

**Company Registration No. 8848**

**British Medical Association**

**Annual Report Financial Statements**

**for the year ended 31 December 2016**

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## British Medical Association

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# **British Medical Association**

## **Report and financial statements 2016**

### **Officers and professional advisers**

#### **Members of Council**

BMA council generally has 34 voting members, although this may be increased to a maximum of 38 voting members. Each is directly elected by the membership to give a geographical and cross-branch of practice mix. There are also a number of ex-officio non-voting members, including those who chair the many committees reporting to council.

Council sets the strategic direction of the BMA in line with policy decided by the representative body at the annual representative meeting. Council is responsible for the formulation of policy throughout the year and for ensuring the implementation of that policy. Council is the principal executive committee of the trade union.

Council also appoints members to central boards and committees, can establish additional committees and working groups.

Dr David Bailey  
Dr JS Bamrah  
Dr Philip Banfield  
Dr Rob Barnett  
Mr Charles John Mackinnon Bell  
Dr Peter Bennie  
Dr Keith Brent  
Mr Harrison Carter  
Dr John Chisholm  
Dr Andrew Collier  
Ms Amanda Cool  
Dr Peter Curry  
Professor Peter Dangerfield  
Dr Jacqueline Davis  
Dr Andrew Dearden (Treasurer)  
Dr Thomas Dolphin  
Dr Sam Everington  
Dr Helen Fidler  
Dr Claire Gerada  
Dr Sundeep Grewal  
Dr Sara Ann Hedderwick  
Dr Peter Holden  
Professor Pali Hungin (President)  
Dr Marie-Louise Irvine  
Mr Dominic Ian Aubrey-Jones  
Dr Iain Thomas Robert Kennedy

Mr Amit Kochhar  
Dr Hamed Nadeem Khan  
Professor Parveen J Kumar  
Mr Joseph Lippincott III  
Mr Derek Machin  
Dr Johann Malawana  
Dr J Brendan McKeating  
Dr Helena McKeown (Deputy chair of representative body)  
Dr Lewis Morrison  
Dr Kitty Mohan  
Dr Anthea Mowat (Chair of representative body)  
Dr Chaand Nagpaul  
Dr Kevin O'Kane  
Dr Clive Peedell  
Dr Trevor Pickersgill  
Dr Allyson Mary Pollock  
Dr Mark Porter (Chair of council)  
Professor Michael Rees  
Professor Wendy Savage  
Dr Radhakrishna Shanbhag  
Dr Richard Vautrey  
Dr Stephen Watkins  
Dr Mark James Stewart Weir  
Mr Rajiv Wijesuriya  
Dr David Wrigley (Deputy chair of council)

#### **BMA board of directors**

The directors are responsible for the management of the finances and general administration of the BMA. They ensure the implementation of the strategic and operational objectives and resolutions made by council, pursuant to the Articles of the Association.

Dr Mark Porter, Chair of council  
Mr Keith Ward, Chief executive  
Dr Andrew Dearden, Treasurer  
Dr Lewis Morrison (Council member)  
Mrs Joan Howard, Lay member  
Dr Anthea Mowat (appointed 23<sup>rd</sup> June 2016)

Mr Patrick Murphy, Finance and corporate services director  
Dr JS Bamrah (appointed 11<sup>th</sup> August 2016)  
Dr Clive Peedell (appointed 11<sup>th</sup> August 2016)  
Dr Kailash Chand (Council member) (resigned 23<sup>rd</sup> June 2016)  
Dr John Chisholm (Council member) (resigned 10<sup>th</sup> August 2016)  
Dr Ian Wilson, Chair of the representative body (resigned 23<sup>rd</sup> June 2016)

# **British Medical Association**

## **Report and financial statements 2016**

### **Officers and professional advisers**

#### **BMJ Publishing Group Limited board of directors**

Mr Joseph Lippincott III (Chair)	Dr David Berger
Mr Timothy Brooks (resigned 31 <sup>st</sup> December 2016)	Dr Hamish Meldrum
Mr Peter Ashman (appointed 1 <sup>st</sup> January 2017)	Dr Kiran Patel
Dr Fiona Godlee	Mr Keith Ward
Mr Patrick Spencer	Mrs Jill Ainscough
Mr Alex Ritchie (appointed 26 <sup>th</sup> January 2017)	Ms Sharmila Nebhrajani
Dr Justin Whatling	

#### **BMA Investments Limited board of directors**

Mr Keith Ward	Dr Andrew Dearden
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#### **Finance committee**

Dr Andrew Dearden (Chair)	Dr Kitty Mohan
Dr David Bailey	Dr Andrea Mowat
Dr John Chisholm	Mr Patrick Murphy
Mr Jon Collins	Dr Mark Porter
Dr Clare Gerada	Mr Arslan Sharif
Dr Peter Holden	Dr Trevor Pickersgill
Mr Derek Machin	Mr Keith Ward

#### **BMA audit and risk committee**

Mr Stuart Cruickshank (Chair)	Dr J David Watts
Mr Jacques Cadranet	Dr Fay Wilson
Dr Helena McKeown	

#### **Lawyers**

Gateley	Capital Law
Ship Canal House	Capital Building
98 King Street	Tyndall Street
Manchester	Cardiff
M2 4WU	CF10 4AZ

#### **Bankers**

NatWest  
Tavistock Square Branch  
PO Box 83  
Tavistock House  
Tavistock Square  
London  
WC1H 9XA

#### **Registered Office**

BMA House  
Tavistock Square  
London  
WC1H 9JP

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

# British Medical Association

## Report and financial statements 2016

### Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

#### Strategy Review

In the UK, we represent doctors both individually and collectively on a wide variety of employment issues and, since the inception of the NHS, we have been formally recognised for collective bargaining purposes within national negotiating machinery and by individual employers at a local level.

As a professional body, through research and publishing we lead debate on key ethical, scientific and public health matters and award grants to encourage individual research in medicine.

Our strategic mission remains to “look after doctors so they can look after you” as this is designed to ensure we place our members and all doctors at the heart of what we do, so that they can concentrate on ensuring patients receive the best possible care, as we stand as one profession of doctors.

#### Governance

##### *Representative body*

The BMA policies are determined by doctors in local, regional and national forums. They send motions to the representative body (RB), which is the main policy-making body. The representative body is made up of 560 doctors from all parts of the profession. They come together at the annual representative meeting (ARM) to debate the motions and vote on them to formulate policy of the BMA.

##### *Council*

Council sets the strategic direction of the BMA in line with policy decided by the representative body at the annual representative meeting. Council is responsible for the formulation of policy throughout the year and for ensuring the implementation of that policy. Council is the principal executive committee of the trade union.

##### *Board*

The BMA board is tasked with directing the activities of the company in accordance with the Companies Act. The relationship with Council is via two routes:

- The articles of association of the company, which require the Board to ensure the implementation of strategic and operational objectives. Provided they are legal and do not constitute a breach of fiduciary duty to the company, all resolutions made by the BMA Council (who in turn maintain the existing relationship with the Representative Body), must be translated into the policy and activity of the company.
- The Audit and risk committee, which is the primary source of oversight accountable to Council, tasked with risk management, the monitoring of effective controls and ongoing operational effectiveness.

Our vision: A profession of valued doctors delivering the highest quality health services

Our values are designed to ensure we place our members and all doctors at the heart of what we do.

- Expert: we are an indispensable source of credible information, guidance and support throughout doctors' professional lives.
- Committed: we are committed to all doctors and place them at the heart of every decision we make.
- Reliable: we are doctors' first port of call because we are trusted and dependable.
- Challenging: we are unafraid to challenge effectively on behalf of all doctors.
- Leading: we are an influential leader in supporting the profession and improving the health of our nation.

Our strategic goals are:

- All doctors have strong representation and expert guidance, whenever and wherever they need it
- All doctors have their individual needs responded to, through career long support and professional development
- All doctors are championed by the BMA and their voices are sought, heard and acted upon

# **British Medical Association**

## **Report and financial statements 2016**

### **Strategic report**

#### **Key performance indicators (continued)**

- All doctors can connect with each other as a professional community
- All doctors can influence the advancement of health and the profession
- All staff and elected members are supported by effective business systems and processes

The BMJ Publishing Group Limited (BMJ), which is a wholly owned subsidiary of the BMA, seeks to advance healthcare by sharing knowledge and expertise to improve experiences, outcomes and value worldwide and aims to do this by stimulating and informing debate on health and healthcare as well as by creating the best evidence - based services and tools.

#### **Business Review**

BMA Group income grew by 2.9% to £133.9m (2015: £130.1m). The increase in revenue was largely attributable to membership numbers being high as a result of the junior doctor contract dispute in England. This in turn led to increased expenditure in supporting our members in this dispute on a number of fronts.

The group net worth of the association remains good at £78.1m (2015: £104.3m). BMA House remains on the balance sheet at nominal value and is considerably more in value than the book value. The defined benefit pension scheme, under the new FRS102 is now showing a deficit of £36.0m (2015: surplus £11.2m). This deficit was largely attribute to the adverse market conditions of bond and gilts yields.

Our investment portfolio held by BMA Investments Limited has grown by 11 percent to £114.9m in 2016, reflecting a positive performance which was in line with the various benchmarks within the investment portfolio for 2016.

BMA membership revenue grew by 9.4 percent to £51.3m, again for third year without the need to increase the membership rate. Revenue from rental income, events and financial services performed well during the period, £5.3m (2015: £4.4m). BMJ Publishing Group Limited (BMJ), seeks to advance healthcare by sharing knowledge and expertise to improve experiences, outcomes and value worldwide aiming to do this by stimulating and informing debate on health and healthcare as well as by creating the best evidence-based services and tools. The group continued to make good progress towards these objectives during the year, in particular the continued growth of international revenues.

In conclusion, the BMA Group remains strong financially, despite difficult political and economic factors in the UK and globally. Our financial stability and strength enables us to continue our core work of supporting doctors and promoting the health of the nations.

#### **Principal risks and uncertainties**

It is clear the health system in the UK continues to face crisis after crisis which is well documented in all forms of media. Added to this, with the dispute in England with Junior Doctors contracts, the profession is facing unparalleled pressure from all possible sources. This is further complicated with the devolution of health across the four UK nations.

The BMA needs to ensure that it continues to influence policy and change within the UK health service. In addition, the BMA continues to increase its relevance to all doctors through all of our services to members and the profession e.g. leading negotiations for pay and benefits, providing support through employment disputes, career advice and life-long learning.

The key business risks and uncertainties affecting the BMJ are considered to relate to competition from other publishers, and the company recognises the need to invest and innovate to retain its market leading position which it will continue to do in 2017.

#### **Key performance indicators (KPI)**

The BMA's most important KPI is its membership which stood at 161,708 at the end of the financial year. By ensuring that we are representative and provide up to date, relevant services, the BMA aims to retain and grow its membership. With our membership, this ensures the BMA can maintain its position as a key player when negotiating and influencing health related policy.

# **British Medical Association**

## **Report and financial statements 2016**

### **Strategic report**

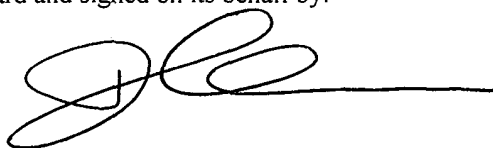
#### **Key performance indicators (KPI) (continued)**

BMJ measures performance by reference to its profitability and its influence in the medical community. Influence is monitored by a number of measures, including readership (both online and in print) and article citations.

The present benchmark used for the pool of investments held within BMA Investments Limited, is LIBOR + 3%.

#### **Approval**

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'D' followed by a horizontal line and a loop.

Dr A Dearden  
Treasurer

22 / 3 / 2017

# **British Medical Association**

## **Report and financial statements 2016**

### **Directors' report**

The directors present their report and the audited consolidated financial statements of the British Medical Association (BMA) for the year ended 31 December 2016.

#### **Principal activities**

The principal activity of the British Medical Association (BMA) is to provide personal professional and representation services for its members.

BMJ Publishing Group Limited (BMJ) and BMA Investments Limited are both wholly owned subsidiaries of the BMA. BMJ and its subsidiaries' principal activities are the production and distribution of medical information through various media including the flagship journal The BMJ.

#### **Employment matters and information**

The BMA is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, age, colour, disability or sexual orientation. The BMA 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 BMA. If members of staff become disabled the BMA continues employment, either in the same or an alternative position, with appropriate retraining being given.

#### **Employee involvement**

The BMA 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 BMA is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the BMA. The BMA encourages the involvement of employees 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 BMA made no political donations during the year. It made various charitable donations totalling £237,000 (2015: £205,000). £207,000 was donated to medical education and research and £30,000 was donated to the humanitarian support of doctors.

#### **BMA House valuation**

The directors consider that the market value of BMA House, London, based on its existing use, was in the region of £75m at 31 March 2012. As stated in note 12 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 the BMJ by the company's ultimate parent undertaking, the BMA.

#### **Independent auditors**

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



# **British Medical Association**

## **Report and financial statements 2016**

### **Directors' report**

#### **Disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he/she ought to have taken in his/her duty as a director 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/she should consider obtaining independent legal advice.

#### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Dr M Porter  
Chair of Council

22 March 2017

# **British Medical Association**

## **Report and financial statements 2016**

### **Directors' report**

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the group and parent company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **British Medical Association**

## **Report and financial statements 2016**

### **Report of the audit and risk committee for inclusion in the 2016 report of the directors**

#### **Audit and risk committee's report**

During 2016, the audit and risk committee comprised the following members: Stuart Cruickshank (chair), Jacques Cadranel, Dean Marshall, David Watts and Fay Wilson.

In addition, Andrew Dearden (treasurer), Keith Ward (chief executive), Patrick Murphy (director of finance and corporate services), Jay Lippincott (BMJ board chair) and Alex Ritchie (BMJ finance director) 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 six times in 2016 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 director of finance and corporate services and the treasurer regarding the financial performance, systems and processes operating within the BMA and its subsidiary, the BMJ Publishing Group Ltd. The committee considers the annual directors' report and financial statements and recommends their approval to BMA council. The audit and risk committee obtained sufficient assurance that the integrity of the Association's financial reporting was maintained during 2016.

#### **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 the independence and objectivity of the external auditors by:

- 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 and risk committee is responsible for monitoring the ongoing effectiveness of the BMA's governance regime.

#### **Internal audit**

The internal audit function is provided by KPMG and in this capacity reports to the chair of the audit and risk committee. The director of finance and corporate services exercises day to day management control over KPMG and during 2016 eight audit assignments were completed.

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

One of the audit assignments in 2016 was a review by KPMG of BMJ governance. This report had been received by the audit and risk committee which had set up a working group to take forward the recommendations. This work is still ongoing and expected to be completed early in 2017.

The audit and risk committee approved a detailed plan of internal audit work to be undertaken during 2016.

## **British Medical Association**

### **Report and financial statements 2016**

#### **Report of the audit and risk committee for inclusion in the 2016 report of the directors**

##### **Risk assessment/management**

The processes surrounding the identification, mitigation and control of risk form a major part of the audit and risk committee agenda. The risks the committee considers fall within three broad categories; financial, operational and reputational, with certain risks culminating in exposure across all categories.

The committee dynamically concerns itself with the changing risk landscape and through its programme of work seeks to ensure that the efficacy of 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 or proposed by management in mitigation and receives close scrutiny by the committee. It also periodically reviews risk assessment methodology to ensure that it is appropriate to the current circumstances of the BMA Group and changes are introduced as appropriate.

##### **BMA external audit function**

The audit and risk committee considered the proposals from the shortlisted candidates to provide external audit services at a specially convened meeting on 5 October 2016. The candidates were Deloitte, Grant Thornton, PriceWaterhouseCoopers and RSM. The committee agreed to appoint Deloitte as the BMA's external auditors from October 2016.

Stuart Cruickshank

**Chair, Audit and risk committee**

## **Independent auditor's report to the members of British Medical Association**

We have audited the financial statements of British Medical Association for the year ended 31 December 2016 which comprise the Consolidated and Company income expenditure, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 23. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of directors' responsibilities, 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.

### **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 the 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit 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, based on the work undertaken in the course of the audit:

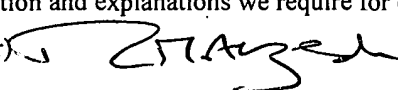
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Reza Motazedi (Senior Statutory Auditor)   
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

13/4/2017

# British Medical Association

## Company and consolidated income expenditure For the year ended 31 December 2016

		BMA		Consolidated		
	Note	2016	2015	Group	Continuing	Discontinued
		2016	2015	2016	operations	operations
		£000	£000	£000	2015	2015
					£000	£000
						Group
						2015
						£000
						£000
<b>Income</b>						
Memberships subscriptions		51,313	46,891	51,313	46,891	46,891
Income from other activities		7,620	7,137	5,272	4,371	4,371
Publishing:						
Subscriptions		-	-	31,959	28,727	1,380
Advertising and other income		-	-	45,267	47,375	1,307
		<u>58,933</u>	<u>54,028</u>	<u>133,811</u>	<u>127,364</u>	<u>2,687</u>
<b>Expenditure</b>						
Member's services		65,406	63,945	65,554	64,178	-
Other activities		2,816	2,883	-	-	-
Publishing		-	-	68,309	67,532	4,667
		<u>68,222</u>	<u>66,828</u>	<u>133,863</u>	<u>131,710</u>	<u>4,667</u>
<b>Operating (deficit)/surplus</b>						
Members' services		(9,289)	(12,800)	(8,969)	(12,916)	-
Publishing		-	-	8,917	8,570	(1,980)
<b>Operating (deficit)/surplus</b>		<u>(9,289)</u>	<u>(12,800)</u>	<u>(52)</u>	<u>(4,346)</u>	<u>(1,980)</u>
Income from fixed assets	5	7,721	9,595	4,067	3,818	-
Interest receivable	6	3	15	59	55	-
Interest payable (inter-company)	7	(69)	(115)	-	-	-
Other finance income/expenditure	11	(497)	(392)	(497)	(392)	-
(Deficit) on sales of fixed asset investments		-	-	(697)	-	-
<b>(Deficit)/surplus on ordinary activities before taxation</b>	8	<u>(2,131)</u>	<u>(3,697)</u>	<u>2,880</u>	<u>(865)</u>	<u>(1,980)</u>
Taxation	10	<u>(920)</u>	<u>(706)</u>	<u>(2,853)</u>	<u>(2,089)</u>	<u>(9)</u>
<b>(Deficit)/net surplus for the year</b>	19	<u><u>(3,051)</u></u>	<u><u>(4,403)</u></u>	<u><u>27</u></u>	<u><u>(2,954)</u></u>	<u><u>(1,989)</u></u>
						<u><u>(4,943)</u></u>

On 30<sup>th</sup> November 2015, the company disposed of its 100% investment in Informatica Systems Limited and the results to the date of disposal are shown as discontinued operations above. All other operations relate to continuing activities.

There are no material differences between the deficit on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

## British Medical Association

### Company and consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	BMA		Consolidated	
		2016 £000	2015 £000	2016 £000	2015 £000
(Deficit)/net surplus for the financial year		(3,051)	(4,403)	27	(4,943)
Other comprehensive income:					
Remeasurements of net defined benefit obligation after deferred tax		(38,376)	227	(36,211)	227
Unrealised gains on investments		-	-	10,726	1,275
Deferred tax on revaluation of investment		-	-	(732)	(13)
<b>Total comprehensive (expense)/income for the year, net of tax</b>		<b>(41,427)</b>	<b>(4,176)</b>	<b>(26,190)</b>	<b>(3,454)</b>

# British Medical Association

## Company and consolidated balance sheet

For the year ended 31 December 2016

		BMA		Consolidated	
	Note	2016 £000	2015 £000	2016 £000	2015 £000
<b>Fixed assets</b>					
Intangible assets	12	778	951	1,783	2,440
Tangible	13	9,216	9,291	9,273	9,372
Investments	14(a)(b)	-	-	114,937	103,578
Subsidiary undertaking	14(c)	140,878	140,878	-	-
		<u>150,872</u>	<u>151,120</u>	<u>125,993</u>	<u>115,390</u>
<b>Current assets</b>					
Inventories	15	-	-	133	122
Debtors	16	3,018	2,866	26,291	20,778
Cash held in liquidity fund		-	-	3,674	3,662
Cash and bank balances		2,510	4,855	18,347	14,491
		<u>5,528</u>	<u>7,721</u>	<u>48,445</u>	<u>39,053</u>
<b>Creditor: amounts falling due within one year</b>	17	<u>(32,852)</u>	<u>(32,781)</u>	<u>(56,965)</u>	<u>(47,587)</u>
Net current liabilities		<u>(27,324)</u>	<u>(25,060)</u>	<u>(8,520)</u>	<u>(8,534)</u>
Total assets less current liabilities		123,548	126,060	117,473	106,856
Provisions for other liabilities	18	(182)	(140)	(3,341)	(2,574)
Defined pension scheme		<u>(38,205)</u>	<u>-</u>	<u>(36,040)</u>	<u>-</u>
<b>Net assets</b>		<u>85,161</u>	<u>125,920</u>	<u>78,092</u>	<u>104,282</u>
<b>Capital and reserves</b>					
Revaluation reserve – freehold property	13	454	454	454	454
Revaluation reserve – investments	20	-	-	36,339	25,613
Revaluation reserve – subsidiary undertakings	14(d)	59,000	59,000	-	-
Retained earnings	19	25,707	66,466	41,299	78,125
<b>Total equity</b>		<u>85,161</u>	<u>125,920</u>	<u>78,092</u>	<u>104,282</u>

The financial statements of British Medical Association (registered number 8848) were approved by the board of directors and authorised for issue on 22<sup>nd</sup> March 2017. They were signed on its behalf by:

Dr A Dearden  
Treasurer



Dr M Porter  
Chair of council





## British Medical Association

### Company and consolidated statement of changes in equity

For the year ended 31 December 2016

	Other reserves £000	BMA retained earnings £000	Total equity £000	Other reserves £000	Consolidated retained earnings £000	Total equity £000
Balance at 1 January 2015	59,454	70,477	129,931	24,792	82,944	107,736
Actuarial loss on pension scheme	-	392	392	-	227	227
Deferred tax on revaluation of investments	-	(4,403)	(4,403)	-	(13)	(13)
Net deficit for the financial year	-	-	-	-	(4,943)	(4,943)
Unrealised gains on investments	-	-	-	1,275	-	1,275
<b>Balance at 31 December 2015</b>	<b>59,454</b>	<b>66,466</b>	<b>125,920</b>	<b>26,067</b>	<b>78,215</b>	<b>104,282</b>
Balance at 1 January 2016	59,454	66,466	125,920	26,067	78,215	104,282
(Loss) / profit for the financial year	-	(3,051)	(3,051)	-	27	27
Other comprehensive income for the year	-	497	497	-	(732)	(732)
Net pension deficit	-	(38,205)	(38,205)	-	(36,211)	(36,211)
Unrealised gains on investments	-	-	-	10,726	-	10,726
<b>Balance at 31 December 2016</b>	<b>59,454</b>	<b>25,707</b>	<b>85,161</b>	<b>36,793</b>	<b>41,299</b>	<b>78,092</b>

# British Medical Association

## Consolidated statement of cash flows

For the year ended 31 December 2016

		Consolidated	
	Note	2016 £000	2015 £000
Net cash from operating activities	a	4,179	(2,510)
Taxation paid		209	(2,693)
<b>Net cash (used)/generated from operating activities</b>		<b>4,388</b>	<b>(5,203)</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets		(50)	(901)
Purchase of tangible assets		(1,057)	(892)
Proceeds from disposals of tangible assets		91	22
Interest received		59	55
Dividends received		437	446
<b>Net cash used in investing activities</b>		<b>(520)</b>	<b>(1,270)</b>
Net increase in cash and cash equivalents	b	3,868	(6,473)
Cash and cash equivalents at the beginning of the year		18,153	24,626
Cash and cash equivalents at the end of the year		22,021	18,153
<b>Cash and cash equivalents consists of:</b>			
Cash held in liquidity fund		3,674	3,662
Cash and bank balances		18,347	14,491
<b>Cash and cash equivalents</b>		<b>22,021</b>	<b>18,153</b>

# British Medical Association

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2016

		Consolidated	
		2016	2015
	Note	£000	£000
<b>Note a: Reconciliation of operating (deficit)/surplus to net cash inflow from operating activities</b>			
Net surplus / (Deficit) for the year		27	(4,943)
Adjustments for:			
Tax on profit on ordinary activities		2,853	2,098
Income from fixed assets		(4,067)	(3,818)
Income from current assets		(59)	(55)
Other finance expenditure		497	392
Deficit on sale on fixed assets investments		697	-
Operating deficit		(52)	(6,326)
Difference between pensions charged and cash contributions		(668)	(165)
Surplus on rental income		2,299	2,160
Depreciation of tangible assets		1,157	1,101
Amortisation of intangible assets		707	605
Profit on disposal of tangible fixed assets		(91)	(36)
Working capital movements:			
Increase/(Decrease) in creditors		6,351	(702)
(Increase)Decrease in debtors		(5,513)	839
(Increase)/Decrease in inventories		(11)	14
Net cash inflow/(outflow)from operating activities		4,179	(2,510)
<b>Note b: Reconciliation of net cash flow to movements in net (deficit)/funds</b>			
Increase /.(Decrease) in cash in the year		3,856	(6,487)
Increase in cash held in liquidity fund		12	14
Change in net funds / (deficit)		3,868	(6,473)

# **British Medical Association**

## **Notes to the financial statements**

**For the year ended 31 December 2016 (continued)**

### **1. Statutory information**

British Medical Association is a company incorporated in England and Wales, registration number 8848. The registered office is BMA House, Tavistock Square, London, WC1H 9JP. The Association is a company limited by guarantee, the liability of members being limited to one pound sterling each.

### **2. Compliance with accounting standards**

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable to the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

### **3. Accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 24.

#### **a Basis of preparation**

These consolidated financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard FRS102. The financial statements have been prepared on the historical costs basis except for the revaluation of freehold premises, revaluation of fixed asset investments and for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The accounting policies have been applied consistently. 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 board members, necessary to give a true and fair view of the activities of the Association. The remainder of the financial statements have been prepared in accordance with the Companies Act 2006. The financial statements are presented in Sterling (£).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Associations accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimated are significant to the financial statements are disclosed in note 4.

#### **b Basis of consolidation**

The consolidated financial statements are of the British Medical Association and its 100% owned subsidiaries – BMA Investments Ltd, BMA Law Limited, BMJ Publishing Group Ltd, Informatica Systems Ltd, BMJ Publishing Inc. (incorporated and registered in California, USA), BMJ Group India Private Limited, BMJ (Beijing) Medical Science and Technology Co Limited and Medelect Limited. Intra-group sales and profits are eliminated on consolidation. Profits and losses of companies entering or leaving the Association are included from the date of acquisition or up to the date of disposal. Profits relating to Informatica Systems Ltd have been included within the consolidated financial statements in accordance with FRS 102 under the heading discontinued operations, up until the divestment date of 30th November 2015. Subsidiaries are fully consolidated from the date on which control is transferred to the Association. Control exists when the Association 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 Association.

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 3. Accounting policies (continued)

#### c Revenue recognition

##### (i) Membership 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.

##### (ii) Publishing subscriptions and advertising

Income and expenditure relating to publications is accounted for in the year within which the date of the publication falls. Income from publications subscriptions and service contracts are deemed to accrue evenly over the period of the subscription and service delivery respectively. The proportion of subscriptions invoiced but unearned at the balance sheet date is deferred and any income earned under service contracts is accrued. Advertising income is recognised as soon as obligations are fulfilled. Where results relate to discontinued activities, these are disclosed separately on the face of the income statement. Any income from learning events and conferences are accounted for in the financial year in which the events and conferences are held.

##### (iii) 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.

#### d 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 such 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.

#### e Financial instruments

The Association uses derivative financial instruments to hedge its exposures to fluctuations in foreign exchange rates however hedge accounting is not being applied. Sales made in foreign currencies are recognised in the income and expenditure account at the exchange rate ruling at the date of the transaction. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income and expenditure under finance costs or income as appropriate

#### f Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and

## **British Medical Association**

### **Notes to the financial statements**

For the year ended 31 December 2016 (continued)

#### **3. Accounting policies (continued)**

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **g Employee benefits**

The Association provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

##### **(i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **(ii) Defined contribution pension plan**

A defined contribution plan is a pension plan under which the Association pays fixed contributions into a separate entity. Once the contributions have been paid the Association has no further obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Association in independently administered funds.

##### **(iii) Defined benefit pension plan**

The Association operated a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

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 comprehensive income. The individual companies within the Association have taken advantage of the multi-employer exemption provided by FRS 102 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.

#### **h 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 Association's balance sheet and amortised in equal instalments over its expected useful life which is estimated to be 20 years. Were the Association is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. The Association evaluates the carrying value of goodwill in each financial year if a trigger of impairment has occurred 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.

##### **(i) Impairment**

The company reviews its goodwill for triggers of impairment each year; however no trigger of impairment has been identified in 2016. In accordance with Accounting Standards any impairment would be charged to the income statement in the year.

#### **i Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives. Software is currently 20% per year and is amortised to the expenditure account.

# **British Medical Association**

## **Notes to the financial statements**

For the year ended 31 December 2016 (continued)

### **3. Accounting policies (continued)**

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Association are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense are not recognised as an asset in a subsequent period.

#### **j Tangible assets**

##### **(i) Freehold premises**

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.

##### **(ii) Long leasehold improvements**

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

##### **(iii) Plant and office equipment and motor vehicles**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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 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.

#### **l 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. Investments are carried at market value. The carrying book value is the market value at the previous year end (or cost if purchased during the year of sale). Market 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 comprehensive income 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 comprehensive income instead of through the income and expenditure account. This avoids inconsistency between the tax and accounting treatments.

# **British Medical Association**

## **Notes to the financial statements**

For the year ended 31 December 2016 (continued)

### **3. Accounting policies (continued)**

#### **m Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the income and expenditure statement as described below.

##### **Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rat basis.

#### **n Inventories**

Inventories comprise of paper only and are stated at the lower of cost and estimated selling price, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first in first out) method.

#### **o 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).

### **4. Critical accounting judgements and estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's and the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The Association considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Provisions are made for doubtful debts at the end of each financial year. This requires management to consider the recoverability of debtor balances and with regard to those deemed to be doubtful in nature to estimate the risk of doubtful debts becoming irrecoverable based on existing knowledge and past experience.

The Association has obligations to pay out pensions at retirement based on service and final pay. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.



# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 5. Income from fixed assets

	BMA		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Gross rental income	4,517	4,015	2,987	2,718
Less				
- Service & maintenance costs	(606)	(619)	(398)	(359)
- Refurbishment costs	(290)	(201)	(290)	(199)
Net property income	3,621	3,195	2,299	2,160
Dividends and interest	4,100	6,400	1,965	1,880
Investment management fees	-	-	(197)	(222)
	<u>7,721</u>	<u>9,595</u>	<u>4,067</u>	<u>3,818</u>

### 6. Interest receivable

	BMA		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Interest on bank deposit accounts	<u>3</u>	<u>15</u>	<u>59</u>	<u>55</u>
	<u>3</u>	<u>15</u>	<u>59</u>	<u>55</u>

### 7. Interest payable (inter-company)

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

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 8. (Deficit)/surplus on ordinary activities before taxation

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

	<b>BMA</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	24,813	24,789	51,280	51,268
Social security costs	2,566	2,385	5,112	4,894
Other pension costs – defined benefit	(24)	28	(24)	28
Other pension costs – defined contribution	2,651	2,600	5,058	5,188
	<u>30,006</u>	<u>29,802</u>	<u>61,426</u>	<u>61,378</u>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Monthly average number of employees during year:				
Members' services	495	507	495	507
Publishing	-	-	452	465
	<u>495</u>	<u>507</u>	<u>947</u>	<u>972</u>
<b>Depreciation of tangible assets</b>	1,097	1,152	1,157	1,101
<b>Amortisation of intangible assets</b>	-	-	707	605
<b>Profit on disposal of fixed assets</b>	80	26	91	36
<b>Auditors' remuneration</b>				
Audit of financial statements - BMA	53	67	53	67
Audit of financial statements - subsidiaries	-	-	109	82
Other services relating to taxation	-	-	41	32
Other services	-	11	5	28
<b>Operating lease rentals:</b>				
Land and buildings	272	342	472	393

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 9. Directors' emoluments

	BMA		Consolidated	
	2016 £000	2015 £000	2016 £000	2015 £000
Aggregate emoluments/honoraria (excluding pensions)	749	699	1,943	1,736
Aggregate pension – defined contribution scheme	39	38	94	105
<b>Highest paid director</b>				
Total amount of emoluments	307	280	-	-
Total amount of emoluments and amounts receivable under long-term incentive plans	-	-	441	352

The chair of council Dr Mark Porter chooses to forgo his full entitlement. The highest paid director of the group operates within the BMJ.

### 10. Taxation on (deficit)/surplus on ordinary activities

	BMA		Consolidated	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Current tax</b>				
UK corporation tax @ 20% (2015: 20.25%)	843	647	2,464	1,561
Adjustments in respect of prior years	34	38	34	69
Foreign tax	-	-	250	111
<b>Total current tax</b>	<u>877</u>	<u>685</u>	<u>2,748</u>	<u>1,741</u>
<b>Deferred tax</b>				
Origination and reversal of timing differences	(3)	2	53	371
Changes in tax rates or laws	(11)	(16)	(9)	2
Adjustments in respect of prior years	57	35	61	(16)
<b>Total deferred tax</b>	<u>43</u>	<u>21</u>	<u>105</u>	<u>357</u>
<b>Total taxation on (deficit)/surplus on ordinary activities</b>	<u>920</u>	<u>706</u>	<u>2,853</u>	<u>2,098</u>

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 10. Taxation on (deficit)/surplus on ordinary activities (continued)

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

Reconciliation of total tax charge	BMA		Consolidated	
	2016 £000	2015 £000	2016 £000	2015 £000
(Deficit)/surplus before tax	(2,131)	(3,305)	2,880	(4,057)
(Deficit)/surplus before tax multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(426)	(669)	576	(822)
Expenses/(income) not (chargeable)/deductible for	2,086	1,353	1,436	2,113
Other timing differences	-	-	76	-
Adjustments in respect of prior years	91	73	94	53
Goodwill and amortisation	-	-	753	765
Group relief	-	(35)	-	52
Pension costs charge/curtailment loss	-	(16)	-	-
Rate change	(11)	-	(9)	2
Foreign tax	-	-	197	(65)
Income not taxable	(820)	-	(266)	-
Capital allowances in excess of depreciation	-	-	(4)	-
Total tax charge for the year	920	706	2,853	2,098
Deferred tax	BMA		Consolidated	
	2016 £000	2015 £000	2016 £000	2015 £000
Provision for deferred tax				
Accelerated capital allowances	(182)	(140)	(160)	(105)
Revaluation of investments	-	-	(3,166)	(2,434)
Short term timing differences	-	-	111	111
Pensions	-	-	-	50
	(182)	(140)	(3,215)	(2,378)
At 1 January	(140)	(116)	(2,378)	(2,008)
Deferred tax charge in income and expenditure	(42)	(24)	(105)	(357)
Deferred tax in statement of comprehensive	-	-	(732)	(13)
At 31 December	(182)	(140)	(3,215)	(2,378)

The above consolidated deferred tax liability of £3,215,000 (2015: £2,378,000) represents the net of the deferred tax asset of £126,000 (2015: £202,000) per note 16 and the £3,341,000 (2015: £2,574,000) deferred tax liability per note 18.

### Factors that may affect future tax charges

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as the group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief and or UK tax legislation.

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 11. Post-employment benefits

The British Medical Association ("Association") has applied FRS102 and the following disclosures relate to this standard.

The Association operates a defined benefit scheme called the BMA Staff Pension Scheme (the "Scheme") that pays out pensions at retirement based on service and final pay. The scheme operates under UK trust law and the trust is a separate legal entity from the Association. 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 employees' period of employment with the Association, based on the advice of an independent qualified actuary using the projected unit method.

The most recent formal actuarial valuation of the Scheme was at 31 March 2015 and at this date there were no contributing members in the Scheme. 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 2.95% per annum, and pensions with capped increases would increase at 2.90% pa.

The actual return on assets over the year to 31 December 2016 was a gain of £43.1 million.

The Association expects to make nil contributions to the Scheme in the next financial year.

	2016 £000	2015 £000
<b>Principal actuarial assumptions:</b>		
Future pension increases		
- Increasing in line with RPI	3.45%	3.40%
- Increasing in line with RPI subject to a maximum of 5%	3.25%	3.20%
Discount rate	2.65%	3.80%
RPI inflation	3.45%	3.40%
CPI inflation	2.45%	2.40%

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

	2016 £000	2015 £000
Male member age 65 (current life expectancy)	22.2	22.1
Male member age 40 (life expectancy at age 65)	23.9	23.8
Female member age 65 (current life expectancy)	25.0	24.9
Female member age 40 (life expectancy at age 65)	26.9	26.8

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 11. Post-employment benefit (continued)

	Value at 31 December	
	2016 £000	2015 £000
Equities	163,700	145,615
Indexed Linked Government Bonds	77,300	59,977
Fixed interest Government Bonds	-	1,783
Corporate Bonds	51,300	71,288
Property	37,400	30,860
Liability Driven Investment (LDI)	9,000	5,806
Hedge Funds	-	-
Other	29,788	6,273
Fair value of scheme assets	368,488	321,602
Present value of funded obligations	(406,693)	(310,065)
Scheme surplus (deficit)	(38,205)	11,537
Adj relating to asset ceilings and minimum funding requirements	-	(11,537)
Deferred tax on scheme deficit	2,165	-
Net defined benefit asset after deferred tax	(36,040)	-

### The movement in the fair value of scheme assets during the year was as follows:

	2016 £000	2015 £000
Fair value of scheme assets at 1 January	321,602	308,144
Interest income on scheme assets	12,071	10,959
Actuarial gain	43,092	10,364
Employer contributions	668	165
Members' contributions	-	-
Benefits paid from scheme	(8,448)	(7,638)
Scheme administration expenses	(497)	(392)
Fair value of scheme at 31 December	368,488	321,602

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 11. Post-employment benefit (continued)

The movement in the present value of defined benefit obligation during the year was as follows:

	2016 £000	2015 £000
Defined benefit obligation at 1 January	310,065	300,225
Interest cost	11,623	10,671
Actuarial loss due to change in assumptions	93,453	1,134
Actuarial loss due to experience	-	5,673
Benefits paid from scheme	(8,448)	(7,638)
Defined benefit obligation at 31 December	<u>406,693</u>	<u>310,065</u>

The amounts recognised in profit or loss are as follows:

	2016 £000	2015 £'000
Scheme administration expenses	<u>(497)</u>	<u>(392)</u>
	<u>(497)</u>	<u>(392)</u>

Analysis of amount recognised in Other Comprehensive Income (OCI):

	2016 £000	2015 £000
Return on assets, excluding interest income	43,092	10,364
Experience (losses) gains on liabilities	-	(5,673)
Actuarial (losses) gains arising from changes in assumptions	(93,453)	(1,134)
Gain/(Loss) due to the asset ceiling	11,985	(3,330)
Deferred tax on scheme deficit	<u>2,165</u>	<u>-</u>
Total (loss)/gain recognised in the OCI at 31 December 2016	<u>(36,211)</u>	<u>227</u>

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 12. Intangible assets

	BMA Software £000	Goodwill £000	Consolidated Software £000	Total £000
At 1 January 2016				
Cost	951	1,489	951	2,440
Additions during the year	50	-	50	50
Amortisation	(223)	(484)	(223)	(707)
Closing net book amount	778	1,005	778	1,783

#### Intangible assets

The software intangible assets include the Association's new membership system and HR payroll systems, which were both created by external development firms for the Association's specific requirements and have a remaining amortisation period of 3.5 year and 4.5 years respectively.

#### Goodwill

The Drug and Therapeutics Bulletin (DTB), which was purchased by BMJ Publishing Ltd in 2006, has a carrying value as at 31 December 2016 of £194,000 (31 December 2015: £214,000) and has an estimated remaining useful life of 10 years. The Medelect Limited business, which was purchased by BMJ Publishing Ltd in 2009, has a carrying value as at 31 December 2016 of £811,000 (31 December 2015: £1,275,000) and has an estimated remaining useful life of 11 years.

### 13. Tangible assets

(i) BMA	Freehold premises £000	Long leasehold improvements £000	Plant and office equipment £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>					
1 January 2016	16,024	520	9,868	914	27,326
Additions during year	563	-	172	287	1,022
Disposals during the year	-	-	-	(187)	(187)
31 December 2016	16,587	520	10,040	1,014	28,161
<b>Less:</b>					
Accumulated depreciation					
1 January 2016	(7,856)	(502)	(9,090)	(587)	(18,035)
Charge for the year	(478)	(14)	(411)	(194)	(1,097)
Disposals and amounts written off during the year	-	-	-	187	187
Accumulated depreciation 31 December 2016	(8,334)	(516)	(9,501)	(594)	(18,945)
<b>Net book amount 31 December 2016</b>	<b>8,253</b>	<b>4</b>	<b>539</b>	<b>420</b>	<b>9,216</b>
At 31 December 2015	8,168	18	778	327	9,291



# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 13. Tangible assets (continued)

(ii) Consolidated	Freehold premises £000	Long leasehold improvements £000	Plant and office equipment £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>					
1 January 2016	16,024	520	10,382	976	27,902
Additions during year	563	-	207	287	1,057
Disposals during the year	-	-	1	(211)	(210)
31 December 2016	16,587	520	10,590	1,052	28,749
<b>Less:</b>					
Accumulated depreciation					
1 January 2016	(7,856)	(502)	(9,535)	(637)	(18,530)
Charge for the year	(478)	(14)	(465)	(200)	(1,157)
Disposals during the year	-	-	-	211	211
Accumulated depreciation 31 December 2016	(8,334)	(516)	(10,000)	(626)	(19,476)
<b>Net book amount</b>					
31 December 2016	8,253	4	590	426	9,273
At 31 December 2015	8,168	18	847	339	9,372

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 the directors, the market value of freehold premises at 31 December 2016 is significantly higher than the carrying value recorded above.

### 14. Investments

	Consolidated	
(a) Reconciliation of market value of investments	2016 £000	2015 £000
Market value at 1 January	103,579	101,091
Additions	632	1,212
Increase in market value	10,726	1,276
Total at 31 December	114,937	103,579
Cost at 31 December	78,594	77,962

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 14. Investments (continued)

(b) Analysis of market value of investments	Consolidated	
	2016 £000	2015 £000
UK equity passive index funds	23,745	20,507
Global equity passive index funds	36,717	28,945
Hedge fund of funds	15,039	15,736
Real return funds	22,585	21,579
Secured property income fund	16,851	16,811
	<u>114,937</u>	<u>103,578</u>

(c) Cost of investments in group undertakings	BMA	
	2016 £000	2015 £000
Balance at 1 January and 31 December	<u>140,878</u>	<u>140,878</u>

Entity name	Holding	Country of incorporation	Immediate parent company	Registered Office
BMJ Publishing Group Limited	100%	United Kingdom	BMA	BMA House, Tavistock Square, London
BMA Investments Limited	100%	United Kingdom	BMA	BMA House, Tavistock Square, London
BMA (2002) Limited*	100%	United Kingdom	BMA	BMA House, Tavistock Square, London
Medelect Limited*	100%	United Kingdom	BMJ Publishing Group Ltd	BMA House, Tavistock Square, London
BMJ Publishing Inc.	100%	Incorporated and registered in California, USA	BMJ Publishing Group Ltd	Two Hudson Place, Hooken, NJ 07030 USA
BMJ Group India Private Limited	99%	India	BMJ Publishing Group Ltd	Navkar Marol, Andheri, Mumbai, India
BMJ (Beijing) Medical Science and Technology Co Limited	100%	China	BMJ Publishing Group Ltd	1509 Silver Tower No2 East, Chaoyang District, Beijing 100027 China

\*Both BMA (2002) Limited and Medelect Limited were dormant during the year.

### (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 from BMA to BMJ Publishing Group Ltd on 1 January 2003.

The directors believe that the carrying value of the investments is supported by their underlying net assets and future cash flows

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 15. Inventories

	BMA		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Raw materials and consumables	-	-	133	122
	-	-	133	122

### 16. Debtors

	BMA		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Trade debtors	1,177	548	19,563	13,180
Amounts owed by group undertakings	11	212	-	-
Other receivables	188	656	424	1,176
Deferred tax	-	-	126	202
Prepayments and accrued income	1,642	1,450	6,178	6,220
	3,018	2,866	26,291	20,778

### 17. Creditors: amounts falling due within one year

	BMA		Consolidated	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	1,756	2,377	3,452	4,037
Amounts owed to group undertakings	11,186	13,238	-	-
Corporation tax	456	214	1,385	365
Other taxation and social security	606	586	617	586
Other creditors	-	-	872	591
Accruals and deferred income	9,948	7,130	21,659	16,077
Subscriptions received in advance	8,900	9,236	28,980	25,931
	32,852	32,781	56,965	47,587

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

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 18. Provisions for liabilities

	<b>BMA</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January	140	116	2,574	2,537
Provided during the year in respect of deferred taxation	42	24	767	37
At 31 December	182	140	3,341	2,574
Amounts estimated to be released less than 12 months	-	73	-	73
Amounts estimated to be realised greater than 12 months	182	67	3,341	2,501
	182	140	3,341	2,574

### 19. Retained earnings

	<b>BMA</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening accumulated funds	66,466	70,477	78,215	82,944
Net (deficit)/surplus for the financial year	(3,051)	(4,403)	27	(4,943)
Actuarial (loss)/gain on pension scheme	(37,708)	392	(36,211)	227
Deferred tax on revaluation of investments	-	-	(732)	(13)
Closing accumulated funds	25,707	66,466	41,299	78,215

### 20. Revaluation reserve - investments

	<b>BMA</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January	-	-	25,613	24,338
Increase in market value for year	-	-	10,726	1,275
At 31 December	-	-	36,339	25,613

# British Medical Association

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 21. Reconciliation of movements in funds employed

	BMA		Consolidated	
	2016	2015	2016	2015
	£000	£000	£000	£000
Net (deficit)/surplus for the financial year	(3,051)	(4,403)	27	(4,943)
Net Actuarial gain/(loss) on pension scheme	(37,708)	392	(36,211)	227
Deferred tax on revaluation of investments	-	-	(732)	(13)
Increase in market value for year	-	-	10,726	1,275
Net movement in funds employed	(40,759)	(4,011)	(26,190)	(3,454)
Opening shareholders' funds	125,920	129,931	104,282	107,736
Closing accumulated funds	85,161	125,920	78,092	104,282

### 22. Related party transactions

#### Group entities

The Association is exempt from disclosing related party transactions with other companies that are wholly owned within the Association.

#### BMA Board, BMJ Publishing Group Board and Audit Committee members

Transactions the BMA has directly with individual BMA Board, 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.

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

All related party transactions are carried out at arm's length and there were no material related party transactions. Council members are paid Honoraria amounts.

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the company of incorporation and effective percentage of ownership has been disclosed in note 14c.

## British Medical Association

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 23. Financial instruments

The Association enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 December 2016, the following outstanding contracts mature within three months (2015: three months) of the year end.

The Association had outstanding forward transactions to hedge foreign currencies as follows:

	Consolidated	
	2016	2015
	US\$000	US\$000
Maturing within one year:		
- To fund future revenues in US dollars	12,000	12,000

The forward currency contracts are measured at fair value, which is determined using valuation techniques that use observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The fair value of the forward-foreign currency contracts at 31 December 2016 was £1,610,000 (2015: £376,000).