ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

FOR

THE LIBERAL DEMOCRATS
(THE FEDERAL PARTY)

THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

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FOR THE YEAR ENDED 31 DECEMBER 2025

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THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

PARTY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025

REGISTERED OFFICERS:	Sir E J Davey MP - Leader M F Cox CBE FCA - Registered Party Treasurer Sarah Morris – Nominating Officer Lord Mike Dixon – Campaigns Officer
REGISTERED OFFICE:	66 Buckingham Gate London, SW1E 6AU
AUDITORS:	UHY Hacker Young Quadrant House, 4 Thomas More Square, London E1W 1YW

REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 31 DECEMBER 2025

The officers present their strategic report for the year ended 31 December 2025.

REVIEW OF POLITICAL ACTIVITIES

2025 was a year of consolidating and building on the historic gains of 2024. Following our best General Election result in a century, our focus turned to embedding our strongest ever Westminster representation, delivering on our promises to voters and new constituents, and sustaining our local and national momentum.

In May we delivered another outstanding set of local election results. We won more than 370 additional councillors to end the year with over 3,190 in total, and took majority control of three further councils, including Cambridgeshire, Shropshire and Oxfordshire. For the first time in our history, we beat both the Conservatives and Labour in the same set of local elections, and we now control more councils than the Conservatives. This was our highest share of seats contested since 2008.

These results were not won overnight. They are the product of sustained hard work across local, regional, state and Federal parties, and of the much stronger culture of working together that we have built over recent years, alongside our associated organisations and other groups. Our parliamentarians have continued to work hard as local champions, responding to their constituents and delivering on the promises we made to voters.

Our core systems, technology and ways of working remain secure and effective, following several years of change, consolidation and simplification. Having scaled up rapidly to support our enlarged parliamentary party in 2024, in 2025 we focused on making that support sustainable and on equipping local parties to campaign with confidence between elections.

Financially, we ended the year once again in a strong position. We met our budget targets and managed our finances carefully through the first full year of this parliament, using the planned surplus generated around the General Election to smooth spending across the cycle. Once again we have shown that we can manage our finances well and plan responsibly for the years ahead.

Our internal operational performance continues to perform well. Our technology is robust, and local parties are able to use data with ever more confidence and accuracy. We continue to find it easier to listen to what voters are telling us and to respond.

Staff satisfaction has remained consistently high, and we have continued to invest in our people, recognising the contribution they make to our electoral success.

We go into 2026 with our strongest ever base in both local and national government, a clear sense of momentum, a clear focus on making progress in devolved and local elections, and the confidence that comes from sustained electoral success.

ON BEHALF OF THE PARTY:

[redacted]

Lord Mike Dixon - Chief Executive Officer

Date: 30 June 2026

REPORT OF THE FINANCE & RESOURCES COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2025

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 (together, "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 404 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.

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 during the year are:

Federal Board – Lord Dr Mark Pack
Federal Policy - Sir Ed Davey MP
Federal Conference – Nick da Costa
Federal Finance & Resources – Michael F Cox CBE
Federal Communications & Elections - Kath Pinnock
Federal People Development: Claire Hudson
Federal International Relations – David Chalmers
Federal Audit & Scrutiny Committee – David Radcliffe

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, Westminster 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 11.2 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 10.2 of the constitution.

The Federal Board (FB) is responsible for directing, co-ordinating and overseeing the implementation of the strategy and the work of the Federal Party. Membership of the FB is defined by article9.2 of the constitution.

The Federal Finance & Resources Committee (FFRC) is responsible for the planning and administration of the budget and finances of the Federal Party, overseeing the administration of the Federal Party and ensuring compliance of the Party at all levels with the provisions of the Political Parties, Elections and Referendums Act 2000 as amended by the Political Parties and Election Act 2009 and by the Electoral Administration Act 2006. The FFRC is also responsible for ensuring that there are adequate financial controls and systems in place. Membership of the FFRC is defined by article 12.2 of the constitution.

The Federal Communications and Elections Committee (FCEC) is responsible for overseeing the implementation of the Party's strategy in relation to elections, campaigns and communications. Membership of the FCEC is defined by article 13.2 of the constitution

REPORT OF THE FINANCE & RESOURCES COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2025

The Federal People Development Committee (FPDC) is responsible for co-ordinating, planning and supervising the training, diversity engagement, and membership recruitment, retention and activation strategies for the Party, in addition to working with Associated Organisations and Specified Associated Organisations to support them in recruiting and maintaining membership, and implementing the Party's policies on diversity. Membership of the FPDC is defined by article 14.3 of the constitution.

The Federal International Relations Committee (FIRC) is responsible for the Party's international liaison. A full list of responsibilities is laid out in article 15.1 of the constitution. Membership of the FIRC is defined by article 15.2 of the constitution.

The Federal Audit and Scrutiny Committee (FASC) is appointed by the Federal Board. The FASC's responsibilities are defined by article 16.2 of the constitution and include the appointment of the Federal Party's auditor including meeting with the auditor and receiving its reports. The membership of the FASC is defined in article 16.3 of the constitution.

The members of the FASC during the year were:

David Radcliffe (Chair)
Rebecca Cave
Matthew Green
Elsie Gisslegard
Simon Marlow
Valerie Stainton
Lord Dr Mark Pack*
Sir Ed Davey MP*
Tilly McAuliffe*
Michael F Cox CBE*

Those marked with an asterisk are only observers and do not have the right to vote.

Elected representatives

The Party has 72 elected members of the Westminster Parliament and there are 74 Liberal Democrat members of the House of Lords, ten Liberal Democrat members of the Scottish Parliament, one Liberal Democrat member of the Welsh Assembly and two Liberal Democrat members of the Greater London Authority. There are also approximately 3,354 Liberal Democrat Councillors. There was also one directly elected Liberal Democrat Mayor.

Staffing

The principal permanent members of staff during the year were:

Chief Executive - Lord Mike Dixon
Director of Communications: Paul Haydon
Director of Campaigns: Dave McCobb
Director of Finance: Fern McLurg
Director of Fundraising: Julia Thaxton

Accounting units

The Party has 398 accounting units registered with the Electoral Commission.

REPORT OF THE FINANCE & RESOURCES COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2025

PARTY OFFICERS

Registered Officers under the Political Parties, Elections and Referendums Act 2000 (" PPERA")

Leader:	Sir Ed Davey MP
Registered Treasurer:	Michael F Cox CBE FCA
Nominating officer:	Sarah Morris
Campaigns officer:	Lord Mike Dixon

Office Holders

English Party Chair:	Baroness Caroline Pidgeon MBE
Convenor of the Scottish Party:	Jenni Lang
Chair of the Welsh National Executive Committee:	Tim Sly
Treasurer:	Tilly McAuliffe CBE
Chief Executive:	Lord Mike Dixon
Party President:	Lord Dr Mark Pack

STATEMENT OF RESPONSIBILITIES OF THE REGISTERED PARTY TREASURER

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 them to ensure that the financial statements comply with the Act.

Section 43 of the Act requires that the Registered 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Registered Party Treasurer is aware, there is no relevant audit information of which the Party's auditors are unaware, and Registered Party Treasurer has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the party's auditors are aware of that information.

REPORT OF THE FINANCE & RESOURCES COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2025

AUDITORS
The auditors, UHY Hacker Young, will be proposed for re-appointment at the forthcoming Meeting of the Finance & Resources Committee.

ON BEHALF OF THE FINANCE AND RESOURCES COMMITTEE:



.....
M F Cox CBE FCA - Registered Party Treasurer

Date: ..... 30 June 2026.....

REPORT OF THE INDEPENDENT AUDITORS TO THE FEDERAL CONFERENCE OF THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

Opinion

We have audited the financial statements of The Liberal Democrats (The Federal Party) ('The Federal Party') for the year ended 31 December 2025 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the notes to the cashflow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" applicable law and the Statement of Accounts Guidance Notes issued by the Electoral Commission.

In our opinion, the financial statements:

- give a true and fair view of the state of The Federal Party's affairs as at 31 December 2025 and of its deficit for the year then ended;
- have been properly prepared in accordance with 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of The Federal Party in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that The Federal Party’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Registered Treasurer’s assessment of The Federal Party’s ability to continue to adopt the going concern basis of accounting included In auditing the financial statements, we have concluded that the Federal Party's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Federal Party 's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Registered Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

The Registered Treasurer is responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

REPORT OF THE INDEPENDENT AUDITORS TO THE FEDERAL CONFERENCE OF THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Registered Treasurer

As explained more fully in the statement of Registered Treasurer's responsibilities set out on page 5, the Registered Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Registered Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Registered Treasurer is responsible for assessing The Federal Party's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Registered Treasurer intends to liquidate The Federal Party or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Federal Party and its activities, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Political Parties, Elections and Referendums Act 2000.

We evaluated the Registered Treasurer's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions.
Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Registered Treasurer and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Federal Party which were contrary to applicable laws and regulations, including fraud.

REPORT OF THE INDEPENDENT AUDITORS TO THE FEDERAL CONFERENCE OF THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

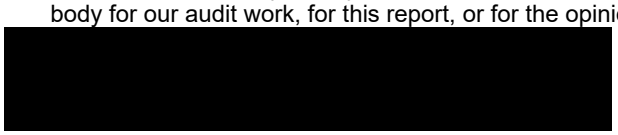
Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Registered Treasurer and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Federal Conference 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.



UHY Hacker Young
Chartered Accountants and Statutory Auditor
Quadrant House, 4 Thomas More Square, London, E1W 1YW

Date: 30 June 2026

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 £	2025 £	2024 £	2024 £
Turnover					
Donations		**2,618,186**		7,505,075	
Membership & Subscription fees		**1,608,087**		1,565,898	
Conference Income		**1,175,122**		1,102,009	
Notional Income		**73,433**		201,675	
Grants	3	**336,035**		432,908	
Interest & Investment Gains		**9,598**		24,566	
Recharges to Party bodies	4	**2,609,146**		1,601,975	
Other Income		**15,235**		128,980	
			8,444,842		12,563,086
Expenditure					
Rent		**94,922**		175,600	
Other establishment costs		**605,198**		1,003,586	
Wages	5	**4,343,963**		3,710,598	
Social security		**508,152**		373,350	
Pensions		**95,006**		83,380	
Other operating leases	6	**3,540**		3,900	
Staff related costs		**522,629**		844,128	
Fundraising expenditure		**185,184**		243,868	
Campaign expenditure		**694,114**		2,504,085	
Notional expenditure		**73,433**		201,675	
IT costs		**827,574**		828,173	
Sundry expenses		**(66,358)**		(17,068)	
Grants to party bodies		**594,948**		544,241	
Services to members		**33,149**		25,260	
Auditors' remuneration	6	**25,920**		59,862	
Depreciation of tangible fixed assets	6	**113,368**		168,272	
Conference expenditure		**602,472**		658,152	
Bad debt provision		**80,787**		-	
			9,338,001		11,411,062
			(893,159)		1,152,024
Finance costs					
Bank interest	7		**(67,031)**		(86,634)
NET (DEFICIT)/SURPLUS BEFORE TAX			**(960,190)**		1,065,390
Tax on (deficit)/surplus	8		**(1,824)**		(2,047)
NET (DEFICIT)/SURPLUS AFTER TAX			**(962,014)**		1,063,343

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £	2024 £
(DEFICIT)/SURPLUS FOR THE YEAR		**(962,014)**	1,063,343
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE YEAR		**(962,014)**	1,063,343

BALANCE SHEET
31 DECEMBER 2025

	Notes	2025 £	2025 £	2024 £	2024 £
FIXED ASSETS					
Tangible assets	9		**490,007**		100,320
CURRENT ASSETS,					
Debtors	10	**1,476,004**		1,790,309	
Cash at bank		**204,983**		1,247,476	
		1,680,987		3,037,785	
CREDITORS					
Amounts falling due within one year	11	**1,058,398**		1,043,873	
NET CURRENT ASSETS			**622,589**		1,993,912
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,112,596**		2,094,232
Amounts falling due after one year	12		**-**		18,333
PROVISIONS FOR LIABILITIES	13		**128,914**		130,203
NET ASSETS			**983,682**		1,945,696
RESERVES					
Reserve fund	14		**45,000**		45,000
General fund	14		**732,823**		732,823
Income and expenditure account	14		**205,859**		1,167,873
			983,682		1,945,696

The financial statements were approved by the Federal Finance and Resources Committee and authorised for issue on 30 June 2026 and were signed on its behalf by:

[redacted]

.....
Michael F Cox CBE FCA – Registered Party Treasurer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Income and expenditure account	Reserve fund	General fund	Total reserves
	£	£	£	£
Balance at 31 December 2024	1,167,873	45,000	732,823	1,945,696
Total comprehensive expense for 2025	(962,014)	-	-	(962,014)
Balance at 31 December 2025	205,859	45,000	732,823	983,682

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £	2024 £
Cash flows from operating activities			
Cash expended from operations	1	**(467,755)**	1,024,754
Interest paid		**(67,031)**	(86,634)
Tax paid		**(4,652)**	(8,709)
Net cash (outflow)/inflow from operating activities		**(539,438)**	929,411
Cash flows from investing activities			
Purchase of tangible fixed assets		**(503,055)**	-
Net cash outflow from investing activities		**(503,055)**	-
(Decrease)/increase in cash and cash equivalents		**(1,042,493)**	929,411
Cash and cash equivalents at beginning of year	2	**1,247,476**	318,065
Cash and cash equivalents at end of year	2	**204,983**	1,247,476

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

1. RECONCILIATION OF DEFICIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2025 £	2024 £
(Deficit)/Surplus before taxation	**(960,190)**	1,065,390
Depreciation charges	**113,368**	168,272
Finance costs	**67,031**	86,634
	(779,791)	1,320,296
Decrease/(increase) in trade and other debtors	**314,305**	(632,507)
Increase in trade and other creditors	**(980)**	289,808
Increase in loans	**-**	110,000
Decrease in provisions	**(1,289)**	(62,843)
Cash used in operations	**(467,755)**	1,024,754

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2025

	31.12.25 £	1.1.25 £
Cash and cash equivalents	**204,983**	**1,247,476**

Year ended 31 December 2024

	31.12.24 £	1.1.24 £
Cash and cash equivalents	1,247,476	318,065

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.25 £	Cash flow £	At 31.12.25 £
Net cash			
Cash at bank	**1,247,476**	**(1,042,493)**	**204,983**
	1,247,476	**(1,042,493)**	**204,983**
Total	**1,247,476**	**(1,042,493)**	**204,983**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

1. STATUTORY INFORMATION

The Liberal Democrats (The Federal Party) is unincorporated association and is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (together, "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 404 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.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
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.

Income

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.
- Policy Development Fund grant is recognised in the Income and Expenditure account when the conditions for receipt of the grant have been met and the Joseph Rowntree Reform Trust grant is recognised when the grant is received per agreed payment schedule.
- 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 received in the year are included as part of donation income.
- 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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2025

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	-	10 years
Computer equipment	-	3 years

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

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable Surplus.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to surplus or deficit on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits
Defined benefit pension scheme:

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 2025.

The amounts involved are not reflected in the accounts as they are not material.

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.

Going concern
The Liberal Democrats (The Federal Party) shares a banking facility with certain other Liberal Democrat entities (the "entities"), and there is a right of set off between bank accounts of the 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 the entities.

2. **ACCOUNTING POLICIES – continued**

In addition to stable income in the form of various grants, Short Money, and Cranborne Money, the entities receive income from membership subscriptions and donations. Membership subscription income has been projected forward based on income and renewal levels of relevant prior years. Donation income is inherently unpredictable and comprises regular payments and ad-hoc donations. These income streams have also been projected forward using an historical analysis and conservative forward-looking assumptions. The Federal Party also benefits from occasional legacy income which is unpredictable and difficult to forecast. Legacy income has been included in the projections using the average amount of legacies received over the last five years.

Management has reviewed the aggregated cash flow projections for the entities to the end of June 2027 which indicate that the entities are expected to be able to operate within the currently available bank facility throughout that period. The Party has reviewed the sensitivities around membership and donation income and in the event of a significant decrease will take mitigating actions if necessary.

3. **GRANTS RECEIVED**

	2025	2024
	£	£
Policy development grant	**336,035**	432,908
	336,035	432,908

4. **RECHARGES TO PARTY BODIES**

	2025	2024
	£	£
Fixed cross charges to State Parties	**456,492**	473,784
Charges to other party bodies	**2,152,654**	1,128,191
	2,609,146	1,601,975

The fixed cross charge represents agreed recharges between the Federal Party and State Parties to cover the cost of activities that are constitutionally State Party responsibilities carried out by the Federal Party.

5. **EMPLOYEES AND DIRECTORS**

	2025	2024
	£	£
Wages and salaries	**4,343,963**	3,710,598
Social security costs	**508,152**	373,350
Other pension costs	**95,006**	83,380
	4,947,121	4,167,328

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

	2025	2024
Campaign and Head Office staff	**118**	105

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in those capacities in 2025 (2024 - £nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2025

6. OPERATING (DEFICIT)/SURPLUS

The operating (deficit)/surplus is stated after charging:

	2025	2024
	£	£
Other operating leases	3,540	3,900
Depreciation - owned assets	113,368	168,272
Auditor's remuneration – financial statements audit	21,000	19,980
Auditors' remuneration - other	1,700	1,620

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2025	2024
	£	£
Bank interest and similar charges	67,031	86,634

8. TAXATION

Analysis of the tax charge

The tax charge on the deficit for the year was as follows:

	2025	2024
	£	£
Current tax:		
UK corporation tax	1,824	4,668
Prior year adjustment	-	(2,621)
Tax on deficit	1,824	2,047

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings	Computer equipment	Totals
	£	£	£
COST			
At 1 January 2025	350,314	337,790	688,104
Additions	470,228	32,827	503,055
Disposals	(350,314)	(323,415)	(673,729)
At 31 December 2025	470,228	47,202	517,430
DEPRECIATION			
At 1 January 2025	256,897	330,887	587,784
Charge for year	105,173	8,195	113,368
Disposals	(350,314)	(323,415)	(673,729)
At 31 December 2025	11,756	15,667	27,423
NET BOOK VALUE			
At 31 December 2025	458,472	31,535	490,007
At 31 December 2024	93,417	6,903	100,320

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2025

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025	2024
	£	£
Trade debtors	57,887	48,543
Amounts owed by participating interests	471,621	927,642
VAT	662	16,147
Other debtors	412,914	298,840
Prepayments	195,108	140,589
Accrued income	337,812	358,548
	1,476,004	1,790,309

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025	2024
	£	£
Trade creditors	145,289	82,276
Amounts owed to participating interests	187,857	331,843
Tax	1,840	4,668
Social security and other taxes	181,800	181,837
Other creditors	146,253	88,475
Accruals and deferred income	285,359	263,107
Other loans	110,000	91,667
	1,058,398	1,043,873

12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2025	2024
	£	£
Other loans	-	18,333
	-	18,333

13. PROVISIONS FOR LIABILITIES

	2025	2024
	£	£
Regulatory matters and claims	128,914	130,203
	128,914	130,203

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2025

14. RESERVES

	Income and expenditure account £	Reserve fund £	General fund £	Totals £
At 1 January 2025	1,167,873	45,000	732,823	1,945,696
(Deficit)/surplus for the year	(962,014)	-	-	(962,014)
At 31 December 2025	205,859	45,000	732,823	983,682

15. LEASE COMMITMENTS

As at 31 December 2025, the party had annual commitments under non-cancellable contracts as follows:

	2025 £	2024 £	2025 £	2024 £
	Land & Buildings	Land & Buildings	**Other**	Other
Operating leases which expire:				
Within 1 year	115,204	132,054	2,655	3,200
Within 2 to 5 years	460,817	528,216	9,292	400
After 5 years	522,755	175,638	-	-
	1,098,776	835,908	11,947	3,600

16. EMPLOYEE BENEFIT OBLIGATIONS

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. 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.

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 £95,006 (2024: £83,380). At 31 December 2025, contributions amounting to £34,071 (2024: £26,955) were payable to these funds.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2025

17. RELATED PARTY TRANSACTIONS

The Federal Board is chaired by the President of the Party to whose office the Federal Party paid grants in the year amounting to £nil (2024: £nil).

The Federal Party is related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received membership and subscription fee levies from these bodies amounting to £1,571,133 (2024: £1,526,490) and recharged expenditure totalling £2,609,146 (2024: £1,601,975). Expenditure includes grants to Specified Associated Organisations and other party bodies totalling £594,948 (2024: £544,241).

The amount owed by related entities at 31 December 2025 was £471,621 (2024: £927,642) and the amount owed to related entities was £187,857 (2024: £331,843).

18. GROUP COMMITMENT

At the year-end, the Federal Party forms part of the Liberal Democrats bank overdraft facility with the Liberal Democrats in England and the Parliamentary Office of the Liberal Democrats. The facility is unused. At the year-end the net cash position under the facility is £497,438 (2024: £776,048).

19. MEMBERSHIP AND REGISTERED SUPPORTERS

As at 31 December 2025 there were 80,353 (2024: 83,174) members and registered supporters of the Party.