



**Annual Report and Financial Statements**

**For the year ended 31 December 2009**

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

## Annual Report and Financial Statements

For the year ended 31 December 2009

	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 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 win 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 2009, unless otherwise stated)

Rt Hon Baroness Warsi*	Co-Chairman (from May 2010)
Andrew Feldman	Co-Chairman (from May 2010)
Rt Hon Eric Pickles MP	Chairman (from January 2009 to May 2010)
Caroline Spelman MP	Chairman (to January 2009)
Lord Ashcroft KCMG*	Deputy Chairman of the Board
Jeremy Middleton*	Deputy Chairman of the Board and Chairman of the National Conservative Convention (from April 2009)
	President of the National Conservative Convention (to April 2009)
Don Porter CBE	Deputy Chairman of the Board and Chairman of the National Conservative Convention (to April 2009)
Charles Barwell*	President of the National Conservative Convention (from February 2010)
	Vice President of the National Conservative Convention (to February 2010)
Cllr Merrick Cockell*	Chairman of the Conservative Councillors Association
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
George Kynoch*	Deputy Chairman of the Scottish Conservative and Unionist Party
Ian Mclsaac*	Registered Treasurer
Emma Pidding	President of the National Conservative Convention (From April 2009 to April 2010)
	Vice President of the National Conservative Convention (to April 2009)
Rt Hon Baroness Shephard JP DL*	Chairman of the Association of Conservative Peers
Michael Spencer*	Party Treasurer
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 (from April 2009)
Charles Heslop*	Vice President of the National Conservative Convention (from February 2010)
John Walsh OBE	Vice President of the National Conservative Convention (to April 2009)

In addition, Richard Ottaway MP, Graham Stuart MP and John Whittingdale OBE MP attend Board meetings as MP representatives.

\* - 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 2009, unless otherwise stated)

Rt Hon Baroness Warsi*	Co-Chairman (from May 2010)
Andrew Feldman	Co-Chairman (from May 2010)
Rt Hon Eric Pickles MP	Chairman (to May 2010)
Rt Hon Caroline Spelman MP	Chairman (to January 2009)
Lord Ashcroft KCMG*	Deputy Chairman- Target Seats & Opinion Research
Jeremy Middleton*	Deputy Chairman – Chairman of National Convention
Don Porter CBE	Deputy Chairman – Chairman of National Convention (to April 2009)
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 Abroad (to May 2010)
Justine Greening MP	Vice Chairman – Youth (to May 2010)
Cllr Margot James	Vice Chairman – Women (to May 2010)
David Lidington MP	Conservatives Abroad & Chairman of the International Office (to May 2010)
John Maples	Deputy Chairman – Candidates (to May 2010)
Bob Neill AM MP	Deputy Chairman - Local Government (to May 2010)
John Penrose	Vice Chairman – eMarketing (to May 2010)
Grant Shapps MP	Vice Chairman- Campaigning (to January 2009)
Lord Sheikh	Chairman of the Conservative Ethnic Diversity Council (to May 2010)
Richard Spring MP	Vice Chairman – Business (to 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	Lord Taylor of Holbeach CBE
Appeals (formerly Individual Member Review)	Brian Hanson CBE
C&UCO Properties Limited	Raymond Monbiot CBE
Candidates	Baroness Ritchie
Conferences	Charles Barwell O)
Constitutional Review	Richard Ottaway MP
Disciplinary (formerly Expulsions)	Carole Hyde
Ethics & Integrity	Appointed on an ad hoc basis
Finance & Audit	Vacant
Membership	Paul Swaddle

# The Conservative Central Office

## General information

### Conservative Campaign HQ Management

(Served throughout the year ended 31 December 2009, unless otherwise stated)

Olivia Bloomfield	Party Treasurer's Chief of Staff (to May 2010)
Andy Coulson	Director of Communications
Andrew Feldman	Chief Executive
Stephen Gilbert	Director of Campaigning
Andrew Griffiths	Chairman's Chief of Staff (to February 2010)
Richard Chalk	Chairman's Chief of Staff (from February 2010)
Steve Hilton	Adviser to The Rt Hon David Cameron MP
Giles Inglis-Jones	Director of Human Resources & Development
Rt Hon Oliver Letwin MP	Chairman of the Policy Review and Chairman of the Conservative Research Department
Edward Llewellyn	Leader's Chief of Staff
Henry Macrory	Head of Media
Ian Mclsaac	Director of Finance and Registered Treasurer
Anne Nunan	Director of Information Technology
Rt Hon George Osborne MP	Chairman of General Election Planning Committee
James O'Shaughnessy	Director of Conservative Research
Scott Seaman-Digby	Commercial Director
Michael Spencer	Party Treasurer
Hugh Thomas	Head of Compliance (to December 2009)
Simon Day	Head of Compliance (from December 2009)

### Persons Registered with the Electoral Commission

(Served throughout the year ended 31 December 2009, unless otherwise stated)

Leader	Rt Hon David Cameron MP
Nominating Officer	Alan Mabbutt
Registered Treasurer	Ian Mclsaac

### Elected Representatives

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

### Accounting Units

At 31 December 2009 the Party had 674 (2008 – 683) 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](http://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, David Cameron walked into Downing Street as Conservative Prime Minister leading an historic coalition government.

Having fought a strong and positive election campaign the Conservative Party gained more seats than at any election for the last 80 years, gaining more seats even than Mrs Thatcher achieved in 1979. Labour suffered their worst loss of seats since 1931, with a share of the vote not far off that achieved by Michael Foot in 1983.

Our efforts in 2009 provided the basis of that success and in itself marked another significant campaigning year for the Conservative Party.

With all eyes on a possible general election the Party was in a state of readiness throughout 2009 and made significant progress in the European and local elections while continuing to improve its operational effectiveness in CCHQ and out in the field.

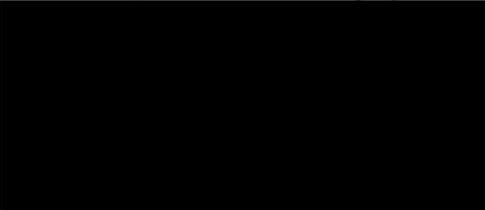
The local election results in 2009 were remarkable. Conservatives won all over the country – from Lancashire to Devon and Somerset to Derbyshire, winning councils that we hadn't held for three decades, taking control of Nottinghamshire, Staffordshire, Derbyshire and Lancashire for example. Conservative vote share was fifteen percentage points higher than Labour. Indeed, Labour failed to control a single county council in England. Of the 274 seats contested in local by-elections in 2009, we won 119 – nearly as many as Labour and Lib Dems combined.

Following success in the local elections the Party came first in the European elections, increasing its vote share and found itself thirteen per cent ahead of Labour. The Party is now the only party with an MEP in every region and beating Labour in Wales for the first time.

The Norwich North by-election concluded a successful summer for the Party. Chloe Smith won the seat from Labour with a majority of 7,348, a 39.5 per cent share of the vote and entered the House of Commons as our youngest MP.

Our Conference in Manchester in October 2009 was a great success with record attendees and high morale and provided an excellent runway towards the general election.

The Party remains deeply grateful to all the Conservative Party supporters, members, and activists who fought so hard in 2009 to deliver the historic result we achieved in 2010.



Andrew Feldman  
Chairman of the Board

28 June 2010

## The Conservative Central Office Treasurers' Financial Review

In 2009 we achieved a surplus after taxation of £4,684,000. This represents a significant improvement over 2008 when the comparable figure was a surplus of £287,000.

Total income in 2009 grew to £42.0m from £32.4m largely driven by a significant increase in donation income and a further improvement in conference revenues. The increased donation income reflects the hard work of our Treasurers' team in bringing in donations as early as possible before a general election, for which we were on alert throughout the year. Our surplus on conferences whose management was brought back in-house only in 2007 now amounts to more than £1m.

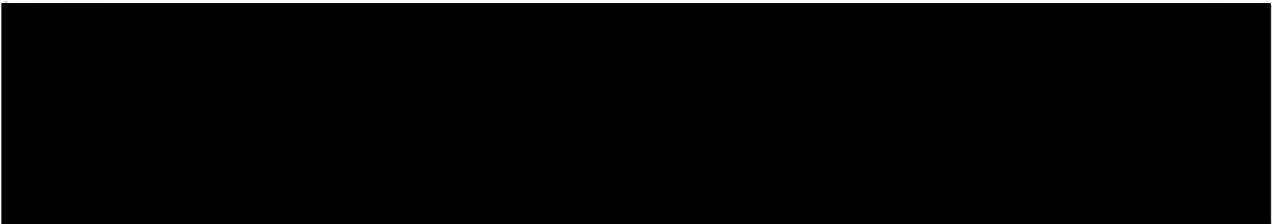
Costs continued to be tightly controlled with significant increases only in campaigning activities and the cost of the conferences. Our increased campaigning activities reflected our strategy of starting our general election campaign earlier than previously for greater effectiveness and to obtain better value for money.

Our balance sheet continued to improve with net liabilities reducing during the year from £7.5m to £2.8m at the year end. Significantly, our commercial loans (excluding loans from our associations) reduced during the year from £8.1m to £5.3m at the year end and no loans have been taken since the year end. The comparable loans figure after the last general election was £23.7m.

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.

Our donors, both to the central party and to its constituency associations have continued to give us magnificent support. Their generosity enabled us to approach the general election with the financial resources needed to run a professional national campaign. We are grateful to every donor, whatever the size of donation, for their support.

Without the dedication and professionalism of 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.



Michael Spencer  
Party Treasurer

Ian McIsaac  
Registered Treasurer

28 June 2010

# 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](http://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 2009, which comprise the Consolidated Income and Expenditure Account, 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.

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

The responsibilities, of the Board of the Conservative Central Office, for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Responsibilities of the Board, on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Political Parties, Elections and Referendums Act 2000 and whether the information, given in the General Information, the Chairman's Report and the Treasurers' Financial Review, is consistent with those financial statements. We also report to you if, in our opinion, the Conservative Central Office has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the General Information, the Chairman's Report and the Treasurers' Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

## *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of the Conservative Central Office in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Conservative Central Office, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## *Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Conservative Central Office as at 31 December 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Political Parties, Elections and Referendums Act 2000; and
- the information given in the General Information, the Chairman's Report and the Treasurers' Financial Review is consistent with the financial statements.

  
BDO LLP  
Chartered Accountants and Registered Auditors, London

30/6/2010

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 2009**

	Note	2009 £'000	2008 £'000
<b>Income</b>			
Donation income		25,219	16,536
Membership fees	1a	1,085	1,229
Income from fundraising activities		642	849
Income from commercial activities		1,301	741
Income from legacies		268	309
Investment income	1b	117	475
Grant income	1c	5,183	5,109
Income from conferences		4,509	3,129
Notional income	1d	2,729	2,863
Other income		931	1,121
<b>Total income</b>		<u>41,984</u>	<u>32,361</u>
<b>Expenditure</b>			
Cost of fundraising activities		889	1,111
Cost of commercial activities		590	240
Notional expenditure		2,729	2,863
Staff costs		13,018	12,282
Management and administration expenses		6,751	6,665
Depreciation		939	856
Campaign expenditure		3,483	605
Interest payable	4	468	875
Conference expenditure		3,371	2,411
Other expenditure		4,916	4,019
<b>Total expenditure</b>		<u>37,154</u>	<u>31,927</u>
<b>Surplus before taxation</b>	3	4,830	434
<b>Taxation charge</b>	5	(146)	(147)
<b>Surplus for the year</b>	13	<u>4,684</u>	<u>287</u>

All recognised gains and losses are included in the income and expenditure account.

All amounts relate to continuing activities.

The accounting policies and notes on pages 13 to 25 form part of these financial statements

**The Conservative Central Office  
 Consolidated Note of Historical Cost Profits and Losses  
 For the year ended 31 December 2009**

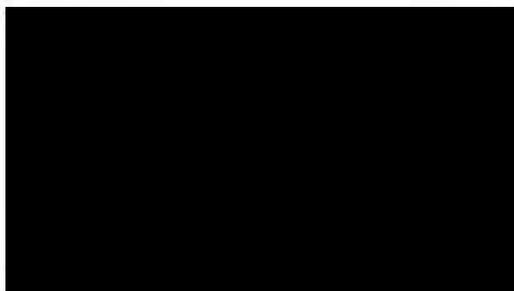
		2009 £'000	2008 £'000
Reported surplus before taxation		4,830	434
Difference between actual and historical cost depreciation	13	6	6
		<hr/>	<hr/>
		4,836	440
Taxation charge		(146)	(147)
		<hr/>	<hr/>
Retained historical cost surplus for the year		<u>4,690</u>	<u>293</u>

The accounting policies and notes on pages 13 to 25 form part of these financial statements.

# The Conservative Central Office Consolidated Balance Sheet As at 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible assets	6	4,240	4,691
<b>Current assets</b>			
Debtors	7	4,555	3,129
Investments	8	42	38
Cash at bank and in hand		7,343	8,491
		<u>11,940</u>	<u>11,658</u>
Creditors: amounts falling due within one year	9	(12,677)	(16,850)
<b>Net current liabilities</b>		<u>(737)</u>	<u>(5,192)</u>
<b>Total assets less current liabilities</b>		3,503	(501)
Creditors: amounts falling due after more than one year	10	(3,670)	(4,410)
Provision for liabilities	12	(2,612)	(2,552)
<b>Net liabilities</b>		<u>(2,779)</u>	<u>(7,463)</u>
<b>Reserves</b>			
Capital reserve	13	1,172	1,172
Revaluation reserve	13	544	550
Revenue	13	(4,495)	(9,185)
<b>Total capital and reserves</b>		<u>(2,779)</u>	<u>(7,463)</u>

The financial statements were approved and authorised for issue by the Board of the Conservative Central Office on 28 June 2010 and were signed on its behalf by Andrew Feldman.



The accounting policies and notes on pages 13 to 25 form part of these financial statements

# The Conservative Central Office

## Consolidated Cash Flow Statement

### For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	16a	3,974	469
Returns on investments and servicing of finance	16b	(347)	(181)
Taxation		(34)	(327)
Capital expenditure and financial investment	16c	(533)	(669)
Increase (decrease) in cash before financing		<u>3,060</u>	<u>(708)</u>
Financing	16d	(3,058)	(245)
Increase (decrease) in cash in the year		<u>2</u>	<u>(953)</u>

#### Reconciliation of net cash flow to movement in net debt

	Note	2009 £'000	2008 £'000
Increase (decrease) in cash in the year		2	(953)
Cash outflow from financing		3,058	245
Change in net debt resulting from cash flows		<u>3,060</u>	<u>(708)</u>
Loans converted to donations		150	73
Interest converted into loans		(70)	(162)
Change in value of current asset investments		4	82
Inception of new finance leases		(161)	-
Movement in net debt in the year		<u>2,983</u>	<u>(715)</u>
Opening net debt		(5,685)	(4,970)
Closing net debt	16e	<u>(2,702)</u>	<u>(5,685)</u>

The accounting policies and notes on pages 13 to 25 form part of these financial statements.

# The Conservative Central Office

## Accounting Policies

### For the year ended 31 December 2009

#### 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 2011 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 (continued) For the year ended 31 December 2009**

## **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 2009**

**1. Income**

	2009 £'000	2008 £'000
<b>a Membership fees</b>		
Party membership fees	<u>1,085</u>	<u>1,229</u>
<b>b Investment income</b>		
Dividends received	7	3
Rent receivable	70	69
Interest received	40	403
	<u>117</u>	<u>475</u>
<b>c Grant income</b>		
Short money	4,674	4,671
Policy development grant	390	329
Scottish parliament grant	119	109
	<u>5,183</u>	<u>5,109</u>
<b>d Notional income</b>		
Goods and services	2,712	2,863
Interest	17	-
	<u>2,729</u>	<u>2,863</u>

# The Conservative Central Office Notes to the Financial Statements For the year ended 31 December 2009

## 2. Employees

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

	2009	2008
Central office staff	217	217
Regional office staff	58	53
	<u>275</u>	<u>270</u>

Their aggregate payroll costs were:

	2009 £'000	2008 £'000
Salaries	11,151	9,996
Social security costs	1,118	1,010
Pension costs	366	325
	<u>12,635</u>	<u>11,331</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. The triennial valuation as at 31 March 2010 is currently being undertaken. However, it has not yet been finalised and so the results of the last actuarial valuation of the Fund which was carried out as at 31 March 2007 are presented.

The key assumptions adopted for this valuation are as follows:

	%
Rate of increase in salaries	4.20
Rate of increase to pensions in payment (1997 to 2005)	3.20
Rate of increase to pensions in payment (post 2005 pensions)	2.25
Discount rate prior to retirement	6.75
Discount rate in retirement	5.00
Inflation	3.00
	Years
Assumed life expectancy for a female pensioner aged 60 at the valuation date	28.0
Assumed Life expectancy for a male pensioner aged 60 at the valuation date	25.6
Assumed life expectancy at age 60 for a female non pensioner currently aged 40	29.4
Assumed life expectancy at age 60 for a male non pensioner currently aged 40	27.1

The market value of the Fund's invested assets as at 31 March 2007 was £26.6m. The actuarial value of these assets represented 86% of the value of the Fund's liabilities at that date. The fund has a shortfall of £4.5m.

In order to address the shortfall in the Fund, the Conservative Central Office has agreed to pay additional contributions, of £250,000 per annum until 31 March 2018. 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 £35,569 (2008 - £27,523) is included in creditors in respect of contributions for 2009 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 2009

#### 3. Surplus for the year

	2009 £'000	2008 £'000
The result is stated after charging/(crediting):		
Election campaign expenditure:		
General election	1,043	-
European elections	2,307	-
Parliamentary by elections	123	469
Welsh elections	10	68
Scottish elections	-	68
Auditors' remuneration:		
Audit services to the Conservative Central Office	80	80
Non-audit services to the Conservative Central Office	29	32
Audit services to quasi-subsiaries	9	7
Operating lease rentals:		
Land and buildings	605	560
Motor vehicles	22	14
Office equipment	106	102
Interest payable on finance leases	16	38
Depreciation of tangible fixed assets:		
Owned assets	820	748
Leased assets	119	108
Loss on disposal of tangible fixed assets	-	151
Profit on disposal of investments	-	(82)
Westminster Foundation for Democracy:		
Project funding recognised during the year	(619)	(647)
Project expenditure supported by funding	619	647
	<hr/>	<hr/>

#### 4. Interest payable

	2009 £'000	2008 £'000
Interest payable on bank loans and overdrafts	25	44
Interest payable on finance leases	16	38
Interest payable on unwinding of discounts on provisions	117	125
Interest payable on other loans	310	668
	<hr/>	<hr/>
	468	875
	<hr/>	<hr/>

# The Conservative Central Office Notes to the Financial Statements For the year ended 31 December 2009

## 5. Taxation

### Current tax

	2009 £'000	2008 £'000
Tax on taxable income at the basic rate of income tax in the UK of 20%	<u>146</u>	<u>147</u>

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

	2009 £'000	2008 £'000
Surplus before taxation	<u>4,830</u>	<u>434</u>
Tax on surplus at the basic rate of income tax in the UK of 20% (2008 - 20%)	966	87
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6,391	6,186
Non-taxable income	<u>(7,211)</u>	<u>(6,126)</u>
Total charge	<u>146</u>	<u>147</u>

### Factors that may affect future tax charges

It is estimated that there may be a taxation liability of approximately £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 2009

#### 6. Tangible fixed assets

	Property £'000	Furniture, fixtures & fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2009	599	2,101	515	3,534	6,749
Additions	-	16	66	407	489
At 31 December 2009	<u>599</u>	<u>2,117</u>	<u>581</u>	<u>3,941</u>	<u>7,238</u>
<b>Depreciation</b>					
At 1 January 2009	12	681	185	1,181	2,059
Charge for the year	6	306	106	521	939
At 31 December 2009	<u>18</u>	<u>987</u>	<u>291</u>	<u>1,702</u>	<u>2,998</u>
<b>Net book value</b>					
At 31 December 2009	<u>581</u>	<u>1,130</u>	<u>290</u>	<u>2,239</u>	<u>4,240</u>
At 1 January 2009	<u>587</u>	<u>1,420</u>	<u>331</u>	<u>2,353</u>	<u>4,691</u>

#### Freehold property

The historical cost of the properties is £39,000 (2008 - £39,000). Accumulated depreciation on a historical cost basis is £6,780 (2008 - £6,390).

The net book value of assets held under finance lease is £349,000 (2008 - £321,000) with depreciation charged in the year of £119,000 (2008 - £108,000).

#### 7. Debtors

	2009 £'000	2008 £'000
Trade debtors	760	831
Other debtors	998	887
Prepayments and accrued income	2,797	1,411
	<u>4,555</u>	<u>3,129</u>

All amounts fall due within one year.

# The Conservative Central Office

## Notes to the Financial Statements

### For the year ended 31 December 2009

#### 8. Current asset investments

Current asset investments are stated at their cost (or probate value) of £42,000, less a write down of £Nil (2008 - £42,000, less a write down of £4,000). These relate to investments listed on the London Stock Exchange with a market value of £24,000 (2008 - £19,000) and unlisted investments, stated at cost, of £19,000 (2008 - £19,000).

#### 9. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft	-	1,150
Other loans payable (note 11)	6,567	9,212
Trade creditors	1,365	1,908
Finance lease creditors	156	99
Social security and other taxation	698	900
Other creditors	649	867
Accruals and deferred income	3,242	2,714
	<u>12,677</u>	<u>16,850</u>

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

	2009 £'000	2008 £'000
Other loans payable (note 11)	3,170	3,554
Finance lease creditors	194	199
Accruals and deferred income	306	657
	<u>3,670</u>	<u>4,410</u>

# The Conservative Central Office

## Notes to the Financial Statements

### For the year ended 31 December 2009

#### 11. Loans

	2009 £'000	2008 £'000
Interest free and repayable on demand:		
Loans from Constituency Associations	3,411	3,658
Other loans	50	50
	<u>3,461</u>	<u>3,708</u>
Interest bearing and repayable on demand:		
Loans from Constituency Associations	983	977
Other loans	1,246	3,960
	<u>2,229</u>	<u>4,937</u>
Interest bearing loans with fixed repayments:		
Other loans	4,047	4,121
	<u>9,737</u>	<u>12,766</u>
Loans with fixed repayments dates fall due as follows:		
In one year or less	877	567
In more than year	3,170	3,554
	<u>4,047</u>	<u>4,121</u>

#### 12. Provisions for liabilities

	Pension commitment £'000	Onerous lease provision £'000	Dilapidations provision £'000	Total provision £'000
At 1 January 2009	1,798	107	647	2,552
New charges	-	-	13	13
Unwinding of discount Release	117	-	-	117
Utilisation of Provision	(67)	(3)	-	(70)
At 31 December 2009	<u>1,848</u>	<u>104</u>	<u>660</u>	<u>2,612</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. The total due of £3,250,000 has therefore 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 for the unwinding of the discount.

The onerous lease provision 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 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 8 years.

The dilapidations provision relates to the estimated costs expected to arise on vacating premises previously and currently occupied by the Conservative Central Office.

# The Conservative Central Office

## Notes to the Financial Statements

### For the year ended 31 December 2009

#### 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
	2009	2009	2009	2009	2008
	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	1,172	550	(9,185)	(7,463)	(7,750)
Transfer from revaluation reserve to revenue deficit	-	(6)	6	-	-
Net surplus for the year	-	-	4,684	4,684	287
At 31 December 2009	<u>1,172</u>	<u>544</u>	<u>(4,495)</u>	<u>(2,779)</u>	<u>(7,463)</u>

#### 14. Financial commitments

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

	Land & buildings		Motor vehicles	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Expiring within one year	-	-	-	10
Expiring between two and five years	796	796	-	-
Expiring in more than five years	16	16	-	-
Total	<u>812</u>	<u>812</u>	<u>-</u>	<u>10</u>

#### 15. Quasi-subsiidiaries

The financial statements incorporate the quasi-subsiidiaries 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-subsiidiaries are entities which are not legally owned by the Conservative Central Office but over which it has control and beneficial ownership. The Conservative Party Foundation Limited ("The Foundation") was not a quasi subsidiary in the previous year but was deemed to be from 1 January 2009. At this time The Foundation had net liabilities of £205,000 (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 has been expensed in other expenditure in the income and expenditure account.

The net assets of the quasi-subsiidiaries totalled £12,864,494 at 31 December 2009 (2008 - £12,689,906), comprising fixed assets £3,322 (2008 - £Nil) investments of £22,690 (2008 - £19,180), debtors of £157,037 (2008 - £45,039), cash at bank of £5,464,190 (2008 - £7,909,860), a loan of £2,500,000 (2008 - £2,500,000), creditors and accruals of £132,482 (2008 - £491,128) and provisions £105,137 (2008 - £108,042). There are also intra-group balances, of £9,954,874 (2008 - £7,706,955) due from the Conservative Central Office, which are cancelled on consolidation. In aggregate, the quasi-subsiidiaries reported a surplus for the year, of £379,623 (2008 - £326,973).

# The Conservative Central Office

## Notes to the Financial Statements

### For the year ended 31 December 2009

#### 16. Notes to the cash flow statement

##### (a) Reconciliation of operating surplus to operating cash flows

	2009 £'000	2008 £'000
Surplus before taxation	4,830	434
Depreciation on tangible fixed assets	939	856
Profit on sale of investments	-	(82)
Goodwill adjustment	205	-
Write (up) of value of current asset investments	(4)	-
Loss on disposal of assets	-	151
(Increase) in debtors	(1,423)	(788)
(Decrease) in creditors	(700)	(175)
Loans converted to donations/income	(150)	(73)
Interest converted to donations/income	(17)	-
Decrease in provisions	(57)	(254)
	<u>3,623</u>	<u>69</u>
Interest payable	468	875
Investment income	(117)	(475)
Net cash inflow from operating activities	<u>3,974</u>	<u>469</u>

##### (b) Returns on investments and servicing of finance

	2009 £'000	2008 £'000
Interest paid	(461)	(694)
Dividends received	7	3
Rent received	67	69
Interest received	40	441
	<u>(347)</u>	<u>(181)</u>
Cash outflow from returns on investments and servicing of finance	<u>(347)</u>	<u>(181)</u>

##### (c) Capital expenditure and financial investment

	2009 £'000	2008 £'000
Payments to acquire fixed assets	(328)	(669)
Net liabilities of The Conservative Party Foundation Limited at 1 January 2009 (Note 15)	(205)	-
Cash outflow from capital expenditure and financial investment	<u>(533)</u>	<u>(669)</u>

# The Conservative Central Office

## Notes to the Financial Statements

### For the year ended 31 December 2009

#### 16. Notes to the cash flow statement (*Continued*)

##### (d) *Financing*

	2009 £'000	2008 £'000
Capital element of finance lease rentals	(109)	(89)
Increase in loans	-	189
Loans repaid	(2,949)	(593)
Proceeds of investments	-	248
Cash outflow from financing	<u>(3,058)</u>	<u>(245)</u>

##### (e) *Analysis of movements in net debt*

	31 December 2008 £'000	Cash flow £'000	Non-cash movements £'000	31 December 2009 £'000
Cash at bank and in hand	8,491	(1,148)	-	7,343
Overdraft	(1,150)	1,150	-	-
	<u>7,341</u>	<u>2</u>	<u>-</u>	<u>7,343</u>
Current asset investments	38	-	4	42
Finance leases	(298)	109	(161)	(350)
Loans due falling due within one year	(9,212)	2,949	(304)	(6,587)
Loans due falling due after more than one year	(3,554)	-	384	(3,170)
Net debt	<u>(5,685)</u>	<u>3,060</u>	<u>(77)</u>	<u>(2,702)</u>

##### (f) *Non-cash transactions*

The non-cash movements shown in note 16e include the conversion of loans into donations totalling £150,000 (2008 - £73,000), the capitalisation of loan interest £70,000 (2008 - £162,000), a write up in the value of investments £4,000 (2008 - £Nil) profit on sale of investments of £Nil (2008 - £82,000) and the inception of new finance leases of £161,000. (2008 - £Nil). Loans of £384,000 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 2009

#### 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 2009 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:-

- Donation of £ nil (2008 - £300,000)
- Donations in kind of £329,858 (2008 - £1,300,893)

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

- Donation of £ nil (2008 - £13,200)
- Donations in kind of £11,958 (2008 - nil)

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

- Donations of £562,000 (2008 - £313,000)
- Donations in kind of £198,563 (2008 - £123,241)

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

- Donation of £20,100 (2008 - nil)

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

- Donations of £15,000 (2008 – nil)

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

- Donations of £5,850 (2008 - £5,000)

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

- Donations of £15,750 (2008 – nil)

g) Certain other individual Member of the Board and Party Officers made donations in aggregate of £580 (2008 – nil)

#### 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.