

Company Registration No. 00008848

British Medical Association

Annual Report and Financial Statements

for the year ended 31 December 2020

British Medical Association

Contents

| | Page |
|---|-------------|
| Officers and professional advisers | 1 |
| Strategic report | 3 |
| Directors' report | 9 |
| Statement of directors' responsibilities | 12 |
| Report of the audit and risk committee | 15 |
| Independent auditor's report | 18 |
| Company and consolidated statements of income and expenditure | 22 |
| Company and consolidated statements of comprehensive income | 23 |
| Company and consolidated balance sheet | 24 |
| Company and consolidated statements of changes in equity | 25 |
| Consolidated statements of cash flows | 26 |
| Notes to the financial statements | 28 |

British Medical Association

Annual report and financial statements 2020

Officers and professional advisers

Members of council

Council is the principal executive committee (PEC) of the trade union as set out by trade union legislation (TULCRA 1992). It sets the strategic direction of the Association in line with policy decided by the representative body at the annual representative meeting (ARM), and is responsible for the formulation of policy throughout the year between ARMs, and for delegating the implementation of policy to the company by way of aims and desired outcomes. Council has responsibility for overseeing the co-ordination and timing of policy implementation of the Association, and the authority to resolve disputes between other BMA bodies and to authorise industrial action.

Since 2018 BMA council has between 57 and 74 voting members.

Each is directly elected by the membership to give a UK wide, geographical and cross-branch of practice mix. There are also 26 ex-officio non-voting members, including those who chair/co-chair some of the many committees reporting to council.

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

| | |
|---|---|
| Dr Krishan Aggarwal | Dr Andrew Green* |
| Dr Jahangir Alom* | Dr Gaurav Gupta* |
| Dr Jackie Applebee* | Dr Rajat Gupta (until December 2020) |
| Dr David Bailey | Dr Brian Guttridge |
| Dr Philip Banfield* | Dr James Haddock* |
| Dr Jennifer Barclay* | Dr Sarah Hallett |
| Dr Hannah Barham-Brown* | Dr Robert Harwood |
| Dr Rob Barnett* | Dr Sara Hedderwick* |
| Miss Rebecca Bates (from September 2020) | Mr Michael Henley* |
| Dr Peter Bennie* | Dr Peter Holden* |
| Mrs Lesley Bentley (until October 2020) | Mr Roger Horton (BMJ chair from April 2020) |
| Dr Tom Black | Dr Sebastian Hormaeche* |
| Dr Katie Bramall-Stainer* | Dr Philip Howard* |
| Dr Mary Anne Burrow | Dr Louise Irvine* |
| Sir Harry Burns (President from September 2020) | Professor Anil Jain* |
| Dr Kailash Chand* | Dr Richard Jarvis (from December 2020) |
| Dr John Chisholm* | Dr Krishna Kasaraneni* |
| Dr Christine Clayton* | Dr Iain Kennedy* |
| Dr Andrew Collier (until October 2020) | Dr Lucie Kennedy-Cocker* |
| Dr Cristina Costache* | Dr Amit Kochhar* |
| Dr David Craigmyle* | Professor Dame Parveen J Kumar |
| Dr Peter Curry* | Dr Rajesh Kumar (from September 2020) |
| Professor Peter Dangerfield (until December 2020) | Dr Jeremy Lawrance (from November 2020) |
| Dr Paul Darragh* | Mr Joseph Lippincott III (BMJ chair until April 2020) |
| Dr Jacqueline Davis* | Mr Tainyane Mapako (from September 2020) |
| Dr Thomas Dolphin* | Dr Mary McCarthy* |
| Mrs Chrissie Douglass (from October 2020) | Dr Helena McKeown* (Chair of representative body) |
| Dr Peter English* | Mr Ian McNab* |
| Dr Glynn Evans* | Dr Richard Mithen (until February 2020) |
| Sir Sam Everington* | Dr Lewis Morrison |
| Dr Helen Fidler* | Dr Chaand Nagpaul (Chair of council) |
| Dr Alex Freeman* | Dr Kevin O'Kane* |
| Dame Clare Gerada* | Dr Rinesh Parmar |
| Prof Raanan Gillon (President until September 2020) | Dr Latifa Patel (Deputy chair of representative body) |
| Dr Zoe Greaves* | Dr Philip Pearson* |

British Medical Association

Annual report and financial statements 2020

Officers and professional advisers

Members of council (continued)

Dr Trevor Pickersgill* (Treasurer)
 Dr George Rae*
 Dr Richard Rawlins*
 Professor Michael Rees*
 Dr Emma Runswick*
 Professor Wendy Savage*
 Dr Radhakrishna Shanbhag*
 Mr Nitin Shrotri (from February 2020)
 Mr Gurdas Singh (until September 2020)

Mr Christopher Smith*
 Dr David Strain (until December 2020)
 Dr Vicky Theakston*
 Dr Penelope Toff*
 Dr Richard Vautrey*
 Dr Mark Weir (until September 2020)
 Mr Rajiv Wijesuriya*
 Dr David Wrigley (Deputy chair of council)
 Dr Jennifer Yell*

*Indicates voting members

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 Krishan Aggarwal, Council member (appointed 8 th August 2020) | Mrs Catherine Mayor, NED (appointed 11th March 2020) |
| Dr Kailash Chand, Council member (appointed 8 th August 2020) | Dr Helena McKeown, Chair of representative body |
| Dr John Chisholm, Council member (resigned 8 th August 2020) | Dr Chaand Nagpaul, Chair of council |
| Dr Helen Fidler, Council member (resigned 8 th July 2020) | Ms Elisa Nardi NED |
| Mr Tom Grinyer Chief executive | Dr Kevin O’Kane, Council member |
| Mr Roger Horton, BMJ Chair (appointed 20 th April 2020) | Dr Trevor Pickersgill, Treasurer |
| Mr Joseph Lippincott III, BMJ Chair (resigned 26 th March 2020) | Dr David Wrigley Deputy chair of council |
| Mrs Neeta Major, Group Chief Financial Officer (appointed 22nd February 2021) | |

Lawyers

Gateley
 Ship Canal House
 98 King Street
 Manchester
 M2 4WU

Capital Law
 Capital Building
 Tyndall Street
 Cardiff
 CF10 4AZ

Bankers

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

Registered Office

BMA House
 Tavistock Square
 London
 WC1H 9JP

Auditor

Grant Thornton UK LLP
 30 Finsbury Square
 London,
 EC2A 1AG

British Medical Association

Report and financial statements 2020

Strategic report

The directors, in preparing this strategic report, have complied with 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.

During 2020, the BMA launched a new “Strategy for 2020 -2025” emphasising our role as a strong trade union and leading professional body. It is built on the back of meticulous research conducted through reviews of policy, communications, member support services, our culture, staff surveys and a detailed survey of our members. It responds to the challenges and opportunities we have seen in our external environment and the impact these have on the profession. The strategy sets out our ambitions for the years ahead. It is designed to be a living document as we recognise the importance of being able to respond to unforeseen external events like COVID-19 with speed and agility.

BMA council and the Board have endorsed the strategy which will give the leadership team, elected members and our excellent staff a blueprint to develop coherent plans and a culture that will deliver the very best outcomes for our members, representatives and employees.

BMA strategic priorities

Member centred - Actively engage our profession to fully understand and respond to needs and expectations

- Continually capture what is most important to doctors
- Personalise products and services to meet member needs
- Engage members in ways that work for them
- Focus on what members value most
- Enable our activists to engage effectively with doctors and medical students

Representing the profession - Act upon the concerns of our profession to achieve the best possible outcomes, both individually and collectively, as a strong trade union and professional association

- Use our strength as a trade union to support and protect our members
- Invest in our negotiations to achieve the best results
- Represent on professional issues to improve the daily working lives of our members

Influencing outside of the BMA - Lead on behalf of our profession on the issues that matter most

- Prioritise the campaigns that will have the biggest impact on members
- Assert our leadership as an authoritative voice
- Provide our activists with the tools to leverage our influencing

Running the BMA - Build a sustainable, carbon neutral organisation for a changing world

- Increase our capabilities to deliver what our members need
- Leverage the strengths of the BMJ to provide group synergies across our activities
- Give members the best value for their membership in a financially stable association
- Promote equal rights and opportunities, tackle discrimination or disadvantage and create an
- Open and inclusive culture for our members, employees and stakeholders
- Ensure our committees are effective, efficient and represent the diversity of our membership

British Medical Association

Report and financial statements 2020

Strategic report (continued)

- Ensure that our democratic structures reflect the voice and demands of our members at a local, intermediate, national and UK level

BMJ strategic priorities

Through the BMJ Publishing Group Limited (BMJ), our independent publishing company, the focus and direction is about creating a healthier world with a mission to advance healthcare worldwide 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 BMJ continued to make good progress towards these objectives during 2020, in particular the continued growth of international revenues and operations outside of the United Kingdom.

Over the course of 2020, a strategic framework was outlined to further the Group's pursuit of a healthier world. The Board approved each theme outlined below and will be actively participating with their development through 2021 and beyond:

Delivering superior digital solutions - by accelerating BMJ's digital transformation, the Group can increase the value, volume, discoverability and usage of created content. In turn, this will deliver efficiencies, targeted cost savings, improved user experience and, ultimately, enhanced revenues;

Increasing operational efficiency - by delivering efficiencies, BMJ can either crystallise cost savings or free up funds to reinvest in areas likely to deliver improving returns;

Optimising the product portfolio – by emphasising common themes across the Group's complex and varied portfolio, BMJ can drive synergies and improve overall returns; and

Strengthening organisational effectiveness – by reinforcing a commonality of approach across the Group, teams should be better able to share customer insight and best practice across accounts and products, enabling the delivery of a consistent user experience which should, over time, generate improved customer satisfaction and retention

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.

The BMA board has group oversight of the BMJ Publishing Group Limited and BMA Investments Limited.

British Medical Association

Report and financial statements 2020

Strategic report (continued)

Business review

BMA Group income ended the year at £134.0m, £5.2m lower compared to 2019 (2019: £139.2m). The reduction is primarily due to the impact of COVID-19. The fall in income has impacted the overall performance, with the group incurring a deficit of £0.2m (2019: Surplus £2.0m). Within the group, the BMA incurred a deficit after tax of £1.5m (2019: surplus £3.1m), with the BMJ delivering a surplus after tax of £6.7m (2019: £8.3m). The BMA is reliant on the BMJ to fund the deficit, with the longer-term financial strategy to significantly reduce this dependency.

The group net worth of the Association remains very strong at £129.7m (2019: £130.4m). Owned property (BMA House and the Queen Street Edinburgh offices) remains on the balance sheet at nominal value, with BMA House valued in the region of £75m in March 2012. Both properties remain integral to the operational activities of the association and it is deemed not necessary at this stage to have the properties professionally re-valued. The defined benefit pension scheme, under FRS102 as at 31st December 2020 indicated a deficit of £13.3m (2019: £10.3m). This increase in deficit is largely attributable to the change in the discount rate assumption, driven by the adjustment to corporate bond yields over the past year.

Our investment portfolio held by BMA Investments Limited has despite volatility earlier in 2020, closed the year at £138.6m in 2020 (2019: £138.7m), reflecting the stabilisation of global financial markets in recent months, which is in line with the various benchmarks within the investment portfolio for 2020. In order to rebalance the portfolio £5m was divested during 2020 and the funds are currently held as cash.

Membership numbers have slightly decreased over the last year and we now have 158,405 members at 31 December 2020 compared to 159,690 at 31st December 2019. Whilst we have seen an increase in the number of practicing members, as the impact of COVID-19 has reminded doctors of the need for support and advice during this period, student membership has fallen due to the lack of face to face recruitment at freshers fairs. Membership revenue grew to £49.4m (2019: £48.6m) due to the earlier recruitment of members and the increased membership of practicing members.

Event income has been severely impacted by the pandemic with no events taking place since March 2020 and property income is also lower due to a small number of tenants leaving at the end of their lease as a result of COVID-19 and ongoing review negotiations, and as such revenue from other income sources is £2.0m lower for the year compared to 2019, £6.9m (2019: £8.9m).

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 BMJ group continued to make good progress towards these objectives during the year, in particular the continued growth of international revenues. BMJ group income for 2020 was £77.8m (2019: £81.7m)

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 nation.

British Medical Association

Report and financial statements 2020

Strategic report (continued)

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Association for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The impact of long-term decisions is assessed as a matter of course when reviewing proposed projects and during the annual budget and strategic review process, where future plans for the BMA are reviewed and refreshed.

Induction materials provided on appointment include an explanation of Directors' duties, and the Board is regularly reminded of the s.171(1) Matters, including as a rolling agenda item at every Board meeting.

As a trade union, working with and for our members is key to the future success of the organisation. 2020 has been an extraordinary year for the profession and the BMA has worked non-stop to protect and support our members through a year in which they have never been more critical to the functioning of the NHS or the health of the nation. We demanded urgent measures to ensure the PPE supply to doctors, we secured the right to remain in the UK for overseas doctors who lost their life battling COVID-19 as well as death in service benefits. We secured government agreement to a public inquiry into the impact of COVID-19. We won unprecedented reforms to doctor's pension taxes saving members many thousands of pounds. Alongside John Lewis we delivered care packages to healthcare workers across the country and provided 24/7 support for every doctor who needed it.

The BMA group works with key suppliers to ensure the delivery of services to members and key customers globally through regular review meetings and monitoring of key performance indicators. The supply of major services is regularly tendered to ensure that members/customers continue to receive high levels of service, delivered cost effectively.

Corporate, social, environmental, responsibility is key when developing new and existing business relationships. The BMA has long acted as a responsible organisation; we are the oldest medical association in the world to award grants to encourage and further medical research and have always advocated the highest standards of human rights in healthcare. We undertake a wide range of CSER activities, which can be grouped under three main themes:

- Workplace

We recognise that we have a responsibility to promote and adopt organisational policies that support sustainable practices and improve the health and wellbeing of our employees. We are committed to promoting equal rights and opportunities, pro-actively tackling discrimination or disadvantage in all forms and creating an open and inclusive culture for our employees.

- Communities

We recognise that we have a duty towards wider society and the communities we work with and within. The BMA seeks to give back to the community through activities such as widening participation into medicine, upholding fundamental human rights in health practice, creating key partnerships with stakeholders, supporting research careers through funding, mental wellbeing through our wellbeing support services, and doctors' financial needs through the BMA charitable network.

British Medical Association

Report and financial statements 2020

Strategic report (continued)

- Sustainability and health

We recognise the detrimental effects climate change has on health and aim to minimise our impact on the environment. Doctors and other health professionals have a vital role in supporting and advocating for better approaches to tackling climate change that protect and promote public health, while also reducing the burden on health services.

Staff and member engagement is a key component of our activities and weaves into these three themes.

BMA House as a venue has recently been voted “Greenest Venue” and “Best Conference Venue” at the 2019 Hire Space Awards.

Principal risks and uncertainties

The BMA group is carefully monitoring ongoing developments relating to the COVID-19 global pandemic. Business continuity plans have been activated to safeguard core activities and target minimal disruption to customers, suppliers and employees. These plans include regular reviews of the developing situation by management and the establishment of a central team to assess risk daily and direct appropriate responses as necessary.

It is clear the health system in the UK continues to face crisis after crisis which is well documented in all forms of media. The profession is facing unparalleled and systemic pressure from all possible sources. This is further complicated with the devolution of healthcare across the four UK nations and the uncertainty around the impact of Brexit on healthcare.

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.

Through our service delivery mechanism, we are making significant progress in protecting our members through agreements with healthcare stakeholders. Nonetheless, we are also supporting record numbers of members individually through our member relations activities.

In terms of financial risk, the BMA group closed its defined benefit pension scheme to future accrual in July 2014. As of that time, the pension scheme was fully funded. Subsequently through abnormal external market conditions, the scheme went into deficit, then surplus and back to a deficit position. The Association works collaboratively with the scheme’s Pension Trustees to manage the on-going financial risk. The next triennial valuation of the scheme is due on 31 March 2021.

With the management of the investment fund, an investment sub-committee is appointed via the finance committee to manage its investment portfolio. Experienced outsourced investment managers manage the funds to agreed investment benchmarks. The present benchmark used for the pool of investments held within BMA Investments Limited, is LIBOR + 3%.

The key business risks and uncertainties affecting the BMJ are considered to relate to global economic conditions and 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 2021. The management of the BMJ review the level of currency risk inherent within the business and they hedge a level of currency risk via currency forward contracts.

Key performance indicators (KPI)

The BMA’s most important KPI is its membership which stood at 158,405 (2019: 159,690) 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. Strong membership ensures the BMA can maintain its position as a key player when negotiating and influencing health related policy.

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), usage and article citations.

British Medical Association

Report and financial statements 2020

Strategic report (continued)

Future developments

The BMA intends to continue its unprecedented support for the profession throughout the pandemic, including consideration of how best to support the after effects of the pandemic in terms of wellbeing and burnout. The BMA will continue to set out the key issues which government must work to address to deliver a truly sustainable NHS and contribute to upcoming legislation in both Westminster and the devolved nations. Critical to this will be arguing for the right levels of investment in the NHS as a whole and in the profession specifically, including in a fair deal on pay and pensions.

Events after the balance sheet date

The BMA continues to support many of its members in the successful delivery of the COVID-19 vaccine programme, and has also continued to track the delivery of vaccine to doctors across the 4 countries of the UK. The BMA is carefully monitoring developments relating to the lockdown restrictions and to make the case for sustaining restrictions which are designed to protect the NHS and therefore the profession from being overwhelmed. Business continuity plans continue to be active to safeguard core activities and target minimal disruption to members, customers, suppliers and employees. These plans include regular reviews of the developing situation by management and the establishment of a central team to assess risk daily and direct appropriate responses as necessary.

Reviews and reforecasts have not identified events or conditions that prevent the business from being able to meet obligations as they fall due. With strong cash reserves at both entity and Group level, possible adverse impact to working capital can be safely and effectively managed. What is important during the pandemic is that relevant content is accessible to those on the frontline treating patients and the business continues to provide and augment this support.

Approval

Approved by the Board and signed on its behalf by:



Dr Trevor Pickersgill

Treasurer

22/4/2021

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee

The directors present their annual report and the audited consolidated financial statements of the British Medical Association (BMA) for the year ended 31 December 2020.

Principal activities

The principal activity of the 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. BMA Investments Limited is the investment holding subsidiary for the BMA.

Directors

The directors, who served throughout the year except is noted on page 2.

Financial risk management objectives and policies

The BMA's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the BMA's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The BMA does not use derivative financial instruments for speculative purposes. Details of other risks and the management of these can be found in the strategic report on page 3 and also the report on the audit and risk committee on page 15.

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.

Future developments

Commentary on future developments is included within the strategic report.

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 intranet, email updates, 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 (2019: £nil). It increased charitable donations totalling £364,000 (2019: £176,000) to various medical education and research charities to support COVID-19 related initiatives.

BMA House valuation

The directors consider that the market value of BMA House, London, based on its existing use, is significantly higher than the carrying value included within the balance sheet, as stated in Note 13. The last valuation undertaken was as at 31 March 2012, which gave a value in the region of £75m. As the intention is to continue to hold the property for a combination of operational and revenue-generating activities, the directors consider the cost of obtaining a more up-to-date valuation would be an unnecessary use of funds.

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

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.

Going concern

Given the current impact and ongoing uncertainty created by the COVID-19 pandemic, the BMA has undertaken an assessment of going concern and considered the level of disclosure relating to these issues within the financial statements. Please refer to note 3 within these financial statements. The directors have concluded that the BMA and BMA group have sufficient resources to meet its ongoing liabilities for twelve months from the date that these financial statements have been signed, that there are no material uncertainties and as a result the accounts have been prepared on a going concern basis.

Post balance sheet events

Commentary on post balance sheet events is included within the strategic report.

Independent auditor

Grant Thornton UK LLP was appointed as independent auditor on 30th September 2020 and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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.

Annual Representative Meeting (ARM) September 2020

The BMA held its annual representative meeting on 15 September 2020, the first time fully virtually. 19 motions were passed at the meeting and are being implemented in accordance with the bye-laws. At its 11 November 2020 meeting, BMA council considered the implementation of the following resolution:

That this meeting acknowledges the significant work of UK doctors and medical students in fighting the COVID-19 pandemic and that this work was performed on a background of sustained real-terms pay erosion for doctors in the UK. We call on the BMA to:-

- i) survey members as to their opinions of the pay recommendations suggested by the DDRB in their 48th report (2020);
- ii) survey members as to what actions they believe the BMA should take next, in regard to tackling this real-terms pay erosion, including the option of industrial action;
- iii) to demand significant above inflation pay rise to compensate for a decade of freezes and sub-inflation pay rises;
- iv) to formulate an action plan in case doctors are not offered a fair pay settlement;
- v) withdraw from the DDRB before the end of 2020.
- vi) include different forms of industrial action in the survey and ask the council to formally ballot members if the survey suggests majority support.

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

Due to concern that not submitting evidence to the DDRB (Review Body on Doctors' and Dentists' remuneration) would restrict the BMA's ability to lobby on pay increases for doctors, particularly with different positions in each of the nations and individual Branch of Practice groups, following a 2/3 majority vote, the council resolved to defer implementation of part (v) of the motion.

Equality diversity and inclusion (EDI)

Our aim is to foster a culture where individual differences and diversity are welcomed. We are committed to promoting equal rights and opportunities, pro-actively tackling discrimination or disadvantage in all forms and creating an open and inclusive culture for our members, employees and stakeholders.

We believe that EDI is integral to our work as a trade union, a professional body and an employer for several reasons:

- It strengthens our ability to stand up for doctors, both individually and collectively, on a wide variety of employment issues and influence on key ethical, scientific and public health matters, by helping to maintain the trust and confidence of all our partners and stakeholders.
- We want to demonstrate that we understand and respond to the diverse needs of doctors and patients and tailor our services accordingly.
- Our membership profile needs to reflect the make-up of the medical profession. Our committee structures must be representative of the membership and medical workforce.
- Having an inclusive and diverse workforce which reflects the rich diversity of the UK population, and the communities in which we operate, is key to achieving our mission and vision. There is also strong evidence that organisations which embrace inclusion and diversity perform better and achieve more.
- We want to attract talent, retain productive and committed staff, and be part of creating a positive culture change that spreads throughout the Association.
- There are important legislative measures affecting equalities and human rights issues. We want to be recognised as an association that aspires to high standards and good practice in all that we do.

Modern Slavery Act 2016

In compliance with the Modern Slavery Act, BMA's website has a statement on the steps the BMA takes to ensure that slavery and human trafficking do not occur in its supply chain or operations.

Gender pay

The gender pay gap legislation introduced in April 2017 requires that UK employers with 250 employees or more publish data about their gender pay. The BMA is committed to championing equal rights and opportunities, and proactively tackling discrimination or disadvantage in all forms to create an open and inclusive culture for our employees, members, customers and stakeholders.

As an employer the BMA / BMJ group is committed to reducing our gender pay gap. We are working with our employees to identify ways in which we can do this. The gender pay gap is difference in average pay between men and women in the workforce. We have calculated the median gender pay gap for the BMA/BMJ group to be 11.9%, which means that on average men earn 11.9% more per hour than women. Our median gender pay gap is lower than the national figure, which shows that on average men earn 17.3% more per hour than women.

Streamline Energy and Carbon Reporting (SECR)

The British Medical Association operates in seven offices. Our London office (BMA House) is heated through gas oil and burning oil. Our remaining offices are heated through gas and our electricity is purchased. The BMA has a fleet of 22 company cars and 45 grey fleet drivers (staff who are in receipt of an allowance for using their own car). Any member of staff can claim mileage as a business expense if they use their car for a relevant business journey (not for commuting). Though not employed by the BMA, we have included mileage claimed by BMA committee members.

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

| Energy source | Consumption kWh | Scope | Emissions calculation - tCO ₂ e |
|-----------------------------------|------------------|---------|--|
| Gas oil (ULS gas oil) | 588,500 | Scope 1 | 151.07 |
| Burning oil (premium boiler heat) | 2,916,342 | Scope 1 | 719.34 |
| Electricity | 3,012,667 | Scope 2 | 702.37 |
| Transport – company cars | 28,570 | Scope 1 | 7.07 |
| Transport – BMA members | 178,286 | Scope 3 | 43.66 |
| TOTAL | 6,724,365 | | 1,623.51 |
| Intensity ratio | | | 3.178 per BMA FTE |

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines.

To calculate our consumption and GHG emissions, we have followed the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting and the Carbon's Trust Conversion Factors to calculate litres of gas oil and burning oil into kWh.

| GHG protocol scope | Definition |
|-------------------------------------|--|
| Scope 1 (Direct) GHG emissions | These include emissions from activities owned or controlled by your organisation that release emissions into the atmosphere. They are direct emissions. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment. |
| Scope 2 (Energy indirect) emissions | These include emissions released into the atmosphere associated with your consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of your organisation's activities, but which occur at sources you do not own or control. |
| Scope 3 (Other indirect) emissions | Emissions that are a consequence of your actions, which occur at sources which you do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by your organisation, waste disposal which is not owned or controlled, or purchased materials. |

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per FTE member of staff.

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

Measures taken to reduce our environmental impact

The BMA recognises the detrimental effects climate change has on health and aims to minimise our impact on the environment. We commissioned an eco-audit in 2019 to evaluate all aspects of our operations to see where our ecological and climate impacts could be reduced. The BMA owns the lease of its London and Edinburgh offices, as such it has been able to implement a wider set of energy efficiency measures.

We have taken several steps to improve our environmental impact:

- Our London (BMA House) Edinburgh and Cardiff offices are on a renewable electricity tariff.
- All BMA House lighting is being replaced with LED.
- BMA House has achieved a zero-to-landfill status – meaning that no waste produced there goes to a landfill but is either recycled or recovered.
- We have created guidance for members on how to reduce carbon emissions in their workplace: The sustainable and environmentally friendly general practice report was published in June 2020.
- We have started insulations works at BMA House and in our Edinburgh office to reduce building energy use.
- As part of our return to office working, we are devising a ‘carbon descent’ plan to continue to further reduce our environmental impact.
- We have implemented the ‘dead band’ in our offices where possible (where heating is set to 19 degrees and cooling to 25 degrees).
- We promote paperless/e-first ways of working, switching to recycled photocopying paper when it is necessary to print.
- We are currently exploring environmental heating options for BMA House.
- We have installed four electric car charging points at BMA House.
- As part of our company fleet policy, the BMA only chooses low CO2 petrol vehicles, we will be reviewing our choice of vehicle later in the year.

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 C Nagpaul
Chair of council

22/4/2021

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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 and profit or loss of the company and 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 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 confirm that:

so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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 2020

Report of the audit and risk committee (continued)

Audit and risk committee's report

During 2020, the membership of the Audit and Risk comprised the following:

- Stuart Cruickshank (chair until June 2020 and lay member until October 2020)
- Jacques Cadranel (lay member since November 2014 and present chair since June 2020)
- Jill Ainscough (BMJ NED until July 2020)
- Brian McCarthy (BMJ NED member since October 2020)
- Kathryn Cearns (lay NED member since October 2020)
- Peter Holden (member since November 2017, re-elected in November 2020)
- Krishan Aggarwal (member since October 2020)

Committee meetings were also attended by the BMA treasurer, BMA chief executive, BMJ chief executive, BMA acting director of finance and Chief financial officer. At the beginning of 2021, a permanent appointment was made to the role of BMA Group Chief Financial Officer, a key appointment for the BMA Group and the committee. The Committee is advised throughout the year by the external and internal auditors who also attend its meetings.

The committee advises and makes recommendations to the board of directors on matters pertaining to its scope and expertise. As well as regular exchanges between the committee and senior leaders, ARC reported throughout the year to the Board of Directors and to Council in July 2020.

The committee met three times in 2020 and meetings were structured to enable it to meet the requirements of its terms of reference (set out at schedule 1 to the byelaws of the BMA's constitution) as detailed below:

Integrity of financial reporting

During 2020, the committee received regular reports from the acting director of finance and the treasurer regarding the financial performance, systems and processes operating within the BMA and its subsidiary, the BMJ Publishing Group Ltd.

The committee considered the annual directors' report and financial statements prior to their approval by the Board of Directors and Council. During 2020, the ARC obtained sufficient assurance from both the internal and the external auditors that the integrity of the Association's financial reporting was maintained.

External auditor

During 2020, the committee undertook an open and competitive tender process to rotate the external audit firm. Services of the independent external auditor were provided by Deloitte until December 2020 and by Grant Thornton thereafter.

The committee received regular verbal and written reports from its external auditor. The committee's work programme for the year included approving the proposed audit strategy, agreeing the schedule of audit fees and receiving the auditors' final report at the conclusion of their audit work.

In addition, the committee continued to ensure the independence and objectivity of the external auditors by:

- Tender of the contract for external audit services after four years,
- Setting out an appropriate policy on the provision by the external auditor of non-audit work and;
- Receiving written confirmation of their continued independence, having carried out sufficient internal enquiries within their firm as they considered necessary.

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

Internal Controls, Systems and Processes

Internal audit

During 2020, the committee continued to monitor the effectiveness of the BMA's internal control systems and were advised by internal auditors, KPMG, who reported regularly to the committee and the chair. Day to day liaison and management of the internal auditor's activity was led by the BMA's acting director of finance. During this period, the committee commissioned the internal auditors to conduct 'deep dive' reviews into the effectiveness of internal controls in the following areas:

- Project Management and Governance, BMJ - report completed January 2020
- BMA Group recharges report - report completed February 2020
- Project Management and Governance, BMA - report completed March 2020
- BMA outsourcing v insourcing - report completed May 2020
- Financial Governance during COVID-19 – report completed October 2020
- Staff Payroll – report completed October 2020
- BMJ Income and Debtors- report completed October 2020

In each of these areas, the organisation was given a detailed report of actions identified for improvement. The actions identified would be agreed with managers to improve systems and controls and the committee would monitor progress against agreed actions by way of regular reports from management.

KPMG gave an overall assessment score of 'amber green' to the organisation. This is in line with their assessment in prior years. The willingness of BMA/BMJ staff to accept suggested action points and the team's alacrity in implementing the key recommendations is a key factor in this score.

At the end of 2020, new internal auditors, Crowe, were appointed, their role commencing from January 2021.

Risk management

The processes surrounding the identification, mitigation and control of risk form a major part of the audit and risk committee agenda, but with ultimate responsibility falling to the Board of Directors.

In October 2020, the senior leadership team and members of this committee met to discuss and develop a new approach to identifying and managing risk within the agreed strategic objectives and business plan.

The committee considers risk to 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 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 with changes notified as appropriate.

British Medical Association

Report and financial statements 2020

Report of the audit and risk committee (continued)

A significant development in 2020 was the identification by the committee and senior leaders of the need to introduce a BMA Group wide risk management culture, where risk is understood, recognised and assessed as part of every area of the business. This would be based on the organisation's risk appetite and strategy. To that end, the committee will consider a proposal to take this forward at its meeting in March 2021.

Jacques Cadranel

Jacques Cadranel

Chair, Audit and Risk Committee

22/4/2021

Independent auditor's report to British Medical Association and its members

Report on the audit of the financial statements

Opinion

We have audited the financial statements of British Medical Association (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the company and consolidated statements of income and expenditure, the company and consolidated statements of comprehensive income, the company and consolidated balance sheets, the company and consolidated statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the group's and parent company's deficit 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.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report to British Medical Association and its members

Report on the audit of the financial statements

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditor's report to British Medical Association and its members

Report on the audit of the financial statements

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The Group and parent company are subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur: the Companies Act 2006, the Trade Union and Labour Relations (Consolidation) Act 1992, FRS 102, tax legislation, anti-bribery legislation and employment law;
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the directors, and from inspection of the Group's Board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the directors;
- Based on the results of our risk assessment, we designed audit procedures to identify non-compliance with such laws and regulations as identified above. These audit procedures were performed at all components within the scope of our audit. Our procedures also involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of legal counsel and group management; and consideration of the volume and nature of complaints received through whistleblowing during the year;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

Independent auditor's report to British Medical Association and its members

Report on the audit of the financial statements

- understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the group and the parent company operates; and
 - understanding of the legal and regulatory requirements specific to the group and parent company.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

Use of our report

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 and solely to the company in accordance with section 36(1) of the Trade Union and Labour Relations (Consolidation) Act 1992. 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.



Nicholas Page

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square, London, EC2A 1AG

22/4/2021

British Medical Association

Company and consolidated statements of income and expenditure

For the year ended 31 December 2020

| | Note | BMA (only) | | Consolidated | |
|---|------|-----------------------|---------------------|-----------------------|-----------------------|
| | | 2020 £000 | 2019 £000 | Group 2020 £000 | Group 2019 £000 |
| Income | | | | | |
| Membership subscriptions | | 49,384 | 48,583 | 49,384 | 48,583 |
| Income from other activities | | 7,767 | 9,943 | 6,865 | 8,895 |
| Publishing: | | | | | |
| Subscriptions and advertising | | - | - | 77,778 | 81,687 |
| | | <u>57,151</u> | <u>58,526</u> | <u>134,027</u> | <u>139,165</u> |
| Expenditure | | | | | |
| Members' services | | 67,240 | 69,090 | 68,477 | 70,171 |
| Other activities | | 1,892 | 1,814 | - | - |
| Publishing | | - | - | 69,706 | 71,158 |
| | | <u>69,132</u> | <u>70,904</u> | <u>138,183</u> | <u>141,329</u> |
| Operating deficit | | | | | |
| Members' services | | (11,981) | (12,378) | (12,228) | (12,693) |
| Publishing | | - | - | 8,072 | 10,529 |
| | | <u>(11,981)</u> | <u>(12,378)</u> | <u>(4,156)</u> | <u>(2,164)</u> |
| Operating deficit | | | | | |
| Income from fixed assets | 5 | 11,980 | 17,110 | 7,117 | 7,633 |
| Interest receivable | 6 | - | 5 | 69 | 231 |
| Other finance expenditure | 11 | (799) | (506) | (799) | (506) |
| Gain on sales of fixed asset investments | 14 | - | - | 248 | - |
| | | <u>(800)</u> | <u>4,231</u> | <u>2,479</u> | <u>5,194</u> |
| Surplus/(deficit) before taxation | | | | | |
| Taxation | 10 | (712) | (1,096) | (2,662) | (3,244) |
| | | <u>(712)</u> | <u>(1,096)</u> | <u>(2,662)</u> | <u>(3,244)</u> |
| Net (deficit)/surplus for the year | | | | | |
| | 19 | <u><u>(1,512)</u></u> | <u><u>3,135</u></u> | <u><u>(183)</u></u> | <u><u>1,950</u></u> |

All activities derive from continuing operations.

The notes on pages 28 to 47 form part of these financial statements.

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

British Medical Association

Company and consolidated statements of comprehensive income

For the year ended 31 December 2020

| | Note | BMA | | Consolidated | |
|---|------|----------------|----------------|--------------|--------------|
| | | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Net (deficit)/surplus for the financial year | | (1,512) | 3,135 | (183) | 1,950 |
| Other comprehensive income: | | | | | |
| Re-measurements of net defined benefit obligation | 11 | (2,163) | (9,798) | (2,163) | (9,798) |
| Unrealised gains on investments | 14 | - | - | 2,376 | 14,816 |
| Deferred tax on revaluation of investment | 10 | - | - | (603) | (1,688) |
| Deferred tax on pension | 10 | 185 | (1,581) | 185 | (1,581) |
| Total comprehensive income for the year net of tax | | <u>(3,490)</u> | <u>(8,244)</u> | <u>(388)</u> | <u>3,699</u> |

British Medical Association

Company and consolidated balance sheet

For the year ended 31 December 2020

| | Note | BMA | | Consolidated | |
|--|----------|-----------------|-----------------|-----------------|--------------------------|
| | | 2020 £000 | 2019 £000 | 2020 £000 | Restated 2019 £000 |
| Fixed assets | | | | | |
| Intangible assets | 12 | 336 | 485 | 2,816 | 3,410 |
| Tangible assets | 13 | 7,517 | 7,950 | 7,606 | 8,136 |
| Investments | 14(a)(b) | - | - | 139,517 | 139,017 |
| Subsidiary undertaking | 14(c) | 140,878 | 140,878 | - | - |
| | | <u>148,731</u> | <u>149,313</u> | <u>149,939</u> | <u>150,563</u> |
| Current assets | | | | | |
| Inventories | 15 | - | - | 9 | 12 |
| Debtors | 16 | 3,752 | 5,885 | 25,717 | 27,555 |
| Cash and bank balances | | 7,759 | 6,256 | 28,107 | 24,044 |
| | | <u>11,511</u> | <u>12,141</u> | <u>53,833</u> | <u>51,611</u> |
| Creditor: amounts falling due within one year | 17 | <u>(35,008)</u> | <u>(35,733)</u> | <u>(55,327)</u> | <u>(56,647)</u> |
| Net current liabilities | | <u>(23,497)</u> | <u>(23,592)</u> | <u>(1,494)</u> | <u>(5,036)</u> |
| Total assets less current liabilities | | <u>125,234</u> | <u>125,721</u> | <u>148,445</u> | <u>145,527</u> |
| Provisions for liabilities | 18 | (168) | (127) | (5,442) | (4,839) |
| Defined pension scheme | 11 | (13,266) | (10,304) | (13,266) | (10,304) |
| | | <u>111,800</u> | <u>115,290</u> | <u>129,737</u> | <u>130,384</u> |
| Net assets | | <u>111,800</u> | <u>115,290</u> | <u>129,737</u> | <u>130,384</u> |
| Capital and reserves | | | | | |
| Revaluation reserve – freehold property | 13 | 454 | 454 | 454 | 454 |
| Revaluation reserve – investments | 20 | - | - | 53,421 | 54,155 |
| Revaluation reserve – subsidiary undertakings | 14(d) | 59,000 | 59,000 | - | - |
| Retained earnings | 19 | 52,346 | 55,836 | 75,862 | 75,775 |
| | | <u>111,800</u> | <u>115,290</u> | <u>129,737</u> | <u>130,384</u> |

The BMA deficit for the financial year before taxation is £800,000 (surplus 2019: £4,231,000). The group consolidated surplus for the financial year before taxation is £2,479,000 (2019: £5,194,000)

The notes on pages 28 to 47 form part of these financial statements.

The financial statements of British Medical Association (registered number 00008848) were approved by the board of directors and authorised for issue on . They were signed on its behalf by:

Trevor Pickersgill

Charand Nagpaul

Dr T Pickersgill
Treasurer

Dr C Nagpaul
Chair of council

22/4/2021

22/4/2021

British Medical Association

Company and consolidated statements of changes in equity

For the year ended 31 December 2020

| | Revaluation reserves £000 | BMA retained earnings £000 | Total equity £000 | Revaluation reserves £000 | Restated Consolidated retained earnings £000 | Restated Total equity £000 |
|--|---------------------------------|-------------------------------------|-------------------------|---------------------------------|--|-------------------------------------|
| As previously stated, balance at 1 January 2019 | 59,454 | 64,080 | 123,534 | 39,793 | 84,863 | 124,656 |
| Restated goodwill carrying value | - | - | - | - | 2,029 | 2,029 |
| Restated balance at 1 January 2019 | 59,454 | 64,080 | 123,534 | 39,793 | 86,892 | 126,685 |
| Surplus for the financial year | - | 3,135 | 3,135 | - | 1,950 | 1,950 |
| Other comprehensive income for the year | - | - | - | - | (1,688) | (1,688) |
| Net pension movement | - | (9,798) | (9,798) | - | (9,798) | (9,798) |
| Unrealised gains on investments | - | - | - | 14,816 | - | 14,816 |
| Movement on deferred tax relating to pension | - | (1,581) | (1,581) | - | (1,581) | (1,581) |
| Balance at 31 December 2019 | <u>59,454</u> | <u>55,836</u> | <u>115,290</u> | <u>54,609</u> | <u>75,775</u> | <u>130,384</u> |
| Balance at 1 January 2020 | 59,454 | 55,836 | 115,290 | 54,609 | 75,775 | 130,384 |
| Deficit for the financial year | - | (1,512) | (1,512) | - | (183) | (160) |
| Other comprehensive income for the year | - | - | - | - | (603) | (603) |
| Net pension movement | - | (2,163) | (2,163) | - | (2,163) | (2,163) |
| Goodwill amortisation | - | - | - | - | (259) | (259) |
| Unrealised gains on investments | - | - | - | 2,376 | - | 2,376 |
| Gains realised on disposal | - | - | - | (3,110) | 3,110 | - |
| Movement on deferred tax relating to pension | - | 185 | 185 | - | 185 | 185 |
| Balance at 31 December 2020 | <u>59,454</u> | <u>52,346</u> | <u>111,800</u> | <u>53,875</u> | <u>75,862</u> | <u>129,737</u> |

British Medical Association

Consolidated statements of cash flows

For the year ended 31 December 2020

| | | Consolidated | |
|--|------|--------------|--------------------------|
| | Note | 2020 £000 | Restated 2019 £000 |
| Net cash from operating activities | a | 2,745 | 2,476 |
| Taxation paid | | (3,233) | (3,745) |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | (488) | (1,269) |
| | | <hr/> | <hr/> |
| Cash flow from investing activities | | | |
| Purchase of intangible assets / investments | | (612) | (356) |
| Amortisation of goodwill adjustment | 23 | (259) | (259) |
| Purchase of tangible assets | | (273) | (867) |
| Proceeds from disposals of tangible assets | | 57 | 60 |
| Proceeds from disposal of investments | | 5,000 | - |
| Interest received | | 69 | 231 |
| Dividends received | | 569 | 845 |
| | | <hr/> | <hr/> |
| Net cash realised /(used) in investing activities | | 4,551 | (346) |
| | | <hr/> | <hr/> |
| Net increase / (decrease) in cash and cash equivalents | b | 4,063 | (1,615) |
| Cash and cash equivalents at the beginning of the year | | 24,044 | 25,659 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | | 28,107 | 24,044 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Cash and cash equivalents consists of: | | | |
| Cash and bank balances | | 28,107 | 24,044 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents | | 28,107 | 24,044 |
| | | <hr/> <hr/> | <hr/> <hr/> |

British Medical Association

Consolidated statements of cash flows (continued)

For the year ended 31 December 2020

| | Consolidated | |
|--|--------------|------------------|
| | 2020 | Restated 2019 |
| | £000 | £000 |
| Note a: Reconciliation of net (deficit) /surplus to net cash inflow from operating activities | | |
| Net (deficit) /surplus for the year | (183) | 1,950 |
| Adjustments for: | | |
| Tax on surplus | 2,662 | 3,244 |
| Income from fixed assets | (7,117) | (7,633) |
| Income from current assets | (69) | (231) |
| Other finance expenditure | 799 | 506 |
| Gain on sale on fixed assets investments | (248) | - |
| | <hr/> | <hr/> |
| Operating (deficit)/surplus | (4,156) | (2,164) |
| Surplus on rental income | 4,283 | 4,524 |
| Depreciation of tangible assets | 824 | 883 |
| Amortisation of intangible assets | 594 | 704 |
| Loss on disposal of tangible fixed assets | (57) | (60) |
| Working capital movements: | | |
| Decrease in creditors | 3,380 | 963 |
| Decrease in debtors | (2,120) | (2,372) |
| Decrease in inventories | (3) | (2) |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | <u>2,745</u> | <u>2,476</u> |
| Note b: Reconciliation of net cash flow to movements in net (deficit)/funds | | |
| Increase in cash in the year | 4,063 | 5,395 |
| Decrease in cash held in liquidity fund | - | (7,010) |
| | <hr/> | <hr/> |
| Change in net funds | <u>4,063</u> | <u>(1,615)</u> |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

1. Statutory information

British Medical Association is a private company registered in England and Wales, incorporated in the United Kingdom, registration number 00008848. 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.

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.

Going Concern

At the time of approving these financial statements and given the current impact and ongoing uncertainty created by the COVID-19 pandemic, the directors have assessed the going concern of the BMA and its subsidiaries, this assessment and consideration is summarised below:

Broad context

BMA specific and the group were in a strong cash position at 31 December 2020 (£7.8m and £28.1 respectively, 2019: £6.3m and £24.0m) and remained so at the date of signing these financial statements. Initial cash flow forecasts to July 2022 shows the group having in excess of £20.0m in liquid cash. The Group had net assets of £127.9m at the same balance sheet date.

Whilst overall membership decreased, due primarily to the lack of face to face student recruitment, the number of practising members increased, which resulted in an 1.6% increase in membership subscription income. Whilst social distancing rules are still in place, face to face recruitment is not possible and as such we have explored alternative ways to recruit/retain members through the use of technology/social media. Other non-subscription income streams such as the events and property lease income has been impacted by COVID-19, but the majority of any losses has been mitigated by savings in other areas.

As mentioned in the strategic report one of the main financial risk for the BMA group is the defined benefit pension scheme that closed to future accrual in July 2014. As of that time, the pension scheme was fully funded. Subsequently through abnormal external market conditions, the scheme went into deficit, then surplus and back to a deficit position. The Association is closely monitoring this and is working collaboratively with the scheme’s Pension Trustees to manage the on-going financial risk. The next triennial valuation of the scheme is due on 31 March 2021.

Liquidity and working capital

A reforecast of cashflow has been undertaken in light of the changing economic environment resulting from COVID-19. This analysis clearly shows that the Group remains significantly cash positive throughout 2021 and well into 2022, even with lost revenues and ongoing costs. It should be further noted that this cashflow analysis does not assume that the business takes advantage of any government support schemes nor that any structural cost cutting measures are initiated, which provides further comfort that cashflow will not prevent the business from continuing successfully. A review of the BMA Investments Limited holdings prior to the COVID-19 outbreak resulted in the Finance Committee agreeing to sell £5m worth of assets held with SSGA (State Street Global Assets), so this crystallized additional working capital for the group, and if further liquid cash is required could repeat this as and when required. The value of these investments was £139.5m as at 31st December 2020 and group cash amounted to £28.1m at 31st December 2020.

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

Asset valuations

There was substantial headroom on all assets across the group, with the BMJ, BMA House and Edinburgh office valuations all recorded at historical rates in the financial statements so this would only strengthen the balance sheet.

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 Company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemption available to it in respect of its separate financial statements in relation to presentation of a cash flow statement and key management personnel disclosures.

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 Association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates 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, 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. 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.

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.

(ii) Publishing subscriptions and advertising

Income and expenditure relating to publications is accounted for in the year within which publication date falls. Income from publication subscriptions and service contracts is deemed to accrue evenly over the financial year 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 advertisements are published. Where results relate to discontinued activities, these are disclosed separately on the face of the income statement. Any income from learning events and conferences is 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 recognised at the date of the event happening. Deposits received by the balance sheet date in respect of events in future periods are deferred.

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

3. Accounting policies (continued)

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 comprehensive income. 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 account 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
- unrealised 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.

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

3.Accounting policies (continued)

(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. Where 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 2020. 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 income and expenditure account.

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.

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

3. Accounting policies (continued)

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 income and expenditure 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.

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 account 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.

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

3. Accounting policies (continued)

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.

Accounting judgements

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.

Management estimation

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 2020 (continued)

5. Income from fixed assets

| | BMA | | Consolidated | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Gross rental income | 5,480 | 5,685 | 4,072 | 4,313 |
| Service and maintenance income | - | - | 211 | 211 |
| Net property income | 5,480 | 5,685 | 4,283 | 4,524 |
| Dividends and interest | 6,500 | 11,425 | 2,853 | 3,128 |
| Investment management fees | - | - | (19) | (19) |
| | 11,980 | 17,110 | 7,117 | 7,633 |

6. Interest receivable

| | BMA | | Consolidated | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Interest on bank deposit accounts | - | 5 | 69 | 231 |

7. Interest payable (inter-company)

Interest payable by the BMA relates to interest paid to other group companies. Nil for 2020 (2019:£Nil).

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

8. (Deficit)/surplus before taxation

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

The average monthly full time equivalent (FTE) number of persons active within the company during the year is shown below. Although all staff members within the BMA group are employed by the British Medical Association, the Company income statement, the company costs and average number of employees shown below represent the net amounts after recharges of £28.1m (2019:£26.8m) to the BMJ Publishing Group Limited and £0.1m (2019:£0.1m) to BMA Investments Limited by the British Medical Association.

| | BMA | | Consolidated | |
|--|---------------|---------------|---------------|---------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Wages and salaries | 28,441 | 26,654 | 55,316 | 52,020 |
| Social security costs | 2,859 | 2,792 | 5,341 | 5,289 |
| Other pension costs – defined contribution | 2,724 | 2,635 | 4,945 | 4,851 |
| | <u>34,024</u> | <u>32,081</u> | <u>65,603</u> | <u>62,159</u> |
| | Number | Number | Number | Number |
| Monthly average number of employees during year: | | | | |
| Members' services | 511 | 508 | 511 | 508 |
| Publishing | - | - | 408 | 408 |
| | <u>511</u> | <u>508</u> | <u>919</u> | <u>916</u> |
| Depreciation of tangible assets | 702 | 799 | 824 | 833 |
| Amortisation of intangible assets | 149 | 389 | 335 | 445 |
| Loss on disposal of fixed assets | (57) | (60) | (57) | (60) |
| Auditor's remuneration | | | | |
| Audit of financial statements - BMA | 69 | 58 | 69 | 58 |
| Audit of financial statements - subsidiaries | - | - | 124 | 84 |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

9. Directors' emoluments

| | BMA | | Consolidated | |
|--|--------------|--------------|--------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Aggregate emoluments/honoraria (excluding pensions) | 951 | 933 | 1,995 | 2,237 |
| Aggregate pension – defined contribution scheme | - | - | 20 | 21 |
| Highest paid director | | | | |
| Total amount of emoluments and amounts receivable under long-term incentive plans | 236 | 171 | 243 | 422 |

For the purposes of FRS102, the directors of the BMA are deemed to be the key management personnel.

10. Taxation

| | BMA | | Consolidated | |
|--|--------------|--------------|--------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Current tax | | | | |
| UK corporation tax @ 19% (2019: 19%) | 745 | 1,192 | 2,728 | 3,029 |
| Adjustments in respect of prior years | (73) | (55) | (210) | (58) |
| Foreign tax | - | - | 238 | 383 |
| Total current tax | 672 | 1,136 | 2,756 | 3,354 |
| Deferred tax | | | | |
| Origination and reversal of timing differences | (14) | (12) | (188) | (20) |
| Changes in tax rates or laws | 18 | - | 10 | - |
| Adjustments in respect of prior years | 36 | (28) | 84 | (90) |
| Total deferred tax | 40 | (40) | (94) | (110) |
| Total taxation on deficit | 712 | 1,096 | 2,662 | 3,244 |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (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 2018 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 2020 was a gain of £28.5 million.

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

| | 2020 | 2019 |
|--|-------------|-------------|
| Principal actuarial assumptions: | | |
| Future pension increases | | |
| - Increasing in line with RPI | 2.90% | 3.20% |
| - Increasing in line with RPI subject to a maximum of 5% | 2.80% | 3.00% |
| Discount rate | 1.40% | 2.00% |
| RPI inflation | 2.90% | 3.20% |
| CPI inflation | 2.50% | 2.50% |

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

| | 2020 | 2019 |
|--|-------------|-------------|
| | £000 | £000 |
| Male member age 65 (current life expectancy) | 22.5 | 22.4 |
| Male member age 40 (life expectancy at age 65) | 23.9 | 23.8 |
| Female member age 65 (current life expectancy) | 24.8 | 24.7 |
| Female member age 40 (life expectancy at age 65) | 26.3 | 26.3 |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

11. Post-employment benefit (continued)

| | Value at 31 December | |
|-------------------------------------|----------------------|-----------------|
| | 2020 £000 | 2019 £000 |
| Equities | 88,317 | 87,288 |
| Indexed linked government bonds | 167,579 | 175,240 |
| Corporate bonds | 38,325 | 35,734 |
| Property | 56,117 | 48,743 |
| Liability driven investment (LDI) | - | 17,498 |
| Other | 75,326 | 35,633 |
| | <hr/> | <hr/> |
| Fair value of scheme assets | 425,664 | 400,136 |
| Present value of funded obligations | (438,930) | (410,440) |
| | <hr/> | <hr/> |
| Net defined liability | <u>(13,266)</u> | <u>(10,304)</u> |

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

| | 2020 £000 | 2019 £000 |
|--|----------------|----------------|
| Fair value of scheme assets at 1 January | 400,136 | 374,719 |
| Interest income on scheme assets | 7,900 | 10,348 |
| Actuarial gain | 28,466 | 26,381 |
| Benefits paid from scheme | (10,285) | (10,298) |
| Scheme administration expenses | (553) | (1,014) |
| | <hr/> | <hr/> |
| Fair value of scheme at 31 December | <u>425,664</u> | <u>400,136</u> |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

11. Post-employment benefit (continued)

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

| | 2020 | 2019 |
|--|----------------|----------------|
| | £000 | £000 |
| Defined benefit obligation at 1 January | 410,440 | 356,589 |
| Interest cost | 8,106 | 9,840 |
| Actuarial loss due to change in assumptions | 30,629 | 54,309 |
| Plan introduction, changes, curtailments and settlements | 40 | - |
| Benefits paid from scheme | (10,285) | (10,298) |
| | <u>438,930</u> | <u>410,440</u> |
| Defined benefit obligation at 31 December | 438,930 | 410,440 |

The amounts recognised in profit or loss are as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| | £000 | £'000 |
| Net interest on net defined benefit liability | (206) | 508 |
| Plan introduction, changes, curtailments and settlements | (40) | - |
| Scheme administration expenses | (553) | (1,014) |
| | <u>(799)</u> | <u>(506)</u> |

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

| | 2020 | 2019 |
|--|----------------|----------------|
| | £000 | £000 |
| Return on assets, excluding interest income | 28,466 | 26,381 |
| Actuarial loss arising from changes in assumptions | (30,629) | (54,309) |
| Gain due to the asset ceiling | - | 18,130 |
| | <u>(2,163)</u> | <u>(9,798)</u> |
| Total loss recognised in the OCI at 31 December | (2,163) | (9,798) |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

12. Intangible assets

| | BMA Software £000 | Consolidated Software £000 | Restated Consolidated Goodwill £000 | Restated Consolidated Total £000 |
|---|-------------------------|----------------------------------|--|---|
| As previously stated as at 1 January 2020 | 485 | 1,381 | - | 1,381 |
| Restated goodwill carrying value | - | - | 2,029 | 2,029 |
| Restated as at 1 January 2020 | 485 | 1,381 | 2,029 | 3,410 |
| Amortisation | (149) | (335) | (259) | (594) |
| Closing net book amount | 336 | 1,046 | 1,770 | 2,816 |

Intangible assets

The software intangible assets include the Association's new membership system, HR payroll systems and finance system, which were created by external development firms for the Association's specific requirements and have a remaining amortisation period of 1.5 year, 2.5 years and 4.0 years respectively.

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

Goodwill

Note 23 provides further details on the prior year adjustment. The Drug and Therapeutics Bulletin (DTB), which was purchased by BMJ Publishing Group Limited in 2006, has a carrying value as at 31 December 2020 of £116,000 (31 December 2019: £136,000) and has an estimated remaining useful life of 5 years. The Medelect Limited business, which was purchased by BMJ Publishing Group Limited in 2009, has a carrying value as at 31 December 2020 of £1,654,000 (31 December 2019: £1,893,000) and has an estimated remaining useful life of 8 years.

13. Tangible assets

| (i) BMA | Freehold premises £000 | Long leasehold improvements £000 | Plant and office equipment £000 | Motor vehicles £000 | Total £000 |
|---|------------------------------|---|--|---------------------------|---------------|
| Cost or valuation | | | | | |
| At 1 January 2020 | 13,305 | 1 | 2,149 | 699 | 16,154 |
| Additions during year | 63 | - | 210 | - | 273 |
| Disposals during the year | - | - | - | (116) | (116) |
| At 31 December 2020 | 13,368 | 1 | 2,359 | 583 | 16,311 |
| Less :Accumulated depreciation | | | | | |
| At 1 January 2020 | (5,971) | (1) | (1,743) | (489) | (8,204) |
| Charge for the year | (378) | - | (220) | (104) | (702) |
| Disposals and amounts written off during the year | - | - | - | 112 | 112 |
| At 31 December 2020 | (6,349) | (1) | (1,963) | (481) | (8,794) |
| Net book value at 31 December 2020 | 7,019 | - | 396 | 102 | 7,517 |
| At 31 December 2019 | 7,334 | - | 406 | 210 | 7,950 |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

13. Tangible assets (continued)

| (ii) Consolidated | Freehold premises £000 | Long leasehold improvements £000 | Plant and office equipment £000 | Motor vehicles £000 | Total £000 |
|---------------------------|------------------------------|---|--|---------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 January 2020 | 13,305 | 1 | 2,541 | 699 | 16,546 |
| Additions during year | 63 | - | 235 | - | 298 |
| Disposals during the year | - | - | - | (116) | (116) |
| At 31 December 2020 | <u>13,368</u> | <u>1</u> | <u>2,776</u> | <u>583</u> | <u>16,728</u> |
| Less: | | | | | |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | (5,971) | (1) | (1,949) | (489) | (8,410) |
| Charge for the year | (378) | - | (342) | (104) | (824) |
| Disposals during the year | - | - | - | 112 | 112 |
| At 31 December 2020 | <u>(6,349)</u> | <u>(1)</u> | <u>(2,291)</u> | <u>(481)</u> | <u>(9,122)</u> |
| Net book amount | | | | | |
| At 31 December 2020 | <u>7,019</u> | <u>-</u> | <u>485</u> | <u>102</u> | <u>7,606</u> |
| At 31 December 2019 | <u>7,334</u> | <u>-</u> | <u>592</u> | <u>210</u> | <u>8,136</u> |

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 2020 is significantly higher than the carrying value recorded above.

14. Investments

| (a) Reconciliation of market value of investments | Consolidated | |
|---|----------------|----------------|
| | 2020 £000 | 2019 £000 |
| Market value at 1 January | 139,017 | 121,900 |
| Additions | 12,743 | 2,301 |
| Proceeds of sale | (14,867) | - |
| Realised gain on disposal of investments | 248 | - |
| Increase in market value of investments | <u>2,376</u> | <u>14,816</u> |
| Total at 31 December | <u>139,517</u> | <u>139,017</u> |
| Cost at 31 December | <u>81,089</u> | <u>84,536</u> |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

14. Investments (continued)

| (b) Analysis of market value of investments | Consolidated | |
|---|--------------|--------------|
| | 2020 £000 | 2019 £000 |
| UK equity passive index funds | 26,257 | 29,129 |
| Global equity passive index funds | 42,086 | 42,620 |
| Multi asset diversified funds | 20,756 | 19,766 |
| Sustainable real return funds | 31,223 | 28,464 |
| Secured property income fund | 18,260 | 18,706 |
| Locum Tap* | 935 | 322 |
| | 139,517 | 139,017 |

*In 2020, the BMJ Publishing Group Limited purchased a further 3% minority interest in LocumTap Limited (trading as Patchwork Limited), to increase the holding to 13%, to help hospitals better manage demand for NHS temporary staff. Patchwork Limited is a marketplace that connects healthcare employers directly with locum clinicians.

| (c) Cost of investments in group undertakings | BMA | |
|---|--------------|--------------|
| | 2020 £000 | 2019 £000 |
| Balance at 1 January and 31 December | 140,878 | 140,878 |

| Entity name | Holding | Country of incorporation | Company registration numbers | Immediate parent company | Registered Office |
|---|---------|--|------------------------------|--------------------------|---|
| BMJ Publishing Group | 100% | United Kingdom | 03102371 | BMA | BMA House, Tavistock Square, London |
| BMA Investments Limited | 100% | United Kingdom | 02683429 | BMA | BMA House, Tavistock Square, London |
| BMA (2002) Limited* | 100% | United Kingdom | 03523034 | BMA | BMA House, Tavistock Square, London |
| Medelect Limited* | 100% | United Kingdom | 03908486 | 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, Hoboken, 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 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 2020 (continued)

15. Inventories

| | BMA | | Consolidated | |
|-------------------------------|--------------|--------------|--------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Raw materials and consumables | - | - | 9 | 12 |

16. Debtors

| | BMA | | Consolidated | |
|---|--------------|--------------|---------------|---------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 865 | 1,162 | 14,577 | 16,871 |
| Amounts owed by group undertakings | - | 1,732 | - | - |
| Other receivables | 6 | 718 | 516 | 1,183 |
| Deferred tax | 769 | 584 | 1,034 | 753 |
| Prepayments and accrued income | 2,112 | 1,689 | 9,590 | 8,748 |
| | <u>3,752</u> | <u>5,885</u> | <u>25,717</u> | <u>27,555</u> |

Amounts owed by group undertaking are repayable upon demand.

17. Creditors: amounts falling due within one year

| | BMA | | Consolidated | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Trade creditors | 1,953 | 1,284 | 3,527 | 3,679 |
| Amounts owed to group undertakings | 16,046 | 17,807 | - | - |
| Corporation tax | 227 | 638 | 855 | 1,425 |
| Other creditors | 323 | 129 | 446 | 277 |
| Accruals and deferred income | 7,985 | 7,350 | 27,327 | 33,098 |
| Subscriptions received in advance | 8,474 | 8,525 | 23,172 | 18,168 |
| | <u>35,008</u> | <u>35,733</u> | <u>55,327</u> | <u>56,647</u> |

Amounts owed to group undertaking are repayable upon demand.

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

18. Provisions for liabilities

| | BMA | | Consolidated | |
|---|--------------|--------------|--------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Deferred tax | | | | |
| At 1 January | 127 | 168 | 4,839 | 3,186 |
| Provided during the year | 41 | (41) | 603 | 1,653 |
| At 31 December | <u>168</u> | <u>127</u> | <u>5,442</u> | <u>4,839</u> |
| Amounts estimated to be released greater than 12 months | <u>168</u> | <u>127</u> | <u>5,442</u> | <u>4,839</u> |

The above excludes the deferred tax asset of £769,000 (2019: £584,000) relating to the BMA Staff Pension Scheme see note 10.

19. Retained earnings

| | BMA | | Consolidated | |
|---|---------------|---------------|---------------|--------------------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | Restated 2019 £000 |
| Opening accumulated reserves as previously stated | 55,836 | 64,080 | 75,775 | 84,863 |
| Restated goodwill carrying value | - | - | - | 2,029 |
| Restated accumulated reserves | 55,836 | 64,080 | 75,775 | 86,892 |
| Net (deficit)/surplus for the financial year | (1,512) | 3,135 | (183) | 1,950 |
| Actuarial loss on pension scheme movement | (2,163) | (9,798) | (2,163) | (9,798) |
| Goodwill amortisation | - | - | (259) | - |
| Deferred tax on revaluation of investments | - | - | (603) | (1,688) |
| Gains realised on disposal | - | - | 3,110 | - |
| Movement on deferred tax relating to pension | 185 | (1,581) | 185 | (1,581) |
| Closing accumulated reserves | <u>52,346</u> | <u>55,836</u> | <u>75,862</u> | <u>75,775</u> |

20. Revaluation reserve - investments

| | BMA | | Consolidated | |
|--|--------------|--------------|---------------|---------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| At 1 January | - | - | 54,155 | 39,339 |
| Increase in market value of investments for year | - | - | 2,376 | 14,816 |
| Gains realised on disposal | - | - | (3,110) | - |
| At 31 December | <u>-</u> | <u>-</u> | <u>53,421</u> | <u>54,155</u> |

British Medical Association

Notes to the financial statements

For the year ended 31 December 2020 (continued)

21. Reconciliation of movements in reserves employed

| | BMA | | Consolidated | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | Restated 2019 |
| | £000 | £000 | £000 | £000 |
| Net (deficit)/surplus for the financial year | (1,512) | 3,135 | (183) | 1,950 |
| Net actuarial loss on pension scheme movement | (2,163) | (9,798) | (2,163) | (9,798) |
| Goodwill amortisation | - | - | (259) | - |
| Deferred tax on revaluation of investments | - | - | (603) | (1,688) |
| Increase in market value of investments for year | - | - | 2,376 | 14,816 |
| Movement on deferred tax relating to pension | 185 | (1,581) | 185 | (1,581) |
| | <u>(3,490)</u> | <u>(8,244)</u> | <u>(647)</u> | <u>3,699</u> |
| Net movement in reserves employed | | | | |
| Opening accumulated reserves as previously stated | 115,290 | 123,534 | 130,384 | 124,656 |
| Restated goodwill carrying value | - | - | - | 2,029 |
| Restated opening accumulated reserves | <u>115,290</u> | <u>123,534</u> | <u>130,384</u> | <u>126,685</u> |
| Closing accumulated reserves | <u><u>111,800</u></u> | <u><u>115,290</u></u> | <u><u>129,737</u></u> | <u><u>130,384</u></u> |

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 country 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 2020 (continued)

23. Prior period adjustment

In 2006 BMJ Publishing Group Limited, a subsidiary of the Association, undertook an acquisition of the Drugs and Therapeutics Bulletin. In 2009, a further acquisition was made of Medelect Limited. Both of these transactions resulted in the recognition of goodwill on acquisition and is included within the BMJ Publishing Group Limited accounts.

It was identified that goodwill relating to the acquisition of these businesses had been eliminated on consolidation through retained earnings in previous years. However, the amortisation continued to be charged correctly to the consolidated statement of income and expenditure, therefore there is no impact on the Consolidated Income statement comparative. In order, to correct this, the Association has recognised a prior period adjustment to reflect the goodwill that should have been recognised on the balance sheet, while increasing the retained earnings. The result of the prior period adjustment is shown in the consolidated balance sheet, consolidated changes in equity, consolidated statement of cash flows as well as note 12, 19 and 21 – and summarised as follows:

| | |
|---|-------------------|
| Consolidated statement of changes in equity as at 1 Jan 2019 | £84,863,000 |
| Correction to goodwill carrying value | <u>£2,029,000</u> |
| Restated consolidated statement of changes in equity as at 1 Jan 2019 | £86,892,000 |

| | |
|--|-----------------|
| Consolidated statements of cash flow as at 31 December 2019 | |
| Previously stated amortisation of intangible assets | £445,000 |
| Amortisation of goodwill carrying value correction | <u>£259,000</u> |
| Restated consolidated statements of cash flow as at 31 December 2019 | £704,000 |

| | |
|---|-------------------|
| Total Equity as at 1 Jan 2019 | £124,656,000 |
| Correction to goodwill carrying value | <u>£2,029,000</u> |
| Net impact on retained earnings carried forward as at 31 Dec 2019 | £126,685,000 |

Intangible assets

| | BMA Software £000 | Consolidated Software £000 | Restated Consolidated Goodwill £000 | Restated Consolidated Total £000 |
|---|----------------------------------|---|--|---|
| As previously stated as at 1 January 2019 | 874 | 1,433 | 37 | 1,470 |
| Restated goodwill carrying value | - | - | 2,288 | 2,288 |
| Restated as at 1 January 2019 | 874 | 1,433 | 2,325 | 3,758 |
| Addition | - | 356 | - | 356 |
| Amortisation | (389) | (408) | (296) | (704) |
| Closing net book amount | 485 | 1,381 | 2,029 | 3,410 |

Further detail of the net book value of goodwill arising from each acquisition has been included within note 12.