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ANNUAL REPORT AND  
ACCOUNTS 2006–2007

## About us

The Magistrates' Association  
Registered charity number 216066  
28 Fitzroy Square  
London W1T 6DD

## Trustees

Cindy Barnett (Chairman)  
Paul Brooks (Honorary Treasurer) (appointed  
November 2006, resigned February 2007)  
George Curry  
Patrick Davies  
Michael Dodden (Honorary Treasurer) (appointed  
May 2007)  
Elliot Griffiths (from November 2006)  
John Howson  
Flo Kaufmann (Honorary Treasurer) (retired  
November 2006)  
Brenda Large (until November 2006)  
Fred Manning  
Malcolm Richardson  
Anne Smith  
Frances Street (resigned June 2007)  
Linda Thornber  
John Thornhill (Deputy Chairman)  
Simon Wolfensohn (Deputy Chairman)

## Senior staff members

Sally Dickinson  
Brian Worboys  
Ann Flintham

## Editor of the *Magistrate* magazine

Miranda Smart (resigned December 2006)  
Simon Hudson (appointed February 2007)

## Auditors

BDO Stoy Hayward LLP  
Emerald House  
East Street  
Epsom  
Surrey KT17 1HS

## Bankers

National Westminster Bank Plc  
Bloomsbury Parr's Branch  
PO Box 158  
214 High Holborn  
London WC1V 7BX

## Investment managers

Tilney Investment Management  
36 Queen Street  
London EC4R 1BN

## What we do

The Magistrates' Association is incorporated by Royal Charter under a Charter granted on 14 June 2005.

The objects for which the Association is established and incorporated, as described in the governing document (the Charter and Bye Laws) are:

*To promote the sound administration of the law by the following means:*

- (a) *educating and instructing magistrates and others in the law, the administration of justice, the treatment of offenders and the best methods of preventing crime; and*
- (b) *issuing publications and promoting conferences and discussions on developments in the law and the administration of justice.*

The charitable objectives translate into the following key activities:

- supporting judicial independence
- communication
- representation
- training
- promoting consistency of approach
- public education.

The Magistrates' Association is a membership organisation funded by its members to represent their interests so as to ensure that magistrates can perform their duties to a high standard. As the national representative body it can, and has achieved, changes to legislation and improvement in working practices. These achievements are in accordance with members' views; the Association does not act in a vacuum but is driven by its members' wishes and is the route by which magistrates can achieve change.

- Any individual member can contact the national office for advice, support or information if needed.
- Members all belong to a local branch where officers represent views and concerns about local matters in local forums; equally members can bring these concerns to the Association's Council/committees, and where there are common issues these can be tackled at the highest level by the honorary officers.
- The Association is continually developing its private members' section on its website as access widens – enabling members to talk to each other via discussion groups, to seek out information, to have support for Magistrates in the Community presentations and to download documents including the *Magistrate* magazine.
- Each and every member contributes to the power of the organisation and benefits from that power.
- The Association does not simply provide information on things that have changed, but shapes the change itself – and it is members of the Association who can make their views known and contribute to that change.
- Individuals may have views on sentencing guidelines, legislation, court cancellations, and level of sittings.



## How we are organised

The majority of members of the Magistrates' Association are Justices of the Peace. All members belong to one of sixty local branches in England and Wales. Each branch elects one or more representatives to the national Council. Members of the Council elect the trustees.

Members of the Board of Trustees are elected by Council, with one third resigning from office each year. All new appointees to the Board undergo an induction process.

All matters of policy are determined by the Board. Day-to-day management of the organisation is delegated to the chief executive who must operate within the parameters set by the Board. Recommendations for policy on matters relating to the work of magistrates are formulated by the Council and the committees listed below. The Board meets four times each year to determine policy and to receive reports.

A risk management programme is in place. Trustees have identified potential risk areas and have received reports on risk management. All identified areas of risk – and the steps taken to minimise exposure in each case – are reviewed annually.

The Board is the overall policy-making body of the Magistrates' Association and is therefore responsible for all of the activities featured in this report. However, it is worth highlighting some of the work of the Board during 2006/2007 in terms of organisational management:

- Reviewed the arrangements for the election of new trustees
- Reviewed the structure for policy development within the Magistrates' Association
- Set the budget and monitored the Association's finances
- Reviewed the operation of the branches and revised the model branch rules
- Reviewed the investment strategy (ongoing)
- Held a conference for branch officers to discuss methods of working.

For the year ahead the Board will:

- Complete the strategic plan for the Association
- Continue to review and improve communications with members
- Undertake further work on internal structures so as to meet the needs of members.

## Financial Review

These are not the statutory accounts but a summary of information relating to both the Statement of Financial Activities and Balance Sheet and as such may not contain sufficient information to allow for a full understanding of the financial affairs of the Association. The full accounts from which these summary financial statements are derived have been audited and there are no concerns expressed in the audit opinion. The annual accounts were approved on 4 September 2007 and are available

(free of charge to members) from the Association's national office – The Magistrates' Association, 28 Fitzroy Square, London, W1T 6DD.

Funds not immediately required are invested either on short term deposit or by our investment managers, who have discretionary powers of investment within the terms laid down in the Charter. The investment powers of the trustees are laid down in the Supplemental Charter and give the trustees power to invest in shares, stocks, funds, securities, unit trusts and other investments.

No material changes to accounting policies have taken place during the year.

The cash assets of the Association are all held in order to finance ongoing activities.

## Trustees' responsibilities

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for the financial year which give a true and fair view of the Association's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in operation.

Trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the Association and which enable them to ascertain the financial position of the Association and which enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All the current trustees have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of the audit and to establish that the auditors are aware of that information. The trustees are not aware of any relevant audit information of which the auditors are unaware.

Further information relating to the Association's finances can be found in the appended Honorary Treasurer's Report.

**L J Barnett JP, Chairman**

## Honorary Treasurer's Report for the year ended 30 June 2007

I am pleased to present my first report to you since my appointment as Honorary Treasurer.

### Income and Expenditure

The Association's income was, as previously, derived mainly from membership subscriptions, grants, tax recoveries, investments and advertising revenues. This income has been used as set out in the *Trustees' Report* to finance the charitable activities and the governance costs.

The Statement of Financial Activities shows an increase in incoming resources of £58,000 compared with the previous year. This improvement is principally due to the subscription increase, which took place at the beginning of the year under review. Following the change of advertising agents mentioned in last year's report, the revenue from magazine advertising has increased slightly but the agents advise that it is probably unrealistic to expect more than £75,000 to £80,000 per annum. This gross figure is used partly to offset production and distribution costs of the magazine.

The gift aid scheme contributed nearly £135,000 to the Association's total income. However, the reduction in standard rate of income tax, which is due to take effect from April 2008, will reduce our income from this source by approximately £15,000 per annum. I am grateful to members who participate in this scheme and would urge those members who have not so far arranged for their subscriptions to be gift aided to do so. It effectively adds 25% to the amount received by the Association at no cost to the member.

The running expenses of the Association came in below budget although this was largely due to reduced staff costs due to unfilled vacancies.

Before taking account of gains on investments there was a net outflow of £12,000 in unrestricted funds. After allowing for net gains on investment assets and an adverse movement of £14,000 in restricted funds there was an increase in total funds of £135,000 compared with an increase of £103,000 in the previous year. I should stress that the improvement in the Association's balance of funds is wholly as a result of the performance of the Association's investment portfolio, further details of which are included in the next section of this report.

### Investments

The investment portfolio continues to provide cash flow to service subscriptions of life members from dividends and interest received and from capital appreciation. The portfolio is at present approximately 44% invested in bonds, other interest-bearing, low-risk securities and cash with the balance in good quality, medium-risk equities. There are no specific social, environmental or ethical restrictions placed on the investment managers.

Investment performance has met the Association's policy although trustees are regularly reviewing this policy.

Approximately half of the sum required for life members' subscriptions is covered by investment income and periodic capital withdrawals are made from the portfolio to provide the balance.

The Association has now benefited from several years of sustained improvement in the stock market. However, the volatility shown by the markets during the last two weeks of July 2007 is a stark reminder that not only can the sustained growth of the last few years not be guaranteed for future years but there is also the risk of falls in the value of the Association's investments. It is, however, important as a protection against potential long-term inflationary pressures that the Association's

investment portfolio should be balanced between low-risk, fixed interest holdings and the higher risk of equities which provide opportunity for growth but also carry a higher risk.

During the first three quarters of the year there were only limited realisations of investment gains but towards the end of the accounting period the situation improved and we realised a net profit of £27,184 over historical cost, just short of the targeted amount of £30,000. There was a net gain of £147,932 in the market value over the year on those investments retained at the year end continuing the improvement in the value of our portfolio and assisting us towards meeting our medium-term target for total return.

### Reserves

The Trustee's policy is to use our resources in fulfilling our charitable objectives ensuring that there are sufficient reserves to fund life members' subscriptions in the future and to ensure the continuing existence of the Association. At the May meeting of the Board of Trustees the Association's overall investment objectives were restated to maximise the Association's assets within a medium-risk strategy.

At present the appropriate level of free reserves has been determined to be a minimum of three months' expenditure of unrestricted income. At 30 June 2007 this would amount to £247,330 whilst the actual figure carried forward was £507,196. The trustees will be reviewing whether three months' expenditure of unrestricted income is an appropriate pre-reserved target for future years.

The Association sets aside a sum to meet the current value of future subscriptions of life members. The figure as at 30 June 2007 is calculated at £1,868,529 which is represented on the Balance Sheet by the aggregate of the designated fund (£1,712,567) and the creditors: amounts falling due after more than one year (£155,962).

### Membership

The total number of ordinary members increased by 152 to 21,673. This increase was partly offset by a reduction of 116 in the number of life members. It is perhaps a little disappointing to note that the increase in ordinary members was almost 100 down on the previous year's increase. Clearly, reduced numbers of life members is to be expected following the withdrawal some years ago of the life membership option.

It is the Association's objective to continue to increase the proportion of sitting magistrates who are members of the Association. To this end the Board of Trustees are monitoring the number of appointments made to the judiciary and the total number of magistrates sitting through the comparison of total magistrates figures as shown by the Ministry of Justice and our own membership records.

### Conclusion

The Association's finances continue to be healthy. The Board of Trustees has set a challenging budget for 2007/08, which I am sure is achievable although fluctuations in the world stock markets may make the task, as far as the Association's investment portfolio is concerned, difficult.

I must thank our auditors and investment advisers for their expertise and my fellow Honorary Officers and Trustees for the support that they have given to me. I am grateful to all of the staff at 28 Fitzroy Square for their help and advice but in particular to Brian Worboys for assisting me through what has been an extremely steep learning curve.

**MJ Dodden JP**, *Honorary Treasurer*

## Statement of financial activities for the year ended 30 June 2007

	Unrestricted Funds £	Restricted Funds £	Total 2007 £	Total 2006 £
<b>Incoming resources</b>				
<i>Incoming resources from generated funds</i>				
Grants	-	119,250	<b>119,250</b>	118,775
Investment income	91,830	-	<b>91,830</b>	91,674
<i>Incoming resources from charitable activities:</i>				
Annual subscriptions	804,635	-	<b>804,635</b>	752,618
Publications and other income	6,495	-	<b>6,495</b>	10,621
Magistrate – advertising and sales	74,127	-	<b>74,127</b>	65,125
<b>Total incoming resources</b>	<b>977,087</b>	<b>119,250</b>	<b>1,096,337</b>	<b>1,038,813</b>
<b>Resources expended</b>				
Costs of generating funds	12,260	-	<b>12,260</b>	12,009
Charitable activities	922,679	133,279	<b>1,055,958</b>	1,025,470
Governance costs	54,383	-	<b>54,383</b>	40,506
<b>Total resources expended</b>	<b>989,322</b>	<b>133,279</b>	<b>1,122,601</b>	<b>1,077,985</b>
<b>Net incoming/(outgoing) resources</b>	<b>(12,235)</b>	<b>(14,029)</b>	<b>(26,264)</b>	<b>(39,172)</b>
Net gains on investment assets	161,873	-	<b>161,873</b>	142,916
<b>Net movement in funds</b>	<b>149,638</b>	<b>(14,029)</b>	<b>135,609</b>	<b>103,744</b>
Total funds brought forward	2,216,854	27,546	<b>2,244,400</b>	2,140,656
<b>Total funds carried forward</b>	<b>2,366,492</b>	<b>13,517</b>	<b>2,380,009</b>	<b>2,244,400</b>
The above fund balance is analysed as to:				
Designated funds	1,712,567	-	<b>1,712,567</b>	1,741,639
Unrestricted funds	653,925	-	<b>653,925</b>	475,215
Restricted funds	-	13,517	<b>13,517</b>	27,546
	<b>2,366,492</b>	<b>13,517</b>	<b>2,380,009</b>	<b>2,244,400</b>

All amounts relate to continuing activities.

## Balance sheet at 30 June 2007

	2007		2006	
	£	£	£	£
<b>Fixed assets</b>				
Tangible assets		146,729		153,315
Investments		2,202,131		2,116,549
		<u>2,348,860</u>		<u>2,269,864</u>
<b>Current assets</b>				
Stock	1,989		1,037	
Debtors	91,062		80,559	
Cash at bank and in hand	147,279		135,862	
	<u>240,330</u>		<u>217,458</u>	
<b>Creditors: amounts falling due within one year</b>		<u>(53,219)</u>		<u>(66,365)</u>
<b>Net current assets</b>		<u>187,111</u>		<u>151,093</u>
<b>Total assets less current liabilities</b>		<u>2,535,971</u>		<u>2,420,957</u>
<b>Creditors: amounts falling due after more than one year</b>		<u>(155,962)</u>		<u>(176,557)</u>
<b>Net assets</b>		<u>2,380,009</u>		<u>2,244,400</u>
<b>Unrestricted funds</b>				
– Designated funds		1,712,567		1,741,639
– Other				
Tangible assets		146,729		153,315
Free reserves		507,196		321,900
<b>Restricted funds</b>		13,517		27,546
		<u>2,380,009</u>		<u>2,244,400</u>

The financial statements were approved by the Trustees and authorised for issue on 4 September 2007 and signed on their behalf by:

**L J Barnett JP**, *Chairman*

**M J Dodden JP**, *Honorary Treasurer*

## Independent auditors' statement to the Trustees of the Magistrates' Association

We have examined the summarised financial statements of The Magistrates' Association.

### Respective responsibilities of trustees and auditors

The trustees are responsible for preparing the summarised financial statements in accordance with the recommendations of the charities SORP. Our responsibility is to report to you our opinion on the consistency of the summarised financial statements and the Trustees' Annual Report. We also read the other information included in the Annual Report and consider the implications for our report if we become aware of any misstatements or material inconsistencies with the summary financial statements.

Our report on the statutory accounts has been prepared pursuant to the requirements of the Charities Act 1993 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and

for the purpose of the Charities Act 1993 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditor's statement on the summary financial statement' issued by the Auditing Practice Board for use in the United Kingdom.

### Opinion

In our opinion the summarised financial statements are consistent with the full financial statements for the year ended 30 June 2007.

### BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors  
Epsom, Surrey

4 September 2007