

POLICE FEDERATION JOINT FUND
(Established 1st November 1955)
(Police Act 1964)
The Police Federation Regulations 1969, Part III
The Police Federation (Amendment) Regulations 2015

Treasurer's Annual Report
and
Financial Statements
For the Year Ended
31st December 2015

GEORGE HAY & COMPANY
CHARTERED ACCOUNTANTS
STATUTORY AUDITORS
83 CAMBRIDGE STREET
PIMLICO
LONDON
SW1V 4PS

POLICE FEDERATION JOINT FUND
(Established 1st November 1955)
(Police Act 1964)
The Police Federation Regulations 1969, Part III
The Police Federation (Amendment) Regulations 2015

CONTENTS

	PAGE
Information	1
Treasurer's Report	2
Independent Auditors Report	3
Income Statement	4
Statement of Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 - 22

CHAIRMAN

Steve White
Federation House
Highbury Drive
Leatherhead
Surrey
KT22 7UY

GENERAL SECRETARY

Andrew Fittes
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
4th Floor
11 Pilgrims Street
London. EC4V 6RN

Slater & Gordon Solicitors
50 - 52 Chancery Lane
London
WC2A 1HL

BROKERS

Rathbone Brothers Plc.
28 St Andrew Square
Edinburgh
EH2 1AF

Hanson Wealth Management
11 Merchant Court
Monkton Business Park
Hebburn, Tyne and Wear
NE31 2EX

BANKERS

National Westminster Bank Plc.
Surbiton Branch
10 Victoria Road
Surbiton
Surrey. KT6 4JY

POLICE FEDERATION JOINT FUND for the year ended 31st December 2015

TREASURER'S REPORT

It is my pleasure, on behalf of the Joint Central Committee, to present my seventh report as Treasurer of the Police Federation Joint Fund, together with the Financial Statements for the year ended 31st December 2015.

It has been another challenging year for the Federation having to deal with a number of important policing issues, the matters arising from the Independent Review and the continuing complexities of legal matters on behalf of our members.

Even though the Federation has continued to manage its finances prudently and control expenditure more effectively under my direction, due to dealing with the above challenges in the year, the Federation had a deficit of expenditure over subscription income amounting to £5,867,968, which gives me grave concern. Part of the reason for the increased deficit in expenditure is due to changes in the legal aid scheme whereby there is no longer any reimbursement for criminal cases privately funded, together with the increased number of historical cases being re-opened.

Income from investments totalled £543,170 (2014: £518,011) and other income amounted to £15,885 (2014: £7,810). After accounting for the above, the deficit before gains was £5,308,913 compared to a deficit of £3,430,064 last year.

Federation Investments held by our Brokers now stand at a cost value of £11,933,133 (Market Value £15,563,171) compared to the previous year's cost value of £16,332,057 (Market Value £19,944,624). Various investments have been disposed in the year which has resulted in the reduction of the portfolio. Due to the current stock market conditions, the portfolio valuation has become stronger. This is due to the reinvestment of income in the year, however, because of the unsettled economic situation in the country we remain cautious.

The retained deficit for the year amounted to £5,912,415 (2014: surplus £3,242,690).

STATEMENT OF FINANCIAL POSITION

Page 6 details the Federation's assets and liabilities and I am pleased to say that the net assets now total £31,140,381 (2014: £34,038,151). Our fixed assets now stand at £44,144,641 (2014: £47,751,865) after depreciation. The market value of funds held in investments were £15,563,171 (2014: cost £16,332,057).

In current assets, loans to Joint Branch Boards have decreased to £109,895 compared to £138,291 last year. No new loans were granted in the year.

The deposits held by the Stockbroker have increased to £194,859 compared to £162,550 in 2014. The surplus will be invested in the stock markets and securities by the broker.

Included in the Federation's liabilities is an amount of £8,465,467 (2014: £5,644,400) being a provision for the liabilities in respect of members legal cases that are currently being resolved; this is further detailed in note 22 to the financial statements.

INCOME

Subscription income has decreased due to the substantial reduction in numbers. Investment income from securities amounted to £511,660 (2014: £480,965), deposit and other interest amounted to £31,510 (2014: £37,046), which includes income from Government securities and bank deposits.

EXPENDITURE

This year includes an increase of members' legal fees due to the continued reopening of historic cases and further associated costs connected to the Independent Review.

At the year end there was a deficit on the defined benefit pension scheme of £3,041,000 compared to £1,433,000 at the end of 2014.

THE FUTURE

At the time of writing this report, we are still awaiting the new Regulations and the impact that they will have on PFEW, therefore it is difficult at this stage to predict the future challenges.

CONCLUSION

May I express my thanks to Geoff Stuttaford, 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
Date: 11 April 2016

Treasurer

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 2015 on pages 4 to 22. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and 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 auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Committee's Responsibilities set out in the notes 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 and fairly reflect the state of the Fund's affairs as at 31st December 2015 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 Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Treasurer's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view and fairly reflect the state of the Fund's affairs as at 31st December 2015 and of its deficit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with FRS 102 - The financial Reporting Standard applicable in the UK and Republic of Ireland and with the Police Federation Regulations and Fund Rules;
- fairly reflect the information contained in the Treasurer's Report as being consistent with the financial statements.

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

Date: 11th April 2016

INCOME STATEMENT

	Note	2015 £	2014 £
Income			
Subscription income	6	19,909,843	20,013,965
Expenditure			
Members legal fees	16	(17,012,593)	(14,798,715)
Federation expenditure	17	(8,796,353)	(9,234,476)
Federation House net income	18	31,135	63,341
Deficit of subscription income over expenditure		(5,867,968)	(3,955,885)
Income from Investments		543,170	518,011
Other income		15,885	7,810
Deficit before gains		(5,308,913)	(3,430,064)
Gains for the year		961,813	40,349
Deficit before tax and exceptional items		(4,347,100)	(3,389,715)
Taxation		-	1,535,760
Deficit for the financial year		(4,347,100)	(1,853,955)

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2015 £	2014 £
Deficit for the financial year	(4,347,100)	(1,853,955)
Fair Value revaluation	17,470	3,014,645
Actuarial (deficit)/gain on pension scheme valuation	(1,580,020)	2,082,000
Deferred tax	(2,765)	-
Total comprehensive (deficit)/income for the financial year	(5,912,415)	3,242,690

STATEMENT OF FINANCIAL POSITION

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	10	28,581,470	27,807,241
Investments	11	15,563,171	19,944,624
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>
		44,144,641	47,751,865
Current assets			
Stocks	12	50,670	49,195
Debtors	13	5,948,584	1,867,729
Cash at bank and in hand		1,069,146	1,457,847
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>
		7,068,400	3,374,771
Creditors: amounts falling due within one year	14	(7,536,175)	(4,618,643)
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>
Net current liabilities		(467,775)	(1,243,872)
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>
Total assets less current liabilities		43,676,866	46,507,993
Creditors: amounts falling due after more than one year			
Provisions for liabilities	22	(12,536,485)	(9,455,197)
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>
Net assets		31,140,381	37,052,796
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/>
Accumulated reserves		31,140,381	37,052,796
		<hr style="width: 80%; margin-left: auto; margin-right: 0;"/> <hr style="width: 80%; margin-left: auto; margin-right: 0;"/>	<hr style="width: 80%; margin-left: auto; margin-right: 0;"/> <hr style="width: 80%; margin-left: auto; margin-right: 0;"/>

The financial statements were approved by the Executive Committee on 11 April 2016.

Signed on behalf of the Joint Central Committee by:-

.....
Steve White Chairman

.....
Martyn Mordecai Treasurer

STATEMENT OF CASH FLOWS

	2015 £	2014 £
Cash flows from operating activities		
(Deficit)/Income for the financial year	(5,912,415)	3,242,690
Adjustments for:		
Amortisation of intangible assets	13,155	15,458
Depreciation of tangible assets	900,087	813,440
Investment income	(31,510)	(37,047)
Dividend income	(511,660)	(480,964)
Profit on disposal of fixed assets	-	(845)
Profit on disposal of securities	(961,813)	(39,504)
FRS 102 transition	-	(3,612,567)
Decrease/(increase) in trade and other debtors	(3,696,587)	429,567
Decrease/(increase) in amounts due from Branch Boards	(1,039,328)	-
Decrease/(increase) in amounts due from Central Committees	626,664	(575,595)
Increase/(decrease) in amounts due to Central Committees	561,069	-
Decrease/(increase) in loans	28,396	-
Decrease/(increase) in stocks	(1,475)	1,395
Increase/(decrease) in trade creditors	2,356,463	134,065
Increase/(decrease) in provisions	3,081,288	(2,057,459)
	1,324,749	(5,410,056)
Cash from operations	1,324,749	(5,410,056)
Net cash used in operating activities	(4,587,666)	(2,167,366)
Cash flows from investing activities		
Proceeds from sale of tangible assets	-	1,141
Purchases of tangible assets	(1,687,471)	(415,773)
Fair value adjustment to fixed assets	(17,470)	-
Purchases of securities	(987,367)	(3,614,432)
Accumulation investment	(39,763)	(9,115)
Sale of securities	6,359,470	1,469,214
Dividend income	511,660	480,964
Interest received	31,510	37,047)
	4,170,569	(2,050,954)
Net cash from investing activities	4,170,569	(2,050,954)
Cash flows from financing activities		
Issue of loan	-	(75,000)
Repayment of loans	28,396	26,694
	28,396	48,306
Net cash from financing activities	28,396	48,306
Net decrease in cash and cash equivalents	(388,701)	(4,266,626)
Cash and cash equivalents at the beginning of year	1,457,847	5,724,473
Cash and cash equivalents at end of year	1,069,146	1,457,847

STATEMENT OF CHANGES IN EQUITY

	Note	Accumulated reserves £	Fair Value Transition Reserve £	Total £
At 1 January 2014		33,810,106	-	33,810,106
Surplus and total comprehensive income for the year		228,045	-	228,045
Transitional adjustments	26	-	3,014,645	3,014,645
At 31 December 2014		<u>34,038,151</u>	<u>3,014,645</u>	<u>37,052,796</u>
Deficit and total comprehensive income for the year		(5,912,415)	-	(5,912,415)
At 31 December 2015		<u><u>28,125,736</u></u>	<u><u>3,014,645</u></u>	<u><u>31,140,381</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. Information

Police Federation Joint Fund is a staffing association domiciled in England and Wales. The offices are at Federation House, Highbury Drive, Leatherhead, Surrey, KT22 7UY.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Police Federation Regulations and Fund Rules. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

This is the first year in which the financial statements have been prepared in accordance with FRS 102. Refer to notes 26 and 27 for an explanation of the transition.

The date of transition is 1 January 2014. The transition to FRS 102 has resulted in a small number of changes in the accounting policies to those used previously. The nature of these changes and on the comparative period are explained in notes 26 and 27.

Going concern

After reviewing the Federation's forecasts and projections, the Joint Central Committee has a reasonable expectation that the Federation has adequate resources to continue in operational existence for the foreseeable future. The Federation therefore continues to adopt the going concern basis in preparing its financial statements

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

- (a) Provisions for legal and other cases; and
- (b) Their carrying amount as at the end of the reporting period.

In respect of these assets and liabilities, the notes to the financial statements will provide information about these items.

It is of concern that the expenditure is significantly above the subscription income which needs to be addressed.

4. Principal accounting policies

4.1 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives. The purchase of assets under £2,000 are generally not capitalised. The rates applicable are:

Plant & machinery	15 years straight line basis
Computer & equipment	3 years straight line basis
Furniture & fittings	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 depreciation is not material.

NOTES TO THE FINANCIAL STATEMENTS

4.2 Investments

This comprises of investments in quoted equity instruments, fixed interest government funds and other fixed interest funds which are measured at market value. Changes in market value are recognised in the statement of other comprehensive income.

4.3 Stocks

Stocks are stated at the lower of cost or net realisable value.

4.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.5 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 Provisions for liabilities

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Federation recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

4.7 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantially enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expenses (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the fund has a legally enforceable right to set off current tax assets against current tax liabilities,

NOTES TO THE FINANCIAL STATEMENTS

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle.
- current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.8 Income

Income is measured at the fair value of the consideration received or receivable. Income is derived from subscriptions collected from the Fund's members. Expenditure is shown inclusive of irrecoverable Value Added Tax, where applicable, and is reported as part of the expenditure to which it relates. Other income sources include donations and investment income.

Other income includes revenue earned from the sale of goods and services. Other income from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has agreed for the purchase of the goods.

4.9 Employee benefits

The Fund operates both a defined benefits pension 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 contributions represent amounts payable by the Fund and are recognised as an expense in the year in which they are incurred. Any unpaid contributions are included in creditors.

4.10 Foreign currency translation

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and position of the fund are presented in Sterling (£).

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

4.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the fund. All other leases are classified as operating leases.

Property, plant and equipment acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the lease. The benefits of lease incentives are recognised in the income statement over the lease period.

5. Statement of Committee's responsibilities

Regulation 18(2) of the Police Federation Regulations requires the Police Federation Joint Fund, in relation to the 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 assume otherwise.

NOTES TO THE FINANCIAL STATEMENTS

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.

6. Income

Income is derived solely from the UK, analysed by category, as follows:

	2015 £	2014 £
Subscription income receivable from Central Committees:		
Constables	15,496,242	15,716,902
Sergeants	3,143,198	3,160,076
Inspectors	1,270,403	1,136,987
	<u>19,909,843</u>	<u>20,013,965</u>

7. Deficit on ordinary activities before taxation

The deficit on ordinary activities before taxation is stated after:

	2015 £	2014 £
Auditor's remuneration:		
Fees payable to the Fund's auditor for the audit of the Fund's annual accounts	26,000	26,000
Fees payable to the Fund's auditor for the audit of the Federation House accounts	4,250	5,000

8. Clerical assistance

Staff costs during the year were as follows:

	2015 £	2014 £
Wages and salaries	2,177,234	1,950,849
Social security costs	207,023	188,234
Other pension costs	519,060	494,079
	<u>2,903,317</u>	<u>2,633,162</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Clerical assistance (continued)

The fund operates a stakeholder defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £136,740 (2014: £122,559).

The Federation continued to fund the defined benefits scheme as advised by the actuary. The Federation paid in the year a total of £382,320 (2014: £371,520) towards the members' benefits.

The average number of employees during the year was:

	2015 £	2014 £
Federation staff	62	53
Hotel and administration	43	47
	<u>105</u>	<u>100</u>

9. Tax on profit on ordinary activities

Based on these accounts no provision for Corporation Tax has been made.

	2015 £	2014 £
Deferred tax liability	2,765	-
	<u>2,765</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Tangible fixed assets

	Freehold Land and Buildings £	Plant and Machinery £	Furniture and Fittings £	Leasehold Premises £	Computer and Equipment £	Motor Vehicles £	Total £
Cost							
At 1 January 2015	23,604,439	3,002,922	1,454,050	1,659,687	2,000,471	32,032	31,753,601
Additions	-	-	-	-	1,687,471	-	1,687,471
At 31 December 2015	23,604,439	3,002,922	1,454,050	1,659,687	3,687,942	32,032	33,441,072
Depreciation							
At 1 January 2015	-	1,314,256	1,198,689	116,179	1,292,558	24,678	3,946,360
Provided in the year	-	200,195	181,757	13,155	516,297	1,838	913,242
At 31 December 2015	-	1,514,451	1,380,446	129,334	1,808,855	26,516	4,859,602
Net book value							
At 31 December 2015	23,604,439	1,488,471	73,604	1,530,353	1,879,087	5,516	28,581,470
At 31 December 2014	23,604,439	1,688,666	255,361	1,543,508	707,913	7,354	27,807,241

Included within freehold property is land of £5,060,219 (2014: £5,060,219), which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

11. Investments

Total fixed asset investments comprise:

	Market Value 2015 £	Market Value 2014 £
Fixed interest Government funds	481,957	759,743
Other fixed interest funds	665,799	1,411,849
Listed shares and unit trusts	14,415,415	17,773,032
	<u>15,563,171</u>	<u>19,944,624</u>

The cost of investments as at 31st December 2015 was £11,933,133 (2014: £16,332,057) with a market value of £15,563,171 (2014: £19,944,624). Refer to note 26 and 27 for transition to market value.

12. Stocks

	2015 £	2014 £
Consumables	<u>50,670</u>	<u>49,195</u>

13. Debtors

	2015 £	2014 £
Trade debtors	394,843	57,671
Amounts owed by Central Committees	26,663	653,327
Amounts owed by Joint Branch Boards	1,039,328	-
Loans	109,895	138,291
Corporation tax	8,826	3,902
Other debtors	179,382	129,490
Prepayments	1,109,983	705,265
Accrued income	3,079,664	179,783
	<u>5,948,584</u>	<u>1,867,729</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	2,636,002	2,191,577
Amounts owed to Central Committees	561,069	-
Other creditors and accruals	4,339,104	2,427,066
	<u>7,536,175</u>	<u>4,618,643</u>

15. Contribution towards expenses

	2015 £	2014 £
Contributions were received from the Home Office towards the following expenses:		
Grant-in-Aid:		
PFEW Elected Officers salaries	-	41,108
Meetings	-	61,661
Police Negotiating Board:		
Meetings	-	82,117
Administration	-	19,159

The contribution from the Home Office ceased in respect of the above on 31st August 2014 and 31st October 2014 for Grant-In-Aid and Police Negotiating Board respectively.

16. Members legal fees

	2015 £	2014 £
CICA claims	459,994	191,013
Civil claims	4,087,372	1,389,994
Criminal cases	1,370,812	2,145,962
Defamation	(470,380)	988,861
Discipline	2,513,799	2,345,345
Employment tribunals	3,372,743	3,053,767
Professional indemnity	56,866	3,280
Inquests	2,292,912	2,256,590
Judicial reviews	220,241	190,887
General legal fees	3,123,584	2,388,194
CCFA provision	(15,350)	(155,178)
	<u>17,012,593</u>	<u>14,798,715</u>

See note 22 for details of provisions for legal fees.

NOTES TO THE FINANCIAL STATEMENTS

17. Federation expenditure

	Note	2015 £	2014 £
Audit fee		26,000	26,000
Bank charges		2,855	2,300
Clerical assistance	8	2,903,317	2,633,162
Communications		677	-
Computer costs		1,002,368	1,088,629
Consultancy		39,902	1,973,555
Death benefits		234,500	150,750
Depreciation:	10		
Computer & office equipment		516,297	429,036
Furniture, fittings & soft furnishings		181,757	181,757
Motor vehicles		1,838	2,452
Plant & equipment		200,195	200,195
Elected officers enhancements	23	116,560	126,542
Federation training		279,917	454,554
Hospitality		39,840	37,709
INB salaries		193,880	-
Insurances		90,863	92,820
Leasehold amortisation		13,155	15,458
Meetings	19	1,097,746	1,049,349
Motor expenses		978	1,218
National Police Memorial upkeep		27,856	27,837
POLICE magazine		118,632	102,889
Premises expenses		739,742	874,093
Presentations and donations		21,572	48,895
Printing costs		(18,359)	60,130
Professional fees		741,050	(510,516)
Publicity and promotion		71,566	113,039
Research and publications		120,354	30,830
Stationery and postage		31,295	21,793
		<u>8,796,353</u>	<u>9,234,476</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Federation House income statement

	2015 £	2014 £
Turnover	734,073	750,913
Value of services provided to the Federation	389,631	443,286
Cost of sales	(294,012)	(307,344)
Gross profit	829,692	886,855
Less: Administration expenses		
Advertising and marketing	206	370
Audit fee	4,250	5,000
Bank and credit card charges	19,443	17,098
Agency staff	4,262	8,384
Cleaning	4,468	2,966
Equipment hire	2,536	-
Laundry	33,493	39,503
Pension	43,678	36,770
Stationery and postage	996	-
Professional fees	544	545
Repairs and maintenance to plant & equipment	3,261	3,477
Salaries	658,987	688,092
Staff costs	20,979	19,725
Security	1,079	1,039
Travel and subsistence	375	545
	798,557	823,514
Net income for the year	<u>31,135</u>	<u>63,341</u>

19. Meetings (statutory and non statutory)

	2015 £	2014 £
Annual conference	245,335	349,239
Statutory meetings	92,635	33,408
Police Negotiating Board	-	7,781
Non Statutory:	-	658,921
Interim National Board	580,687	-
Interim National Committee	179,089	-
	<u>1,097,746</u>	<u>1,049,349</u>

20. Reserves

The reserves consist of the accumulated surplus, current year's deficit and adjustments to fair values made on transition.

NOTES TO THE FINANCIAL STATEMENTS

21. 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.

22. Provisions for liabilities

The Federation makes full provisions for liabilities for substantial legal cases against its members. Other provisions mainly comprise of costs in relation to members' interests. The total provisions for liabilities for the year were £12,536,485 (2014: £9,455,197), which are detailed below:

Legal fee provisions of £8,465,467 (2014: £5,644,400) are included in the financial statements, the breakdown of the amount for each case are as follows: (Case details are not disclosed due to confidentiality).

Case 1: Provision of £nil (2014: £396,000)	Case 13: Provision of £nil (2014: £330,000)
Case 2: Provision of £800,000 (2014: £800,000)	Case 14: Provision of £nil (2014: £128,400)
Case 6: Provision of £3,500,000 (2014: £1,000,000)	Case 15: Provision of £nil (2014: £600,000)
Case 7: Provision of £50,000 (2014: £200,000)	Case 16: Provision of £200,000 (2014: £nil)
Case 8: Provision of £nil (2014: £500,000)	Case 17: Provision of £210,000 (2014: £nil)
Case 9: Provision of £2,515,467 (2014: £1,600,000)	Case 18: Provision of £1,100,000 (2014: £nil)
Case 10: Provision of £90,000 (2014: £90,000)	

The actuary completed the scheme funding report for the Police Federation of England & Wales Retirement Benefit Scheme. An increase in the technical provision of £1,580,020 (2014: decrease of £2,082,000) has been provided for against the current pension deficit and the total actuarial loss in respect of pension scheme now stands at £3,041,000 (2014: £1,433,000). The methods used to calculate the provision by the actuary were on a 'Projected Unit' method in this funding assessment. The conversion principles of data and demographic were used as assumptions and the financial assumptions used were investment returns, retail price inflation, pension increases and deferred pension revaluation.

A provision for deferred tax is included amounting to £566,153 (2014: £563,388).

23. 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 allowances paid are met by Common Police Services Fund and the Police Federation in the proportion of 85:15 respectively up until 31st August 2014 the amounts paid net of contributions are as follows:

	2015 £	2014 £
Chairman	21,963	15,177
General Secretary	26,997	40,799
Treasurer	35,456	26,495
Vice Chairman	27,411	9,469
Deputy General Secretary	22,338	23,785
Deputy Treasurer	13,647	10,817
Ex-member	(31,252)	-
	<u>116,560</u>	<u>126,542</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Pension

The Police Federation of England and Wales has a defined benefit pension plan (closed on 1 May 2010) which provides certain post-employment benefits to its employees.

The closed defined benefit pension plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund.

This plan is governed by the employment laws of UK, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service, retirement age and salary as at scheme closure date.

The fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy. Each year, the Board of Trustees reviews the level of funding in the pension plan as required by employment legislation. Such a review includes the asset-liability matching strategy and investment risk management policy.

This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of a combined 40% in equity and property and 60% in debt instruments. Employment legislation requires the Group to clear any plan deficit (based on a valuation performed in accordance with the regulations in UK) over a period of no more than five years after the period in which the deficit arises.

The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed in accordance with the regulations in UK) will arise. Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to Euroland's inflation, interest rate risks and changes in the life expectancy for pensioners.

As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer products sector, the Federation is also exposed to equity market risk arising in the manufacturing and consumer products sector.

Investments:

The pension plan holds investments in a range of international equity markets, bonds issued in the United Kingdom and abroad as well as property and cash..

Sensitivity Analysis of assumptions:

The plan assets will vary in line with the performance of the underlying assets. Consequently the current volatility in financial markets could affect the actual performance of the scheme's investments.

Key Assumption:

Improvements to life expectancy are estimated to be improving at 1.5% per annum for males and 1.0% for females.

NOTES TO THE FINANCIAL STATEMENTS

25. Financial risk management

The Federation has an exposure to one main area of risk - liquidity risk. The Federation also has an exposure to foreign currency but this is considered minimal in terms of risk.

Liquidity risk

The objective of the Federation in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Federation expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Federation has credit facilities and reserves available.

26. Transition to FRS 102

The Federation has adopted FRS 102 for the year ended 31 December 2015 and has restated the comparative prior year amounts.

Explanations

Changes for FRS 102 Adoption

1. Investments are now measured at market value rather than at historic cost.
2. Accruals for absence pay.
3. Deferred tax on change in measurement of investments from historic cost to market value.

Transition to FRS 102 - reconciliations

Restated statement of financial position		31 December	1 January
	Explanation	2015	2015
		£	£
Original shareholders' funds		-	34,038,151
Restatement of investment	1	-	3,612,567
Absence pay accruals	2	-	(34,534)
Deferred tax	3	-	(563,388)
Restated shareholders' funds		-	37,052,796

NOTES TO THE FINANCIAL STATEMENTS

27. Transition to FRS 102 (continued)

Restated income statement for the year ended 31 December 2014

	Explanations	£
Original deficit on ordinary activities before tax		(3,389,715)
Revaluation of investments at fair value	1	3,612,567
Absence pay accruals	2	(34,534)
Deferred tax on investments	3	(563,388)
		<u>(375,070)</u>
Original tax on ordinary activities		1,535,760
Actuarial gain on pension scheme		2,082,000
		<u>3,242,690</u>
Restated surplus for the financial year		<u><u>3,242,690</u></u>

28. TRUSTEES

The Trustees for the year ended 31 December 2015 were:

Constable J. Nott
Sergeant M. Nurthen
Inspector J. Ainsworth