



Annual Report and Financial Statements

For the year ended 31 December 2010

The Conservative and Unionist Central Office
"The Conservative Central Office"

Annual Report and Financial Statements
For the year ended 31 December 2010

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

The Conservative Central Office

General information

The Conservative Central Office is the Office of the Leader of the Conservative Party. The Board of the Conservative Central Office lays down policies for the activities of the Conservative Central Office.

The principal objectives of the Conservative Central Office are to represent the interests of the Conservative Party by winning elections, to support the Parliamentary Party, to assist the Constituency Associations, in campaigning and other activities, and to promote Party policy.

The operations and budgets of the Conservative Central Office are subject to the scrutiny of the Board of the Conservative Central Office, to whom this Annual Report and Financial Statements is addressed.

The Board is responsible for the administration of the Conservative Central Office and the authorisation of expenditure within agreed guidelines.

The Board of the Conservative Central Office

(Served throughout the year ended 31 December 2010, unless otherwise stated)

Rt Hon Baroness Warsi*	Co-Chairman (from May 2010)
Lord Feldman of Elstree*	Co-Chairman (from May 2010)
Rt Hon Eric Pickles MP	Chairman (from January 2009 to May 2010)
Lord Ashcroft KCMG	Deputy Chairman of the Board (to Oct 2010)
Jeremy Middleton*	Deputy Chairman of the Board and Chairman of the National Conservative Convention (from April 2009)
Charles Barwell	President of the National Conservative Convention (from February 2010)
	Vice President of the National Conservative Convention (to February 2010)
Cllr Sir Merrick Cockell	Chairman of the Conservative Councillors Association
Stephen Gilbert*	Party Leader's Appointment to the Board
Catrin Edwards*	Chairman of the Welsh Conservative Party
Fiona Hodgson*	Vice President of the National Conservative Convention (from April 2009)
Timothy Kirkhope MEP	Leader of Conservatives in European Parliament (to November 2010)
Martin Callanan MEP*	Leader of Conservatives in European Parliament (from November 2010)
George Kynoch*	Deputy Chairman of the Scottish Conservative and Unionist Party
Ian McIsaac	Registered Treasurer (to August 2010)
Norman Green*	Registered Treasurer (from August 2010)
Emma Pidding	President of the National Conservative Convention (From April 2009 to April 2010)
Rt Hon Baroness Shephard JP DL*	Chairman of the Association of Conservative Peers
Michael Spencer	Party Treasurer (to October 2010)
Lord Fink of Northwood*	Party Treasurer (from October 2010)
Lord Spicer	Chairman of the 1922 Committee (to May 2010)
Graham Brady MP*	Chairman of the 1922 Committee (from May 2010)
Paul Swaddle*	Vice President of the National Conservative Convention
Charles Heslop*	Vice President of the National Conservative Convention (from February 2010)
Richard Ottaway MP	MP on the Board of the Conservative Party (to May 2010)
Graham Stuart MP	MP on the Board of the Conservative Party (to May 2010)
John Whittingdale MP	MP on the Board of the Conservative Party (to May 2010)
Brian Binley MP*	MP on the Board of the Conservative Party (from May 2010)
Priti Patel MP*	MP on the Board of the Conservative Party (from May 2010)
Charles Walker MP*	MP on the Board of the Conservative Party (from May 2010)

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

The Conservative Central Office

General information

Party Officers

(Served throughout the year ended 31 December 2010, unless otherwise stated)

Rt Hon Baroness Warsi*	Co-Chairman (from May 2010)
Lord Feldman of Elstree*	Co-Chairman (from May 2010)
Rt Hon Eric Pickles MP	Chairman (to May 2010)
Lord Ashcroft KCMG	Deputy Chairman- Target Seats & Opinion Research (to Sept 2010)
Michael Fallon MP*	Deputy Chairman of the Conservative Party (from Sept 2010)
Jeremy Middleton*	Chairman of the National Conservative Convention
Tariq Ahmed	Vice chairman - Cities (to May 2010)
Lord Bates	Deputy Chairman - North (to May 2010)
Alistair Burt MP	Deputy Chairman - Development (to May 2010)
Philip Dunne MP	Deputy Chairman - International Office and Conservatives
David Lidington MP*	Conservatives Abroad & Chairman of the International Office
Justine Greening MP	Vice Chairman - Youth (to May 2010)
Cllr Margot James	Vice Chairman - Women (to May 2010)
John Maples	Deputy Chairman - Candidates (to May 2010)
Bob Neill AM MP	Deputy Chairman - Local Government (to May 2010)
Lord Sheikh	Chairman of the Conservative Ethnic Diversity Council (to May 2010)
Richard Spring MP	Vice Chairman - Business (to May 2010)
Alan Lewis*	Vice Chairman-Business (from May 2010)
Nicola Blackwood MP*	Vice Chairman- Social Action (from May 2010)
Andrew Stephenson MP*	Vice Chairman- Conservative Future (from May 2010)

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

Administrative Information

Committees	Current Chairmen
Agents' Benevolent	Chris Poole CBE
Agents' Superannuation	Brian Hanson CBE
Appeals (formerly Individual Member Review)	Mathew Carrington
C&UCO Properties Limited	Christopher Moran
Candidates	Carlyn Chisholm
Conferences	Fiona Hodgson
Constitutional Review	Richard Ottaway MP
Disciplinary (formerly Expulsions)	Lord Gold
Ethics & Integrity	Appointed on an ad hoc basis
Finance & Audit	Charles Barwell
Membership	Paul Swaddle

The Conservative Central Office

General information

Conservative Campaign HQ Management

(Served throughout the year ended 31 December 2010, unless otherwise stated)

Lord Feldman of Elstree*	Co-Chairman
Rt Hon Baroness Warsi*	Co-Chairman
Norman Green	Chief Operating Officer and Registered Treasurer (from August 2010)
Lord Fink of Northwood*	Party Treasurer from May 2010
Stephen Gilbert	Director of Campaigning
Ian Mclsaac	Registered Treasurer (to August 2010)
Anne Nunan	Director of Information Technology (to September 2010)
Edward Llewellyn	Leader's Chief of Staff (to May 2010)
James O'Shaughnessy	Director of Conservative Research (to May 2010)
Olivia Bloomfield	Party Treasurer's Chief of Staff (to May 2010)
Andy Coulson	Director of Communications (to May 2010)
Steve Hilton	Adviser to The Rt Hon David Cameron MP (to May 2010)
Michael Spencer	Party Treasurer (to May 2010)
Andrew Griffiths	Chairman's Chief of Staff (to February 2010)

Persons Registered with the Electoral Commission

(Served throughout the year ended 31 December 2010, unless otherwise stated)

Leader	Rt Hon David Cameron MP
Nominating Officer	Alan Mabbutt
Registered Treasurer	Norman Green (from August 2010)
Registered Treasurer	Ian Mclsaac (to August 2010)

Elected Representatives

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

Accounting Units

At 31 December 2010 the Party had 674 (2009 - 674) accounting units registered with the Electoral Commission throughout the UK.

Central Office

30 Millbank
London SW1P 4DP
Telephone: 020 7222 9000
Website: www.conservatives.com

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

The Conservative Central Office

Chairman's Report

In May 2010, after thirteen years in opposition, the Conservative Party entered government as part of an historic coalition with the Liberal Democrats. David Cameron became the first Conservative Prime Minister since 1997 and, together with his Liberal Democrat counterpart, Nick Clegg MP, formed a strong, stable government with a mandate to work together in the national interest.

The decision to reach out to the Liberal Democrats and form a coalition came on the back of a strong and positive election campaign which saw the Conservative Party gain more seats than at any election since 1931 and win more votes than Labour did when they won in 2005. Although we fell short of an outright majority, the results ensured that Conservatives became the largest Party in the new Parliament.

Within weeks of taking office, the new government had begun the hard work of clearing up the mess left behind by the last Labour Government. In the first few months alone, we had set out how we would cut the deficit over the next four years in the Comprehensive Spending Review and started to deliver on the promises we made in opposition. Through our plans to support businesses, unleash enterprise, reform education, restore the earnings link for pensioners, protect NHS spending, bring about radical welfare reform and cap immigration, we are now delivering the bulk of the Conservative General Election Manifesto.

The success of the Conservative Party in 2010 was built on the hard work and commitment of our volunteers, activists, candidates, and professionals. In order to ensure that the Party continues to build on these achievements over the next five years, we undertook a process of restructuring following the 2010 Elections, streamlining the professional organisation in CCHQ and taking steps to keep the Party on a firm financial footing. The positive effects of these changes are already being seen, with a very strong performance in the 2011 Local Elections and by the Conservative No to AV Campaign.

The Party remains deeply grateful to all Conservative Party members, supporters and activists who helped to make our successes in 2010 possible. We look forward to continuing this effort as we work towards the General Election in 2015.



Lord Feldman of Elstree
Chairman of the Board

Date 27 JUNE 2011

The Conservative Central Office

Treasurers' Financial Review

In 2010, following a successful election campaign, we recorded a deficit of £6.2m for the year, eroding the fighting fund surplus generated in 2009 of £4.7m.

Total income in 2010 grew to £43m from £42m with donation income increasing by £5.5m. The increased donation income reflects the hard work of our Treasurers' team in bringing in donations to help fight the general election. Our surplus on conferences whose management was brought back in-house in 2007 now amounts to more than £1.7m. Grant income reduced in 2010 by £3.7m as we are no longer eligible for the payments made to opposition parties, known as Short Money.

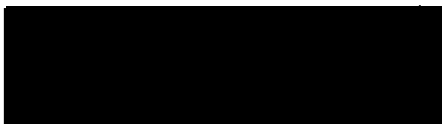
As would be expected in a general election year our campaigning activities increased substantially with campaign expenditure rising to over £15.6m for the year. Throughout the election our costs were tightly monitored and controlled and this continued after the election when the professional organisation in CCHQ was restructured. Staff numbers have reduced and as a result we have vacated Millbank Tower, one of the two buildings we occupy on Millbank. We have also taken the opportunity to exercise our option to break the lease on these premises.

Our balance sheet net liabilities increased to £9.28m at the end of the year from £2.8m, largely resulting from the £6.2m deficit for the year. Commercial loans (excluding loans from our associations) continue to reduce and were £0.8m lower at the end of 2010.

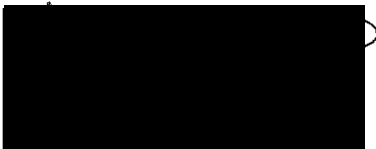
Financial oversight on behalf of the Party Board was exercised throughout the year by the Finance and Audit Committee under the Chairmanship of Lord Spicer, to May, and Charles Barwell thereafter.

Our donors, both to the central party and to its constituency associations, continue to give us their most generous support. This has enabled us to provide the resources to fight a successful and professional national election campaign and we are grateful to every donor, whatever the size of donation, for their support.

Without the dedication and professionalism of all our staff, including the treasurers', finance, compliance and commercial teams, none of this would have been possible and they are due great credit, as are our colleagues on the Finance and Audit Committee.



Lord Fink of Northwood
Party Treasurer



Norman Green
Registered Treasurer

Date 27 JUNE 2011

The Conservative Central Office

Statement of Responsibilities of the Board

The Board of the Conservative Central Office are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Conservative Central Office at that time and to enable the Board to ensure that the financial statements comply with the Act. The Board is also responsible for safeguarding the assets of the Conservative Central Office and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Conservative Central Office website, www.conservatives.com, in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of this website is the responsibility of the Board. This responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

The Conservative Central Office Report of the Independent Auditors

To the Board of the Conservative Central Office

We have audited the financial statements of the Conservative Central Office, for the year ended 31 December 2010, which comprise the Consolidated Income and Expenditure Account, the Consolidated Statements of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Our report has been prepared pursuant to the requirements of the Political Parties, Elections and Referendums Act 2000 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Political Parties, Elections and Referendums Act 2000 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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

As explained more fully in the statement of responsibilities of the Board, the Board of the Conservative Central Office are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Conservative Central Office as at 31 December 2010 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 properly prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.

Opinion on other matters

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



BDO LLP

Chartered Accountants and Registered Auditors,
London

28 June 2011

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

The Conservative Central Office

Consolidated Income and Expenditure Account

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Income			
Donation income		30,720	25,219
Membership fees	1a	1,031	1,085
Income from fundraising activities		492	642
Income from commercial activities		703	1,301
Income from legacies		546	268
Investment income	1b	56	117
Grant income	1c	1,503	5,183
Income from conferences		4,314	4,509
Notional income	1d	2,698	2,729
Other income		1,080	931
Total income		43,143	41,984
Expenditure			
Cost of fundraising activities		747	889
Cost of commercial activities		81	590
Notional expenditure		2,698	2,729
Staff costs		14,343	13,018
Management and administration expenses		8,202	6,751
Depreciation		1,414	939
Campaign expenditure		15,640	3,483
Interest payable	4	314	468
Conference expenditure		2,646	3,371
Other expenditure		3,120	4,916
Total expenditure		49,205	37,154
(Deficit) Surplus before taxation	3	(6,062)	4,830
Taxation charge	5	(166)	(146)
(Deficit) Surplus for the year	13	(6,228)	4,684

All amounts relate to continuing activities.

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

The Conservative Central Office

Consolidated Statement of Total Recognised Gains and Losses

and Note of Historical Cost Profits and Losses

For the year ended 31 December 2010

Statement of Total Recognised Gains and Losses

	2010 £'000	2009 £'000
(Deficit) Surplus for the year	(6,228)	4,684
Revaluation of freehold property	(275)	-
Total recognised gains and losses since the last annual report	<u>(6,503)</u>	<u>4,684</u>

Note of Historical Cost Profits and Losses

		2010 £'000	2009 £'000
Reported (Deficit) Surplus before taxation		(6,062)	4,830
Difference between actual and historical cost depreciation	13	6	6
		<u>(6,056)</u>	<u>4,836</u>
Taxation charge		(166)	(146)
Retained Historical cost (Deficit) Surplus for the year		<u>(6,222)</u>	<u>4,690</u>

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

The Conservative Central Office

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	6	2,584	4,240
Current assets			
Debtors	7	2,003	4,555
Investments	8	42	42
Cash at bank and in hand		5,166	7,343
		<u>7,211</u>	<u>11,940</u>
Creditors: amounts falling due within one year	9	(10,658)	(12,677)
Net current liabilities		<u>(3,447)</u>	<u>(737)</u>
Total assets less current liabilities		(863)	3,503
Creditors: amounts falling due after more than one year	10	(3,078)	(3,670)
Provision for liabilities	12	(5,341)	(2,612)
Net liabilities		<u><u>(9,282)</u></u>	<u><u>(2,779)</u></u>
Reserves			
Capital reserve	13	1,172	1,172
Revaluation reserve	13	263	544
Revenue	13	(10,717)	(4,495)
Total capital and reserves		<u><u>(9,282)</u></u>	<u><u>(2,779)</u></u>

The financial statements were approved and authorised for issue by the Board of the Conservative Central Office on [redacted] and were signed on its behalf by Lord Feldman of Elstree.

[redacted signature]

27th June 2011

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

The Conservative Central Office
Consolidated Cash Flow Statement
For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash (outflow) inflow from operating activities	16a	(1,259)	3,974
Returns on investments and servicing of finance	16b	(185)	(347)
Taxation		(187)	(34)
Capital expenditure and financial investment	16c	(264)	(533)
(Decrease) Increase in cash before financing		(1,895)	3,060
Financing	16d	(981)	(3,058)
(Decrease) Increase in cash in the year		(2,876)	2

Reconciliation of net cash flow to movement in net debt

	Note	2010 £'000	2009 £'000
(Decrease) Increase in cash in the year		(2,876)	2
Cash outflow from financing		981	3,058
Change in net debt resulting from cash flows		(1,895)	3,060
Loans converted to donations		200	150
Interest converted into loans		(39)	(70)
Change in value of current asset investments		-	4
Inception of new finance leases			(161)
Movement in net debt in the year		(1,734)	2,983
Opening net debt		(2,702)	(5,685)
Closing net debt	16e	(4,436)	(2,702)

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

The Conservative Central Office

Accounting Policies

For the year ended 31 December 2010

Basis of preparation

The Conservative Central Office is not incorporated in law and is thus not bound by the Companies Act 2006. The group is required to prepare financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 ("PPERA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties, and in accordance with applicable accounting standards and the Statement of Accounts Guidance Notes issued by the Electoral Commission, including the transitional arrangements permitted therein. Accordingly, the statements follow the format recommended by the Guidelines published by the Electoral Commission.

The Conservative Central Office relies on donation income to meet a large proportion of its expenditure, including most of its non-recurring expenditure. Loans from supporters of the Conservative Party are used to cover short-term cash requirements. Donation income is inherently unpredictable, but the Board is confident that sufficient donations will be received and existing facilities will continue to be available to meet the needs of the Conservative Central Office. In addition, the Board is satisfied that the Conservative Central Office will not be called upon to repay the loans it has received from Party supporters unless it has sufficient funds available for this purpose, with lenders agreeing to the deferral of loan repayments and/or the arrangement of replacement loans as necessary. This is consistent with the Board's experience in prior years.

Against this background, the Board has reviewed the expenditure budgets and cash flow projections for the Conservative Central Office for the period to 30 June 2012 and is satisfied that sufficient donation income and other funding will be generated for it to meet its financial obligations and remain within its available overdraft facility. On this basis, the Board considers that it is appropriate to prepare the accounts on the going concern basis.

A summary of the principal accounting policies is set out below. The policies have been applied consistently, save where otherwise specified.

Consolidation

The financial statements include the assets and liabilities and results of quasi-subsiidiaries. The principal effect of this is to include in the accounts certain leasehold and freehold properties, associated liabilities and also some additional investments and cash balances.

Income recognition

Income is recognised when a particular resource is receivable or when the Conservative Central Office's right to it becomes legally enforceable, when there is reasonable certainty that it will be received and when its monetary value can be determined. Donations and constituency income are recognised when cash is received or becomes receivable under a legal or constructive obligation. Income from membership fees and levies are recognised when they are received. Renewals are only recognised if they have been received before the approval of the financial statements and it is clear that the receipt is not related to events that have occurred since the relevant financial year end. Loans payable that are waived are treated as donations in the period in which the loans are waived. All incoming resources are reported gross.

Income in the form of grants is recognised when receivable. Income from legacies is only recognised when received, unless the personal representatives give notification that the legacy is receivable before the year end and payment is received after the year end.

Where the Conservative Central Office does not bear the risks or rewards of fundraising, only the net difference between the costs incurred and the income received is recognised. Certain goods and services are provided to MPs and constituency associations and these are charged at cost. Invoiced goods and services exclude Value Added Tax and are recognised within income from commercial activities when the goods are supplied or the service is provided. Amounts receivable at the year end are recorded within the appropriate category in current assets. Interest on investments, bank interest and dividends are recognised when receivable.

Where an organisation or individual bears the costs of goods or services that the Conservative Central Office would otherwise have been liable for, that cost is referred to as notional expenditure and the Conservative Central Office is deemed to have received notional income. Notional income and expenditure are presented separately in the Income and Expenditure account. Gifts of tangible fixed assets are recognised as income according to their current value on the date they are received. Work carried out for the Conservative Central Office by volunteers who provide their own time free of charge is not treated as a donation-in-kind.

The Conservative Central Office

Accounting Policies

For the year ended 31 December 2010

Expenditure

Expenditure is recognised in the period in which it is incurred and amounts payable at the year end are recorded within the appropriate category in current liabilities.

Tangible fixed assets

Properties are stated at valuation. Properties are revalued every five years, with an interim valuation carried out in the third year of that five year cycle. Freehold and long leasehold properties are depreciated at 1 per cent per annum. Surpluses and deficits arising from revaluations are included in the revaluation reserve. Properties are reviewed for impairment on an annual basis, by comparing their carrying value with their recoverable amount.

Other tangible fixed assets, comprising furniture, fixtures, fittings, computers and office equipment are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of these assets to their estimated residual value over the expected useful life of the asset concerned; generally 10 years for office furniture, fixtures and fittings; 4-9 years for IT related assets and 5 years for other office equipment.

Investments

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

Pension costs

The Conservative Central Office participates in the Conservative and Unionist Agents' Superannuation Fund along with the Conservative Constituency Associations. The Fund is a centralised pension scheme offering defined benefits. It is not possible to segregate the assets and liabilities of the Fund attributable to the Conservative Central Office. Accordingly, under the provisions of FRS 17, the Fund has been accounted for as if it was a defined contribution scheme. The amount charged to the income and expenditure account in respect of pension costs therefore represents the contributions payable for the year. Additional pension commitments have been agreed with the Trustees and are payable over a number of years and so they have been discounted. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet whilst provision has been made for the additional commitments.

Leases

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

Lease incentives

Reverse premiums, rent free periods and similar incentives received to enter into operating lease agreements are released to the income and expenditure account over the period to the date of the first rent review or break clause.

Onerous leases

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

Dilapidations provisions

Where the Conservative Central Office has entered into property lease agreements which result in an unavoidable commitment to return the leased premises to their original state, a provision is made for the best estimate of the expected reinstatement costs to be incurred dilapidations provision.

Provisions are made as soon as they become quantifiable; therefore, when it is possible to make such a provision at the commencement of a property lease, an asset is also recognised and classified as a fixed asset, equal in value to the dilapidations provision. This asset is subject to depreciation calculated to write off its value evenly over the term of the lease.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

1. Income

	2010 £'000	2009 £'000
a Membership fees		
Party membership fees	<u>1,031</u>	<u>1,085</u>
b Investment income		
Dividends received	4	7
Rent receivable	42	70
Interest received	10	40
	<u>56</u>	<u>117</u>
c Grant income		
Short money	1,188	4,674
Policy development grant	202	390
Scottish parliament grant	113	119
	<u>1,503</u>	<u>5,183</u>
d Notional income		
Goods and services	2,660	2,712
Interest	38	17
	<u>2,698</u>	<u>2,729</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

2. Employees

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

	2010	2009
Central office staff	163	217
Regional office staff	58	58
	<u>221</u>	<u>275</u>

Their aggregate payroll costs were:

	2010 £'000	2009 £'000
Salaries	10,318	11,151
Social security costs	1,053	1,118
Pension costs	344	366
	<u>11,715</u>	<u>12,635</u>

The Conservative Central Office participates in the Conservative and Unionist Agents' Superannuation Fund along with the Conservative Constituency Associations. The assets of the Fund are held separately by Trustees, independently of the participating employers.

Contributions to the Fund are determined by a qualified independent actuary using the projected unit method based on triennial valuations. The last actuarial valuation of the Fund was carried out as at 31st March 2010.

The key assumptions adopted for this valuation are as follows:

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

The market value of the Fund's invested assets as at 31 March 2010 was £24.3m. The actuarial value of these assets represented 78% of the value of the Fund's liabilities at that date. The fund has a shortfall of £6.9m.

In order to address the shortfall in the Fund, the Conservative Central Office has agreed to pay additional contributions, of £5.7m over a period until 31 March 2021. In addition, the Conservative Central Office and the Constituency Associations continue to pay a contribution of 22.5% of salary to meet the cost of accruing benefits.

An amount of £26,634 (2009 - £35,569) is included in creditors in respect of contributions for 2010 owed to the pension scheme at the balance sheet date.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

3. Result for the year

	2010 £'000	2009 £'000
The result is stated after charging/(crediting):		
Election campaign expenditure:		
General election	15,640	1,043
European elections	-	2,307
Parliamentary by elections	-	123
Welsh elections	-	10
Auditors' remuneration:		
Audit services to the Conservative Central Office	73	80
Non-audit services to the Conservative Central Office	20	29
Audit services to quasi-subsiidiaries	8	9
Operating lease rentals:		
Land and buildings	764	605
Motor vehicles	18	22
Office equipment	148	106
Interest payable on finance leases	17	16
Depreciation of tangible fixed assets:		
Owned assets	1,270	820
Leased assets	144	119
Westminster Foundation for Democracy:		
Project funding recognised during the year	(589)	(619)
Project expenditure supported by funding	589	619

4. Interest payable

	2010 £'000	2009 £'000
Interest payable on bank loans and overdrafts	9	25
Interest payable on finance leases	17	16
Interest payable on unwinding of discounts on provisions	108	117
Interest payable on other loans	180	310
	<u>314</u>	<u>468</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

5. Taxation

Current tax

	2010 £'000	2009 £'000
Tax on taxable income at the basic rate of income tax in the UK of 20 %	185	146
Adjustment in respect of prior year	(19)	-
	<u>166</u>	<u>146</u>

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

	2010 £'000	2009 £'000
(Deficit) Surplus before taxation	<u>(6,062)</u>	<u>4,830</u>
Tax on (Deficit) Surplus at the basic rate of income tax in the UK of 20 % (2009 - 20%)	(1,212)	966
Effects of:		
Expenses not deductible for tax purposes	9,012	6,391
Non-taxable income	(7,615)	(7,211)
Adjustment for prior year	(19)	-
Total charge	<u>166</u>	<u>146</u>

Factors that may affect future tax charges

It is estimated that there may be a taxation liability of approximately £50,000 (2009-£101,000) if the property is realised at its current book value.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

6. Tangible fixed assets

	Property £'000	Furniture, fixtures & fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 January 2010	599	2,117	581	3,941	7,238
Additions	-	4	15	245	264
Revaluation	(299)	-	-	-	(299)
Disposals	-	(385)	-	-	(385)
At 31 December 2010	300	1,736	596	4,186	6,818
Depreciation					
At 1 January 2010	18	987	291	1,702	2,998
Charge for the year	6	712	98	598	1,414
Revaluation	(24)	-	-	-	(24)
Disposals	-	(154)	-	-	(154)
At 31 December 2010	-	1,545	389	2,300	4,234
Net book value					
At 31 December 2010	300	191	207	1,886	2,584
At 31 December 2009	581	1,130	290	2,239	4,240

Freehold property

The historical cost of the properties is £39,000 (2009 - £39,000). Accumulated depreciation on a historical cost basis is £7,170 (2009 - £6,780).

The net book value of assets held under finance lease is £205,000 (2009 - £349,000) with depreciation charged in the year of £144,000 (2009 - £119,000).

The disposal of fixtures and fittings relates to the reversal of a dilapidation provision and the corresponding accumulated depreciation.

7. Debtors

	2010 £'000	2009 £'000
Trade debtors	1,344	760
Other debtors	139	998
Prepayments and accrued income	520	2,797
	2,003	4,555

All amounts fall due within one year.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

8. Current asset investments

Current asset investments are stated at their cost (or probate value) of £42,777, less a write down of £499 (2009 - £42,000, less a write down of £Nil). These relate to investments listed on the London Stock Exchange with a market value of £29,516 (2009 - £24,000) and unlisted investments, stated at cost, of £19,000 (2009 - £19,000).

9. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft	699	-
Other loans payable (note 11)	5,779	6,567
Trade creditors	1,466	1,365
Finance lease creditors	88	156
Social security and other taxation	508	698
Other creditors	120	649
Accruals and deferred income	1,998	3,242
	<u>10,658</u>	<u>12,677</u>

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

	2010 £'000	2009 £'000
Other loans payable (note 11)	2,983	3,170
Finance lease creditors	95	194
Accruals and deferred income	-	306
	<u>3,078</u>	<u>3,670</u>

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

11. Loans

	2010 £'000	2009 £'000
Interest free and repayable on demand:		
Loans from Constituency Associations	3,244	3,411
Other loans	50	50
	<u>3,294</u>	<u>3,461</u>
Interest bearing and repayable on demand:		
Loans from Constituency Associations	971	983
Other loans	1,264	1,246
	<u>2,235</u>	<u>2,229</u>
Interest bearing loans with fixed repayments	3,233	4,047
	<u>8,762</u>	<u>9,737</u>
Loans with fixed repayments dates fall due as follows:		
In one year or less	250	877
In more than year	2,983	3,170
	<u>3,233</u>	<u>4,047</u>

12. Provisions for liabilities

	Pension commitment £'000	Onerous lease provision £'000	Dilapidations provision £'000	Total provision £'000
At 1 January 2010	1,848	104	660	2,612
New charges	2,419	851	-	3,270
Unwinding of discount release	108	-	-	108
Reversal of provision	-	-	(385)	(385)
Utilisation of provision	(250)	(14)	-	(264)
At 31 December 2010	<u>4,125</u>	<u>941</u>	<u>275</u>	<u>5,341</u>

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

The onerous lease provision brought forward relates to a lease, expiring on 30 June 2016, on premises no longer utilised for the Conservative Central Office operations, but to which the Conservative Central Office is

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

committed, until the expiry of the lease. The provision is calculated as the total future value of committed lease payments, less the value of rents receivable under a current third party tenancy agreement. The provision will be utilised over the remaining term of the lease, which is 6 years. The new charge on the year relates to the lease at Millbank Tower which the Party has now vacated but must pay rent on until the expiry of the lease in 2011. The new charge in the year relates to the lease at Millbank Tower which the Party has now vacated but must pay a break clause penalty and rent until the expiry of the lease in 2011.

The dilapidations provision relates to the estimated costs expected to arise on vacating premises previously and currently occupied by the Conservative Central Office. In the year, CCO has negotiated a reduction in the amounts payable as dilapidations and so, an element of the provision brought forward has been reversed.

13. Capital and reserves

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

	Capital reserve	Revaluation reserve	Revenue deficit	Total capital and reserves	Total capital and reserves
	2010	2010	2010	2010	2009
	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	1,172	544	(4,495)	(2,779)	(7,463)
Transfer from revaluation reserve to revenue deficit	-	(6)	6	-	-
Revaluation of freehold property	-	(275)	-	(275)	-
Net (Deficit) Surplus for the year	-	-	(6,228)	(6,228)	4,684
At 31 December 2010	<u>1,172</u>	<u>263</u>	<u>(10,717)</u>	<u>(9,282)</u>	<u>(2,779)</u>

14. Financial commitments

Minimum commitments payable in the year ending 31 December 2010 under non-cancellable operating leases are as follows:

	Land & buildings	
	2010	2009
	£'000	£'000
Expiring within one year	98	-
Expiring between two and five years	715	796
Expiring in more than five years	-	16
Total	<u>813</u>	<u>812</u>

15. Quasi-subsidaries

The financial statements incorporate the quasi-subsidaries of the Conservative Central Office, namely the 1949 Conservative & Unionist Trust, C&UCO Management Limited, C&UCO Services Limited, (all of which were dormant during the year under review), C&UCO Properties Limited, The Conservative Party Foundation Limited and the Conservative Party Association. Quasi-subsidaries are entities which are not legally owned by the Conservative Central Office but over which it has control and beneficial ownership. The Conservative Party was deemed to be a quasi subsidiary from 1st January 2009. At this time the Foundation had net liabilities of £205,000

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

(at fair and net book value) and as no consideration was paid or received an accounting entry for goodwill for this amount was recorded. This was expensed in other expenditure in the income and expenditure account.

The net assets of the quasi-subsiidiaries totalled £12,781,000 at 31 December 2010 (2009 - £12,864,494), comprising fixed assets £2,000 (2009 - £3,322) investments of £22,690 (2009 - £22,690), debtors of £18,000 (2009 - £157,037), cash at bank of £4,777,000 (2009 - £5,464,190), a loan of £2,500,000 (2009 - £2,500,000), creditors and accruals of £86,000 (2009 - £132,482) and provisions £91,000 (2009 - £105,137). There are also intra-group balances, of £10,749,000 (2009 - £9,954,874) due from the Conservative Central Office, which are eliminated on consolidation. In aggregate, the quasi-subsiidiaries reported a loss for the year, of £36,000 (2009 - £379,623).

16. Notes to the cash flow statement

(a) Reconciliation of operating surplus to operating cash flows

	2010 £'000	2009 £'000
(Deficit) Surplus before taxation	(6,062)	4,830
Depreciation on tangible fixed assets	1,414	939
Credit on reversal of dilapidations provision	(154)	-
Goodwill adjustment	-	205
Write (up) of value of current asset investments	-	(4)
Decrease (increase) in debtors	2,549	(1,423)
(Decrease) in creditors	(2,070)	(700)
Loans converted to donations/income	(200)	(150)
Interest converted to donations/income	-	(17)
Increase (decrease) in provisions	3,006	(57)
	(1,517)	3,623
Interest payable	314	468
Investment income	(56)	(117)
Net cash (outflow)inflow from operating activities	(1,259)	3,974

(b) Returns on investments and servicing of finance

	2010 £'000	2009 £'000
Interest paid	(244)	(461)
Dividends received	4	7
Rent received	45	67
Interest received	10	40
Cash outflow from returns on investments and servicing of finance	(185)	(347)

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

16. Notes to the cash flow statement (continued)

(c) Capital expenditure and financial investment

	2010 £'000	2009 £'000
Payments to acquire fixed assets	(264)	(328)
Net liabilities of The Conservative Party Foundation Limited at 1 January 2009	-	(205)
Cash outflow from capital expenditure and financial investment	<u>(264)</u>	<u>(533)</u>

(d) Financing

	2010 £'000	2009 £'000
Capital element of finance lease rentals	(167)	(109)
Loans repaid	(814)	(2,949)
Cash outflow from financing	<u>(981)</u>	<u>(3,058)</u>

(e) Analysis of movements in net debt

	31 December 2009 £'000	Cash flow £'000	Non-cash movements £'000	31 December 2010 £'000
Cash at bank and in hand	7,343	(2,177)	-	5,166
Overdraft	-	(699)	-	(699)
	<u>7,343</u>	<u>(2,876)</u>		<u>4,467</u>
Current asset investments	42	-	-	42
Finance leases	(350)	167	-	(183)
Loans due falling due within one year	(6,567)	814	(26)	(5,779)
Loans due falling due after more than one year	(3,170)	-	187	(2,983)
Net debt	<u>(2,702)</u>	<u>(1,895)</u>	<u>161</u>	<u>(4,436)</u>

(f) Non-cash transactions

The non-cash movements shown in note 16e include the conversion of loans into donations totalling £200,000 (2009 - £150,000), the capitalisation of loan interest £39,000 (2009 - £70,000), a write up in the value of investments £Nil (2009 - £4,000) and the inception of new finance leases of £Nil (2009 - £161,000). Loans of £187,000 have also been reallocated from loans falling due after one year to loans falling due within one year.

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

17. Related party transactions

The Board of the Conservative Central Office has determined that, under FRS 8 "Related Party Transactions", related parties to the Conservative Central Office include the Leader of the Conservative Party and any person who has, at any time during the year, been a member of the Board of the Conservative Central Office or a Party Officer.

Under FRS 8, transactions and balances with these related parties, or with certain partnerships, companies, trusts or other entities, must be disclosed. Details of such transactions and balances (except where nil) for the year ended 31 December 2010 are provided below:

- a) The following transactions were made during the year by Bearwood Corporate Services Ltd a company in which Lord Ashcroft KCMG has an interest:-

- Donations of £1,000 (2009 - £Nil)
- Donations in kind of £187,028 (2009 - £329,858)

- b) The following transactions were made by Michael Spencer during the year:

- Donations of £22,000 (2009 - £Nil)
- Donations in kind of £ 24,651 (2009 - £11,958)

In addition the following transactions were made during by IPGL Ltd a company in which Michael Spencer has an interest

- Donations of £637,400 (2009 - £562,000)
- Donations in kind of £68,331 (2009 - £198,563)

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

- Donations of £21,700 (2009 - £20,100)

- d) The following transaction were made by Lord Sheikh during the year

- Donations of £15,000 (2009 - £15,000)

- e) The following transactions were made by Jeremy Middleton during the year:

- Donations of £7,450 (2009 - £5,850)

- f) The following transactions were made by Charles Barwell during the year:

- Donations of £900 (2009 - £15,750)

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

- Donations of £101,000 (2009 - £1,098,600)
- Donations in Kind £Nil (2009 - £4,325)

- h) The following transactions were made by Alan Lewis during the year:

- Donations of £10,054 (2009 - £Nil)
- Donations in Kind £85,655 (2009 - £Nil)

- h) Certain other individual Member of the Board and Party Officers made donations in aggregate of £275 (2009 - £580)

The Conservative Central Office

Notes to the Financial Statements

For the year ended 31 December 2010

18. Controlling party

As described on page 7, the Board of the Conservative Central Office is responsible for the management and administration of the Conservative Central Office.