

The Labour Party

Financial statements for the year ended 31 December 2009

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Registered Party officers

Leader:	Rt Hon Harriet Harman MP
Nominating Officer:	Roy Kennedy
Treasurer:	Ray Collins
Deputy Treasurer:	Alicia Kennedy
Deputy Treasurer:	Roy Kennedy
Deputy Treasurer:	Jackie Stacey
Deputy Treasurer:	Tracey Paul
Deputy Treasurer:	Margaret Lynch
Deputy Treasurer:	Ian Reilly
Deputy Treasurer:	Mike Creighton
Deputy Treasurer:	Colin Smyth
Deputy Treasurer:	Chris Roberts
Deputy Treasurer:	Hilary Perrin
Deputy Treasurer:	Simon Mills

Registered address 39, Victoria Street, London, SW1H 0EU

Treasurers' report

The financial statements for the year ended 31 December 2009 present the first full year of the Party's new finance strategy which introduced a commercial drive and a segmental framework. Income streams are allocated to relevant expenditure ensuring that organisational costs and debt reductions are funded by internally generated income. The income generated by fundraising events plus all gifts received are utilised for direct campaign activities or invested in our campaigning infrastructure.

For the third year in succession the Party's Income & Expenditure Account reports a surplus. This is despite a reduction in donations and commercial income; the Party is not isolated from the challenging economic conditions caused by the global financial crisis. The result is further evidence that the Party can control its cost base and an illustration of a huge change in our culture. Now, value is key.

The combination of focused fundraising, commercial awareness and cost control means the Party can move away from simply balancing the present and can consider the future. Towards the end of 2009 two properties were acquired. Both are for use by regional offices, therefore reducing rental costs, but one property also has the scope to generate significant rental income while its value appreciates.

As previously reported the Party agreed a structured plan with its unsecured lenders for the repayment of their loans. 2009 saw two loans repaid in full as the Party met its annual commitment of a £2m reduction. The continued support of the Party's bankers is also of paramount importance, we continue to meet regularly to discuss our financial position and future plans. The Party is grateful for the support of all its lenders.

Net liabilities excluding pension liabilities continued its positive movement and fell by £1.6m. However, the pension deficit under Financial Reporting Standard 17, "Retirement Benefits", increased by £6.1m. This shift, as determined by the actuaries, is primarily as a result of market conditions. The Party remains committed to providing a defined benefit occupational scheme for its staff, evidenced by its agreement with the scheme Trustees to increase its annual deficit funding. This follows advice received from the actuary upon completion of their valuation as at 31 December 2008.

As always, we are grateful for the fantastic support that we receive from our affiliates, both trade unions and socialist societies, including the partnership we have with the Cooperative Party.

Finally, we would like to thank all members, supporters and staff for all they have done in 2009 and have continued to do for the Party.

Ray Collins
Registered Treasurer

Jack Dromey
Party Treasurer

Administrative information

Review of Political Activities

A detailed review of the Party's political activities during the period covered by the financial statements will be included in the National Executive Committee (NEC)'s Annual Report that will be submitted to the 2010 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2010.

Committees

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

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

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

Committee	Responsibilities
Business Board	Oversight of the business functions of the organisation including the management of finances.
Audit, Risk Management and Compliance Committee	Acts independently of the Business Board and management to ensure that the interests of stakeholders are properly protected in relation to financial reporting and internal control.
Joint Policy Committee (JPC)	Strategic oversight of policy development in the Party through overseeing the rolling policy making process of Partnership in Power. The JPC acts as a steering group for the National Policy Forum. It is, therefore, a joint committee made up of the NEC, Government and National Policy Forum representatives.
Joint Local Government Committee (JLGC)	The JLGC has a tripartite membership of NEC, Government and Local Government members. It is responsible for promoting and securing the Party's representation at all levels in local government. In particular, it looks to ensure the highest standards of conduct in public office; the recruitment, training and development of candidates representative of their communities; and the effective promotion of Labour's agenda in consultation and engagement with communities locally.
Women, Race and Equalities Committee	The Committee advises the NEC on steps to increase the Party's membership and representation on elected bodies so as better to reflect the community in terms of gender, ethnicity, age, sexual orientation and disability and to assist and promote the Party's work in combating discrimination in all forms.
Organisation Committee	Responsible for Party rules and constitution; ensures the Party is operating effectively throughout the country to the highest standards; and has overall responsibility for membership, investigations, selections, conferences, electoral law, boundaries strategy and internal elections.
Disputes Panel	Hears membership appeals and re-admission applications; considers Party disputes and conciliation; undertakes minor investigations and local government appeals where referred to the NEC; and conducts hearings and interviews around the country where necessary.
Selections Panel	Meets to make decisions about individual selection processes as necessary.

Administrative information (cont.)

Elected representatives

The Party's elected representatives at the Westminster, Scottish and European Parliaments and the National Assembly for Wales can be found on the Party's website at <http://www.labour.org.uk/labourpeople>.

Staffing

The key permanent members of staff are:

General Secretary	Ray Collins
Deputy General Secretary	Chris Lennie
Deputy General Secretary	Alicia Kennedy
Director of Finance and Compliance	Roy Kennedy

Membership

As at 31 December 2009 the total individual membership of the Party was 156,205 (2008: 166,247).

Accounting units

As at 31 December 2009 the Party had 657 accounting units registered with the Electoral Commission.

Statement of Registered Treasurer's responsibilities

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

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

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

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

We have audited the financial statements of the Labour Party for the year ended 31 December 2009 which comprise the Consolidated Income & Expenditure account, the Consolidated Balance Sheet, the Consolidated Cash Flow statement, the Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

Respective responsibilities of the Registered Treasurer and auditor

The responsibilities of the Registered Treasurer for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Registered Treasurer's Responsibilities.

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 are properly prepared in accordance with the accounting policies set out therein. We also report to you if, in our opinion, the Treasurers' Report is not consistent with the financial statements, if the Party has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We have read the Treasurers' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information contained in the annual report.

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 judgements made by the Registered Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Party's circumstances, 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.

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

Unqualified 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 the Labour Party's affairs as at 31 December 2009 and of its surplus for the year then ended and have been properly prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.


Horwath Clark Whitehill LLP
Statutory Auditor

26/5/2010

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Consolidated income and expenditure account for the year ended 31 December 2009

		2009	Restated 2008
	Notes	£'000	£'000
Income			
Donations	4	5,483	9,493
Membership		4,497	3,930
Affiliations		7,969	8,019
Fundraising	5	735	1,616
Commercial income		3,743	4,342
Legacies		192	29
Interest receivable		58	2,548
Government grants	6	995	243
Notional income	7	705	666
Other income		2,421	2,418
Total income		<u>26,798</u>	<u>33,304</u>
Expenditure			
Costs of fundraising		(504)	(882)
Costs of commercial activity		(1,463)	(1,994)
Notional expenditure	7	(636)	(666)
Running costs	8	(16,989)	(19,869)
Campaign expenditure	9	(2,302)	-
Interest payable	10	(430)	(1,400)
Grants and payments to CLPs		(1,009)	(949)
Other	12	(1,399)	266
Total expenditure		<u>(24,732)</u>	<u>(25,494)</u>
Surplus from Party activities before taxation	13	2,066	7,810
Taxation	14	-	(688)
Surplus for the year		<u>2,066</u>	<u>7,122</u>

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

Statement of total recognised gains and losses for the year ended 31 December 2009

Statement of total recognised gains and losses

	Notes	2009	2008
		£'000	£'000
Surplus for the year		2,066	7,122
Actuarial loss recognised in the pension scheme	23	(6,369)	(3,239)
Net unrealised deficit on revaluation of properties	15	(205)	-
Total recognised (losses)/net gains relating to the year		(4,508)	3,883

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

Consolidated balance sheet at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	15	4,708	3,550
Current assets			
Debtors and prepayments	16	3,034	8,757
Cash at bank and in hand		7,267	4,457
		<u>10,301</u>	<u>13,214</u>
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	17	(5,750)	(6,164)
Development fund loans	27	(5,622)	(5,510)
Other loans	28	(2,000)	(2,000)
Overdrafts and short term loans		(3,524)	(4,756)
		<u>(16,896)</u>	<u>(18,430)</u>
Net current liabilities		<u>(6,595)</u>	<u>(5,216)</u>
Total assets less current liabilities		<u>(1,887)</u>	<u>(1,666)</u>
Creditors: amounts falling due after more than one year	18	(7,957)	(9,699)
Provisions for liabilities and charges	20	(120)	(225)
Net liabilities excluding pension liabilities		<u>(9,964)</u>	<u>(11,590)</u>
Pension liabilities	23	(6,660)	(526)
Net liabilities including pension liabilities		<u>(16,624)</u>	<u>(12,116)</u>
Reserves			
General		(17,703)	(13,400)
Revaluation reserve		1,079	1,284
	21	<u>(16,624)</u>	<u>(12,116)</u>

The financial statements on pages 8 to 21 were approved by the National Executive Committee on
and signed on its behalf by:

Ray Collins
General Secretary and Registered Treasurer

Jack Dromey
Party Treasurer

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

25th May 2010

Consolidated cash flow statement for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating surplus before servicing of finance and taxation	25	7,443	1,641
Servicing of finance			
Interest paid on long term loans		(275)	(194)
UK tax paid		-	-
Capital expenditure and other activities			
Payments to acquire tangible fixed assets		(1,496)	(9)
		<u>5,672</u>	<u>1,438</u>
Financing			
(Decrease)/increase in long term loans		(1,742)	5,537
Increase in cash	26	<u>3,930</u>	<u>6,975</u>

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

Notes to the financial statements

1. Accounting policies

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

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

The following principal accounting policies have been applied:

a. Income recognition

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

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

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

- Donations, including legacies, are recognised in the income and expenditure account on receipt. Donations of notional income are recognised on receipt at the relevant market value of the donation received with an expense of the same amount being recognised at the same time.
- Membership fees are recognised in the income and expenditure account when received
- Government grants are recognised in the year in which the related expenditure is incurred (see note 6).

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

b. Tangible fixed assets

The investment properties and other properties both comprise freehold land and buildings held as long-term investments by Labour Party Properties Limited. They are carried at professional valuations or, if recently acquired, at cost.

No depreciation or amortisation is provided in respect of investment properties and other properties. The properties are subject to an annual impairment review carried out by the directors of Labour Party

Properties Limited with the assistance of an expert third party who is retained throughout the year. Every fifth year a full professional valuation is completed. In addition, if the annual impairment reviews identify material differences then a full valuation will be conducted. The National Executive Committee (NEC) considers that this accounting policy results in the financial statements giving a true and fair view.

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

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

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

c. Value added tax

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

d. Pension costs

The Labour Party is responsible for the solvency of the Labour Party Superannuation Society, which is a defined benefit pension scheme (see note 23). Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

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

Notes to the financial statements

e. Accounting estimates

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

f. Operating leases

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

2. Basis of preparation

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

The income and expenditure account includes the consolidated results of the regional offices of the Labour Party, the Scottish Labour Party and the Wales Labour Party which contributed a surplus of £29,000 (2008: deficit of £75,000) to the result for the year. The consolidated results of the regional offices are produced from accounts that are prepared mainly on a cash accounting basis rather than an accruals basis. It is not considered that restatement of the results on to an accruals basis for the current and prior years would have a material impact on the result for the year.

The Labour Party and its bankers, the Co-operative Bank and Unity Trust Bank, have agreed a plan for repayment of the short term loans. The Party's bankers have also agreed to continue providing support for short term working capital requirements. Furthermore the Party has agreed a structured

repayment plan with its other lenders and is committed to total annual repayments of £2m. The financial projections of the Party indicate that the facilities available to it from all resources and funding pledges made provide sufficient means for the Party to achieve its organisational and political objectives as well as service its debt for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Campaign expenditure in the consolidated statement of income and expenditure on page 8 represents the Party's expenditure in the European Elections, as defined by the Political Parties, Elections and Referendums Act 2000 and reported to the Electoral Commission.

Prior year adjustment

The Labour Party provides a payroll service to CLPs wherein local party employees are paid through the national party payroll system. The costs are recovered in the month of payment.

Previously the cost of CLP employees was included in Wages and Salaries and the corresponding recharge included in Other Income. These transactions are now accounted for through the Balance Sheet and a prior year adjustment has been made, restating 2008 figures, to reflect this.

3. Basis of taxation

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

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

4. Donations

In December 2007 the Party transferred £0.6m into an escrow account, controlled by an independent body. The transfer was completed in consultation with the Electoral Commission after it emerged that a police

Notes to the financial statements

investigation would be conducted into certain donations received by the Party. The enquiry is now complete and the funds were released from escrow and returned to the donor in 2009.

5. Fundraising activities

	2009	2008
	£'000	£'000
Dinners	530	1,421
Other events	205	195
	<u>735</u>	<u>1,616</u>

6. Government grants

	2009	2008
	£'000	£'000
Short money	236	152
Policy Development Grant	759	91
	<u>995</u>	<u>243</u>

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

7. Notional income and expenditure

	2009	2008
	£'000	£'000
This comprises:		
Goods	157	121
Services	337	440
Seconded staff	211	105
	<u>705</u>	<u>666</u>

£68,982 of the notional expenditure incurred in 2009 (2008: £nil) is included in the heading "Campaign expenditure" in the income and expenditure account.

8. Running costs

	2009	Restated 2008
	£'000	£'000
Staff related expenditure (see Note 11)	9,647	9,184
Building and premises	1,857	1,898
Depreciation and amortisation	133	181
Political activities and publishing	1,000	3,810
Administration	1,119	1,756
Movement in pension scheme deficit	(235)	(775)
Finance, IT and telecommunication costs	3,468	3,815
	<u>16,989</u>	<u>19,869</u>

9. Campaign expenditure

	2009	2008
	£'000	£'000
European Elections	2,302	-

10. Interest payable

	2009	2008
	£'000	£'000
Bank loans	332	284
Other loans	9	1,105
Development fund loans	89	11
	<u>430</u>	<u>1,400</u>

11. Employees

	2009	Restated 2008
	£'000	£'000
Staff related expenditure comprises:		
Wages and salaries	7,761	7,460
Social security costs	750	775
Other pension costs	786	733
Other costs	350	216
	<u>9,647</u>	<u>9,184</u>

Notes to the financial statements

11. Employees (continued)

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

	Full time	Part time	Total
At 31 December 2009	182	44	226
At 31 December 2008	172	36	208
At 31 December 2007	170	43	213
Average for 2009	181	44	225
Average for 2008	177	38	215

The above figures include both head office and regional staff. The figures also include various persons employed on short-term contracts in the information technology, communications, conference and design and publishing departments.

12. Irrecoverable VAT

	2009	2008
	£'000	£'000
Irrecoverable VAT expensed in the year	646	(862)

Included within Irrecoverable VAT is an amount of £71,450 (2008: £2,145,072) of VAT recovered in respect of prior years together with related interest of £57,302 (2008: £2,456,124), included within Interest Receivable, which the Party reclaimed from HM Revenue and Customs in 2009 following a precedent set under case law by the ruling on the Conde Nast case.

13. Surplus from Party activities before taxation

	2009	2008
	£'000	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	467	436
Auditors' remuneration - audit services	(66)	(60)
- non-audit services	(46)	(598)
Operating lease charge - property	(687)	(748)
- equipment	(237)	(428)

14. Taxation

	2009	2008
	£'000	£'000
<i>Current tax</i>		
Taxation on taxable income	-	688

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

	2009	2008
	£'000	£'000
Tax on profit at the main rate of 28%	(578)	(2,187)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(6,925)	(7,337)
Non-taxable income	7,503	8,836
Timing differences	-	-
Losses not utilised	-	-
Capital gains indexation allowance claimed	-	-
	-	688

Factors that may affect future tax changes

If the Party were to sell its re-valued investment and other freehold properties at their balance sheet values it is estimated that a tax liability of £290,000 (2008: £347,000) would arise. However, no sales that may give rise to a significant liability are envisaged in the foreseeable future.

Notes to the financial statements

15. Tangible assets

	Long leasehold improvements	Freehold investment properties	Other freehold properties	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2009	1,065	1,591	1,424	4,080
Additions	-	941	555	1,496
Revaluations	-	2	(207)	(205)
At 31 December 2009	1,065	2,534	1,772	5,371
Depreciation				
At 1 January 2009	530	-	-	530
Depreciation in the year	133	-	-	133
At 31 December 2009	663	-	-	663
Net book value at 31 December 2009	402	2,534	1,772	4,708
Net book value at 31 December 2008	535	1,591	1,424	3,550

The historic cost for all properties is £3,272,000 (2008: £1,541,000). The most recent professional open market valuations were carried out as at 31 December 2009 by Jones Shackel Oldham Chartered Surveyors.

Properties are subject to an annual impairment review in accordance with note 1b.

16. Debtors and prepayments

	2009	2008
	£'000	£'000
Trade debtors	1,822	3,038
Prepayments and accrued income	895	921
Other debtors	317	4,798
	3,034	8,757

17. Creditors, accruals and deferred income

	2009	2008
	£'000	£'000
Trade creditors	1,934	1,211
Taxation and social security	926	1,002
Other creditors	750	698
Accruals and deferred income	2,140	3,253
	5,750	6,164

Notes to the financial statements

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

	2009	2008
	£'000	£'000
Bank loans	481	233
Other loans (see note 28)	7,476	9,466
	<u>7,957</u>	<u>9,699</u>

of which payable:

In one to two years	2,000	2,163
In two to five years	5,761	6,070
In more than five years	196	1,466
	<u>7,957</u>	<u>9,699</u>

The variable rate bank loans are secured on the properties held by Labour Party Properties Limited and also the assets of the Lionel Cooke Memorial Fund Limited.

19. Deferred tax

	£'000
Balance at 1 January 2009	-
Charge to income and expenditure account	-
Balance at 31 December 2009	<u>-</u>

Analysis of deferred taxation asset

	2009	2008
	£'000	£'000
Accelerated capital allowances	-	-
Sundry timing differences	-	-
	<u>-</u>	<u>-</u>
Deferred tax asset not recognised	-	-
	<u>-</u>	<u>-</u>

A consolidated deferred tax asset of £8,000 (21%) (2008: £17,000) has not been recognised. The rationale for this is that losses incurred to date are not considered to be recoverable. At 31 December 2009 the group had approximately £37,000 (2008: £82,000) of tax losses carried forward.

20. Provisions for liabilities and charges

	2009	2008
	£'000	£'000
Legal Provision	<u>120</u>	<u>225</u>

Legal advisors' estimate of potential liabilities.

21. Reserves

	General	Revaluation reserves	Total
	£'000	£'000	£'000
At 1 January 2009	(13,400)	1,284	(12,116)
Surplus for the year	2,066	-	2,066
Actuarial loss	(6,369)	-	(6,369)
Revaluation	-	(205)	(205)
At 31 December 2009	<u>(17,703)</u>	<u>1,079</u>	<u>(16,624)</u>

22. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2009:

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

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

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

Notes to the financial statements

23. Pension fund

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

The contributions of the Party and the employees are 14.2 per cent and 6 percent of salaries respectively. The Party continues to monitor the scheme's funding ratios on a regular basis and further increases in employer contributions may be necessary to address any persistent scheme deficits.

Financial Reporting Standard 17 'Retirement benefits' (FRS 17)

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the Society as at 31 December 2009. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. Actuarial gains and losses have been recognised in the period in which they occur, but outside the profit and loss account, through the Statement of Recognised Gains and Losses (STRGL).

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main Financial Assumptions

	2009	2008
Discount rate for society liabilities	5.70%	6.10%
Rate of general long term increase in salaries	4.60%	4.35%
Inflation	3.60%	2.85%
Pension increases prc April 1997	2.25%	2.00%
Pension increases April 1997 to April 2005	3.40%	2.80%
Pension increases post April 2005	2.25%	2.00%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 27 years if they are male and for a further 29 years if they are female. For a member who retires in 2024 at age 60 the assumptions are that they will live on average for a further 29 years after retirement if they are male and for a further 31 years after retirement if they are female.

Assets in the Scheme and their expected rates of return as at 31 December 2009

Main asset categories	Long term rate of return expected as at 31 December 2009	Value as at 31 December 2009 £'000
Equities	7.75%p.a.	20,680
Fixed interest bonds	4.50%p.a.	1,887
Index linked bonds	4.25%p.a.	11,775
Property	7.75%p.a.	3,678
Cash and other	0.60%p.a.	720
Total market value		38,740

Assets in the Scheme and their expected rates of return as at 31 December 2008

Main asset categories	Long term rate of return expected as at 31 December 2008	Value as at 31 December 2008 £'000
Equities	7.50%p.a.	17,194
Fixed interest bonds	4.00%p.a.	1,908
Index linked bonds	4.00%p.a.	11,261
Property	6.50%p.a.	-
Cash and other	2.00%p.a.	4,503
Total market value		34,866

The Labour Party employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is derived by aggregating the expected return for each asset class over actual asset allocation for the Society at 31 December 2009.

Actual return on Society assets

	2009 £'000	2008 £'000
Expected return on Society assets	1,544	2,291
Actuarial gain/(loss) on Society assets	2,114	(7,420)
Actual return on Society assets	3,658	(5,129)

Notes to the financial statements

23. Pension fund (continued)

Reconciliation of funded status to balance sheet

	2009	2008
	£'000	£'000
Fair value of Society assets	38,740	34,866
Present value of funded defined benefit obligations	(45,400)	(35,392)
Asset/(liability) recognised on the balance sheet	(6,660)	(526)

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

	2009	2008
	£'000	£'000
Opening defined benefit obligation	35,392	38,110
Current service cost	480	555
Interest cost	2,140	2,190
Contributions by Society participants	384	347
Actuarial gains/(losses) on Society liabilities*	8,483	(4,182)
Net benefits paid out	(1,479)	(1,628)
Closing defined benefit obligation	45,400	35,392

* Includes changes to the actuarial assumptions.

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

	2009	2008
	£'000	£'000
Opening fair value of Society assets	34,866	40,048
Expected return on Society assets	1,544	2,291
Actuarial gains/(losses) on Society assets	2,114	(7,420)
Contributions by the employer	1,311	1,228
Contributions by Society participants	384	347
Net benefits paid out	(1,479)	(1,628)
Closing fair value of Society assets	38,740	34,866

Analysis of amounts recognised in STRGL

	2009	2008
	£'000	£'000
Actual return less expected return on Society assets	2,114	(7,420)
Changes in assumptions underlying the present value of Society liabilities	(8,483)	4,181
Actuarial (loss) recognised in STRGL	(6,369)	(3,239)

The cumulative total of recognised actuarial gains and losses is £16,921,000.

Analysis of profit and loss charge

	2009	2008
	£'000	£'000
Current service cost	480	555
Interest cost	2,140	2,190
Expected return on Society assets	(1,544)	(2,291)
Expense recognised in profit and loss	1,076	454

The Party expects to contribute £1,360,000 to its defined benefit scheme in 2010.

History of asset values, DBO and surplus/deficit in Society

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Fair value of Society assets	38,740	34,866	40,048	39,792	36,595
Defined benefit obligation	(45,400)	(35,392)	(38,110)	(40,145)	(42,893)
	(6,660)	(526)	1,938	(353)	(6,298)

History of experience gains and losses

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Experience gains/(losses) on Society assets	2,114	(7,420)	(1,673)	1,116	3,905
Experience gains/(losses) on Society liabilities	(1,741)	-	(70)	886	(163)

Notes to the financial statements

24. Lease commitments

At 31 December 2009, the Party's annual commitments under various non-cancellable operating leases were as follows:

	2009	2008
	£'000	£'000
Operating leases which expire:		
Within one year	72	30
In the second to fifth years inclusive	973	359
Over five years	-	699
	1,045	1,088

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

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

	2009	2008
	£'000	£'000
Operating surplus for the year before taxation	2,066	7,122
Depreciation and impairment charges	133	133
Interest payable on long term finance	275	194
Decrease/(increase) in debtors and prepayments	5,723	(6,145)
(Decrease)/increase in creditors and accruals	(414)	887
Actuarial loss on pension scheme	(6,369)	(3,239)
Increase in pension liabilities	6,134	2,464
(Decrease)/increase in provisions for liabilities and charges	(105)	225
Net cash flow from operating activities	7,443	1,641

26. Analysis of net debt

	1 Jan 2009	Cash flow	31 December 2009
	£'000	£'000	£'000
Cash at bank and in hand	4,457	2,810	7,267
Development fund loans	(5,510)	(112)	(5,622)
Overdrafts and short term loans, excluding element of long term bank loans falling due within one year	(3,491)	(27)	(3,518)
Bridging loan (*)	(1,265)	1,259	(6)
Other loans falling due within one year	(2,000)	-	(2,000)
	(7,809)	3,930	(3,879)
Long term bank loans: included in Creditors: amounts falling due after one year	(233)	(248)	(481)
Other loans: included in Creditors: amounts falling due after one year	(9,466)	1,990	(7,476)
	(9,699)	1,742	(7,957)
Total	(17,508)	5,672	(11,836)

(*) Facility to cover Annual Conference security costs, subsequently reimbursed by the Home Office. Facility for 2009 was repaid in January 2010.

Notes to the financial statements

27. Related party transactions

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

	£'000
Development fund loans	
Loans payable at 1 January 2009	5,510
Additional loans made available	506
Loans repaid	(394)
Loans payable at 31 December 2009	<u>5,622</u>

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

The Party also provides Constituency Labour Parties, all of which are accounting units, with a proportion of the membership revenues which are raised centrally, and makes charges for insurance, computers and electoral data all of which are determined on a commercial basis. The income receivable is included within "Other income" for 2009.

28. Other loans

As at 31 December 2009 the party has received the following amounts (loan plus accrued interest):

Name	Total due at 31 December 2009	Total due at 31 December 2008
Due in less than one year:	£'000	£'000
Nigel Morris	223	140
Derek Tullett	82	47
Gordon Crawford	-	212
Dr Chai Patel	339	215
Rod Aldridge	223	141
Barry Townsley	230	145
Richard Caring	432	273
Sir David Garrard	471	293
Andrew Rosenfeld	-	534
	2,000	2,000
Due in more than one year:		
Sir David Garrard	1,733	2,210
Rod Aldridge	844	1,063
Barry Townsley	868	1,095
Richard Caring	1,630	2,058
Nigel Morris	840	1,060
Derek Tullett	273	357
Dr Chai Patel	1,288	1,623
	7,476	9,466
	9,476	11,466

The rates of interest applicable to these unsecured loans range from 0.0% - 6.5%.