THE
INVESTMENT
ASSOCIATION

ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2018

The Investment Association
Camomile Court, 23 Camomile Street,
London EC3A 7LL
Registered number: 04343737

T: +44 (0)20 7831 0898
W: theinvestmentassociation.org

June 2019

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DIRECTORS AND OFFICERS

DIRECTORS

The directors of the Investment Association Ltd (the "Company") who were in office during the year and up to the date of signing the financial statements were:

M I Ahmad ■

J L Berens (resigned 3 Dec 2018)

M C P Carmignac

M Cohen

C M Connellan (appointed 19 Sept 2018)

C J Cummings

P d'Orgeval (appointed 8 Mar 2019)

P W Feeney (resigned 19 Sept 2018)

A J Formica (resigned 19 Sept 2018)

P Harrison ⋆ ■

P J Horrell

A A Laing (resigned 19 Sept 2018)

R Lord ■

K M McFarland •

E Munro •

J M Munro ⋆

M P O'Shea

A R Schlossberg ⋆ (resigned 15 Jan 2019)

M S Scrimgeour (appointed 19 Sept 2018)

K Skeoch (appointed 8 Mar 2019)

H Smits (appointed 19 Sept 2018)

P Thomson (appointed 8 Mar 2019)

D Watkins (app. 19 Sept 2018, res. 31 Oct 2018)

G E Williams •

M Zinkula • (resigned 19 Sept 2018)

COMPANY SECRETARY

J W Knight

REGISTERED OFFICE

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

INDEPENDENT AUDITORS

Mazars LLP,
The Pinnacle,
160 Midsummer Boulevard,
Milton Keynes MK9 1FF

MEMBERS OF THE INVESTMENT ASSOCIATION GOVERNANCE COMMITTEES

- ⋆ Remuneration Committee
- • Finance, Audit and Risk Committee
- ■ Nominations and Governance Committee

BOARD ACTIVITY AND ITS COMMITTEES

During 2018, the Board held five scheduled meetings of which one was a Board strategy meeting. The table below shows each individual Director's attendance at the scheduled Board meetings for which they were eligible to attend during the year.

The Board meetings follow a formal agenda, which is approved by the Chairman and circulated by the Company Secretary in advance of the meeting to all the Non-Executive Directors and other attendees.

All Non-Executive Directors are expected to attend all scheduled meetings of the Board and of the Committees on which they serve, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Non-Executive Directors are unable to attend meetings, Board papers are provided in advance and their comments are given to the Chairman before the meeting and shared with the rest of the Board.

Board member	Board meetings	Finance, Audit and Risk Committee	Nomination and Governance Committee	Remuneration Committee
Peter Harrison	4 of 5		0 of 0	1 of 1
Chris Cummings	5 of 5			
Irshaad Ahmad	3 of 5		0 of 0	
Jasper Berens *(resigned 3 Dec 2018)*	4 of 5			
Maxime Carmignac	2 of 5			
Michael Cohen	4 of 5			
Caroline Connellan *(appointed 19 Sept 2018)*	1 of 2			
Philippe d'Orgeval *(appointed 8 Mar 2019)*	0 of 0			
Paul Feeney *(resigned 19 Sept 2018)*	1 of 3			
Andrew Formica *(resigned 19 Sept 2018)*	1 of 3			
Peter Horrell	3 of 5			
Andrew Laing *(resigned 19 Sept 2018)*	3 of 3			
Rachel Lord	3 of 5		0 of 0	
Kim McFarland	3 of 5	1 of 2		
Euan Munro	1 of 5	1 of 1		
Joanna Munro	4 of 5			1 of 1
Mike O'Shea	4 of 5			
Andrew Schlossberg *(resigned 15 Jan 2019)*	3 of 5			1 of 1
Michelle Scrimgeour *(appointed 19 Sept 2018)*	1 of 2			
Keith Skeoch *(appointed 8 Mar 2019)*	0 of 0			
Hanneke Smits *(appointed 19 Sept 2018)*	1 of 2			
Patrick Thomson *(appointed 8 Mar 2019)*	0 of 0			
Dan Watkins *(app. 19 Sept 2018, res. 31 Oct 2018)*	1 of 1			
Gervais Williams	5 of 5	2 of 2		
Mark Zinkula *(resigned 19 Sept 2018)*	2 of 3	1 of 1		

THE BOARD'S COMPOSITION AND ROLE

The Directors believe that the Board is well balanced and possesses sufficient skills, relevant experience and knowledge to ensure it functions correctly and is not dominated by any one person. The role of the Board is to provide entrepreneurial leadership to the IA within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board oversees and directs the affairs of the IA in a manner that seeks to promote the success of the investment industry for the benefit of its members as a whole, while complying with relevant legal requirement, the IA's Articles of Association, and corporate governance standards.

The Board takes ownership of the IA's strategic direction. It adds value by leading the development and regular review of the IA's purpose, goals, and strategy. In turn, it provides the necessary frameworks within which the management of the IA can operate in the best interests of the membership. The terms of reference for the Board are reviewed as necessary every three years.

COMMITTEES

The Board has delegated some of its responsibilities to its three formal Committees: the Finance, Audit and Risk Committee; the Nomination and Governance Committee; and the Remuneration Committee. The Company ensures that all of the Board Committees have sufficient resources to carry out their obligations. The Company Secretary acts as secretary to these Committees and reports the outcome of the meetings to the Board.

FINANCE, AUDIT AND RISK COMMITTEE

The Finance, Audit and Risk Committee comprises three Non-Executive Directors and was chaired by Mark Zinkula until Euan Munro took over as chair from 19 September 2018. The responsibilities of the Finance, Audit and Risk Committee include the following:

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

NOMINATION AND GOVERNANCE COMMITTEE

The Nomination and Governance Committee comprises three Non-Executive Directors and is chaired by Peter Harrison. The Committee recommends appointments to the Board and approves the appointment of senior IA employees. During 2018, there were various decisions deliberated over via methods of communication other than meetings.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Non-Executive Directors and is chaired by Peter Harrison. 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.

BOARD TENURE AND SUCCESSION PLANNING

Non-Executive Directors are appointed for a three-year term. After an initial three-year term, the Non-Executives may be eligible for reappointment for a further three-year term subject to satisfactory performance and the regular nomination and approval process.

While there are no explicit term limits, in order to ensure the Board remains representative of the wider membership and maintains a diverse mix of skills, views, and experience, it is expected that all Directors should serve no more than two terms. However, the Board may invite a Director to continue for an additional period, or to fulfil a particular role, thereafter if it deems it in the best interests of the IA to so do.

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 Finance, Audit and Risk Committee meets at least once a year and reviews the effectiveness of the Group's system of internal controls. The Finance, Audit and Risk Committee receives reports from line management and the external auditors.

STRATEGIC REPORT AT A GLANCE

The Investment Association (the "IA" or the "Company") is the trade body that represents UK asset managers. It has over 220 full members which collectively manage £7.7 trillion on behalf of clients in the UK and around the world.

VISION

The IA's vision guides all our work.

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

VALUES

Our key values ensure we deliver 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 standard as it is relied upon by so many.

SERVICES

The services we provide focus on promoting and supporting our members, as well as helping shape the investment landscape as set out below.

PROMOTING OUR MEMBERS

- We promote UK investment management, which is the largest industry of its kind in Europe and the second largest in the world.
- The industry is a significant exporter for Britain, representing over 6% of total net service exports and directly employs roughly 38,000 people in asset management firms.

SUPPORTING OUR MEMBERS

- We support our member firms, which are governed by laws and regulations in the UK, Europe and internationally.
- The IA produces daily circulars on legal and regulatory developments and creates guidance enabling UK investment managers to build effective business structures.
- We engage actively with policymakers and other stakeholders in the UK and around the world to ensure that our industry remains among the world's most competitive.

SHAPING INVESTMENT

- We shape the investment landscape to ensure that our members are able to deliver the best outcomes for their clients.
- This includes spearheading initiatives to ensure best practice in our industry, and engaging in the public debate surrounding our industry and its growing importance amid the rising age of asset management.
- The IA responds to dozens of consultations each year on behalf of its members, on issues ranging from the tax environment to the structure of investment funds.

IA KEY PERFORMANCE INDICATORS FOR 2018

Kantar Millward Brown, one of the world's largest insight, information and consultancy groups, once again conducted an annual survey of the IA's membership. The IA's target is to achieve sustained 80%+ KPI ratings after a period of three years (from 2016). The KPIs cover: members' awareness of our objectives, activities and people (familiarity); how favourably the IA is viewed; how effective the IA is in advancing the sector's needs; and how effectively the IA addresses the needs of the respondent's firm. In 2018 feedback was taken from 642 individuals from the membership and there was continued improvement for three of the four KPIs.

FAMILIARITY	FAVOURABILITY	EFFECTIVENESS (Advancing Sector Interests)	EFFECTIVENESS (Needs of Organisation)
-1% from 2017	+5% from 2017	+3% from 2017	+2% from 2017
94%	91%	81%	76%
VERY 65%	VERY 45%	VERY 36%	VERY 23%
FAIRLY 29%	FAIRLY 45%	FAIRLY 45%	FAIRLY 53%
99% Senior Members	96% Senior Members	88% Senior Members	86% Senior Members
93% General Members	89% General Members	79% General Members	73% General Members
% Know very/fairly well	% very/fairly favourable	% very/fairly effective	% very/fairly effective

HOW WE ARE ACHIEVING OUR STRATEGIC PRIORITIES

During 2018 the IA continued to progress the priorities established in 2017 when we undertook a strategy refresh. The year was exceptionally busy with an unsettled domestic political environment; a key period of regulatory implementation (notably MiFID II and the Asset Management Market Study); a growing focus on diversity and inclusion; an acceleration in technological changes; and an increasingly significant debate on how well the existing economic and financial system serves society and the environment. The IA's strategic priorities and some of the highlights from 2018 and the year to date are set out below.

BREXIT

Lead industry preparations, advise Government, engage with international policymakers to represent industry needs. Focus on creating the new post-Brexit market options for firms and regulators.

Throughout the last year much of the IA's focus has been on the implications for the industry of Brexit, and in particular, a no deal. We established an internal 'taskforce' drawing from other policy teams to support contingency work in the run up to 29 March 2019. This included resource for member communications as political negotiations intensified, technical expertise on the implications for trading and fund distribution, and pro bono support from key law firms to help with the analysis of the 78 financial services Statutory Instruments. We also stepped up our EU engagement, focusing on key EU 27 regulators and policy officials in France, Germany, Luxembourg and Ireland. Furthermore, during 2018 the IA set up a Brussels office with responsibility for the broad thrust of our EU policy work and to ensure our voice continues to be heard in Brussels.

In July 2018, the Government's Brexit White Paper moved its negotiating position for financial services to a concept of enhanced equivalence rather than one of mutual recognition. Subsequently, and at the invitation of HM Treasury, the IA has been helping define the enhancements the industry would like in any agreement on financial services between the UK and the EU.

Early in 2019 welcome news was received that ESMA and the FCA had agreed the substance of MoUs to permit delegation to continue into the UK. The MoUs have now been signed between the FCA, ESMA and individual EU 27 authorities. The FCA also opened the notification window for the temporary permissions regime in January 2019 to enable firms and funds which passport into the UK to continue do so if the passporting regime falls away after Brexit. We also welcomed the European Commission's announcements on temporary and conditional equivalence determinations for UK-based CCPs and CSDs so that firms could continue to access critical market infrastructure.

TRADE & INVESTMENT

Develop a trade policy & target market strategy, roll-out a programme of commercially focused events and delegations, track performance and measure impact.

The IA continued to support the Financial Services Trade and Investment Board and held some 30 key events and visited 11 markets during 2018. Highlights included an extensive China programme which culminated in a CEO delegation, continued US engagement and major partnerships with Brazil, Japan and Korea.

In October 2018, the Economic Secretary to the Treasury (EST) wrote to the IA to ask for input into HM Treasury's future international strategy for financial services, including the relationship with five markets singled out as Global Financial Partners: the US; Hong Kong; Singapore; Japan; and Switzerland. We welcomed this opportunity and Government's commitment to enhance the competitiveness of the UK financial services sector, and asset management in particular. The IA responded to the EST's questions and put forward 20 key recommendations, together with a detailed analysis of the opportunities in each market.

REPUTATION

Develop capabilities to better influence at a UK, EU and international level. Lead a programme to measure and improve the industry's reputation with policymakers, media and consumers.

The Asset Management Taskforce was established in October 2017 and brings Government, the FCA and industry together to identify concrete steps to reinforce the UK's position as a global centre for asset management. Throughout 2018, the IA worked with members to deliver work streams on international trade, the UK Funds Regime, skills, and cyber security and FinTech, among others, as set out in the separate sections of this report.

REGULATORY ENVIRONMENT

Support implementation of incoming regulation. Build a clear narrative on what type of regulation would best support industry development as it strives to serve its customers.

Asset Management Market Study (AMMS). 2019 will see major changes for the industry as implementation of the AMMS's remedies accelerates. IA support includes:

- **Member guidance** in a range of areas, notably the new value assessment process and clearer use of language in fund documentation.

- An **iNED** (independent Non-Executive Directors) **support programme**, consisting of an online resource (e.g. background to the value requirements, general requirements for directors) as well as training and networking events.

The IA is also closely engaged with other competition studies in process. A draft order implementing the CMA's remedies for investment consultants was published in February 2019 to be effective in December 2019. A number of the remedies are directly relevant to IA members and there are strong overlaps with themes emerging from the AMMS (clarity and consistency of information on charges and costs, and performance reporting). The FCA published the Final Report from its Platform Market Study in March 2019, with further implications for IA members.

Disclosure of costs and charges. One year after MiFID II and PRIIPs implementation, there are still significant issues around the disclosure of costs and charges, particularly the use of the slippage methodology for measuring transaction costs. The industry is keen to resolve these and is working to ensure that customers can access full and effective disclosure. A key initiative in this area, together with UK private and public sector pension funds, will be the launch of the Institutional Disclosure Working Group's Disclosure Framework. This will be under the banner of the Cost Transparency Initiative, established by the PLSA, Local Government Pension Scheme Advisory Board and the IA, to bring together customer groups, industry and wider stakeholders.

UK Fund Regime Working Group (UKFRWG). As part of HM Treasury's Asset Management Taskforce we set up the UKFRWG to facilitate the UK as a world class fund management centre. It is exploring a range of possibilities so that the UK fund industry is better positioned to serve both domestic and international markets. This includes the question of how to facilitate access to less liquid assets, which links to questions being considered as part of the Patient Capital Review.

Senior Managers & Certification Regime (SM&CR). December 2019 will see the extension of the SM&CR to our industry. The SM&CR changes firms' culture and conduct, with individual accountability coming to the fore. However, the extent of these changes depends on where a firm is currently positioned in terms of the FCA's expectations around governance, culture and accountability. The main aim of the SM&CR is to reduce harm to consumers, strengthen market integrity and encourage a culture for staff at all levels to take personal responsibility for their actions.

The IA has been supporting members in the run up to implementation by responding to FCA's consultation papers and providing practical support through training, events, and position papers on key elements of the new regime, helping to clarify the regulator's expectations of the industry.

Culture. Culture remains high on the regulatory agenda and in response to the FCA's DP18/2: Transforming Culture in Financial Services, which is a series of essays, we have taken two approaches. First, our inaugural Culture Forum in November 2018. This C-suite event included a welcome address from the RT Hon Lord Mayor and a keynote presentation from Andrew Bailey. It attracted representatives from 78 member firms. Secondly, we are creating a Culture Booklet which will provide the industry with practical steps for securing, developing, and maintaining a healthy culture.

SAVING, INVESTMENT & PENSIONS

Set out the industry's strategy for improving the long-term savings markets, engage with members and policymakers (UK, EU and more widely) to influence the agenda.

The IA issued a new policy paper in the summer of 2018, highlighting the critical importance of investment management, alongside the need to increase pension contributions, if today's savers are to have a more secure and prosperous retirement. The paper focused particularly on the need for strong investment governance and clear objectives for the default arrangements used by the overwhelming majority of defined contribution pension savers.

We also remain closely engaged in the debate as to how to ensure savers across Europe have access to cost-effective, well governed pension products and are supporting the Pan-European Personal Pension (PEPP) initiative.

Research and Fund Market Insight. The IA continues to support the industry in providing detailed fund statistics. We also provide transparency of members' activities through regular exercises such as the Asset Management and Stewardship surveys which were published in September and November 2018, respectively.

EFFECTIVE MARKETS

Ensure that investors have access to fair and effective markets. Facilitate and support the efficient functioning of markets across a range of diverse asset classes, including Equity, Fixed Income, FX, Sustainable Investment and Infrastructure.

Sustainability and Responsible Investment. The work of our new Sustainability and Responsible Investment Committee continued to grow throughout 2018. We responded to several European Commission proposals in its Sustainable Finance Package. Given the current environmental focus of these proposals, a key priority has been the promotion and development of the full suite of sustainability and responsible investment approaches that our industry offers. To that end, we produced a short guide to sustainability and responsible investment which was launched at Good Money Week at the end of September 2018. The IA has also been directly involved in the work of the Implementation Taskforce on Social Impact (commissioned by the UK Prime Minister) throughout 2018 and into the start of 2019. Finally, in January 2019 we launched a consultation with members and wider stakeholders on a number of industry-led initiatives which cover:

- The development of a set of standard definitions for sustainable investing.
- The development of new UK sustainable investing label(s) for the retail sector.
- A "stock-take" of how the industry is disclosing sustainability considerations.

This consultation closed on 1 March 2019.

Reform of LIBOR. The FCA's support for LIBOR ceases at the end of 2021. The IA is leading the engagement with asset managers to identify the impact of this significant change on their business and facilitate an effective transition to SONIA with the least amount of disruption. We held a LIBOR Transition Seminar in February 2019 where the IA launched its "LIBOR Transition Roadmap for Asset Managers" – a tool which identifies key touchpoints in the transition from LIBOR.

ETFs. In 2018 we advanced the industry's efforts to explain the key features of a product that has grown in popularity and become a significant part of global capital markets. We issued "A Beginner's Guide to ETFs" and plan to follow this up with a focused paper on liquidity. We also launched a public consultation on the proposed inclusion of ETFs in IA Sectors, which closed on 1 Feb 2019 – see below.

IA Sectors. The IA's sectors facilitate "like for like" comparisons of retail open ended funds, though this formulation is becoming more nuanced, particularly with the introduction of outcome-focused funds. Presently, there is no ETF-specific sector, nor do any existing sectors have ETFs as constituents. We will be issuing a public statement on next steps following the consultation in due course.

IA Special Committees & Fixed Income Markets. The IA's Special Committee process facilitates collective engagement between debt issuers and fixed income investors. There was a significant uptick in Special Committee activity during 2018, with issuers including UPP, Thames Water, Yorkshire Water, Prudential, Unique Pub Finance Company, Standard Life Aberdeen and L&Q, among others, all launching successful consent solicitations following consultations with Special Committees of IA members.

In response to members' concerns, in 2018 the IA also published "Best Practice Principles for Exchange and Tender Offers" to address the general lack of transparency as to the rationale, process and outcome of such transactions; the risk to investors being left in an illiquid remnant if they choose not to participate; the overly short timescales; and the presence of linked resolutions in consent solicitation memoranda.

Global FX Code. The IA supported implementation of the Global FX Code and helped members address barriers to sign-up by producing:

- A guide to sign-up and adherence in November 2018.
- An explanatory note on the Code's application to asset managers.

The IA also joined the Global FX Committee's Buy-side Outreach Working Group.

Money Markets Code. The IA is a member of the Bank of England's Money Markets Committee and was involved in the development of a new Money Markets Code on good practice in the UK money markets to replace an existing outdated Code and guidance. In 2018 we issued a public statement of support for the Code.

STEWARDSHIP & CORPORATE GOVERNANCE

Be the thoughtful champion of investors, focus on improving productivity and raising standards in ESG – within firms and as investors. Promote the role of industry in supporting the economy with long-term finance.

Government's Corporate Governance Reform. Throughout 2018, the IA was heavily involved in the Government's agenda for Corporate Governance Reform. Specifically, BEIS's response to its consultation on Insolvency and Corporate Governance highlighted the IA's Public Register and Long Term Reporting Guidance, and asked the IA to research dividend payments. Our report on which was issued in the first quarter of 2019.

Stewardship. Regulators and Government are increasingly focusing on stewardship and the IA is developing guidance on how stewardship can be better incorporated into Statements of Investment Principles and mandates. The guidance will be published later this year and then the IA will undertake a programme to promote and monitor it, and assess its impact.

At the start of 2019 three papers were issued on stewardship. First, a consultation from the FRC on a new Stewardship Code. We welcomed the new Code requiring signatories to report actual stewardship activity, rather than just the policy behind it, and also reflecting the growing range of issues that asset managers engage on. Secondly, a consultation from the FCA implementing the Shareholder Rights Directive. Lastly, a joint discussion paper from the FCA and FRC that looked to advance the debate over how stewardship can be improved within the existing structure of UK capital markets. The IA responded to all three papers.

Audit market reform. In the last few months there has been significant regulatory, Government and Parliamentary focus on the audit market including: Sir John Kingman's review of the Financial Reporting Council and the regulation of auditors; the CMA's review into competition and choice in the audit market; and the Brydon review into the future and purpose of audit. The role of investors in holding audit committees and auditors to account is also being questioned.

Principles of Remuneration and the 2019 AGM season. The IA undertook the annual review of its Principles of Remuneration which were launched at our Stewardship and Corporate Governance Conference in November. For the 2019 AGM season, our focus is on diversity and executive pensions. On the former in March we issued a joint letter with the Hampton-Alexander Review to those companies that have none or just one woman on their board. On the latter, we are seeking to ensure that executive pensions are aligned with the workforce.

TECHNOLOGY

Develop IA expertise to better support industry-wide technological development through policy and operational delivery. Act as thought-leaders and a catalyst.

FinTech. Velocity, the IA's FinTech innovation hub and accelerator, was officially launched on 9 October 2018 at an event attended by senior executives from the industry and FinTech innovators, and which concluded with a keynote speech from the Economic Secretary to the Treasury. It received extensive media coverage. By June 2019, Velocity had over 80 FinTech members, and if panel and partner organisations are considered then the total exceeds 120.

Cyber Security. At a July 2018 FCA CEO Roundtable, cyber resilience was raised as the second biggest challenge for firms after Brexit. In response, the IA developed a Cyber Resilience Work Plan to support members building resilience. One of its priorities is to support the industry's cyber talent pipeline.

DIVERSITY, COMPETITIVENESS & INNOVATION

Work with firms, policymakers and wider stakeholders to improve the market for investors by attracting and retaining talent. Support firm innovation in areas such as green and sustainable investing.

We are developing the IA's Talent Strategy, based on discussions with member firms about the skills needs of our industry now and in the future. It covers careers from point of entry to C-suite, and is structured around three key themes: environment; attraction; and advancement, with considerations around diversity and inclusion underpinning each one. Once finalised, it will form the policy and operational framework for the IA's talent and skills agenda for the next three years and will be refreshed annually.

Since the IA's merger in 2018 with Investment20/20, an industry careers service with a focus on widening access to a more diverse talent pool, we have expanded our involvement in driving a diverse domestic entry-level talent pipeline. Last autumn, through Investment 20/20, we launched 'Think Investments' which is a six month programme hosted by employers for sixth formers to introduce them to the career opportunities in the sector and provide them with the necessary skills to successfully complete their applications and shine at assessment and interviews. We presented the programme to 1,000 students from diverse and disadvantaged backgrounds from which we selected 65 for the programme. We also rolled out Investment20/20 to 20 'new' universities and demand for its services from members continues to grow. At the end of 2018 Investment20/20 received Financial News' Asset Management Innovation of the year award and Investment Week's Women in Investment Award for Contribution to Diversity in recognition of its achievements.

HOW WE SUPPORT AND PROMOTE OUR MEMBERS

MEMBERSHIP

2018 saw the IA capitalise on its increased market profile, expanding membership across all core categories and business areas with a notable uptick in smaller independent asset managers seeking the policy and operational expertise of the IA as a result of increased regulatory pressures.

In response to the growing focus on technological application and adoption throughout the asset management industry, in October 2018, the IA launched Velocity, an industry focused FinTech innovation hub and accelerator. Designed to raise awareness of innovative and emergent technologies for the benefit of the industry and the customers it serves, Velocity has grown rapidly, having attracted 56 new FinTech memberships by the end of December 2018.

Ongoing refinement of our account management capabilities increased the breadth of market engagement and depth of member firm interaction resulting in greater participation of C-suite and key operational functions in IA activities.

As at the end of 2018, IA membership participation across all categories had risen to 389 firms:

2018 TOTAL MEMBERSHIP COMPOSITION

FULL	224
SECTOR	25
AFFILIATES	84
FINTECH	56

EVENTS AND TRAINING

Our portfolio of events continued to expand throughout 2018 encompassing all key regulatory developments impacting the sector and aligning the interest and expertise of related financial and professional service firms. With 55 briefings, forums, conferences, receptions and roundtables delivered, the IA engaged with more than 3,300 individuals during the year.

Our flagship policy conference in June, hosted at Bloomberg, attracted over 220 of the industry's most senior practitioners, regulators and policymakers who were once again present to hear the Chancellor of the Exchequer, The Rt. Hon Philip Hammond MP, speak at our annual Mansion House Dinner in October.

In addressing member need, the IA training team delivered 99 classroom based workshops, with 13 directly in-company, and 12 webinars; in total, reaching over 5,500 individuals. The launch of the IA eLearning platform in May resulted in 11 new corporate licenses averaging 122 users per company with accredited modules covering everything from governance, risk and compliance to cyber security.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

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 2018 there were 224 full members (2017: 212). By virtue of its constitution no dividends are payable by the Company.

FINANCIAL PERFORMANCE

The results for the IA and its subsidiaries (the "Group") show a profit from ordinary activities before taxation of £352,387 (2017: £370,299). Net cash inflow generated from operating activities was £3,921,077 (2017: £95,808). The IA's policy in relation to surpluses remains to be between two to six months of expenditure in reserves, with a target of four months. The accumulated reserves at the end of 2018 were £3,008,844 (2017: £2,656,886) which equates to 2.88 months (2017: 2.92 months), in line with this policy.

CONSIDERATION OF BREXIT

The organisation has conducted a Brexit Risk Assessment to understand and mitigate the impact of Brexit upon its operations and finances. These are being constantly monitored and mitigated on a risk register under the supervision of the Finance Audit and Risk Committee.

EMPLOYEES

The Company is an equal opportunities employer and is a signatory to HM Treasury's Women in Finance Charter.

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 continues to be 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

Mazars LLP were reappointed as auditors at the AGM held during September 2018.

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, STRATEGIC 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 Company and all its subsidiaries (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 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

19 June 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INVESTMENT ASSOCIATION

OPINION

We have audited the financial statements of The Investment Association (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Income and Retained Earnings, the Group and Company Statements of Financial Position, the Consolidated Cash Flow Statement 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 FRS 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 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

THE IMPACT OF UNCERTAINTIES DUE TO THE UNITED KINGDOM EXITING THE EUROPEAN UNION ON OUR AUDIT

The Directors' view on the impact of Brexit is disclosed on page 14.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW WE RESPONDED TO THIS RISK
REVENUE RECOGNITION: Revenue is the most significant account balance in the Consolidated Statement of Profit and Retained Earnings. Revenue is made up of many streams including; membership fees, management fees, institutional voting information service (IVIS) fees, training income and event income. The risk of fraud or error due to the potential to inappropriately shift the timing and basis of revenue recognition is deemed higher in membership fees and management fees and therefore considered to be a key audit matter.	We reviewed the key elements underpinning the trigger points to recognise revenue, then confirmed on knowledge on this by performing walkthough testing. Our detailed audit work regarding revenue recognition in relation to membership fees and management fees included but was not limited to: **MEMBERSHIP FEES** ● Review a sample of invoices raised during the year to confirm the appropriate fee had been recorded including cash receipts. Payment of these invoices was agreed to the bank account, or debtors register depending on timing. ● Revenue cut-off testing included a specific review of invoices raised around the year end with a focus on the timing of the associated membership to ensure revenue was recorded in the appropriate period. ● A review of the deferred income recognised in the current year, and deferred to the coming year, considering the consistency and patterns seen in the income. This was combined with a review of management estimates for income provisions, including a comparison to historical rate of receivables, any correspondence with clients and actual returns post year end to the date of audit sign off. **MANAGEMENT FEES (INCLUDING IVIS), EVENTS AND TRAINING** ● Review of income in the year from these sources with areas of divergence from typical performance investigated and discussed. ● Detailed testing including subsequent payments received for a sample o invoices raised in the year to gain assurance that services had been appropriately charged out. ● Cut-off testing focusing on invoices raised around the year end to identify signs that income had been recorded in the incorrect period. **ALL REVENUE STREAMS** ● Review of credit notes raised in the year and post year end to identify indications of ongoing errors, difficult relationships and manipulation of results. Consideration was given to the validity and underlying business rationale of credit notes raised. Revenue from membership fees and management fees are fairly stated.

OUR APPLICATION OF 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 materiality	The overall group materiality was £385,000. The parent's materiality was £209,000.
How we determined it	These have both been calculated with reference to revenue (consolidated and parent respectively), of which it represents 2%.
Rationale for benchmark applied	Revenue has been identified as the principal benchmark within the financial statements as it is considered to be the focus of the organisation. 2% has been chosen to reflect the level of understanding of the stakeholders of the group in relation to the inherent uncertainties around accounting estimates and judgements.
Performance materiality	This has been calculated as 70% of group and parent company materiality
Reporting threshold	This has been calculated as 3% of group and parent company materiality.
Component materiality	The materiality level we applied to the component audits ranged between £46,000 and £129,000.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company and group's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, 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 irregularities including fraud, review of minutes of directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

Our group audit scope included an audit of the group and parent financial statements of The Investment Association. Based on our risk assessment, all entities within the group were subject to full scope audit and was performed by the group audit.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Consolidated 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In 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.

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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 15, 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 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.

USE OF THE AUDIT 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. 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.

Stephen Eames (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

19 June 2019

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**01/01/2018-31/12/2018**	01/01/2017-31/12/2017
		£	£
Revenue	6	**12,862,037**	11,258,466
Administration expenses		**(12,527,572)**	(10,903,817)
Operating profit	7	**334,465**	354,649
Finance income		**17,922**	15,650
Profit on ordinary activities before taxation		**352,387**	370,299
Tax charge on profit on ordinary activities	9	**(429)**	(9,420)
Profit for the financial year		**351,958**	360,879
Total comprehensive income		**351,958**	360,879
Retained profit brought forward		**2,656,886**	2,296,007
Retained profit carried forward		**3,008,844**	2,656,886

All activities of the Group relate to continuing operations.

The notes on pages 24 to 33 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Company	
		31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	Note	**£**	£	**£**	£
Fixed assets					
Property, plant and equipment	10	**1,236,134**	1,203,565	**1,192,599**	1,203,565
Shares in subsidiary undertaking	11	**-**	-	**101**	100
		1,236,134	1,203,565	**1,192,700**	1,203,665
Current assets					
Debtors	12	**7,576,630**	6,518,280	**7,331,106**	6,286,128
Cash at bank and in hand	13	**6,955,587**	3,337,351	**6,565,885**	3,098,039
		14,532,217	9,855,631	**13,896,991**	9,384,167
Current liabilities					
Creditors: amounts due within one year	14	**(12,759,507)**	(8,402,310)	**(13,984,820)**	(8,130,995)
Net current assets / (liabilities)		**1,772,710**	1,453,321	**(87,829)**	1,253,172
Total assets less current liabilities		**3,008,844**	2,656,886	**1,104,871**	2,456,837
Profit and loss account					
Profit and loss account 1 Jan		**2,656,886**	2,296,007	**2,456,837**	1,985,197
Profit for the financial year		**351,958**	360,879	**(1,351,966)**	471,640
Profit and loss account 31 Dec		**3,008,844**	2,656,886	**1,104,871**	2,456,837
Accumulated reserves		**3,008,844**	2,656,886	**1,104,871**	2,456,837

The financial statements on pages 21to 33 were approved by the Board of Directors and were signed on its behalf by:

P Harrison, Chair

19 June 2019

Company Number: 04343737

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**01/01/2018-31/12/2018** £	01/01/2017-31/12/2017 £
Net cash flow from operating activities	16	**3,921,077**	95,808
Taxation received/(paid)		**(9,422)**	-
Net cash generated from operating activities		**3,911,655**	95,808
Cash flow from investing activities			
Purchase of property, plant and equipment		**(312,723)**	(193,674)
Interest received		**19,304**	15,731
Proceeds from maturing current investments		**-**	1,000,000
Net cash generated from/(used in) investing activities		**(293,419)**	822,057
Net increase/(decrease) in cash at bank and in hand		**3,618,236**	917,865
Cash and cash equivalents at the beginning of the year		**3,337,351**	2,419,486
Cash and cash equivalents at the end of the year		**6,955,587**	3,337,351
Cash and cash equivalents consists of:			
Cash at bank and in hand		**6,955,587**	3,337,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

BASIS OF CONSOLIDATION
The Group consolidated financial statements include the Financial Statements of the Company and its subsidiary undertakings. 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.

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, income from IVIS and Investment2020, the setting up of Special Committees and subscriptions to Velocity. Revenue from services rendered is recognised based on stage of completion when both the following conditions are satisfied:

• The amount of revenue can be measured reliably; and

• It is probable that the Company will receive the consideration due.

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 periods, 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 subsidiaries, The Investment Association Services Limited and IA Velocity Ltd, are 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 FRS 102 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 loss of £1,351,966 (2017: a profit of £471,640) 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

	01/01/2018-31/12/2018	01/01/2017-31/12/2017
	£	£
Full Members	**9,167,934**	8,300,238
Affiliate Members	**934,821**	857,337
Sector Members	**157,545**	155,545
	10,260,300	9,313,120
Management Fee Income	**573,907**	647,117
Institutional Voting Information Service Income	**451,376**	482,874
Investment20/20 Subscription Income	**357,291**	-
Events and Training Income	**967,113**	712,205
Special Committee Income	**200,000**	60,000
FinTech Member Income	**23,800**	-
Other Income	**28,250**	43,150
Revenue	**12,862,037**	11,258,466

7. OPERATING PROFIT

Operating profit is stated after charging:

	01/01/2018-31/12/2018	01/01/2017-31/12/2017
	£	£
Wages and salaries	**6,140,362**	5,421,347
Social security costs	**763,303**	677,668
Other pension costs	**707,667**	632,442
Staff costs	**7,611,332**	6,731,457
Depreciation of tangible fixed assets	**280,153**	240,149
Operating lease charges	**490,000**	490,000
Auditors' remuneration		
- Audit services	**17,500**	17,000
- Other services including tax	**6,500**	11,708

8. EMPLOYEES AND DIRECTORS

EMPLOYEES

The monthly average number of persons employed by the Company during the year was 76 (2017: 64). The average number of key management personnel during the year was 8 (2017: 9).

The Company provides pensions through defined contribution schemes and pension costs are charged as incurred. The amount recognised as an expense was £707,667 (2017: £632,442).

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:

	01/01/2018-31/12/2018	01/01/2017-31/12/2017
	£	£
Key management compensation	**2,295,532**	2,327,757

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:

	01/01/2018-31/12/2018	01/01/2017-31/12/2017
	£	£
C J Cummings	**665,968**	625,704

Contributions made to a pension scheme on behalf of Mr C J Cummings were £nil (2017: £nil).

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

A) CURRENT TAX

		01/01/2018-31/12/2018	01/01/2017-31/12/2017
	Note	**£**	£
UK corporation tax on profits for the year		**5,140**	9,420
Adjustments in respect of previous years		**(4,711)**	-
Tax charge on profit/(loss) on ordinary activities	(b)	**429**	9,420

B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

	01/01/2018-31/12/2018	01/01/2017-31/12/2017
	£	£
Profit on ordinary activities before tax	**352,387**	370,299
Profit on ordinary activities multiplied by standard rate (19.00%) (2017: 19.25%)	**66,953**	71,282
Effects of:		
Non-taxable income	**(339,479)**	(306,124)
Non-deductible expenses	**132,318**	277,154
Depreciation in excess of capital allowances	**21,985**	21,001
Capital allowances in excess of depreciation	**-**	-
Group relief surrendered	**140,462**	-
Deferred tax adjustment	**(17,080)**	(53,870)
Short term timing differences	**189**	(23)
Other adjustments	**(4,919)**	-
Total tax charge for the year	**429**	9,420

C) FACTORS AFFECTING THE FUTURE TAX CHARGES

A deferred tax asset of £40,587, based on the rate of corporation tax of 17%, has not been recognised in respect of timing differences arising on accelerated capital allowances and taxation losses (2017: deferred tax asset £57,936: 17%).

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
1 January 2018	1,068,508	669,604	1,738,112
Additions	62,214	250,508	312,722
Disposals/write offs	-	-	-
31 December 2018	1,130,722	920,112	2,050,834
Accumulated depreciation			
1 January 2018	219,665	314,882	534,547
Charge for the year	115,708	164,445	280,153
Disposals/write offs	-	-	-
31 December 2018	335,373	479,327	814,700
Net book value			
31 December 2018	795,349	440,785	1,236,134
31 December 2017	848,843	354,722	1,203,565

Company	Leasehold Improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
1 January 2018	1,068,508	665,191	1,733,699
Additions	62,214	199,798	262,012
Disposals/write offs	-	-	-
31 December 2018	1,130,722	864,989	1,995,711
Accumulated depreciation			
1 January 2018	219,665	310,469	530,134
Charge for the year	115,708	157,270	272,978
Disposals/write offs	-	-	-
31 December 2018	335,373	467,739	803,112
Net book value			
31 December 2018	795,349	397,250	1,192,599
31 December 2017	848,843	354,722	1,203,565

11. SHARES IN SUBSIDIARY UNDERTAKING

The Company also holds 100% of the issued share capital of The Investment Association Services Limited and IA Velocity Ltd, both companies incorporated in England, which are consolidated in these financial statements. The activities of The Investment Association Services Limited are the running of training and other 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. The activities of IA Velocity Ltd is that of a Financial Technology accelerator. IA Velocity Ltd was incorporated on 15 March 2018. The registered office for The Investment Association Services Limited and IA Velocity Ltd are the same as The Investment Association – Camomile Court, 23 Camomile Street, London, EC3A 7LL.

12. DEBTORS

		Group		Company
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	£	£	**£**	£
Trade debtors - current year	**244,291**	241,858	**28,810**	37,445
Trade debtors - future subscriptions	**6,724,056**	5,893,797	**6,724,056**	5,893,797
Amounts owed by group undertakings	**-**	-	**5,698**	-
Other debtors	**54,930**	43,676	**54,912**	43,009
Prepayments and accrued income	**553,353**	338,949	**517,630**	311,877
	7,576,630	6,518,280	**7,331,106**	6,286,128

13. CASH IN BANK AND IN HAND

		Group		Company
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	£	£	**£**	£
Bank accounts	**6,955,587**	3,337,244	**6,565,885**	3,097,932
Cash	**-**	107	**-**	107
	6,955,587	3,337,351	**6,565,885**	3,098,039

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		Group		Company
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	£	£	**£**	£
Trade creditors	**201,685**	227,040	**162,485**	216,660
Corporation Tax	**429**	9,422	**3,405**	2,309
Amounts owed to group undertaking	**-**	-	**1,810,652**	161,840
Other taxation and social security payable	**778,875**	670,558	**735,105**	600,584
Accruals and deferred income	**1,362,537**	1,232,629	**857,228**	886,941
Future subscriptions	**10,415,945**	6,262,661	**10,415,945**	6,262,661
Other creditors	**36**	-	**-**	-
	12,759,507	8,402,310	**13,984,820**	8,130,995

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

15. LEASE COMMITMENTS

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

	31/12/2018	31/12/2017
	£	£
Not later than one year	**490,074**	490,074
Later than one year and not later than five years	**1,960,296**	1,960,296
Later than five years	**883,490**	1,373,564

16. NOTE TO THE STATEMENT OF CASH FLOWS

	01/01/2018-31/12/2018	01/01/2017-31/12/2017
	£	£
Profit for the financial year	**351,958**	360,879
Tax on profit on ordinary activities	**429**	9,420
Finance income	**(19,304)**	(15,650)
Operating profit	**333,083**	354,649
Depreciation of property, plant and equipment	**280,153**	240,149
Loss on disposal of fixed assets	**–**	–
Revaluation of other investments	**–**	–
Working capital movements:		
- Increase in debtors	**(1,058,349)**	(1,187,561)
- Increase/(Decrease) in creditors	**4,366,190**	688,571
Cash flow (used in)/generated from operating activities	**3,921,077**	95,808

17. FINANCIAL INSTRUMENTS

			Group		Company
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
	Note	£	£	£	£
Financial assets measured at amortised cost					
Shares in subsidiary undertaking	11	**–**	–	**101**	100
Trade debtors – current year	12	**244,291**	241,858	**28,810**	37,445
Trade debtors – future subscriptions	12	**6,724,056**	5,893,797	**6,724,056**	5,893,797
Other debtors	12	**54,930**	382,625	**54,912**	354,886
Amounts owed by group undertakings		**–**	–	**5,698**	–
Financial liabilities measured at amortised cost					
Trade creditors	15	**201,685**	227,040	**162,485**	216,660
Amounts owed to group undertaking	15	**–**	–	**1,810,652**	161,840
Other taxation and social security payable	15	**778,876**	679,980	**735,105**	602,893
Accruals and deferred income	15	**1,359,298**	1,232,629	**857,228**	886,941
Future subscriptions	15	**10,415,945**	6,262,661	**10,415,945**	6,262,661

18. INVESTMENT20/20 MERGER

During 2018, Investment 20/20 CiC merged with the Investment Association. Investment 20/20 CiC's principal activity was to open up employment opportunities to young people in investment management. This ongoing business of Investment 20/20 is continuing within the Company. The staff members of Investment 20/20 CiC transferred their employment into the Company (in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006) on 1st August and all subscriptions from Investment 20/20 CiC members due on 1st April 2018 were invoiced and paid into the Company during 2018.

19. 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 or IA Velocity Ltd, they are wholly owned subsidiaries, as they are eliminated on consolidation, as permitted under Paragraph 1.12 of FRS 102. Related party transactions include £7,600 (2017: £6,980) included in revenue relating to Industry Delivery Platform Limited, a company of which J W Knight is a director. There was no amount due at 31 December 2018 from this company (2017: £nil).

20. 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.

21. 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.

THE
INVESTMENT
ASSOCIATION

The Investment Association
Camomile Court, 23 Camomile Street, London, EC3A 7LL

www.theinvestmentassociation.org
@InvAssoc

June 2018