



United Kingdom Independence Party

Report and Accounts

31 December 2006

**UK Independence Party
Report and Accounts
31 December 2006**

	Page
Party information	1
Report of the Party Officers	2 - 4
Statement of Treasurer's responsibilities	5
Report of the Independent auditors	6
Income and Expenditure account	7
Balance sheet	8
Cash flow statement	9
Notes to the accounts	10 - 13

UK Independence Party
Party Information

Party Officers

Party Leader: Nigel Farage MEP
Party Chairman: John Whittaker MEP
Party Treasurer: Bruce Lawson FCA
Registered Nominating Officer: Alan Wood

Party Headquarters

Lexdrum House
PO Box 408
Newton Abbot
TQ12 9BG

Auditors

CK Partnership Ltd
1 Old Court Mews
311, Chase Road
London
N14 6JS

**UK Independence Party
Report of the Party Officers
For the year ended 31 December 2006**

Introduction - Foreword by the Party Chairman

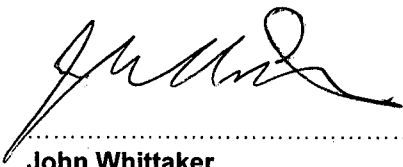
The Party continued to attract support from across the political spectrum during the year and we were pleased to welcome several members joining us from the main political parties, in particular two members of the House of Lords.

This is a result of growing disillusionment with the old parties and indeed with the political process itself. It is also a result of growing acceptance that UKIP is more than a 'single issue' party. We published policy papers on education and taxation during the year, and groups were established to develop our portfolio of policies over the range of domestic areas. However, our core policy remains that of taking Britain out of the European Union, as we recognise that many issues of concern to people cannot be properly addressed until this occurs.

In October 2006, Roger Knapman completed his four year term as Party Leader, and we thank him for his guidance and experience during a period of remarkable growth, which included the 2004 Euro Election in which UKIP polled 2.7 million votes. Nigel Farage was elected as the new leader by a majority vote of all party members, according to procedures laid down in the party constitution. Nigel has been a major player in the Party's development since its formation in 1993, and we look forward to further success under his leadership.

In June 2006, the Party's Head Office moved from Birmingham to Bovey Tracey in Devon. All matters concerning membership and communication with branches and constituency organisations are now handled from this headquarters, which has already gained a reputation for efficient administration. I am determined that we continue to build this professionalism as party membership grows and as the legal compliance and reporting requirements become more onerous.

I thank fellow party officers, colleagues on the National Executive, those who have stood as candidates for our Party, donors and volunteers for their continuing support.



**John Whittaker
Party Chairman**

22 JUNE 2007

**UK Independence Party
Report of the Party Officers
For the year ended 31 December 2006**

Administrative Information

Staff

Average numbers during the year

	<u>2006</u>	<u>2005</u>
Officers (Unpaid)	3	3
Other staff	4	3

Following the decision of the NEC to move its administration office to Bovey Tracey, Devon the Birmingham facility was closed in July 2006. Many party members near the Bovey Tracey office provided valuable assistance in running the party's administrative and membership records and assisting with election matters on a voluntary basis.

Accounting Units

The number of accounting units registered with the Electoral Commission at 31 December 2006 was approximately 250

Membership

Membership at the year end was approximately 16,000 , and at the date of this report 16,700.

Corporate Governance

The National Executive is the governing body of the UK Independence Party and is responsible for all operational matters including fundraising, membership and rules for candidate selection and compliance with the legislative requirements of the party. It is made up of representatives from members of the party, who are elected to serve terms of up to three years. There is no restriction on re-election to the Executive.

The Executive meets approximately once a month as needs demand and works closely with the senior management of the party, elected representatives and the voluntary membership. The Executive has a number of sub-committees.

The Party Treasurer reviews the adequacy of the internal control system in meeting the party's requirements under PPERA every six months. As in the previous year the party has arranged an audit of the accounts by independent auditors under Electoral Commission guidelines.

**UK Independence Party
Report of the Party Officers
For the year ended 31 December 2006**

Review of Political Activities

Elections

The party contested some 350 seats in the local elections in May 2006 and the by-election in Bromley in which third position was achieved, ahead of the Labour Party

Policy Development

During 2006, the party published papers and taxation. Groups consisting of party members and other experts have now been established to produce policy papers in the major domestic policy areas.

Campaigning

UKIP continued to campaign during the year for Britain to leave the European Union, against the break up of our country into regions and we remained vigilant for signs of any attempt to adopt the Euro in Britain by the Labour Government and their allies in the other parties.

Treasurer's Financial Review

Donations and notional income (Notes 2 and 3) have played an important role, as ever, in financing the Party and amounted to £254,470 of which £92,348 was reportable to the Electoral Commission. Special thanks are due as ever to Alan Bown and also Charles Robertson, whose donations and loan to Head Office have been reported. In addition, our thanks go to John Whittaker, Tony Gatling, Graham Booth and James Watling for donations to other accounting units within the Party.

More than 1,000 other members have contributed, particularly to the Bromley By-Election campaign, and we applaud the generosity of members and supporters, whatever the size of their donations.

Campaign Expenditure - The Bromley By-Election was the dominant feature of the year under review. In addition, to central party sourced materials, and advertising board sites, regional committees and branches funded other activities.

The accounts show only funds of the central party. The branches and regions are registered as accounting units with the Electoral Commission, and have separate financial identities and produce their own financial statements - reporting to the Electoral Commission separately if the size of their turnover makes it necessary.

Although this report only refers to the central party, it is appropriate to thank the diligence of treasurers in all accounting units.

**Bruce Lawson F.C.A.
Party Treasurer**

22nd June 2007

**UK Independence Party
Statement of Treasurer's Responsibilities
Accounts for the year ended 31 December 2006**

The Treasurer of the party is required by the Political Parties, Elections and Referendum Act 2000 to prepare accounts 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 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the party will continue in business.

S41 of the Act requires that the Treasurer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the party and to enable them 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.

UK Independence Party
Independent auditor's report
To the Treasurer of the UK Independence Party

We have audited the accounts of the UK Independence Party for the year ended 31 December 2006 which comprise pages 7 to 13. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Treasurer of the UK Independence Party and in accordance with S43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the Treasurer those matters we are required to state to him 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 Treasurer, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Treasurer and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Political Parties, Elections and Referendums Act 2000 and the Statement of Accounts Guidance and other directions issued by the Electoral Commission thereunder. We also report to you if, in our opinion, the Overview is not consistent with the financial statements, if the party has not kept accounting records and if we have not received all the information and explanations we require for our audit.

We read the Overview 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 United Kingdom Auditing Standards 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 Treasurer in the preparation of the financial statements, and 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 accounts 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 accounts give a true and fair view of the state of the party's affairs as at 31 December 2006 and of its surplus for the year then ended and have been properly prepared in accordance with the accounting policies set out on page 10 and the requirements of the Political Parties, Elections and Referendums Act 2000.



C.K.Partnership Ltd
Registered Auditor
5th July 2007

**UK Independence Party
Income and Expenditure Account
For the year ended 31 December 2006**

	Notes	2006 £	2005 £
Donations	2	184,122	271,807
Membership and subscription fees		168,345	181,381
Fundraising		6,741	6,134
Trading activities - merchandising		4,807	5,272
Legacies		1,000	-
Interest received		464	201
Notional income reported to the Electoral Commission		70,348	208,250
Other		-	<u>3,907</u>
Total income		<u>435,827</u>	<u>676,952</u>
Notional expenditure	3	(70,348)	(208,250)
Wages and salaries		(53,958)	(22,441)
Running costs	15 & 16	(185,301)	(232,827)
Depreciation		(2,324)	(3,518)
Loss on disposal		-	(229)
Campaign expenditure	4	(92,626)	(197,777)
Conferences		<u>(11,021)</u>	<u>(250)</u>
Total expenditure		<u>(415,578)</u>	<u>(665,292)</u>
Surplus for the financial year	17	<u>20,249</u>	<u>11,660</u>
Accumulated deficit at 1 January 2006		<u>(47,315)</u>	<u>(58,975)</u>
Accumulated deficit at 31 December 2006		<u>(27,066)</u>	<u>(47,315)</u>

All amounts relate to continuing activities

**UK Independence Party
Balance Sheet
As at 31 December 2006**

	Notes	£	2006 £	£	2005 £
Fixed assets					
Tangible assets	6		6,971		8,590
Current assets					
Stocks		1,810		5,810	
Accrued income and prepayments		5,928		0	
Cash at bank and in hand		<u>37,764</u>		<u>14,874</u>	
		<u>45,502</u>		<u>20,684</u>	
Current liabilities					
Creditors and accrued expenses	8	<u>(69,939)</u>		<u>(56,372)</u>	
Net current liabilities			<u>(24,437)</u>		<u>(35,688)</u>
Total assets less current liabilities			(17,466)		(27,098)
Creditors - amounts falling due after more than one year	9 & 10		<u>(9,600)</u>		<u>(20,217)</u>
			<u>(27,066)</u>		<u>(47,315)</u>
Reserves					
General fund	11		<u>(27,066)</u>		<u>(47,315)</u>
			<u>(27,066)</u>		<u>(47,315)</u>

Presented to the N.E.C. by the Treasurer on 18 June 2007 and approved by them subject to audit.

In accordance with the Constitution these financial statements are presented by the Party Treasurer for reception at an Annual Meeting of Party Members.

**Bruce Lawson F.C.A.
Treasurer**

**UK Independence Party
Cash Flow Statement
For the year ended 31 December 2006**

	Notes	2006 £	2005 £
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus		20,249	11,660
Depreciation charge/loss on disposal		2,324	3,747
(Increase)/Decrease in stocks		4000	(1,170)
Decrease/(Increase) in debtors		(5928)	2,409
Decrease/(Increase) in creditors		<u>(7270)</u>	<u>(30,130)</u>
Net cash inflow/(outflow) from operating activities		<u>13375</u>	<u>(13,484)</u>
CASH FLOW STATEMENT			
Net cash inflow/(outflow) from operating activities		13375	(13,484)
Capital expenditure(net)	18	<u>(705)</u>	<u>(4,473)</u>
Increase/(Decrease) in cash		<u>12670</u>	<u>(17,957)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the year		<u>12670</u>	<u>(17957)</u>
Change in net debt	19	12670	(17957)
Net funds at 1 January 2006		<u>14,874</u>	<u>32,831</u>
Net funds at 31 December 2006		<u>27,544</u>	<u>14,874</u>
Analysis of changes in net debt			
	<u>At Jan 06</u>	<u>Cashflows</u>	<u>At Dec 06</u>
Cash at bank and in hand	14874	22890	37764
Overdraft	<u>0</u>	<u>(10220)</u>	<u>(10220)</u>
	<u>14874</u>	<u>12670</u>	<u>27544</u>

**UK Independence Party
Notes to the Accounts
For the year ended 31 December 2006**

1. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office and computer equipment and furniture	25% straight line
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Stock

Stock is valued at the lower of cost or net realisable value.

Financial accounting

The head office financial accounts do not include income and expenditure of UKIP regions or branches/constituency associations. Financial administration of the substantial activities at by-elections and constituency campaigns are dealt with at the appropriate level.

Income

Subscriptions are included in the accounts as and when received. It was felt appropriate to dispense with the concept of deferred income. An insignificant number of long term memberships have been received and these are not refundable in any circumstances. Following a recommendation by the Treasurer, the National Executive Committee agreed that a three year write off in the years 2005,2006 and 2007 be appropriate. The effect on the 2006 accounts is £20,617. Deferred income at the balance sheet date will be written off as £20,617 in 2007.

Expenditure

Expenditure is recognised in the period in which it is incurred and amounts payable at the year end are recorded as Trade Creditors.

Notional income and expenditure

Notional income and expenditure is defined in the Political Parties Elections and Referendums Act 2000. Where an organisation or individual bears the cost of goods/services that a party would otherwise have been liable for, that cost is referred to as notional expenditure and conversely the party is deemed to have received notional income.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the party can meet its obligations as and when they fall due. The National Executive Committee are confident that funds will be available to meet the Party's liabilities as they fall due.

UK Independence Party
Notes to the Accounts
For the year ended 31 December 2006

	2006	2005
	£	£
2. Donations		
Donations reported to the Electoral Commission under S62 PPERA	22,000	151,600
Donations under reportable limit	<u>162,122</u>	<u>120,207</u>
	<u>184,122</u>	<u>271,807</u>

	2006	2005
	£	£
3. Notional expenditure		
Promotional literature and other services	<u>70,348</u>	<u>208,250</u>
	<u>70,348</u>	<u>208,250</u>

	2006	2005
	£	£
4. Campaign expenditure		
General elections	0	197,777
Bromley by-election	88,518	0
Local and other elections expenditure	<u>4,108</u>	<u>0</u>
	<u>92,626</u>	<u>197,777</u>

	2006	2005
5. Staff		
<i>Average number of employees during the year</i>		
Officers (unpaid)	3	3
Other staff	<u>4</u>	<u>3</u>
	<u>7</u>	<u>6</u>

Party Officers

Officers registered as at 31 December 2006 under PPERA were:

Party Leader: Nigel Farage MEP
 Party Chairman: John Whittaker MEP
 Party Treasurer: Bruce Lawson FCA
 Registered Nominating Officer: Alan Wood

The table analyses the total emoluments paid to officers and senior management by showing the number of senior managers, which fall within bands of total emoluments.

	2006	2005
Total Emoluments		
£10,000 - £20,000	1	2
0 - £10,000	1	0

None of the officers received any additional benefits either paid or in kind during 2006. The officers' posts are not currently salaried.

**UK Independence Party
Notes to the Accounts
For the year ended 31 December 2006**

6. Tangible fixed assets	Computer and office equipment and furniture	Total
<i>Cost</i>	£	£
At 1 January 2006	24,490	24,490
Additions	<u>705</u>	<u>705</u>
At 31 December 2006	<u>25,195</u>	<u>25,195</u>
<i>Depreciation</i>		
At 1 January 2006	15,900	15,900
Charge for the year	<u>2,324</u>	<u>2,324</u>
At 31 December 2006	<u>18,224</u>	<u>18,224</u>
<i>Net Book Value</i>		
At 31 December 2006	<u>6,971</u>	<u>6,971</u>
At 31 December 2005	<u>8,590</u>	<u>8,590</u>

7. Accounting units and similar affiliated organisations

The UK Independence Party is constituted under S26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with accounting units. The number of accounting units registered with the Electoral Commission at 31 December 2006 was approximately 250.

	2006	2005
	£	£
8. Creditors due within one year		
Bank overdraft	10,220	-
Trade creditors	37,547	32,018
Other taxes and social security costs	1,955	4,137
Deferred income	<u>20,217</u>	<u>20,217</u>
	<u>69,939</u>	<u>56,372</u>

9. Creditors due after one year

	£	£
Deferred income	0	20,217
Commercial loan	<u>9,600</u>	<u>0</u>
	<u>9,600</u>	<u>20,217</u>

10. Commercial Loan

The Party has one loan of £9,600 which is secured by guarantee of a party member. A Commercial rate of interest is paid on this loan and has been paid up to 5 April 2007.

	2006	2005
	£	£
11. General fund		
At 1 January 2006	(47,315)	(58,975)
Retained surplus	<u>20,249</u>	<u>11,660</u>
At 31 December 2006	<u>(27,066)</u>	<u>(47,315)</u>

**UK Independence Party
Notes to the Accounts
For the year ended 31 December 2006**

12. Analysis of net debt	At 1 Jan 2006 £	Cash Flows £	Non Cash Changes £	At 31 Dec 2006 £
Cash at bank and in hand	<u>14,874</u>	<u>12670</u>	-	<u>27,544</u>

There is an overdraft of £10,220 within Note 8.

13. Related parties

As at 1st January 2004, the party entered into a new three year lease agreement with Mr Mike Natrass MEP for the new headquarters located at 123 New John Street, Birmingham. The party also currently leases a PABX telephone system from Mr Mike Natrass. The party vacated the premises during the year and paid Mr Natrass £1,500.

14. Contingent Liabilities

There is a contingent liability in the accounts relating to an action against the party taken by the Electoral Commission for impermissible donations to the Party in 2005. The liability cannot be quantified at this time, but it has been underwritten by a third party.

15. Running Costs

		2006 £	2005 £
Auditors' remuneration	2005 Audit	7,279	10,696
Auditors' remuneration	General Election Audit	-	5,288
Property rentals and costs		9,037	10,213
Telecommunication		15,012	7,997
Other costs		<u>153,973</u>	<u>198,633</u>
		<u>185,301</u>	<u>232,827</u>

16. Other Costs

	2006 £	2005 £
A breakdown is as follows: 2005		198,633
Office costs	16,149	
Bank charges and interest	2,741	
Miscellaneous	7,576	
Printing and stationery	19,505	
Motor and travel expenses	9,835	
Postage	13,121	
Website	5,605	
Fine - late filing	1,000	
Independence News	50,829	
Consultancy fees	21,963	
Leadership Election	<u>5,649</u>	
	<u>153,973</u>	<u>198,633</u>

A breakdown of other costs is included for the first time and will continue to be included.

17. Total recognised gains and losses related to the year

Surplus for the financial year	<u>20,249</u>	<u>11,660</u>
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18. Gross cash flows

Capital expenditure

Payments to acquire tangible fixed assets	705	6,649
Receipts from sales of tangible fixed assets.	-	(2,176)
	<u>705</u>	<u>4,473</u>