u>	<u>1,421</u>	<u>1,641</u>

The net book value of assets held under finance lease is £24,000 (2011 - £110,000) with depreciation charged in the year of £86,000 (2011 - £95,000).

7. Debtors

	2012 £'000	2011 £'000
Trade debtors	161	618
Other debtors	1,427	648
Prepayments and accrued income	429	909
	<u>2,017</u>	<u>2,175</u>

All amounts fall due within one year.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 (*continued*)

8. Current asset investments

Current asset investments are stated at their cost (or probate value) of £43,380, less a write down of £Nil (2011 - £43,088, less a write down of £590). These relate to investments listed on the London Stock Exchange with a market value of £36,300 (2011 - £30,897) and unlisted investments, stated at cost, of £19,000 (2011 - £19,000).

9. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank overdraft	1,142	819
Other loans payable (note 11)	5,675	5,689
Trade creditors	728	1,393
Finance lease creditors	-	95
Social security and other taxation	934	650
Other creditors	304	349
Accruals and deferred income	1,325	1,946
	<u>10,108</u>	<u>10,941</u>

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

	2012 £'000	2011 £'000
Other loans payable (note 11)	2,875	2,870
	<u>2,875</u>	<u>2,870</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 *(continued)*

11. Loans

	2012 £'000	2011 £'000
Interest free and repayable on demand:		
Loans from Constituency Associations	3,102	3,136
Other loans	50	50
	<u>3,152</u>	<u>3,186</u>
Interest bearing and repayable on demand:		
Loans from Constituency Associations	982	982
Other loans	1,291	1,271
	<u>2,273</u>	<u>2,253</u>
Interest bearing loans with fixed repayments:		
Other loans	3,125	3,120
	<u>8,550</u>	<u>8,559</u>
Loans with fixed repayments dates fall due as follows:		
In one year or less	250	250
In more than year	2,875	2,870
	<u>3,125</u>	<u>3,120</u>

12. Provisions for liabilities

	Pension commitment £'000	Onerous lease provision £'000	Dilapidations Provision £'000	Total provision £'000
At 1 January 2012	3,882	71	149	4,102
Unwinding of discount release	238	-	-	238
Utilisation of provision	(550)	(12)	-	(562)
At 31 December 2012	<u>3,570</u>	<u>59</u>	<u>149</u>	<u>3,778</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 *(continued)*

12. Provisions for liabilities *(continued)*

At 31 December 2006, Conservative Central Office committed to pay the Trustees of the pension scheme £250,000 per annum until 31 March 2018. During the previous year, Conservative Central Office has committed to pay a total of £5.7m over the period until March 2021. The total due has been provided in the accounts and has been discounted at 6.5% per annum. Payments made are offset against this provision with an interest charge accruing for the unwinding of the discount.

The onerous lease provision brought forward relates to a lease, expiring on 30 June 2016, on premises no longer utilised for the Conservative Central Office operations, but to which the Conservative Central Office is committed, until the expiry of the lease. The provision is calculated as the total future value of committed lease payments. The provision will be utilised over the remaining term of the lease, which is 5 years.

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

13. Capital and reserves

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

	Capital reserve 2012 £'000	Revenue deficit 2012 £'000	Total capital and reserves 2012 £'000	Total capital and reserves 2011 £'000
At 1 January 2012	1,172	(9,890)	(8,718)	(9,282)
Taxation arising on disposal of property	-	-	-	(125)
Net Surplus for the year	-	944	944	689
At 31 December 2012	<u>1,172</u>	<u>(8,946)</u>	<u>(7,774)</u>	<u>(8,718)</u>

14. Financial commitments

Minimum commitments payable in the year ending 31 December 2012 under non-cancellable operating leases are as follows:

	Land and buildings	
	2012 £'000	2011 £'000
Expiring within one year	464	16
Expiring between two and five years	-	396
Total	<u>464</u>	<u>412</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 (*continued*)

15. Quasi-subsidaries

The financial statements incorporate the quasi-subsidaries 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-subsidaries 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-subsidaries totalled £13,006,000 at 31 December 2012 (2011 - £12,888,000), comprising fixed assets £Nil (2011 - £Nil) investments of £24,000 (2011 - £24,000), debtors of £19,000 (2011 - £20,000), cash at bank of £4,708,000 (2011 - £4,759,000), a loan of £2,500,000 (2011 - £2,500,000), creditors and accruals of £55,000 (2011 - £55,000) and provisions £59,000 (2011 - £71,000). There are also intra-group balances, of £10,907,000 (2011 - £10,853,000) due from the Conservative Central Office, which are eliminated on consolidation. In aggregate, the quasi-subsidaries reported a gain for the year, of £119,000 (2011 - £107,000).

16. Notes to the cash flow statement

(a) Reconciliation of operating surplus to operating cash flows

	2012 £'000	2011 £'000
Surplus before taxation	1,465	835
Depreciation on tangible fixed assets	638	753
Credit on reversal of dilapidations provision	-	(29)
Increase in of investments	-	(2)
Profit on disposal of fixed assets	-	(234)
(Increase)/decrease in debtors	149	(172)
Increase/(decrease) in creditors	(1,340)	93
(Decrease)/increase in provisions	(562)	(1,496)
	<u>350</u>	<u>(252)</u>
Interest payable	525	501
Investment income	(49)	(48)
Net cash inflow from operating activities	<u>826</u>	<u>201</u>

(b) Returns on investments and servicing of finance

	2012 £'000	2011 £'000
Interest paid	(266)	(236)
Dividends received	13	14
Rent received	3	4
Interest received	33	30
	<u>(217)</u>	<u>(188)</u>
Cash outflow from returns on investments and servicing of finance		

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 *(continued)*

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

(c) Capital expenditure and financial investment

	2012 £'000	2011 £'000
Payments to acquire fixed assets	(13)	(110)
Net proceeds from disposal of fixed assets	-	534
Cash inflow from capital expenditure and financial investment	<u>(13)</u>	<u>424</u>

(d) Financing

	2012 £'000	2011 £'000
Capital element of finance lease rentals	(95)	(88)
Loans repaid	(33)	(217)
Cash outflow from financing	<u>(128)</u>	<u>(305)</u>

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

	Note	2012 £'000	2011 £'000
Increase in cash in the year		252	49
Cash outflow from financing		128	305
Change in net debt resulting from cash flows		<u>380</u>	<u>354</u>
Loans converted to donations		-	-
Interest converted into loans		(24)	(13)
Movement in net debt in the year		<u>356</u>	<u>341</u>
Opening net debt		(4,094)	(4,435)
Closing net debt	16e	<u>(3,738)</u>	<u>(4,094)</u>

The Conservative Central Office **Notes to the Financial Statements** **For the year ended 31 December 2012 (*continued*)**

(f) Analysis of movements in net debt

	1 January 2012 £'000	Cash flow £'000	Non-cash movements £'000	31 December 2012 £'000
Cash at bank and in hand	5,336	575	-	5,911
Overdraft	(819)	(323)	-	(1,142)
	<u>4,517</u>	<u>252</u>	<u>-</u>	<u>4,769</u>
Current asset investments	43	-	-	43
Finance leases	(95)	95	-	-
Loans due falling due within one year	(5,689)	33	(19)	(5,675)
Loans due falling due after more than one year	(2,870)	-	(5)	(2,875)
Net debt	<u>(4,094)</u>	<u>380</u>	<u>(24)</u>	<u>(3,738)</u>

(g) Non-cash transactions

The non-cash movements shown in note 16f include the capitalisation of loan interest £24,000 (2011 - £13,000).

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2012 *(continued)*

17. Related party transactions

The Board of the Conservative Central Office has determined that, under FRS 8 "Related Party Transactions", 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 8, 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 2012 are provided below:

- a) The following transaction were made during the year by Jayroma (London) Ltd a company in which Lord Feldman of Elstree has an interest:

Donations of £15,900	(2011-£17,500)
----------------------	----------------

- b) The following transactions were made by Lord Fink of Northwood during the year:

Donations of £279,000	(2011-£259,276)
Donation in Kind £6,200	(2011 -£Nil)

- c) The following transactions were made by Mr Michael Farmer during the year:

Donations of £1,262,500	
Donations in Kind £13,998	

- d) The following transactions were made by Mr Alan Lewis CBE during the year:

Donations of £4,000	(2011-£1,000)
Donations in Kind £94,630	(2011- £92,884)

- e) The following transactions were made by Mr Peter Cruddas during the year:

Donations of £212,500	(2011-£Nil)
Donations in Kind £9,393	(2011- £92,884)

18. 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.