



The Liberal Democrats (The Federal Party)

Reports and Financial Statements

Year Ended

31 December 2009

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

Preamble to the Federal Party constitution.

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2009

Contents

	Party Officers
Page:	
2	Report of the Party Officers
5	Statement of Registered Treasurer's responsibilities
6	Report of the independent auditors
7	Income and expenditure account
8	Statement of total recognised gains and losses
10	Balance sheet
11	Cash flow statement
12	Notes forming part of the financial statements

Party Officers

Registered Officers under PPERA

Leader:	Rt Hon. Nick Clegg MP	
Registered Treasurer:	Duncan Greenland	
Nominating officer:	Lord Rennard	to Sept 2009
Nominating officer:	Sarah Morris	from Sept 2009
Campaigns officer:	Lord Rennard	to Sept 2009
Campaigns officer:	Chris Fox	from Sept 2009
Deputy campaigns officer:	Martin Hayman	
Deputy campaigns officer:	Joanne Foster	

Other Officers

Party President:	Baroness Ros Scott	
Vice President:	Brian Orrell	to Dec 2009
Vice President:	Jonathan Davies	from Jan 2010
Vice President:	Audrey Findlay	to Dec 2009
Vice President:	Prof John Last CBE	
Treasurer:	Lord Clement-Jones	
Chief Executive:	Lord Rennard	to Sept 2009
Interim Chief Executive:	Chris Fox	from Sept 2009

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

Party Headquarters

4 Cowley Street, London, SW1P 3NB

Auditors

Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2009

1. *Administrative information*

Committees

The following committees operate within the party to oversee and manage the organisation's business. The terms of reference for each committee are contained within the party's constitution. The Chairs of the respective committees are:

Federal Executive – Baroness Ros Scott	
Campaigns & Communications – Ed Davey MP	to Sept 2009
Campaigns & Communications – Willie Rennie	from Sept 2009
Policy – Nick Clegg MP	
Finance and Administration – Duncan Greenland	
International Relations – Robert Woodthorpe-Browne	
Conference – Duncan Brack	

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

Conference is organised by the Federal Conference Committee (FCC), membership of which is defined by article 6.10 of the constitution.

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

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

The Federal Finance & Administration Committee (FFAC) is a sub-committee of the FE responsible for the planning and administration of the budget and finances of the Federal Party, directing the administration of the Federal Party and ensuring compliance of the party at all levels with the provisions of the Political Parties, Elections and Referendums Act 2000 as amended by the Electoral Administration Act 2009. The FFAC is also responsible for the appointment of the Federal Party's auditors and ensuring that there are adequate financial controls and systems in place. Membership of the FFAC is defined by article 8.2 of the constitution.

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

The International Relations Committee (IRC) is responsible for the party's international liaison. Its membership consists of representatives of the state and parliamentary parties, LDYS, LIBG, ELDR and individuals elected by Conference representatives.

As a result of the Party Reform Commission's recommendations the Chief Officer's Group (COG) was established to co-ordinate the work of the Federal, English & Parliamentary Parties. The COG is chaired by the Party Leader and consists of the

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2009

Chairs of the FFAC, FCC, CCC, POLD and the English Party, the Leaders of the Scottish & Welsh parties, the Party's President and Treasurer, and the Chief Executive of the Federal Party. Its role is to set the strategic objectives of the party and ensure its effective execution including overall preparations for elections, presentation, image and media relations and planning and monitoring the budget and finances of the Party.

Following another of the Party Reform Commission's recommendations, the Party Trustees took on the role of an Audit & Compliance Board including meeting with the auditors and receiving their reports, and ensuring compliance with the Party's procedures for the acceptance of significant donations including consideration of the dangers to the Party's reputation as well as strict legal compliance with PPERA.

A Fundraising Board has also been established to oversee the Party's fund raising function.

Elected representatives

The party's elected representatives are shown at Annex A. In addition there are 72 Liberal Democrat members of the House of Lords, 16 Liberal Democrat members of the Scottish Parliament, 6 Liberal Democrat members of the Welsh Assembly and 3 Liberal Democrat members of the Greater London Authority. As of May 2010 there were approximately 4,400 Liberal Democrat Councillors.

Staffing

The principal permanent members of staff are:

Chief Executive - Lord Rennard	to Sept 2009
Interim Chief Executive – Chris Fox	from Sept 2009
Director of Campaigns – Hilary Stephenson	
Director of Finance – Nigel Bliss ACA	
HQ Director – Ben Stoneham	
Director of Marketing, Fundraising and Members' Services – David Loxton	
Head of International Office – Paul Speller	
Director of Policy and Communications – Chris Fox	from March 2009

Membership

As at 31 December 2009 there were 58,768 members of the party (2008 – 59,810).

Accounting Units

The party now has 503 accounting units registered with the Electoral Commission. The following changes were made in the reporting period:

Kettering & Wellingborough merged
Corby re-established
Newham became a branch of London Region
Thanet North became a branch of South East Region

2. *Review of political activities*

Conferences

The party held two conferences during the year:

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2009

- Spring
- Autumn

Spring

The 2009 spring conference was held in March in Harrogate. In the auditorium there were powerful debates on reforming the financial sector, higher education and child care with the party offering positive alternatives to the other parties' policies.

Autumn

The autumn conference was held in September in Bournemouth. Policy debates were held on civil liberties, energy and climate change, and policing amongst other subjects. Interspersed with these were speeches by front bench spokespersons including Vince Cable, Sarah Teather and Lynne Featherstone painting vivid pictures of what a truly liberal and democratic society could look like.

Policy development

In January 2009 the party held a one-day conference to discuss a wide range of policy areas including how to create a progressive society, Europe and social mobility.

At the spring conference the party held consultative sessions open to all members on consumers, women and youth. Consultative sessions were held at the autumn conference on disability, localism and quality of life.

Elections and campaigns

The May 2009 local elections were delayed until June so that they coincided with the elections to the European Parliament. The local elections consisted of the county councils and a number of unitary authorities. The Party did well to take overall control of Bristol and gained seats in such diverse areas as Cumbria, Essex and Kent. Sadly these were offset by the loss of control of Devon and Somerset County Councils, which contributed to the Party losing 2 seats overall.

Despite the reduction of the UK's number of seats in the European Parliament from 78 to 72 seats the Party did well to win 11 seats, representing a net gain of one seat from the notional 2004 result.

In the Norwich North by-election the Party held onto third place with 14% of the vote.

In October Dave Hodgson was elected Mayor of Bedford in a by-election following the death of the incumbent. The Party moved from third to first place in first preferences and secured a majority over the Conservatives of over 2,000.

3. *Financial Review*

The general fund produced a surplus for the year of £126,296. Following an actuarial loss on the closed final salary scheme of £165,000 and transfers of £25,000 to specific reserve funds, this resulted in the accumulated deficit increasing from £245,905 to £309,609 at the end of 2009.

Although the deficit on the pension scheme increased by £72,000 this was after the Party had made additional contributions of £90,800 as part of a plan to eliminate the

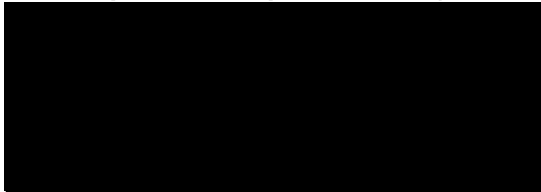
The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2009

deficit. The actuarial loss of £165,000 was partly due to poor returns on the scheme's assets, but also to changes in the demographic and financial assumptions affecting the cost of providing benefits. The Party is continuing to meet its obligations as agreed with the scheme actuary. The next triennial valuation of the scheme will take place as at 1 April 2010.

The campaign fund saw significant increases in both income and expenditure as the Party geared up for the imminent general election. The deficit of £308,763 was actually below that budgeted for the year of £368,823 but on an almost 50% higher level of turnover.

Without the disappointing result for the pension scheme the Party would have achieved a very satisfactory result for a pre-election year.



Duncan Greenland
Registered Treasurer
28 June 2010

The Liberal Democrats (The Federal Party)

Statement of Registered Treasurer's responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Section 41 of the Act requires that the Registered Treasurer is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the party at that time and to enable him to ensure that the financial statements comply with the Act. He is also responsible for safeguarding the assets of the party and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 43 of the Act requires that the Treasurer is responsible for delivery of the statement of accounts to the Electoral Commission by the required deadline.

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

We have audited the financial statements of the Liberal Democrats (The Federal Party) for the year ended 31 December 2009 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of Registered Treasurer and auditors

The responsibilities of the Registered Treasurer for preparing the annual report and 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 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 and the requirements of the Political Parties, Elections and Referendums Act 2000. We also report to you if, in our opinion, the Report of the Party Officers 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 read the Report of the Party Officers 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the party's affairs as at 31 December 2009 and of its deficit for the year then ended and have been properly prepared in accordance with the accounting policies set out therein and the requirements of the Political Parties, Elections and Referendums Act 2000.


Mazars LLP

Chartered Accountants and Registered Auditors
Tower Bridge House
St Katharine's Way
London
E1W 1DD

28 June 2010

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2009

	Note	General fund £	Campaign fund £	Total 2009 £	Total 2008 £
Income					
Donations		710,462	1,959,992	2,670,454	1,542,840
Membership and subscription fees		890,352	-	890,352	807,765
Newspaper income	11	135,085	-	135,085	147,403
Affinity income		40,427	-	40,427	39,436
Grants	5	453,109	-	453,109	437,372
Conference income	10	1,130,910	-	1,130,910	1,184,173
Investment income	6	206	1,657	1,863	43,201
Notional income	7	-	11,411	11,411	163,160
Recharges to party bodies	12	862,824	128,375	991,199	954,258
Other	8	118,980	53,223	172,203	153,648
		<u>4,342,355</u>	<u>2,154,658</u>	<u>6,497,013</u>	<u>5,473,256</u>
Expenditure					
Conference expenditure	10	588,647	-	588,647	625,726
Newspaper expenditure	11	99,670	-	99,670	115,966
Fund raising expenditure		78,565	36,128	114,693	141,964
Depreciation and amortisation	4	2,786	10,533	13,319	42,050
Campaign expenditure		329,000	2,104,325	2,433,325	1,601,981
Staff costs	2	1,623,753	245,944	1,869,697	1,753,184
Premises & office costs		658,807	51,713	710,520	684,235
Interest payable and bank charges	9	41,355	3,019	44,374	31,480
Notional expenditure	7	-	11,411	11,411	163,160
Grants to party bodies	13	392,258	-	392,258	449,913
Expenditure recharged to other party bodies		113,611	-	113,611	113,759
Charges from other party bodies		215,708	-	215,708	199,538
Audit fees	4	13,000	-	13,000	12,500
Bad debt provision		2,608	-	2,608	694
Other		56,248	-	56,248	77,806
		<u>4,216,016</u>	<u>2,463,073</u>	<u>6,679,089</u>	<u>6,013,956</u>
Surplus/(deficit) before taxation		126,339	(308,415)	(182,076)	(540,700)
Taxation	14	(43)	(348)	(391)	(8,965)
Surplus/(deficit) for the year		126,296	(308,763)	(182,467)	(549,665)

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 26 form part of these financial statements

The Liberal Democrats (The Federal Party)
Statement of total recognised gains and losses
For the year ended 31 December 2009

	Note	2009 £	2008 £
Deficit for the financial year		(182,467)	(549,665)
Actuarial loss on pension scheme		(165,000)	(121,000)
Total recognised gains and losses for the year		<u>(347,467)</u>	<u>(670,665)</u>

The notes on pages 12 to 26 form part of these financial statements

The Liberal Democrats (The Federal Party)
Balance Sheet as at 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	15		43,177		15,782
Current assets					
Debtors	17	645,101		607,427	
Cash at bank and in hand		<u>566,772</u>		<u>846,871</u>	
		1,211,873		1,454,298	
Creditors: amounts falling due within one year	18	<u>(1,018,399)</u>		<u>(957,962)</u>	
Net current assets			<u>193,474</u>		<u>496,336</u>
Total assets less current liabilities			236,651		512,118
Creditors: amounts falling due after More than one year	19		<u>-</u>		<u>-</u>
Net assets excluding pension deficit			236,651		512,118
Pension deficit	20		(127,000)		(55,000)
Net assets			<u>109,651</u>		<u>457,118</u>
Reserves					
General Fund	21		(309,609)		(245,905)
Campaign Fund	21		344,260		653,023
Reserve Fund 1	21		45,000		30,000
Reserve Fund 2	21		30,000		20,000
Total Funds			<u>109,651</u>		<u>457,118</u>

The financial statements were approved by the Federal Finance & Administration Committee on 28 June 2010


Duncan Greenland
Registered Treasurer

The notes on pages 12 to 26 form part of these financial statements

The Liberal Democrats (The Federal Party)
Cash Flow Statement
For the year ended 31 December 2009

	Note	2009 £	2008 £
Net cash outflow from operating surplus before returns on investments and servicing of finance	24	(232,283)	(577,630)
Returns on investment and servicing of finance			
Interest received		1,863	43,201
UK Tax paid		(8,965)	(14,156)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(40,714)	-
Decrease in cash	25	<u>(280,099)</u>	<u>(548,585)</u>

The notes on pages 12 to 26 form part of these financial statements

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards and the principles set out in the Electoral Commission's 'Statement of Accounts Guidance Notes'.

The following principal accounting policies have been applied:

Income recognition

Income is recognised when all of the following conditions have been met:

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

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

- Donations of monetary assets and liquid investments are recognised in the income and expenditure account on receipt. Donations of notional income are recognised on receipt at the relevant market value of the donation received with an expense of the same amount being recognised contemporaneously.
- Grants are recognised in the income and expenditure account when the conditions for receipt have been met.
- Membership and subscription fees are recognised on a receipts basis.
- Legacies are recognised when the personal representatives of the deceased have notified the party of the legacy, they have obtained grant of representation and there are no significant matters outstanding concerning the precise division of the estate.
- Newspaper and conference income, and the State Party Levy are recognised on an accruals basis.
- Interest receivable is recognised in the income and expenditure account on an accruals basis.

Depreciation

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

Motor vehicles	-	5 years
Computer equipment	-	3 years
Bespoke computer software	-	5 years
Office equipment	-	3-5 years

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

1 Accounting policies (continued)

Basis of preparation

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

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

The financial statements have been drawn up on the going concern basis, which the Federal Executive regard as appropriate due to the on-going support of party members.

Recharged expenditure

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

Leased assets

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

Pension benefit

Defined benefit pension scheme:

Pension liabilities are measured at their present value using the projected unit method in accordance with actuarial assumptions that are reviewed at each balance sheet date. Pension assets are measured at fair value. The net pension liability or asset, after deferred tax, is recognised in the balance sheet.

The service cost of providing pension benefits to employees for the year is charged to the income and expenditure statement. A charge representing the unwinding of the discount on the scheme liabilities during the year is included within other finance charges.

Defined contribution scheme:

Contributions to the party's defined contribution pension scheme are charged to the income and expenditure account in the year in which they become payable.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

2 Employees

	2009 £	2008 £
Staff costs consist of:		
Wages and salaries	1,344,814	1,260,354
Social security costs	131,856	123,896
Other pension costs	90,515	97,183
Other staff costs	302,512	271,751
	<u>1,869,697</u>	<u>1,753,184</u>

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

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

2009 Number	2008 Number
<u>46</u>	<u>46</u>

3 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2009 (2008 - £nil).

4 Deficit before tax

	2009 £	2008 £
This has been arrived at after charging:		
Auditors' remuneration - audit services	13,000	12,500
Operating lease charge - property	225,000	225,000
- equipment	32,285	32,790
Depreciation	<u>13,319</u>	<u>42,050</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

5 Grants received

	2009 £	2008 £
Policy development grant	453,109	437,372
	<u> </u>	<u> </u>

6 Investment income

	2009 £	2008 £
Interest receivable	1,863	43,201
	<u> </u>	<u> </u>

7 Notional income and expenditure

	2009 £	2008 £
This comprises:		
Services	11,411	163,160
	<u> </u>	<u> </u>

8 Other income

	2009 £	2008 £
Westminster Foundation for Democracy management fee	81,880	49,107
Treasurer's Unit income	53,223	51,721
Miscellaneous income	37,100	52,820
	<u>172,203</u>	<u>153,648</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

9 Interest payable and similar charges

	2009 £	2008 £
Bank charges	44,374	31,480

10 Surplus on conferences

	2009 £	2008 £
Income	1,130,910	1,184,173
Expenditure		
Direct costs	588,647	625,726
Premises & office costs	18,356	32,172
Staff costs	150,919	171,400
Increase in bad debt provision	2,775	694
Total expenditure	760,697	829,992
Surplus for the year	370,213	354,181

11 Deficit on Liberal Democrat News

	2009 £	2008 £
Income	135,085	147,403
Expenditure		
Direct costs	99,670	115,966
Premises & office costs	1,652	2,810
Staff costs	43,157	40,255
Bad debt provision	(167)	-
Total expenditure	144,312	159,031
Deficit for the year	(9,227)	(11,628)

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

12 Recharges to party bodies

	2009 £	2008 £
Fixed cross charge to State Parties	422,011	412,971
Variable cross charge to State Parties	82,619	96,511
Charges to other party bodies	486,569	444,776
	<u>991,199</u>	<u>954,258</u>

13 Grants to party bodies

	2009 £	2008 £
Grants to SAOs	124,459	128,078
Grants to other party bodies	267,799	321,835
	<u>392,258</u>	<u>449,913</u>

14 Taxation on deficit from ordinary activities

	2009 £	2008 £
Taxation on party's investment income	391	8,965
	<u>391</u>	<u>8,965</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

15 Tangible assets

	Computer Hardware £	Computer Software £	Office Equipment £	Motor Vehicles £	Total £
<i>Cost</i>					
At 1 January 2009	81,750	176,289	179,609	21,120	458,768
Additions	-	-	40,714	-	40,714
At 31 December 2009	81,750	176,289	220,323	21,120	499,482
<i>Depreciation</i>					
At 1 January 2009	80,630	175,792	165,444	21,120	442,986
Charge for the year	1,120	497	11,702	-	13,319
At 31 December 2009	81,750	176,289	177,146	21,120	456,305
<i>Net book value</i>					
At 31 December 2009	-	-	43,177	-	43,177
At 31 December 2008	1,120	497	14,165	-	15,782

16 Accounting units and similar affiliated organisations

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

There are 506 registered accounting units. Details of these units are available from party headquarters.

17 Debtors

	2009 £	2008 £
Trade debtors	-	1,780
Amounts owed by Liberal Democrat related entities	288,245	301,698
Other debtors	63,529	60,094
Prepayments and accrued income	293,327	243,855
	645,101	607,427

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

18 Creditors: amounts falling due within one year

	2009 £	2008 £
Amounts owed to Liberal Democrat related entities	83,708	58,276
Trade creditors	-	25,559
Other taxation and social security	91,941	77,466
Corporation tax	567	9,141
Other creditors	33,791	33,557
Accruals and deferred income	708,392	403,963
Other loans	100,000	350,000
	<u>1,018,399</u>	<u>957,962</u>

19 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Other loans	-	-
	<u>-</u>	<u>-</u>

20 Pension deficit

	Pension deficit £
Balance at 1 January 2009	(55,000)
Movement in pension deficit	(72,000)
Balance at 31 December 2009	<u>(127,000)</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

21 Reconciliation of movements in funds

	General Fund £	Campaign Fund £	Reserve Fund 1 £	Reserve Fund 2 £	Total £
At 1 January 2009	(245,905)	653,023	30,000	20,000	457,118
Deficit for the year	(38,704)	(308,763)	-	-	(347,467)
Transfers between funds	(25,000)	-	15,000	10,000	-
At 31 December 2009	(309,609)	344,260	45,000	30,000	109,651

The Reserve Funds represent amounts set aside for designated activities determined by FFAC.

22 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2008: £nil).

23 Lease commitments

Operating lease payments that the party is committed to making in the year ending 31 December 2009 are:

	2009 £	2008 £	2009 £	2008 £
Operating leases which expire:				
	Land & Buildings	Land & Buildings	Other	Other
Within 1 year	-	-	4,059	17,155
Within 2 to 5 years	-	-	3,700	11,818
After 5 years	225,000	225,000	-	-
	225,000	225,000	7,759	28,973

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

24 Net cash outflow from operating deficit before tax, returns on investment and servicing of finance

	2009 £	2008 £
Operating deficit before taxation	(347,076)	(661,700)
Depreciation	13,319	42,050
(Increase)/decrease in debtors	(37,674)	16,689
Increase in creditors	69,011	64,532
Increase in provisions	72,000	4,000
Net cash outflow from operating deficit before tax	(230,420)	(534,429)
Investment income	(1,863)	(43,201)
	(232,283)	(577,630)

25 Reconciliation of net cash outflow to movement in net funds

	2009 £	2008 £
Decrease in cash in the year	(280,099)	(548,585)
Loans converted to donations	250,000	-
Change in net debt resulting from cash flows	(30,099)	548,585)
Opening net funds	496,871	1,045,456
Closing net funds	466,772	496,871

26 Analysis of net funds

	At 1 January 2009 £	Cash flow £	At 31 December 2009 £
Cash	846,871	(280,099)	566,772
Loans	(350,000)	250,000	(100,000)
Net funds	496,871	(30,099)	466,772

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

27 Pensions

The party sponsors the Liberal Headquarters 1975 Retirement Fund which is a funded defined benefit arrangement. A full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2007 and updated on an approximate basis to 31 December 2009.

The total contributions made by the employer over the period have been £108,659, equivalent to approximately 41% of pensionable pay plus the expenses of administration and special contributions of £9,500 payable monthly until April 2009 and thereafter at 56% of pensionable salary and special contributions of £6,600 payable monthly until March 2012. This level of contribution is to continue until reviewed following completion of the triennial valuation as at 1 April 2010.

The best estimate of contributions to be paid by the employer to the scheme for the accounting year beginning after 31 December 2009 is £99,500.

Present values of scheme liabilities, fair value of assets and deficit

	31/12/09 £'000s	31/12/08 £'000s	31/12/07 £'000s
Fair value of scheme assets	663	579	916
Present value of scheme liabilities	790	634	967
Deficit in scheme	(127)	(55)	(51)

As all actuarial gains and losses are recognised, the deficit shown above is that recognised in the balance sheet.

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	Period ending 31/12/09 £'000s	Period ending 31/12/08 £'000s
Scheme liabilities at start of period	634	967
Current service cost	13	18
Interest cost	40	55
Actuarial losses	103	18
Benefits paid, death in service insurance premiums and expenses	-	(424)
Scheme liabilities at end of period	<u>790</u>	<u>634</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

Reconciliation of opening and closing balances of fair value of scheme assets

	Period ending 31/12/09 £'000s	Period ending 31/12/08 £'000s
Fair value of scheme assets at start of period	579	916
Expected return on scheme assets	34	57
Actuarial losses	(62)	(103)
Contributions by employer	112	133
Benefits paid, death in service insurance premiums and expenses	-	(424)
Fair value of scheme assets at end of period	<u>663</u>	<u>579</u>

The actual return on the scheme assets over the period ending 31 December 2009 was (£22,000).

Total expense recognised in income and expenditure account

	Period ending 31/12/09 £'000s	Period ending 31/12/08 £'000s
Current service cost	13	18
Interest cost	40	55
Expected return on scheme assets	<u>(34)</u>	<u>(57)</u>
Total expense recognised in income and expenditure account	<u>19</u>	<u>16</u>

Statement of total recognised gains and losses

	Period ending 31/12/09 £'000s	Period ending 31/12/08 £'000s
Difference between expected and actual return on scheme assets: gain/(loss)	(62)	(103)
Experience gains and losses arising on the scheme liabilities: gain/(loss)	(8)	(74)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: gain/(loss)	(95)	56
Total amount recognised in statement of total recognised gains and losses: gain/(loss)	<u>(165)</u>	<u>(121)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 1 January 2004 is (£89,000).

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

Assets

	31/12/09 £'000s	31/12/08 £'000s	31/12/07 £'000s
With profit policy	<u>663</u>	<u>579</u>	<u>916</u>

None of the fair values of the assets shown include any of the party's own financial instruments or any property occupied by, or other assets used by, the party.

Assumptions

	31/12/09 % per annum	31/12/08 % per annum	31/12/07 % per annum
Inflation	3.70	2.90	3.20
Salary increases	5.80	5.00	5.20
Rate of discount	5.70	6.30	5.90
Allowance for pension in payment increases	5.00	5.00	5.00
Allowance for revaluation of deferred pensions	5.00	5.00	5.00
Allowance for commutation of pension for cash at retirement	Nil	Nil	Nil

The mortality assumptions adopted at 31 December 2009 are 100% of the standard tables PxA92 with Year of Birth improvements in accordance with the Medium Cohort improvement tables for males and females. These imply the following life expectancies:

Male retiring at 65 in 2009	22.0 years
Female retiring at 65 in 2009	24.9 years
Male retiring at 65 in 2028	23.1 years
Female retiring at 65 in 2028	25.9 years

Expected long term rates of return

The expected return on bonds is determined by reference to UK long dated gilts and bond yields. The expected rate of return on equities is determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions. The expected return on the with profit policy is determined by blending the expected returns based on the target asset allocation of the with profit fund.

The expected long term rates of return applicable at the start of each period are as follows:

	01/01/09 % per annum	01/01/08 % per annum
With profit policy	5.30	6.10
Overall for scheme	5.30	6.10

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

Amounts for the current and previous four periods

	31/12/09 £'000s	31/12/08 £'000s	31/12/07 £'000s	31/12/06 £'000s	31/12/05 £'000s
Fair value of assets	663	579	916	821	1,090
Present value of scheme liabilities	790	634	967	954	1,359
Deficit in scheme	(127)	(55)	(51)	(133)	(269)
Experience adjustment on scheme assets	(62)	(103)	(18)	44	106
Experience adjustment on scheme liabilities	(8)	(74)	(45)	(82)	63

Other post-retirement benefit schemes

The Federal Party contributes to personal pension schemes held in the names of individual employees. The assets of these schemes are held separately from those of the Federal Party in independently administered funds. The pension cost charge represents contributions payable to these funds and amounted to £90,515 (2008: £97,183). At 31 December 2009, contributions amounting to £22,308 (2008: £17,897) were payable to these funds and are included within other creditors in note 18.

28 Contingent liabilities

During the year ended 31 December 2005, the Party received donations totalling £2,419,065 from 5th Avenue Partners Limited ("5th Avenue"). After due enquiry, the Party treated these as permissible donations in accordance with the Political Parties, Elections and Referendums Act 2000. The Electoral Commission have completed their investigation into these donations and concluded in November 2009 that there is no reasonable basis to conclude that the true donor was someone other than 5th Avenue. The Electoral Commission will be taking no further action in the case.

On 11 September 2008, the Party was issued with a claim in relation to a donation of £632,000 received by the Party from 5th Avenue on 30 March 2005. The claim was defended and stayed indefinitely on 3 November 2008. The Party's lawyers have advised that it is very unlikely that this claim, or any claims in respect of these donations, would be successful, therefore no provision has been made in the Party's financial statements for the repayment of such sums.

29 Related entity transactions

The Federal Executive is chaired by the President of the Party to whose office the Federal Party paid grants in the year amounting to £5,000 (2008: £5,000).

The Federal Party is also related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received levies from these bodies amounting to £890,352 (2008: £807,765) and recharged expenditure totalling £991,199 (2008:

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2009

£954,258). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £721,577 (2008 - £763,210).

The amount owed by related entities at 31 December 2009 was £288,245 (2008: £301,698) and amount owed to related entities was £83,708 (2008: £58,276).

Significant balances owed by related entities are as follows:

Parliamentary Office of the Liberal Democrats	£90,832
The Liberal Democrats in England	£20,920
The Welsh Liberal Democrats	£18,960
South Central Region Liberal Democrats	£10,974
London Region Liberal Democrats	£10,381
North Dorset Liberal Democrats	£10,000

Elected Representatives

Annex A

As of 10 May 2010 the party had the following elected representatives

Westminster Parliament	
Danny Alexander	Michael Moore
Norman Baker	Greg Mulholland
Alan Beith	Tessa Munt
Gordon Birtwistle	John Pugh
Tom Brake	Alan Reid
Annette Brooke	Dan Rogerson
Jeremy Browne	Bob Russell
Malcolm Bruce	Adrian Sanders
Paul Burstow	Robert Smith
Lorely Burt	Andrew Stunell
Vincent Cable	Ian Swales
Menzies Campbell	Jo Swinson
Alistair Carmichael	Sarah Teather
Nick Clegg	John Thurso
Mike Crockart	David Ward
Edward Davey	Steve Webb
Tim Farron	Mark Williams
Lynne Featherstone	Stephen Williams
Don Foster	Roger Williams
Andrew George	Jenny Willott
Stephen Gilbert	Simon Wright
Duncan Hames	
Mike Hancock	European Parliament
Nick Harvey	Catherine Bearder
David Heath	Sharon Bowles
John Hemming	Chris Davies
Martin Horwood	Andrew Duff
Simon Hughes	Bill Newton Dunn
Chris Huhne	Fiona Hall
Mark Hunter	Sarah Ludford
Julian Huppert	Liz Lynne
Charles Kennedy	George Lyon
Norman Lamb	Diana Wallis
David Laws	Graham Watson
John Leech	
Stephen Lloyd	