

POLICE FEDERATION CONSTABLES' FUND

(Established 1st June 1955)

Police Act 1964

The Police Federation Regulations 1969, Part III

The Police Federation (Amendment) Regulations 2015

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 CONSTABLES' FUND
FOR THE YEAR ENDED 31ST DECEMBER 2015

CONTENTS

	PAGE
Information	1
Treasurer's Report	2
Independent Auditor's Report	3
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Cash flow statement	8
Notes to the Financial Statements	9-12

CHAIRMAN

J. Willetts
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

**GENERAL SECRETARY
AND TREASURER**

F. Nelson
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

**ACTING GENERAL
SECRETARY & TREASURER**
(from 23rd March 2016)

A. Duncan
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

TRUSTEES

P. Lowe
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

K. Cooper
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

P. Deller
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

BANKERS

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

**MANAGERS OF UNIT
TRUST INVESTMENTS**

Axis Financial Planning Ltd
Hargam House
40 Sandhurst Road
Wokingham
Berkshire RG40 3JD

AUDITORS

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

POLICE FEDERATION CONSTABLES' FUND TREASURER'S REPORT FOR THE YEAR ENDED 31ST DECEMBER 2015

On behalf of the Constables' Central Committee, I present the report and financial statements of the Police Federation Constables' Fund for the year ended 31st December 2015.

There was a deficit of £1,957,269 compared with a surplus of £376,738 in 2014.

From 1st April 2015 the proportion of Branch Board subscriptions was payable direct to the Police Federation Joint Fund. Our retained proportion for the three months to 31st March 2015 was 7.75%. From 1st April to 31st December 2015 6% was repayable from the Joint Fund. As a consequence the Constables Central Committee's share of subscription income fell from £1,320,391 in 2014 to £1,066,516, a decrease of £253,875. Expenditure rose by £2,365,114 to £3,569,158. This was principally due to various contributions to the Joint Fund, to donations and to increased consultants fees.

£576,384 was contributed towards the new claims system, £450,000 was contributed towards the Conference film, £64,000 was contributed towards the Parliamentary Working Group and a total of £120,903 was contributed to the Welfare Support Programme, including the £84,904 paid direct to the Police Firearms Officers Association.

In donations £1,150,000 was paid to The Peelers Charitable Foundation (formerly The Constables Charitable Foundation). There is an ongoing criminal investigation into the status of this transaction.

Consultancy fees increased by £90,427 to £537,794.

The other main variations starting with increases were as follows:

- (i) In 2014 negotiations with HM Revenue and Customs regarding income tax on accommodation and motor mileage were concluded and resulted in the write back of £95,170 over reserved costs.
- (ii) Computer and website costs rose by £23,414 to £53,249 which included £16,102 of database costs for the claims system.

Against these increases the following costs fell:

- (iii) There were no conference, office premises and presentation and corporate gifts costs this year. In 2014 costs here totalled £92,396.
- (iv) Travelling and subsistence costs were down by £38,139 to £77,593.

On the adoption of FRS 102 investments are now shown at market value rather than as previous at cost. Deferred tax is reserved on unrealised gains. The result of this change of accounting policy is to increase reserves by £2,155,636, an increase in investment values of £2,536,043 less the deferred tax reserve of £380,407.

The profit on sale of securities was £378,360. There were no sales in 2014.

The market value of our investments is now £2,536,043 above cost compared to £2,435,027 above cost in 2014.

Amounts due from branch boards have fallen from £1,012,330 to a small net overpayment of £55 reflecting the shortened period to 31st March 2015.

At the year end £539,057 was due from the Joint Fund whereas at the end of 2014 £108,902 was owed to the Joint Fund. This reflects the new arrangements for the last nine months.

Net assets stand at £11,507,054 compared to £13,636,081 the previous year.

Work continues on the merging of the Central Committees with a single National Board following The Police Federation Independent Review published in January 2014.

Finally I would like to thank all Branch Board Treasurers for the timely presentation of their annual accounts and for their assistance during the year.

A. Duncan
Acting Treasurer
Dated: 14th April 2016

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

We have audited the financial statements of Police Federation Constables' Fund for the year ended 31st December 2015 on pages 4 to 12. 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 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 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 management committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Treasurer's Annual Report to identify material inconsistencies with the audited financial statements. 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:

- fairly reflect the state of the Fund's affairs as at 31st December 2015 and of its deficit 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; and
- the information in the Treasurer's Annual Report is consistent with the financial statements.

Emphasis of Matter

In forming our opinion on the financial statements, which is not modified, we draw your attention to the disclosure made in the Treasurer's Report in relation to the status of a transaction in respect of the donation of £1.15 million to The Peelers Charitable Foundation (formerly The Constables Charitable Foundation). This matter is currently subject to a criminal investigation and the ultimate outcome of the matter cannot presently be determined and no provision for any asset or liability that may result has been made in these financial statements.

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

Date: 14th April 2016

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015

	2015 £	2014 £
INCOME		
Period 1st January 2015 to 31st March 2015		
Amounts receivable from branch boards	4,157,142	
Less payable to Police Federation Joint Fund - 92.25%	3,834,963	
	322,179	
Period 1st April 2015 to 31st December 2015		
Amounts receivable from branch boards	12,405,616	
Less payable to Police Federation Joint Fund - 94%	11,661,279	
	744,337	
Totals for Year		
Amounts receivable from branch boards	16,562,758	17,037,293
Less payable to Police Federation Joint Fund	15,496,242	15,716,902
	1,066,516	1,320,391
EXPENDITURE		
Less Administration and expenses (Note 8)	3,569,158	1,205,044
(Deficit)/Surplus of branch board income over expenditure	(2,502,642)	115,347
OTHER INCOME		
Income from securities	194,447	197,245
Bank deposit interest	11,728	14,499
Leasehold flat rent received	10,838	8,387
	217,013	220,131
(Deficit)/Surplus before gains	(2,285,629)	335,478
GAINS		
Profit on sale of securities	378,360	-
(Deficit)/Surplus before taxation	(1,907,269)	335,478
Less Taxation	(50,000)	41,260
(DEFICIT)/SURPLUS FOR THE YEAR	(1,957,269)	376,738

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2015**

	2015 £	2014 £
(Deficit)/Surplus for the financial year	(1,957,269)	376,738
Fair Value revaluation	(202,068)	2,738,111
Deferred tax	30,310	(410,717)
Total comprehensive (deficit)/ income for the financial year	(2,129,027)	2,704,132

**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015**

	2015	2014
FIXED ASSETS		
Tangible fixed assets (Note 4)	886,594	895,228
Investments	8,603,585	9,382,846
	9,490,179	10,278,074
CURRENT ASSETS		
Amount due from branch boards	(55)	1,012,330
Due from Police Federation Joint Fund	539,057	-
Debtors and prepaid expenses	21,997	270,448
Cash at bank and in hand	1,935,546	2,764,985
	2,496,545	4,047,763
CURRENT LIABILITIES		
Due to Police Federation Joint Fund	-	188,902
Creditors and accrued expenses	49,263	87,237
Corporation tax	50,000	2,900
Deferred tax	380,407	410,717
	479,670	689,756
NET CURRENT ASSETS	2,016,875	3,358,007
NET ASSETS	11,507,054	13,636,081
REPRESENTED BY		
Accumulated reserves	11,507,054	13,636,081

Signed Chairman
J. Willetts

.....Acting Treasurer
A. Duncan

Dated: 14th April 2016

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2015**

	Note	Accumulated reserves £	Fair Value Transition Reserve £	Total £
At 1st January 2014		10,931,949	-	10,931,949
Surplus/(Deficit) and total comprehensive income for the year		376,738	-	376,738
Transitional adjustments	9	-	2,327,394	2,327,394
At 31st December 2014		<u>11,308,687</u>	<u>2,327,394</u>	<u>13,636,081</u>
Surplus/(Deficit) and total comprehensive income for the year		(2,129,027)	-	(2,129,027)
At 31st December 2015		<u><u>9,179,660</u></u>	<u><u>2,327,394</u></u>	<u><u>11,507,054</u></u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015**

	2015 £	2014 £
Net cash (outflow)/inflow from operating activities (Note 5)	(1,988,267)	543,152
Returns on investments and servicing of finance:		
Interest received	11,728	14,499
Income from securities	194,447	197,245
Net cash inflow from returns on investments and servicing of finance	206,175	211,744
Taxation paid	(2,900)	(27,082)
Investing activities:		
Purchase of securities	(194,447)	(197,245)
Sale of securities	1,150,000	-
Net Cash Inflow/(Outflow) from investing activities	955,553	(197,245)
(Decrease)/Increase cash equivalents (Note 7)	(829,439)	530,569

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

1. 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 note 9 for an explanation of the transition.

The date of transition is 1st 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 note 9.

2. ACCOUNTING POLICIES

2.1 Depreciation

Depreciation has been calculated at rates required to write off the relevant assets over their anticipated useful lives. The applicable annual rates are as follows:

Fixtures and Fittings for Leasehold Flats	25% reducing balance basis
Office Furniture and Equipment	25% reducing balance basis
Leasehold Flats	equally over the remaining years of the lease

2.2 Taxation

Provision is made for Corporation Tax in respect of the Fund's liability to taxation on investment income, property income and chargeable gains.

Deferred tax is reserved on unrealised investment gains and is shown in the statement of comprehensive income.

2.3 Investments

These comprise investments in equities which are measured at market value. Changes in market value are recognised in the statement of comprehensive income.

2.4 Pensions

The Fund 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.

3. STATEMENT OF RESPONSIBILITIES

Regulation 18(2) of the Police Federation Regulations requires the Committee, in relation to Federation funds held by it to keep accounts 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 is also responsible 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 2015**

4. FIXED ASSETS

	Leasehold Flats £	Fixtures and Fittings for Leasehold Flats £	Office Furniture and Equipment £	Total £
Cost:				
At 1st January 2015 and 31st December 2015	953,259	79,547	270,630	1,303,436
Depreciation:				
At 1st January 2015	64,294	77,650	266,264	408,208
Charge for Year	7,068	474	1,092	8,634
At 31st December 2015	71,362	78,124	267,356	416,842
Net Book Value:				
At 31st December 2015	881,897	1,423	3,274	886,594
At 31st December 2014	888,965	1,897	4,366	895,228

5. RECONCILIATION OF SURPLUS FOR THE YEAR BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
(Deficit)/Surplus for year before taxation	(1,907,269)	335,478
Depreciation charged in year	8,634	9,156
Increase/(Decrease) in creditors	(226,876)	25,817
Decrease in debtors	721,779	384,445
Less Interest received in year	(11,728)	(14,499)
Income from securities	(194,447)	(197,245)
Profit on disposal of securities	(378,360)	-
	<u>(1,988,267)</u>	<u>543,152</u>

6. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING YEAR

	2015 £	2014 £
Balance at 1st January 2015	2,764,985	2,234,416
Net cash output/inflow	(829,439)	530,569
Balance at 31st December 2015	<u>1,935,546</u>	<u>2,764,985</u>

7. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN BALANCE SHEET

	2015 £	Change in Year £	2014 £
Cash at bank and in hand	<u>1,935,546</u>	<u>(829,439)</u>	<u>2,764,985</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2015**

8. ADMINISTRATION AND PREMISES EXPENSES

	2015	2014
	£	£
Audit and accountancy	10,110	9,376
Bank charges	636	291
Charity dinners	-	2,247
Clerical assistance	241,391	234,328
Computer and website costs	53,249	29,835
Conference costs	-	21,314
Consultants fees	537,794	447,367
Contribution to secretary's pay	19,568	20,048
Contribution to Police Federation Joint Fund		
Conference film	450,000	-
Contribution to Police Federation Joint Fund		
Parliamentary Working Group	64,000	-
Contribution to Police Federation Joint Fund		
Welfare Support Programme	35,999	-
Contribution to Police Federation Joint Fund		
Claims System	576,384	-
Depreciation of office furniture and equipment	1,092	1,455
Donations:		
Haringey Police and Community Boxing Club	5,000	5,000
Police Firearms Officers Association	84,904	-
The Peelers Charitable Foundation (formerly		
The Constables Charitable Foundation)	1,150,000	-
Other	950	135
External conference expenses	-	7,944
General expenses	2,640	6,669
Honoraria:		
Chairman	5,398	5,583
Other	26,009	29,422
Income tax on accommodation	32,340	27,925
Income tax on honoraria	21,846	31,072
Income tax on motor mileage allowances	4,833	8,007
Income tax on accommodation and		
motor mileage over reserve	-	(95,170)
Legal and professional fees	73,010	128,928
Leasehold flat expenses:		
Depreciation of fixtures and fittings	474	633
Depreciation of leasehold flats	7,068	7,068
Ground rent and council tax	5,515	5,422
Light and heat	1,980	2,073
Repairs, service charges and cleaning	7,679	15,453
Replacement fixtures and fittings	976	1,701
Office premises expenses	-	42,432
Presentations and corporate gifts	-	20,706
Printing, postage and stationery	10,019	10,928
Repairs and maintenance of equipment	2,859	2,739
Retirement functions	744	1,356
Retirement gifts	1,140	2,032
Staff and committee training	1,456	1,150
Staff lunches	1,454	1,966
Staff superannuation	51,247	50,228
Telephone	1,801	1,649
Travelling and subsistence	77,593	115,732
	<u>3,569,158</u>	<u>1,205,044</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

9. TRANSITION TO FRS 102

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

Transition to FRS 102 - reconciliations

	£
Restated statement of financial position	
Original shareholders' funds 1st December 2014	11,308,687
Restatement of investment	2,738,111
Deferred tax	(410,717)
	<hr/>
Restated shareholders' funds 31st December 2014	13,636,081
	<hr/> <hr/>