

Annual Review 2012/13

Administrative Information

Review of political activities

Corporate Governance

Financial Review

Statement of accounts 2012

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Party Officers

Registered officers under the Political Parties, Elections and Referendums Act 2000: -

Leader	Alex Salmond MSP
Nominating Officer	Peter Murrell
Treasurer	Colin Beattie MSP
Campaigns Officer	Peter Murrell
Deputy Campaigns Officer	Ian McCann
Deputy Campaigns Officer	Andrew Rosie

Party Headquarters

Gordon Lamb House, 3 Jackson's Entry, Edinburgh EH8 8PJ.

Auditors

Johnston Carmichael LLP, 7-11 Melville Street, Edinburgh EH3 7PE.

Bankers

Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB.

Legal Advisers

Frances Gill & Co, Lismore House, 127 George Street, Edinburgh EH2 4JN

Financial Advisers

Cavanagh Group, 46 Albany Street, Edinburgh EH1 3QR.

The Scottish National Party, committed to restoring Scottish independence, was founded in 1934. Gaining its first parliamentary seat in 1945, the SNP has been the driving force for constitutional change in Scotland for nearly 80 years.

Following the Scottish elections in May 2011, the Party now holds a majority of seats in the Scots Parliament, and SNP leader Alex Salmond heads a popular Scottish Government.

The Party also holds two of six Scottish seats in the European Parliament, and six of 59 Scottish seats in the UK Parliament.

The SNP is the largest party in local government and SNP councillors lead the administration of eight of the 32 Scottish councils and share coalition administrations in four more.

With the help of our supporters, members, donors, volunteers and staff, we are in a strong position to continue shaping our nation's future success and progressing towards Independence.

To all those people whose year's work for the Party can't be individually recognised here – whether you delivered leaflets in your local area or took part in the social activities of one of our 200 local branches, whether you sold raffle tickets to friends and family or donated to the appeals which made possible our elections victories, whether you helped us take the SNP message to the heart of local communities by making calls to our target voters or are one of the members who attend conference – every achievement in this review was made possible by your efforts.

Thank you

1. Administrative Information

Membership

The SNP's membership grew by 23 per cent in 2012. Most of these 4,593 new members joined in a very short period at the start of the year, after a disastrous attempt by the Tory government to dictate the referendum agenda to the Scottish people.

Membership income increased 24 per cent to £550,205. The branch dividend – 25 per cent of income returned to local branches as a dividend of membership subscriptions – rose to £138,801 for the year.

Table 1 – SNP membership as at 31 December, 2003-2012.

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Members	24,732	20,139	16,232	15,644	15,097	13,944	12,571	10,995	10,854	9,450
Average age	54	52	53	53	55	52	52	52	55	-
Female members	33%	33%	31%	28%	30%	29%	-	-	-	-
Members under 30	10%	8%	7%	6%	6%	7%	9%	9%	8%	-
Members over 65	25%	26%	26%	27%	26%	25%	25%	26%	27%	-
New members joining online	82%	76%	71%	64%	65%	47%	46%	-	-	-
Members paying by Direct Debit	74%	71%	65%	61%	60%	60%	58%	-	-	-
Members paying £12 minimum rate	12%	15%	15%	16%	18%	15%	34%	-	-	-
Members paying £5 unwaged rate	18%	19%	19%	21%	22%	19%	24%	29%	31%	-

Accounting Units

The Scottish National Party has 259 accounting units separate from its central organisation in order to provide for each constituent organisation to be responsible for its own financial affairs.

The Scottish National Party constitution also provides for the establishment of Members' Associations. The following such bodies have been established to date: -

- i. SNP members of the Scottish Parliament
- ii. SNP members of the United Kingdom Parliament
- iii. SNP members of the European Parliament
- iv. SNP Women's Forum
- v. Business for Independence
- vi. Scots Asians For Independence

(i) Branches

Local branches form the organisational building block of the Scottish National Party. Each branch has its own constitution and office bearers who are elected at the annual general meeting. Branches receive a 25% dividend of subscriptions paid by each of their members. Branches are entitled to delegates to constituency associations, liaison committees, National Council and National Conference. The number of delegates is dependent on the number of members each branch has.

(ii) Constituencies

The Party is organised around the Scottish Parliament constituency boundaries with an SNP constituency association or branch in each parliamentary seat. Constituency associations tend to exist in larger geographical areas where there is more than one branch within the boundary. The Constituency Association may levy the branches within it in order to cover the costs of its operations. Where there is only one branch within the boundary, it is known as a constituency branch. Constituency associations have delegate entitlement to National Council and National Conference. Constituency branches are additionally entitled to delegates to local or regional liaison committees.

(iii) Liaison Committees

A number of liaison committees are responsible for the strategic direction and operational co-ordination of branches in respect of election campaigning for either or both of local government and parliamentary elections, other than for election to Scottish Parliament constituencies. These are: -

(a) Westminster Liaison Committees

Westminster liaison committees exist only in the run up to and duration of a Westminster election. The number of delegates from each is dependent on how much of a branch area comes within the boundary. The committees elect the same office bearers as branches but are not entitled to delegate entitlement to other bodies.

(b) Regional Liaison Committees

Regional liaison committees cover a Scottish Parliament electoral region of which there are eight. The role of the liaison committee is to co-ordinate the regional campaign for the regional list vote. MSPs are accountable to the regional liaison committees which are made up of delegates from each branch within the region. Each regional liaison committee has its own constitution and can decide to levy member branches and constituency associations.

(c) Council Liaison Committees

Council liaison committees act as a forum for local government matters within a Scottish local authority area, of which there are 32. The liaison committee is responsible for establishing a candidate assessment committee; ensuring that respective rules on candidate selection procedures are adhered to at all times; co-ordinating the Party's electoral activities for the council elections in their area; and producing an election manifesto.

(iv) Affiliated organisations

These are autonomous groups representing particular interests. Each group has representation at National Executive Committee (NEC) level and has delegate status at National Conference and National Council.

The affiliated organisations are: -

(a) Association of Nationalist Councillors (ANC)

Every SNP member who is a member of the SNP group of a Scottish local authority is a member of the Association of Nationalist Councillors. The aim of the ANC is to act as a forum for SNP councillors to exchange best practice across council groups; put forward a collective view on council issues to SNP national bodies; and coordinate the work of SNP councillors in achieving the Party's aims. The ANC has one representative on the NEC.

(b) The Trade Union Group (TUG)

The Trade Union Group has a dual role - to promote the role of trade unions within the SNP and to promote the aims and objectives of the SNP within the wider trade union movement. They have, for example, campaigned against the political levy (to the Labour Party) on trade union members. The TUG has one representative on the NEC.

(c) Young Scots for Independence (YSI)

The YSI is the official youth wing of the Scottish National Party. It started in the 1980s and membership is open to all between the ages of 14 years and 29 years, and focuses its activity on issues affecting young people. The YSI has one representative on the NEC.

(d) The Federation of Student Nationalists (FSN)

The FSN is the student wing of the SNP, which is active in most colleges and universities throughout Scotland. The FSN is open to anyone in full-time or part-time education. The FSN has one representative on the NEC.

National Assembly

National Assembly is the forum for the development of policy within the Party. Policy is debated and discussed before being presented to the Party for approval at National Council or National Conference. National Assembly also provides the opportunity to invite speakers from out with the Party to address members on important issues of special interest. Any member of the Party is entitled to attend National Assembly which is held as and when required.

National Council

National Council is the governing body of the Party between conferences and meets at least twice a year. In addition to hearing reports from national office bearers, council also has the power to make policy. National Council is made up of delegates from branches, constituency associations, national executive committee, representatives of parliamentary groups and affiliated organisations, and fifteen members elected by National Conference.

National Conference

National Conference is the supreme ruling body of the SNP and, as well as making policy, elects the Party's national office bearers and national executive committee. Conference is attended by more than 1,200 delegates, observers, diplomats, and media along with the SNP Members of the Scottish Parliament, European Parliament, Westminster Parliament and councillors. Conference is a delegate body, comprising representatives from local organisations, as well as affiliated organisations, elected members and elected representatives. Delegates to conference decide the SNP's policy and direction, hold the leadership to account and elect the leadership and membership of a number of committees, including the NEC, appeals committee and disciplinary committee. Any member of the Party may attend conference but only delegates can speak and vote.

National Executive Committee (NEC)

The SNP's leadership is invested in its national executive committee which is made up of the Party's elected office bearers, elected members and representatives of affiliated organisations. The NEC meets monthly and is charged with devising the SNP's national political strategy to help to deliver the Party's aims, as well as overseeing the organisation and administration of the Party. NEC members report to National Council and Annual National Conference, and are open to question by delegates. Members of NEC are elected by Annual National Conference.

The members of the national executive committee are listed on the SNP website.

The election committee and election committee appeals body, which deal with approval of Parliamentary candidates, are appointed by the NEC.

The NEC also appoints from within its ranks, four members of the standing orders and agenda committee, which is chaired by the national secretary and is responsible for the agenda for National Conference and National Council.

Elected representatives

The Scottish National Party fields candidates in elections to Scottish local authorities, the Scottish Parliament, the House of Commons, and the European Parliament.

As at 30 June 2013, the SNP representation at each is as follows: -

- 65 Members of the Scottish Parliament
- 6 Members of Parliament
- 2 Members of the European Parliament
- 414 councillors in 30 of the 32 Scottish councils

The full list of elected representatives is available on the SNP website.

SNP councillors lead the administration of Dundee City Council; Angus Council; East Ayrshire Council; Midlothian Council; Highland Council; North Ayrshire Council; and Clackmannanshire Council. They also form a minority administration in Perth & Kinross Council; and share coalition administrations in City of Edinburgh Council; Scottish Borders Council; Dumfries & Galloway Council; and East Renfrewshire Council.

SNP staff

The Scottish National Party is served by 12 staff (11.2 full-time equivalent) based at its Headquarters in Edinburgh. The Party chief executive, Peter Murrell, is accountable to the national executive committee and is responsible for the day to day running of SNP activities and projects.

Staff are split into three interdependent teams reporting to the chief executive: -

- 5.6 full-time equivalent being responsible for financial and legislative compliance, committee and leadership support, the conduct of internal elections, personnel management, information systems and general administration in the Corporate Team;
- 2.6 full-time equivalent supporting the Party's core income activities of fundraising, membership and events in the Operations Team;
- 3.0 full-time equivalent providing campaign services to local organisations and campaigns in the Campaigns Team.

2. Review of Political Activities

This is a historic moment in the history of the Scottish National Party. Next year, the referendum on independence takes place. With the campaign now well underway, there is plenty of evidence that victory is well within reach.

Morale within the SNP remains remarkably high. Just over two years ago, the party won a majority in the Scottish Parliament elections, and its popularity has not diminished since.

The government, led by First Minister Alex Salmond, continues to command huge support and respect: opinion polls suggest that if there were a Holyrood vote tomorrow, it would be re-elected with a similar or even increased majority.

Legislation has now been put in place to secure the referendum and to determine the form it will take. The Edinburgh Agreement, signed by Alex Salmond and UK Prime Minister David Cameron last October, ensured that the vote will be designed and run by the people of Scotland. It also paved the way for 16 and 17 year olds to take part.

The First Minister said that the agreement marked a significant step on Scotland's home rule journey, commenting: "It will ensure that the biggest decision the people of our country will make for many generations is made here in Scotland for the benefit of all of those that live and work here. It paves the way for a new partnership in these islands."

Another major milestone on the road to the referendum took place in March when the Scottish Independence Referendum Bill was published. This confirmed that voting will take place on 18 September 2014.

The Scottish Government also has examined the timetable for independence. Among the conclusions reached is that negotiations can be concluded in time for the next Scottish Parliament elections in 2016, with Scotland becoming independent in March of that year if we achieve a Yes vote.

A panel of world respected experts, including two Nobel Prize winning economists, also supported the Scottish Government's view that keeping the pound is the best currency option for an independent Scotland.

Government Expenditure and Revenue Scotland (Gers) figures revealed that Scottish public finances are stronger than those of the UK to the tune of £824 per person per year.

Scotland generated 9.9% of UK revenues with just 8.4% of the population, while it received only 9.3% of public spending back from the Westminster government. The Cabinet Secretary for Finance, John Swinney, said: "This demonstrates beyond any doubt that Scotland more than pays her way in the UK."

One of the saddest moments of the year was when Brian Adam, the much-loved MSP for Aberdeen Donside and Minister for Parliamentary Business, died after a long illness. Brian was held in huge affection by the party and hundreds turned out to his funeral.

His death triggered a by-election in the constituency which was fought by Mark McDonald, who stepped down as a regional MSP for North East Scotland to become the SNP candidate. The party once again proved the power of its formidable election machine: Mark was rewarded with victory and a majority of 2,025.

The party is working hard with Yes Scotland, now a fully formed national campaigning organisation under the leadership of former BBC Scotland executive Blair Jenkins. Support for Yes regional and sectoral groups has been building throughout the country and campaigning activities are building by the day.

The SNP plays a role on Yes Scotland's advisory board. One of its members is the Deputy First Minister, Nicola Sturgeon, who last September moved over from her job as Cabinet Secretary for Health to head the government's referendum campaign. She is also now also responsible for infrastructure, investment and cities.

The highlights of the party's activist calendar are always the spring and annual conferences, and this year was no exception.

Delegates held an electrifying debate over NATO membership which turned out to be a fantastic example of internal democracy and showed the SNP at its best. Passions rode high on both sides and the quality of the speeches was exceptional. The motion to remain in NATO on independence, subject to strict conditions, was carried.

Alex Salmond roused the troops with his conference speech, saying Westminster was now "beyond salvation" and adding: "No more second best for Scotland. It is time - it is past time - for a fresh start for our nation."

Spring conference in Inverness was also packed to the rafters. The party welcomed its 25,000th member. And delegates picked the party's six candidates for the European Parliament elections in June 2014 after hearing powerful and convincing speeches from all 14 contenders.

Addressing delegates, the First Minister promised a "transformational shift" in childcare on independence, with the aim of reaching the higher standards often found in Europe.

The Deputy First Minister made it "crystal clear" in her conference address that the Bedroom Tax will be scrapped with independence and said that the key to winning the referendum debate was "economic confidence."

Spring conference also saw the launch of the party's Women's Academy. This is part of a wider strategy to encourage more women to actively participate in the SNP through a range of activities including workshops, training days and a parliamentary mentoring programme.

All in all, it's been a busy, ambitious and rewarding 12 months. The SNP continues to set the agenda in Scottish politics, working hard to satisfy the ambitions and meet the priorities of the people who live here. In return, it continues to be rewarded with popular trust and support.

The party could hardly wish for more as it moves towards Scotland's date with destiny on Referendum Day - 18 September 2014.

3. Corporate Governance

National Executive Committee

The National Executive Committee (NEC) meets monthly and is the body which has responsibility for the strategic management and political direction of the Party; ensuring the decisions of National Conference and National Council are implemented; oversight and interpretation of policy between meetings of National Conference and National Council; coordinating and monitoring the work of all national office bearers elected by National Conference; organising and directing national campaigns; employment and direction of staff; ownership of the Party's assets and management of the Party's financial affairs; any other matters expressly delegated to it by National Council or National Conference.

The NEC has full control over all monies, funds, property, investments and securities of whatever kind and description belonging to the Party.

The NEC has the power to borrow money on behalf of the Party, and to continue existing borrowing, where it is necessary to do so in order to finance the Party's activities.

The Party's financial scheme sets out how the Party will regulate its financial affairs for the purpose of compliance with current legislation. The financial affairs of all bodies mentioned in the Party's constitution must comply with the financial scheme.

No body within the Party shall enter into commercial borrowing unless prior agreement has been reached with the national treasurer. If a body within the Party goes out of existence or is dissolved, all assets, at the option of the national treasurer, shall become property of the Party.

Members of NEC are elected by Annual National Conference.

Control environment and control activities

The Party is committed to ensuring that a proper control environment is maintained. Above all, there is a commitment to competence and integrity, together with the communication of clear objectives to all accounting units. These are underpinned by a human resources policy that develops equality with integrity.

The organisational structure of the Party has been developed to delegate authority with accountability to ensure that control and consistency is maintained, having regard to an acceptable level of risk. The national treasurer and Party officers report on the control environment on a regular basis to the NEC.

From 2004, the performance of each accounting unit has been reviewed regularly to comply with organisational performance and development rules.

Legislation

There are over twenty primary Acts and Regulations governing the political and campaigning activities of the Scottish National Party. The SNP has a compliance team incorporating five staff who review the adequacy of the internal control system in meeting the Party's requirements under current legislation. The compliance team report to the chief executive.

Environmental and social responsibility

The Scottish National Party is committed to preserving and enhancing the environment of Scotland as sustainable, biologically diverse and non-polluting.

The SNP Government is striving to ensure that Scotland will become a world leader in securing a sustainable environment and quality of life for all, recognising that local action can have global impact and that environmental problems do not respect national boundaries.

To that end the SNP ensures that its Headquarters takes such local action. Our employees are encouraged to take steps to reduce waste, reduce energy consumed, increase the amount of waste recycled, and purchase goods and services less environmentally damaging.

No motor vehicles are operated by the SNP. Employees are encouraged to use public transport. No parking spaces are provided for staff. Cycle parking loops are provided at Headquarters.

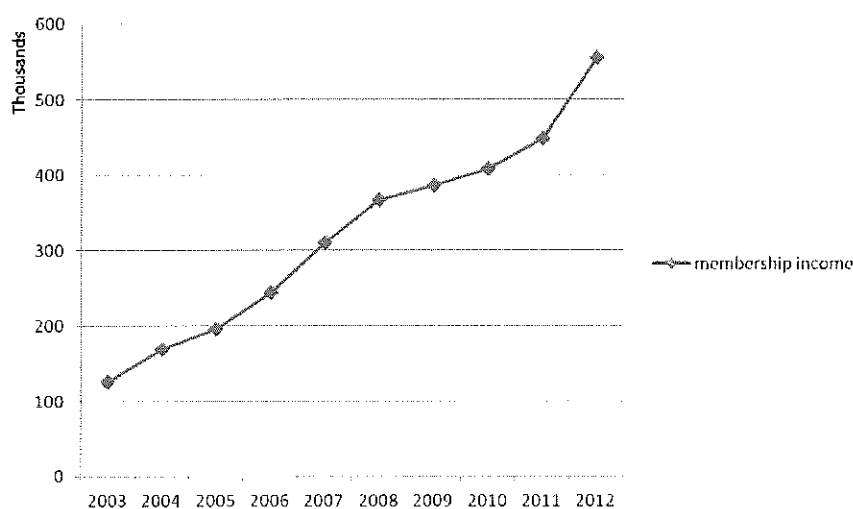
4. Financial Review

INCOME

The SNP's total income for the year ended 31 December 2012 was £2,300,459 of which 80 per cent came from members and supporters.

Membership income rose above half a million pounds for the first time, up by 24 per cent in the year to £550,205.

Table 2 – Membership income 2003-2012.



Fundraising

Beyond one-off appeals for specific events, the SNP operates five core fundraising schemes: -

- i. Challenge for Independence is the SNP's regular giving scheme whereby members may donate monthly by direct debit, standing order or cash. All money raised is ring-fenced for campaigning.
- ii. The St Andrew's Appeal is sent to all members in the run up to Scotland's national day on 30 November.
- iii. The President's Club seeks donations of at least £20 per month and directs funds towards providing staffing resources and Headquarters facilities.
- iv. The Independence Covenant works like a national 50/50 club in that half the profit from it goes to the Party and half goes to the prize fund.
- v. The Great Weather Lottery is a daily lottery based on temperatures in six cities and is operated by Lottery Service Providers Ltd.

The Party conducted three prize raffles in 2012, the annual Spring Draw and St Andrew's Draw plus a 'win a new car' prize draw. Branches could retain 50% of the Spring and St Andrew's raffles.

Legacies

We acknowledge the bequests from Alison Cowey, Edwin Morgan and Rosheen Napier, along with numerous smaller bequests which fell below the declaration threshold.

EXPENDITURE

Total expenditure for the year ended 31 December 2012 was £2,656,059.

The current economic climate requires an ongoing revaluation of where SNP income comes from now, and a concentration of staff effort on high yield activities like regular giving, membership subscriptions and conference commercial opportunities.

There was significant investment in the year on new recruitment materials, including the introduction of an annual Member Handbook, and to facilitate the start-up of YesScotland.net to put together an unprecedented mobilisation for a Yes vote in 2014.

The efficiency of campaign expenditure is analysed on an ongoing basis through the Party's spending per vote won in national elections (see Table 4) between 2007 and 2012. In four of these five elections, the SNP won more votes than any of the other parties. The reporting requirements of local elections in Scotland do not make it possible to compare party spending.

Table 3 – Campaign expenditure per vote in Scotland 2007-2012.

	Con	Lab	LibDem	SNP
2007				
Spend	£601,983	£1,102,866	£303,740	£1,383,462
Votes	284,005	595,415	230,671	633,401
Spend per Vote	£2.12	£1.85	£1.32	£2.18
2009				
Spend	£156,634	£228,703	£105,419	£126,710
Votes	185,794	229,853	127,038	321,007
Spend per Vote	£0.84	£0.99	£0.83	£0.39
2010				
Spend	£1,207,514	£ 880,260	£464,346	£315,776
Votes	412,855	1,035,528	465,471	491,386
Spend per Vote	£2.92	£0.85	£1.00	£0.64
2011				
Spend	£273,462	816,889	£176,300	£1,141,662
Votes	276,652	630,437	157,714	902,915
Spend per Vote	£0.99	£1.29	£1.12	£1.26
2012				
Spend	-	-	-	-
Votes	206,599	488,703	103,087	503,233
Spend per Vote	-	-	-	-

Nearly 80 per cent of the SNP's income in 2012 came from party members and supporters. So we made sure every penny raised was used as effectively as it could be. Here's the breakdown of the SNP pound in 2012: -

Where the money comes from

24p comes from membership subscriptions

22p comes from our members and supporters who remember us in their wills

18p in every £1 is donated by individual members and supporters who care about Scotland

14p is sales of exhibition space, sponsorship and registration fees at SNP conference

9p comes from MSPs, MPs and MEPs to be invested in national campaigning

7p is a grant from the Electoral Commission to assist the Party with its policy development

4p comes from Independence Magazine subscriptions and events

2p is sales of merchandising and other trading

Where the money goes

27p of every £1 spent is used to help local candidates and organisations win more seats and provide campaign support services like activate.snp.org

21p goes on the permanent paid staff at SNP Headquarters

15p is used by the SNP to cover operating costs

15p is paid in tax, finance charges, legal and audit fees

10p goes on increasing income from membership subscriptions, fundraising and merchandise

7p goes on hiring venues and running conferences

5p is returned to local branches as a dividend of membership subscriptions

SCOTTISH NATIONAL PARTY STATEMENT OF NATIONAL TREASURER'S RESPONSIBILITIES

The Political Parties, Elections and Referendums Act 2000 requires the National Treasurer of the Party to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Party and of the surplus or deficit for that period. In preparing those financial statements, the National Treasurer is required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed;
- providing details and explanations of any departures 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.

Section 41 of the Act requires that the National Treasurer is responsible for keeping proper accounting records that 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. Section 43 of the Act requires that the National Treasurer is responsible for delivery of the statement of accounts to The Electoral Commission by the required deadline.

SCOTTISH NATIONAL PARTY REPORT OF THE INDEPENDENT AUDITORS

To the National Treasurer of the Scottish National Party

We have audited the financial statements of the Scottish National Party for the year ended 31 December 2012 which comprise the income and expenditure account, the balance sheet, the cash flow statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 22 to 24.

This report is made solely to the National Treasurer of the Scottish National Party in accordance with the Party's rules and section 43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the National Treasurer those matters we are required to state to him 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 treasurer, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of National Treasurer and auditors

The responsibilities of the National Treasurer for preparing the annual report and the financial statements in accordance with applicable law and recognised accounting standards are set out in the statement of National Treasurer's responsibilities.

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 Party's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Treasurer; and the overall presentation of the financial statements.

In addition, we read all the information in the Annual Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Scottish National Party as at 31 December 2012 and of its deficit 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.

**SCOTTISH NATIONAL PARTY
REPORT OF THE INDEPENDENT AUDITORS (continued)**

Opinion on other matters

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters which we are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- certain disclosures of information specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Johnston Carmichael LLP

Johnston Carmichael LLP
Chartered Accountants
Registered Auditors
7-11 Melville Street
EDINBURGH
EH3 7PE

27 June 2013

**SCOTTISH NATIONAL PARTY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £	2011 £
Income			
Membership	2	555,205	449,135
Donations	3	389,066	2,370,860
Fundraising income	4	165,568	202,579
Investment income	5	30,772	3,771
Property and rental income	6	13,800	12,650
Conference income		330,430	338,529
Commercial income		47,170	24,032
Grant income	7	171,337	160,687
Miscellaneous	8	597,111	1,468,673
Total income		2,300,459	5,030,916
Expenditure			
Premises costs	9	(67,810)	(77,242)
Office costs	10	(336,482)	(323,525)
Staff costs	11	(550,390)	(620,246)
Transfers out	12	(138,801)	(112,284)
Campaigning costs	13	(722,419)	(1,607,009)
Fundraising costs	14	(112,232)	(96,541)
Conference expenditure	15	(195,296)	(193,917)
Commercial expenditure		(10,288)	(11,756)
Financing/interest charges	16	(27,127)	(30,884)
Depreciation	19	(25,861)	(30,227)
Membership expenses	17	(142,872)	(13,695)
Irrecoverable VAT	17	(236,554)	(299,096)
Miscellaneous	17	(89,927)	(37,460)
Total expenditure		(2,656,059)	(3,453,882)
(Deficit)/surplus before tax		(355,600)	1,577,034
Taxation	18	-	-
(Deficit)/surplus for the year		(355,600)	1,577,034

**SCOTTISH NATIONAL PARTY
BALANCE SHEET AT 31 DECEMBER 2012**

	Note	2012 £	2011 £
Fixed assets			
Furniture, fixtures and fittings	19	17,368	26,052
Office/computer equipment	19	37,757	49,657
Investments	20	479	-
Total fixed assets		55,604	75,709
Current assets			
Stock	21	18,908	11,273
Debtors and prepayments	22	179,222	340,174
Investments	23	500,000	1,000,000
Cash in hand and at bank		133,685	31,775
Total current assets		831,815	1,383,222
Liabilities			
Creditors and accruals		(270,922)	(264,297)
Loans outstanding	25	(113,101)	(335,638)
Total liabilities	24	(384,023)	(599,935)
Total net assets		503,396	858,996
Reserves	26		
Accumulated fund at start of year		858,996	(718,038)
(Deficit)/surplus		(355,600)	1,577,034
Accumulated fund at end of year		503,396	858,996

The financial statements were approved by the Party Officers on 27 June 2013.

Colin Beattie
National Treasurer

**SCOTTISH NATIONAL PARTY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

		2012		2011	
	Notes	£	£	£	£
Net cash (outflow)/inflow from operating activities	27		(184,334)		1,212,910
Returns on investment and servicing of finance					
Interest paid		(1,148)		(3,508)	
Interest received		11,946		1,201	
Net cash inflow/(outflow) for returns on investments and servicing of finance			10,798		(2,307)
Taxation			-		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(5,277)		(27,407)
Management of liquid resources					
Proceeds from sale of current asset investments		-		14,785	
Maturity of term deposit accounts		500,000		-	
Investment in term deposit accounts		-		(1,000,000)	
Net cash inflow/(outflow) from management of liquid resources			500,000		(985,215)
Financing					
New bank loan received		-		200,000	
Repayment of bank loans		-		(214,303)	
Repayment of finance leases		-		-	
(Decrease)/increase in other loans		(219,277)		128,320	
Net cash (outflow)/inflow from financing			(219,277)		114,017
Increase in cash	28		101,910		311,998

SCOTTISH NATIONAL PARTY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accounting Policies

Basis of preparation

The Scottish National Party is not incorporated in law and thus not bound by the Companies Act 2006. The Party is required to prepare financial statements in accordance with the Political Parties, Elections and Referendum Act 2000 ('PPERA')

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards and the guidance issued by the Electoral Commission.

As stated in the Annual Report, the Party has 259 registered accounting units. Details of these units are available from Party headquarters. These accounts are unconsolidated and present the accounts of the central Party only.

The National Treasurer has reviewed the expenditure budgets and cash flow projections for the Party for the year to 31 December 2013 and is satisfied that the Party will have sufficient funds for it to meet its financial obligations. On this basis, the National Treasurer is satisfied that it is appropriate to prepare the accounts on the going concern basis.

Income Recognition

Income 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 of monetary assets and liquid investments are recognised at market value in the income and expenditure account on receipt.
- Grants are recognised in the income and expenditure account when the conditions for receipt have been met.
- Membership and subscription fees are recognised in the income and expenditure account when received.
- Legacies from benefactors who died prior to the year-end are only recognised if, prior to finalising the accounts, the personal representatives of the deceased have notified the Party of the legacy, there are no significant matters outstanding and the amount due has been confirmed.
- Interest receivable and rental income are recognised in the income and expenditure account on an accruals basis.

Tangible fixed assets

Tangible fixed assets are included at cost. Depreciation is provided on tangible fixed assets at the following annual rates.

Computer Equipment, Fixtures, Fittings and Equipment	-	33.33 % reducing balance
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**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. Accounting Policies (continued)

Fixed asset investments

Fixed asset investments are stated at fair value as assessed by the party's officers at the year end. Where assets have been donated or bequeathed to the Party, market value at the point of acquisition is taken as deemed cost at that time.

Current asset investments

Current asset investments are valued at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Leased assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account on a straight line basis.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pension costs

Contributions to the Party's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Impairment of fixed assets

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.

Value added tax (including irrecoverable VAT)

The Party agreed a partial exemption formula with HM Revenue & Customs and recovers VAT on this basis. The value of VAT that is irrecoverable is included within miscellaneous costs.

Restricted funds

The Party has unrestricted and restricted funds, details of which are set out at note 26.

Unrestricted funds are those funds which are expendable at the discretion of the Party in furtherance of the Party's objectives.

Restricted funds represent income received by the Party to fund specific activities.

Restricted expenditure includes costs incurred directly on the activity for which the restricted income was received. It also includes an apportionment of costs on the basis of the proportion of staff employed specifically to further these restricted activities.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. Accounting Policies (continued)

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and long term deposits.

Comparatives

The Party has this year adopted a revised format of accounts introduced by the Electoral Commission. Accordingly, certain of the 2011 comparative figures have been presented differently in these accounts.

2. Membership subscriptions

	2012	2011
	£	£
Membership fees received directly by the Party	555,205	449,135

Membership subscriptions from our members are received by the central party and a proportion of these subscriptions are allocated to our local branches (see note 12).

3a. Donations

	2012	2011
	£	£
Cash donations received reportable to the Electoral Commission	18,000	1,748,909
Cash donations received below the reporting threshold to the Electoral Commission	364,589	613,027
Notional donations below the reporting threshold to the Electoral Commission	6,477	8,924
Total	389,066	2,370,860

Total value of donations reported to the Electoral Commission during 2012 was £694,399 (2011-£2,943,810)

Donations reported to the Electoral Commission are recorded under different categories in the accounts due to the nature and circumstances by which they were received.

3b. Donation reconciliation note

	2012	2011
	£	£
Donations reported to the Electoral Commission:	694,399	2,943,810
Recorded in the accounts as:		
Donation income	18,000	1,754,909
Legacy Income	507,724	1,026,724
Grant Income	168,675	162,177

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

3c. Donations

	2012	2011
	£	£
<u>Donations in excess of £7,500</u>		
Mr Anthony R Banks	-	18,000
Mr Crawford William Beveridge	-	10,000
Mr Fergus Stewart Ewing	-	7,897
Mr William Daniel MacDonald	-	50,000
Mr Robin Murray	8,000	8,000
Mr Jamie Rae	-	10,012
Mr John Ross	10,000	-
Mr Julian Rudd	-	50,000
Mr William Samuel	-	15,000
Sir Brian Souter	-	570,000
Mr Colin Weir	-	500,000
Mrs Christine Weir	-	500,000
Mr William Wilson	-	10,000
Sub total	18,000	1,748,909
<u>Other donations</u>	371,066	621,951
Total	389,066	2,370,860

List of donations included in donation returns which are included under legacies (note 8) in the income and expenditure account

	2012	2011
	£	£
Mrs Alison Cowey	10,000	-
Mr William Grier	-	45,964
Mrs Caroline Lawrie	-	50,000
Miss Patricia Lorimer	-	118,042
Mr Edwin Morgan	195,879	917,740
Miss Rosheen Napier	136,479	-
Ms Margaret Ramsay	-	69,804
Mr Alexander Sharp	-	-
Sub total	342,358	1,201,550
<u>Other legacies</u>	20,371	5,424
Total	362,729	1,206,974

Differences in relation to donations as detailed in note 3b. and note 3c. are due to Electoral Commission donations being reported on a cash basis, whilst donations as reported in the accounts are on an accruals basis.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

4. Fundraising

	2012	2011
	£	£
Independence Magazine	96,542	88,574
Raffles	63,301	107,575
Great Weather Lottery	1,785	2,157
Independence Covenant	3,940	4,273
Total	165,568	202,579

5. Investment income

	2012	2011
	£	£
Interest receivable	24,775	3,771
Investment income	5,997	-
Total	30,772	3,771

6. Property and rental income

	2012	2011
	£	£
Rental of office space to Alyn Smith	13,800	12,650
Total	13,800	12,650

7. Grant income

	2012	2011
	£	£
Policy development grant	171,337	160,687
Total	171,337	160,687

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

8. Miscellaneous

	2012	2011
	£	£
Levy on accounting units	-	31,509
Legacies (see note 3)	362,729	1,206,974
Parliamentary levy	214,750	183,500
Campaign services	19,632	32,340
Sundry income	-	14,350
Total	597,111	1,468,673

Levy on accounting units represents levies on accounting units to fund by-election campaigns.

Legacies include amounts bequeathed to the Party during the year.

The Parliamentary levy is a levy imposed on all SNP MPs, MSPs and MEPs.

Campaign services income is generated from the commission of call centre activity.

9. Premises Costs

	2012	2011
	£	£
Rent and Rates	67,810	77,242
Total	67,810	77,242

10. Office Costs

	2012	2011
	£	£
ICT	144,125	94,906
Office costs	30,655	24,351
Insurance	7,134	7,240
Telephone	11,775	20,923
Postage	61,113	94,425
Leasing	81,680	81,680
Total	336,482	323,525

ICT costs are those incurred in operating the Party's computer systems; servers; IT support; programming and development; and website.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11. Staff costs

	2012	2011
	£	£
Salaries	451,841	505,356
Social security	49,325	57,732
Other costs, including pensions	49,224	57,158
	550,390	620,246

Average number of staff employed during the year:

	2012	2011
	No.	No.
Officers	10	11
Administrative staff	3	3
Operations	-	3
Total	13	17

The number of staff whose total emoluments paid or receivable was over £50,000 was one (2011- one). The total remuneration paid to this employee was £77,024 (2011- £109,492).

12. Transfers out

	2012	2011
	£	£
Membership income due to branches	138,801	112,284
Total	138,801	112,284

The Party head office collects membership fees from all Party members. 25% of these membership fees are then payable to the branch of the Party in which each member resides.

13. Campaigning expenditure

	2012	2011
	£	£
Elections	661,473	1,550,085
activate.snp.org	-	5,616
National Call Centre	60,946	49,908
print.snp.org	-	1,400
Total	722,419	1,607,009

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

14. Cost of fundraising events

	2012	2011
	£	£
Donations	1,351	1,045
Fundraising	29,350	28,178
Independence Magazine	81,531	67,318
Total	112,232	96,541

15. Conference costs

	2012	2011
	£	£
Venue hire and catering	85,706	95,955
Audio visual	45,705	38,628
Security	13,477	12,661
Printed materials	20,402	21,982
Information technology	12,370	10,904
Other conference costs	10,418	8,342
Other national events	7,218	5,445
Total	195,296	193,917

Other national events represent the costs paid for National Council and other non-conference events.

16. Interest costs

	2012	2011
	£	£
Bank interest	1,148	3,508
Other interest	890	-
Bank charges	18,612	18,452
Notional interest	6,477	8,924
Total	27,127	30,884

Loans from individual members in note 24 represent loans made to the Party by its members. The SNP is required by law to calculate as a non-cash donation the difference between a commercial interest rate for loans and the zero rate at which the individual member is lending the Party this money. The value of these non-cash donations generated from these loans has been recorded within donations income in note 3 and the interest cost recorded as notional interest above.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

17. Miscellaneous

	2012	2011
	£	£
Membership expenses	142,872	13,695

Membership expenses are those incurred to produce recruitment materials and provide information materials to Party members. To support the target of increasing Party membership to 36,000 by the referendum, a new range of recruitments materials was developed in 2012 including the introduction of a Member Handbook.

	2012	2011
	£	£
Irrecoverable VAT	236,554	299,096

An explanation of irrecoverable VAT is included within the value added tax section of note 1.

	2012	2011
	£	£
Professional fees	18,401	4,785
Legal fees	46,681	9,633
Bad debt	(425)	1,317
Audit fee	20,000	21,725
Sundries	5,270	-
Total	89,927	37,460

18. Taxation

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 due to the availability of tax losses.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

19. Tangible fixed assets

	Furniture, fixtures and fittings	Office/computer equipment	Total £
Cost			
At 1 January 2012	51,134	181,773	232,907
Additions	-	5,277	5,277
At 31 December 2012	51,134	187,050	238,184
Depreciation			
At 1 January 2012	25,082	132,116	157,198
Charged in year	8,684	17,177	25,861
At 31 December 2012	33,766	149,293	183,059
Net Book Value at 31 December 2012	17,368	37,757	55,125
Net Book Value at 31 December 2011	26,052	49,657	75,709

20. Fixed asset investments

	Unlisted investments £
At 1 January 2012	-
Additions	479
At 31 December 2012	479

21. Stock

	2012 £	2011 £
Promotional materials	18,908	11,273
Total	18,908	11,273

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

22. Debtors

	2012	2011
	£	£
Due within one year		
Trade debtors	44,136	59,620
Tax and social security	-	4,516
Other debtors	53,942	50,172
Prepayments and accrued income	81,144	225,866
Total	179,222	340,174

23. Current asset investments

	Cash investments
	£
At 1 January 2012	1,000,000
Disposals on maturity	(500,000)
At 31 December 2012	500,000

24. Creditors

	2012	2011
	£	£
Amounts falling due within one year		
Trade creditors	27,312	17,110
Accrual and deferred income	80,647	114,849
Social security and other taxation	13,343	12,847
Amounts owed to accounting units	143,468	117,191
Loans from accounting units	90,241	70,628
Other creditors	6,152	2,300
Loans from individual members	22,860	265,010
Total	384,023	599,935

25. Loans

	2012	2011
	£	£
Amounts outstanding on loans taken out in prior years	79,767	95,638
Amounts outstanding on loans taken out in current year	33,334	240,000
Total	113,101	335,638

Loans outstanding are made up of loans from accounting units and loans from individual members.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

26. Reserves

	Total at 1 January 2012 £	Transfer From Income £	Transfer From Expenditure £	Transfer Between Funds £	Total at 31 December 2012 £
Restricted reserves					
Willie McRae memorial fund	500	-	-	-	500
Policy Development Grant fund	-	171,337	(171,337)	-	-
Parliamentary Levy fund	-	214,750		(214,750)	-
Challenge for Independence fund	-	67,272		(67,272)	-
Election Appeal fund	-	80,813	(563,750)	482,937	-
BBC legal appeal	2,257	-	-	-	2,257
Referendum fund	502,556	108,784	(520,015)	-	91,325
	505,313	642,956	(1,255,102)	200,915	94,082
Unrestricted reserves					
Revenue fund	353,683	1,657,503	(1,400,957)	(200,915)	409,314
Total	858,996	2,300,459	(2,656,059)	-	503,396

The Willie McRae memorial fund represents restricted funds bequeathed towards the erection of a flagpole outside the Party offices, and will be released against the future construction of any such flagpole.

The Policy Development Grant fund represents restricted funds received from the Electoral Commission towards the cost of the Party developing policies for inclusion in an election manifesto.

The Parliamentary Levy is a monthly levy placed on all SNP MPs, MSPs and MEPs by the Party towards the cost of national campaigns and the Party furthering its political activities. The funds received from this levy are classed as being restricted to this cause.

The Party's supporters make donations to the Party throughout the year. Where these are received for the Challenge for Independence, which provides dedicated campaign resources, they are classified as restricted and recorded in that fund. Where these are received in response to a specific election appeal, they are classified as restricted and recorded in the Election Appeal fund.

The BBC legal appeal fund represents restricted funds received from donors towards the cost of the Party taking legal action against the BBC over its decision to exclude the SNP from televised election debates.

The Referendum fund represents restricted funds received from donors towards the 2014 Referendum campaign for an independent Scotland.

The Revenue fund retains all unrestricted funds not allocated to another specific fund. Where the expenditure on restricted funds exceeds the income from these funds, a transfer of funds is made from the Revenue fund to cover this difference.

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

27. Net cash (outflow)/inflow from operating activities before tax, returns on investment and servicing of finance

	2012 £	2011 £
Operating (deficit)/surplus before interest and taxation	(384,334)	1,526,771
Depreciation	25,861	30,227
(Increase)/decrease in stocks	(7,635)	5,374
Decrease/(increase) in debtors	179,778	(117,886)
Increase/(decrease) in creditors	6,625	(217,722)
Other non-cash changes	(4,629)	(13,854)
Net cash (outflow)/inflow from operating activities	<u>(184,334)</u>	<u>1,212,910</u>

28. Reconciliation of net cash inflow to movement in net funds

	2012 £	2011 £
Increase in cash in the year	101,910	311,998
Cash outflow/(inflow) from decrease/(increase) in debt	219,277	(114,017)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(500,000)	1,000,000
Change in net debt resulting from cash flows	(178,813)	1,197,981
Conversion of loans to donations	3,260	13,854
Movement in net funds in the year	(175,553)	1,211,835
Opening net funds	696,137	(515,698)
Closing net funds	<u>520,584</u>	<u>696,137</u>

29. Analysis of net funds/(debt)

	At 1 January 2012	Cash flow	Other non- cash changes	At 31 December 2012
	£	£	£	£
Cash	31,775	101,910	-	133,685
	31,775	101,910	-	133,685
Loans from accounting units	(70,628)	(20,723)	1,110	(90,241)
Loans from individual members	(265,010)	240,000	2,150	(22,860)
Current asset investments	1,000,000	(500,000)	-	500,000
	664,362	(280,723)	3,260	386,899
Total	<u>696,137</u>	<u>(178,813)</u>	<u>3,260</u>	<u>520,584</u>

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

30. Commitments under operating leases

As at 31 December 2011, the Party had annual commitments under non-cancellable operating leases as set out below:

	2012	2011
	£	£
Land and buildings:		
Expiry during years 2 to 5	19,166	19,166
Expiry within 5 years	39,640	39,640
Total	58,806	58,806
Other:		
Expiry within 1 year	4,190	15,238
Expiry during years 2 to 5	29,296	66,298
Total	33,486	81,536

31. Related party transactions

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

a) Loans from accounting units	£
Loans payable at 1 st January 2012	70,628
Movement (net) in year	19,613
Loans payable at 31 st December 2012	90,241
b) Loans from individual members	
Loans payable at 1 st January 2012	265,010
Movement (net) in year	(242,150)
Loans payable at 31 st December 2012	22,860
c) Branch dividend amounts due to branches	
Due at 1 st January 2012	117,191
Movement (net) in year	26,277
Due at 31 st December 2012	143,468

**SCOTTISH NATIONAL PARTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

32. Auditors' remuneration

The following remuneration was paid to the Party's auditors:

	2012	2011
	£	£
- audit services – annual accounts	17,500	17,500
- audit services – election expenses	-	1,650
- non audit services	4,650	3,525
