

# Treasurer's Annual Report and Accounts

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## **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  
30 Great James Street  
London  
WC1 3HA

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 and Accounts

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## TREASURER'S ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2011

### FOREWORD

It is my pleasure, on behalf of the Joint Central Committee, to present my third report as Treasurer of the Police Federation Joint Fund, together with the Financial Statements for the year ended 31st December 2011.

It has been another challenging year for the Federation having to deal with a number of important policing issues arising from the Winsor & Hutton reports and dealing with the ever increasing complexity of legal matters on behalf of our members.

Despite having to deal with these challenges in the year, the Federation achieved a surplus of subscription income over expenditure for the year of £5,006,906 compared to a deficit of £1,813,260 last year. The Federation has continued to manage its finances more prudently and control expenditure more effectively under the direction of the Joint Treasurers. We have managed legal expenditure to ensure that members receive the cost benefits from spending on legal cases. These tighter controls on legal fees have been due to the concerted efforts of the Treasury team and includes the introduction of the new Ebilling system, which assists us to monitor and review costs and ensure best value for our subscribing members.

On another positive note the net cost of Federation House has been reduced significantly compared to the previous year. With our efforts there have been significant signs of improvement from the contribution of income from Federation House, full details are disclosed in Note 16.

Income from investments totalled £293,084 (2010: £239,883) and other income amounted to £100,120 (2010: £103,676). After accounting for the above, the surplus before capital gains was £5,434,097 compared to a surplus of £1,469,050 last year.

Federation Investments held by our Brokers now stand at a cost value of £8,134,407 (Market Value £8,838,416) compared to the previous year's cost value of £7,366,216 (Market Value £8,435,764). Due to the current stock market conditions, the portfolio valuation has become stronger with the reinvestment of income in the year, however we remain cautious due to geographical and political influences which are outside the control of the Federation.

After taxation the retained surplus for the year amounted to £3,906,010 (2010: surplus £2,098,942).

### BALANCE SHEET

Page 5 details the Federation's assets and liabilities and I am pleased to say that the net assets now total £30,087,242 (2010: £26,181,232). Our fixed assets now stand at £28,593,683 after depreciation, and are further detailed out under note 3 to the financial statements. The funds held in investments were £8,134,407 (2010: £7,366,216).

In current assets, loans to Joint Branch Boards have decreased to £134,815 compared to £155,324 last year as one loan was repaid during the year, and no new loans were granted.

The deposit held by the Stockbroker has increased significantly and is being held for potential investment in the stock market and securities by the Brokers.

Included in the Federation's liabilities is an amount of £4,330,368 (2010: £3,704,800) in respect of provisions for liabilities which include member's legal cases that are currently being resolved, this is further detailed in note 19 to financial statements.

The mortgage now stands at £7,509,267 (2010: £8,817,971) after repayments being made during the year in accordance with the terms of the mortgage. In addition a further £1,000,000 was paid off the capital.

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## **INCOME**

Subscription income has increased due to the rise in subscriptions rates and an uplift of 1% in the contributions receivable from the central committees. Investment income from securities amounted to £208,569 (2010: £159,869), deposit and other interest amounted to £84,515 (2010: £80,014), which includes income from Government securities and bank deposits. Other income amounted to £100,120 (2010: £103,676) and includes referral fee income from solicitors.

## **EXPENDITURE**

I report that general expenditure of the Federation has in fact increased to £9,952,162 from last year's figure of £9,124,637. One of the main reasons for this was the decision to exit the hedging position on the mortgage as it was no longer beneficial when compared to the current interest rate. The other large component of expenditure has been members legal fees. We have undertaken a tight control regime upon this category of expenditure and this has resulted in a reduction in costs from £11,220,046 in 2010 to £7,460,227 this year. This is due to the fact that where possible the Federation ensures that if costs can be recovered on these cases, then they are pursued vigorously.

## **THE FUTURE**

In these uncertain times I am concerned for the future. Quite clearly the outcome of the pay conditions and pension reviews will have a major impact on the Federation. There will be an increase in the Federation's expenditure and due to the reduction in police numbers there will also be an effect on the income of the Federation.

## **CONCLUSION**

May I express my thanks to George Gallimore, the Deputy Treasurer, for his support during the year, as well as all our staff in the Finance and Treasury Departments, without whom I would find it very difficult to perform my function as Treasurer. They all deal with an enormous workload in a very efficient manner and no Treasurer could operate without them.



Martyn Mordecai

Treasurer

Date: 21st March 2012

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## 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 2011, which comprise the Income and Expenditure Account, the Balance Sheet, Cash flow Statement and the related notes. The financial statements have been prepared under the requirements of the Police Federation Regulations and Fund Rules.

This report is made solely to the Fund's members, as a body. 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 members and auditors

As explained more fully in the Statement of Management Committee's Responsibilities set out in the notes to the financial statements the management committee are responsible for the preparation of the financial statements and for being satisfied that they fairly reflect the state of the Fund's affairs as at 31st December 2011 and of its results for the year then ended.

Our responsibility is to audit and express an opinion on 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 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 management committee; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the financial statements:

- fairly reflect the state of the Fund's affairs as at 31st December 2011 and of its results for the year then ended; and
- have been properly prepared in accordance with the measurement principles of United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Police Federation Regulations and Fund Rules.

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

Date: 21st March 2012

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## BALANCE SHEET AS AT 31st DECEMBER 2011

	Note	As at 31st December 2011 £	As at 31st December 2010 £
<b>FIXED ASSETS</b>	3	28,593,683	29,383,828
<b>INVESTMENTS</b>	3	8,134,407	7,366,216
		<u>36,728,090</u>	<u>36,750,044</u>
<b>CURRENT ASSETS</b>			
Loans	4	134,815	155,324
Stocks		55,819	64,044
Amounts due from Central Committees		1,704,376	3,469,099
Debtors and prepaid expenses		1,902,498	1,581,691
Deposits with stockbrokers		1,369,099	203,859
Cash at bank and in hand		5,313,381	2,928,268
		<u>10,479,988</u>	<u>8,402,285</u>
<b>LESS</b>			
<b>CURRENT LIABILITIES: falling due within one year</b>			
Creditors and accrued expenses	5	(5,108,525)	(5,984,890)
		<u>5,371,463</u>	<u>2,417,395</u>
<b>NET CURRENT ASSETS</b>			
<b>LESS</b>			
<b>LIABILITIES: falling due after more than one year</b>			
Creditors	6	(7,681,943)	(9,281,407)
<b>PROVISIONS FOR LIABILITIES</b>	19	(4,330,368)	(3,704,800)
<b>NET ASSETS</b>		<u><u>30,087,242</u></u>	<u><u>26,181,232</u></u>
<b>REPRESENTED BY</b>			
Accumulated fund	17	<u><u>30,087,242</u></u>	<u><u>26,181,232</u></u>

The financial statements were approved by the Fund's Committee on 21st March 2012 and were signed on its behalf by:



Paul McKeever

Chairman



Martyn Mordecai

Treasurer

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## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2011

	Note	2011 £	2010 £
<b>INCOME</b>			
Amounts receivable from Central Committees:			
Constables		17,515,002	14,660,293
Sergeants		3,647,880	3,025,216
Inspectors		1,319,880	1,133,415
		22,482,762	18,818,924
<b>EXPENDITURE</b>			
Members legal fees	9	7,460,227	11,220,046
Federation expenditure	10	9,952,162	9,124,637
Federation House charges	16	63,467	287,501
		17,475,856	20,632,184
<b>SURPLUS/(DEFICIT) OF SUBSCRIPTION INCOME OVER EXPENDITURE</b>		5,006,906	(1,813,260)
Donations received	8	33,987	2,938,751
<b>INCOME FROM INVESTMENTS</b>			
Securities		208,569	159,869
Deposit and other interest		84,515	80,014
		293,084	239,883
Commissions received		13,441	12,383
Other income		86,679	91,293
		100,120	103,676
<b>SURPLUS FOR THE YEAR BEFORE GAINS</b>		5,434,097	1,469,050
<b>GAINS FOR THE YEAR BEFORE TAXATION</b>			
Profit on disposal of securities		31,090	154,990
(Loss) on disposal of fixed assets		(8,809)	-
		22,281	154,990
<b>SURPLUS FOR THE YEAR BEFORE TAXATION &amp; EXCEPTIONAL ITEMS</b>		5,456,378	1,624,040
<b>EXCEPTIONAL ITEMS</b>	20	(1,550,368)	-
<b>TAXATION</b>		-	474,902
		-1,550,368	474,902
<b>RETAINED SURPLUS FOR THE YEAR</b>		3,906,010	2,098,942

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2011

	Note	2011 £	2010 £
<b>Net cash inflow from operating activities</b>	13	5,403,955	4,753,879
Returns on investments and servicing of finance			
Income from securities		208,569	159,869
Interest received		84,515	80,014
<b>Net inflow from returns of investments and servicing of finance</b>		293,084	239,883
Investing activities			
Purchase of tangible fixed assets		(134,252)	(447,547)
Purchase of securities		(1,599,483)	(2,560,911)
Sale of tangible fixed assets		12,862	-
Sale of securities		862,382	884,870
<b>Net cash (outflow) from investing activities</b>		(858,491)	(2,123,588)
<b>Net cash inflow before financing</b>		4,838,548	2,870,174
Financing			
Repayment of loans granted		20,509	94,273
Long term loan/mortgage repayments		(1,308,704)	(1,848,579)
<b>Increase in cash and cash equivalents</b>	15	3,550,353	1,115,868

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 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.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 1. ACCOUNTING POLICIES (continued)

#### 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.

#### Pensions

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

### 2. STATEMENT OF COMMITTEE'S 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 3. FIXED ASSETS

	Freehold land & buildings	Plant & equipment	Furniture, fittings & soft furnishings	Leasehold premises	Computer & office equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
<b>Cost</b>							
As at 1st January 2011	23,593,085	2,922,314	1,436,597	1,658,445	2,183,265	34,223	31,827,929
Additions	1,754	-	20,068	1,242	111,188	-	134,252
Disposals	-	-	(12,862)	-	-	-	(12,862)
As at 31st December 2011	23,594,839	2,922,314	1,443,803	1,659,687	2,294,453	34,223	31,949,319
<b>Depreciation</b>							
As at 1st January 2011	-	523,072	480,027	57,506	1,354,734	28,762	2,444,101
Charge	-	194,821	178,924	15,031	525,447	1,365	915,588
Disposals	-	-	(4,053)	-	-	-	(4,053)
As at 31st December 2011	-	717,893	654,898	72,537	1,880,181	30,127	3,355,636
<b>Net Book Value</b>							
As at 31st December 2011	23,594,839	2,204,421	788,905	1,587,150	414,272	4,096	28,593,683
As at 31st December 2010	23,593,085	2,399,242	956,570	1,600,939	828,531	5,461	29,383,828

Included within land and buildings is the cost of 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 2011 was £8,134,407 (2010: £7,366,216) and the market value of £8,838,416 (2010: £8,435,764). A summary of the investment holdings are shown below:

	Cost 2011 £	Market Value 2011 £
<b>Fixed interest funds</b>		
Fixed interest Government funds	640,443	756,979
Other fixed interest funds	999,742	1,066,307
Listed shares and units trusts	6,494,222	7,015,130
	8,134,407	8,838,416

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 4. LOANS

	2011 £	2010 £
Secured on one freehold and one leasehold Joint Branch Board properties	134,815	155,324

Secured loans due within one year amounted to £21,839 (2010: £20,510) and amounts due after more than one year were £112,976 (2010: £134,814).

### 5. CREDITORS: falling due within one year

	2011 £	2010 £
Trade creditors	1,132,992	2,513,597
Other creditors and accruals	3,975,533	3,471,293
	5,108,525	5,984,890

### 6. CREDITORS: falling due after more than one year

	2011 £	2010 £
Pension Deficit	459,980	795,500
Mortgage	7,221,963	8,485,907
	7,681,943	9,281,407

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 base rate. The Federation had entered into a interest rate swap arrangement which was in place in an attempt to limit exposure in interest rate risk. During the year the Federation exited the interest rate swap due to the current adverse interest rate position. 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 £7,509,267 of which £287,304 is included in creditors due within one year and £7,221,963 is included in creditors due after more than one year.

During 2010 a re-costing exercise was undertaken by the actuaries, which concluded there was 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 £371,520 has been paid, £371,520 is shown within creditors falling due in one year and £459,980 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 7. CONTRIBUTION TOWARDS EXPENSES

	2011 £	2010 £
Contributions were received from the Home Office (Grant-in-Aid) towards the following expenses:		
<u>Grant-in-Aid:</u>		
PFEW Elected Officers salaries	60,645	61,569
Meetings	89,860	91,228
<u>Police Negotiating Board:</u>		
Meetings	100,822	102,357
Administration	28,771	29,209

### 8. DONATIONS RECEIVED

	2011 £	2010 £
Police Federation National Detective Forum	30,442	-
Isle of Man Police Federation	3,000	-
Other donations	470	-
National Police Memorial upkeep	75	18,000
Constables Central Committee	-	1,500,000
Police Federation Joint Branch Boards	-	1,419,731
Legacy	-	1,020
	<u>33,987</u>	<u>2,938,751</u>

### 9. MEMBERS LEGAL FEES

	2011 £	2010 £
CICA claims	186,152	167,017
Civil claims	1,498,602	3,345,013
Criminal cases	1,691,884	1,376,312
Defamation	228,379	241,005
Discipline	1,395,065	4,056,558
Employment tribunals	2,155,034	1,148,564
General legal fees	580,503	473,060
Inquests	13,872	761,648
Judicial reviews	96,962	65,772
Professional indemnity	21,350	40,572
CCFA provision	(407,576)	(455,475)
	<u>7,460,227</u>	<u>11,220,046</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 10. FEDERATION EXPENDITURE

	Note	2011 £	2010 £
Audit fees		26,000	26,000
Bank charges		2,547	1,412
Clerical assistance	11	1,950,022	1,880,498
Pension deficit	11	-	1,455,020
Computer costs		576,825	532,879
Death benefits		206,460	215,670
Depreciation:			
Computer & office equipment	3	525,447	443,910
Furniture, fittings & soft furnishings	3	178,924	179,187
Motor vehicles	3	1,365	1,821
Plant & equipment	3	194,821	194,331
Elected officers enhancements	21	124,561	120,303
Federation training		465,482	326,334
Hospitality		26,514	31,203
Insurances		104,950	118,683
Interest payable		2,573,152	639,096
Leasehold amortisation	3	15,031	16,041
Meetings	12	852,743	917,253
Motor expenses		3,176	2,289
National Police Memorial upkeep		27,611	26,157
Office equipment repairs and renewals		-	6,575
Pay campaign		362,777	250,000
POLICE magazine		126,907	146,006
Premises expenses		931,189	771,653
Presentations and donations		20,632	40,291
Printing costs		39,530	45,530
Professional fees		464,315	564,658
Publicity and promotion		103,528	94,493
Research and publications		12,285	25,850
Stationery and postage		34,504	28,152
Telephone		864	1,563
Working parties		-	21,779
		<u>9,952,162</u>	<u>9,124,637</u>

### 11. CLERICAL ASSISTANCE

	2011 £	2010 £
Civilian assistance and clerical staff	1,685,627	1,556,759
Federation contributions for:		
Social security	169,267	155,128
Superannuation – defined benefit scheme	-	108,077
Superannuation – stakeholder scheme	95,128	60,534
Pension deficit	-	1,455,020
	<u>1,950,022</u>	<u>3,335,518</u>

During 2010 a re-costing exercise was undertaken by the actuaries, which concluded there was 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 12. MEETINGS (Statutory and Non Statutory)

	2011 £	2010 £
Annual conference	559,118	518,948
Joint Central Committee - Statutory	58,198	45,786
Police Negotiating Board	3,792	4,346
Non Statutory	231,635	343,563
Overseas conferences	-	4,610
	<u>852,743</u>	<u>917,253</u>

Annual Conference costs include income received from the rental of exhibition stands of £37,432 (2010: £51,458).

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

	2011 £	2010 £
Surplus for the year after taxation	3,906,010	2,098,942
Income from investments	(293,084)	(239,883)
Depreciation charges	915,588	835,290
Depreciation on disposals	(4,053)	-
Disposals of securities after provisions	(31,090)	(154,990)
Decrease in stocks	8,225	30,195
Increase in debtors and prepaid expenses	(320,807)	(131,842)
Decrease in amounts due from Central Committees	1,764,723	1,544,656
(Decrease)/Increase in creditors	(541,557)	771,511
	<u>5,403,955</u>	<u>4,753,879</u>

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

	2011 £
Increase in cash for the year	3,550,353
Net balance as at 1st January 2011	3,132,127
	<u>6,682,480</u>

### 15. ANALYSIS OF CHANGES IN NET CASH AND CASH EQUIVALENTS

	1st January 2011 £	Change £	31st December 2011 £
Deposit with stockbrokers	203,859	1,165,240	1,369,099
Cash at bank and in hand	2,928,268	2,385,113	5,313,381
	<u>3,132,127</u>	<u>3,550,353</u>	<u>6,682,480</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

### 16. FEDERATION HOUSE CHARGES

	2011 £	2010 £
<b>Turnover</b>	747,118	688,340
<b>Value of services provided to the Federation</b>	370,883	275,663
<b>Cost of sales</b>	(303,251)	(290,308)
<b>Gross profit</b>	814,750	673,695
<b>Administration expenses</b>		
Advertising and marketing	4,269	13,822
Audit fee	5,000	6,508
Bank and credit card charges	11,963	4,144
Agency Staff	28,690	30,369
Cleaning	18,465	17,114
Computer expenses	-	7,178
Equipment hire	7,449	12,770
Insurance	-	2,739
Laundry	44,663	39,113
Management charge	-	41,673
Pension	6,237	1,062
Printing, postage and stationery	5,692	1,425
Professional fees	363	-
Repairs and maintenance to plant & equipment	8,924	34,947
Salaries (incl. National Insurance)	720,192	724,683
Staff costs	15,218	5,612
Security	919	1,237
Training	56	14,621
Travel and subsistence	117	2,179
	878,217	961,196
	(63,467)	(287,501)

### 17. RESERVES

	2011 £	2010 £
Balance as at 1st January 2011	26,181,232	24,082,290
Surplus for the year	3,906,010	2,098,942
Balance as at 31st December 2011	30,087,242	26,181,232

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.

# Treasurer's Annual Report and Accounts

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## SUMMARY OF THE SECURITIES HELD BY THE TRUSTEES OF THE POLICE FEDERATION FOR THE YEAR ENDED 31st DECEMBER 2011

### 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.

### 19. PROVISIONS FOR LIABILITIES

Legal fees provisions of £2,530,000 (2010: £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)

Case 1	: £150,000
Case 2	: £1,000,000
Case 3	: £350,000
Case 4	: £250,000
Case 5	: £100,000
Case 6	: £360,000
Case 7	: £50,000
Case 8	: £120,000
Case 9	: £150,000

Also included in the provisions is an amount of £250,000 (2010: £250,000) provided in respect of expenses to be incurred on events surrounding the pay and conditions review as well as the exceptional items outlined in note 20.

### 20. EXCEPTIONAL ITEMS

An enquiry is in progress with the HM Revenue & Customs and the Federation feels it prudent to make a provision for potential costs of £1,550,368.

### 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. 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.

Details are as follows:

		2011 £	2010 £
Chairman	Enhancement	15,199	14,796
General Secretary	Enhancement	21,499	21,300
Treasurer	Enhancement	22,854	21,946
Vice Chairman	Enhancement	26,139	25,530
Deputy General Secretary	Enhancement	26,911	26,291
Deputy Treasurer	Enhancement	11,959	10,440
		<hr/>	<hr/>
		124,561	120,303
		<hr/>	<hr/>



# Treasurer's Annual Report and Accounts

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## SUMMARY OF THE SECURITIES HELD BY THE TRUSTEES OF THE POLICE FEDERATION FOR THE YEAR ENDED 31st DECEMBER 2011

### TRUSTEES

The Trustees for the year ended 31st December 2011 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 £8,134,407 (2010: £7,366,216).

The Federation realised a capital gain of £31,090 as a result of selling investments.

	Cost less provision		Market value	
	2011	2010	2011	2010
	£	£	£	£
<b>Fixed interest funds</b>				
Fixed interest Government funds	640,443	640,443	756,979	668,134
Other fixed interest funds	999,742	818,425	1,066,307	864,798
Listed shares and unit trusts	6,494,222	5,907,348	7,015,130	6,902,832
	<u>8,134,407</u>	<u>7,366,216</u>	<u>8,838,416</u>	<u>8,435,764</u>