



The Liberal Democrats (The Federal Party)

Reports and Financial Statements

Year Ended

31 December 2015

"The Liberal Democrats exist to build and safeguard a free, fair and open society, in which we balance the fundamental values of liberty, equality and community and in which no-one shall be enslaved by poverty, ignorance or conformity."

Preamble to the Federal Party Constitution.

The Liberal Democrats (The Federal Party)
Financial Statements for the year ended 31 December 2015

Contents

Page:

1	Party Officers
2	Report of the Party Officers
6	Statement of Registered Treasurer's responsibilities
7	Independent auditor's report
8	Income and Expenditure account
10	Balance Sheet
11	Cash Flow statement
12	Notes forming part of the financial statements

Party Officers

Registered Officers under PPERA

Leader:	Rt Hon. Nick Clegg MP	to July 2015
Leader:	Tim Farron MP	from July 2015
Registered Treasurer:	Peter Dunphy	
Nominating officer:	Sarah Morris	
Campaigns officer:	Tim Gordon	

Office Holders

Deputy campaigns officer:	Adam Stachura	
Deputy campaigns officer:	Richard Thomas	
Vice President (England)	Steve Jarvis	
Vice President (Scotland)	Craig Harrow	to January 2016
Vice President (Scotland)	Sheila Thomson	from January 2016
Vice President (Wales)	Rodney Berman	
Treasurer	Lord Wrigglesworth	to December 2015
Treasurer	Lord Mike German	from December 2015
Chief Executive:	Tim Gordon	
Party President:	Baroness Sal Brinton	from January 2015

The Party Leader is elected by a postal ballot of all members in accordance with Article 10 of the constitution. The Party President is elected for a 2-year term by a postal ballot of all members of the Party in accordance with Article 12.1 of the constitution.

Party Headquarters

2nd floor, 8-10 Great George Street, London, SW1P 3AE

Auditor

Mazars LLP, [REDACTED]

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2015

The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (the State Parties). The Liberal Democrats in England is a federation of the Regional Parties in England. The Regional Parties comprise a number of Local Parties.

The Liberal Democrats (The Federal Party) is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with 454 accounting units.

These financial statements deal solely with the activities of the Federal Party as set out in Article 2 of the Constitution of the Federal Party. They do not include the income, expenditure, assets or liabilities of the State, Regional, Local Parties, or any other bodies.

1. *Administrative information*

Committees

The following committees operate within The Liberal Democrats (The Federal Party) ("the Federal Party", "the Party") to oversee and manage the organisation's business. The terms of reference for each committee are contained within the party's constitution. The Chairs of the respective committees are:

Federal Executive – Sal Brinton
Campaigns & Communications – James Gurling
Federal Policy – Malcolm Bruce from Dec 2014 to May 2015
Federal Policy – Tim Farron from July 2015
Federal Finance and Administration – Peter Dunphy
International Relations – Robert Woodthorpe-Browne
Federal Conference – Andrew Wiseman

Conference is the sovereign representative body of the Party with the power to determine its policies. In addition to setting the Party's policies, Conference also receives reports from the federal committees and parliamentary and European parliamentary parties. Membership of Conference is defined by article 6.1 of the constitution.

Conference is organised by the Federal Conference Committee (FCC), membership of which is defined by article 6.7 of the constitution.

Between conferences the Federal Policy Committee (FPC) is responsible for researching, developing and overseeing the policy making process. Membership of the FPC is defined by article 7.2 of the constitution.

The Federal Executive (FE) is responsible for directing, co-ordinating and implementing the work of the Federal Party. Membership of the FE is defined by article 8.1 of the constitution.

The Federal Finance & Administration Committee (FFAC) is a sub-committee of the FE responsible for the planning and administration of the budget and finances of the Federal Party, directing the administration of the Federal Party and ensuring compliance of the Party at all levels with the provisions of the Political Parties, Elections

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2015

and Referendums Act 2000 as amended by the Electoral Administration Act 2006. The FFAC is also responsible for the appointment of the Federal Party's auditor and ensuring that there are adequate financial controls and systems in place. Membership of the FFAC is defined by article 8.2 of the constitution.

The Campaigns & Communications Committee (CCC) exists to co-ordinate the Party's national campaigns and communications strategy. Membership consists of a Chair elected biannually by the FE, the Party President, Party Leader, Chief Whip and two members directly elected by the FE.

The International Relations Committee (IRC) is responsible for the Party's international liaison. Its membership consists of representatives of the state and parliamentary parties, Liberal Youth, Liberal International British Group, European Liberal Democrats and Reform Group and individuals elected by Conference representatives.

The Directors of The Liberal Democrats Ltd are appointed by the Federal Party President and the Chair of the FFAC, subject to the approval of the appointments by the Federal Executive. During the year the following have served:

Duncan Greenland*
Eric Lowry*
Lord Dholakia of Waltham Brooks
Baroness Parminter*
Peter Dunphy
Lady Vallance*
Baroness Manzoor*
Michael Jeans (resigned March 2016)

Those marked with an asterisk perform the role of an Audit Committee including meeting with the auditor and receiving its reports, and ensuring compliance with the Party's procedures for the acceptance of significant donations including, consideration of the dangers to the Party's reputation, and legal compliance with the Political Parties, Elections and Referendums Act 2000 as amended by the Political Parties and Elections Act 2009.

Elected representatives

The Party's 8 elected members of the Westminster and 1 member of the European Parliaments are shown at Annex A. In addition there are 108 Liberal Democrat members of the House of Lords, five Liberal Democrat members of the Scottish Parliament, five Liberal Democrat members of the Welsh Assembly and two Liberal Democrat members of the Greater London Authority. As of June 2016 there were approximately 1,841 Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2015

Staffing

The principal permanent members of staff are:

Chief Executive – Tim Gordon
Director of Elections & Field – Hilary Stephenson (to April 2016)
Director of Finance & Operations – Nigel Bliss ACA (to March 2016)
Director of Operation – Lucy Hope (from June 2016)
Digital Director – Steve Pitman (to December 2015)
Director of Communications – James Holt
Chief Fundraiser – Emma Cherniavsky
Director of People – Laura Davies

Accounting Units

The Party has 454 accounting units registered with the Electoral Commission.

2. *Review of political activities*

2015 was a tough year politically for the Liberal Democrats. The key moment was obviously the General Election when our share of the vote and numbers of seats won plummeted. Having been focused hard on campaigning for the first four and a bit months of the year, we ended the General Election with 8 seats in Westminster and a decline in the number of council seats held.

The Party Leader, Nick Clegg, resigned the following morning – and in our darkest hour his eloquent and dignified resignation speech helped crystallise a general public feeling of regret about the state of the Party. Contrary to expectations the Party then underwent a membership surge which increased its overall size by around 50%. This added energy and interest to the ensuing Leadership campaign. This was won by Tim Farron who set to work rebuilding the Party.

After a successful conference the Federal Party focused on restructuring to meet our reduced financial circumstances and the preparation of an in-depth and clear report on what we need to learn from both the General Election and the path towards it. Despite this the very first signs of a renaissance were in the air with steadily improved local council by-election results – a trend that has continued through to early 2016.

Conferences

The Party held two conferences during the year:

- Spring
- Autumn

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2015

Spring

The 2015 Spring Conference was held in Liverpool with debates covering such issues as Mental Health, the economy and education funding.

Autumn

In the autumn of 2015 Conference was held in Bournemouth where debates included a response to the refugee crisis, replacement of trident and housing.

Policy development

During the Party's time in government it retained its identity as a radical, progressive party and at the heart of this is its strong policy development function. This strength was in part evidenced by the consultative sessions covering such issues as crime, equalities and public services.

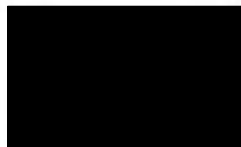
Campaigns and elections

At the General Election held on 7 May 2015, 8 Liberal Democrat Members of Parliament were elected.

3. *Financial Review*

2015 was a very challenging year financially. Whilst a record amount of cash was raised by the fundraising teams and Registered Treasurer, we also spent a record sum on fighting the General Election. The campaign itself registered a deficit, there was a major fall in Conference income resultant from the Party leaving government and public funds are much lower than pre-2010 levels. As a result of these factors, a large deficit was recorded after two years of surplus. A large increase in membership during the year was very welcome though of financial benefit to local parties rather than the Federal Party with nearly every Local Party qualifying for the Party's enhanced rebate scheme.

The Federal Party recorded a deficit for the year of £1,675,122 with the result that net liabilities at the yearend were £898,140. Of this deficit £2,188,068 related to the General Fund and surplus of £512,946 related to the Legacy Fund that was launched in 2013.



Peter Dunphy
Registered Treasurer
30 June 2016

The Liberal Democrats (The Federal Party)

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; 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 Registered 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 Treasurer is responsible for delivery of the statement of accounts to the Electoral Commission by the required deadline.

The Registered Treasurer is also responsible for safeguarding the assets of the Party and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Registered Treasurer has taken all steps he ought to have taken to make himself aware of any information required by the auditor for the purpose of their audit and to establish that the auditor is aware of that information. The Registered Treasurer is not aware of any relevant information of which the auditor is unaware.

Independent Auditor's Report to The Federal Conference of The Liberal Democrats (The Federal Party)

We have audited the financial statements of the Liberal Democrats (The Federal Party) for the year ended 31 December 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Accounts Guidance Notes issued by the Electoral Commission.

Respective responsibilities of the Registered Treasurer and auditor

As explained more fully in the Statement of Registered Treasurer's Responsibilities set out on page 6, 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. This report is made solely to the Federal Conference Committee of the Liberal Democrats (The Federal Party), 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 Federal Conference of the Liberal Democrats (The Federal Party) 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 Federal Conference of the Liberal Democrats (The Federal Party) as a body, for our audit work, for this report, or for the opinions we have formed.


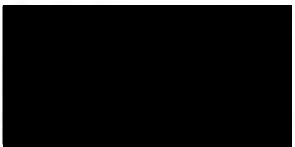
Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Liberal Democrats (The Federal Party) as at 31 December 2015 and of its deficit for the year then ended;
- have been properly prepared in accordance with relevant legislation and the Statement of Accounts Guidance Notes issued by the Electoral Commission; and
- have been prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.


William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor


30 June 2016

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2015

General Fund

	Note	2015	2014
		£	£
Income			
Donations		3,713,561	3,647,064
Membership and subscription fees		808,397	771,932
Newspaper income	11	72,820	74,138
Affinity income		9,766	22,989
Grants	5	496,290	718,312
Conference income	10	688,350	2,034,247
Investment income	6	38	64
Notional income	7	166,629	276,823
Recharges to party bodies	12	949,486	875,489
Other income	8	378,756	300,841
		<u>7,284,093</u>	<u>8,721,899</u>
Expenditure			
Conference expenditure	10	589,547	940,213
Newspaper expenditure	11	108,774	51,927
Fundraising expenditure		158,387	134,350
Depreciation and amortisation	4	98,551	95,162
Campaign expenditure		2,903,866	2,199,860
Staff costs	2	3,727,453	3,492,324
Premises & office costs		1,063,133	933,162
Interest payable and similar charges	9	61,644	53,273
Notional expenditure	7	166,629	276,823
Grants to party bodies	13	372,333	373,950
Expenditure recharged from other party bodies		118,920	56,171
Charges from other party bodies		26,000	26,000
Audit fees	4	28,635	27,158
Bad debt provision	26	29,230	45,515
Other expenditure		19,051	13,537
		<u>9,472,153</u>	<u>8,719,425</u>
General Fund (deficit)/surplus before taxation	4	(2,188,060)	2,474
Taxation	14	(8)	(13)
General Fund (deficit)/surplus for the year		<u>(2,188,068)</u>	<u>2,461</u>

The notes on pages 12 to 23 form part of the financial statements

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2015

Legacy Fund

	Note	2015	2014
		£	£
Income			
Legacies		<u>597,815</u>	<u>1,622,396</u>
		<u>597,815</u>	<u>1,622,396</u>
Expenditure			
Grants to party bodies		40,000	135,000
Staff costs	2	38,295	-
Fundraising expenditure		6,572	-
Interest payable and similar charges		<u>2</u>	<u>16</u>
		<u>84,869</u>	<u>135,016</u>
Legacy Fund surplus before taxation		<u>512,946</u>	<u>1,487,380</u>
Taxation		-	-
Legacy Fund surplus for the year		<u>512,946</u>	<u>1,487,380</u>
Overall (deficit)/surplus for the year		<u>(1,675,122)</u>	<u>1,489,841</u>

The Income and Expenditure account has been prepared on the basis that all operations are continuing operations.

There were no recognised gains or losses other than those included in the income and expenditure account.

The Liberal Democrats (The Federal Party)
Balance Sheet as at 31 December 2015

	Note	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	15		300,463		391,317
Current assets					
Debtors	16	491,130		855,703	
Cash at bank and in hand		<u>21,231</u>		<u>759,727</u>	
		512,361		1,615,430	
Creditors: amounts falling due within one year	17	<u>(1,610,964)</u>		<u>(1,129,765)</u>	
Net current (liabilities)/assets			<u>(1,098,603)</u>		<u>485,665</u>
Total assets less current liabilities			(798,140)		876,982
Creditors: amounts falling due after more than one year	18		(100,000)		(100,000)
Net (liabilities)/assets			<u>(898,140)</u>		<u>776,982</u>
Reserves					
General Fund	19		(2,367,293)		(539,225)
Reserve Fund	19		45,000		45,000
Legacy Fund	19		<u>1,424,153</u>		<u>1,271,207</u>
Total (deficit)/assets			<u>(898,140)</u>		<u>776,982</u>

The financial statements were approved by the Federal Finance & Administration Committee on 30 June 2016


Peter Dunphy
Registered Treasurer

The Liberal Democrats (The Federal Party)
Cash Flow Statement
For the year ended 31 December 2015

	Note	2015	2014
		£	£
Net cash (outflow)/inflow from operating activities	22	(1,562,779)	940,242
Returns on investment and servicing of finance			
Interest received		38	64
UK Tax paid		-	(14)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(7,697)	(81,265)
(Decrease)/increase in cash	23	<u>(1,570,438)</u>	<u>859,027</u>

The notes on pages 12 to 23 form part of the financial statements

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

1 Accounting policies

The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (the State Parties). The Liberal Democrats in England is a federation of the Regional Parties in England. The Regional Parties comprise a number of Local Parties.

The Liberal Democrats (The Federal Party) is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with 454 accounting units. Details of these units are available from party headquarters.

These financial statements deal solely with the activities of the Federal Party as set out in Article 2 of the Constitution of the Federal Party. They do not include the income, expenditure, assets or liabilities of the State, Regional, Local Parties, or any other bodies.

Basis of preparation

The Liberal Democrats (The Federal Party) is not incorporated in law and is thus not bound by the Companies Act 2006. The Party is required to prepare financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 ("PPERA"). The financial statements have been prepared under the historical cost convention, and in accordance with applicable law and the statement of Accounts Guidance Notes issued by Electoral Commission.

Going concern

The Liberal Democrats (The Federal Party) shares a banking facility with certain other Liberal Democrat entities, and there is a right of set off between bank accounts of those entities. The Registered Treasurer has therefore considered the applicability of the going concern basis of preparation of the financial statements by reference to the aggregated financial position of those entities. At the year end, the aggregated net borrowings under the banking facility amounted to £470,112, the aggregated net liabilities of the entities sharing the facilities was £936,761, and the aggregated deficit of those entities for the year was £1,819,954. The bank facility at the year-end was £625,000.

Since the year end, the financing position of the entities has improved due to increased membership, the receipt of significant campaign donations, receipt of Short and Cranborne Money, and careful management of costs, such that the entities had returned to a net cash surplus position and were not utilising the bank facility.

The Registered Treasurer has reviewed the aggregated cash flow projections for the entities to the end of June 2017. The entities rely on the receipt of donation income to fund a significant proportion of their activities. Donation income is inherently unpredictable, and the financial projections have therefore assumed a level of donation income that is conservative compared to historic levels. The projections show that the entities are anticipated to have aggregated net bank borrowings within the current bank facility of £500,000 throughout the projection period. The term of the current banking

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

1 Accounting policies (continued)

facility expires at the end of August 2016. A meeting with the bank to discuss ongoing, longer term arrangements has been scheduled for early July.

On the basis of these projections the Registered Treasurer is satisfied that Liberal Democrats (The Federal Party) will be able to meet its financial obligations as they fall due, and that it is therefore appropriate to prepare the financial statement on a going concern basis.

The following principal accounting policies have been applied:

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 in the Income and Expenditure account on receipt. Donations of notional income are recognised on receipt at the relevant market value of the item or service received with an expense of the same amount being recognised contemporaneously.
- Grants are recognised in the Income and Expenditure account when the conditions for receipt of the grant have been met.
- Membership and subscription fees are recognised on a receipts basis.
- Legacies are recognised when the personal representatives of the deceased have notified the Party of the legacy, they have obtained grant of representation and there are no significant matters outstanding concerning the precise division of the estate. Legacies notified to the Party after 1 August 2013 are included in a separate Legacy Fund.
- Newspaper and conference income, and the State Party Levy are recognised on an accruals basis.
- Interest receivable is recognised in the Income and Expenditure account on an accruals basis.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer software	-	5 years
Fixtures and fittings	-	10 years

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

1 Accounting policies (continued)

Campaign expenditure

The Party does not provide a breakdown of campaign expenditure between campaigns as the officers believe such an analysis would not be possible, given the continuous expenses incurred on multiple campaigns.

Recharged expenditure

The Federal Party meets the majority of the overheads incurred by the English State Party and some of those incurred by the Parliamentary Office of the Liberal Democrats and the Scottish and Welsh State Parties. These costs are recovered through the Federal Party recharge.

Leased assets

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

Pension benefit

Defined benefit pension scheme:

Pension liabilities are measured at their present value using the projected unit method in accordance with actuarial assumptions that are reviewed at each Balance Sheet date.

Pension assets are measured at fair value. The net pension liability or asset, after deferred tax, is recognised in the Balance Sheet.

The service cost of providing pension benefits to employees for the year is charged to the Income and Expenditure statement.

Defined contribution scheme:

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

Tax

As a voluntary society, tax is only charged on investment income.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

2 Employees

	2015	2014
	£	£
Staff costs consist of:		
Wages and salaries	2,872,248	2,650,132
Social security costs	287,381	267,651
Other pension costs	198,885	209,361
Other staff costs	407,234	365,180
	3,765,748	3,492,324

Other staff costs includes recruitment, training, travel and other costs.

The average number of employees during the year was as follows:

2015	2014
Number	Number
121	90

3 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2015 (2014 - £nil).

4 Surplus before taxation

	2015	2014
	£	£
The surplus before taxation is stated after charging:		
Auditors' remuneration - audit of Federal party	15,000	15,000
- other statutory reporting	13,635	12,158
Operating lease charge - property	169,587	157,250
- equipment	13,952	10,600
Depreciation	98,551	95,162

5 Grants received

	2015	2014
	£	£
Policy development grant	383,407	453,016
Home Office grant for conference security	112,883	265,296
	496,290	718,312

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

6 Investment income

	2015 £	2014 £
Interest receivable	38	64
	<u> </u>	<u> </u>

7 Notional income and expenditure

	2015 £	2014 £
Market value of services donated	166,629	276,823
	<u> </u>	<u> </u>

8 Other income

	2015 £	2014 £
Westminster Foundation for Democracy management fee	113,536	84,502
Events income	72,990	211,132
Miscellaneous income	192,230	5,207
	<u>378,756</u>	<u>300,841</u>

9 Interest payable and similar charges

	2015 £	2014 £
Bank charges	58,127	51,390
Interest payable	3,517	1,883
	<u>61,644</u>	<u>53,273</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

10 (Deficit)/surplus on conferences

	2015	2014
	£	£
Income	688,350	2,034,247
Expenditure		
Direct costs	589,547	940,213
Premises & office costs	24,073	22,166
Staff costs	193,701	169,187
	<hr/>	<hr/>
Total expenditure	807,321	1,131,566
(Deficit)/surplus for the year	<hr/> (118,971) <hr/>	<hr/> 902,681 <hr/>

11 (Deficit)/surplus on Ad Lib (Liberal Democrat News)

	2015	2014
	£	£
Income	72,820	74,138
Expenditure		
Direct costs	108,774	51,927
Premises & office costs	-	873
	<hr/>	<hr/>
Total expenditure	108,774	52,800
(Deficit)/surplus for the year	<hr/> (35,954) <hr/>	<hr/> 21,338 <hr/>

12 Recharges to party bodies

	2015	2014
	£	£
Fixed cross charge to State Parties	668,590	677,409
Variable cross charge to State Parties	137,185	59,324
Charges to other party bodies	143,711	138,756
	<hr/>	<hr/>
	949,486	875,489
	<hr/>	<hr/>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

13 Grants to party bodies

	2015 £	2014 £
Grants to Specified Associated Organisations	60,894	68,492
Grants to other party bodies	311,439	305,458
	<u>372,333</u>	<u>373,950</u>

14 Taxation on surplus from ordinary activities

	2015 £	2014 £
Taxation on investment income	8	13
	<u>8</u>	<u>13</u>

15 Tangible assets

	Computer software £	Fixtures & fittings £	Total £
<i>Cost</i>			
At 1 January 2015	315,718	362,922	678,640
Additions	7,697	-	7,697
At 31 December 2015	<u>323,415</u>	<u>362,922</u>	<u>686,337</u>
<i>Depreciation</i>			
At 1 January 2015	166,738	120,585	287,323
Charge for the year	62,258	36,293	98,551
At 31 December 2015	<u>228,996</u>	<u>156,878</u>	<u>385,874</u>
<i>Net book value</i>			
At 31 December 2015	<u>94,419</u>	<u>206,044</u>	<u>300,463</u>
At 31 December 2014	<u>148,980</u>	<u>242,337</u>	<u>391,317</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

16 Debtors

	2015 £	2014 £
Trade debtors	6,779	49,270
Amounts owed by Liberal Democrat related entities	267,596	188,938
Other debtors	47,868	136,607
Prepayments and accrued income	168,887	478,789
Other taxation and social security	-	2,099
	<u>491,130</u>	<u>855,703</u>

17 Creditors: amounts falling due within one year

	2015 £	2014 £
Bank overdraft	831,942	-
Amounts owed to Liberal Democrat related entities	117,835	103,076
Trade creditors	102,212	44,220
Other taxation and social security	92,146	-
Corporation tax	21	13
Other creditors	176,430	111,601
Accruals and deferred income	290,378	870,855
	<u>1,610,964</u>	<u>1,129,765</u>

18 Creditors: amounts falling due after more than one year

	2015 £	2014 £
Other loans	<u>100,000</u>	<u>100,000</u>

The other loan is interest free and repayable on 30 June 2017.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

19 Reconciliation of movements in reserves

	General Fund £	Reserve Fund £	Legacy Fund £	Total £	2014 £
At 1 January 2015	(539,225)	45,000	1,271,207	776,982	(712,859)
(Deficit)/surplus for the year	(2,188,068)	-	512,946	(1,675,122)	1,489,841
Transfers between reserves	360,000	-	(360,000)	-	-
At 31 December 2015	<u>(2,367,293)</u>	<u>45,000</u>	<u>1,424,153</u>	<u>(898,140)</u>	<u>776,982</u>

The Reserve Fund represents an amount set aside for designated activities determined by FFAC.

The Legacy Fund was established in 2013 to separate the windfall benefit of legacies from the normal activities of the Party. The amount transferred into the fund represents the monies received from legacies notified to the Party since the fund was set up. The intention of the Legacy Fund is to provide an income to the Party and to fund projects for the long term development of the Party.

During the year transfers from specific legacies were made from the Legacy Fund to the General Fund to cover campaign expenditure.

20 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2014: £nil).

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

21 Lease commitments

As at 31 December 2015, the party had annual commitments under non-cancellable contracts as follows:

	2015 £	2014 £	2015 £	2014 £
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	-	-	4,800	4,417
Within 2 to 5 years	-	-	-	-
After 5 years	259,250	259,250	-	-
	<u>259,250</u>	<u>259,250</u>	<u>4,800</u>	<u>4,417</u>

22 Net cash (outflow)/inflow from operating activities

	2015 £	2014 £
General Fund (deficit)/surplus before taxation	(2,188,060)	2,474
Legacy Fund surplus before taxation	512,946	1,487,380
Depreciation	98,551	95,162
Decrease/(increase) in debtors	364,573	(349,273)
(Decrease) in creditors due within one year	(350,751)	(295,437)
Net cash (outflow)/inflow from operating surplus before tax	<u>(1,562,741)</u>	<u>940,306</u>
Investment income	(38)	(64)
Net cash (outflow)/inflow from operating activities	<u>(1,562,779)</u>	<u>940,242</u>

23 Reconciliation of net cash (outflow)/inflow to movement in net (debt)/funds

	2015 £	2014 £
(Decrease)/increase in cash in the year	(1,570,438)	859,027
Opening net funds/(debt)	659,727	(199,300)
Closing net (debt)/funds	<u>(910,711)</u>	<u>659,727</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

24 Analysis of net funds

	At 1 January 2015 £	Cash flow £	At 31 December 2015 £
Cash at bank and in hand	759,727	(738,496)	21,231
Loans	(100,000)	-	(100,000)
Bank overdraft	-	(831,942)	(831,942)
Net (deficit)/funds	<u>659,727</u>	<u>(1,570,438)</u>	<u>(910,711)</u>

25 Pensions

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. As at the year end the scheme was in surplus and had only one deferred member and no active members. In January 2014 the scheme purchased a deferred annuity for the one remaining member and in June 2014 the Party commenced the winding up of the scheme. It is anticipated that the wind up of the scheme will be completed by the end of 2016.

Once the scheme is wound up any remaining surplus will be returned to the Party and treated as a return of the additional contributions made.

Other post-retirement benefit schemes

The Federal Party contributes to personal pension schemes held in the names of individual employees. The assets of these schemes are held separately from those of the Federal Party in independently administered funds. The pension cost charge represents contributions payable to these funds and amounted to £198,885 (2014: £209,361). At 31 December 2015, contributions amounting to £23,346 (2014: £83,159) were payable to these funds and are included within other creditors in note 17.

26 Related entity transactions

The Federal Executive is chaired by the President of the Party to whose office the Federal Party paid grants in the year amounting to £7,670 (2014: £2,844).

The Federal Party is related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received levies from these bodies amounting to £808,397 (2014: £771,932) and recharged expenditure totalling £949,486 (2014: £875,489). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £557,253 (2014 - £456,121).

Included in newspaper income is an amount of £21,000 (2014: £18,802) received from the Alliance of Liberals and Democrats for Europe (ALDE) for promoting ALDE in Ad Lib.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2015

26 Related entity transactions (continued)

The amount owed by related entities at 31 December 2015 was £267,596 (2014: £188,938) and the amount owed to related entities was £117,835 (2014: £103,076).

Significant balances owed by related entities are as follows:

The Liberal Democrats in England	£121,411
Scottish Liberal Democrats	£36,262
Western Counties Liberal Democrats	£26,115
South Central Liberal Democrats	£25,128
Welsh Liberal Democrats	£17,475
Parliamentary Office of the Liberal Democrats	£11,430
London Region Liberal Democrats	£10,591
East of England Region Liberal Democrats	£10,180

An amount of £29,230 (2014: £45,515) has been provided against amounts owed by related entities.

Significant balances owed to related entities are as follows:

Middlesbrough & East Cleveland Liberal Democrats	£80,000
Liberal Youth	£22,994

27 Membership

As at 31 December 2015 there were 60,624 (2014 – 45,771) members of the Party.

Elected Representatives

Annex A

As of June 2015 the Party had the following elected representatives

**Westminster
Parliament**

Tom Brake
Alistair Carmichael
Nick Clegg
Tim Farron
Norman Lamb
Greg Mulholland
John Pugh
Mark Willams

European Parliament

Catherine Bearder