

POLICE FEDERATION FOR NORTHERN IRELAND

**Police Act (Northern Ireland) 1970
Statutory Regulations 1991**

VOLUNTARY FUND

Treasurer's Report

and

Financial Statements

For the Year Ended

31st December 2017

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

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

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**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Information

| | |
|--|--|
| FEDERATION OFFICE | Federation Office, 77-79 Garnerville Road, Belfast. BT4 2NX |
| CHAIRMAN | M. Lindsay |
| SECRETARY | C. McCrum |
| ASSISTANT SECRETARY | L. Kelly |
| TREASURER | S. O'Hare |
| FINANCE, PAY AND PENSIONS COMMITTEE | No. 1 Board D. O'Rourke No. 2 Board P. Downie No. 3 Board L. Colten-Brown No. 4 Board A. Fullerton No. 5 Board T. Arnold |
| TRUSTEES | D. Sands T. Arnold P. Downie |
| BANKERS | Danske Bank, Belfast Finance Centre, P.O. Box 183 Donegall Square West Belfast. BT1 6JS |
| SOLICITORS | Edwards & Co., 28 Hill Street, Belfast. BT1 2LA Croasdailes LLP, 23 New Row, Coleraine, Londonderry. BT52 1AD |
| AUDITORS | George Hay & Company, Chartered Accountants, Statutory Auditors, 83 Cambridge Street, Pimlico, London. SW1V 4PS |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Treasurer's Report for 2017

Foreword

I present to the members of the Police Federation for Northern Ireland my Treasurer's Report together with the annual Financial Statements of the Voluntary Fund for the year ended 31st December 2017.

Statement of Financial Position

The Financial Statements are presented in accordance with Financial Reporting Standard (FRS 102), which requires investments to be measured at market value and for deferred tax to be provided against the uplift from historic cost to market value of the investment portfolio (unrealised capital gains).

In 2017 the Fund's net assets have decreased by £480,129 to £7,958,942, due to a deficit for the year on the main Fund after tax of £446,702 and a deficit on the Lottery Fund of £33,427. Due to activities by our stock brokers in the year and movements in the stock markets and after taking into consideration a £300,000 withdrawal from the portfolio, the amount at which our investments are included in the Financial Statements (at market value), has increased in the year by £382,899 to £3,868,784.

Statement of Income and Retained Earnings

I can report this year that there is a deficit of subscription income over expenditure of £922,534 (2016 – £237,967). Investment and other income received in the period amounted to £135,976 (2016 - £168,393). Included within other income this year is the sum of £21,283 (2016 - £46,849) in respect of a surplus on the Members' Benefits and Critical Illness Schemes, which was donated to the Voluntary Fund.

Our stockbrokers disposed of a number of our investments in the period resulting in a surplus on disposal of investments of £114,702 (2016 - £34,267). Under the provisions of FRS102, any movement in the market value of investments is reported in the Statement of Income and Retained Earnings as Unrealised Gains on Investments and in this period there was an uplift of £269,124 (2016 - £310,215).

As in previous years legal expenses continue to form a significant proportion of our costs. Legal costs this year amount to £1,346,553 compared to £620,741 in 2016, the uplift primarily due to increased costs in respect of injury and holiday pay claims as well as the introduction of the ARC Legal Assistance scheme. Administrative expenses (excluding legal fees) of the Fund have decreased this year to £1,057,573, compared to £1,079,364 in 2016. Major costs arise from our continued investment in computing including the disaster recovery plan, office salary and pension costs and the continued funding of the media and well-being projects, which are included within professional fees.

The Fund is liable to Corporation Tax on investment income and chargeable gains, however this year tax deducted at source on investment income is projected to cover our tax liability and a tax repayment of £1,030 has been received in the year. Under the requirements of FRS102, deferred tax of £45,000 (2016 - £62,043) has been included as a provision in the Financial Statements to recognise the potential tax effect of the increase in market value of the investment portfolio. This provision is an accounting adjustment and any potential tax liability only becomes payable in the event of the disposal of an investment.

A detailed comparison of the main areas of expenditure appears on page 8 of the Financial Statements with a further breakdown, in chart form on page 10.

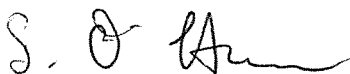
Lottery Fund

I am pleased to report that donations have been made from the fund this year of £85,570 (2016 - £36,070). There was a deficit for the year of £33,427 (2016 - £19,538 surplus) and at the year-end the Lottery Fund holds a total of £422,460 in the capital project account.

The Future

Downsizing continues to put a burden on our finances and Police Officer numbers continue to fall. It will be necessary to continue to examine and control all areas of expenditure. However, I will propose at conference a freeze on subscription rates again this year.

Finally, I should like to extend thanks to our Federation staff for their assistance during the year, to the other permanent officials, to our auditors: George Hay & Company, to our solicitors: Edwards & Co. and Croasdailes LLP, and to our stockbrokers: Close Private Asset Management Limited and Campbell Financial Management, for their continued support.



..... S. O'Hare

Treasurer

12th April 2018

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
THE POLICE FEDERATION FOR NORTHERN IRELAND VOLUNTARY FUND**

Opinion On Financial Statements

We have audited the financial statements of the Police Federation for Northern Ireland Voluntary Fund (the Fund) for the year ended 31st December 2017, which comprise the Statement of Financial Position, the Statement of Income and Retained Earnings and the related notes. These financial statements have been prepared under the requirements of the Police Federation Regulations and Fund Rules and adopting the measurement principles of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- fairly reflect the state of the Funds' affairs as at 31st December 2017 and of its results for the year then ended;
- 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.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating To Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance, Pay and Pensions Committee Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance, Pay and Pensions Committee Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Matters On Which We Are Required To Report By Exception

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, we have not identified material misstatements.

Responsibilities Of the Finance, Pay and Pensions Committee Members

The Finance, Pay and Pensions Committee Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Finance, Pay and Pensions Committee Members are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Finance, Pay and Pensions Committee Members either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

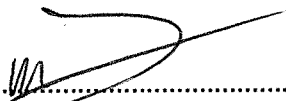
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

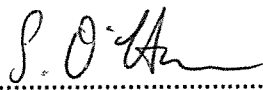
POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND

Statement of Financial Position as at 31st December 2017

| | Notes | 2017 £ | 2016 £ |
|--------------------------------|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Land and Buildings | 2 | 491,008 | 498,802 |
| Office Equipment | 2 | 10,038 | 12,548 |
| Computer Equipment | 2 | 35,697 | 50,988 |
| Hume Collection | 2 | 7,075 | 7,075 |
| | | <u>543,818</u> | <u>569,413</u> |
| CURRENT ASSETS | | | |
| Investments | 3 | 3,868,784 | 3,785,885 |
| Debtors | | 408,810 | 438,332 |
| Cash at Bank | | 3,910,039 | 4,050,356 |
| Deposit held with Stockbrokers | | 96,834 | 16,257 |
| | | <u>8,284,467</u> | <u>8,290,830</u> |
| CURRENT LIABILITIES | | | |
| Accrued Expenses | | 593,945 | 190,774 |
| Corporation Tax | | - | - |
| Deferred Tax Provision | | 275,398 | 230,398 |
| | | <u>869,343</u> | <u>421,172</u> |
| NET CURRENT ASSETS | | <u>7,415,124</u> | <u>7,869,658</u> |
| NET ASSETS | | <u>7,958,942</u> | <u>8,439,071</u> |
| REPRESENTED BY | | | |
| Accumulated Fund | 6 | 7,536,482 | 7,983,184 |
| Lottery Fund | 7 | 422,460 | 455,887 |
| | | <u>7,958,942</u> | <u>8,206,668</u> |

Approved by the Finance, Pay and Pensions Committee on 12th April
2018 and signed on its behalf by:


..... Chairman
M. Lindsay


..... Treasurer
S. O'Hare

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Statement of Income and Retained Earnings
For the Year Ended 31st December 2016

| | Notes | 2017 £ | 2016 £ |
|--|-------|--------------------|--------------------|
| INCOME | | | |
| Members' Contributions | | 1,515,205 | 1,528,426 |
| LESS: EXPENDITURE | | | |
| Premises | 8 | (78,613) | (89,288) |
| Administrative | 9 | (2,359,126) | (1,677,105) |
| TOTAL EXPENDITURE | | (2,437,739) | (1,766,393) |
| (DEFICIT) OVER MEMBERS' CONTRIBUTIONS | | (922,534) | (237,967) |
| Interest and Dividends Receivable | | 114,564 | 121,429 |
| Other Income | | 21,412 | 46,964 |
| (DEFICIT) BEFORE CAPITAL PROFITS | | (786,558) | (69,574) |
| CAPITAL PROFITS | | | |
| Surplus on Disposal of Investments | | 114,702 | 34,267 |
| Unrealised Gains on Investments | | 269,124 | 310,215 |
| | | (402,732) | 274,908 |
| LESS: TAXATION | 4 | 1,030 | - |
| DEFERRED TAXATION | | (45,000) | (62,043) |
| (DEFICIT) / SURPLUS FOR THE YEAR | | (446,702) | 212,865 |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2017

1. ACCOUNTING POLICIES

- 1.1 Basis of Preparing the Financial Statements**
The Financial Statements have been prepared under the requirements of the Police Federation Rules and adopting the measurement principles of Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).
- 1.2 Accounting Convention**
The Financial Statements have been prepared under the historical cost convention except for investments which are stated at market value.
- 1.3 Depreciation**
Depreciation has been calculated at rates required to write off the relevant assets over their anticipated useful lives. The following rates and methods have been used:
- | | |
|--------------------------|------------------------------|
| Office Equipment | 20% on written down value |
| Computer Equipment | 20% on cost |
| Leasehold Land | over the period of the lease |
| Buildings at Garnerville | over the period of the lease |
| Hume Collection | nil |
- 1.4 Investments**
Investments are included in the Financial Statements at market value.
- 1.5 Taxation**
The Fund is liable to Corporation Tax on the excess of its non-contribution income, chargeable gains and investment income over provident benefit payments.
- 1.6 Expenditure**
Expenditure is shown inclusive of Value Added Tax.
- 1.7 Pensions**
Pension contributions are charged to the statement of income and retained earnings as incurred. These contributions are paid into money purchase schemes.
- 1.8 Deferred Tax**
Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

2. FIXED ASSETS

| | Land and Buildings Long Leaseholds | Office Equipment | Computer Equipment |
|------------------------|---------------------------------------|---------------------|-----------------------|
| | £ | £ | £ |
| Cost: | | | |
| At 1st January 2017 | 582,585 | 21,442 | 308,726 |
| Additions | - | - | - |
| Disposals | - | - | - |
| | ----- | ----- | ----- |
| At 31st December 2017 | 582,585 | 21,442 | 308,726 |
| | ----- | ----- | ----- |
| Depreciation: | | | |
| At 1st January 2017 | 83,783 | 8,894 | 257,738 |
| Charge for Year | 7,794 | 2,510 | 15,291 |
| Disposals | - | - | - |
| | ----- | ----- | ----- |
| At 31st December 2017 | 91,577 | 11,404 | 273,029 |
| | ----- | ----- | ----- |
| Net Book Value: | | | |
| At 31st December 2017 | 491,008 | 10,038 | 35,697 |
| | ===== | ===== | ===== |
| At 31st December 2016 | 498,802 | 12,548 | 50,988 |
| | ===== | ===== | ===== |

The Hume collection of police badges, purchased from Mr. Hume for £7,075, is on permanent display at the Federation offices.

POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND

Notes to the Financial Statements
For the Year Ended 31st December 2017

3. INVESTMENTS

| | 2017 | | 2016 | |
|-------------------------|------------------|----------------------|------------------|----------------------|
| | Cost £ | Market Value £ | Cost £ | Market Value £ |
| Value at 1st January | 2,682,646 | 3,785,885 | 2,561,391 | 3,403,165 |
| Additions | 151,918 | 151,918 | 260,707 | 260,707 |
| Disposals | (338,143) | (338,143) | (188,202) | (188,202) |
| Impairment Adjustment | 15,867 | - | 48,750 | - |
| Market Value Adjustment | - | 269,124 | - | 310,215 |
| Value at 31st December | <u>2,512,288</u> | <u>3,868,784</u> | <u>2,682,646</u> | <u>3,785,885</u> |

The Voluntary Fund's investments consist of the following:

| | 2017 | | 2016 | |
|-------------------------|------------------|----------------------|------------------------------|----------------------|
| | Cost £ | Market Value £ | Cost less Provisions £ | Market Value £ |
| Fixed Interest Funds | 452,530 | 573,945 | 452,170 | 562,487 |
| UK Equities | 675,527 | 1,230,205 | 704,983 | 1,225,309 |
| UK Unit Trusts | 707,019 | 789,714 | 955,620 | 1,027,155 |
| USA Equities | 100,321 | 238,593 | 106,957 | 225,095 |
| Japanese Equities | 106,710 | 242,768 | 106,454 | 178,057 |
| European Equities | 134,653 | 222,481 | 133,245 | 190,157 |
| Other Overseas Equities | 338,190 | 570,680 | 224,171 | 374,553 |
| Hedge Funds | (2,662) | 398 | (954) | 3,072 |
| | <u>2,512,288</u> | <u>3,868,784</u> | <u>2,682,646</u> | <u>3,785,885</u> |

4. TAXATION

Corporation tax is payable on the excess of interest received and chargeable gains over the amount paid out in death grants and other provident payments. A deferred tax provision is included against unrealised capital gains on investments.

5. MEMBERS LEGAL EXPENSES

The charge in the financial statements represents expenses incurred less amounts recovered in the year.

| | 2017 £ | 2016 £ |
|----------------------|------------------|----------------|
| General | 416,192 | 380,893 |
| Pensions | 33,711 | 19,116 |
| Injury Claims | 201,479 | 67,989 |
| Road Traffic | 9,091 | 16,648 |
| Assault | 9,889 | 2,999 |
| Discipline | 128,659 | 57,436 |
| Holiday Pay | 416,744 | 75,660 |
| ARC Legal Assistance | 130,788 | - |
| | <u>1,346,553</u> | <u>620,741</u> |

6. ACCUMULATED FUND

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Accumulated Surplus at 1st January 2017 | 7,983,184 | 7,770,319 |
| (Deficit) / Surplus for the Year | (446,702) | 212,865 |
| | <u>7,536,482</u> | <u>7,983,184</u> |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2017

7. LOTTERY FUND

A lottery commenced on 1st January 1991 with the intention of promoting the aims and objectives of the Federation Country Club and was closed on 30th November 1996. A new lottery fund began in December 1996 and its net income, after payment of prizes, is shown below:

| | 2017 £ | 2016 £ |
|----------------------------------|-----------|-----------|
| Surplus on Lotteries | 83,747 | 82,383 |
| Interest Received | 1,382 | 1,917 |
| Expenses | (32,986) | (28,692) |
| Donations | (85,570) | (36,070) |
| | ----- | ----- |
| (Deficit) / Surplus for the year | (33,427) | 19,538 |
| Surplus brought forward | 455,887 | 436,349 |
| | ----- | ----- |
| Surplus carried forward | 422,460 | 455,887 |
| | ===== | ===== |

8. PREMISES EXPENSES

| | 2017 £ | 2016 £ |
|------------------------------------|-----------|-----------|
| Depreciation of Land and Buildings | 7,794 | 7,794 |
| Heat and Light | 16,002 | 15,336 |
| Insurance | 4,944 | 4,735 |
| Rates | 32,518 | 31,976 |
| Repairs to Property | 17,355 | 29,447 |
| | ----- | ----- |
| | 78,613 | 89,288 |
| | ===== | ===== |

9. ADMINISTRATIVE EXPENSES

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Annual Conference | 28,231 | 25,654 |
| Audit Fee | 9,200 | 8,900 |
| Computer & Website Expenses | 169,188 | 124,212 |
| Contribution towards Federation Officers' Salaries | 43,588 | 51,487 |
| Death Grants, Wreaths and Advertisements | 6,774 | 13,823 |
| Depreciation - Office Equipment | 17,801 | 67,074 |
| Eurocop | 12,016 | 9,613 |
| Insurance | 11,765 | 10,897 |
| Meetings | 65,992 | 79,726 |
| Members' Legal Expenses (note 5) | 1,346,553 | 620,741 |
| Office Salaries and Pension Contributions | 271,086 | 239,032 |
| Presentations | 11,178 | 3,470 |
| Printing, Postage, Stationery and Telephone | 30,395 | 29,871 |
| Professional Fees | 243,120 | 286,408 |
| Public Relations | 56,182 | 55,091 |
| Publications | 19,254 | 17,141 |
| Regional Grants | 4,700 | 3,750 |
| Repairs and Maintenance | 18,268 | 21,336 |
| Sundry Expenses | 28,956 | 25,746 |
| Uniforms | 9,879 | 6,133 |
| | ----- | ----- |
| | 2,404,126 | 1,700,105 |
| Less: Refund of Expenses by the Police Service of Northern Ireland | (45,000) | (23,000) |
| | ----- | ----- |
| | 2,359,126 | 1,677,105 |
| | ===== | ===== |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2017

10. STATEMENT OF RESPONSIBILITIES

The Finance, Pay and Pensions Committee is responsible for keeping financial statements showing all monies received and paid out and for causing the financial statements for each year to be audited by an independent auditor. In causing the financial statements to be prepared, the Finance Pay and Pensions 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 inappropriate to presume that the Fund will continue to operate.

The Finance Pay and Pensions 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.

11. CONTINGENT LIABILITIES

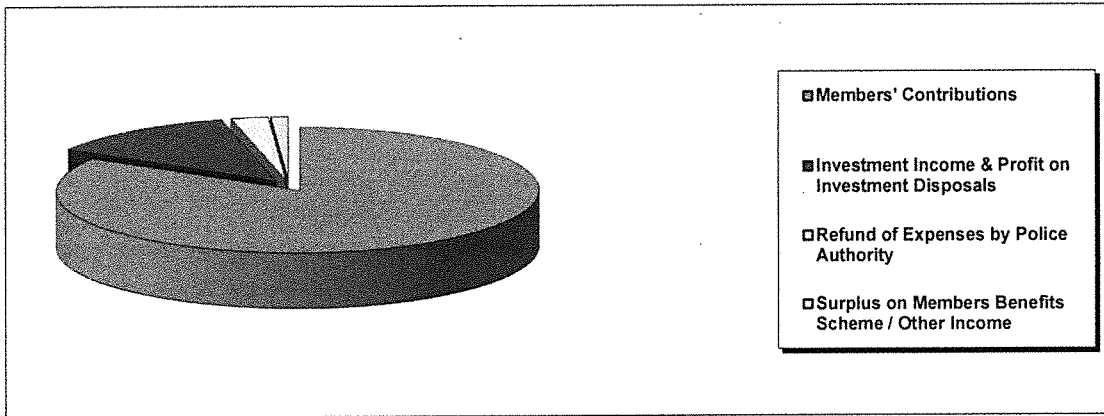
There are a number of legal cases pending, which could result in charges to the Fund. It is impossible at this stage to assess the outcome of these cases and therefore the potential charge cannot be quantified.

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

**Analysis of Income & Expenditure (excluding Unrealised Gains & Deferred Tax)
for the year ended 31st December 2017**

INCOME

| | £ | |
|--|------------------|-----|
| Members' Contributions | 1,515,205 | 84% |
| Investment Income & Profit on Investment Disposals | 229,266 | 13% |
| Refund of Expenses by Police Authority | 45,000 | 2% |
| Surplus on Members Benefits Scheme / Other Income | 21,412 | 1% |
| | <u>1,810,883</u> | |



EXPENDITURE

| | £ | |
|--|------------------|-----|
| Annual Conference and Meetings | 94,223 | 4% |
| Repairs, Maintenance and Computer Expenses | 205,257 | 8% |
| Members' Legal Expenses | 1,346,553 | 54% |
| Postage, Stationery and Telephone | 30,395 | 1% |
| Premises Expenses | 78,613 | 3% |
| Professional and Audit Fees | 252,320 | 10% |
| Publications | 19,254 | 1% |
| Salaries: Staff and Officers | 314,674 | 13% |
| Taxation | - | 0% |
| Other Administrative Costs | 141,450 | 6% |
| | <u>2,482,739</u> | |

