

Treasurer's Annual Report and Accounts

CHAIRMAN

Paul McKeever (Deceased 18.01.2013)
Steve Williams (Appointed 23.01.2013)
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
4th Floor
11 Pilgrims Street
London
EC4V 6RN

Slater & Gordon Solicitors
(Formerly Russell Jones & Walker)
50 – 52 Chancery Lane
London
WC2A 1HL

BROKERS

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

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

TREASURER'S ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2012

FOREWORD

It is my pleasure, on behalf of the Joint Central Committee, to present my fourth report as Treasurer of the Police Federation Joint Fund, together with the Financial Statements for the year ended 31st December 2012.

It has been another challenging year for the Federation having to deal with a number of important policing issues arising from the Winsor II and the 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 £3,490,243 compared to a surplus of £5,006,906 in last year. The Federation has continued to manage its finances more prudently and control expenditure more effectively under my direction. 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 our team including the implementation of the e-billing system, which assists us to monitor and review costs and ensure the outcome of cases are favourable to our members.

Furthermore I am pleased to report Federation House has achieved a small surplus for the first time, full details are disclosed in Note 16.

Income from investments totalled £395,508 (2011: £293,084) and other income amounted to £86,102 (2011: £100,120). After accounting for the above, the surplus before gains was £3,950,253 compared to a surplus of £5,434,097 last year.

Federation Investments held by our Brokers now stand at a cost value of £10,965,612 (Market Value £12,688,192) compared to the previous year's cost value of £8,134,407 (Market Value £8,838,416). Due to the current stock market conditions, the portfolio valuation has become stronger due to the reinvestment of income in the year, however we remain cautious due to the unsettled economic situation in the country.

After taxation the retained surplus for the year amounted to £3,641,253 (2011: surplus £3,906,010).

BALANCE SHEET

Page 5 details the Federation's assets and liabilities and I am pleased to say that the net assets now total £33,728,495 (2011: £30,087,242). Our fixed assets now stand at £28,430,429 (2011: £28,593,683) after depreciation. The funds held in investments were £10,965,612 (2011: £8,134,407).

In current assets, loans to Joint Branch Boards have decreased to £112,977 compared to £134,815 last year. No new loans were granted in the year period.

The deposit held by the Stockbroker has decreased and has been invested in the stock markets and securities by the Brokers.

Included in the Federation's liabilities is an amount of £6,952,769 (2011: £4,330,368) being a provision for the liabilities in respect of member's legal cases that are currently being resolved; this is further detailed in note 19 to financial statements.

The mortgage now stands at £2,799,676 (2011: £7,509,267) after repayments being made during the year in accordance with the terms of the mortgage and an additional £4,500,000 (2011: £1,000,000) further being repaid in the year.

Treasurer's Annual Report and Accounts

INCOME

Subscription income has reduced due to the reduction in numbers and a 1% reduction in the contribution from the Constables Central Committee. Investment income from securities amounted to £290,328 (2011: £208,569), deposit and other interest amounted to £105,180 (2011: £84,515), which includes income from Government securities and bank deposits. Other income amounted to £86,102 (2011: £100,120) and includes referral fee income from Slater & Gordon Solicitors (formerly Russell Jones and Walker).

EXPENDITURE

Expenditure last year included an extra cost of interest of £2,141,327 due to the exit from the hedging position on the mortgage. This year includes a further provision of £1,498,980 for the pension fund as detailed out in Note 11. The underlying expenditure is however increasing.

THE FUTURE

Quite clearly with the Winsor II and the Hutton Reports, the anticipated increase in the Federation expenditure next year, the continuing reduction in membership with ordinary Federation ranks, I am concerned for the future. Coupled with this is the potential threat of the College of Policing introduction of professional fees for our members. However I will continue to monitor and control the Federation's expenditure to my best endeavour.

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: 20th March 2013

Treasurer's Annual Report and Accounts

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 2012, 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 2012 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 Annual Report of the Management Committee 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 2012 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; and
- the information provided in the Treasurer's Annual Report is consistent with the financial statements.

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

Date: 21st March 2013

Treasurer's Annual Report and Accounts

BALANCE SHEET AS AT 31st DECEMBER 2012

	Note	As at 31st December 2012 £	As at 31st December 2011 £
FIXED ASSETS	3	28,430,429	28,593,683
INVESTMENTS	3	10,965,612	8,134,407
		<u>39,396,041</u>	<u>36,728,090</u>
CURRENT ASSETS			
Loans	4	112,977	134,815
Stocks		55,134	55,819
Amounts due from Central Committees		325,506	1,704,376
Debtors and prepaid expenses		1,073,337	1,902,498
Deposits with stockbrokers		394,185	1,369,099
Cash at bank and in hand		6,861,325	5,313,381
		<u>8,822,464</u>	<u>10,479,988</u>
LESS			
CURRENT LIABILITIES: falling due within one year			
Creditors and accrued expenses	5	(4,750,877)	(5,108,525)
		<u>4,071,587</u>	<u>5,371,463</u>
NET CURRENT ASSETS			
LESS			
LIABILITIES: falling due after more than one year			
Creditors	6	(2,786,364)	(7,681,943)
PROVISIONS FOR LIABILITIES	19	(6,952,769)	(4,330,368)
		<u>33,728,495</u>	<u>30,087,242</u>
NET ASSETS			
REPRESENTED BY			
Accumulated fund	17	<u>33,728,495</u>	<u>30,087,242</u>

The financial statements were approved by the Fund's Committee on 20th March 2013 and were signed on its behalf by:



Steve Williams

Chairman



Martyn Mordecai

Treasurer

Treasurer's Annual Report and Accounts

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2012

	Note	2012 £	2011 £
INCOME			
Amounts receivable from Central Committees:			
Constables		16,815,231	17,515,002
Sergeants		3,461,746	3,647,880
Inspectors		1,257,328	1,319,880
		21,534,305	22,482,762
EXPENDITURE			
Members legal fees	9	7,961,268	7,460,227
Federation expenditure	10	10,095,981	9,952,162
Federation House (income)/charges	16	(13,187)	63,467
		18,044,062	17,475,856
SURPLUS OF SUBSCRIPTION INCOME OVER EXPENDITURE		3,490,243	5,006,906
Donations received	8	(21,600)	33,987
INCOME FROM INVESTMENTS			
Securities		290,328	208,569
Deposit and other interest		105,180	84,515
		395,508	293,084
Commission received		3,782	13,441
Other income		82,320	86,679
		86,102	100,120
SURPLUS FOR THE YEAR BEFORE (LOSSES)/GAINS		3,950,253	5,434,097
(LOSSES)/GAINS FOR THE YEAR BEFORE TAXATION			
(Loss)/Profit on disposal of securities		(17,029)	31,090
(Loss) on disposal of fixed assets		(953)	(8,809)
		(17,982)	22,281
SURPLUS FOR THE YEAR BEFORE TAXATION & EXCEPTIONAL ITEMS		3,932,271	5,456,378
EXCEPTIONAL ITEMS TAXATION	20	(291,018)	(1,550,368)
		-	-
RETAINED SURPLUS FOR THE YEAR		3,641,253	3,906,010

Treasurer's Annual Report and Accounts

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	13	8,300,958	5,403,955
Returns on investments and servicing of finance			
Income from securities		290,328	208,569
Interest received		105,180	84,515
Net inflow from returns of investments and servicing of finance		395,508	293,084
Investing activities			
Purchase of tangible fixed assets		(590,856)	(134,252)
Purchase of securities		(3,666,124)	(1,599,483)
Sale of tangible fixed assets		750	12,862
Sale of securities		820,547	862,382
Net cash (outflow) from investing activities		(3,435,683)	(858,491)
Net cash inflow before financing		5,260,783	4,838,548
Financing			
Repayment of loans granted		21,838	20,509
Long term loan/mortgage repayments		(4,709,591)	(1,308,704)
Increase in cash and cash equivalents	15	573,030	3,550,353

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

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

Income is derived from subscriptions collected from the Funds members. 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.

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

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.

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

3. FIXED ASSETS

	Freehold land & buildings	Plant & equipment	Furniture, fittings & soft furnishings	Leasehold premises	Computer & office equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
As at							
1st January 2012	23,594,839	2,922,314	1,443,803	1,659,687	2,294,453	34,223	31,949,319
Additions	-	57,712	1,198	-	519,913	12,033	590,856
Disposals	-	-	-	-	(1,095,348)	(14,224)	(1,109,572)
As at 31st December 2012	23,594,839	2,980,026	1,445,001	1,659,687	1,719,018	32,032	31,430,603
Depreciation							
As at							
1st January 2012	-	717,893	654,898	72,537	1,880,181	30,127	3,355,636
Charge	-	197,120	180,568	14,101	358,948	1,670	752,407
Disposals	-	-	-	-	(1,095,348)	(12,521)	(1,107,869)
As at 31st December 2012	-	915,013	835,466	86,638	1,143,781	19,276	3,000,174
Net Book Value							
As at 31st December 2012	23,594,839	2,065,013	609,535	1,573,049	575,237	12,756	28,430,429
As at 31st December 2011	23,594,839	2,204,421	788,905	1,587,150	414,272	4,096	28,593,683

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 2012 was £10,965,612 (2011: £8,134,407) and the market value of £12,688,192 (2011: £8,838,416). A summary of the investment holdings are shown below:

	Cost 2012 £	Market Value 2012 £
Fixed interest funds		
Fixed interest Government funds	640,443	767,545
Other fixed interest funds	893,338	1,016,355
Listed shares and units trusts	9,431,831	10,904,292
	10,965,612	12,688,192

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

4. LOANS

	2012 £	2011 £
Secured on one freehold and one leasehold Joint Branch Board properties	112,977	134,815

Secured loans due within one year amounted to £22,001 (2011: £21,839) and amounts due after more than one year were £90,976 (2011: £112,976).

5. CREDITORS: falling due within one year

	2012 £	2011 £
Trade creditors	982,946	1,132,992
Other creditors and accruals	3,767,931	3,975,533
	4,750,877	5,108,525

6. CREDITORS: falling due after more than one year

	2012 £	2011 £
Pension Deficit	88,460	459,980
Mortgage	2,697,904	7,221,963
	2,786,364	7,681,943

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 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 £2,779,676 of which £101,772 is included in creditors due within one year and £2,697,904 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 £88,460 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.

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

7. CONTRIBUTION TOWARDS EXPENSES

	2012 £	2011 £
Contributions were received from the Home Office (Grant-in-Aid) towards the following expenses:		
<u>Grant-in-Aid:</u>		
PFEW Elected Officers salaries	59,129	60,645
Meetings	87,613	89,860
<u>Police Negotiating Board:</u>		
Meetings	98,301	100,822
Administration	28,052	28,771

8. DONATIONS RECEIVED

	2012 £	2011 £
Police Federation National Detective Forum	-	30,442
Isle of Man Police Federation	-	3,000
Other donations	-	470
National Police Memorial upkeep	-	75
Dyfed Powys Police Federation	(9,000)	-
Gwent Police Federation	(12,600)	-
	<u>(21,600)</u>	<u>33,987</u>

9. MEMBERS LEGAL FEES

	2012 £	2011 £
CICA claims	146,073	186,152
Civil claims	1,725,023	1,498,602
Criminal cases	1,294,624	1,691,884
Defamation	263,512	228,379
Discipline	1,700,254	1,395,065
Employment tribunals	2,138,473	2,155,034
General legal fees	652,476	580,503
Inquests	108,708	13,872
Judicial reviews	298,087	96,962
Professional indemnity	25,523	21,350
CCFA provision	(391,485)	(407,576)
	<u>7,961,268</u>	<u>7,460,227</u>

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

10. FEDERATION EXPENDITURE

	Note	2012 £	2011 £
Audit fees		26,000	26,000
Bank charges		2,883	2,547
Clerical assistance	11	2,006,853	1,950,022
Pension deficit	11	1,498,980	-
Computer costs		632,960	576,825
Death benefits		188,220	206,460
Depreciation:			
Computer & office equipment	3	358,948	525,447
Furniture, fittings & soft furnishings	3	180,568	178,924
Motor vehicles	3	1,670	1,365
Plant & equipment	3	197,120	194,821
Elected officers enhancements	21	122,467	124,561
Federation training		439,297	465,482
Hospitality		36,282	26,514
Insurances		91,914	104,950
Interest payable		103,160	2,573,152
Leasehold amortisation	3	14,101	15,031
Meetings	12	958,588	852,743
Motor expenses		3,153	3,176
National Police Memorial upkeep		28,779	27,611
Pay campaign		927,155	362,777
POLICE magazine		152,990	126,907
Premises expenses		879,192	931,189
Presentations and donations		54,285	20,632
Printing costs		77,097	39,530
Professional fees		938,523	464,315
Publicity and promotion		127,394	103,528
Research and publications		13,886	12,285
Stationery and postage		32,969	34,504
Telephone		547	864
		<u>10,095,981</u>	<u>9,952,162</u>

11. CLERICAL ASSISTANCE

	2012 £	2011 £
Civilian assistance and clerical staff	1,738,683	1,685,627
Federation contributions for:		
Social security	170,966	169,267
Superannuation – stakeholder scheme	97,204	95,128
Pension deficit – defined budget scheme	1,498,980	-
	<u>3,505,833</u>	<u>1,950,022</u>

The actuary performed an interim valuation and based on the valuation at 1st January 2012 a further £1,498,980 is required to meet the current pension liabilities. The method used to calculate the provision by the actuary was an approximate conversion and update of the last full funding assessment. The conversion principles of data and demographic were used as assumptions and the financial assumptions used were investment return, retail price inflation, pension increases and deferred pension revaluation.

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

12. MEETINGS (Statutory and Non Statutory)

	2012 £	2011 £
Annual conference	462,862	559,118
Joint Central Committee - Statutory	60,017	58,198
Police Negotiating Board	5,319	3,792
Non Statutory	430,390	231,635
	<u>958,588</u>	<u>852,743</u>

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

	2012 £	2011 £
Surplus for the year after taxation	3,641,253	3,906,010
Income from investments	(395,508)	(293,084)
Depreciation charges	752,407	915,588
Depreciation on disposals	(1,703)	(4,053)
Disposals of securities after provisions	17,029	(31,090)
Decrease in stocks	685	8,225
Decrease/(Increase) in debtors and prepaid expenses	829,161	(320,807)
Decrease in amounts due from Central Committees	1,378,870	1,764,723
Increase/(Decrease) in creditors	2,078,764	(541,557)
	<u>8,300,958</u>	<u>5,403,955</u>

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

	2012 £
Increase in cash for the year	573,030
Net balance as at 1st January 2012	6,682,480
	<u>7,255,510</u>

15. ANALYSIS OF CHANGES IN NET CASH AND CASH EQUIVALENTS

	1st January 2012 £	Change £	31st December 2012 £
Deposit with stockbrokers	1,369,099	(974,914)	394,185
Cash at bank and in hand	5,313,381	1,547,944	6,861,325
	<u>6,682,480</u>	<u>573,030</u>	<u>7,255,510</u>

Treasurer's Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2012

16. FEDERATION HOUSE CHARGES

	2012 £	2011 £
Turnover	721,280	747,118
Value of services provided to the Federation	435,098	370,883
Cost of sales	(286,106)	(303,251)
Gross profit	870,272	814,750
Administration expenses		
Advertising and marketing	-	4,269
Audit fee	5,000	5,000
Bank and credit card charges	13,809	11,963
Agency Staff	47,091	28,690
Cleaning	9,178	18,465
Equipment hire	2,011	7,449
Laundry	42,047	44,663
Pension	9,198	6,237
Printing, postage and stationery	1,615	5,692
Professional fees	545	363
Repairs and maintenance to plant & equipment	52,432	8,924
Salaries	658,554	720,192
Staff costs	14,704	15,218
Security	882	919
Training	-	56
Travel and subsistence	19	117
	857,085	878,217
Profit/(Loss) for the year	13,187	(63,467)

17. RESERVES

	2012 £	2011 £
Balance as at 1st January 2012	30,087,242	26,181,232
Surplus for the year	3,641,253	3,906,010
Balance as at 31st December 2012	33,728,495	30,087,242

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

SUMMARY OF THE SECURITIES HELD BY THE TRUSTEES OF THE POLICE FEDERATION FOR THE YEAR ENDED 31st DECEMBER 2012

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

The Federation makes full provisions for liabilities for substantial legal cases against its members. Other provisions mainly comprise of costs in relation to members interest. The total provisions for liabilities for the year were £6,952,769 (2011: £4,330,368), which are detailed below:

Legal fee provisions of £2,600,000 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 (2011: £150,000)	Case 8: Provision of £200,000 (2011: £120,000)
Case 2: Provision of £1,000,000 (2011: £1,000,000)	Case 9: Provision of £170,000 (2011: £150,000)
Case 3: Provision of £350,000 (2011: £350,000)	Case 10: Provision of £80,000 (2011: £nil)
Case 4: Provision of £450,000 (2011: £250,000)	Case 11: Provision of £90,000 (2011: £nil)
Case 5: Provision of £nil (2011: £100,000)	Case 12: Provision of £50,000 (2011: £nil)
Case 6: Provision of £nil (2011: £360,000)	Case 13: Provision of £60,000 (2011: £nil)
Case 7: Provision of £150,000 (2011: £50,000)	

Other provisions include the HMRC Enquiry £2,073,469 (2011: £1,550,368), Pension Deficit £1,498,980 (2011: £nil) and other member benefit related expenses £780,320 (£250,000).

20. EXCEPTIONAL ITEMS

An inquiry is in progress with the HMR&C and the Federation at present is disputing all claims made. However it is felt prudent to make a further provision for the current year of £291,018 (2011: £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:

		2012 £	2011 £
Chairman	Enhancement	14,935	15,199
General Secretary	Enhancement	21,665	21,499
Treasurer	Enhancement	22,554	22,854
Vice Chairman	Enhancement	26,557	26,139
Deputy General Secretary	Enhancement	26,971	26,911
Deputy Treasurer	Enhancement	9,785	11,959
		<u>122,467</u>	<u>124,561</u>

22. POST BALANCE SHEET EVENTS

The Federation has formally lodged a complaint against its financier for the mis-selling of LIBOR linked derivative in light of the allegation of LIBOR rate fixing. The Federation believe this resulted in an over inflated break clause fee which was paid by the Federation. The complaint has been acknowledged and is currently being processed by the financier's complaint department.

Treasurer's Annual Report and Accounts

SUMMARY OF THE SECURITIES HELD BY THE TRUSTEES OF THE POLICE FEDERATION FOR THE YEAR ENDED 31st DECEMBER 2012

TRUSTEES

The Trustees for the year ended 31st December 2012 were:

Constable M Sutcliffe (Retired)
Constable S Chadderton (Retired)
Constable J Nott (Appointed)
Sergeant M. Nurthen
Inspector A. Stevens (Retired)
Inspector J. Ainsworth (Appointed)

INVESTMENTS

The investments are stated at cost unless their market value is significantly less than cost. The cost of investments amounted to £10,965,612 (2011: £8,134,407).

The Federation realised a capital loss of £17,029 on the disposal of investments.

	Cost less provision		Market value	
	2012	2011	2012	2011
	£	£	£	£
Fixed interest funds				
Fixed interest Government funds	640,443	640,443	767,545	756,979
Other fixed interest funds	893,338	999,742	1,016,355	1,066,307
Listed shares and unit trusts	9,431,831	6,494,222	10,904,292	7,015,130
	<u>10,965,612</u>	<u>8,134,407</u>	<u>12,688,192</u>	<u>8,838,416</u>