

POLICE FEDERATION JOINT FUND
(Established 1st November 1955)
(Police Act 1964)
The Police Federation Regulations 1969, Part III
The Police Federation (Amendment) Regulations 2004

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2010

GEORGE HAY & COMPANY
Chartered Accountants &
Statutory Auditors
83 Cambridge Street
Pimlico
London. SW1V 4PS

INFORMATION FOR THE YEAR ENDED 31ST DECEMBER 2010

CHAIRMAN	Paul McKeever Federation House Highbury Drive Leatherhead Surrey. KT22 7UY	
GENERAL SECRETARY	Ian Rennie Federation House Highbury Drive Leatherhead Surrey. KT22 7UY	
TREASURER	Martyn Mordecai Federation House Highbury Drive Leatherhead Surrey. KT22 7UY	
AUDITORS	George Hay & Company Chartered Accountants & Statutory Auditors 83 Cambridge Street Pimlico London. SW1V 4PS	
SOLICITORS	Pattinson & Brewer Solicitors 1 – 4 Singer Street London EC2A 4BQ	Russell Jones & Walker 50 – 52 Chancery Lane London WC2A 1HL
BROKERS	Rathbone Brothers Plc. Charlotte House 2 South Charlotte Street Edinburgh EH2 4AW	
BANKERS	National Westminster Bank Plc. Surbiton Branch 10 Victoria Road Surbiton Surrey. KT6 4JY	Lloyds TSB Bank Plc. Altius House 1 North Fourth Street Central Milton Keynes Buckinghamshire. MK9 1NJ

TREASURER'S ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2010

FOREWORD

It is my pleasure, on behalf of the Joint Central Committee, to present my second report as Treasurer of the Police Federation Joint Fund, together with the Financial Statements for the year ended 31st December 2010.

It has been another challenging year for the Federation having to deal with a number of policing issues in respect of our members, but I am pleased to report that the deficit of subscription income over expenditure for the year amounted to £1,813,260 compared to a deficit in the previous year of £2,646,676. I am pleased to report that Federation expenditure has been reduced considerably this year due to tighter control. The net cost of Federation House (formerly Charlton House Catering) has been reduced significantly compared to the previous year and full details are disclosed in Note 16.

Income from investments totalled £239,883 (2009: £191,589) and other income amounted to £103,676 (2009: £116,755). The surplus before capital gains was £1,469,050 compared to a surplus of £1,084,329 last year.

During the year our brokers have made further investments and the investments held at the end of the year showed a cost value of £7,366,216 (Market Value £8,435,764) compared to a previous year cost value of £5,535,185 (Market Value £5,923,234). It is encouraging to see that market value in excess of the cost value shows the portfolio is strong but we should remain cautious due to events which are outside the control of the Federation which could affect the markets.

The deficit before donations amounted to £1,813,260 (2009: £2,646,676) which includes provisions. As I stated in my speech at Conference last year, details are provided in Note 19 and include a provision for expenses to be incurred on the Winsor and Hutton report and legal expenses.

I would like to express my sincere thanks to the Separate Central Committees and the Branch Boards who gave donations during the year totalling £2,938,751 (2009: £3,422,661) as detailed in Note 8.

The retained surplus for the year after taxation amounted to £2,098,942 (2009: 1,499,583).

BALANCE SHEET

Page 6 details the Federation assets and liabilities and I am glad to say that the net assets now total £26,181,232 (2009: £24,082,290).

Loans to Joint Branch Boards have decreased to £155,324 compared to £249,597 last year and one loan was repaid during the year and no new loans were granted.

The deposit held by the Stockbrokers has decreased due to a significant proportion of this balance being invested in the stock market by our brokers.

The balance of the mortgage at the end of the year was £8,817,971 (2009: £10,666,530) after repayments being made during the year in accordance with the terms of the mortgage and £1,500,000 being repaid in accordance with the request of the Constables Central Committee.

INCOME

Subscription income has only increased by £1,347. Investment income from securities amounted to £159,869 (2009: £163,137), deposit and other interest amounted to £80,014 (2009: £28,452), which includes income from Government securities and bank deposits. Other income amounted to £103,676 (2009: £116,755) and includes £89,000 relating to referral fee income from Russell Jones and Walker.

TREASURER'S ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2010

EXPENDITURE

I am pleased to report that general expenditure of the Federation has reduced from £8,021,133 to £7,669,617 but unfortunately it has been necessary to provide a provision for a pension deficit on the staff pensions of £1,455,020 for which I have received confirmation from the pension actuaries. I am pleased to report that I have managed to reduce members legal fees from £13,119,449 to £11,220,046. One area of legal expenses which I am pursuing is to ensure costs are recovered where any case is successful. I perhaps should mention that a recent case which the Federation was successful in was commenced in the year 2000. One other area where legal expenses are now being incurred is due to police authorities now having a tendency to refer inquest cases to the Federation for financing arguing a conflict of interest with their duty to their Chief Constable. In August of last year the Federation employed an in-house solicitor who I am sure will keep those costs under control.

THE FUTURE

Quite clearly the Winsor and Hutton Report will have an impact on Federation income and expenditure. In the last two years the Federation has been fortunate to receive support from all three Central Committees and from Branch Boards towards expenditure and I hope that this support will continue in the future. From the 1st January 2011 subscriptions have increased as agreed at the 2010 conference in Bournemouth.

CONCLUSION

May I express my thanks to my deputy, George, for his support and all our staff in the Treasurer's Department. They all deal with an enormous workload in a very efficient manner and no Treasurer could operate without them.

.....
Martyn Mordecai

Treasurer

23rd March 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLICE FEDERATION JOINT FUND

We have audited the financial statements of the Police Federation Joint Fund for the year ended 31st December 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Fund's members, as a body, in accordance with Regulation 18 of the Police Federation Regulations 1969. Our audit work has been undertaken so that we might state to the Fund's 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 Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of management committee and auditors

As explained more fully in the Statement of Committees' Responsibilities set out on note 2 to the financial statements, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31st December 2010 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Police Federation Regulations and Fund Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Treasurer's Annual Report is not consistent with the financial statements; or
- the Fund has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

George Hay & Company
Chartered Accountants &
Statutory Auditors
83 Cambridge Street
London. SW1V 4PS

23rd March 2011

POLICE FEDERATION JOINT FUND

BALANCE SHEET AS AT 31ST DECEMBER 2010

	Note	As at 31 st December 2010 £	As at 31 st December 2009 £
FIXED ASSETS	3	29,383,828	29,771,571
INVESTMENTS	3	7,366,216	5,535,185
		<hr/>	<hr/>
		36,750,044	35,306,756
CURRENT ASSETS			
Loans	4	155,324	249,597
Stocks		64,044	94,239
Amounts due from Central Committees		3,469,099	5,013,755
Debtors and prepaid expenses		1,581,691	1,449,849
Deposits with stockbrokers		203,859	1,202,397
Cash at bank and in hand		2,928,268	813,862
		<hr/>	<hr/>
		8,402,285	8,823,699
LESS			
CURRENT LIABILITIES: falling due within one year			
Creditors and accrued expenses	5	(5,984,890)	(6,982,304)
		<hr/>	<hr/>
NET CURRENT ASSETS		2,417,395	1,841,395
LESS			
LIABILITIES: falling due after more than one year			
Creditors	6	(9,281,407)	(10,363,861)
PROVISIONS FOR LIABILITIES	19	(3,704,800)	(2,702,000)
		<hr/>	<hr/>
NET ASSETS		26,181,232	24,082,290
REPRESENTED BY			
Accumulated fund	17	26,181,232	24,082,290
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were presented to the Joint Central Committee on 23rd March 2011 and were signed on its behalf by:

Paul McKeever
Chairman

Martyn Mordecai
Treasurer

POLICE FEDERATION JOINT FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	2010 £	2009 £
INCOME			
Amounts receivable from Central Committees:			
Constables		14,660,293	14,693,515
Sergeants		3,025,216	2,970,118
Inspectors		1,133,415	1,153,944
		18,818,924	18,817,577
EXPENDITURE			
Members legal fees	9	11,220,046	13,119,449
Federation expenditure	10	9,124,637	8,021,133
Federation House charges	16	287,501	323,671
		20,632,184	21,464,253
DEFICIT OF SUBSCRIPTION INCOME OVER EXPENDITURE		(1,813,260)	(2,646,676)
Donations received	8	2,938,751	3,422,661
INCOME FROM INVESTMENTS			
Securities		159,869	163,137
Deposit and other interest		80,014	28,452
		239,883	191,589
Commissions received		12,383	8,474
Other income		91,293	108,281
		1,469,050	1,084,329
SURPLUS FOR THE YEAR BEFORE GAINS			
GAINS/(LOSSES) FOR THE YEAR BEFORE TAXATION			
Provision for impairment of investments		-	420,727
Profit/(Loss) on disposal of securities		154,990	(6,273)
Gain on disposal of fixed assets		-	800
		1,624,040	1,499,583
SURPLUS FOR THE YEAR BEFORE TAXATION			
TAXATION	20	(474,902)	-
RETAINED SURPLUS FOR THE YEAR		2,098,942	1,499,583

POLICE FEDERATION JOINT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	2010 £	2009 £
Net cash inflow/(outflow) from operating activities	13	4,753,879	(994,542)
Returns on investments and servicing of finance			
Income from securities		159,869	163,137
Interest received		80,014	28,452
Net inflow from returns of investments and servicing of finance		239,883	191,589
Investing activities			
Purchase of tangible fixed assets		(447,547)	(586,799)
Purchase of securities		(2,560,911)	(2,734,462)
Sale of tangible fixed assets		-	295,469
Sale of securities		884,870	314,403
Net cash (outflow)/inflow from investing activities		(2,123,588)	(2,711,389)
Net cash inflow/(outflow) before financing		2,870,174	(3,514,342)
Financing			
Repayment of loans granted		94,273	216,913
Long term loan/mortgage repayments		(1,848,579)	(346,142)
Increase/(Decrease) in cash and cash equivalents	15	1,115,868	(3,643,571)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010**1. ACCOUNTING POLICIES****Basis of preparation of the financial statements**

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards.

Fixed assets

Tangible fixed assets are stated at cost less depreciation. No depreciation is charged on freehold land and buildings. Depreciation has been calculated at rates required to write off the relevant assets over their anticipated useful lives. It is the Federation's policy to provide depreciation on assets when disposed of in the year of disposal so as to recognise the consumption of the fixed asset up until the date sold. The applicable annual rates are:

Plant & equipment	15 years straight line basis
Computer & office equipment	3 years straight line basis
Furniture, fittings & soft furnishings	8 years straight line basis
Motor vehicles	25% reducing balance basis
Leasehold premises	Term of lease
Freehold land & buildings	Not depreciated

No depreciation has been charged on freehold land and buildings, as it is the Committee's policy to maintain the buildings in a continual state of sound repair. The Committee considers that the lives of these assets are so long and the residual values so high that their depreciation is insignificant.

Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

The Federation is liable to Corporation Tax on the excess of its non-contribution income, chargeable gains and investment income over provident benefit payments.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Income and expenditure account

Expenditure is shown inclusive of irrecoverable Value Added Tax, where applicable, and is reported as part of the expenditure to which it relates.

Investments

Investments are stated at cost unless their market value is significantly less than the cost.

Derivative financial instruments and hedge accounting

The Fund is currently exposed to financial risk of interest rate fluctuations. The Fund manages this risk by using a risk management programme that seeks to limit the adverse effects on the financial performance of the Fund. The Fund manages its interest rate exposure and uses a combination of fixed rate debt and interest rate swaps. The fund does not undertake any trading activity in financial instruments. The interest rate exposure to the Fund is hedged to movements in interest rates associated with its borrowings primarily by means of interest rate swap and fixed rate agreements on financing. Interest payable and receivable are included within net interest payable.

Provisions

A provision is recognised in the balance sheet when the Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

Pensions

The Federation maintains both closed benefit scheme and operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Fund in an independently administered fund. The pension charges represent amounts payable by the Fund in respect of the year. Any unpaid contributions are included in creditors.

2. STATEMENT OF COMMITTEES' RESPONSIBILITIES

Regulation 18(2) of the Police Federation Regulations requires the Police Federation Joint Fund, in relation to Federation funds held by it to keep financial statements showing all monies received or paid out and to cause the financial statements for each year to be audited by an independent auditor. In causing the financial statements to be prepared, the Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements are prepared on the going concern basis unless it is appropriate to presume otherwise.

The Committee is responsible for keeping proper accounting records and for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010**3. FIXED ASSETS**

	Freehold land & buildings	Plant & equipment	Furniture, fittings & soft furnishings	Leasehold premises	Computer & office equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
As at 1 st January 2010	23,593,085	2,913,503	1,426,600	1,658,445	1,754,526	34,223	31,380,382
Additions	-	8,811	9,997	-	428,739	-	447,547
Disposals	-	-	-	-	-	-	-
As at 31 st December 2010	23,593,085	2,922,314	1,436,597	1,658,445	2,183,265	34,223	31,827,929
Depreciation							
As at 1 st January 2010	-	328,741	300,840	41,465	910,824	26,941	1,608,811
Charge	-	194,331	179,187	16,041	443,910	1,821	835,290
Disposals	-	-	-	-	-	-	-
As at 31 st December 2010	-	523,072	480,027	57,506	1,354,734	28,762	2,444,101
Net Book Value							
As at 31 st December 2010	23,593,085	2,399,242	956,570	1,600,939	828,531	5,461	29,383,828
As at 31 st December 2009	23,593,085	2,584,762	1,125,760	1,616,980	843,702	7,282	29,771,571

Included within Land and buildings is the cost of the land at £5,060,219.

Six leasehold premises were acquired in August 2006 with leases of 125 years.

INVESTMENTS

The cost of investments as at 31st December 2010 was £7,366,216 (2009:£5,535,185) with a market value of £8,435,764 (2009: £5,923,234). A summary of the holdings are shown below:

	Cost 2010 £	Market Value 2010 £
Fixed interest funds		
Fixed interest Government funds	640,443	668,134
Other fixed interest funds	818,425	864,798
Listed shares and units trusts	<u>5,907,348</u>	<u>6,902,832</u>
	<u>7,366,216</u>	<u>8,435,764</u>

4. LOANS

	2010 £	2009 £
Secured on one freehold and one leasehold Joint Branch Board properties	155,324	249,597

Secured loans due within one year amounted to £20,510 (2009: £52,617) and amounts due after more than one year were £134,814 (2009: £196,980).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010**5. CREDITORS: falling due within one year**

	2010 £	2009 £
Trade creditors	2,513,597	2,217,190
Other creditors and accruals	3,471,293	4,765,114
	<u>5,984,890</u>	<u>6,982,304</u>

6. CREDITORS: falling due after more than one year

	2010 £	2009 £
Pension Deficit	795,500	-
Mortgage	8,485,907	10,363,861
	<u>9,281,407</u>	<u>10,363,861</u>

In 2008 the Federation converted the loan facility into a 25 year term mortgage facility. The new mortgage facility is repayable in 300 consecutive instalments and interest is charged at a variable rate of 1.3% plus the bank's base rate. The Federation has entered into and has existing interest rate swap arrangements in place in an attempt to limit exposure in interest rate risk. The mortgage facility is secured by way of a fixed and floating charge over the Federation assets. The Federation is subject to mortgage covenants attached to the mortgage facility which stipulate that the Federation shall maintain accumulated reserves of £18,000,000. The total amount of mortgage outstanding at the year-end was £8,817,971 of which £332,064 is included in creditors due within one year and £8,485,907 is included in creditor due after more than one year.

During 2010 a re-costing exercise was undertaken by the actuaries, which concluded a deficit on the pension fund. The advice given was that £36,000 should be paid monthly until a total of £1,455,020 was paid into the fund. During the year £288,000 has been paid, £371,520 is shown within creditors falling due in one year and £795,500 in creditors falling due after more than one year. The scheme has now been closed and a Stakeholder Pension established in place of the old scheme.

7. CONTRIBUTION TOWARDS EXPENSES

	2010 £	2009 £
Contributions were received from the Home Office (Grant-in-Aid) towards the following expenses:		
<u>Grant-in-Aid:</u>		
PFEW Elected Officers salaries	61,569	61,569
Meetings	91,228	91,228
<u>Police Negotiating Board:</u>		
Meetings	102,357	102,357
Administration	29,209	29,209

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010**8. DONATIONS RECEIVED**

	2010	2009
	£	£
Avon & Somerset Police Federation	100,000	-
Bedfordshire Police Federation	33,000	-
Cambridgeshire Police Federation	40,320	-
Constables Central Committee	1,500,000	2,915,414
Dorset Police Federation	39,500	-
Durham Police Federation	25,000	-
Dyfed Powys Police Federation	10,000	-
Essex Police Federation	97,740	-
Greater Manchester Police Federation	81,140	-
Gwent Police Federation	14,030	-
Hampshire Police Federation	100,000	-
Humberside Police Federation	30,780	-
Inspectors Central Committee	-	45,000
Kent Police Federation	200,000	10,000
Legacy	1,020	-
Leicestershire Police Federation	60,780	-
Mark Nurthen	-	4
National Police Memorial upkeep	18,000	27,243
Norfolk Police Federation	44,450	5,000
Northumbria Police Federation	-	60,000
North Wales Police Federation	24,075	-
Sergeants Central Committee	-	360,000
South Yorkshire Police Federation	29,690	-
Staffordshire Police Federation	58,000	-
Surrey Police Federation	50,000	-
Sussex Police Federation	35,000	-
West Midlands and Warwickshire Police Federations	260,541	-
West Mercia Police Federation	35,685	-
Wiltshire Joint Branch Board	50,000	-
	<u>2,938,751</u>	<u>3,422,661</u>

9. MEMBERS LEGAL FEES

	2010	2009
	£	£
CICA claims	167,017	558,069
Civil claims	3,345,013	3,206,960
Criminal cases	1,376,312	1,699,493
Defamation	241,005	508,533
Discipline	4,056,558	2,904,691
Employment tribunals	1,148,564	1,641,995
General legal fees	473,060	2,262,754
Inquests	761,648	560,235
Judicial reviews	65,772	103,207
Professional indemnity	40,572	19,357
CCFA provision	(455,475)	(345,845)
	<u>11,220,046</u>	<u>13,119,449</u>

The Federation now employs an in-house solicitor, which has resulted in a reduction of legal fees in respect of employment tribunals and general legal fees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010**10. FEDERATION EXPENDITURE**

	Note	2010 £	2009 £
Audit fees		26,000	29,218
Bank charges		1,412	2,802
Clerical assistance	11	1,880,498	2,366,652
Computer costs		532,879	493,365
Death benefits		215,670	256,380
Depreciation:			
Computer & office equipment	3	443,910	292,237
Furniture, fittings & soft furnishings	3	179,187	176,884
Motor vehicles	3	1,821	2,428
Plant & equipment	3	194,331	192,711
Elected officers enhancements	21	120,303	60,526
Federation training		326,334	501,329
Hospitality		31,203	12,962
Insurances		118,683	114,587
Interest payable		639,096	659,339
Leasehold amortisation	3	16,041	15,988
Meetings	12	917,253	1,116,527
Motor expenses		2,289	1,778
National Police Memorial upkeep		26,157	25,608
Office equipment repairs and renewals		6,575	6,437
Pay campaign		250,000	(4,691)
Pension deficit	11	1,455,020	-
POLICE magazine		146,006	111,152
Premises expenses		771,653	728,622
Presentations and donations		40,291	45,954
Printing costs		45,530	46,752
Professional fees		564,658	578,718
Publicity and promotion		94,493	136,931
Research and publications		25,850	13,308
Stationery and postage		28,152	22,790
Sundry expenses		-	940
Telephone		1,563	3,756
Working parties		21,779	9,143
		<u>9,124,637</u>	<u>8,021,133</u>

11. CLERICAL ASSISTANCE

	2010 £	2009 £
Civilian assistance and clerical staff	1,556,759	1,712,193
Federation contributions for:		
Social security	155,128	167,751
Superannuation – defined benefit scheme	108,077	486,708
Superannuation – stakeholder scheme	60,534	-
Pension deficit	1,455,020	-
	<u>3,335,518</u>	<u>2,366,652</u>

During 2010 a re-costing exercise was undertaken by the actuaries, which concluded a deficit on the pension fund. The advice given was that £36,000 should be paid monthly until a total of £1,455,020 was paid into the fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010**12. MEETINGS (Statutory and Non Statutory)**

	2010 £	2009 £
Annual conference	518,948	516,449
Joint Central Committee - Statutory	45,786	55,935
Police Negotiating Board	4,346	2,619
Non Statutory	343,563	537,501
Overseas conferences	4,610	4,023
	<hr/> 917,253	<hr/> 1,116,527

13. RECONCILIATION OF SURPLUS FOR THE YEAR AFTER TAXATION TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	2010 £	2009 £
Surplus for the year after taxation	2,098,942	1,499,583
Income from investments	(239,883)	(191,589)
Depreciation charges	835,290	680,248
Depreciation on disposals	-	(295,469)
Disposals of securities after provisions	(154,990)	(414,454)
Decrease in stocks	30,195	7,573
Increase in debtors and prepaid expenses	(131,842)	(596,427)
Decrease/(Increase) in amounts due from Central Committees	1,544,656	(307,202)
Increase/(Decrease) in creditors	771,511	(1,376,805)
	<hr/> 4,753,879	<hr/> (994,542)

14. RECONCILIATION OF NET CASHFLOW TO MOVEMENTS IN NET CASH AND CASH EQUIVALENTS (Note 15)

	2010 £
Increase in cash for the year	1,115,868
Net balance as at 1 st January 2010	2,016,259
	<hr/> 3,132,127

15. ANALYSIS OF CHANGES IN NET CASH AND CASH EQUIVALENTS

	1 st January 2010 £	Change £	31 st December 2010 £
Deposit with stockbrokers	1,202,397	(998,538)	203,859
Cash at bank and in hand	813,862	2,114,406	2,928,268
	<hr/> 2,016,259	<hr/> 1,115,868	<hr/> 3,132,127

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010

16. FEDERATION HOUSE CHARGES

	2010 £	2009 £
Turnover	688,340	581,469
Cost of sales	(290,308)	(230,596)
Gross profit	398,032	350,873
Administration expenses		
Agency Staff	30,369	68,209
Advertising and marketing	13,822	7,924
Audit fee	6,508	6,170
Bank and credit card charges	4,144	1,354
Cleaning	17,114	12,601
Computer expenses	7,178	7,582
Equipment hire	12,770	13,946
Insurance	2,739	2,395
Laundry	39,113	62,215
Management charge	41,673	64,300
Pension	1,062	563
Printing, postage and stationery	1,425	803
Professional fees	-	1,410
Repairs and maintenance to plant & equipment	34,947	38,155
Salaries (incl. National Insurance)	724,683	660,736
Security	1,237	230
Training	14,621	20,465
Travel and subsistence	7,791	3,114
	961,196	972,172
	(563,164)	(621,299)
Value of services provided to the Federation	275,663	297,628
	(287,501)	(323,671)

17. RESERVES

	2010 £	2009 £
Balance as at 1 st January 2010	24,082,290	22,582,707
Surplus for the year	2,098,942	1,499,583
Balance as at 31 st December 2010	26,181,232	24,082,290

18. CONTINGENT LIABILITIES

There are a number of legal cases pending which could result in a significant charge to the Federation. It is impossible at this stage to assess the outcome of these cases and therefore the potential charge cannot be quantified.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010

19. PROVISIONS FOR LIABILITIES

At the last conference, it was stated that the financial statements would be more open and transparent with regard to provisions for liabilities, these are detailed as follows:

Legal fees provision of £3,454,800 are included in the financial statements, the breakdown of the amount for each case is as follows: (Case details are not disclosed due to confidentiality)

Civil Case 1	: Provision of £135,000
Civil Case 2	: Provision of £1,450,000
Civil Case 3	: Provision of £140,000
Civil Case 4	: Provision of £175,000
Discipline Case 5	: Provision of £350,000
Discipline Case 6	: Provision of £454,800
Discipline Case 7	: Provision of £750,000

Included in the provision is an amount of £250,000 provided in respect of expenses expected to be incurred with respect to the Winsor and Hutton report.

20. TAXATION

The Federation accountants obtained tax relief against the exceptional profits due to the sale of investments in previous years. This has resulted in writing back the tax charge provided in previous year.

21. ELECTED OFFICER ENHANCEMENTS

By virtue of Regulation 15(b) of the Police Federation Regulation 1969, and as agreed by the 1990 Conference Study Group the Joint Officers are paid an enhanced salary and allowances for additional responsibility, additional hours worked and the time spent away from home. The salaries of Vice Chairman, Deputy General Secretary and Deputy Treasurer should be enhanced as well. For Chairman and Treasurer the enhanced salary and allowances are met by the Common Police Services Fund and the Police Federation in the proportion 85:15 respectively, for General Secretary total salary and all allowance paid are met by Common Police Services Fund and the Police Federation in the proportion of 85:15 respectively.

Details are as follows:

	2010 £	2009 £
Chairman	14,796	14,641
General Secretary	21,300	10,605
Treasurer	21,946	19,409
Vice Chairman	25,530	24,865
Deputy General Secretary	26,291	25,734
Deputy Treasurer	10,440	14,305
Less: Pre Grant In Aid	-	(49,033)
	120,303	60,526

**SUMMARY OF THE SECURITIES HELD BY THE TRUSTEES OF THE POLICE FEDERATION
FOR THE YEAR ENDED 31ST DECEMBER 2010**

TRUSTEES

The Trustees for the year ended 31st December 2010 were:

Constable M. Sutcliffe
Sergeant M. Nurthen
Inspector A. Stevens

INVESTMENTS

The investments are stated at cost unless their market value is significantly less than cost. The cost of investments amounted to £7,366,216 (2009: £5,535,185).

The Federation realised a capital gain of £154,990 as a result of selling investments.

	Cost less provision		Market value	
	2010	2009	2010	2009
	£	£	£	£
Fixed interest funds				
Fixed interest government funds	640,443	191,834	668,134	195,752
Other fixed interest funds	818,425	915,809	864,798	970,745
Listed shares and unit trusts	5,907,348	4,006,815	6,902,832	4,756,737
Provisions for impairment on investments	-	420,727	-	-
	<u>7,366,216</u>	<u>5,535,185</u>	<u>8,435,764</u>	<u>5,923,234</u>