



**O.I.P.C. - International Criminal Police  
Organization**

**Financial Statements**

**For the Year Ended 31 December 2008**

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11th May 2009

## **REPORT OF MANAGEMENT**

INTERPOL Management is given the responsibility for the production of the financial statements in Regulation 5.5 of the Financial Regulations and establishing and maintaining adequate internal control over financial reporting.

These Financial Statements have been prepared in accordance with the INTERPOL Financial Regulations and in compliance with the International Public Sector Accounting Standards (IPSAS).

The Organization's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of these financial statements. This system includes controls at both the organizational level and transactional level.

Organizational level controls include policies and procedures that set the control environment and provide for maintenance of records and setting of the respective authorisation levels. Transactional level controls ensure that the Organization carries out the policies and procedures and Financial Regulations.

In management's opinion, these financial statements present fairly the Organization's financial position, results and cash flows. The statements have been audited by the Cours des Comptes de la République Française which were appointed by the General Assembly for a further three year term beginning November 2007.

Ronald K Noble  
Secretary General

Laurent Grosse  
Director of Administration

## **EXTERNAL AUDITORS' REPORT**

### **CERTIFICAT DE L' AUDITEUR EXTERNE**

En exécution de la mission qui nous a été confiée par votre Assemblée générale à l'occasion de sa 76ème session, nous avons procédé au contrôle des comptes relatifs à l'exercice clos le 31 décembre 2008, tels qu'ils sont joints au présent rapport.

Nous avons effectué notre audit selon les normes générales de vérifications de l'INTOSAI et les normes internationales établies par l'IFAC ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables retenus pour l'arrêté des comptes.

A la suite de notre examen, nous estimons que les comptes annuels reflètent correctement les opérations financières comptabilisées durant l'exercice, que ces opérations concordent avec les prévisions budgétaires, le règlement financier, les instructions financières et autres textes juridiques qui régissent l'Organisation et que les comptes présentent donc fidèlement la situation financière au 31 décembre 2008.

Philippe SÉGUIN

Premier président de la Cour des comptes

**O.I.P.C. - International Criminal Police Organization**  
**Statement of Financial Position as at:**

	Notes	31st December 2008 <i>000s Euros</i>	31st December 2007 <i>000s Euros</i>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	32,795	28,986
Other Accounts Receivables and Prepayments	4	4,796	2,538
Statutory Contributions Receivable	4	2,524	2,149
Inventories	5	558	557
<b>Total Current Assets</b>		<b>40,673</b>	<b>34,230</b>
<b>Non-Current Assets</b>			
Non-Current Statutory Contributions Receivable	4	473	544
Net Fixed Assets	6	23,223	23,460
<b>Total Non-Current Assets</b>		<b>23,696</b>	<b>24,004</b>
<b>TOTAL ASSETS</b>		<b>64,369</b>	<b>58,234</b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Payables	7	(4,179)	(3,803)
Income Received in Advance	8	(3,444)	(708)
Deferred Project Income	8	(4,307)	(5,198)
<b>Total Current Liabilities</b>		<b>(11,930)</b>	<b>(9,709)</b>
<b>Non-Current Liabilities</b>			
Employee-related liabilities	9	(6,021)	(4,413)
<b>Total Non-Current Liabilities</b>		<b>(6,021)</b>	<b>(4,413)</b>
<b>TOTAL LIABILITIES</b>		<b>(17,951)</b>	<b>(14,122)</b>
<b>TOTAL NET ASSETS</b>		<b>46,418</b>	<b>44,112</b>
<b><u>EQUITY</u></b>			
Capital Financing Reserve	10	23,223	23,460
Accumulated Reserve Funds	10	23,195	20,652
<b>TOTAL EQUITY</b>		<b>46,418</b>	<b>44,112</b>

*Note: Figures for 2007 have been restated for presentation of results according to IPSAS requirements. Where balances have materially changed, a further reconciliation is provided in note 15 of the accompanying notes.*

**O.I.P.C. - International Criminal Police Organization**  
**Statement of Financial Performance for the Year Ended on:**

		31st December 2008 <i>000s Euros</i>	31st December 2007 <i>000s Euros</i>
	<b>Notes</b>		
<b>Operating Revenue</b>	<b>11</b>		
Statutory Contributions		45,128	41,398
Sub-Regional Bureau financing		797	781
Voluntary Contributions		721	797
Reimbursements and Recoveries		549	593
Financial Income		1,517	1,157
Other Income		8,264	3,613
Exchange rate Gains/(Losses) Net		(49)	(168)
<b>Total Operating Revenue</b>		<b>56,927</b>	<b>48,171</b>
<b>Operating Expenses</b>	<b>12</b>		
Pay Costs		31,262	29,790
Other Staff Costs		1,078	889
Premises Running Costs		1,845	1,531
Maintenance		1,902	1,552
Missions and Meetings		7,365	5,866
Office Expenses		1,766	1,300
Telecommunication Costs		1,302	1,398
Third Party and Other Costs		4,063	1,172
Depreciation Expenditure		4,038	3,724
<b>Total Operating Expenses</b>		<b>(54,621)</b>	<b>(47,222)</b>
<b>Surplus/(Deficit) for the year</b>		<b>2,306</b>	<b>949</b>

*Note: Figures for 2007 have been restated for presentation of results according to IPSAS requirements. Where balances have materially changed, a further reconciliation is provided in note 15 of the accompanying notes.*

## O.I.P.C. - International Criminal Police Organization

### Statement of Changes in Equity

<i>000s Euros</i>	Notes	Capital Financing Reserve	Accumulated Reserve Funds	Total
<b>Balance at 31 December, 2007 as previously reported</b>	<b>10</b>	<b>23,460</b>	<b>20,688</b>	<b>44,148</b>
Prior Year adjustments (being reduction of VAT included in inventories)			(36)	(36)
<b>Restated Balance at 31 December, 2007</b>	<b>10</b>	<b>23,460</b>	<b>20,652</b>	<b>44,112</b>
<i>Net Gains and Losses not recognised in statement of financial performance, being Capital Expenditures (net) funded out of Accumulated Reserve Funds</i>		(237)	237	
Net (deficit) / surplus for the year			2,306	2,306
<b>Balance at December 31, 2008</b>	<b>10</b>	<b>23,223</b>	<b>23,195</b>	<b>46,418</b>

*Note: Figures for 2007 have been restated for presentation of results according to IPSAS requirements. Where balances have materially changed, a further reconciliation is provided in note 15 of the accompanying notes.*

**O.I.P.C. - International Criminal Police Organization**  
**Statement of Cashflows for the Year Ended on:**

	31st December 2008 <i>000s Euros</i>	31st December 2007 <i>000s Euros</i>
<b>Cash Flows From Operating Activities</b>		
Surplus / (Deficit) from Ordinary Operating Activities	2,306	949
<b>Non-Cash Movements</b>		
Depreciation Expenditure	4,038	3,724
Adjustment for Financial Income (reported separately)	(1,517)	(1,157)
Adjustment for (Gain)/ Loss on Sale of Assets	124	8
Increase / (Decrease) in Payables	376	1,214
Increase / (Decrease) in Income Received in Advance	2,736	138
Increase / (Decrease) in Deferred Project Income	(891)	2,391
Increase / (Decrease) in Employee-related liabilities	1,608	1,320
(Increase) / Decrease in Inventories	(1)	67
(Increase) / Decrease in Statutory Contributions Receivable Non-Current	71	(270)
(Increase) / Decrease in Other Accounts Receivables & Prepayments Current	(2,258)	119
(Increase) / Decrease in Statutory Contributions Receivable Current	(375)	245
<b>Net Cash Flows from Operating Activities</b>	<b>6,217</b>	<b>8,748</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of Fixed Assets	(3,943)	(4,685)
Sales of Fixed Assets	18	
<b>Net Cash Flows from Investing Activities</b>	<b>(3,925)</b>	<b>(4,685)</b>
<b>Cash Flows From Financing Activities</b>		
Financial Interest Income Received	1,517	1,157
<b>Net Cash Flows from Financing Activities</b>	<b><u>1,517</u></b>	<b><u>1,157</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,809</b>	<b>5,220</b>
Cash and cash equivalents at the beginning of period	28,986	23,766
Cash and cash equivalents at the end of period	32,795	28,986
<b>Movement in cash and cash equivalents</b>	<b>3,809</b>	<b>5,220</b>

*Note: Figures for 2007 have been restated for presentation of results according to IPSAS requirements. Where balances have materially changed, a further reconciliation is provided in note 15 of the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS:

## Note 1: Objectives and Governance of the Organization

The O.I.P.C. - International Criminal Police Organization known as INTERPOL (the "Organization") was founded in 1923 to enhance police co-operation around the world. The Organization currently has 187 member countries ("members"). The aims of the Organization are:

- To ensure and promote the widest possible mutual assistance between all criminal police authorities within the limits of the laws existing in the different countries and in the spirit of the "Universal Declaration of Human Rights"
- To establish and develop all institutions likely to contribute effectively to the prevention and suppression of ordinary law crimes.

It carries out these aims through its four core functions:

1. Secure global police communication services
2. Operational data services and databases for police
3. Operational police support services
4. Police training and development.

The Organization is governed by its members. The members elect representatives from each region to sit on the Organization's Executive Committee, they elect the Secretary General for a term of five years and they approve the Organization's own governing text, the ICPO-INTERPOL constitution and general regulations. INTERPOL's financial regulations are an appendix to the general regulations.

The Organization is based in Lyon, France and has representative offices in New York, USA and Bangkok, Thailand and subsidiary bureaus in: Abidjan, Cote d'Ivoire; Buenos Aires, Argentina; Harare, Zimbabwe; Nairobi, Kenya; Salvador, El Salvador.

The Organization enjoys privileges and immunities, notably that of being exempt from paying most forms of taxation.

The Organization is funded primarily by statutory contributions from its members that are assessed in the general and specific budgets of the Organization.

The general and specific budgets are the annual plans that set out the activities of the Organization for the following financial period. The budgets are approved by the members at the annual General Assembly. All members fund the general budget of the Organization at a scale determined by them and mutually agreed between them. Specific budgets of the Organization are related to certain activities and agreed among participating countries.

Following approval of the budget, the members empower the Secretary General, subject to certain approval limits, to:

- commit and authorise expenditures and make all payments borne by the Organization for approved activity up to the approval limits;
- receive income entered in the budget, together with other resources accruing to the Organization up to the approval limits.

## **Note 2: Statement of Significant Accounting Policies**

### ***Basis of Preparation and Presentation***

The Financial Statements of the Organization are prepared in accordance with its Financial Regulations and in compliance with the International Public Sector Accounting Standards (IPSAS). Where IPSAS does not have any specific standard, International Accounting Standards (IAS) have been used. If there is a divergence between IPSAS and INTERPOL's Financial Regulations, the INTERPOL Financial Regulations have been applied. Divergences are not significant.

These Financial Statements have been prepared on the going concern basis, conforming to the historical cost convention using the accrual method of accounting. All transactions comply with the Organization's Financial Regulations.

The Financial Statements are prepared in Euro.

Budgets are not presented in these statements in accordance with IPSAS 24 as these are not publicly available.

The following specific accounting policies that materially affect the measurement of financial performance and the financial position have been applied:

### ***Foreign Currency Transactions***

Transactions in foreign currencies are translated to the Euro at the rate of exchange on the date of the transactions. Assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing at the reporting date.

Both realised and unrealised gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the statement of financial performance.

### ***Fixed Assets***

Fixed Assets are recorded at cost and depreciated at rates in accordance with the Financial Regulations, to recognize the consumption of economic benefits of the assets over their useful lives.

Where the book value of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount, resulting in an impairment loss.

*Intangible Assets:* Software and licences are depreciated on a reducing balance basis at 50% of Net Asset Value at the start of the year, over 4 years.

Generally, costs associated with internal development are expensed when incurred. However, expenditures that significantly enhance applications are recognised as capital improvement and added to the original cost of the software.

*Buildings:* Depreciated on a straight-line basis over 40 years.

*Fixtures and Fittings:* Furniture and Fixtures are depreciated on a reducing balance basis at 40% of Net Asset Value at the start of the year, over 7 years. Office equipment is depreciated on a straight-line basis over 10 years.

*Equipment and other assets:* Computer Hardware and Telecommunications Equipment is depreciated on a reducing balance basis at 50% of Net Asset Value at the start of the year, over 4 years. Vehicles are depreciated on a reducing balance basis at 40% of Net Asset Value at the start of the year, over 7 years.

### ***Inventories***

Stocks are valued at lower of cost or net realizable value, using the FIFO method.

### ***Accounts Receivable***

Receivables are stated at their nominal amount and reduced by allowances for estimated irrecoverable amounts.

No allowance for loss is recorded for receivables relating to member country statutory contributions. However, a portion of the General Reserve Fund ensures that any revenue shortfall is covered by reserves.

## ***Financial Risk Management***

The Organization's Financial Risk Management objective is to ensure that its budgets are achieved, so that the Organization's progress continues as planned, within the framework of the priorities it sets for itself and the associated programme of activities, that are agreed at the General Assembly.

Its Financial Risk Management policies are framed within the context of its Financial Regulations.

## ***Fair Value Financial Instruments***

Financial Instruments employed by the Organization are as follows:

	Carrying Amount 2008	Fair Value 2008	Carrying Amount 2007	Fair Value 2007
<b>Financial Assets</b>				
<i>classified as Loans and Receivables</i>				
Cash and Cash equivalents	30,964	30,964	22,104	22,104
Other Accounts Receivables and Prepayments	4,915	4,796	2,592	2,538
Statutory Contributions Receivable	2,997	2,997	2,693	2,693
<i>classified as Held for Trading Assets</i>				
Cash and Cash equivalents	1,831	1,831	6,882	6,882
<b>Total</b>	<b>40,707</b>	<b>40,588</b>	<b>34,271</b>	<b>34,217</b>
<b>Financial Liabilities</b>				
Payables	4,179	4,179	3,803	3,803
Income Received in Advance	3,444	3,444	708	708
Deferred Project Income	4,307	4,307	5,198	5,198
Employee-related liabilities	6,021	6,021	4,413	4,413
<b>Total</b>	<b>17,951</b>	<b>17,951</b>	<b>14,122</b>	<b>14,122</b>

The business purpose served by these Financial Instruments is that they aid the Organization in achieving its budgets and making progress towards achieving its objectives. Changes in the values of these financial instruments are routed through the statement of financial performance.

The risks associated with the use of these financial instruments are;

### **a. *Currency Risk***

The Organization operates bank accounts in Euros, United States Dollars (USD), Kenyan Shillings, Zimbabwean Dollars, Thailand Baht, Argentina Pesos and West African CFA Francs. As a result of conversion of the foreign currency balances held in these accounts to Euros at balance sheet date, currency risk is incurred due to variation in the Euro values of the converted balances. This has a bearing on the level of the expenditure budget that is supported for the Organization.

In order to minimise currency risk, the Organization has in place a Treasury policy to;

- optimise as far as possible the numbers of the various currencies employed and the exchange transactions for conversion from one to the other;
- convert half of all incoming USD receipts to Euros at the prevailing spot rate, while holding the other half unconverted for expenses in USD;
- make remittances in Euros wherever possible instead of in USD, to the various subsidiary bureaux for conversion into local currency for use at these bureaux;
- increase frequency of remittances to the subsidiary bureaux so as to reduce the level of local currency holdings.

b. ***Interest Rate Risk***

Investments of the Organization in short-term maturity instruments with its Banks or in asset management schemes are subject to fluctuating returns, on account of market-driven interest rates. This has a bearing on the level of the expenditure budget that is supported for the Organization.

Investments to earn interest income are made by the Organization subject to Security, Liquidity and Profitability criteria, ranked in that order, as specified by its Financial Regulations.

c. ***Credit Risk***

The Organization is exposed to counterparty credit risk from accounts receivable and transactions with Banks, and Asset Management companies. This risk is managed by,

- holding bank balances or short-term deposits with well-recognized banking institutions,
- investing in only AAA-rated (Standard & Poor rating) asset management schemes offered by such banking institutions.

The Financial Regulations of the Organization specify conditions for choosing among various financial institutions and Banks.

In respect of accounts receivable, adequate provisions have been made for amounts considered uncollectible or doubtful. In respect of receivables from member countries, a portion of the General Reserve Fund is set aside to absorb the risk of a shortfall. In respect of externally-sponsored projects, counterparty financing risk is mitigated by the receipt as far as possible of full project funding in advance of commencement.

A fluctuation in the values of the financial assets of the Organization has a bearing on its net worth and affects its continuing progress towards achieving its objectives.

The Organization does not require any collateral or security to support financial instruments and other receivables, due to the low level of the residual risk remaining after mitigation as above.

d. ***Liquidity Risk***

The Organization manages its liquidity by continually monitoring its receivables position, its available funds and proposed or ongoing expenditure commitments. Resource allocations for activities are made against available or committed and due funds only, generally before the start of the activity.

The Organization is subject to liquidity risk due to the possible non-timely conversion of its receivables into liquid funds that can be applied to maturing commitments. Safeguards against this risk are specified in the Financial Regulations requiring the maintenance of a certain level of the General Reserve Fund. The Financial Regulations also specify that member countries pay their contribution dues to the Organization each year before June.

In respect of its financial investments, liquidity risk arises on account of adverse market conditions that could prevent an orderly exit or cause a loss on exit from investments. This risk is mitigated by the Organization by diversifying the types of its investments.

***Employee Benefits***

The Organization administers an internal scheme to compensate individuals facing involuntary loss of employment. The scheme is funded by the Organization's contributions and also by deduction from staff pay. Payments are made on a declining basis for consecutive years of an individual not finding alternate employment, per rules specified in the staff manual.

The Organization also offers an indemnity on retirement and supplementary retirement benefits, to its employees depending on seniority and service, per rules specified in the staff manual. Estimates of the impact on the Organization for the retirement indemnity are made at the financial position date and recognised in the statement of financial performance. For the supplementary retirement benefit, the Organization makes a defined contribution.

The Organization also administers a defined contribution pension scheme for all employees who choose to participate in it, for which the Organization contributes at an agreed level relative to an individual employee's contribution. The financial assets under this scheme are held and managed by the Organization alongside of its own bank accounts.

All of the Organization's contributions, including from funds received for external projects, are treated as expense and included within Pay costs in the statement of financial performance.

### **Revenue Recognition**

*Statutory Contributions of member countries:* Statutory Contributions from all member countries of the Organization are recorded in the Financial Year following their approval by the General Assembly. This includes specific contributions from certain countries directly relating to the operations of the subsidiary bureaus which also became statutory from January 1, 2005.

*Voluntary Contributions:* Voluntary Contributions are paid by members of the Organization in addition to their statutory contributions and are recognized as revenue on the date of receipt.

*Other Income:* Shop sales revenues are recognised at the time of sale. Revenue for defined externally-sponsored projects is recorded to the extent of expenditure incurred on the project. Other revenues, including reimbursement of costs by third parties, are recognised when they are acquired, either contractually, or in the absence of a contract, upon receipt.

*Financial Income:* Interest income is accrued on a time basis at the effective interest rate.

Revenue that relates to future financial periods is deferred accordingly.

### **Use of Estimates**

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include but are not limited to: indemnity benefit on retirement, accrued charges, provision for risk on inventories and accounts receivable, contingent assets and liabilities. Changes in estimates are reflected in the period in which they become known unless this leads to such a significant change to the financial statements from prior periods that prior statements require restatement.

### **Operating Lease Assets**

Payments made under operating leases are recognized in the statement of financial performance on a straight line basis over the period of the lease.

In 2004 the Organization signed a lease for additional office space. In the event that the lease is cancelled before its current end date, the Organization would be liable to pay penalties depending on the notice of cancellation.

The amounts payable under operating lease contracts signed by the Organization are as follows:

<b>LEASE COSTS</b> <i>000s Euros</i>	<b>2008</b>	<b>2007</b>
Not more than 1 year	917	803
Later than one year and not later than 5 years	3 590	4 507

### **Changes in Accounting Policies**

Since the last reporting date, the Organization decided to account for and report its Income and Expenditure on a net of VAT basis. This change is expected to result in a more appropriate presentation of transactions involving VAT that is paid by the Organization to its suppliers and is subsequently reimbursed to it by France. Figures for 2008 have been accounted for and are reported net of VAT, while corresponding figures for 2007 have been adjusted for elimination of VAT amounts on an estimated basis, to ensure comparability. VAT included as a component of inventory at 31st December 2007 has been adjusted against the balance of the General Reserve Fund at the same date, and the fund balance restated. Refer Note 15 below.

However, where previously reported amounts have been altered due to a reclassification, a reconciliation of the previous amounts is supplied in the notes.

### Note 3: Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash, bank balances and other investments that can be quickly converted into cash, without loss of value.

	31st December 2008 000€	31st December 2007 000€
Cash on Hand	100	108
Deposits with Banks Unrestricted - euros	30 524	21 283
Deposits with Banks Unrestricted - other currencies	340	713
Managed Cash Fund Investments	<u>1 831</u>	<u>6 882</u>
<b>Total Cash and Cash Equivalents</b>	<b>32 795</b>	<b>28 986</b>

Cash deposits are generally held in interest bearing accounts. Interest bearing accounts and investments yielded an average rate of 4.64% in 2008 (2007: 4.07%).

Managed cash fund investments are investments that can readily be translated into cash on demand.

Certain cash deposits are designated for specific uses:

- External Projects
- Defined Contribution Pension scheme

The total amount of cash and cash equivalents held for these two specific uses was 6.327M€(2007: 6.252M€).

The Organization has no confirmed credit lines or bank overdrafts.

### Note 4: Accounts Receivable and Prepayments

	31st December 2008 000€	31st December 2007 000€
Prepaid Expenses	1 807	433
Other Receivables	3 108	2 159
Provision for Uncollectable Receivables	<u>(119)</u>	<u>(54)</u>
<b>Total Other Accounts Receivable and Prepayments</b>	<b>4 796</b>	<b>2 538</b>
<b>Current Statutory Contributions Receivable</b>	<b><u>2 524</u></b>	<b><u>2 149</u></b>
<b>Total Current Accounts Receivable and Prepayments</b>	<b>7 320</b>	<b>4 687</b>
<b>Non-Current Statutory Contributions Receivable</b>	<b>473</b>	<b>544</b>
<i>Total Statutory Contributions Receivable</i>	<i>2 997</i>	<i>2 693</i>

Other receivables are mainly in respect of reimbursable taxes, 2.15M€(2007: 1.613M€).

Statutory contributions receivable represents uncollected revenues that are committed to the Organization by member countries on the basis of approved budgets passed at the General Assembly. The non-current part of statutory contributions receivable represents future period receivables under debt re-scheduling arrangements.

**Note 5: Inventories**

	31st December 2008 000€	31st December 2007 000€
Items Held for Sale	384	363
Supplies	<u>174</u>	<u>194</u>
<b>Total Inventories</b>	<b>558</b>	<b>557</b>

Items held for sale include items sold in the INTERPOL shop. Supplies include office consumables, items for maintenance and publication materials.

**Note 6: Net Fixed Assets**

	31st December 2007 000€	Additions / Depreciation 000€	Disposals 000€	31st December 2008 000€
<b>Cost of Fixed Assets</b>				
Buildings	18 582			18 582
Fixtures, Fittings and Equipment	27 463	2 915	(1 430)	28 948
Intangible Assets	9 048	507	(211)	9 344
Fixed Assets in Progress	391	521		912
<b>Total Cost of Fixed Assets</b>	<b>55 484</b>	<b>3 943</b>	<b>(1 641)</b>	<b>57 786</b>
<b>Depreciation</b>				
Buildings	(7 601)	(465)		(8 066)
Fixtures, Fittings and Equipment	(17 309)	(2 602)	1 393	(18 518)
Intangible Assets	(7 114)	(971)	106	(7 979)
Fixed Assets in Progress				
<b>Total Depreciation</b>	<b>(32 024)</b>	<b>(4 038)</b>	<b>1 499</b>	<b>(34 563)</b>
<b>Net Fixed Assets</b>				
Buildings	10 981	(465)		10 516
Fixtures, Fittings and Equipment	10 154	313	(37)	10 430
Intangible Assets	1 934	(464)	(105)	1 365
Fixed Assets in Progress	391	521		912
<b>Total Net Fixed Assets</b>	<b>23 460</b>	<b>(95)</b>	<b>(142)</b>	<b>23 223</b>

Fixed assets comprise the following categories:

*Buildings:* The headquarters building in Lyon, France owned by the Organization.

*Fixtures, Fittings and Equipment:* Include office equipment, fixtures, fittings, vehicles and other equipment.

*Intangible Assets:* Consist of software and licenses.

*Fixed Assets in Progress:* These are assets whose purchase, installation and commissioning processes are still in progress. The amounts shown here comprise part / full payments for assets whose beneficial ownership has passed over to the Organization. These assets have not yet been subject to depreciation.

There were no revaluations or transfers during the year.

**Note 7: Payables**

	31st December 2008 000€	31st December 2007 000€
Suppliers and Accrued Charges	3 548	2 580
Social Security and Insurance Payable	90	892
Other Payables	<u>541</u>	<u>331</u>
<b>Total Payables</b>	<b>4 179</b>	<b>3 803</b>

Suppliers and accrued charges include invoices received from suppliers that are yet to be settled and obligations to suppliers for services performed but not yet invoiced.

Payables to welfare institutions are current contributions for health and social charges. Other Payables includes reimbursements due to employees for national taxes paid.

**Note 8: Income Received in Advance and Deferred Project Income**

	31st December 2008 000€	31st December 2007 000€
Statutory Contributions Received in Advance	2 975	260
Other Income Received in Advance	469	448
Deferred Project Income	<u>4 307</u>	<u>5 198</u>
<b>Total Income Received in Advance</b>	<b>7 751</b>	<b>5 906</b>

Statutory contributions received in Advance are payments made by member countries in advance of the 2009 budget. Other Income received in advance includes reimbursements received in advance of their expense.

Deferred Project Income represents monies received from external sponsors for a specified defined purpose. This money has a restricted use and is not freely available to the Organization.

**Note 9: Non-Current Employee-Related Liabilities**

	31st December 2008 000€	31st December 2007 000€
Employment Provision	762	696
Provision for Leave not availed	1 561	1 531
Employee Benefits Non-Current	1 678	1 132
Pension Scheme	<u>2 020</u>	<u>1 054</u>
<b>Total Non-Current Employee-related Liabilities</b>	<b>6 021</b>	<b>4 413</b>

Employee-related liabilities for the Organization consist of:

- Employment Provision, for the loss of employment with the Organization;
- Employee Benefits Non-Current, mainly for one-off payments to employees on retirement;
- Pension Scheme, the Organization's defined contribution pension scheme. All contributions to the Organization's defined contribution pension scheme are funded into a separate bank account, as explained in note 3.

Details regarding employee-related liabilities are as under:

<b>EMPLOYEE-RELATED LIABILITIES</b> <i>000s Euros</i>	Employment Provision	Provision for leave not availed	Employee benefits Non-Current		Pension Scheme	<b>TOTAL</b>
			Indemnity on retirement	Supplementary retirement		
<b>Balance at December 31, 2007</b>	<b>696</b>	<b>1 531</b>	<b>489</b>	<b>643</b>	<b>1 054</b>	<b>4 413</b>
Recognised in the statement of financial performance	206	170	232	547	722	1 877
<i>Items not in the statement of financial performance</i>						
- Income from pay costs (being employees' contribution)	83				480	563
- Interest Income				31	58	89
- Settlement of liabilities	(223)	(140)	(138)	(126)	(294)	(921)
<b>Balance at December 31, 2008</b>	<b>762</b>	<b>1 561</b>	<b>583</b>	<b>1 095</b>	<b>2 020</b>	<b>6 021</b>

### Note 10: Reserves or Total Equity

	<b>Previously Reported</b> <b>31st December 2007</b> <b>000€</b>	Prior Year Adjustment 000€	<b>Restated</b> <b>31st December 2007</b> <b>000€</b>	Transfers 000€	Current Year Surplus 000€	<b>31st December 2008</b> <b>000€</b>
Capital Financing Reserve	23 460		23 460	(237)		23 223
Accumulated Reserve Funds						
<i>General Reserve Fund</i>	7 701	(36)	7 665	5 449	1 672	14 786
<i>Capital Investment Fund</i>	9 534		9 534	(5 263)	1 000	5 271
<i>Other Funds</i>	3 453		3 453	51	(366)	3 138
Total Accumulated Reserve Funds	<b>20 688</b>	(36)	<b>20 652</b>	237	2 306	<b>23 195</b>
<b>TOTAL EQUITY</b>	<b>44 148</b>	<b>(36)</b>	<b>44 112</b>		<b>2 306</b>	<b>46 418</b>

Reserves or Total Equity represent member countries' net interest and the reserves of the Organization, comprising the Capital Financing Reserve and the Accumulated Reserve Funds.

The Capital Financing Reserve represents member country ownership interest in the fixed assets of the Organization as shown in note 6. Net additions to assets are funded out of the accumulated reserves completely and statutory contributions do not cover asset acquisitions in a given year.

All other reserves of the Organization are grouped together as Accumulated Reserves. These include:

- The General Reserve Fund which is used for ordinary operating activities of the Organization as approved in the general budget of the Organization;
- The Capital Investment Reserve for financing asset acquisitions;
- Other Reserves which are used for purposes specified by the membership.

## Note 11: Operating Revenues

	31st December 2008 000€	31st December 2007 000€
Statutory Contributions	45 128	41 398
Sub-Regional Bureau financing	797	781
Voluntary Contributions	721	797
Reimbursements and Recoveries	549	593
Financial Income	1 517	1 157
Other Income	8 264	3 613
Exchange rate Gains/(Losses) Net	(49)	(168)
<b>Total Operating Revenue</b>	<b>56 927</b>	<b>48 171</b>

The main variances between 2008 and 2007 are:

1. *Statutory Contributions*: These are the amounts receivable during the year from member countries. Statutory Contributions increased by 9.01% in line with the approved annual budget.

2. *Financial Income*:

	31st December 2008 000€	31st December 2007 000€
Financial Income from Bank Deposits	1 466	1 091
Financial Income from Cash Investments	51	66
<b>Total Financial Income</b>	<b>1 517</b>	<b>1 157</b>

Eurozone financial interest rates increased throughout 2008 and the proportion of cash equivalents invested in higher yielding deposits also increased.

3. *Other income*: Other income includes income from shop sales, tax reimbursements and project income. Project income increased to 7.066M€(2007: 2.608M€).

4. *Exchange rate Gains / (Losses) Net*: Losses on this account were reduced by implementing an amended treasury policy on foreign exchange transactions. Of the total loss, 0.041M€ were unrealised (2007: 0.116M€).

**Note 12: Operating Expenses**

	31st December 2008 000€	31st December 2007 000€
Salaries	21 287	20 037
Employee Charges	7 754	7 668
Allowances	2 221	2 085
<b>Total Pay Costs</b>	<b>31 262</b>	<b>29 790</b>
Training	383	234
Other Staff Costs	695	655
<b>Total Other Staff Costs</b>	<b>1 078</b>	<b>889</b>
Building Rental	1 032	775
Utilities and Other	813	756
<b>Total Premises Running Costs</b>	<b>1 845</b>	<b>1 531</b>
IT Equipment	1 365	1 060
Building Maintenance	537	492
<b>Total Maintenance</b>	<b>1 902</b>	<b>1 552</b>
Travel	5 838	4 117
Conferences and Events	1 527	1 749
<b>Total Missions and Meetings</b>	<b>7 365</b>	<b>5 866</b>
Consumables and Supplies	955	754
Equipment Hire and Other	811	546
<b>Total Office Expenses</b>	<b>1 766</b>	<b>1 300</b>
Network Costs	755	864
Communication Costs	547	534
<b>Total Telecommunication Costs</b>	<b>1 302</b>	<b>1 398</b>
Consultancy Expenses	1 038	673
Non-Refundable Taxes		138
Provisions for Risks on Receivables	68	(504)
Equipment Donated	2 611	654
Other Administration Expenses	346	211
<b>Total Third Party and Other Costs</b>	<b>4 063</b>	<b>1 172</b>
<b>Depreciation Expenditure</b>	<b>4 038</b>	<b>3 724</b>
<b>Total Operating Expenses</b>	<b>54 621</b>	<b>47 222</b>

Principal variances between 2008 and 2007 are:

- Total pay costs increased 5% as a result of standard pay hikes and staff increases including on externally-funded projects.
- Missions and meetings expenses increased mainly due to enhanced activity levels on extra-budgetary projects.
- Third Party and Other Costs increased due to donations of equipment carried out on externally-funded projects.

### Note 13: Segment information – Statement of Financial Performance

Segment information is based on the principal activities and sources of finance for the Organization. The General Budget (1) corresponds to the combined operating budgets of the Organization – general and specific budgets - that are presented at the General Assembly. Other segments are extra-budgetary and are financed either by defined external projects (2) or from voluntary contributions (3).

Owing to the nature of the activities of the Organization, its assets and liabilities are jointly used by the segments and are not disclosed separately.

	General Budget (1)		External Projects (2)		Voluntary Contributions (3)		Total	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000	2008 €'000	2007 €'000	2008 €'000	2007 €'000
<b>Operating Revenue</b>								
Statutory Contributions	45 128	41 398					45 128	41 398
Sub-Regional Bureau financing	797	781					797	781
Voluntary Contributions					721	797	721	797
Reimbursements and Recoveries	464	518	85	67		8	549	593
Financial Income	1 432	1 074	85	83			1 517	1 157
Other Income	988	917	7 066	2 608	210	88	8 264	3 613
Exchange rate Gains/(Losses) Net	(51)	(169)	2	(1)		2	(49)	(168)
<b>Total Operating Revenue</b>	<b>48 758</b>	<b>44 519</b>	<b>7 238</b>	<b>2 757</b>	<b>931</b>	<b>895</b>	<b>56 927</b>	<b>48 171</b>
<b>Operating Expenses</b>								
Pay Costs	29 557	28 716	1 671	1 024	34	50	31 262	29 790
Other Staff Costs	939	877	103	11	36	1	1 078	889
Premises Running Costs	1 845	1 503				28	1 845	1 531
Maintenance	1 863	1 543	28	9	11		1 902	1 552
Missions and Meetings	4 707	4 544	2 145	823	513	499	7 365	5 866
Office Expenses	1 492	1 243	271	36	3	21	1 766	1 300
Telecommunication Costs	1 297	1 395	5	2		1	1 302	1 398
Third Party and Other Costs	812	247	3 015	852	236	73	4 063	1 172
Depreciation Expenditure	4 038	3 724					4 038	3 724
<b>Total Operating Expenses</b>	<b>(46 550)</b>	<b>(43 792)</b>	<b>(7 238)</b>	<b>(2 757)</b>	<b>(833)</b>	<b>(673)</b>	<b>(54 621)</b>	<b>(47 222)</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 208</b>	<b>727</b>			<b>98</b>	<b>222</b>	<b>2 306</b>	<b>949</b>

#### *Expenditure on the basis of Core Functions*

Allocation of the total expenditure in 2008 of the Organization on the basis of its 4 core functions is as below.

Core Function	000s Euros	%
Secure global police communication services	10 482	19%
Operational data services and databases	12 035	22%
Operational police support services	21 446	39%
Police Training and Development	10 658	20%
<b>TOTAL</b>	<b>54 621</b>	<b>100%</b>

### Note 14: Related Party Transactions

The Organization's supreme governing body is the General Assembly, composed of representatives from all of the member countries. The General Assembly elects an Executive Committee composed of thirteen delegates including the President of the Organization. Implementation of activities is performed by the Secretary General who directs the Secretariat and is assisted by senior management (key management personnel).

Neither the delegates to the General Assembly nor the Executive Committee members, receive any remuneration from the Organization for their roles. Members of the Executive Committee are entitled to reimbursement of travel expenses incurred in the execution of their duties, and are paid per-diems, in accordance with the Organization's travel policy.

Key management personnel including the Secretary General aggregate remuneration was as follows:

	31 December 2008		31 December 2007	
	<i>Number of individuals</i>	<i>Aggregate remuneration</i> 000€	<i>Number of individuals</i>	<i>Aggregate Remuneration</i> 000€
Key Management Personnel	5	865	6	756

Key management personnel include officers that are seconded from their national administrations and whose expenses may, in part, be paid by the national administration. Remuneration includes gross salary and emoluments payable to the key management personnel for their work at INTERPOL. One member of the key management personnel left at the end of 2007.

There were no loans to senior staff members or their close family members which were not available to other categories of staff.

The Secretary General is provided with rent-free accommodation at the Lyon headquarters, for which no equivalent market value is possible.

The Organization is under the direct control of the member countries. It has no ownership interest in other associations or joint ventures. There were no material transactions with related parties during the years 2008 and 2007.

#### **Note 15: Prior Year Adjustment**

As a consequence of the Organization deciding to report Income and Expenditure net of VAT, figures for 2007 have been adjusted for elimination of VAT amounts.

The Statement of Financial Performance for 2007 has been adjusted for VAT that was included as a component of inventory at 31st December 2007

<b>2007 Previously Reported Surplus ('000€):</b>	<b>985</b>
<i>Adjustment for VAT included in inventories</i>	<i>(36)</i>
<b>2007 Restated Surplus ('000€):</b>	<b>949</b>

VAT included as a component of inventory at 31st December 2007 has been adjusted against the balance of the General Reserve Fund at the same date, and the fund balance restated; refer note 10.

The Accumulated Reserves in the Statement of Changes in Equity contains an adjustment for the result of 2007:

<b>Previously Reported Balance at 31 December 2007 ('000€)</b>	<b>20 688</b>
<i>Adjustment for VAT included in inventories</i>	<i>(36)</i>
<b>Restated Balance at 31 December 2007 ('000€)</b>	<b>20 652</b>