

Consolidated Financial Statements

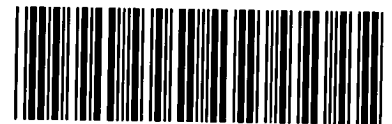
for the year ended 31 December 2016

THE

INVESTMENT

ASSOCIATION

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June 2017

CONTENTS

Directors and Officers	2
Directors' Report	3
Statement of Directors' Responsibilities	4
Strategic Report	5
Corporate Governance Report	7
Independent Auditors' Report to the Members of The Investment Association	8-11
Consolidated Statement of Income and Retained Earnings for the year ended 31 December 2016	12
Statements of Financial Position as at 31 December 2016	13
Consolidated Cash Flow Statement for the year ended 31 December 2016	14
Notes to the Consolidated Financial Statements for the year ended 31 December 2016	15-24

The Investment Association

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Registered number: 04343737

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W: theinvestmentassociation.org

June 2017

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DIRECTORS AND OFFICERS

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the Financial Statements were:

M I Ahmad ■

G M Armour (resigned 15 December 2016)

J L Berens

M C P Carmignac

M Cohen

E P L Corley (resigned 21 September 2016)

C J Cummings (appointed 21 September 2016)

P W Feeney

A J Formica ★

P Harrison ★ ■ (since appointment as Chairman 1 May 2017)

A C Hoctor-Duncan

P J Horrell

A A Laing ■

K McFarland ●

E Munro (appointed 6 January 2017)

H L Morrissey ★ ■ (up to 1 May 2017) (resigned 1 May 2017)

J M Munro

M P O'Shea

G E Williams ●

M Zinkula ●

COMPANY SECRETARY

J W Knight

REGISTERED OFFICE

Camomile Court,
23 Camomile Street,
London,
EC3A 7LL

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP,
7 More London,
Riverside,
London, SE1 2RT

MEMBERS OF THE INVESTMENT ASSOCIATION GOVERNANCE COMMITTEES

- ★ Remuneration Committee
- Audit Committee
- Nominations Committee

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated Financial Statements for the year ended 31 December 2016.

COMPANY STATUS

The Company is limited by guarantee. Its members have undertaken that, in the event of a winding up, they will contribute towards payment of the liabilities of the Company a sum up to the amount of their guarantee of £10. The guarantee is set out in the Memorandum of Association. As at 31 December 2016 there were 199 members (2015: 205). By virtue of its constitution no dividends are payable by the Company.

EMPLOYEES

The Company is an equal opportunities employer.

Consultation with employees is held with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests; and achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company's finances. Communication with all employees continues through day-to-day contact, team briefings and the internal distribution of written communications.

The Company has been recognised with the Pension Quality Mark PLUS.

DIRECTORS AND DIRECTORS' INTERESTS

The names of the current directors are listed on page 2. None of the directors held any interests in the Company during the year.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

INDEPENDENT AUDITORS

The Board proposes, in line with good practice, to undertake an audit tendering process during 2017. Accordingly a resolution to propose an auditor appointment will be submitted at the next annual general meeting.

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Relevant information is defined as "information needed by the Company's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE DIRECTORS' REPORT AND THE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS (THE "FINANCIAL STATEMENTS") IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

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

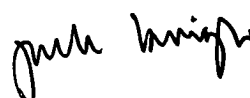
Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these Financial Statements, the directors are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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, from FRS 102 used in the preparation of the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board of Directors

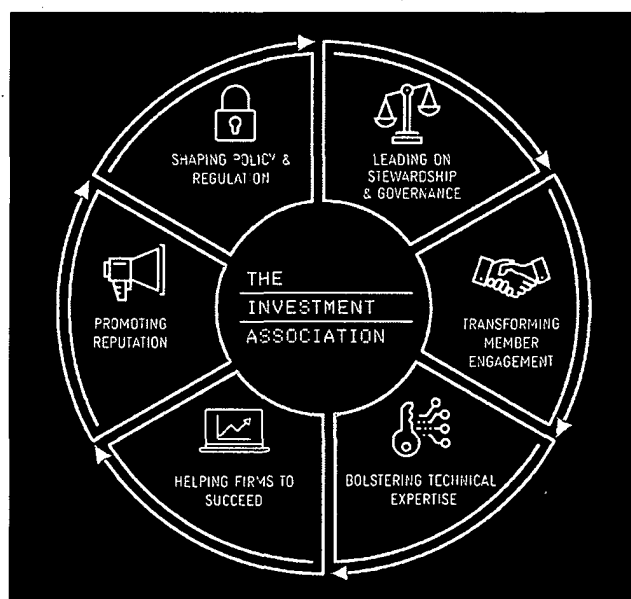


J W Knight

Company Secretary

12 June 2017

STRATEGIC REPORT



IA STRATEGY REFRESH 2017

The Strategy was based on stakeholder research including:

- Millward Brown survey of membership and stakeholders
- PricewaterhouseCoopers interviews with members, HM Treasury, the FCA and EFAMA
- Britain Thinks research on consumer perspectives
- Senior Investment Association discussions and away days
- Staff debate and away days
- Investment Association Board discussion and feedback

The Strategy has been finalised and approved by the Board and is being implemented through an annual Business Planning cycle.

FINDINGS

Key trends and themes included the increasingly important role the industry is playing in society, with asset management now serving the needs of millions of households in the UK and abroad.

A changing environment with demographic pressures, political developments such as Brexit and the need for Cyber Security were seen as key issues for the organisation.

The survey indicated that the pace of change in the industry was being set by technological developments, especially robo-advice, the rise of 'fintech', AI, blockchain and Big Data.

It was felt that change can bring opportunities, and the Investment Association should craft an industry-leading reputation, helping the industry to deliver:

- Customer-centric business models
- Optimise distribution
- Simplify business and operating models

The organisation should also:

- Lead on risk, regulation and capital
- Deliver on transparency
- Work for fair and effective markets
- Enable innovation

“CHAMPIONING OUR INDUSTRY FOR THE BENEFIT IT BRINGS TO INVESTORS AND THE WIDER ECONOMY, IN THE UK AND ACROSS THE WORLD.”

STRATEGIC PRIORITIES

Stemming from the research and subsequent discussions are six key strategic themes for the Investment Association to focus on in the coming years.

BOLSTERING TECHNICAL EXPERTISE

The organisation should build on its highly regarded technical capability.

HELPING FIRMS TO SUCCEED

Better helping members to prepare for and operationalise regulatory change.

LEADING ON STEWARDSHIP AND GOVERNANCE

Building on our strong contribution to the 'better capitalism' agenda.

PROMOTING REPUTATION

Championing the reputation of the asset management industry.

SHAPING POLICY AND REGULATION

Increase influence to shape policy at the highest levels in the UK, in Brussels and globally.

TRANSFORMING MEMBER ENGAGEMENT

Refocusing the organisation's committees and delivering visibility of key achievements.

REORGANISATION

The IA's seven core teams are being renamed and refined to create the best structure for the organisation to deliver on the six core strategic themes.

The new division names are designed to give a very clear description of each team's core focus. The new organisation structure will be combined with an ongoing review of our committee structure and governance.

- CEO Office
- COO
- Corporate Affairs
- Investment & Capital Markets
- Membership & Enterprise
- Policy, Strategy & Research
- Risk, Compliance & Tax
- Stewardship & Corporate Governance

The new structure will be complemented by key hires to build expertise among the teams.

The organisation will also implement a new project management process and clearly defined processes and checklists.

The Investment Association's talent pool will be better managed, including the introduction of a professional development programme and ensuring diversity and inclusion.

VALUES

A set of key values has been created to guide the IA and ensure it delivers the best possible service for the asset management industry and its clients.

THE AUTHORITATIVE VOICE

Recognised by all as the respected voice of the industry.

A TRUSTED PARTNER

Succeeds with others through building long-term relationships.

FORWARD THINKING

Helping the industry to succeed over the long-term.

AGILE, INNOVATIVE AND OPEN

In how we work together, and how we support our members, we seek new ways to improve.

DEEPLY COMMITTED TO CONSISTENTLY DELIVERING EXCELLENCE

All our work must be of the highest standards as it is relied upon by so many others.

VISION

Our vision for the organisation is a statement of intent, guiding all of our work.

"Championing our industry for the benefit it brings to investors and the wider economy, in the UK and across the world."

CORPORATE GOVERNANCE REPORT

THE BUSINESS OF THE ASSOCIATION IS MANAGED BY THE BOARD, WHICH CONSISTS OF SEVENTEEN NON-EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE. IT IS CHAIRED BY P HARRISON SINCE HIS APPOINTMENT AS CHAIRMAN ON 1 MAY 2017 AND MEETS REGULARLY. PRIOR TO THAT H L MORRISSEY WAS THE CHAIRMAN.

There are three board sub committees: the Audit Committee, The Nominations Committee and the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee comprises three non-executive directors and is chaired by M Zinkula. The responsibilities of the Audit Committee include the following:

- Making recommendations to the Board on the appointment, reappointment and remuneration of the Auditors of the Association;
- Maintaining and reviewing the effectiveness of the internal control systems;
- Reviewing the Financial Statements of the Association prior to referral to the Board;
- Defining and conducting the relationship between the Association and the Auditors including the nature and scope of the audit;
- Reviewing the Auditors' representation letter and preparing the audit committee report.

NOMINATIONS COMMITTEE

The Nominations committee comprises three non-executive directors and is now chaired by P Harrison (previously H L Morrissey). The committee recommends appointments to the Board.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two non-executive directors and is now chaired by P Harrison (previously H L Morrissey). It meets when appropriate and is responsible for determining the terms and conditions, salary and bonus payments of the Chief Executive and certain senior staff.

GOING CONCERN

The Board has made appropriate enquiries and has concluded that the expected level of member subscriptions will cover forecast expenses and therefore it is reasonable to assert that the Company and the Group will remain in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

INTERNAL CONTROL AND RISK ASSESSMENT

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The system of internal controls is designed to manage and mitigate the risks affecting the business and its operations. The control procedures will not totally eliminate risks and can only provide reasonable (and not absolute) assurance against material misstatement and loss.

MONITORING AND CORRECTIVE ACTION

There are clear and consistent procedures in place for monitoring the system of internal controls. The Audit Committee meets at least once a year and reviews the effectiveness of the Group's system of internal controls. The Audit Committee receives reports from line management and the external auditors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INVESTMENT ASSOCIATION

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion,

- The Investment Association's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and the group's cash flows for the year then ended;
- the group and company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

The financial statements, included within the Consolidated Financial Statements (the "Annual Report"), comprise:

- the Statements of Financial Position as at 31 December 2016;
- the Consolidated Statement of Income and Retained Earnings for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

OUR AUDIT APPROACH

OVERVIEW

- Overall group materiality: £ 210,073 which represents 2% of revenue.
- A full scope audit of both The Investment Association and The Investment Association Services Limited was carried out and we applied professional judgement to determine the extent of testing required over each balance in the financial statements.
- In view of the group's principal activity as a representative body for its subscriber member base, our main area of focus in the audit was revenue recognition. The audit team focussed on the receipt of revenue and the potential risk of error in recording of revenue in the correct period.



THE SCOPE OF OUR AUDIT AND OUR AREAS OF FOCUS

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS

REVENUE RECOGNITION

Revenue is the most significant account balance in the Consolidated Statement of Income and Retained Earnings. Revenue is made up of a number of streams including membership fees for The Investment Association; management fees, training course fees, annual event income, membership fees relating to IVIS ('Institutional Voting Information Service') and one off income relating to legal fees incurred and recharged to certain members.

We focussed on a number of aspects of Revenue as follows:

- Membership fees for The Investment Association are charged to all members. The risk associated with this revenue stream is
 - (i) fraudulent membership subscriptions to help increase revenue; and
 - (ii) posting of revenue relating to 2017 in the 2016 financial statements, as these are annual subscriptions.
- Management fees are generated from users of The Investment Association premises and facilities. There is a fraud risk that the fees may be manipulated in order to increase the revenue recorded in the financial statements.
- Membership fees relating to IVIS membership subscriptions have a number of risks associated with this revenue stream;
 - (i) fraudulent membership subscriptions to help increase revenue; and
 - (ii) posting of revenue relating to 2017 in the 2016 financial statements, as these are annual subscriptions.
- Training course fees and annual event income are subject to fraud risks through the manipulation of fictional attendees in order to vary the revenue received.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

For all the revenue streams we understood the design and implementation of key controls.

MEMBERSHIP FEES FOR THE INVESTMENT ASSOCIATION

- Invoices sent to members were tested on a sample basis to check that the correct fee was recorded and that the revenue was recorded in the correct period.
- Payments received from members were agreed on a sample basis to the company's bank accounts.
- Completeness of revenue was tested by checking the number of members from the official members listing to the invoices raised.
- We checked for the presence fraud risk indicators from material journals posted to revenue. None were noted.

MANAGEMENT FEES

- Fees were agreed to agreements that were already in place and to latest updated agreements to check that the correct fee was charged in each quarter.
- Amounts were agreed to bank statements to check that payments had been received.
- We agreed the users to previous years for completeness test.

MEMBERSHIP FEES RELATING TO IVIS

- Invoices sent to members were tested on a sample basis to check that the correct fee was charged and that the revenue was recorded in the correct period.
- Membership fees were agreed to bank statements to check the receipt of payment.
- The timing of revenue recognition of 2016 membership fees was tested to check that amounts were recognised in the correct accounting period.
- A sample of invoices from the invoices file were reconciled back to accounting records to ensure completeness.

TRAINING FEES AND ANNUAL EVENT INCOME

- Details of attendees at events and training courses were checked to confirmation emails received on a sample basis.
- On a sample basis, we completed a recalculation of training income and agreed to amounts booked.
- On a sample basis, we confirmed attendees to list of attendees for completeness test.

No material issues were noted from our work.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Investment Association has one wholly owned subsidiary, The Investment Association Services Limited. The Investment Association is structured as a company limited by guarantee not having a share capital, whilst The Investment Association Services Limited is a limited company. Both companies were incorporated and are domiciled in the UK.

A full scope audit of both The Investment Association and The Investment Association Services Limited was carried out and we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

OVERALL GROUP MATERIALITY

£210,073 (2015: £219,996)

HOW WE DETERMINED IT

2% OF REVENUE

RATIONALE FOR BENCHMARK APPLIED

CONSISTENT WITH LAST YEAR, WE APPLIED A REVENUE BENCHMARK IN DETERMINING OUR MATERIALITY AS THE COMPANY IS A NOT-FOR-PROFIT ORGANISATION AND REVENUE PROVIDES US WITH A CONSISTENT YEAR ON YEAR BASIS IN DETERMINING MATERIALITY WHILST CONSIDERING THE GROWTH OF THE ORGANISATION.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,504 (2015: £11,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION

COMPANIES ACT 2006 REPORTING

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.

ISAS (UK & IRELAND) REPORTING

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
 - materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or
 - otherwise misleading. We have no exceptions to report.

ADEQUACY OF ACCOUNT RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report we consider whether those reports include the disclosures required by applicable legal requirements.



Sally Cosgrove (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 June 2017

- The maintenance and integrity of The Investment Association website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2016

		01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	Note	£	£
Revenue	6	10,503,630	10,999,818
Administration expenses		(10,344,255)	(11,055,730)
Operating profit / (loss)	7	159,375	(55,912)
Finance income		25,750	36,118
Profit / (loss) on ordinary activities before taxation		185,125	(19,794)
Tax (charge)/credit on profit/(loss) on ordinary activities	9	–	(157)
Profit/(loss) for the financial year		185,125	(19,951)
Total comprehensive income/(expense)		185,125	(19,951)
Retained profit brought forward		2,110,882	2,130,833
Retained profit carried forward		2,296,007	2,110,882

All activities of the Group relate to continuing operations.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Group		Company	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
		£	£	£	£
Fixed assets					
Property, plant and equipment	10	1,250,040	672,051	1,249,427	663,154
Other investments	11	–	177,069	–	177,069
Shares in subsidiary undertaking	12	–	–	100	100
		1,250,040	849,120	1,249,527	840,323
Current assets					
Debtors	13	5,330,800	3,711,234	5,257,375	3,553,401
Investments	14	1,000,000	1,000,000	1,000,000	1,000,000
Cash at bank and in hand	15	2,419,486	4,591,072	2,367,284	4,291,315
		8,750,286	9,302,306	8,624,659	8,844,716
Current liabilities					
Creditors: amounts falling due within one year	16	(7,704,319)	(8,040,544)	(7,888,989)	(7,876,319)
Net current assets		1,045,967	1,261,762	735,670	968,397
Total assets less current liabilities		2,296,007	2,110,882	1,985,197	1,808,720
Profit and loss account					
Profit and loss account brought forward		2,110,882	2,130,833	1,808,720	1,708,957
Profit/(loss) for the financial year		185,125	(19,951)	176,477	99,763
Profit and loss account carried forward		2,296,007	2,110,882	1,985,197	1,808,720
Accumulated reserves		2,296,007	2,110,882	1,985,197	1,808,720

The financial statements on pages 12 to 24 were approved by the Board of Directors and were signed on its behalf by:

P HARRISON
Chairman
Date



12 JUNE 2017

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

		01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	Note	£	£
Net cash flow (used in)/generated from operating activities	18	(1,572,294)	1,354,411
Taxation (paid)/received		-	(14,112)
Net cash generated from operating activities		(1,572,294)	1,340,299
Cash flow from investing activities			
Purchase of property, plant and equipment		(804,275)	(624,772)
Proceeds on disposal of property, plant and equipment		1,134	-
Interest received		26,780	37,510
Proceeds from maturing investments		177,069	-
Proceeds from maturing current asset investments		1,000,000	2,000,000
Monies invested in current asset investments		(1,000,000)	(1,000,000)
Net cash (used in) / generated from investing activities		(599,292)	412,738
Net (decrease)/increase in cash at bank and in hand		(2,171,586)	1,753,037
Cash and cash equivalents at the beginning of the year		4,591,072	2,838,035
Cash and cash equivalents at the end of the year		2,419,486	4,591,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The principal activity of the Company is to represent the interests of the investment management industry in the UK and to promote high standards among its members.

2. STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets measured at fair value through profit or loss.

BASIS OF CONSOLIDATION

The Group consolidated financial statements includes the Financial Statements of the Company and its subsidiary undertaking. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. Short term employee benefits, including holiday pay are recognised as an expense in the period in which the service is received.

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense as they fall due. Amounts not paid are shown in accruals in the statements of financial position. The assets of the plan are held separately from the Company in independently administered funds.

EXPENSES

All expenses are accounted for on the accruals basis as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged to the statement of income and retained earnings using the straight line basis as follows:

- Fixtures, fittings and equipment: 3-5 years, except where warranties are received for longer and then they are depreciated over the warranty period.
- Leasehold improvements: over the life of the primary lease.
- Assets held under finance leases: over the life of the lease.
- Software is written off in the year of acquisition.

TAXATION

The Investment Association has entered into an arrangement with HMRC under which it pays Corporation Tax on its surplus. The arrangement allows members of the Association to treat certain payments to the Association as a trading expense. The subsidiary, The Investment Association Services Limited, is exempt from Corporation Tax on all transactions with members of the Association. Corporation Tax is charged on its other activities. Irrecoverable VAT incurred on expenses has been included in the relevant expense category.

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

- **Current tax:** Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.
- **Deferred tax:** Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements.

INVESTMENTS

Investments, other than those in subsidiary undertakings are included at fair value.

Investments in subsidiary undertakings are included at cost.

CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash in hand, deposits held at call at banks, other short-term highly liquid investments with original maturities of three months or less.

FINANCIAL INSTRUMENTS

The Group has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

- **Financial assets** – Basic financial assets, including trade and other receivables, cash and bank balances are recognised at their transaction price. Such assets are subsequently carried at amortised cost, under the effective interest method. Other financial assets, including investments, other than subsidiaries are initially measured at fair value, which is normally transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Retained earnings.
- **Financial liabilities** – Basic financial liabilities, including trade and other payables and loans from fellow Group companies are initially recognised at their transaction price. Such liabilities are subsequently carried at amortised cost, under the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. SEGMENTAL REPORTING

The Company's and Group's activities consist primarily of the provision of member services in the UK.

5. PROFITS OF THE HOLDING COMPANY

Of the profit for the financial year, a profit of £176,477 (2015: £99,763) relates to the Company, The Investment Association. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

6. REVENUE

All revenue is accounted for under the accrual method of accounting. The amount of subscriptions receivable from Members under the terms of the Constitution of the Company is calculated to meet the budgeted expenses net of any other estimated receipts for the year. In addition other revenue represents income from events run by The Investment Association Services Limited during the year and the provision of management services to other trade associations in addition to income from IVIS and BCI and the setting up of Special Committees.

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
Full members	7,496,345	7,754,829
Affiliate members	752,525	766,832
Sector members	130,595	100,813
	8,379,465	8,622,474
Management fee income	609,926	568,086
Institutional Voting Information Service	842,820	869,195
Other income	671,419	940,063
Revenue	10,503,630	10,999,818

Included within Other income for 2015 is a one off amount of £449,954 relating to legal fees incurred and recharged to certain members.

7. OPERATING PROFIT/(LOSS)

Operating profit/ (loss) is stated after charging:

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
Wages and salaries	4,729,803	5,765,163
Social security costs	591,225	720,645
Other pension costs	659,863	805,502
Staff costs	5,980,891	7,291,310
Depreciation of tangible fixed assets	215,834	84,748
Loss on disposal of fixed assets	9,318	-
Operating lease charges	559,723	392,038
Auditors' remuneration		
- Audit services	19,254	16,720
- Other services including taxation and payroll	19,484	15,182

8. EMPLOYEES AND DIRECTORS

EMPLOYEES

The monthly average number of persons employed by the Company during the year was 61 (2015: 64). The average number of key management personnel during the year was 7 (2015: 9).

The company provides pensions through defined contribution schemes and pension costs are charged as incurred. The amount recognised as an expense was £659,863 (2015: £805,502).

KEY MANAGEMENT

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
Key management compensation	1,776,461	2,506,171

8. EMPLOYEES AND DIRECTORS (CONTINUED)**DIRECTORS**

The non-executive directors received no emoluments in the year.

Total emoluments in respect of the executive directors were:

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
C J Cummings	233,272	–
D C Godfrey	–	774,153
	233,272	774,153

Mr D C Godfrey left the Company on 31 December 2015 and following the 2015 year end was paid £257,400 as compensation for loss of office. In addition £10,000 was paid into his pension scheme. These numbers are included in the above disclosure.

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**A) CURRENT TAX**

		01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	Note	£	£
UK corporation tax on profits for the year		–	–
Adjustments in respect of previous years		–	157
Tax charge on profit/(loss) on ordinary activities	B	–	157

B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
(Profit/(loss) on ordinary activities before tax	185,125	(19,794)
Profit/ (loss) on ordinary activities multiplied by standard rate (20%) (2015: 20%)	37,025	(3,959)
Effects of:		
Non-taxable income	(278,500)	(263,854)
Non-deductible expenses	244,773	222,700
Depreciation in excess of capital allowances	1,657	2,450
Capital allowances in excess of depreciation	(20,813)	(18,594)
Losses not utilised	15,858	61,397
Short term timing differences	–	(140)
Adjustments in respect of previous years	–	157
Total tax charge for the year	–	157

C) FACTORS AFFECTING THE FUTURE TAX CHARGES

A deferred tax asset of £167,182, based on the rate of corporation tax of 20%, has not been recognised in respect of timing differences arising on accelerated capital allowances and taxation losses (2015: deferred tax asset £170,706: 20%).

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
1 January 2016	1,582,873	614,113	2,196,986
Additions	549,944	254,331	804,275
Disposals/write offs	(1,089,989)	(366,834)	(1,456,823)
31 December 2016	1,042,828	501,610	1,544,438
Accumulated depreciation			
1 January 2016	1,089,303	435,632	1,524,935
Charge for the year	109,798	106,036	215,834
Disposals/write offs	(1,088,554)	(357,817)	(1,446,371)
31 December 2016	110,547	183,851	294,398
Net book value			
31 December 2016	932,281	317,759	1,250,040
31 December 2015	493,570	178,481	672,051

Company	Leasehold Improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
1 January 2016	1,562,940	605,769	2,168,709
Additions	549,944	254,331	804,275
Disposals/write offs	(1,070,056)	(362,903)	(1,432,959)
31 December 2016	1,042,828	497,197	1,540,025
Accumulated depreciation			
1 January 2016	1,073,523	432,032	1,505,555
Charge for the year	105,645	104,363	210,008
Disposals/write offs	(1,068,621)	(356,344)	(1,424,965)
31 December 2016	110,547	180,051	290,598
Net book value			
31 December 2016	932,281	317,146	1,249,427
31 December 2015	489,417	173,737	663,154

The significant changes in both the Company and the Group arose from the premises move the Company undertook in February 2016.

11. OTHER INVESTMENTS

	31/12/2016	Group 31/12/2015	31/12/2016	Company 31/12/2015
	£	£	£	£
Guaranteed Deposit Account	–	177,069	–	177,069

12. SHARES IN SUBSIDIARY UNDERTAKING

The Company also holds 100% of the issued share capital of The Investment Association Services Limited, a company incorporated in England, which has been consolidated in these financial statements. The activities of The Investment Association Services Limited are the running of events for the members of The Investment Association and the provision of management services to other trade associations, together with the running of the Institutional Voting Information Service.

13. DEBTORS

	31/12/2016	Group 31/12/2015	31/12/2016	Company 31/12/2015
	£	£	£	£
Trade debtors - current year	70,045	487,388	4,590	320,459
Trade debtors - future subscriptions	4,982,060	2,778,177	4,982,060	2,778,177
Taxation	–	–	–	14,196
Other debtors	32,326	28,212	32,054	28,212
Prepayments	246,369	417,457	238,671	412,357
	5,330,800	3,711,234	5,257,375	3,553,401

14. INVESTMENTS

	31/12/2016	Group 31/12/2015	31/12/2016	Company 31/12/2015
	£	£	£	£
Short term deposits	1,000,000	1,000,000	1,000,000	1,000,000

Investments in short term deposits have an original maturity of 12 months or less. At the balance sheet date the average maturity was less than 11 months (2015: less than 11 months). The average interest rate was 0.74% (2015: 1.15%).

15. CASH IN BANK AND IN HAND

	31/12/2016	Group 31/12/2015	31/12/2016	Company 31/12/2015
	£	£	£	£
Bank accounts	2,419,357	4,590,998	2,367,155	4,291,241
Cash	129	74	129	74
	2,419,486	4,591,072	2,367,284	4,291,315

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/2016	Group 31/12/2015	31/12/2016	Company 31/12/2015
	£	£	£	£
Trade creditors	37,163	812,024	29,981	806,344
Corporation Tax	2	2	2	2
Amounts owed to group undertaking	–	–	514,285	143,028
Other taxation and social security payable	467,472	543,951	465,228	528,388
Accruals and deferred income	1,172,027	1,114,749	851,838	828,739
Future subscriptions	6,027,655	5,569,818	6,027,655	5,569,818
	7,704,319	8,040,544	7,888,989	7,876,319

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. LEASE COMMITMENTS

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are:

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
Not later than one year	490,074	624,120
Later than one year and not later than five years	1,960,296	1,960,296
Later than five years	1,863,638	2,353,712

18. NOTE TO THE STATEMENT OF CASH FLOWS

	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	£	£
Profit/(loss) for the financial year	185,125	(19,951)
Tax on profit on ordinary activities	–	157
Finance income	(25,750)	(36,118)
Operating profit/(loss)	159,375	(55,912)
Depreciation of property, plant and equipment	215,834	84,748
Loss on disposal of fixed assets	9,318	–
Revaluation of other investments	–	(2,657)
Working capital movements:		
- (Increase)/decrease in debtors	(1,620,596)	393,723
- (Decrease)/increase in creditors	(336,225)	934,509
Cash flow (used in)/generated from operating activities	(1,572,294)	1,354,411

19. FINANCIAL INSTRUMENTS

The Group and Company have the following financial instruments:

		31/12/2016	Group 31/12/2015	31/12/2016	Company 31/12/2015
	Note	£	£	£	£
Financial assets at fair value through the Statement of Retained Earnings					
Guaranteed Deposit Account	11	–	177,069	–	177,069
Financial assets measured at amortised cost					
Shares in subsidiary undertaking	12	–	–	100	100
Trade debtors – current year	13	70,045	487,388	4,590	320,459
Trade debtors – future subscriptions	13	4,982,060	2,778,177	4,982,060	2,778,177
Other debtors	13	278,695	445,669	270,725	454,765
Short term deposits	14	1,000,000	1,000,000	1,000,000	1,000,000
Financial liabilities measured at amortised cost					
Trade creditors	16	37,163	812,024	29,981	806,344
Amounts owed to group undertaking	16	–	–	514,285	143,028
Other taxation and social security payable	16	467,472	543,951	465,228	528,388
Accruals and deferred income	16	1,172,027	1,114,749	851,838	828,739

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption not to disclose related party transactions in respect to all transactions and balances with The Investment Association Services Limited, its wholly owned subsidiary, as they are eliminated on consolidation, as permitted under Paragraph 1.12 of FRS102.

21. SHARE CAPITAL

The Company has no share capital since it is limited by guarantee. The members have undertaken that, in the event of a winding up, they will contribute toward payment of the liabilities of the Company a sum up to the amount of their guarantee of £10.

22. LEGAL STRUCTURE

The Company is limited by guarantee, incorporated and domiciled in the UK.

The address of its registered office is Camomile Court, 23 Camomile Street, London, EC3A 7LL.