

British Medical Association

(Company number: 00008848)

Financial Statements for the year ended
31 December 2011



Council members

Members who served on council are listed below (*appointed/** resigned during year)

| | | | | |
|---------------------|-------------------------|--------------------------------|---------------------|-----------------------|
| Anna Athow | Peter Dangerfield | Richard Jarvis | Beth McCarron-Nash* | Keith Reid |
| Ian Banks | Paul Darragh | Brian Keighley | Helena McKeown | Radhakrishna Shanbhag |
| Carol Basham | Shreelata Datta | Mohib Khan | Paul Miller | Vishal Sharma |
| Edwin Borman | Jacqueline Davis | Andrew Kinmond* | Adam Moreton | David Snashall |
| Laurence Buckman | Beryl De Souza | Derek Machin | Chaand Nagpaul | Richard Vautrey |
| Kate Bullen | Andrew Dearden | Peter Maguire | Clive Peedell | Stephen Watkins |
| Stefan Coghlan* | Tom Dolphin | Reena Mani | Elly Pilavachi* | Frank Wells |
| Jonathan Cox | Sam Everington | Professor Averil Mansfield | David Pickersgill** | Fay Wilson |
| Anthony Calland | Jonathan Fielden | Professor Sir Michael Marmot** | Trevor Pickersgill | Ian Wilson |
| Michael Chamberlain | Alex Freeman | Dean Marshall | Kann Purshouse** | David Wringley |
| John Chisholm | Steve Hajioff | Marion Matheson* | Mark Porter | |
| Mary Church | Professor David Haslam* | Hamish Meldrum | Michael Rees | |

Treasurer's report

In my first report as Treasurer, I am pleased to be able to report a good year for the operating finances of the Association. We do face some financial challenges in the future but we are in a good position to deal with them and to safeguard the core work of the Association, to defend doctors and promote the health of the nation.

Before commenting on this in more detail, it would be remiss of me not to recognise the many years of work for and service to our Association by both David Pickersgill and Leigh Whittingham, our previous Treasurer and Finance Director respectively. Their tireless work in watching over the finances of the Association has left us in financial good health, and in a strong position to face future demands on our resources as we continue to support and represent our members.

Total income grew by 8.3% to £113.5 million. Even when restated to exclude the impact of acquired business, underlying growth of 5.5% represents a good performance in the prevailing economic conditions.

Income from membership services continued to rise, this year by a fraction under 4%. This is on the back of a continued trend of volume growth, membership numbers grew by 2.2% during the year, and by 1,200 in the first two months of 2012 alone. This is well ahead of the membership development plan and homing in on the 150,000 target set out to be achieved by mid-2013. This demonstrates the continued value members attach to our services, and how we are prepared to defend doctors and their livelihoods, we continue to invest in the provision of an enhanced and relevant offering to the profession. Although incurring a number of one-off costs, saw our deficit from membership services grow to £6.8 million, underlying growth was only 4.9% over the previous year.

It has also been another successful year for the BMJ Publishing Group, who recorded a surplus of almost £9.7 million compared with £9.3 million in 2010. This again in spite of the sustained (but anticipated) decline in advertisement revenues derived from doctors' job listings, and demonstrates the continuing success of the diversification and new market expansion programmes of the group. 2011 also saw the acquisition of the Informatica business, a company which provides performance management tools for the primary care sector. The group continues to invest and innovate, and has continued its success in expanding internationally.

Income derived from our Estates showed mixed success during the year. Tenancy income held up well, but revenues from events dipped as potential customers' own budgets came under pressure during a period of difficult trading conditions.

Total expenditure in the year increased by 9.5%. This is the total reported figure and includes the impact of the Informatica acquisition and several other one-off costs, and if we take these items out, like-for-like growth is 5.8%. The one-off costs relate to the expense incurred as a consequence of convening a Special Representative Meeting in March 2011 (to consider the newly-drafted Health and Social Care Bill), and additional one-off employment costs in respect of staff employment contract standardisation. Benefit in the form of financial savings will be seen over the next five years.

Like-for-like Membership Services expenditure rose by 3.2% over 2010, and remains under good control despite the significant enhancement to member service offerings and the continued growth in the number of members being served. Operational cost savings have contributed to this performance, and revisions to the honoraria policy made during 2010 – principally an increase in the number of meetings attended from ten to fifteen before any payment can be claimed – have further assisted. This figure also includes investment spend aimed at enhancing member services, most notably the redesign of the BMA website which will come online during 2012.

As reported last year, an agreement was reached with the BMA Staff Pension Scheme on a recovery plan for funding the deficit on the defined benefit scheme. Following a £27 million one-off payment last year, the plan calls for additional special contributions of £4.5 million per year until 2014, and the first of these payments was made during the year. These payments have had the effect of producing a gain in our Income and Expenditure Account under the required FRS 17 reporting rules. In a sense though, it masks the ongoing challenge which faces this, and indeed all, schemes. The effect of the Government's policy of quantitative easing is having a direct effect on gilt yields, a key driver in determining future liabilities of the Scheme. So from a position where the Scheme was close to being fully funded during the middle of last year, by the end of 2011 it showed a significant deficit. This is reflected in the £12.6 million increase in reported liability. The next triennial valuation falls due at the end of March 2012 and, in view of current economic conditions, is likely to show a further deterioration at that point. In layman's terms this means, the scheme is in deficit and we will need to make further significant contributions to the staff scheme so we can protect the pensions of our staff members who have served us so well.

The existing recovery plan also includes the provision for a further contribution (of up to £25 million) to be made at that date under a Deed of Charge which is contingent upon the funding level at that date. To ensure that the BMA can keep its pensions 'promises' to our staff and to safeguard the pensions of our staff members, we have contributed many millions of pounds over the past 3–4 years to the staff pension fund.

The Consolidated Balance Sheet of the Association is in continuing good health, with net assets in excess of £93 million. Working capital remains strong as does our cash position, with overall liquid reserves of £43.7 million. The equity component of our investment reserves is now managed on a passive basis, in index-tracking pooled funds. This change was made toward the end of 2010, when the portfolio strategy was also revised to favour non-equity, lower risk assets. The consequence of these changes has meant that the Association has been protected from much of the volatility experienced in global markets during 2011, and that (perhaps unsurprisingly) performance has largely mirrored the market. Consequently, the investment portfolio has shown a net drop of £2.5 million in a year which saw the majority of global market indices falling. At the end of the year, our investment portfolio stood at £71.8 million, but it is worth remembering that it has shown significant falls over the last 3–4 years.

So in summary, we are in a good position to face the various challenges coming in the near and mid term future. The finances of the association are under pressure but being well managed and coping with the increased demands on resources that we currently face. We may have to make some hard financial decisions in the future, to ensure the ongoing work of the association but we are well placed to make those.

Andrew Dearden
Treasurer

Directors' report

Council members each of whom are a director of the Association, present their report and the audited consolidated financial statements of the Association for the year ended 31 December 2011

Principal activities

The principal activity of the British Medical Association ('The Association') is to provide personal, professional and representation services for its members. BMJ Publishing Group Limited (BMJPG) is a wholly owned subsidiary of the British Medical Association and its principal activity is the production and distribution of medical information through various media

Results

The consolidated net surplus after tax for the year amounted to £3,620,000 (2010: £7,805,000) and this amount has been transferred to the Accumulated Fund

Review of business

The Association monitors its performance by reference to a number of measures, the most significant of which is membership numbers. The Association's current strategic objectives, and its progress towards them, are referred to in other parts of this Annual Report. The Association continues to enhance its existing services, and invest in the development of new services. This is a major element of managing the risk of a decrease in membership numbers. Keeping these at a high level is an important part of maintaining the Association's representativeness, influence and services. Please refer to the Treasurer's Report

Future development

The Association intends to carry on its existing activities during the forthcoming year. Further information is provided in the Treasurer's Report

Employment matters and information

The Association is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, colour, disability or marital status. The Association gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Association. If members of staff become disabled the Association continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Employee involvement

The Association systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Association is encouraged, as achieving a common awareness

on the part of all employees of the financial and economic factors affecting the Association. The Association encourages the involvement of employee's by means of an internal magazine, notice boards, information bulletins and circulars. In addition, regular meetings are held with staff representatives on general and specific matters

Political and charitable donations

The Association made no political donations during the year. It made various charitable donations totalling £133,000 (2010: £157,000). £113,000 was donated to medical education and research and £20,000 was donated to the humanitarian support of doctors

BMA House valuation

The Council members consider that the market value of BMA House, London, based on its existing use, was in the region of £80 million at 31 March 2008. As stated in note 9 to the financial statements, this is significantly higher than the carrying value included within the balance sheet

Qualifying third party indemnity provision

A qualifying third party indemnity provision which was in force during the financial year and also at the date of approval of the financial statements is held on behalf of the directors of BMJ Group Publishing Limited by the company's ultimate parent undertaking, the British Medical Association

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

Disclosure of information to auditors

So far as each Council member is aware, there is no relevant audit information of which the company's auditors are unaware. Each Council member has taken all the steps that he/she ought to have taken in his/her duty as a Council member in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Statement required by the Trade Union and Labour Relations (Consolidation) Act 1992

A member who is concerned that some irregularity may be occurring, or has occurred, in the conduct of the financial affairs of the union may take steps with a view to investigating further, obtaining clarification and, if necessary, securing regularisation of that conduct. The member may raise any such concern with one or more of the following as it seems appropriate to raise with: the officials of the union, the trustees of the property of the union, the auditor or auditors of the union, the Certification Officer (who is an independent officer appointed by the Secretary of State) and the police. Where a member believes that the financial affairs of the union have been or are being conducted in breach of the law or

in breach of rules of the union and contemplates bringing civil proceedings against the union or responsible officials or trustees, he should consider obtaining independent legal advice

Responsibilities of Council members in respect of financial statements

The Council members (see page 2) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires Council members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and its subsidiaries and of the consolidated results for that period. In preparing these financial statements Council members are required to

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

Council members are responsible for keeping adequate accounting records with reasonable accuracy at any time the financial position of the Association and Group and its subsidiaries and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

The maintenance and integrity of the BMA website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Company's registered number is 8848

By order of the Board (Council)
Dr H Meldrum,
Chairman of Council,
29 March 2012

Audit committee's report

Audit committee's report

During 2011, the Audit Committee comprised the following members Tim Holmes (Chairman), Peter Terry, Fay Wilson, Peter Hawker and Stuart Cruickshank

In addition, the Treasurer, Andrew Dearden (since July 2011, previously David Pickersgill), the Finance Director, Keith Ward (since November 2011, previously Leigh Whittingham), and the Chairman of the Board of the BMJ Group, Michael Chamberlain, normally attend meetings. Other senior representatives of management, as well as the external and Internal Auditors, are invited to attend as and when required.

The Committee met three times in 2011 and its agendas are designed to enable it to meet the requirements of its terms of reference, including

Integrity of financial reporting

The Committee receives regular reports from the Treasurer and the Finance Director regarding the financial performance, systems and processes operating within the BMA and its subsidiary company, the BMJ Publishing Group Ltd. The Committee considers the annual directors' report and financial statements and recommends their approval to Council. The Audit Committee obtained sufficient assurance that the integrity of the Association's financial reporting was maintained during 2011.

External Auditors

The Committee receives regular reports from the external auditors throughout the year. The Committee is responsible for approving the proposed audit strategy, for agreeing the schedule of audit fees and for receiving the auditors' final report at the conclusion of their audit work. In addition, the Committee continues to ensure independence of the external auditors by, inter alia

- Setting out an appropriate policy on the provision by the external auditor of non-audit work, and
- Receiving written confirmation of their continued independence from the auditors, having carried out sufficient internal enquiries within their firm as they considered necessary.

Governance and management process

The Audit Committee is responsible for monitoring the ongoing effectiveness of the BMA's governance structure.

The Association has continued to make good progress in terms of the overall governance structure, which has included the formal implementation of an Oversight and Finance Committee to provide a sharper focus on financial management and supervisory development, as a result of amendments to the Association's Articles and Bye-laws that were passed at the Annual General meeting in 2011.

The Audit Committee welcomes and supports these measures and consistent with its remit, will continue to monitor the implementation and on-going effectiveness of these arrangements.

Internal audit

The Internal Audit service is provided by KPMG under the day to day management of the Finance Director. The Audit Committee approves annually the assignments to be undertaken by the Internal Auditors and considers all of the reports issued during the course of the year, seven audits were completed in 2011.

KPMG's audit findings produced recommendations for improvements in some areas. Each Internal Audit assignment results in a detailed report of the actions which have been agreed with managers to improve systems and controls and the Audit Committee monitors management's progress in implementing agreed actions by way of regular reports from management.

The Audit Committee has approved a detailed plan of Internal Audit work to be undertaken during 2012.

Risk assessment/management

The processes surrounding the identification, mitigation and control of risk form a major part of the Audit Committee's work plan.

The Committee dynamically concerns itself with the changing risk landscape and through its programme of work seeks to satisfy itself that the risk management controls within the Association are fit for purpose.

To this end the Committee works closely with the Chief Officers and senior management. A risk register identifies risk and actions taken by management in mitigation and is kept under regular review by the Committee.

The 2012 outlook for the BMA presents a continuance of the challenges faced during 2011. The Health and Social Care Bill and Pension Reform remain dominant themes for the Association and its members. The attendant risks associated with these developments are factored into the Audit Committee's agenda for the current year.

Tim Holmes
Chairman

Independent auditors' report to the members of the BMA

We have audited the group and parent company financial statements (the "financial statements") of the British Medical Association for the year ended 31 December 2011 which comprise the Income and expenditure accounts, the Balance sheets, the Consolidated cash flow statement, the Statements of total recognised gains and losses, the Note of historical cost surplus and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Responsibilities of Council members set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 2011 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

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's surplus and parent company's deficit and group's cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Philip Stokes (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Embankment Place
London

2 April 2012

Financial statements for the year ended 31 December 2011

Income and expenditure accounts

| | Notes | BMA | | Consolidated | |
|---|-------|--------------|--------------|--------------|--------------|
| | | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Income | | | | | |
| Membership subscriptions | | 41,301 | 39,755 | 41,301 | 39,755 |
| Income from other activities | | 6,638 | 6,918 | 3,122 | 3,445 |
| Publishing | | | | | |
| Subscriptions | | – | – | 33,797 | 25,553 |
| Advertising | | – | – | 35,232 | 36,030 |
| | | 47,939 | 46,673 | 113,452 | 104,783 |
| Expenditure | | | | | |
| Members' services | | 50,293 | 47,606 | 51,267 | 48,291 |
| Other activities | | 3,517 | 3,473 | – | – |
| Publishing | | – | – | 59,293 | 52,225 |
| | | 53,810 | 51,079 | 110,560 | 100,516 |
| Operating (deficit)/surplus | | | | | |
| Members' services | | (5,871) | (4,406) | (6,844) | (5,091) |
| Publishing | | – | – | 9,736 | 9,358 |
| Operating (deficit)/surplus | | (5,871) | (4,406) | 2,892 | 4,267 |
| Income from fixed assets | 2 | 2,638 | 29,879 | 1,851 | 2,196 |
| Income from current assets | 3 | 136 | 148 | 311 | 116 |
| Interest payable (inter-company) | 4 | (67) | (112) | – | – |
| Other finance income | 7 | – | – | 1,073 | (1,220) |
| Surplus on sales of fixed asset investments | | – | – | 149 | 5,477 |
| Proceeds from part disposal of share in Journal Publication | 3 | – | – | 526 | – |
| (Deficit)/surplus on ordinary activities before taxation | 5 | (3,164) | 25,509 | 6,802 | 10,836 |
| Staff Pension Scheme Contributions (Recovery Plan) | 7 | (1,350) | (19,434) | – | – |
| | | (4,514) | 6,075 | 6,802 | 10,836 |
| Taxation on (deficit)/surplus on ordinary activities | 6 | (697) | (728) | (3,182) | (3,031) |
| Net (deficit)/surplus for the financial year | 15 | (5,211) | 5,347 | 3,620 | 7,805 |

The income and (deficit)/surplus on ordinary activities before taxation for the year relate to continuing operations except for contributions from Informatica Systems Limited, see note 8

| | Notes | BMA | | Consolidated | |
|--|-------|--------------|--------------|--------------|--------------|
| | | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Statements of total recognised gains and losses | | | | | |
| (Deficit)/surplus for the year | 15 | (5,211) | 5,347 | 3,620 | 7,805 |
| Unrealised (losses)/gains on fixed asset investments | 16 | – | – | (2,692) | 5,319 |
| Tax on unrealised gains | | – | – | – | (450) |
| Foreign exchange movement | | – | – | (1) | (7) |
| Actuarial loss on pension scheme | 7 | – | – | (18,518) | 12,666 |
| Movement on deferred tax relating to pension scheme | | – | – | 1,637 | (958) |
| Total gains and losses recognised since last financial statements | | (5,211) | 5,347 | (15,954) | 24,375 |

Note of historical cost (deficit)/surplus

| | | | | | |
|---|---|---------|--------|---------|---------|
| Reported (deficit)/surplus on ordinary activities before taxation | | (3,164) | 25,509 | 6,802 | 10,836 |
| Difference between market value and cost of investment realised | | – | – | 5,320 | 6,091 |
| Historical cost (deficit)/surplus before taxation | | (3,164) | 25,509 | 12,122 | 16,927 |
| Taxation on (deficit)/surplus on ordinary activities | 6 | (697) | (728) | (3,182) | (3,031) |
| Historical cost (deficit)/surplus after taxation | | (3,861) | 24,781 | 8,940 | 13,896 |

Balance sheets

| | | BMA | | Consolidated | |
|--|----------|-----------------|-----------------|-----------------|-----------------|
| | Notes | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Employment of funds | | | | | |
| Fixed Assets | | | | | |
| Intangible assets | 8 | - | - | 12,650 | 4,358 |
| Tangible assets | 9 | 12,548 | 13,935 | 12,697 | 14,081 |
| Investments | 10(a)(b) | - | - | 71,811 | 80,566 |
| Investments in group undertakings | 10(c) | 140,878 | 140,878 | - | - |
| | | <u>153,426</u> | <u>154,813</u> | <u>97,158</u> | <u>99,005</u> |
| Current assets | | | | | |
| Stocks | 11 | 9 | 8 | 160 | 177 |
| Debtors | 12 | 3,710 | 2,807 | 18,127 | 20,405 |
| Short-term deposits | | 12,000 | - | 21,690 | - |
| Cash held in liquidity fund | | - | 20,078 | 11,467 | 27,878 |
| Cash at bank and in hand | | 1,199 | 343 | 10,563 | 10,099 |
| | | <u>16,918</u> | <u>23,236</u> | <u>62,007</u> | <u>58,559</u> |
| Creditors (amounts falling due within one year) | 13 | <u>(14,508)</u> | <u>(16,987)</u> | <u>(43,437)</u> | <u>(38,424)</u> |
| Net current assets | | <u>2,410</u> | <u>6,249</u> | <u>18,570</u> | <u>20,135</u> |
| Total assets less current liabilities | | <u>155,836</u> | <u>161,062</u> | <u>115,728</u> | <u>119,140</u> |
| Provisions for liabilities | 14 | <u>(370)</u> | <u>(385)</u> | <u>(370)</u> | <u>(385)</u> |
| Net assets before pension scheme liability | | <u>155,466</u> | <u>160,677</u> | <u>115,358</u> | <u>118,755</u> |
| Net pension deficit | 7 | - | - | (22,733) | (10,176) |
| Net assets including pension scheme liability | | <u>155,466</u> | <u>160,677</u> | <u>92,625</u> | <u>108,579</u> |
| Funds employed | | | | | |
| Revaluation reserve – freehold property | 9 | 454 | 454 | 454 | 454 |
| Revaluation reserve – investments | 16 | - | - | 3,807 | 11,819 |
| Revaluation reserve – investment in subsidiary | 10(d) | 59,000 | 59,000 | - | - |
| Accumulated funds | 15 | 96,012 | 101,223 | 88,364 | 96,306 |
| Total funds employed | | <u>155,466</u> | <u>160,677</u> | <u>92,625</u> | <u>108,579</u> |

The financial statements on pages 3 to 21 were approved by Council on 29 March 2012 and were signed on its behalf by A Dearden and H Meldrum

A Dearden
Treasurer

H Meldrum
Chairman of Council

The Company's registered number is 8848

Consolidated cash flow statement for the year ended 31 December 2011

| | Consolidated | | Consolidated | |
|---|--------------|----------|--------------|----------|
| | 2011 | 2011 | 2010 | 2010 |
| | £000 | £000 | £000 | £000 |
| Net cash inflow/(outflow) from operating activities (note a) | | 8,611 | | (19,374) |
| Return on investments and servicing of finance | | | | |
| Interest received | 311 | | 116 | |
| Dividends received | 88 | | 653 | |
| | | 399 | | 769 |
| Taxation | | (3,445) | | (4,091) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | (850) | | (1,317) | |
| Proceeds on disposal of tangible fixed assets | 57 | | 67 | |
| Investment in short term deposits | (21,690) | | 15,000 | |
| Purchase of investments | (27,651) | | (57,085) | |
| Proceeds on disposal of investments | 33,858 | | 80,938 | |
| | | (16,276) | | 37,603 |
| Acquisitions and disposals | | | | |
| Purchase of Informatica | | (5,236) | | – |
| | | (15,947) | | 14,907 |
| Cash inflow/(outflow) before use of liquid resources and financing | | | | |
| Management of liquid resources | | | | |
| Decrease/(increase) in cash held in liquidity fund | | 16,411 | | (7,878) |
| | | 464 | | 7,029 |

| | Consolidated | |
|--|-----------------|-----------------|
| | 2011 | 2010 |
| | £000 | £000 |
| Note a Reconciliation of operating surplus to net cash flow from operating activities | | |
| Operating surplus | 2,892 | 4,267 |
| Difference between pensions charged and cash contributions | (3,700) | (26,299) |
| Surplus on rental income | 1,763 | 1,543 |
| Depreciation | 2,211 | 2,282 |
| Amortisation and adjustment to goodwill | (3,056) | 454 |
| Proceeds from part disposal of share in Journal Publication | 526 | – |
| Profit on disposal of tangible fixed assets | (43) | (45) |
| Increase in creditors | 4,607 | 4,017 |
| (Increase)/decrease in debtors | 3,393 | (5,528) |
| (Increase)/decrease in stock | 18 | (65) |
| Net cash inflow/(outflow) from operating activities | 8,611 | (19,374) |
| Note b Reconciliation of net cash flow to movements in net funds | | |
| Increase in cash at bank in the period | 464 | 7,029 |
| Increase in cash held in liquidity fund | (16,411) | 7,878 |
| Change in net funds | (15,947) | 14,907 |
| Net movement in net funds in the period | (15,947) | 14,907 |
| Net funds at 1 January | 37,977 | 23,070 |
| Net funds at 31 December | 22,030 | 37,977 |

* Net funds comprise cash at bank and in hand, short-term deposits and cash held in liquidity fund

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

a Accounting convention

The financial statements are prepared as a going concern on the historical costs basis of accounting, as modified to include the 1957 revaluation of freehold premises and revaluation of fixed asset investments in accordance with applicable Accounting Standards in the United Kingdom. The accounting policies have been applied consistently, other than where new policies have been adopted. The format of the income and expenditure account in the financial statements departs from the requirements of the Companies Act 2006, which states that a company's profit and loss account shall show all the items as listed in any one of its prescribed formats. This departure is, in the opinion of the council members, necessary to give a true and fair view of the activities of the Association.

b Basis of consolidation

The consolidated financial statements are of the Association and its 100% owned subsidiaries – BMJ Publishing Group Ltd, BMA Investments Ltd, Informatica Systems Ltd and BMJ Publishing Inc (incorporated and registered in California, USA). Intra-group sales and profits are eliminated on consolidation. Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control exists when the Group has the power directly or indirectly, to govern the financial and operating policies. The net assets of subsidiaries acquired are included on the basis of their fair value at the date consideration passes, or an offer is declared unconditional. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c Membership & publishing subscriptions

All subscriptions are taken into income in the year to which they relate. Amounts received by the balance sheet date in respect of future years are deferred and any income earned under future contracts is accrued.

d Publications

Income and expenditure relating to publications is accounted for in the year within which the date of the publication falls. Income from publications subscriptions is deemed to accrue evenly over the period of the subscription, the proportion of subscriptions invoiced but unearned at the balance sheet date is deferred. Advertising income is recognised as soon as obligations are fulfilled.

e Venue event hire

Income and expenditure relating to venue event hire is accounted for in the year in which the date of the event occurs. Deposits received by the balance sheet date in respect of events in future periods are deferred.

f Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

g Foreign exchange

The Association maintains certain monetary assets and liabilities in foreign currencies. These have been converted at the midmarket rate ruling at the year-end. All exchange differences are taken to the income and expenditure account. Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period and the results of foreign subsidiaries are translated at the average rates of exchange. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of these companies at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses. Other transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date and exchange differences are included in operating profit.

h Freehold premises (including some BMA House development costs)

With the exception of a surplus of £454,000 that arose on the revaluation of BMA House, London in 1957, all acquisitions of, and additions to, freehold premises are shown in the balance sheet at cost. Expenditure since 1957 is capitalised where it is probable that future economic benefit in excess of that valuation will flow as a result of that expenditure. Depreciation on this expenditure is calculated on a straight-line basis over the estimated useful lives of the asset categories, the rates of depreciation varying from 1% to 33.3%. All other expenditure is treated as an expense.

i Long leasehold improvements

Expenditure on leasehold improvements is depreciated over the term of the lease.

j Plant and office equipment (including some BMA House development costs) and motor vehicles

Items of plant and office equipment and motor vehicles costing more than £1,500 are capitalised at cost, except for laptop computers which are capitalised even if they cost less than £1,500.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Useful lives vary according to the asset category. Plant and office equipment and laptop computers 10% – 33.33%, Motor vehicles 25%.

k Provisions

Provisions for liabilities and charges are established when there is a legal or constructive obligation from a past event, in accordance with FRS12 "Provisions, contingent liabilities and contingent assets".

l Current assets – stocks

Stocks are stated at the lower of cost or net realisable value on a first in first out (FIFO) basis and comprise of paper and consumables.

m Liquid resources

Liquid resources are defined as being cash balances held on deposit that are readily available (they usually require less than 24 hours notice in order to be accessed).

n Financial instruments

The group uses derivative financial instruments to hedge its exposures to fluctuations in foreign exchange rates. Sales made in foreign currencies are recognised in the profit and loss account at the exchange rate ruling at the date of the transaction and all gains or losses due to movement in foreign currencies are recognised on an accruals basis. Forward currency contracts are used to hedge underlying currency risks associated with foreign currency transactions and gains or losses on contracts are taken to the profit and loss account at the maturity date.

o Leases

Costs and rental income in respect of operating leases (net of any incentives) are recognised on a straight-line basis over the lease term.

p Fixed asset investments

Investments mainly comprise equities, unit trusts and gilts, which are included at market value. These are treated as fixed asset investments due to the permanent nature of the investment fund. Profit / loss on disposal of investments is the difference between the proceeds of sale and book value. Book value is the market value at the previous year end (or cost if purchased during the year of sale). Book value is calculated using the weighted average basis. Where there is a current tax charge on the movement in market value, this is then taken to the revaluation reserve through the statement of total recognised gains and losses to the extent that the revaluation reserve is utilised. Increases and temporary decreases in market value are taken to the revaluation reserve whereas permanent decreases below book value are recognised in the profit and loss account. The tax on profit of investments recognised in the revaluation reserve is taken to reserves through the statement of total recognised gains and losses on sale instead of through the profit and loss account. This avoids inconsistency between the tax and accounting treatments.

q Pensions

Pension costs are accounted for in accordance with FRS 17, "Retirement Benefits". Defined benefit scheme assets are measured using market value. Liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities expected to arise from employee service in the period is charged to operating profit. The expected return on the assets and the increase during the period in the present value of the liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

The defined benefit scheme surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The individual companies within the BMA Group have taken advantage of the multi-employer exemption provided by FRS 17 and account for the defined benefit scheme as if it were a defined contribution scheme. This is because they are unable to identify their share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. The pension cost under FRS 17 for the BMA company, therefore, represents the contributions payable in the year. Special contributions are treated as a charge in the year in which the contribution is paid.

The defined contribution scheme costs are written off to the income and expenditure account in the period in which they are incurred.

r Goodwill and amortisation

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's net assets at acquisition date. Goodwill is capitalised in the group balance sheet and amortised in equal instalments over its useful economic life which is estimated to be 20 years.

The company evaluates the carrying value of goodwill in each financial year to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the income and expenditure account.

s Status

The Association is a company limited by guarantee (registration number 8848), the liability of members being limited to one pound sterling each.

2 Income from fixed assets

| | BMA | | Consolidated | |
|-------------------------------|--------------|---------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Gross rental income | 3,643 | 3,514 | 2,550 | 2,473 |
| Less | | | | |
| – Service & maintenance costs | (711) | (713) | (493) | (503) |
| – Refurbishment costs | (294) | (422) | (294) | (422) |
| Net property income | 2,638 | 2,379 | 1,763 | 1,543 |
| Dividends and interest | – | 27,500 | 197 | 752 |
| Investment management fees | – | – | (109) | (99) |
| | 2,638 | 29,879 | 1,851 | 2,196 |

The BMA received a £NILmillion (2010 £6.0m) dividend from BMJPG and a £NILmillion (2010 £21.5m) dividend from BMA Investments Limited during 2011.

3 Income from current assets

| | BMA | | Consolidated | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Interest on bank deposit accounts | 136 | 148 | 311 | 149 |
| Exchange loss | – | – | – | (33) |
| | 136 | 148 | 311 | 116 |

On 15th March 2011, the BMJ Publishing Group Limited sold a 50% joint venture stake in one of its Journal publications.

4 Interest payable

Interest payable by the BMA relates to interest paid to other group companies

5 (Deficit)/surplus on ordinary activities before taxation

(Deficit)/surplus on ordinary activities before taxation is stated after charging

| | BMA | | Consolidated | |
|--|---------------|---------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 22,776 | 20,792 | 41,045 | 36,576 |
| Social security costs | 2,328 | 1,972 | 4,347 | 3,661 |
| Pension – defined benefit | 2,719 | 2,688 | 4,063 | 5,154 |
| Pension – defined contribution | 617 | 511 | 1,260 | 1,015 |
| | 28,440 | 25,963 | 50,715 | 46,406 |
| Depreciation | 2,137 | 2,221 | 2,211 | 2,282 |
| Amortisation of goodwill | – | – | 1,183 | 294 |
| Profit on disposal of fixed assets | 38 | 45 | 43 | 45 |
| Auditors' remuneration | | | | |
| Audit of financial statements – BMA | 42 | 36 | 42 | 36 |
| Audit of financial statements – subsidiaries | – | – | 62 | 49 |
| Audit of financial statements of associated pension scheme | – | – | 35 | 25 |
| Other services relating to taxation | 2 | 11 | 30 | 18 |
| Other services | – | 1 | 4 | 59 |
| Operating lease rentals | | | | |
| Land and buildings | 298 | 300 | 351 | 320 |
| | Number | Number | Number | Number |
| Monthly average number of employees during year | | | | |
| Members' services | 512 | 513 | 512 | 513 |
| Publishing | – | – | 373 | 337 |
| | 512 | 513 | 885 | 850 |

6 Taxation on (deficit)/surplus on ordinary activities

| | BMA | | Consolidated | |
|---|------|------|--------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Current tax | | | | |
| UK Corporation tax @ 26.5% (2010 28%) | 713 | 720 | 2,203 | 2,632 |
| Adjustments to tax | – | – | – | (580) |
| Foreign tax | – | – | – | 177 |
| | 713 | 720 | 2,203 | 2,229 |
| Deferred tax | | | | |
| Origination and reversal of timing differences | (2) | 22 | 485 | (1,507) |
| Changes in tax rates or laws | (14) | (14) | 45 | – |
| Pension cost charge in excess of pension cost relief | – | – | 449 | 2,309 |
| | (16) | 8 | 979 | 802 |
| Taxation on (deficit)/surplus on ordinary activities | 697 | 728 | 3,182 | 3,031 |

UK taxation is based on the surplus for the year arising on income from properties, investments, publishing and financial services activities

Reconciliation of tax charge

| | BMA | | Consolidated | |
|---|---------|-------|--------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| (Deficit)/surplus before tax | (4,514) | 6,075 | 6,802 | 10,836 |
| (Deficit)/surplus before tax multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%) | (1,196) | 1,701 | 1,802 | 3,034 |
| (Income)/expenses not (chargeable)/deductible for tax | 1,926 | (959) | (372) | (2,962) |
| Other timing differences | - | - | (500) | 64 |
| Capital allowances in excess of depreciation | 1 | (22) | 7 | (46) |
| Adjustments to tax charge in respect of prior periods | - | - | - | (580) |
| Overseas tax | - | - | - | 177 |
| Goodwill and amortisation | - | - | 1,127 | 997 |
| Pension cost charge in excess of pension cost relief | - | - | - | 1,545 |
| Capital transactions | - | - | 139 | - |
| Group relief | (18) | - | - | - |
| Current tax charge for the period | 713 | 720 | 2,203 | 2,229 |

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011 and therefore profits for this accounting period are taxed at an effective rate of 27.5%. On 5 July 2011 a new Finance Act was enacted which reduced the main rate of Corporation Tax from 26% to 25% with effect from 1 April 2012 and proposed to reduce the rate by 1% per annum by 1 April 2014. These further changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The reduction of the rate to 25% will have an impact on the deferred tax assets and liabilities but this is not expected to be material.

7 Pension commitments

The British Medical Association participates in a defined benefit funded scheme called the BMA Staff Pension Scheme. The assets of the scheme are held separately from those of the Association, being invested in trustee administered funds, mainly through investment management agreements with specialist Fund Managers. Pension costs are charged to the income and expenditure account so as to spread the cost of the defined benefit scheme over the employee's period of employment with the Association, based on the advice of an independent qualified actuary using the projected unit method. The pension costs relating to the scheme during 2011 are disclosed in note 5.

The most recent formal actuarial valuation of the Scheme was at 31 March 2009 and at this date there were 407 contributing members in the Scheme. The principal financial assumptions used in that valuation were that the rate of return on investments before retirement would exceed future salary increases by 2.95% per annum and that long-term RPI inflation would be 3.2% per annum. The majority of the pensions in the Scheme, in excess of Guaranteed Minimum Pension (GMP), increase in payment in line with RPI inflation. Other pensions, in excess of GMP, increase in payment in line with RPI subject to a maximum of 5% each year. The actuarial valuation assumed that present and future pensions would increase at a rate of 3.2% per annum, and pensions with capped increases would increase at 3.1% pa. The market value of the assets at 31 March 2009 was £113 million, and the value of the assets represented 66% of the value of benefits that had accrued to members, after allowing for future increases in earnings.

The next formal valuation is due to take place with an effective date of 31 March 2012.

The Association is currently making contributions at the rate of 23.4% of pensionable salaries for the defined benefit members of the Scheme. The member contribution rate for those employees is 6%. The total contribution rate of 29.4% of pensionable salaries is the future service contribution rate as determined by the scheme's actuary. The Association has agreed to pay additional contributions to remove the funding deficit over a period of five years from the valuation date. The estimated amount of employer contributions expected to be paid to the Scheme during 2012 is £8.8m (2011 actual £8.8m). Under an existing Deed of Charge created as part of the 2009 triennial valuation of the BMA Staff Pension Scheme, an additional special contribution to the scheme of up to £25 million, contingent on the funding deficit of the scheme at 31 March 2012, may fall due in 2012.

The FRS17 actuarial valuation has been updated to 31 December 2011. The major assumptions used at that date and the previous year-end were

| | 2011 | 2010 |
|--|------|------|
| Rate of increase in salaries | 4.2% | 4.5% |
| Rate of increase in pensions in payment | 3.2% | 3.5% |
| increasing in line with RPI | 3.2% | 3.5% |
| increasing in line with RPI subject to a maximum of 5% | 3.1% | 3.4% |
| Discount rate | 4.8% | 5.4% |
| RPI inflation assumption | 3.2% | 3.5% |
| CPI inflation assumption | 2.2% | 2.8% |

The life expectancy for mortality tables used to determine benefit obligations at

| | 2011 | 2010 |
|--|------|------|
| Male member age 65 (current life expectancy) | 20.4 | 20.3 |
| Male member age 40 (life expectancy at age 65) | 22.7 | 22.6 |
| Female member age 65 (current life expectancy) | 23.1 | 23.0 |
| Female member age 40 (life expectancy at age 65) | 24.5 | 24.5 |

As at 31 December the market value of assets in the scheme and the expected rates of return are

| | Long term rate of return expected at 31 December | | Value at 31 December | |
|-------------------------------------|---|------|----------------------|--------------|
| | 2011 | 2010 | 2011 £000 | 2010 £000 |
| Equities | 6.9% | 7.5% | 112,447 | 120,300 |
| Bonds | 3.3% | 4.3% | 61,298 | 49,566 |
| Property | 4.9% | 6.0% | 25,536 | 22,059 |
| Other | 3.0% | 1.7% | 184 | 348 |
| Total market value of assets | | | 199,465 | 192,273 |
| Present value of scheme liabilities | | | (224,218) | (203,281) |
| Scheme deficit | | | (24,753) | (11,008) |
| Related deferred tax asset | | | 2,020 | 832 |
| Net pension deficit | | | (22,733) | (10,176) |

The change in the fair value of scheme assets during the year was as follows

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Fair value of plan assets at 1 January | 192,273 | 142,472 |
| Expected return on plan assets | 12,215 | 9,688 |
| Actuarial gain | (8,295) | 13,118 |
| Employer contributions | 8,836 | 31,248 |
| Member contributions | 1,304 | 1,399 |
| Benefits paid from plan | (6,775) | (5,557) |
| Premiums paid | (93) | (95) |
| Fair value of plan assets at 31 December | 199,465 | 192,273 |

The change in the present value of scheme liabilities during the year was as follows

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Present value of liabilities at 1 January | 203,281 | 191,225 |
| Current service cost | 5,136 | 4,949 |
| Interest cost | 11,142 | 10,908 |
| Members' contributions | 1,304 | 1,399 |
| Actuarial gain | 10,223 | 452 |
| Benefits paid | (6,775) | (5,557) |
| Premiums paid | (93) | (95) |
| Present value of liabilities at 31 December | 224,218 | 203,281 |

The following figures are reflected within the income and expenditure account and the statement of total recognised gains and losses (STRGL)

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Amounts recognised in income and expenditure account | | |
| Current service cost | (5,136) | (4,949) |
| Expected return on pension scheme assets | 12,215 | 9,688 |
| Interest on pension liabilities | (11,142) | (10,908) |
| | 1,073 | (1,220) |
| | (4,063) | (6,169) |
| Amounts recognised in statement of total recognised gains and losses (STRGL) | | |
| Actual return less expected return on assets | (8,295) | 13,118 |
| Experience gains and losses on liabilities | (1,156) | (836) |
| Changes on assumptions | (9,067) | 384 |
| Net actuarial (loss)/gain recognised | (18,518) | 12,666 |

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Cumulative amount of actuarial losses recognised in the STRGL | (29,478) | (10,960) |

The actual return on scheme assets for the year was a gain of £3.9 million (2010 £22.8 million)

| History | 2011 | 2010 | Year to 31 December 2009 | 2008 | 2007 |
|---|----------|--------|-----------------------------|----------|---------|
| Difference between expected and actual return on scheme assets | | | | | |
| amount | (8,295) | 13,118 | 15,094 | (47,289) | 3,001 |
| percentage of scheme assets | -4% | +7% | +11% | +40% | +2% |
| Experience gains and losses on scheme liabilities | | | | | |
| amount | (1,156) | (836) | 192 | (1,498) | (1,435) |
| percentage of scheme liabilities | -1% | 0% | 0% | -1% | -1% |
| Total amount recognised in statement of total recognised gains and losses | | | | | |
| amount | (18,518) | 12,666 | (12,470) | (30,158) | 9,035 |
| percentage of scheme liabilities | -8% | +6% | +7% | +20% | +6% |

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounted to £1,260,000 (2010 £1,015,000). No amounts were outstanding at the year end.

8 Intangible assets

| | Consolidated | |
|---------------------------------|--------------|--------------|
| | 2011 £000 | 2010 £000 |
| Goodwill | | |
| Cost | | |
| At 1 January | 5,246 | 5,406 |
| Additions (see below) | 9,475 | (160) |
| At 31 December | 14,721 | 5,246 |
| Accumulated amortisation | | |
| At 1 January | (888) | (594) |
| Provided during year | (1,183) | (294) |
| At 31 December | (2,071) | (888) |
| Net book value | 12,650 | 4,358 |

On 4 January 2011, the Group acquired 100% of the share capital of Informatica Systems Limited for £9.2m including £4m of deferred consideration. Details of assets acquired are as follows:

| | Value of assets £000 |
|---|----------------------------|
| Cash | 395 |
| Debtors | 145 |
| Deferred revenue | (656) |
| Creditors and accruals | (123) |
| Fair value of net assets acquired | (239) |
| Purchase price | 9,236 |
| Purchase price in excess of assets and liabilities acquired | 9,475 |

The book value of assets and liabilities are considered to be equivalent to their fair value.

For the year ended 31 December 2011, Informatica Systems Limited contributed turnover of £2.9m to the Group, operating profit of £0.6m and profit after tax of £0.4m. With effect from 1st April 2011 however, Informatica Systems Limited concluded its relationship with Compufile Limited which previously supplied sales and marketing services and the costs and expertise of those employed by that company were transferred from that date forward.

The terms of the acquisition agreement include an earn out agreement whereby the previous owners will accrue additional payments if certain performance criteria are achieved and they remain with the business until the end of 2015. Based on current predictions there is no certainty that any amounts would arise and as such no provision has been included in these accounts.

9 Tangible assets

(i) BMA

| | Freehold Premises | Long Leasehold Improvements | Plant and Office Equipment | Motor Vehicles | Total |
|---|----------------------|-----------------------------------|----------------------------------|-------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation – 1 January 2011 | 15,549 | 520 | 8,384 | 755 | 25,208 |
| Additions during year | – | – | 514 | 258 | 772 |
| Disposals during year | – | – | – | (163) | (163) |
| Cost or valuation – 31 December 2011 | 15,549 | 520 | 8,898 | 850 | 25,817 |
| Less | | | | | |
| Accumulated depreciation – 1 January 2011 | (4,398) | (367) | (6,124) | (384) | (11,273) |
| Charged in year | (1,119) | (27) | (794) | (197) | (2,137) |
| Disposals during the year | – | – | – | 141 | 141 |
| Accumulated depreciation – 31 December 2011 | (5,517) | (394) | (6,918) | (440) | (13,269) |
| Net book amount – 31 December 2011 | 10,032 | 126 | 1,980 | 410 | 12,548 |
| Net book amount – 31 December 2010 | 11,151 | 153 | 2,260 | 371 | 13,935 |

(ii) Consolidated

| | Freehold Premises | Long Leasehold Improvements | Plant and Office Equipment | Motor Vehicles | Total |
|---|----------------------|-----------------------------------|----------------------------------|-------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation – 1 January 2011 | 15,549 | 520 | 8,760 | 840 | 25,669 |
| Additions during year | – | – | 546 | 304 | 850 |
| Disposals and amounts written off during the year | – | – | – | (186) | (186) |
| Cost or valuation – 31 December 2011 | 15,549 | 520 | 9,306 | 958 | 26,333 |
| Less | | | | | |
| Accumulated depreciation – 1 January 2011 | (4,398) | (367) | (6,399) | (424) | (11,588) |
| Charged in year | (1,119) | (27) | (846) | (219) | (2,211) |
| Disposals and amounts written off during year | – | – | – | 163 | 163 |
| Accumulated depreciation – 31 December 2011 | (5,517) | (394) | (7,245) | (480) | (13,636) |
| Net book amount – 31 December 2011 | 10,032 | 126 | 2,061 | 478 | 12,697 |
| Net book amount – 31 December 2010 | 11,151 | 153 | 2,361 | 416 | 14,081 |

With the exception of a surplus of £454,000 that arose on the revaluation of BMA House, London in 1957, all acquisitions of, and additions to freehold premises are shown in the balance sheet at cost. In the opinion of Council, the market value of freehold premises at 31 December 2011 is significantly higher than the carrying value recorded above. In accordance with the transitional provision of FRS 15 Tangible fixed assets, the revaluation of BMA House has not been updated.

10 Fixed asset investments

| | BMA | | Consolidated | |
|--|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| (a) Reconciliation of market value of investments | | | | |
| Market value at 1 January | – | – | 80,566 | 93,766 |
| Additions to costs | – | – | 27,650 | 57,085 |
| Proceeds of sale | – | – | (33,858) | (80,938) |
| Realised gain | – | – | 149 | 5,477 |
| Other movements | – | – | (4) | (143) |
| (Decrease)/Increase in market value | – | – | (2,692) | 5,319 |
| Total at 31 December | – | – | 71,811 | 80,566 |
| Cost at 31 December | – | – | 67,198 | 67,936 |
| (b) Analysis of market value of investments | | | | |
| UK non-listed | – | – | 20,177 | 42,079 |
| Non-UK listed | – | – | 19,403 | 28,203 |
| Non-UK non-listed | – | – | 32,231 | 10,279 |
| Bank balances | – | – | – | 5 |
| | – | – | 71,811 | 80,566 |

| | BMA | |
|--|--------------|--------------|
| | 2011 £000 | 2010 £000 |
| (c) Cost of investments in group undertakings | | |
| Balance at 1 January and 31 December | 140,878 | 140,878 |

(d) Revaluation reserve – investment in subsidiary

The £59,000,000 revaluation reserve for an investment in subsidiary in the BMA relates to the transfer of the trade and net assets of BMJ Publishing Group to BMJ Publishing Group Limited on 1 January 2003

11 Stocks

| | BMA | | Consolidated | |
|-------------------------------|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Raw materials and consumables | 9 | 8 | 160 | 177 |
| | 9 | 8 | 160 | 177 |

12 Debtors

| | BMA | | Consolidated | |
|--|--------------|--------------|--------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Amounts falling due within one year | | | | |
| Trade debtors | 499 | 455 | 11,487 | 10,077 |
| Amounts owed by group undertakings | 1,159 | – | – | – |
| Other debtors | 251 | 618 | 422 | 2,633 |
| Deferred tax | – | – | 1,114 | 1,659 |
| Prepayments and accrued income | 1,801 | 1,734 | 5,104 | 6,036 |
| | 3,710 | 2,807 | 18,127 | 20,405 |

13 Creditors (amounts falling due within one year)

| | BMA | | Consolidated | |
|------------------------------------|---------------|---------------|---------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Trade creditors | 1,225 | 1,842 | 2,596 | 3,086 |
| Amounts owed to group undertakings | – | 2,552 | – | – |
| Corporation tax | 361 | 297 | 1,486 | 1,099 |
| Other taxation and social security | 1,276 | 1,115 | 1,276 | 1,115 |
| Other creditors | 69 | 602 | 4,462 | 4,863 |
| Accruals and deferred income | 2,772 | 2,080 | 9,879 | 4,165 |
| Subscriptions received in advance | 8,805 | 8,499 | 23,738 | 24,096 |
| | 14,508 | 16,987 | 43,437 | 38,424 |

Included in other creditors above is an amount of £NIL for pension contributions due to be paid to the BMA Staff Pension Scheme (2010 £447,000)

Amounts owed to group undertaking are interest free and repayable upon demand

14 Provisions for liabilities and charges

| | BMA | | Consolidated | |
|--------------------------|-----------------|--------------|---------------------|--------------|
| | 2011 | 2011 | 2011 | 2011 |
| | £000 | £000 | £000 | £000 |
| | Deferred | Total | Deferred | Total |
| | Tax | | Tax | |
| At 1 January | 385 | 385 | 385 | 385 |
| Provided during the year | (15) | (15) | (15) | (15) |
| At 31 December | 370 | 370 | 370 | 370 |

| | Consolidated | |
|---|---------------------|----------------|
| | 2011 | 2010 |
| | £000 | £000 |
| Provision for deferred tax | 292 | 312 |
| Accelerated capital allowances | (44) | (41) |
| Short term timing differences | (992) | (1,545) |
| Pensions | (744) | (1,274) |
| At 1 January | (1,274) | 245 |
| Deferred tax charge in income and expenditure account | 530 | (1,507) |
| Reclassification of deferred tax | – | (12) |
| At 31 December | (744) | (1,274) |

15 Accumulated funds

| | BMA | | Consolidated | |
|---|---------------|----------------|---------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Opening accumulated funds | 101,223 | 95,876 | 96,306 | 70,709 |
| Net (deficit)/surplus for the financial year | (5,211) | 5,347 | 3,620 | 7,805 |
| Foreign Exchange movement | – | – | (1) | (7) |
| Actuarial gain/(loss) on pension scheme | – | – | (18,518) | 12,666 |
| Movement on deferred tax relating to pension scheme | – | – | 1,637 | (958) |
| Transfer from revaluation reserve | – | – | 5,320 | 6,091 |
| Closing accumulated funds | 96,012 | 101,223 | 88,364 | 96,306 |

16 Revaluation reserve – investments

| | BMA | Consolidated | | |
|--|-------------|---------------------|--------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| At 1 January | – | – | 11,819 | 13,041 |
| Transfer to accumulated account | – | – | (5,320) | (6,091) |
| (Decrease)/Increase in market value for year | – | – | (2,692) | 5,319 |
| Tax on unrealised gains | – | – | – | (450) |
| | – | – | 3,807 | 11,819 |

17 Reconciliation of movements in funds employed

| | BMA | | Consolidated | |
|---|----------------|----------------|---------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| (Deficit)/surplus for the year | (5,211) | 5,347 | 3,620 | 7,805 |
| Actuarial gain/(loss) on pension scheme | – | – | (18,518) | 12,666 |
| Movement on deferred tax relating to pension scheme | – | – | 1,637 | (958) |
| (Decrease)/increase in market value for year | – | – | (2,692) | 5,319 |
| Foreign Exchange movement | – | – | (1) | (7) |
| Tax on unrealised gains | – | – | – | (450) |
| Net addition to funds employed | (5,211) | 5,347 | (15,954) | 24,375 |
| Opening shareholders' funds as previously reported | 160,677 | 155,330 | 108,579 | 84,204 |
| Closing shareholders' funds | 155,466 | 160,677 | 92,625 | 108,579 |

18 Commitments

| | BMA | | Consolidated | |
|--|-------------|-------------|---------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Annual commitments under operating leases are as follows | | | | |
| Land and buildings | | | | |
| Expiring within one year | – | 47 | – | 47 |
| Expiring between two and five years inclusive | 261 | 146 | 317 | 158 |
| Expiring in five years or more | 21 | 90 | 21 | 90 |
| | 282 | 283 | 338 | 295 |

19 Related party transactions

Group entities

The Group has taken the exemption under FRS 8 not to disclose any transactions of balances between group entities that have been eliminated on consolidation

Council, BMJ Publishing Group Board and Audit Committee members

Transactions the BMA has directly with individual Council, BMJ Publishing Group Board and Audit Committee members, excluding transactions expected in order for the member to carry out their duties, are considered related party transactions for the purposes of FRS8

Transactions occur with these related parties as many are medical practitioners and certain transactions will occur in the normal course of them undertaking that role. These have not been disclosed as they all have standard charges applicable to all medical practitioners and are considered necessary to undertake their role.

Other standard arms length transactions occur in the normal course of business with Council member's practices, for example, licensing of software and payment for locum services. These are not disclosed here as the Council member's would not be able to influence these transactions.

All related party transactions are carried out at arms length and there were no material related party transactions.

Council members are paid Honoraria amounts as described in note 21.

20 Financial instruments

The Group had outstanding forward transactions to fund foreign currencies as follows:

| | BMA | | Consolidated | |
|---|------|------|--------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Maturing within one year | | | | |
| – to fund future revenues in US dollars | – | – | US \$6.0m | US \$6.0m |
| – to fund future revenues in Euros | – | – | EUR€1.7m | EUR€0.7m |
| Maturing after one year | | | | |
| – to fund future revenues in Euros 2013 | – | – | EUR€1.1m | EUR€0.7m |

21 Council members' remuneration

| | Consolidated | |
|--|--------------|---------|
| | 2011 | 2010 |
| | £ | £ |
| Remuneration in respect of 31 (2010-29) members of Council | 492,674 | 451,074 |
| Amount paid to the highest remunerated member of Council | 115,188 | 115,188 |

Honoraria amounts paid to members of Council during the whole of the year ended 31 December 2011, irrespective of how long they served on Council, were as follows

Council have approved a policy under which a member who provides evidence that their NHS pension benefits are adversely affected by their commitments to BMA activities, is entitled to an appropriate pension allowance payment. The amounts of pension allowances paid in 2011 are as shown

| Honoraria | £ |
|--------------------------|----------------|
| Basham, Mrs C | 4,600 |
| Borman, Dr E | 1,840 |
| Bullen, Dr K E | 15,870 |
| Calland, Dr A L | 12,420 |
| Chisholm, Dr J | 1,380 |
| Coghlan, Dr S | 10,970 |
| Dangerfield, Dr P | 1,380 |
| Darragh, Dr P | 33,321 |
| Datta, Dr S | 24,610 |
| Dearden, Dr A R | 46,145 |
| Dolphin, Dr T | 11,040 |
| Hajioff, Dr S | 33,120 |
| Haslam, Prof D | 11,644 |
| Jarvis, Dr R | 4,830 |
| Keighley, Dr B D | 32,205 |
| Kinmond, Dr A | 2,530 |
| Machin, Mr D | 6,900 |
| Maguire, Dr P | 690 |
| Mansfield, Prof A | 6,210 |
| Marmot, Sir M | 11,644 |
| Marshall, Dr D | 460 |
| McKeown, Dr H | 2,530 |
| Meldrum, Dr H | 95,220 |
| Moreton, Dr A | 5,290 |
| Pickersgill, Dr D E | 26,979 |
| Pickersgill, Dr T | 6,900 |
| Porter, Dr M | 19,780 |
| Purshouse, Miss K | 13,340 |
| Shanbhag, Dr R S | 17,250 |
| Wilson, Dr I R | 6,440 |
| Wrigley, Dr D G | 920 |
| TOTAL HONORARIA | 468,458 |
| Pension Allowance | |
| Dearden, Dr A R | 4,248 |
| Meldrum, Dr H | 19,968 |
| | 492,674 |

Consolidated Budget for 2012 (unaudited)

| | Budget 2012 £000 | Actual 2011 £000 |
|---|---------------------------------|---------------------------------|
| Income | | |
| Membership subscriptions | 42,500 | 41,301 |
| Other income | 3,855 | 3,122 |
| Publishing | 69,690 | 69,029 |
| Total income | 116,045 | 113,452 |
| Expenditure | | |
| Members' services | 51,065 | 51,267 |
| Publishing | 61,280 | 58,767 |
| Operating expenditure | 112,345 | 110,034 |
| Operating Surplus/(deficit) | | |
| Members' services | (4,710) | (6,844) |
| Publishing | 8,410 | 10,262 |
| Operating surplus / (deficit) | 3,700 | 3,418 |
| Income – other sources | | |
| Income from fixed assets | 1,697 | 1,851 |
| Income from current assets | 200 | 311 |
| Surplus on sales of fixed asset investments | – | 149 |
| Other finance costs | – | 1,073 |
| Total Income – other sources | 1,897 | 3,384 |
| Surplus on ordinary activities before taxation | 5,597 | 6,802 |
| Taxation | (2,859) | (3,182) |
| Surplus after taxation for the year | 2,740 | 3,620 |