



United Kingdom Independence Party

Report and Accounts

31 December 2005

**UK Independence Party
Report and Accounts
31 December 2005**

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**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: Dennis Brookes
(As at 31 December 2006)

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

**U.K. Independence Party
Report of the party officers
For the year ended 31 December 2005**

Introduction – Foreword by the Party Chairman

In 2005 The UK Independence Party consolidated its position, following the remarkable 2.7 million votes (over 16% of the national vote) it obtained in the 2004 European elections under the then Leader, Roger Knapman MEP.

I would like to express our thanks and gratitude to Roger for his sterling work and experienced judgement over the 4 years of his Leadership (up to September 2006), which has seen the Party develop and enjoy major electoral success, and also to his kind and generous wife, Carolyn.

We now welcome Nigel Farage, MEP, as our newly elected Leader, who has been dedicated to UKIP since its foundation in 1993, and wish him all the best in taking the party forward to more successes.

Subsequent to the 2004 election, UKIP's 10 MEPs have been highly active in the UK, and European Parliament through the Independence and Democracy Group (which represents MEPs from 10 different nations) opposing the ongoing tide of EU diktats, the 70% of UK laws, 120,000 Directives and Regulations and £50 billion plus annual cost forced on the UK by the European Union. Much good work has been done in highlighting the dangers and costs of the EU through the media, and at local level.

The General Election of May 2005 could not match the results of 2004 under the first past the post electoral system, though UKIP fielded candidates in over 400 constituencies, and obtained up to 10% of the vote in some of those constituencies – demonstrating a powerful position in influencing national electoral results where a few percentage points can determine the result.

Latterly, the South Staffordshire By-Election of June 2005 saw UKIP obtaining 10.3% of the vote, within a few votes of third place. This followed the pushing of the Conservatives into fourth place in the Hartlepool By-Election of October 2004, and preceded a similar vote obtained in the later 2006 Bromley By-Election, which saw UKIP drive the Labour Party down into fourth place.

The combination of such By-Election results have now made media and political commentators acknowledge that UKIP has become a major force in Westminster By-Elections. UKIP is also building its local council presence, and was boosted by a number of defections to it from the other three major parties.

In common with other political parties, UKIP's membership numbers and income fell back post the major activity of the General Election. This necessitated a re-examination of the full-time Ashford Call Centre, which provided an excellent impetus for the Euro Elections, but whose costs latterly outweighed its benefits in raising income.

Call functions were transferred to a number of volunteer centres around the UK in Spring 2006, and the Birmingham office transferred to a new Head Office at Lexdrum House in Devon (opened in July 2006).

**David Campbell Bannerman
Party Chairman (until December 2006)**

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For the year ended 31 December 2005**

Administrative Information

Staff

Average numbers during the year

	<u>2005</u>	<u>2004</u>
Officers (Unpaid)	3	3
Other staff	3	3

The party administration officers continued in Birmingham throughout 2005.

Many party members from the West Midlands area provided assistance in running the party's administration and membership records on a voluntary basis.

Following the decision of the NEC to move it's administration office to Newton Abbot, Devon the Birmingham facility was closed in July 2006.

Accounting Units

The number of accounting units registered with the Electoral Commission at 31 December 2005 was 258. During the year 64 net additional units were registered as a result of many new branch formations.

Membership

Membership at the year end was approximately 19,000 compared to 26,000 in the previous year.

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, including manifesto, leader's consultation ("cabinet"), standing orders, finance, elections and conferences. The executive members are responsible for the development of policy, and additionally members are encouraged to recommend policy which is then presented to and consulted on with the party membership at the annual conference. This forms the basis of the party's election manifesto.

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 2005**

Review of Political Activities

Elections

The General Election in May 2005 saw a very substantial increase in our total vote from the 2001 General Election figure. It is clear that following the European Parliament successes of 2004 the party achieved high voter recognition and better results. More candidates were fielded than ever before, securing over 600,000 votes.

All UKIP candidates for the General Election were chosen by their constituency associations.

Policy Development

The party undertakes it's policy development using the knowledge and research by members, and UKIP does not benefit from Policy Development Grants paid to the other national parties. UKIP welcomes the proposals by the Electoral Commission in it's recent report on funding of political parties, under which funds would be distributed according to representation in a wider range of assemblies.

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.

The decisions by the French and the Dutch electorates to reject the European Constitution in their respective referenda were welcomed unequivocally and UKIP felt that campaigning by it's MEPs following their 2004 admission to the EU Parliament may have been a significant factor. UKIP were extremely disappointed at the Government's decision to defer the promised referendum on the European Constitution, and thus deny the electorate the chance to express their dissatisfaction or otherwise with the EU.

**U.K. Independence Party
Report of the party officers
For the year ended 31 December 2005**

Treasurer's Financial Review

Membership declined somewhat during the year following the 2004 Euro Election success. Some new members did not renew a second time. At the year end membership stood at approximately 19,000 and is now 17,500.

Donations have played an important role as ever in financing the Party and amounted to £271,807. Special thanks are due especially to Alan Bown, Mike Natrass, Charles Robertson, Roger Knapman, Derek Clark, whose donations to Head Office have been reported on the Electoral Commission website, and to John Whittaker and Oliver Marriott for donations elsewhere in the party. Many other members have contributed, and we applaud the generosity of members and supporters whatever the size of their donation. It should be noted that the central party receives no benefit from the first year of new memberships arranged through branches and regions of the Party. The renewal income will continue to be lower than the membership would appear to indicate, but once the deferred income is fully written out by the 31 December, 2007 (see page 11), this anomaly should cease.

Campaign expenditure – the 2005 General Election and subsequent by-election were dominant features of the year under review. In addition, to central party source materials and advertising board sites, regional committees and branches funded significant local candidate activities, as did many candidates themselves. The Party acknowledges the generosity and hard work of members, candidates and supporters.

Although outside the period of this report, a very substantial sum of over £100,000 was raised as a result of a general appeal to members in the run up to the Bromley By-Election in June 2006. For the first time UKIP was able to fight a by-election on equal financial terms, and the surplus unused of £23,000 will be ring fenced in a by-election account ready for the future.

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

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

Bruce Lawson

31st December 2006

UK Independence Party
Statement of Treasurer's Responsibilities
Accounts for the year ended 31 December 2005

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 2005 which comprise pages 8 to 14. 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 2005 and of its surplus for the year ended and have been properly prepared in accordance with the accounting policies set out on page 11 and the requirements of the Political Parties, Elections and Referendums Act 2000.



C.K.Partnership Ltd
Registered Auditor
23rd January 2007

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

**UK Independence Party
Income and Expenditure Account
For the year ended 31 December 2005**

	Notes	2005	2004
		£	£
Donations	2	271,807	122,561
Membership and subscription fees		181,381	198,813
Fundraising		6,134	45,597
Trading activities - merchandising		5,272	51,922
Legacies		-	1,000
Interest received		201	149
Notional income reported to the Electoral Commission		208,250	1,316,765
Other		<u>3,907</u>	<u>7,852</u>
Total income		<u>676,952</u>	<u>1,744,659</u>
Notional expenditure	3	(208,250)	(1,316,765)
Wages and salaries		(22,441)	(81,274)
Running costs	15	(232,827)	(228,778)
Depreciation		(3518)	(4,054)
Loss on disposal		(229)	0
Campaign expenditure	4	(197,777)	(66,915)
Conferences		<u>(250)</u>	<u>(4,763)</u>
Total expenditure		<u>(665,292)</u>	<u>(1,702,549)</u>
Surplus for the financial year	16	<u>11,660</u>	<u>42,110</u>
Accumulated deficit at 1 January 2005		<u>(58,975)</u>	<u>(101,085)</u>
Accumulated deficit at 31 December 2005		<u>(47,315)</u>	<u>(58,975)</u>

All amounts relate to continuing activities

**UK Independence Party
Balance Sheet
As at 31 December 2005**

	Notes	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	6		8,590		7,864
Current assets					
Stocks		5,810		4,640	
Debtors - other debtors		0		2,409	
Cash at bank and in hand		<u>14,874</u>		<u>32,831</u>	
		<u>20,684</u>		<u>39,880</u>	
Current liabilities					
Creditors and accrued expenses	8	<u>(56,372)</u>		<u>(74,574)</u>	
Net current liabilities			<u>(35,688)</u>		<u>(34,694)</u>
Total assets less current liabilities			<u>(27,098)</u>		<u>(26,830)</u>
Creditors - amounts falling due after more than one year	9		<u>(20,217)</u>		<u>(32,145)</u>
			<u>(47,315)</u>		<u>(58,975)</u>
Reserves					
General fund	10		<u>(47,315)</u>		<u>(58,975)</u>
			<u>(47,315)</u>		<u>(58,975)</u>

Presented to the N.E.C. by the Treasurer on 4 December 2006 and approved by them.

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 2005

	Notes	2005 £	2004 £
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus		11,660	42,110
Depreciation charge/loss on disposal		3,747	4,054
(Increase)/Decrease in stocks		(1,170)	882
Decrease/(Increase) in debtors		2,409	(921)
Decrease/(Increase) in creditors		<u>(30,130)</u>	<u>(13,506)</u>
Net cash inflow/(outflow) from operating activities		<u>(13,484)</u>	<u>32,619</u>
CASH FLOW STATEMENT			
Net cash inflow/(outflow) from operating activities		(13,484)	32,619
Capital expenditure(net)	17	<u>(4,473)</u>	<u>(2,128)</u>
Increase/(Decrease) in cash		<u>(17,957)</u>	<u>30,491</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the year		<u>(17,957)</u>	<u>30,491</u>
Change in net debt	11	(17,957)	30,491
Net funds at 1 January 2005		<u>32,831</u>	<u>2,340</u>
Net funds at 31 December 2005		<u>14,874</u>	<u>32,831</u>

UK Independence Party
Notes to the Accounts
For the year ended 31 December 2005

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, other than freehold land, 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

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

Suscriptions are included in the accounts as and when received. It was felt appropriate to dispense with the concept of deferred income during the year. An insignificant number of long term memberships are now being 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 2005 accounts is £20,617. Deferred income at the balance sheet date will be written off as to £20,617 in 2006 and £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 2005**

	2005	2004
	£	£
2. Donations		
Donations reported to the Electoral Commission under S62 PPERA	151,600	12,020
Donations under reportable limit	<u>120,207</u>	<u>110,541</u>
	<u>271,807</u>	<u>122,561</u>

	2005	2004
	£	£
3. Notional expenditure		
Services and campaign expenditure	<u>208,250</u>	<u>1,316,765</u>
	<u>208,250</u>	<u>1,316,765</u>

	2005	2004
	£	£
4. Campaign expenditure		
General elections	197,777	0
Regional assembly elections	0	(10,925)
European elections	<u>0</u>	<u>77,840</u>
	<u>197,777</u>	<u>66,915</u>

	2005	2004
5. Staff		
<i>Average number of employees during the year</i>		
Officers (unpaid)	3	3
Other staff	<u>3</u>	<u>3</u>
	<u>6</u>	<u>6</u>

Staff

Staff continued to run the Birmingham administrative head office. This facility was closed subsequent to the year end.

Many party members from the West Midlands area provided assistance in the running of the party's administration and membership records on a voluntary basis.

On 1 September 2005 the national party acquired the Ashford call centre from the South East region. It was subsequently run down in 2006, three staff being made redundant, and at the date of these accounts the premises are effectively closed, but available for future use.

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: Dennis Brookes

(It was felt appropriate that the previous Chairman's Report should be used on page 2 in view of Mr Whittaker's December 2006 appointment.)

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

	2005	2004
Total Emoluments		
£10,000 - £20,000	2	2

None of the officers received any additional benefits either paid or in kind during the period 2004 to 2005. The officer's posts are not currently salaried.

**UK Independence Party
Notes to the Accounts
For the year ended 31 December 2005**

6. Tangible fixed assets	Computer and office equipment and furniture	Total
<i>Cost</i>	£	£
At 1 January 2005	23,163	23,163
Additions	6,649	6,649
Disposals	<u>(5,322)</u>	<u>(5,322)</u>
At 31 December 2005	<u>24,490</u>	<u>24,490</u>
 <i>Depreciation</i>		
At 1 January 2005	15,299	15,299
Additions	2,176	2,176
Charge for the year	3,518	3,518
On disposals	<u>(5,093)</u>	<u>(5,093)</u>
At 31 December 2005	<u>15,900</u>	<u>15,900</u>
 <i>Net Book Value</i>		
At 31 December 2005	<u>8,590</u>	<u>8,590</u>
At 31 December 2004	<u>7,864</u>	<u>7,864</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 2005 was 258 (2004: 194 accounting units). During the year a net 64 additional units were registered as a result of many new branch formations, some terminations and selected de-registrations. Details of these units are available from the Electoral Commission website at www.electoralcommission.gov.uk.

8. Creditors due within one year	2005	2004
	£	£
Trade creditors	32,018	26,601
Other taxes and social security costs	4,137	11,629
Provisions, accruals and deferred income	<u>20,217</u>	<u>36,344</u>
	<u>56,372</u>	<u>74,574</u>

9. Creditors due after one year - deferred subscriptions	2005	2004
	£	£
Other creditors	-	2,838
Provisions, accruals and deferred income	<u>20,217</u>	<u>29,307</u>
	<u>20,217</u>	<u>32,145</u>

10. General fund	2005	2004
	£	£
At 1 January 2005	(58,975)	(101,085)
Retained surplus	<u>11,660</u>	<u>42,110</u>
At 31 December 2005	<u>(47,315)</u>	<u>(58,975)</u>

**UK Independence Party
Notes to the Accounts
For the year ended 31 December 2005**

11. Analysis of net debt	At 1 Jan 2005	Cash Flows	Non Cash Changes	At 31 Dec 2005
	£	£	£	£
Cash at bank and in hand	<u>32,831</u>	<u>(17,957)</u>	-	<u>14,874</u>

12. 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 combined annual property and equipment rental is £1,666.66.

In January 2004 a loan was made to UKIP by Mr Derek Clark who was at that time the Party Secretary. Mr Clark ceased to be Party Secretary on his election to the European Parliament on 10 May 2004. The loan amounted to £2,837 which remains outstanding. It is interest free and repayable by instalments over 3 years with a final payment due on 30 September 2007. Mr Clark has since the year end generously converted this sum into a donation.

13. Other financial commitments

At the year end the company had commitments under non-cancelled operating leases as set out below:

	Land and buildings	Land and buildings	Other	Other
	2005	2004	2005	2004
	£	£	£	£
Operating leases which expire within two to five years:	<u>1,667</u>	<u>1,667</u>	-	-

The property concerned was vacated in June 2006.

14. Contingent Liabilities

As at the year end there were no unprovided claims against the party.

15. Running Costs

		2005	2004
		£	£
Auditors' remuneration	2004 and 2005 Audit	10,696	3,000
Auditors' remuneration	General Election Audit	5,288	-
Auditors' remuneration	Non-audit services	-	2,646
Property rentals and costs		10,213	17,231
Telecommunication		7,997	13,309
Other costs		<u>198,633</u>	<u>192,592</u>
		<u>232,827</u>	<u>228,778</u>

16. Total recognised gains and losses related to the year

Surplus for the financial year	<u>11,660</u>	<u>42,110</u>
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17. Gross cash flows

Capital expenditure

Payments to acquire tangible fixed assets	6,649	2,128
Receipts from sales of tangible fixed assets.	<u>(2,176)</u>	<u>0</u>
	<u>4,473</u>	<u>2,128</u>