

# **The Labour Party**

## **Financial statements for the year ended 31 December 2015**

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### **Registered Party officers**

<b>Leader:</b>	Rt Hon Jeremy Corbyn MP
<b>Treasurer</b>	Iain McNicol
<b>Nominating Officer</b>	Margaret Lynch
<b>Deputy Treasurer</b>	David Hagendyk
<b>Deputy Treasurer</b>	Patrick Heneghan
<b>Deputy Treasurer</b>	Carol Linforth
<b>Deputy Treasurer</b>	Margaret Lynch
<b>Deputy Treasurer</b>	Simon Mills
<b>Deputy Treasurer</b>	Emilie Oldknow
<b>Deputy Treasurer</b>	Brian Roy

**Registered address** Southside, 105 Victoria Street, London, SW1E 6QT

## Treasurers' report

We have pleasure in presenting the financial statements for the year ended 31 December 2015, which report a positive outcome. However, it would not be appropriate to embark on our report highlighting the huge positives in the year without first acknowledging the devastating result in the general election. We are now in a second term of opposition and the reasons for that need to be understood, including from a finance perspective. The General Election campaign was fully funded, but we need to evaluate whether the most effective use was made of our resources and best value was achieved from our budget. This includes our investment in organisers, materials, the best use of new technologies and the opportunities presented by social media. We will continue to test and evaluate the full range of alternative strategies for message delivery and campaigning, learning the lessons, continuing to be open to new ideas.

The financial result for the year to 31 December 2015 was a surplus of £4.4m. Significant additional funds were received during the year in support of our general election campaign. For the first time we were able to deploy digital fundraising strategies to great effect. This generated over £3m in low value donations, on top of £1.7m from party members, realising our aim of maximising smaller donations from a large number of people. This was in addition to the magnificent support received from our affiliated trade unions and high value donors. As all of these funds were allocated to our campaign budget which utilised every penny raised, the increase in income was therefore offset by the increase in campaign expenditure. The actual driver of the surplus generated was the increase in party members. The effect of those joining in response to the election result, coupled with the many thousands who joined (and continue to do so) following the election of Jeremy Corbyn as our Leader, was that membership at the end of the year was twice the number at the start. With real engagement, the huge growth in membership will not only benefit the party overall, but party finances too for years to come.

The final payments to clear the unsecured loans from individual lenders were transferred on schedule. In addition, a decision was taken, based on forecasts of an increased surplus, to repay the remaining balance of the legacy bank loan in advance of its due date. **We are extremely pleased to announce that the Labour Party is now debt free** (with the exception of mortgages and funds held on behalf of CLPs). We make no apology for yet again referring to the position 9 short years ago when net liabilities of £24.5m were reported. This year we are reporting net assets of £5m. For the first time in a generation we can prepare budgets and plan without the burden of debt. The transformation of the financial position is truly staggering and all the result of robust financial management. The general election proved yet again that the Party can deliver major campaigns to budget, adhering to our finance strategy and only approving expenditure when funds were received to meet the cost. Never again will our campaigns be funded through such loans.

As ever, challenges remain. Both the Trade Union Bill (now an Act) and reduction in Short Money announced in the Autumn Statement had the potential to devastate the Party's finances. After lengthy negotiations and subsequent amendments, for which we owe a huge thanks to our members in both Houses, the immediate impact is manageable. However, it is vital that we continue to monitor these and other threats and manage our finances for the future not just the present.

As always, the Party remains deeply grateful for the fantastic support we receive from our affiliates, both trade unions and socialist societies.

We would also like to thank all activists, members, supporters, elected representatives and staff who worked and campaigned so hard. We are very grateful for the backing of all donors to our party, whatever the size of the gift. The generosity that we see throughout each and every year, but especially notable in the year of an election, makes an enormous difference to how our party operates and to the difference we can make.

  
Iain McNicol  
Registered Treasurer

  
Diana Holland  
Party Treasurer

## Administrative information

### Review of Political Activities

A detailed review of the Party's political activities during the period covered by the financial statements will be included in the National Executive Committee (NEC)'s Annual Report that will be submitted to the 2016 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2016.

### Committees

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

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

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

Committee	Responsibilities
<b>Business Board</b>	Oversight of the business functions of the organisation including the management of finances.
<b>Joint Policy Committee (JPC)</b>	The JPC is responsible for strategic oversight of the Party's policy development. It oversees the rolling programme, Agenda 2020, and acts as a steering group for the National Policy Forum (NPF). Jointly convened by the Leader and NEC Co-convenor, it is a joint committee made up of members of the NEC, Government or Shadow Cabinet and NPF.
<b>Equalities Committee</b>	The Committee advises the NEC on steps to increase the Party's membership and representation on elected bodies so as better to reflect the community in terms of gender, ethnicity, age, sexual orientation and disability and to assist and promote the Party's work in combating discrimination in all forms.
<b>Organisation Committee</b>	Responsible for Party rules and constitution; ensures the Party is operating effectively throughout the country to the highest standards; and has overall responsibility for membership, investigations, selections, local government, conferences, electoral law, boundaries strategy and internal elections.
<b>Disputes Panel</b>	Hears membership appeals and re-admission applications; considers Party disputes and conciliation; undertakes minor investigations and local government appeals where referred to the NEC; and conducts hearings and interviews around the country where necessary.
<b>Audit and Risk Management</b>	Responsibility for the Party's risk register and policies to mitigate risks.

## **Administrative information (cont.)**

### **Elected representatives**

The Party's elected representatives at the Westminster, Scottish and European Parliaments and the National Assembly for Wales can be found on the Party's websites at: -

<http://www.labour.org.uk/people>

<http://www.scottishlabour.org.uk/people>

<http://www.eurolabour.org.uk/your-meps>

[http://www.welshlabour.wales/people\\_pobl](http://www.welshlabour.wales/people_pobl)

### **Membership**

As at 31 December 2015 the total individual membership of the Party was 388,262 (2014: 193,754).

### **Accounting units**

As at 31 December 2015 the Party had 667 (2014: 656) accounting units registered with the Electoral Commission.

## **Statement of Registered Treasurer's responsibilities**

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Party will continue in business.

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

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

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

We have audited the financial statements of the Labour Party for the year ended 31 December 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes numbered 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and FRS102, The Financial Reporting Standard in the UK and Republic of Ireland.

This report is made solely to the Labour Party's members, as a body, in accordance with Section 43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the Labour Party's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Labour Party and the Labour Party's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Registered Treasurer and auditor

As explained more fully in the Statement of Registered Treasurer's Responsibilities, the Registered Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Labour Party's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Registered Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Treasurers' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

## **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Labour Party's affairs as at 31 December 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ; and
- have been prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.



**Crowe Clark Whitehill LLP**

Statutory Auditor  
London

29.6.16



## Consolidated income and expenditure account for the year ended 31 December 2015

		2015	2014
	Notes	£'000	£'000
<b>Income</b>			
Donations		19,223	10,821
Membership		9,532	5,971
Affiliations		6,377	6,277
Fundraising	4	437	1,231
Commercial income		4,413	3,570
Legacies		178	132
Interest receivable		27	19
Government grants	5	6,930	6,589
Notional income	6	193	1,323
Other income		3,839	3,562
Investment Income	7	4	75
Total income		<b>51,153</b>	<b>39,570</b>
<b>Expenditure</b>			
Costs of fundraising		(180)	(578)
Costs of commercial activity		(2,933)	(2,009)
Notional expenditure	6	(193)	(1,323)
Running costs	8	(26,249)	(26,885)
Campaign expenditure	9	(12,205)	(1,763)
Interest payable	10	(479)	(566)
Grants and payments to CLPs		(2,054)	(1,319)
Other	12	(2,496)	(1,313)
Total expenditure		<b>(46,789)</b>	<b>(35,756)</b>
Surplus from Party activities before taxation	13	4,364	3,814
Taxation	14	-	(15)
Surplus for the year		<b>4,364</b>	<b>3,799</b>



# Statements of comprehensive income and changes in equity for the year ended 31 December 2015

## Statement of comprehensive income

	Notes	2015	2014
		£'000	£'000
Surplus for the year		4,364	3,799
Asset (losses)/gains arising during the year		(624)	5,981
Liability gains/(losses) arising during the year	23	4,131	(5,368)
Total comprehensive income for the year		7,871	4,412

## Statement of changes in equity

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2014	5,665	645	6,310
Surplus for the year	3,799	-	3,799
Other comprehensive income:			
Actuarial gain/(loss) on the pension scheme	613	-	613
At 31 December 2014 and 1 January 2015	10,077	645	10,722
Surplus for the year	4,364	-	4,364
Disposal of properties	40	(40)	-
Other comprehensive income:			
Actuarial gain/(loss) on the pension scheme	3,507	-	3,507
At 31 December 2015	17,988	605	18,593

The Notes on pages 12 to 20 form part of these financial statements

## Consolidated balance sheet at 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	15	5,699	6,094
<b>Current assets</b>			
Debtors and prepayments	16	2,916	2,162
Cash at bank and in hand		11,939	11,669
		<b>14,855</b>	<b>13,831</b>
<b>Creditors: amounts falling due within one year</b>			
Creditors, accruals and deferred income	17	(5,108)	(5,976)
Development fund loans		(9,204)	(7,641)
Other loans	27	-	(2,178)
Overdrafts and short term loans		(121)	(1,251)
		<b>(14,433)</b>	<b>(17,046)</b>
<b>Net current assets /(liabilities)</b>		<b>422</b>	<b>(3,215)</b>
<b>Total assets less current liabilities</b>		<b>6,121</b>	<b>2,879</b>
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(993)</b>	<b>(2,078)</b>
<b>Provisions for liabilities and charges</b>	20	<b>(26)</b>	<b>(37)</b>
<b>Net assets</b>		<b>5,102</b>	<b>764</b>
<b>Pension asset</b>	23	<b>(13,491)</b>	<b>(9,958)</b>
<b>Reserves</b>			
General	21	17,988	10,077
Revaluation reserve	21	605	645
		<b>5,102</b>	<b>764</b>

The financial statements on pages 8 to 20 were approved by the National Executive Committee on 29 June 2016 and signed on its behalf by:

Iain McNicol

General Secretary and Registered Treasurer

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

Diana Holland

Party Treasurer

## Consolidated cash flow statement for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Surplus before tax		4,364	3,814
Adjustments for:			
Finance costs		247	355
Depreciation and impairment charges		185	93
Profit on disposal of property		(66)	-
Actuarial gains in pension scheme		(26)	(164)
		<u>4,704</u>	<u>4,098</u>
Movements in working capital			
Increase in trade and other receivables		(754)	(255)
Decrease in trade and other payables		(868)	970
Decrease in provisions for liabilities and charges		(11)	(188)
Cash generated from operations		<u>3,071</u>	<u>4,625</u>
Interest paid		<u>(247)</u>	<u>(355)</u>
Net cash generated by operating activities		<u>2,824</u>	<u>4,270</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property		276	-
Payments for property		-	(6)
Net cash used in investing activities		<u>276</u>	<u>(6)</u>
<b>Cash flows from financing activities</b>			
Repayments of loans		(1,085)	(2,019)
Proceeds from new loans		-	-
Net cash used in financing activities		<u>(1,085)</u>	<u>(2,019)</u>
Net increase in cash and cash equivalents		2015	2,245
Cash and cash equivalents at the beginning of the year		<u>599</u>	<u>(1,646)</u>
Cash and cash equivalents at the end of the year		<u>2,614</u>	<u>599</u>
<b>Cash and bank balances</b>		<b>11,939</b>	<b>11,669</b>
Development fund loans		(9,204)	(7,641)
Bank overdrafts		(121)	(1,251)
Other short term loans		-	(2,178)
		<u>2,614</u>	<u>599</u>

The Notes on pages 12 to 20 form part of these financial statements.

# Notes to the financial statements

## General information

The Labour Party is a political party registered with the Electoral Commission. The address of its registered office is disclosed on page 1.

The financial statements are presented in sterling, which is also the functional currency of the Party.

### 1. Accounting policies

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

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

The following principal accounting policies have been applied:

#### a. Income recognition

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

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

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

- Donations, including legacies, are recognised in the income and expenditure account on receipt. Donations of notional income are recognised on receipt at the relevant market value of the donation received with an expense of the same amount being recognised at the same time.
- Membership fees are recognised in the income and expenditure account when received
- Government grants are recognised in the year in which the related expenditure is incurred (see note 5).

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

#### b. Tangible fixed assets

Property assets comprise both freehold and leasehold land and buildings held as functional property or long-term investments by Labour Party Properties Limited.

Functional property is carried at fair value. This is based on the most recent professional valuation (which is carried out at least every five years) or, if recently acquired, at cost,

subject to an annual impairment review (carried out by the directors of Labour Party Properties Limited with the assistance of an expert third Party who is retained throughout the year). In addition, if the annual impairment reviews identify instances where the carrying value is materially different from the fair value then a full valuation will be conducted. Given the regular revaluations no depreciation is charged as this is considered to be immaterial. The National Executive Committee (NEC) considers that this accounting policy results in the financial statements giving a true and fair view.

Investment properties are measured at fair value annually by the directors of Labour Party Properties Limited with the assistance of an expert third party with any change recognised in the consolidated income and expenditure account.

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

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

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

#### c. Value added tax

The Party is registered for value added tax (VAT) purposes, but it is only liable on chargeable transactions. All items of income and expenditure are shown in the financial statements net of VAT. A partial exemption formula has been agreed with HM Revenue and Customs and VAT has been recovered. The value of VAT that is irrecoverable is included in "Other expenditure" (see note 12).

#### d. Pension costs

The Labour Party is responsible for the solvency of the Labour Party Superannuation Society, which is a defined benefit pension scheme (see note 23). Pension scheme assets are measured using market values. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

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

#### e. Accounting estimates

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

# Notes to the financial statements

## f. Operating leases

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

## g. Investments

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

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

## h. Key judgements and estimates

In the application of the Party's accounting policies, which are described in note 1, the NEC are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- Pension liabilities – The Party recognises its asset or liability in respect of its defined benefit pension scheme which involves a number of estimations as disclosed in Note 23.
- Valuation of investment properties– The Party's investment properties are stated at their estimated fair value based on professional valuations as disclosed in Note 15.
- Dilapidation provision – The Party has provided for its possible liability in relation to its leasehold property which has been estimated as disclosed in Note 20.

Investment properties are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure. Investments in subsidiary undertakings are held at cost less impairment.

At the balance sheet date the Party held financial assets at amortised cost of £14,436,000 (2014: £13,368,000) and Financial liabilities at amortised cost of £15,426,000 (2014: £19,124,000).

## 2. Basis of preparation

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

The income and expenditure account includes the consolidated results of the regional offices of the Labour Party, the Scottish Labour Party and the Wales Labour Party which contributed a surplus of £246,000 (2014: deficit of £44,000) to the result for the year. The consolidated results of the regional offices are produced from accounts that are prepared mainly on a cash accounting basis rather than an accruals basis. It is not considered that restatement of the results on to an accruals basis for the current and prior years would have a material impact on the result for the year.

The financial projections of the Party indicate that the funding to be generated across all income streams will provide sufficient means for the Party to achieve its organisational and political objectives as well as service its debt for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Campaign expenditure in the consolidated statement of income and expenditure (£12,205,000 in 2015, £1,763,000 in 2014) represents the Party's expenditure in national elections, as defined by the Political Parties, Elections and Referendums Act 2000 and reported to the Electoral Commission.

## i. Financial instruments

The Labour Party has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise bank loans and overdrafts, trade and other creditors.

# Notes to the financial statements

## 3. Basis of taxation

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

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

## 4. Fundraising activities

	2015	2014
	£'000	£'000
Dinners	222	1,029
Other events	215	202
	<u>437</u>	<u>1,231</u>

## 5. Government grants

	2015	2014
	£'000	£'000
Short money	6,207	6,475
Policy Development Grant	723	114
	<u>6,930</u>	<u>6,589</u>

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

## 6. Notional income and expenditure

	2015	2014
	£'000	£'000
This comprises:		
Goods	57	323
Services	91	206
Seconded staff	45	794
	<u>193</u>	<u>1,323</u>

## 7. Investment Income

	2015	2014
	£'000	£'000
Dividends Received	4	75
	<u>4</u>	<u>75</u>

## 8. Running costs

	2015	2014
	£'000	£'000
Staff related expenditure (see Note 11)	17,261	17,727
Building and premises	2,581	1,870
Depreciation and amortisation	92	93
Political activities and publishing	2,156	3,013
Administration	1,470	1,621
Finance, IT and telecommunication costs	2,689	2,561
	<u>26,249</u>	<u>26,885</u>

## 9. Campaign expenditure

	2015	2014
	£'000	£'000
UK General election	12,205	-
European election	-	1,031
Scottish referendum	-	732
	<u>12,205</u>	<u>1,763</u>

## 10. Interest payable

	2015	2014
	£'000	£'000
Bank loans	118	131
Other loans	129	224
Development fund loans	232	211
	<u>479</u>	<u>566</u>

# Notes to the financial statements

## 11. Employees

	2015 £'000	2014 £'000
Staff related expenditure comprises:		
Wages and salaries	14,678	13,246
Social security costs	1,493	1,665
Other pension costs	908	2,616
Other costs	182	200
	<u>17,261</u>	<u>17,727</u>

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

	Full time	Part time	Total
At 31 December 2015	237	49	286
At 31 December 2014	327	57	384
At 31 December 2013	274	59	333

Average for 2015	247	93	340
Average for 2014	318	56	374

The above figures include both head office and regional staff. The figures also include various persons employed on short-term contracts.

Key management personnel of the Party are members of the senior management and the total employment benefits of that group was £530,000 (2014: £441,000).

## 12. Irrecoverable VAT

	2015 £'000	2014 £'000
Irrecoverable VAT expensed in the year	<u>2,135</u>	<u>1,243</u>

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

## 13. Surplus from Party activities before taxation

	2015 £'000	2014 £'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	<u>132</u>	<u>408</u>
Auditors' remuneration	(70)	(72)
- audit services	(15)	(11)
- non-audit services	(15)	(11)
Operating lease charge	(424)	(454)
- property	(288)	(293)
- equipment	(288)	(293)

## 14. Taxation

	2015 £'000	2014 £'000
Current taxation		
UK Corporation Tax	-	15
Prior year adjustment	-	-
Tax on surplus on Party activities	<u>-</u>	<u>15</u>

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

	2015 £'000	2014 £'000
Tax on profit at the main rate of 20% (2014: 21.5% )	884	755
Effects of:		
Difference between non-taxable income and non-deductible expenses	(945)	(834)
Prior year adjustment	-	-
Movement in deferred tax not provided	61	94
	<u>-</u>	<u>15</u>

If all of the property assets were sold at their balance sheet values it is estimated that any tax liability would be extinguished by available indexation allowances.



# Notes to the financial statements

## 15. Tangible assets

	Long leasehold improvements	Freehold investment properties	Other freehold & leasehold properties	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 January 2015	462	2,942	2,967	6,371
Disposals	(462)	(19)	(191)	(672)
<b>At 31 December 2015</b>	<b>-</b>	<b>2,923</b>	<b>2,776</b>	<b>5,699</b>
<b>Depreciation</b>				
At 1 January 2015	277	-	-	277
Depreciation in the year	93	-	-	93
Disposals	(370)	-	-	(370)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value at 31 December 2015</b>	<b>-</b>	<b>2,923</b>	<b>2,776</b>	<b>5,699</b>
Net book value at 31 December 2014	185	2,942	2,967	6,094

Included in other freehold and leasehold properties are short leasehold properties totalling £103,000. The historic cost for all properties is £5,094,000 (2014: £5,296,000). The most recent professional open market valuations were carried out as at 30 April 2014 by Jones Shackel Oldham Chartered Surveyors. Properties are subject to an annual impairment review in accordance with note 1b.

## 16. Debtors and prepayments

	2015	2014
	£'000	£'000
Trade debtors	1,208	628
Prepayments	418	463
Accrued income	434	351
Other debtors	856	720
	<b>2,916</b>	<b>2,162</b>

## 17. Creditors, accruals and deferred income

	2015	2014
	£'000	£'000
Trade creditors	977	1,392
Taxation and social security	814	849
Other creditors	1,825	2,019
Accruals	1,492	1,716
	<b>5,108</b>	<b>5,976</b>

## 18. Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Bank loans	993	2,078
Other loans (see note 27)	-	-
	<b>993</b>	<b>2,078</b>
of which payable:		
In one to two years	101	1,194
In two to five years	272	468
In more than five years	620	416
	<b>993</b>	<b>2,078</b>

The bank loans are secured on the properties held by Labour Party Properties Limited.

Bank loans comprise:	Maturity date	Effective interest rate	Carrying amount £'000
Floating rate loan	2026	2.5% over base	983
Floating rate loan	2017	2% over base	10

# Notes to the financial statements

## 19. Deferred tax

If all of the property assets were sold at their balance sheet values it is estimated that any tax liability would be extinguished by available indexation allowances.

A deferred tax asset of £75,000 (20%) (2014: £65,000) has not been recognised. This asset arises primarily from the availability of losses which we consider will not be recoverable in the foreseeable future. At 31 December 2015 approximately £500,000 of losses were carried forward (2014: £440,000).

## 20. Provisions for liabilities and charges

	2015	2014
	£'000	£'000
Dilapidations	26	37

## 21. Reserves

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2015	10,077	645	10,722
Surplus for the year	4,364	-	4,364
Disposals	40	(40)	-
Actuarial gain	3,507	-	3,507
At 31 December 2015	17,988	605	18,593

The revaluation reserve comprises both the revaluation gains recognised on functional properties and the fair value gains on investment properties.

## 22. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2015:

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

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

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

## 23. Pension fund

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

The contributions of the Party and the employees are 13.8 per cent and 6 percent of salaries respectively.

Regular employer contributions to the Society for the year starting 1 January 2017 are estimated to be £2.1M. Additional employer contributions might be required if there are redundancies or benefit augmentations during the year.

The valuation for the FRS 102 disclosures has been based on a full assessment of the liabilities of the Society as at 31 December 2014.

The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

# Notes to the financial statements

## 23. Pension fund (continued)

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 102 are set out below:

### Main Financial Assumptions

	2015	2014
Discount rate for society liabilities	3.85%	3.70%
Rate of general long term increase in salaries	4.10%	4.05%
RPI inflation	3.10%	3.05%
CPI inflation	2.10%	2.05%
Pension increases pre April 1997	0.00%	0.00%
Pension increases April 1997 to April 2005	2.10%	2.1%
Pension increases post April 2005	1.80%	1.70%

The mortality assumptions are based on mortality tables which allow for expected future mortality improvements. The assumptions are that a member who retires in 2029 at age 60 will live on average for a further 28.5 years after retirement if they are male and for a further 30.5 years after retirement if they are female. For a member currently aged 60 the assumptions are that they will live on average for a further 27.0 years if they are male and for a further 29.0 years if they are female.

### Asset breakdown as at 31 December 2015

Main asset categories	Value as at 31 December 2015 £'000
Equities	15,808
Delegated Growth Fund	14,068
Fixed int Govt bonds	5,141
Index linked Govt bonds	30,309
Property	6,335
Other	1,668
Total	73,329

### Asset breakdown as at 31 December 2014

Main asset categories	Value as at 31 December 2014 £'000
Equities	14,679
Delegated Growth Fund	13,665
Fixed int Govt bonds	5,111
Index linked Govt bonds	30,668
Property	5,665
Other	1,383
Total	71,171

### Actual return on Society assets

	2015 £'000	2014 £'000
Interest income on Society assets	2,641	2,765
Actuarial (loss)/gain on Society assets	(624)	5,981
Actual return on Society assets	2,107	8,746

### Reconciliation of funded status to balance sheet

	2015 £'000	2014 £'000
Fair value of Society assets	73,329	71,171
Present value of funded defined benefit obligations	(59,838)	(61,213)
Asset recognised on the balance sheet	13,491	9,958

# Notes to the financial statements

## 23. Pension fund (continued)

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

	2015 £'000	2014 £'000
Opening defined benefit obligation	61,213	52,651
Current service cost	1,657	1,586
Interest expense on DBO	2,272	2,357
Contributions by Society participants	668	745
Actuarial (gains)/losses on Society liabilities*	(4,131)	5,368
Net benefits paid out	(1,841)	(1,689)
Past service cost **	0	195
Closing defined benefit obligation	59,838	61,213

\* Includes changes to the actuarial assumptions.

\*\* The past service cost arising in 2014 corresponds to the discretionary pension increase on 1 January 2015.

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

	2015 £'000	2014 £'000
Opening fair value of Society assets	71,171	61,832
Interest income on Society assets	2,641	2,765
Actuarial (loss)/gain on Society assets	(624)	5,981
Contributions by the employer	1,680	1,890
Contributions by Society participants	668	745
Net benefits paid out	(1,841)	(1,689)
Administration costs incurred	(366)	(353)
Closing fair value of Society assets	73,329	71,171

### *Analysis of income and expenditure charge*

	2015 £'000	2014 £'000
Operating cost:		
Current service cost	1,657	1,586
Administration expenses	366	353
Past service cost	0	195
Financing cost:		
Interest on net defined benefit liability/(asset)	(369)	(408)
Expense recognised in income and expenditure	1,654	1,726

## 24. Lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 £'000	2014 £'000
<b>Operating leases payable:</b>		
Within one year	654	935
In the second to fifth years inclusive	2,887	1,140
In more than five years	1,053	112
	4,594	2,187

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

## 25. Reconciliation of the operating surplus to inflow from operating activities

	2015 £'000	2014 £'000
Operating surplus for the year before taxation	4,364	3,814
Depreciation and impairment charges	185	93
Profit on disposal of property	(66)	-
Interest payable on long term finance	247	355
Increase in trade and other receivables	(754)	(255)
(Decrease)/increase in trade and other payables	(868)	970
Actuarial gain on pension scheme	(26)	(164)
Interest paid	(247)	(355)
Decrease in provisions for liabilities and charges	(11)	(188)
Net cash flow from operating activities	2,824	4,270

# Notes to the financial statements

## 26. Related Party transactions

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

	£'000
<b>Development fund loans</b>	
Loans payable at 1 January 2015	7,641
Additional loans made available	1,743
Loans repaid	(180)
Loans payable at 31 December 2015	<u>9,204</u>

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

The Party also provides Constituency Labour Parties, all of which are accounting units, with a proportion of the membership revenues which are raised centrally.

## 27. Other loans

As at 31 December 2015 the Party had received the following amounts (loan plus accrued interest):

Name	Total due at 31 December 2015	Total due at 31 December 2014
	£'000	£'000
<b>Due in less than one year:</b>		
Nigel Morris	-	112
Dr Chai Patel	-	182
Rod Aldridge	-	116
Barry Townsley	-	116
Richard Caring	-	218
Sir David Garrard	-	1,434
	<u>-</u>	<u>2,178</u>
<b>Due in more than one year:</b>		
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,178</u>

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

## 28. Transition to FRS102

### Reconciliation of reserves

	At 1 January 2014 £'000	At 31 December 2014 £'000
Reserves (as previously stated)	6,610	11,022
Holiday pay accrual	(300)	(300)

<b>Reserves (as restated)</b>	<b>6,310</b>	<b>10,722</b>
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### Reconciliation of 2014 surplus for the period

	2014 £'000
2014 surplus as previously stated	4,237
Change in actuarial gains on pension fund assets	(438)
<b>2014 surplus (as restated)</b>	<b>3,799</b>