

# British Bankers' Association

Annual Report and Financial Statements

For the year ended 31 December 2015

# British Bankers' Association

## Association Information

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<b>Chairman</b>	Sir N Wicks (resigned 23 October 2015)	
<b>Chair</b>	N Doyle (appointed 23 October 2015)	
<b>Chief Executive</b>	A Browne	
<b>Other Board members</b>	<p>J Bardrick UK Country Officer, Citibank</p> <p>J Bennett (resigned 11 June 2015) Chief Executive Officer, Nomura</p> <p>P Gallagher Chief Executive Officer, ABN Amro</p> <p>M Garvin Vice-Chairman, Corporate and Investment Bank Europe, JP Morgan</p> <p>B Higgins Chief Executive Officer, Tesco Bank</p> <p>B Hoyt General Counsel, Barclays</p> <p>D Long EMEA Chief Operating Officer, Credit Suisse</p> <p>S Mackenzie-Smith Managing Director, Chairman of UK &amp; Ireland Corporate &amp; Investment Banking, Bank of America Merrill Lynch</p> <p>F McDonagh (appointed 23 October 2015) Head of Retail Banking &amp; Wealth Management UK, HSBC</p> <p>J Pain (appointed 11 June 2015) Chief Conduct and Regulatory Affairs Officer, RBS</p> <p>A Simoes (resigned 23 October 2015) Chief Executive, Europe, HSBC</p>	<p>G Beale (resigned 22 April 2016) Chief Executive Officer, Nationwide</p> <p>A Brittain (resigned 11 June 2015) Group Director, Retail, Lloyds</p> <p>J Garner (appointed 22 April 2016) Chief Executive Officer, Nationwide</p> <p>R Gibson (resigned 11 June 2015) Director, Group Regulatory Affairs, RBS</p> <p>R Holmes Chief Executive Officer, Europe, Standard Chartered</p> <p>S Jones (resigned 23 October 2015) Chief Financial Officer, Santander</p> <p>P Lynam Chief Executive Officer, Secure Trust</p> <p>J Marshall Chief Executive Officer, C. Hoare &amp; Co.</p> <p>L de Montille UK Chairman, BNP Paribas</p> <p>J San Félix (appointed 23 October 2015) Head of Retail Banking and Deputy Chief Executive Officer, Santander</p> <p>M Sismey-Durrant Chief Executive Officer, Hampshire Trust</p>

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# British Bankers' Association

## Association Information

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D Soanes (appointed 11 June 2015)  
UK Country Head, UBS Group,  
UBS

D Thorburn (resigned 17 April 2015)  
Chief Executive Officer,  
Clydesdale

E Taylor  
Chief Executive Officer, DB UK Bank Ltd,  
Deutsche Bank

M Young (appointed 11 June 2015)  
Group Corporate Affairs Director,  
Lloyds

### **Registered office**

Pinners Hall  
105-108 Old Broad Street  
London  
EC2N 1EX

### **Auditors**

Kingston Smith LLP  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

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# British Bankers' Association

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# British Bankers' Association

## About the British Bankers' Association

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### Our work in 2015

The BBA is the leading trade association for the UK banking sector with 150 member banks headquartered in over 50 countries with operations in 180 jurisdictions worldwide. Eighty per cent of global systemically important banks are members of the BBA. As the representative of the world's largest international banking cluster, the BBA is the voice of UK banking.

We have the largest and most comprehensive policy resources for banks in the UK and our members include more than 80 of the world's leading financial and professional services organisations.

We regularly engage with influential policy-makers, the media and other stakeholders across the UK, Europe and beyond. Banking is the UK's leading export industry. It supports businesses, jobs and the wider economy.

Our strategic aims are to help customers, promote growth and raise standards in the banking industry.

### Helping customers

In 2015 we worked with our members, the third sector and the Government to improve services for consumers all over the country. The BBA:

- Launched new guidance for banks to help staff provide the best possible support to people with critical or long-term illnesses.
- Established the Vulnerability Task Force with the Money Advice Trust, which is examining good practice in financial services and to see if institutions can improve the experience of customers who may be in vulnerable circumstances.
- Saw the revised basic bank account go live, which is now helping some of the most vulnerable consumers to manage their money.
- Worked with the Department for Business, Innovation and Skills to launch midata, a new service that helps customers identify the best value current account for them.
- Collaborated with members, consumer groups and the Government to establish an industry-wide agreement to work with communities to minimise the effects of bank branch closures.

### Promoting growth

We've supported initiatives that will help kick-start European growth. Closer to home we backed a range of measures that will help businesses and revive the UK economy, including:

- Publishing our report *Winning the Global Race: the competitiveness of the UK as a centre for international banking*, which outlined the critical role the banking sector plays in the UK economy.
- Providing a comprehensive response to the European Commission's public consultation on the creation of a Capital Markets Union, and saw many of our recommendations translated into the Commission's "Action Plan" for CMU.
- Examining the entire range of regulatory issues that could prevent CMU from functioning properly in the EU, and submitted our findings to the European Commission's "Call for Evidence".
- Leading one of the most senior UK financial services delegations to Brussels, taking seven member chairmen to meet influential representatives from the EU institutions and discussed ways that the banking industry could help the Commission to promote growth in Europe.
- Working with Government and credit reference agencies to suggest better ways to make sure decision-makers have ample information about business borrowers, so that even more accurate and quicker credit assessments can be made.

# British Bankers' Association

## About the British Bankers' Association (Continued)

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- Supported the creation of a designated referrals portal, so that businesses that are not suitable for borrowing from traditional banks have their details passed to an alternative provider that may be able to help.
- Being a key proponent of extending the drawdown period for the Funding for Lending Scheme, meaning small firms continue to benefit from cheaper funding over the next few years.
- Continuing to see positive results from our Mentorsme programme, which since 2011 has enlisted 121 mentoring organisations, with access to 27,000 mentors.

### **Raising standards**

In 2015 we continued to support efforts to raise standards of behaviour in our industry. The BBA:

- Was involved in the creation of the Joint Money Laundering Intelligence Taskforce, which enables banks and the public sector to share information about financial crime threats.
- Worked with regulators to support the implementation of the new Senior Managers and Certification Regime, which applies to all market participants and will change conduct in banks from top to bottom.
- Saw the adoption of our recommendation to the Fair and Effective Markets Review that there be a mandatory qualifications and training regime for staff working in the fixed income, currency and commodities markets.
- Worked with our members and the authorities on measures that are designed to enhance the resilience of the financial system and solve the problem of “too big to fail”.

# British Bankers' Association

## Corporate Governance Statement

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The BBA is governed by its Members and has a governance structure that:

- is designed to ensure robust and proper representation of the different member segments of its membership;
- aims to be efficient and effective; and
- strives to meet the BBA's membership and organisational needs.

The high level principles relating to the governance structure are set out in the Rules of the BBA (and can only be amended with the agreement of Members at an AGM or EGM).

### **The Board**

The BBA's principal management body is the Board. The role of the Board is to manage the Association and to maintain (either directly or indirectly via its nominee entity) a stewardship role over the Association's beneficial shareholding in BBA Enterprises Limited and any other subsidiaries from time to time.

The BBA Board is committed to the highest standards of corporate governance and believes that such standards are essential to business integrity and performance.

The Board:

- considers current policy issues and has the ultimate authority to decide BBA policy positions, particularly when associated with reputational risk;
- sets and oversees the delivery of the BBA's strategic direction and business plan;
- approves the financial statements and budget of the Association and BBA Enterprises Limited (as well as any other subsidiaries from time to time); and
- gives advice to members and makes recommendations and statements on matters of banking policy.

The Rules contain detailed provisions around Board composition and how meetings of the Board can be legally convened. In general, the Board composition is designed to ensure an appropriate balance of member segments and other committee representation.

The Board elects the Chair and one or more Deputy Chairs.

The following matters are reserved to the Board for consideration and decision, after consultation with relevant Committees as appropriate:

- any issue (whether economic, political or regulatory and relating to change in the UK, EU or beyond) which may have a strategic impact on the banking industry as a whole;
- any "cross-cutting" issue that impacts more than one sector of the banking industry and/ or other member segments; and
- any issue which may present a material reputational risk for the banking industry.

Any issues that may have an impact on a specific committee will be referred by the Chair to the relevant policy committee (see below) for consideration and decision.

The Board has also delegated certain powers to the Audit and Oversight Committee and the Nominations and Remuneration Committee.

# British Bankers' Association

## Corporate Governance Statement (Continued)

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Board members will normally serve for a term of two years, renewable up to two times by agreement with the Chair.

Each committee is a function of, is accountable to and has authority vested in it by the Board. Each committee has formal terms of reference agreed by the Board which set out the purpose, membership criteria, delegated authority, key responsibilities, reserved matters, quorum, voting rights and attendance etc.

The Board appoints a Chair and Chief Executive, the latter having all the necessary powers to manage the running of the Association.

Board members are listed at the start of this Report.

### **Audit and Oversight Committee**

The purpose of the Audit and Oversight Committee is to:

- give financial oversight;
- give risk oversight;
- give membership oversight and direction for the operational issues of the Association;
- give any other oversight function that the Board reasonably determines is appropriate to devolve to the Audit and Oversight Committee; and
- help deliver the BBA's business plan and meet strategic objectives

The Audit and Oversight Committee is chaired by a Board member, or an alternate appointed in accordance with the Rules, with appropriate credentials. To further ensure the appropriate level of expertise and experience, the Audit and Oversight Committee is made up of the Chief Executive and at least two other appropriately qualified Member representatives from member segments. In addition, any Member whose subscription fee is in excess of a figure equal to 10% of the total subscription fees due from all Members for the calendar year shall have the right, on request, to have a representative on the Audit and Oversight Committee. Together the members of the Audit and Oversight Committee must represent at least three member segments. Other persons may attend at the invitation of the Chair.

Audit and Oversight Committee members will normally serve for a maximum duration of two years, renewable up to two times by agreement with the Chair.

### **Nominations and Remuneration Committee**

The purpose of the Nominations and Remuneration Committee is to review and recommend to the Board for approval:

- the appointment of the Chair of the Board, its Deputy Chair (or Deputy Chairs as the case may be), and Chair of the Audit and Oversight Committee; and
- the terms and conditions of the BBA Chair and Chief Executive, and thereafter to any material changes to their terms and conditions;

The Nominations and Remuneration Committee is chaired by a member of the Board and comprises such other members of the Board as the Board itself shall decide. The Chair of the Nominations and Remuneration Committee is appointed by the Chair of the Board.

Nominations and Remuneration Committee members, including the Chair, will normally serve for a maximum duration of two years, renewable up to two times by agreement with the Board Chair.



# British Bankers' Association

## Corporate Governance Statement (Continued)

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### **Other Committees**

Member segment advisory boards, policy committees and other senior committees provide advice and direction on banking policy issues.

The executive committee, comprising the senior management team of the BBA, supports the Chief Executive in fulfilling his responsibilities as delegated by the Board.

# British Bankers' Association

## Strategic Report

For the year ended 31 December 2015

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The Board presents their report together with the audited financial statements for the year ended 31 December 2015.

### **Principal activity**

The BBA represents the banking industry in the UK. It liaises with UK and EU government and regulators on all issues concerning the industry. It also runs conferences, seminars, workshops and training for members and those interested in industry issues and undertakes thought leadership on a range of relevant topics. Finally it provides services on behalf of the industry to retail customers and SMEs such as MyLostAccount.com and Mentorsme etc.

### **FRS 102**

These financial statements are the first prepared in accordance with FRS 102, The Financial Reporting Standards applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014 and the 2014 figures have been restated accordingly. The most significant impact of adopting FRS 102 is that the assets and liabilities of the defined benefit pension scheme are now recognised in the accounts as opposed to being accounted for on a defined contribution basis.

### **Business review**

The BBA generated a profit for the financial year of £2.5m compared to a loss in 2014 of £94k. This exceptional result was generated by a combination of good trading performance and financial control, a repayment of VAT overpaid in prior years and a settlement relating to the provision of healthcare benefits in retirement. These factors are explained in further detail below.

Total income increased 2% in 2015 (or 4% if one discounts income from discontinued LIBOR activities in 2014). This increase is a combination of 5% from subscription income and a smaller increase across our commercial and other revenue streams. The BBA exceeded the record membership growth achieved in 2014 by securing an additional 14 new banking members drawn from the new entrant, smaller retail, challenger, wholesale and Islamic sectors as well 35 associate firms covering legal, advisory, consulting, business technology and business services.

Total expenditure comprises cost of sales relating to the commercial revenue streams and administrative expenses. Ignoring exceptional items in 2014, total expenditure decreased in 2015 from £10,815k to £9,426k. This reflects proactive control of costs and some non recurring credits relating to a favourable movement on the provision for post-retirement medical benefits and the release of two provisions which are no longer required.

The commercial arm of the BBA is operated by a wholly owned subsidiary, BBA Enterprises Ltd. In a highly competitive market it increased market profile including enhanced events capabilities to realise a 13% uplift in year-on-year gross profit and extended its training services under the new BBA Learning Academy brand to include eLearning and in-house training.

# British Bankers' Association

## Strategic Report (Continued)

For the year ended 31 December 2015

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During 2015 BBA Enterprises Ltd made a number of changes to its operating model to enhance its capabilities and increase market differentiation and competitiveness:

- BBA FCAS Limited was created. This is a unique financial crime information sharing platform developed in collaboration with BAE Systems that has placed BBA at the centre of government, law enforcement and security agency financial crime intelligence sharing and insight applying across the banking sector.
- BBA Confirmations was launched by combining capabilities in market engagement with the world's leading provider of cloud based services to the audit confirmations market – transforming paper based processes and driving radical reductions in bank-to-auditor response times whilst delivering operational efficiencies. The service is now being used by over 40 banking groups including the largest global banks.
- BBA GOLD Limited was formed to provide the Global Operating Loss Database (GOLD). This enhances risk management disciplines and operations whilst improving standards for internal controls across the banking and related sectors including wholesale brokers and building societies.

Following a VAT compliance and efficiency review, the Association's results have been further buoyed by exceptional income of £776k resulting from a repayment from HMRC of overpaid VAT. This compares to exceptional costs in 2015 which arose from a reorganisation of the operations team and the recognition of certain costs that should have been expensed in prior years. The new VAT treatment agreed with HMRC will lead to further VAT efficiencies on an ongoing basis.

The consolidated statement of comprehensive income prepared under the principles of FRS102 has also benefitted from actuarial gains and associated tax of £521k on the legacy defined benefit pension scheme (2014: actuarial losses of £1,037k). The scheme is a multi-employer scheme shared with UK Payments Administration Limited. As at 31 December 2014 the BBA's share of the deficit was £1.3m but as at 31 December 2015 this was a surplus of £670k. The surplus has not been recognised on the basis that no economic benefit is expected in the near future.

The net transfer to reserves this year is £2,973k compared to a deficit of £1,131k in 2014 and accordingly net assets have increased from £2.2m to £5.2m over the year. Cash balances have increased from £4.8m to £5.4m as a result of the good trading result. Provisions in respect of post-employment benefits have decreased from £2.9m to £1.1m due to the favourable movement in the provision relating to the defined benefit pension scheme.

# British Bankers' Association

## Strategic Report (Continued)

For the year ended 31 December 2015

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### **Risk**

The Board monitors risk through the Audit and Oversight Committee. The main areas of risk are considered to be as follows:

- financial risk – the financial position of the Association is regularly reviewed to maintain financial stability against the risk of a reduction of income (whether that is subscription income or commercial revenue) and/or increased costs.
- risk associated with civil actions against the BBA in respect of alleged manipulation of US\$ LIBOR – seven of the claims have been dismissed or are subject to dismissal pursuant to court orders and the other is currently stayed. The remaining case will be vigorously defended if it proceeds. Progress is reviewed on a regular basis with the BBA's UK and US lawyers. Further detail is contained in note 21 to the financial statements.
- defined benefit pension scheme liabilities – the liabilities of the British Bankers' Association Pension Scheme and the results of actuarial valuations are carefully monitored to ensure funding levels are appropriate for the level of the scheme's liabilities and for the financial security of the Association. Details are contained in note 20 to the financial statements.

The Audit and Oversight Committee maintains and regularly reviews a Risks and Opportunities Matrix.

### **Internal controls and financial reporting**

The BBA maintains a comprehensive set of financial controls, procedures and delegation of authority. The financial controls and procedures are reviewed regularly by the Audit and Oversight Committee supported by the work of the external auditors.

### **Employees**

The BBA aims to create a working environment that enables employees to enjoy their work, develop their skills and expertise and provide the best possible service to the BBA, its members and the organisations the BBA works with. To this end the BBA has policies addressing health and safety, diversity, disability, performance management, grievance, harassment and employee relations. These policies are continually reviewed against best practice standards and updated as necessary. All staff have access to them and there is an elected Staff Liaison Committee.

The recruitment of staff includes an assessment of skills for the role and these are maintained by on-going training, the need for which is assessed in the annual appraisal process.

The BBA is committed to the development and training of its staff – both for corporate and personal benefits.

# British Bankers' Association

## Strategic Report (Continued)

For the year ended 31 December 2015

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The current gender profile of BBA employees at 31 December 2015 is:

GENDER	NO OF EMPLOYEES	% OF EMPLOYEES
Male	39	57
Female	30	43

The current gender profile of the BBA Executive Committee at 31 December 2015 is:

GENDER	NO OF EMPLOYEES	% OF EMPLOYEES
Male	8	67
Female	4	33

### Future developments

The Association's future developments are driven in the first instance by the rolling 3 year business plan which is updated on an annual basis.

The BBA aims to be a world class trade association, representing the entire spectrum of our membership in the UK, EU and internationally; to be a constructive partner for government and regulators; to prove value for money within a balanced budget; to provide detailed policy expertise and strategic thought leadership for the industry with a pro-active media and events programme; and to work with the Financial Services Trade Associations Review to improve the industry's representation.

We will ensure that current regulatory, structural reform, tax and political initiatives are finalised in forms that are practical, economic and good for both the industry and its customers. Our policy priorities will be:

**Retail and Commercial Banking:** to tackle legacy issues and to help implement the Competition and Markets Authority remedies, as well as working to improve access to banking and financial inclusion

**Wholesale Markets:** to take forward the Capital Market Union agenda focusing particularly on securitisation, to implement the FEMR recommendations and the MIFID II reforms

**Capital and Risk:** to work for a proportionate and sustainable prudential regime that achieves financial stability and promotes growth

**Digital Banking:** to ensure regulation helps protect customers and financial stability, while not stifling innovation or competition

**Regulation and tax:** to address unintended consequences of regulatory and tax reforms, including helping the UK to remain competitive as an international banking centre, with a level playing field for challenger and smaller banks

**Financial crime:** to help ensure we have an effective and efficient financial crime regime which enables banks to provide the services that businesses and customers want

# British Bankers' Association

## Strategic Report (Continued)

For the year ended 31 December 2015

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During 2015, discussions regarding the merits of a consolidation between the BBA and other trade associations progressed. A document recommending consolidation between four banking trade associations: the BBA, UK Cards, Payments UK and the Council of Mortgage Lenders was published at the end of November. Since then the proposal has been reviewed by the BBA Board. A sub-committee of the Board was set up in February 2016 to negotiate the detail of the consolidated trade association and discussions continue. The BBA Board is supportive of the proposal in principle and once the sub-committee feels it has a structure it is happy to recommend to the Board, the latter will call an Extraordinary General Meeting to ask the members to vote.

The Strategic Report was approved by the Board on 22 April 2016 and signed on its behalf by

.....  
Anthony Browne  
**Chief Executive**

# British Bankers' Association

## Boards' Responsibilities Statement

For the year ended 31 December 2015

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The Board is responsible for preparing the Annual Report and the financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102).

The Board 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 Association and of the profit or loss of the Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

### **Statement of disclosure to auditors**

So far as each person who was a member of the Board at the date of approving this report is aware, there is no relevant audit information of which the Association's auditors are unaware. Additionally, the Board members individually have taken all the necessary steps that they ought to have taken as Board members in order to make themselves aware of all relevant audit information and to establish that the Association's auditors are aware of that information.

The Board is responsible for the maintenance of the financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved on behalf of the Board on 22 April 2016

.....  
Noreen Doyle  
**Chair**

.....  
Anthony Browne  
**Chief Executive**

# British Bankers' Association

## Independent Auditors' Report

### To the Members of British Bankers' Association

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We have audited the financial statements of British Bankers' Association for the year ended 31 December 2015 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Association Balance Sheet, the Consolidated Statement of Changes in Equity, the Association Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the Association's members, as a body, in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' 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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Board and auditors**

As explained more fully in the Board's Responsibilities Statement, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 December 2015 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**Janice Riches (Senior Statutory Auditor)**  
**for and on behalf of Kingston Smith LLP**

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**Chartered Accountants**  
**Statutory Auditor**

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD



# British Bankers' Association

## Consolidated Income Statement

For the year ended 31 December 2015

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		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>£</b>	<b>as restated £</b>
Turnover	<b>3</b>	11,520,482	11,240,413
Total expenditure		(9,426,132)	(10,815,358)
Exceptional item	<b>4</b>	776,667	(771,334)
<b>Operating profit/(loss)</b>	<b>5</b>	<u>2,871,017</u>	<u>(346,279)</u>
Interest receivable and similar income	<b>8</b>	12,570	23,534
Interest payable and similar charges	<b>9</b>	(84,702)	(96,500)
<b>Profit/(loss) before taxation</b>		<u>2,798,885</u>	<u>(419,245)</u>
Taxation	<b>10</b>	(346,518)	325,241
<b>Profit/(loss) for the financial year</b>		<u><u>2,452,367</u></u>	<u><u>(94,004)</u></u>

The income statement has been prepared on the basis that all operations are continuing operations, with the exception of income of £167,800 and expenditure of £120,000 in the year ended 31 December 2014. Further information is provided in notes 3 and 5.

The income statement shows the turnover and associated expenses as reported under Financial Reporting Standard 102, which has been adopted for the first time for the year ended 31 December 2015. The restatements on transition are shown in note 25.

# British Bankers' Association

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

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	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Profit/(loss) for the year</b>	2,452,367	(94,004)
<b>Other comprehensive income</b>		
Actuarial gain/(loss) on defined benefit pension scheme and post retirement medical benefits	<b>20</b> 607,900	(1,013,000)
Tax relating to other comprehensive income	<b>10</b> (87,300)	(24,000)
<b>Other comprehensive income/(expenditure) for the year</b>	520,600	(1,037,000)
<b>Total comprehensive income/(expenditure) for the year</b>	2,972,967	(1,131,004)

# British Bankers' Association

## Group Statement Of Financial Position

As at 31 December 2015

	Notes	2015		2014 as restated	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		9,125		43,000
Tangible assets	12		366,440		450,922
			<u>375,565</u>		<u>493,922</u>
<b>Current assets</b>					
Stocks	15	15,347		15,684	
Debtors	16	9,556,291		9,111,755	
Cash at bank and in hand		5,429,081		4,791,154	
		<u>15,000,719</u>		<u>13,918,593</u>	
<b>Creditors: amounts falling due within one year</b>	17		<u>(8,542,333)</u>		<u>(8,808,306)</u>
Net current assets			6,458,386		5,110,287
<b>Total assets less current liabilities</b>			<u>6,833,951</u>		<u>5,604,209</u>
<b>Provisions for liabilities</b>	19		<u>(502,703)</u>		<u>(483,000)</u>
<b>Net assets excluding post-employment benefits</b>			6,331,248		5,121,209
<b>Post-employment benefits</b>	20		<u>(1,140,600)</u>		<u>(2,903,528)</u>
<b>Net assets</b>			<u><u>5,190,648</u></u>		<u><u>2,217,681</u></u>
<b>Capital and reserves</b>					
Accumulated fund			<u><u>5,190,648</u></u>		<u><u>2,217,681</u></u>

The financial statements were approved by the Board and authorised for issue on 22 April 2016 and are signed on its behalf by:

Noreen Doyle  
Chair

Anthony Browne  
Chief Executive

# British Bankers' Association

## Association Statement Of Financial Position

As at 31 December 2015

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		2015		2014 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		9,125		43,000
Tangible assets	12		60,666		65,153
			<u>69,791</u>		<u>108,153</u>
<b>Current assets</b>					
Debtors	16	8,095,992		9,097,600	
Cash at bank and in hand		2,706,631		1,229,309	
		<u>10,802,623</u>		<u>10,326,909</u>	
<b>Creditors: amounts falling due within one year</b>	17	(6,443,050)		(8,292,512)	
Net current assets			<u>4,359,573</u>		<u>2,034,397</u>
<b>Total assets less current liabilities and net assets excluding post-employment benefits</b>			4,429,364		2,142,550
<b>Post-employment benefits</b>	20		(1,140,600)		(2,903,528)
<b>Net assets/(liabilities)</b>			<u>3,288,764</u>		<u>(760,978)</u>
<b>Capital and reserves</b>					
Accumulated fund			<u>3,288,764</u>		<u>(760,978)</u>

The financial statements were approved by the Board and authorised for issue on 22 April 2016 and are signed on its behalf by:

Noreen Doyle  
Chair

Anthony Browne  
Chief Executive

# British Bankers' Association

## Group Statement of Changes in Equity For the year ended 31 December 2015

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	<b>Notes</b>	<b>Accumulated fund £</b>
<b>Balance at 1 January 2014</b>		3,348,685
<b>Period ended 31 December 2014:</b>		
Loss for the year		(94,004)
Other comprehensive income:		
Actuarial losses on post-employment benefits		(1,013,000)
Movement on deferred tax relating to post-employment benefits		(13,600)
Other deferred tax movements		(10,400)
		<hr/>
Total comprehensive income for the year		(1,131,004)
		<hr/>
<b>Balance at 31 December 2014</b>		2,217,681
		<hr/>
<b>Period ended 31 December 2015:</b>		
Profit for the year		2,452,367
Other comprehensive income:		
Actuarial gains on post-employment benefits		607,900
Movement on deferred tax relating to post-employment benefits		(87,300)
		<hr/>
Total comprehensive income for the year		2,972,967
		<hr/>
<b>Balance at 31 December 2015</b>		5,190,648
		<hr/> <hr/>

# British Bankers' Association

## Association Statement of Changes in Equity

For the year ended 31 December 2015

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	<b>Notes</b>	<b>Accumulated fund £</b>
<b>Balance at 1 January 2014</b>		418,631
<b>Period ended 31 December 2014:</b>		
Loss for the year		(142,609)
Other comprehensive income:		
Actuarial losses on post-employment benefits		(1,013,000)
Movement on deferred tax relating to post-employment benefits		(13,600)
Other deferred tax movements		(10,400)
		<hr/>
Total comprehensive expenditure for the year		(1,179,609)
		<hr/>
<b>Balance at 31 December 2014</b>		(760,978)
		<hr/>
<b>Period ended 31 December 2015:</b>		
Profit for the year		3,529,142
Other comprehensive income:		
Actuarial gains on post-employment benefits		607,900
Movement on deferred tax relating to post-employment benefits		(87,300)
		<hr/>
Total comprehensive income for the year		4,049,742
		<hr/>
<b>Balance at 31 December 2015</b>		3,288,764
		<hr/> <hr/>

# British Bankers' Association

## Consolidated Statement of Cash Flows For the year ended 31 December 2015

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		2015		2014	
	Notes	£	£	£	as restated £
<b>Cash flows from operating activities</b>					
Cash generated from operations	24		608,174		374,529
Income taxes refunded/(paid)			65,042		(271,644)
			<u>673,216</u>		<u>102,885</u>
<b>Net cash inflow from operating activities</b>					
<b>Investing activities</b>					
Purchase of tangible assets		(47,857)		(292,246)	
Interest received		12,570		23,534	
Interest paid		(2)		-	
		<u>(35,289)</u>		<u>(268,712)</u>	
<b>Net cash used in investing activities</b>					
<b>Net increase/(decrease) in cash and cash equivalents</b>					
			637,927		(165,827)
Cash and cash equivalents at beginning of year			4,791,154		4,956,981
<b>Cash and cash equivalents at end of year</b>					
			<u>5,429,081</u>		<u>4,791,154</u>
<b>Cash and cash equivalents consist of:</b>					
Cash at bank and in hand			<u>5,429,081</u>		<u>4,791,154</u>

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# British Bankers' Association

## Notes to the Financial Statements

For the year ended 31 December 2015

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### 1 Accounting policies

#### Association information

British Bankers' Association is an unincorporated association governed by its rules, the latest version of which was approved by the members on 16 May 2014. The address is Pinners Hall, 105-108 Old Broad Street, London, EC2N 1EX.

#### 1.1 Accounting convention

These group and individual financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102").

The financial statements are prepared in sterling, which is the functional currency of the Association. Monetary amounts in these financial statements are rounded to the nearest pound.

The group and individual financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of British Bankers' Association prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

#### 1.2 Going concern

At the time of approving the financial statements, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the Board continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the members.

The Association has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Association's cash flows;

(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

#### 1.4 Basis of consolidation

The group consolidated financial statements include the financial statements of the Association and its subsidiaries, BBA Enterprises Ltd, BBA Trent Limited (formerly BBA LIBOR Limited), BBA FCAS Limited and BBA Gold Limited, drawn up to 31 December 2015. In common with companies governed by the Companies Act, the Association has not presented its own profit and loss account. The net profit after taxation of the Association was £3,529,142 (2014: loss of £142,609).



# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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### 1 Accounting policies

(Continued)

#### 1.5 Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

In accordance with the Rules of the Association, subscriptions payable by members are determined to cover the budgeted level of expenditure of the Association including taxation. Subscriptions generally run for a period of one year. Revenue is recognised evenly over the membership period with any amounts received in the current financial year that relate to the following financial year treated as deferred income at the balance sheet date.

Events revenue is recognised at the point at which the event takes place. Any amounts received in the current financial year that relate to the following financial year are treated as deferred income at the balance sheet date.

Training revenue is recognised at the point at which the training takes place. Any amounts received in the current financial year that relate to the following financial year are treated as deferred income at the balance sheet date.

Professional associate memberships generally run for a period of one year. Revenue is recognised evenly over the membership period with any amounts received in the current financial year that relate to the following financial year treated as deferred income at the balance sheet date.

Publications revenue is recognised at the point the publication is delivered to the customer.

Venue hire revenue is recognised at the point at which the hire takes place.

Subscriptions to the BBA Gold service are recognised over the period of the contract.

#### 1.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line
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Amortisation is charged to Administrative expenses in the profit and loss account.

#### 1.7 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	5 - 10 years straight line
Computers	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

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# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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### 1 Accounting policies

(Continued)

#### 1.8 Impairment of fixed assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises the purchase price incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.11 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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### 1 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include trade and other receivables, and cash and bank balances, are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through the profit and loss are measured at fair value.

#### **Loans and other receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### **Classification of financial liabilities**

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

#### **Other financial liabilities**

Other financial liabilities, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled, or expires.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

---

### 1 Accounting policies

(Continued)

#### 1.12 Equity instruments

Equity instruments issued by group companies are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

#### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.14 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event; it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

---

### 1 Accounting policies

(Continued)

#### 1.15 Employee benefits

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

##### (i) Short term benefits

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

##### (ii) Defined benefit pension plan

During the year the group contributed to a legacy defined benefit pension scheme which is shared with UK Payments Administration Limited. The assets of the scheme are separately held from those of the Association in independently administered funds.

Pension scheme assets are measured at fair value in accordance with the FRS 102 fair value hierarchy. Pension scheme liabilities are measured using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. Annually the Association engages independent actuaries to calculate the obligation.

The liability recognised in the Balance Sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the end of the reporting date, less the fair value of the scheme assets at the reporting date.

The increase in the present value of liabilities of the Association's defined benefit pension scheme expected to arise from employee service in the period is charged to profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of scheme assets. This cost is recognised in profit or loss as 'Finance costs'.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented within provisions.

##### (iii) Defined contribution pension plan

The Group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. Once the contributions have been paid the Association has no further payment obligations. The contributions are recognised as an expense when they are due.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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### 1 Accounting policies

(Continued)

#### (iv) Healthcare plan

The Association provides health care to certain employees in retirement. The amounts charged to operating profit are the current service costs, and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If they have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance cost or credits. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Post retirement benefit liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting scheme asset or liability is presented separately after other net assets on the face of the balance sheet.

#### 1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets' fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.17 Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the leases expense, on a straight line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

#### 1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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### 1 Accounting policies

(Continued)

#### 1.19 Costs recharged directly to members

In certain circumstances costs are recharged directly to specific categories of members. These recharges and associated costs are not recognised in the profit and loss account of the Association. They include:

- legal costs incurred in the Association's defence of eight civil actions in the United States in respect of the alleged manipulation and suppression of US\$ LIBOR. These costs are being recovered from certain members.
- costs incurred in the management of the Better Business Finance initiative in collaboration with leading banks in the UK (including Northern Ireland) and business partners.

#### 1.20 Restatement of comparatives

The 2014 financial statements incorrectly included a bank account balance of £698,692 and a creditor balance of £16,167 within other debtors. These amounts have been corrected in the 2015 financial statements which has led to a restatement of the comparative figures for other debtors, cash at bank and other creditors.

Turnover in the 2014 financial statements was shown net of direct expenditure incurred of £871,613. These amounts have been corrected in the 2015 financial statements which has led to a restatement of the comparative figures for turnover and total expenditure.

### 2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Board is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### **Contingent liability**

The Association and subsidiary companies are involved in on-going litigation in respect of the alleged manipulation and suppression of US\$ LIBOR. Further details are provided in note 21. The Board has obtained legal advice relating to all claims. It is the Board's judgement that, as a result of developments described in note 21, the likelihood of a successful damages claim against the BBA has decreased and in any event insufficient information is available to assess the likelihood of damages being payable or to quantify any possible amount. Therefore no provision has been included in the financial statements relating to the claims.

## 2 Judgements and key sources of estimation uncertainty

(Continued)

### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Defined benefit pension scheme***

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

#### ***Useful economic lives of intangible assets***

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Computer software and website impairment reviews are performed annually. These reviews require an estimation of the value in use of the cash generating units to which the asset has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the cash generating unit and a suitable discount rate to calculate present value. See note 11 for the carrying amount of the intangible assets and note 1.6 for the useful economic lives for each class of asset.

#### ***Useful economic lives of property, plant and equipment***

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment and note 1.7 for the useful economic lives for each class of asset.

#### ***Provisions***

Provisions have been made for property contracts and dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.



# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2015 £	2014 £ as restated
<b>Turnover</b>		
Subscriptions invoiced to members	8,153,900	7,747,820
Events, training and publications	1,940,399	2,130,074
Associate income	746,306	654,739
Venue hire	214,432	233,980
Other income	465,445	306,000
Discontinued operations	-	167,800
	<u>11,520,482</u>	<u>11,240,413</u>

The year ended 31 December 2014 included an amount of £167,800 of revenue from discontinued operations. This amount was turnover related to the LIBOR activities conducted by BBA Trent Limited. These activities ceased on 31 January 2014 following the handing over of the responsibility for the administration of LIBOR to Intercontinental Exchange Benchmark Administration Ltd.

#### Turnover analysed by geographical market

	2015 £	2014 £ as restated
United Kingdom	<u>11,520,482</u>	<u>11,240,413</u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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<b>4</b>	<b>Exceptional item</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	<b>Exceptional income</b>		
	Recovery of additional value added tax	776,667	-
		<u>776,667</u>	<u>-</u>
	<b>Exceptional expenditure</b>		
	Reorganisation costs	-	310,334
	Costs that relate to prior years:		
	- Impairment of fixed assets	-	179,000
	- Additional provision for healthcare costs	-	167,000
	- Pension scheme administration	-	52,000
	- Other costs	-	63,000
		<u>-</u>	<u>771,334</u>
		<u>-</u>	<u>771,334</u>

Exceptional income of £776,667 (2014: £nil) represents additional input VAT recoverable on costs incurred in providing the Better Business Finance initiative and certain other recharged activities conducted by the British Bankers' Association. The inclusion in the financial statements follows approval for repayment from HMRC.

<b>5</b>	<b>Operating profit/(loss)</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Operating profit/(loss) for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	467	284
	Depreciation of owned tangible assets	133,294	131,000
	Loss on disposal of tangible assets	670	-
	Amortisation of intangible assets	33,875	34,000
	Operating lease charges	703,670	564,858
		<u>703,670</u>	<u>564,858</u>

The year ended 31 December 2014 included discontinued income of £167,800 and related costs of £120,000. These amounts related to the LIBOR activities conducted by BBA Trent Limited prior to handing over the responsibility for the administration of LIBOR.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 6 Auditors' remuneration

	2015	2014
	£	£
Fees payable to the Association's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the Group and Association	10,500	11,000
Audit of the Association's subsidiaries	11,500	10,299
	<u>22,000</u>	<u>21,299</u>
<b>For non-audit services</b>		
Accountancy services	8,000	12,000
Taxation compliance services	7,500	34,000
	<u>15,500</u>	<u>46,000</u>

### 7 Employees

The average monthly number of persons employed by the Group during the year was:

	2015	2014
	Number	Number
All employees	<u>66</u>	<u>68</u>

Their aggregate remuneration comprised:

	2015	2014
	£	£
Wages and salaries	4,361,523	4,718,075
Social security costs	610,684	599,361
Pension costs - defined contribution	441,430	443,132
	<u>5,413,637</u>	<u>5,760,568</u>

The Income Statement also includes a credit of £341,200 (2014: a charge of £162,900) in respect of the post retirement medical benefits provided to former employees.

#### Remuneration of key management personnel

Key management is considered to be the executive management team. Total remuneration paid to key management personnel was £1,875,759 (2014: £1,865,412).

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 8 Interest receivable and similar income

	2015 £	2014 £
<b>Interest income</b>		
Interest on bank deposits	12,539	23,534
Other interest income	31	-
Total income	<u>12,570</u>	<u>23,534</u>

### 9 Interest payable and similar charges

	2015 £	2014 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on other loans	2	-
<b>Other finance costs:</b>		
Net interest expense on post employment benefits	84,700	96,500
Total finance costs	<u>84,702</u>	<u>96,500</u>

### 10 Taxation

	2015 £	2014 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	120,948	-
Adjustments in respect of prior periods	(19)	(65,241)
Total current tax charge/(credit)	<u>120,929</u>	<u>(65,241)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	225,589	(260,000)
Adjustment in respect of prior periods	-	1,000
Total deferred tax	<u>225,589</u>	<u>(259,000)</u>
Total tax charge/(credit)	<u>346,518</u>	<u>(325,241)</u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 10 Taxation

(Continued)

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2015 £	2014 £
Profit/(loss) before taxation	2,798,885	(419,245)
<i>Expected tax charge based on a corporation tax rate of 20.00% (2014 - 21.5%)</i>	559,777	(90,138)
Tax effect of expenses that are not deductible in determining taxable profit	8,198	46,000
Tax effect of utilisation of tax losses not previously recognised	(16,120)	-
Unutilised tax losses carried forward	2,839	-
Adjustments in respect of prior years	-	(65,241)
Depreciation on assets not qualifying for tax allowances	13,351	-
Other timing differences	11,443	(61,000)
Other tax adjustments	(1,890)	(46,321)
Defined benefit scheme timing differences	(231,080)	(108,541)
Tax expense for the year	346,518	(325,241)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2015 £	2014 £
Deferred tax arising on:		
Actuarial gains/losses on post-employment benefits recognised as other comprehensive income	87,300	13,600
Other deferred tax movements	-	10,400
Total tax recognised in other comprehensive income	87,300	24,000

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 11 Intangible fixed assets

<b>Group</b>	<b>Software £</b>
<b>Cost</b>	
At 1 January 2015	913,841
Disposals	(410,383)
	<hr/>
At 31 December 2015	503,458
	<hr/>
<b>Amortisation and impairment</b>	
At 1 January 2015	870,841
Amortisation charged for the year	33,875
Disposals	(410,383)
	<hr/>
At 31 December 2015	494,333
	<hr/>
<b>Carrying amount</b>	
At 31 December 2015	9,125
	<hr/> <hr/>
At 31 December 2014	43,000
	<hr/> <hr/>
<b>Company</b>	<b>Software £</b>
<b>Cost</b>	
At 1 January 2015	901,000
Disposals	(406,527)
	<hr/>
At 31 December 2015	494,473
	<hr/>
<b>Amortisation and impairment</b>	
At 1 January 2015	858,000
Amortisation charged for the year	33,875
Disposals	(406,527)
	<hr/>
At 31 December 2015	485,348
	<hr/>
<b>Carrying amount</b>	
At 31 December 2015	9,125
	<hr/> <hr/>
At 31 December 2014	43,000
	<hr/> <hr/>

Software represents amounts capitalised in respect of computer software, website development and licences purchased with a useful economic life of greater than one year.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 12 Tangible fixed assets

<b>Group</b>	<b>Fixtures and fittings</b>	<b>Computers</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2015	642,158	1,120,103	1,762,261
Additions	19,551	28,306	47,857
Disposals	(49,789)	(1,239,258)	(1,289,047)
Reinstatement of cost previously removed	406,632	377,000	783,632
	<u>1,018,552</u>	<u>286,151</u>	<u>1,304,703</u>
At 31 December 2015	1,018,552	286,151	1,304,703
<b>Depreciation and impairment</b>			
At 1 January 2015	209,389	1,101,950	1,311,339
Depreciation charged in the year	113,590	19,704	133,294
Eliminated in respect of disposals	(48,744)	(1,239,258)	(1,288,002)
Reinstatement of depreciation previously removed	406,632	375,000	781,632
	<u>680,867</u>	<u>257,396</u>	<u>938,263</u>
At 31 December 2015	680,867	257,396	938,263
<b>Carrying amount</b>			
At 31 December 2015	<u>337,685</u>	<u>28,755</u>	<u>366,440</u>
At 31 December 2014	<u>432,769</u>	<u>18,153</u>	<u>450,922</u>
<b>Company</b>			
	<b>Fixtures and fittings</b>	<b>Computers</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2015	75,000	1,120,103	1,195,103
Additions	-	28,306	28,306
Disposals	-	(1,239,258)	(1,239,258)
Reinstatement of cost previously removed	-	377,000	377,000
	<u>75,000</u>	<u>286,151</u>	<u>361,151</u>
At 31 December 2015	75,000	286,151	361,151
<b>Depreciation and impairment</b>			
At 1 January 2015	28,000	1,101,950	1,129,950
Depreciation charged in the year	15,089	19,704	34,793
Eliminated in respect of disposals	-	(1,239,258)	(1,239,258)
Reinstatement of depreciation previously removed	-	375,000	375,000
	<u>43,089</u>	<u>257,396</u>	<u>300,485</u>
At 31 December 2015	43,089	257,396	300,485
<b>Carrying amount</b>			
At 31 December 2015	<u>31,911</u>	<u>28,755</u>	<u>60,666</u>
At 31 December 2014	<u>47,000</u>	<u>18,153</u>	<u>65,153</u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 13 Fixed asset investments

BBA Enterprises Ltd, a wholly owned subsidiary of the Association, was set up in August 1996 to act as the commercial arm of the Association. The Company, incorporated in England, has an issued share capital of two £1 ordinary shares, both shares being owned beneficially by the Association. The results for the year to 31 December 2015 have been consolidated.

BBA Trent Limited, a wholly owned subsidiary of the Association, was set up in November 2009 and began trading on 1 January 2010 to conduct LIBOR business. BBA Trent Limited was formerly known as BBA LIBOR Limited until it changed its name on 23 September 2014. The Company, incorporated in England, has an issued share capital of one £1 ordinary share, the share being owned beneficially by the Association. The results for the year to 31 December 2015 have been consolidated.

BBA FCAS Limited, a wholly owned subsidiary of BBA Enterprises Ltd, was set up on 5 February 2015 to provide financial crime information to the banking and related financial service sector. The Company, incorporated in England, has an issued share capital of one £1 ordinary share. The results for the period to 31 December 2015 have been consolidated.

BBA Gold Limited, a wholly owned subsidiary of BBA Enterprises Ltd, was set up on 24 June 2015 to provide online service access to a global operational risk event database and other risk tools to financial service organisations. The Company, incorporated in England, has an issued share capital of one £1 ordinary share. The results for the period to 31 December 2015 have been consolidated.

### 14 Financial instruments

	<b>Group</b>		<b>Association</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	9,356,419	8,533,715	7,875,462	8,497,560
	<u>9,356,419</u>	<u>8,533,715</u>	<u>7,875,462</u>	<u>8,497,560</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	7,416,669	8,089,404	5,821,094	7,573,865
	<u>7,416,669</u>	<u>8,089,404</u>	<u>5,821,094</u>	<u>7,573,865</u>

### 15 Stocks

	<b>Group</b>		<b>Association</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods and goods for resale	15,347	15,684	-	-
	<u>15,347</u>	<u>15,684</u>	<u>-</u>	<u>-</u>



# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 16 Debtors

	Group 2015 £	2014 as restated £	Association 2015 £	2014 as restated £
<b>Amounts falling due within one year:</b>				
Trade debtors	6,800,518	5,969,137	4,917,421	4,623,869
Corporation tax recoverable	-	65,279	-	65,279
Amounts due from group undertakings	-	-	1,236,406	2,319,000
Other debtors	486,276	559,585	-	-
Prepayments and accrued income	2,069,625	2,004,993	1,721,635	1,554,691
	<u>9,356,419</u>	<u>8,598,994</u>	<u>7,875,462</u>	<u>8,562,839</u>
Deferred tax asset (note 18)	-	197,361	-	219,361
	<u>9,356,419</u>	<u>8,796,355</u>	<u>7,875,462</u>	<u>8,782,200</u>
<b>Amounts falling due after one year:</b>				
Deferred tax asset (note 18)	199,872	315,400	220,530	315,400
Total debtors	<u>9,556,291</u>	<u>9,111,755</u>	<u>8,095,992</u>	<u>9,097,600</u>

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

	Group 2015 £	2014 £	Association 2015 £	2014 £
Corporation tax payable	121,081	255	121,081	-
Other taxation and social security	1,004,583	718,647	500,875	718,647
Trade creditors	221,844	897,989	179,594	615,552
Amounts due to group undertakings	-	-	-	1,354,829
Other creditors	133,734	500,897	47,277	500,897
Accruals and deferred income	7,061,091	6,690,518	5,594,223	5,102,587
	<u>8,542,333</u>	<u>8,808,306</u>	<u>6,443,050</u>	<u>8,292,512</u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Assets/ (liabilities) 2015 £</b>	<b>Assets/ (liabilities) 2014 £</b>
<b>Group</b>		
Accelerated capital allowances	(28,228)	(28,000)
Tax losses	-	223,000
Retirement benefit obligations	228,100	315,400
Other timing differences	-	2,361
	<u>199,872</u>	<u>512,761</u>
	<u>199,872</u>	<u>512,761</u>
	<b>Assets/ (liabilities) 2015 £</b>	<b>Assets/ (liabilities) 2014 £</b>
<b>Company</b>		
Accelerated capital allowances	(7,570)	(14,322)
Tax losses	-	231,683
Retirement benefit obligations	228,100	315,400
Other timing differences	-	2,000
	<u>220,530</u>	<u>534,761</u>
	<u>220,530</u>	<u>534,761</u>
	<b>Group 2015 £</b>	<b>Company 2015 £</b>
<b>Movements in the year:</b>		
Liability/(asset) at 1 January 2015	(512,761)	(534,761)
Charge to profit or loss	225,589	226,931
Charge to other comprehensive income	87,300	87,300
	<u>(199,872)</u>	<u>(220,530)</u>
Liability/(asset) at 31 December 2015	<u>(199,872)</u>	<u>(220,530)</u>

The deferred tax asset set out above relates to the utilisation of tax losses and timing differences against future expected profits.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 19 Provisions for liabilities

	<b>Group</b>		<b>Association</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Dilapidations	502,703	483,000	-	-

Movements on provisions:

<b>Group</b>	<b>Dilapidations</b>
	<b>£</b>
At 1 January 2015	483,000
Additional provisions in the year	19,703
At 31 December 2015	502,703

As part of the Group's property leasing arrangements there is an obligation to repair wear and tear which occurs during the life of the lease. The cost is charged to the profit and loss account as the obligation arises. The provision is expected to be utilised in 2023 when the lease terminates.

### 20 Retirement benefit schemes

<b>Defined contribution schemes</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Charge to profit and loss in respect of defined contribution schemes	441,430	443,132

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

#### **Defined benefit schemes - multi-employer scheme**

The British Bankers' Association Pension Scheme is operated on behalf of the Association and UK Payments Administration Limited.

The Scheme, which is closed to the future accrual of benefits, is a funded defined benefit scheme and provides benefits based on final pensionable pay and the period of pensionable service completed up to 30 June 2010. The contributions are determined by the Trustees of the Scheme, following discussion with the employers, after receiving advice from the Scheme Actuary, on the basis of triennial valuations.

#### **Valuation**

An actuarial valuation of the pension scheme, using the projected unit method, was carried out at 31 December 2015 by Barnett Waddingham, independent consulting actuaries, in accordance with section 28 of FRS 102.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 20 Retirement benefit schemes

(Continued)

#### **Other information**

At 31 December 2015, the Scheme had a total membership of 241 (2014: 235) of which 110 (2014: 129) were employees or former employees of the Association.

In September 2013 the employers agreed to make contributions of £982,000, in August 2012, February 2013 and August 2013 and then further six monthly contributions increasing in line with RPI inflation +0.5% per annum (with a floor of 1% applying cumulatively from 31 March 2012) from February 2014 through to February 2019. The payments are shared between the Association and UK Payments (Administration) Limited in the ratio 35:65. The employers also meet the costs of administration, investment management and any insurance premiums payable. The position is currently being reviewed as a result of a draft triennial valuation as at 31 December 2014.

#### **Key assumptions**

	2015	2014
	%	%
Discount rate	3.85	3.50
Expected rate of increase of pensions in payment	3.15	3.10
Expected rate of salary increases	3.25	3.20

100% of members are assumed to take their maximum tax free cash lump sum (2014: 100%).

#### **Mortality assumptions**

The mortality assumption at 31 December 2015 is based on an experience investigation prior to the previous funding valuation. The current assumption uses 90% of mortality rates included in the standard tables known as "S2NA". Allowance for future longevity improvements is made in line with the CMI 2014 projections with a long term improvement rate of 1.25%.

Under the current assumption a person aged 65 is assumed to live for a further 23.5 years (male) and 25.7 years (female) and a person reaching age 65 in 2035 is assumed to live for a further 25.2 years (male) and 27.5 years (female).

Amounts recognised in the income statement:

	2015	2014
	£	£
Interest on assets	951,000	1,083,000
Interest cost on liabilities	(985,000)	(1,107,000)
Total charged to other finance expenditure	(34,000)	(24,000)

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 20 Retirement benefit schemes

(Continued)

Amounts recognised in other comprehensive income:

	2015 £	2014 £
Return on scheme assets in excess of interest	145,000	(2,752,000)
Actuarial (gains)/losses from changes to financial assumptions	(1,448,000)	3,883,000
Changes in effect of asset ceiling	670,000	-
	<u>                    </u>	<u>                    </u>
Total amount recognised in other comprehensive income	(633,000)	1,131,000
	<u>                    </u>	<u>                    </u>

Movements in the present value of defined benefit obligations:

	Group and Association 2015 £	Group and Association 2014 £
Scheme liabilities at 1 January	28,563,000	24,718,000
Benefits paid	(871,000)	(1,305,000)
Actuarial (gain)/loss on scheme liabilities	(1,712,000)	4,043,000
Interest cost	985,000	1,107,000
	<u>                    </u>	<u>                    </u>
Scheme liabilities at 31 December	26,965,000	28,563,000
	<u>                    </u>	<u>                    </u>

The total actuarial (gain)/loss on the liabilities is analysed as follows:

	Group and Association 2015 £	Group and Association 2014 £
Experience (gain)/loss on scheme liabilities	(264,000)	160,000
(Gain)/loss from changes in assumptions	(1,448,000)	3,883,000
	<u>                    </u>	<u>                    </u>
Total (gain)/loss on scheme liabilities	(1,712,000)	4,043,000
	<u>                    </u>	<u>                    </u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 20 Retirement benefit schemes

(Continued)

Movements in the fair value of plan assets:

	<b>Group and Association 2015 £</b>	<b>Group and Association 2014 £</b>
Fair value of assets at 1 January	27,236,000	23,839,000
Interest income	951,000	1,083,000
Return on scheme assets (excluding amounts included in net interest)	(409,000)	2,912,000
Net benefits paid	(871,000)	(1,305,000)
Contributions by the employer	728,000	707,000
Restriction on recognising surplus	(670,000)	-
	<hr/>	<hr/>
At 31 December	26,965,000	27,236,000
	<hr/> <hr/>	<hr/> <hr/>

The actual return on scheme assets net of expenses for the year was a gain of £570,000.

The fair value of plan assets at the reporting period end was as follows:

	<b>Group and Association 2015 £</b>	<b>Group and Association 2014 £</b>
Equity instruments	9,948,600	9,804,960
Debt instruments	7,185,100	7,081,360
Target return fund	10,224,950	10,077,320
Cash and other assets	276,350	272,360
	<hr/>	<hr/>
	27,635,000	27,236,000
	<hr/> <hr/>	<hr/> <hr/>

#### Post retirement medical benefits

This reporting statement covers the post-retirement medical benefits provided from the British Bankers' Association in the United Kingdom. An actuarial valuation was carried out as at 31 December 2015 by a qualified independent actuary.

#### Key assumptions

	<b>2015 %</b>	<b>2014 %</b>
Discount rate	3.60	3.40
Future increases to medical costs	9.00	9.00
	<hr/>	<hr/>

The mortality assumptions are the same as that applied for the deferred benefit scheme, as stated above.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 20 Retirement benefit schemes

(Continued)

Amounts recognised in the income statement:

	2015 £	2014 £
Past service cost/(gain)	-	162,900
Interest cost	50,700	72,500
Settlements and curtailments	(341,200)	-
Total costs/(income)	<u>(290,500)</u>	<u>235,400</u>

Amounts recognised in other comprehensive income:

	2015 £	2014 £
Experience losses/(gain) on liabilities	55,800	119,100
Actuarial (gain)/loss due to changes in assumptions	(30,700)	(237,200)
Total costs/(income)	<u>25,100</u>	<u>(118,100)</u>

Movements in the present value of medical benefit liabilities:

	Group and Association 2015 £	Group and Association 2014 £
Scheme liabilities at 1 January	1,576,900	1,509,100
Benefits paid	(170,900)	(49,600)
Actuarial (gain)/loss on scheme liabilities	25,100	(118,100)
Interest cost	50,700	72,500
Settlements and curtailments	(341,200)	-
Past service cost	-	163,000
Scheme liabilities at 31 December	<u>1,140,600</u>	<u>1,576,900</u>

The total actuarial (gain)/loss on the liabilities is analysed as follows:

	2015 £	2014 £
Experience (gain)/loss on scheme liabilities	55,800	119,100
(Gain)/loss due to changes in assumptions	(30,700)	(237,200)
Total loss/(gain) on scheme liabilities	<u>25,100</u>	<u>(118,100)</u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 20 Retirement benefit schemes

(Continued)

The amounts included in the statement of financial position arising from obligations in respect of post employment benefit arrangements are as follows:

	Group and Association 2015 £	Group and Association 2014 £
Present value of defined benefit obligations	26,965,000	28,563,000
Fair value of plan assets	(27,635,000)	(27,236,000)
(Surplus)/deficit in scheme	(670,000)	1,327,000
Asset not recognised due to asset ceiling	670,000	-
Recognised (surplus)/deficit in scheme	-	1,327,000
Post retirement medical liabilities	1,140,600	1,576,528
Total liability recognised	1,140,600	2,903,528

### 21 Financial commitments, guarantees and contingent liabilities

On 14 March 2013, 1 August 2013, 31 October 2013, 14 March 2014, 31 March 2014, 13 November 2014, and 16 April 2015 eight civil actions were commenced in the United States against the BBA and various other parties, including certain contributor banks, BBA Enterprises Ltd and BBA Trent Limited, by The Federal Home Loans Mortgage Corporation, the Principal Financial Group, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, the Bay Area Toll Authority and the Berkshire Bank and others, and Axiom Investment Advisors LLC and others respectively. In the proceedings, damages are claimed in respect of the alleged manipulation and suppression of US\$ LIBOR. The amount of damages claimed in each of these eight actions is not quantified and is not quantifiable at this stage and as a result it is not practicable to provide an estimate of any financial impact. Seven of the eight cases filed against the BBA have been dismissed or are subject to dismissal pursuant to court opinions issued on 4 August 2015 and 3 November 2015; the remaining case, brought by Axiom Investment Advisors LLC, has been stayed since its commencement and has not been the subject of any briefing or rulings by the court.

The US court's earlier dismissal of certain antitrust claims, including antitrust claims brought against the BBA by the Bay Area Toll Authority, is currently subject to a consolidated interlocutory appeal to which the BBA is a party. Briefing and oral argument in the appeal have been completed, but no ruling has been issued yet.

The BBA has indemnified the Hogg Committee, HMT and the FCA in respect of remuneration, costs and expenses of each incurred from January 2013 until completion of the transfer of the LIBOR operation on 31 January 2014 in connection with the sale of the business and assets of BBA LIBOR Limited. The total aggregate liability of the BBA and BBA Enterprises Ltd to the Hogg Committee, HMT, and the FCA is limited to £1.5 million. No claim has been received nor is the BBA aware that any is contemplated.

The BBA believes that its level of accumulated reserves is adequate to support its known contingent obligations in relation to the above.



# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 22 Operating lease commitments

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	703,670	703,670	-	-
Between two and five years	1,231,423	1,935,093	-	-
	<u>1,935,093</u>	<u>2,638,763</u>	<u>-</u>	<u>-</u>

### 23 Subsidiaries

Details of the Association's subsidiaries at 31 December 2015 are as follows:

<b>Name of undertaking and country of incorporation</b>	<b>Nature of business</b>	<b>Class of shareholding</b>	<b>% Held Direct</b>
BBA Enterprises Ltd	England & Wales Commercial activities	Ordinary	100.00
BBA Trent Limited	England & Wales Non-trading	Ordinary	100.00
BBA FCAS Limited	England & Wales Provision of financial crime information	Ordinary	100.00
BBA Gold Limited	England & Wales Provision of online service access to a global operational risk event database	Ordinary	100.00

All of the above subsidiaries are included in the consolidation.

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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<b>24 Cash generated from operations</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
		<b>as restated</b>
Profit/(loss) for the year	2,452,367	(94,004)
Adjustments for:		
Income tax expense recognised in profit or loss	346,518	(325,241)
Finance costs recognised in profit or loss	84,702	96,500
Investment income recognised in profit or loss	(12,570)	(23,534)
Operating profit/(loss)	<u>2,871,017</u>	<u>(346,279)</u>
Gain on disposal of tangible assets	(1,045)	-
Amortisation and impairment of intangible assets	33,875	34,000
Depreciation and impairment of tangible assets	133,294	296,312
Post employment benefits less payments made	(1,239,618)	(509,211)
Increase in provisions	19,703	22,000
Movements in working capital:		
Decrease/(increase) in stocks	337	(3,684)
(Increase) in debtors	(822,590)	(548,171)
(Decrease)/increase in creditors	(386,799)	1,429,562
<b>Cash generated from operations</b>	<u><u>608,174</u></u>	<u><u>374,529</u></u>

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 25 Reconciliations on adoption of FRS 102

#### Reconciliation of equity

	Notes	At 1 January 2014			At 31 December 2014		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Fixed assets</b>							
Other intangibles	25.1	-	77,000	77,000	-	43,000	43,000
Tangible assets	25.1	544,833	(77,000)	467,833	493,922	(43,000)	450,922
		544,833	-	544,833	493,922	-	493,922
<b>Current assets</b>							
Stocks		12,000	-	12,000	15,684	-	15,684
Deferred tax asset	25.4	-	277,000	277,000	197,361	315,400	512,761
Debtors due within one year	25.6	8,742,044	-	8,742,044	9,280,354	(681,360)	8,598,994
Bank and cash	25.6	4,956,981	-	4,956,981	4,092,462	698,692	4,791,154
		13,711,025	277,000	13,988,025	13,585,861	332,732	13,918,593
<b>Creditors due within one year</b>							
Taxation		-	-	-	718,902	-	718,902
Other creditors	25.2 and 25.6	8,218,489	116,684	8,335,173	7,963,032	126,372	8,089,404
		8,218,489	116,684	8,335,173	8,681,934	126,372	8,808,306
Net current assets		5,492,536	160,316	5,652,852	4,903,927	206,360	5,110,287
Total assets less current liabilities		6,037,369	160,316	6,197,685	5,397,849	206,360	5,604,209
<b>Provisions for liabilities</b>							
Deferred tax	25.4	25,000	(25,000)	-	-	-	-
Retirement benefit obligations	25.3	1,207,000	1,181,000	2,388,000	1,261,128	1,642,400	2,903,528
Other provisions		461,000	-	461,000	483,000	-	483,000
		1,693,000	1,156,000	2,849,000	1,744,128	1,642,400	3,386,528
Net assets		4,344,369	(995,684)	3,348,685	3,653,721	(1,436,040)	2,217,681
<b>Capital and reserves</b>							
Profit and loss		4,344,369	(995,684)	3,348,685	3,653,721	(1,436,040)	2,217,681

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

### 25 Reconciliations on adoption of FRS 102

(Continued)

#### Reconciliation of profit or loss for the year

	Notes	Year ended 31 December 2014		
		Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Continuing operations</b>				
Turnover	25.7	10,368,800	871,613	11,240,413
Total expenditure	25.2, 25.3 and 25.7	(10,657,889)	(157,469)	(10,815,358)
Exceptional items		(771,334)	-	(771,334)
Operating		(1,060,423)	714,144	(346,279)
Interest receivable and similar income		23,534	-	23,534
Interest payable and similar charges	25.3	(73,000)	(23,500)	(96,500)
Profit/(loss) before taxation		(1,109,889)	690,644	(419,245)
Taxation		325,241	-	325,241
Profit/(loss) for the financial year		(784,648)	690,644	(94,004)

#### Reconciliation of other comprehensive income

		Year ended 31 December 2014		
		Previous UK GAAP £	Effect of transition £	FRS 102 £
Profit/(loss) for the financial year		(784,648)	690,644	(94,004)
<b>Other comprehensive income</b>				
Actuarial gains/(losses) on post-employment benefit	25.3	118,100	(1,131,100)	(1,013,000)
Movement on deferred taxation relating to post-employment benefit		(24,000)	-	(24,000)
Other comprehensive income for the year		94,100	(1,131,100)	(1,037,000)
Total comprehensive income for the year		(690,548)	(440,456)	(1,131,004)

# British Bankers' Association

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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### 25 Reconciliations on adoption of FRS 102

(Continued)

#### Notes to reconciliations on adoption of FRS 102

##### 25.1 Reclassification of software costs

Under FRS 102 software costs which were previously recognised in tangible fixed assets have been reclassified to intangible assets. These assets had a nil net book value at the date of transition.

##### 25.2 Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the Association recognising a liability for holiday pay of £116,684 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 31 December 2014 a reversal of the prior year charge of £7,644 was recognised in the profit and loss account and the liability at 31 December 2014 was £109,040.

##### 25.3 Multi-employer defined benefit pension scheme

Under previous UK GAAP the Group was not required to recognise the liability on the multi-employer defined benefit pension scheme as it was unable to identify its share of the underlying assets and liabilities in the Scheme on a consistent and reasonable basis. In line with FRS 17 the Association recognised the scheme as if it were a defined contribution scheme.

Under FRS 102 such an exemption to report the scheme as if it were a defined contribution scheme is not available. Consequently the assets and liabilities of the scheme have been recognised by the Association. As at the date of transition the Group's share of the liabilities of the scheme was £879,000. The movement in the liability in the year to 31 December 2014 was £448,000 with the liability as at 31 December 2014 being £1,327,000. Other movements are disclosed in note 20.

##### 25.4 Deferred taxation

Under previous UK GAAP, the Group provided for a deferred tax asset on the liability relating to the provision of healthcare to certain employees in retirement. The deferred tax was set off against the liability and the net amount was presented separately after other net assets on the face of the balance sheet.

FRS 102 requires an entity to present deferred tax liabilities within provisions for liabilities and deferred tax assets within debtors. As at the date of transition on 1 January 2014, the Group and Association's deferred tax asset relating to the healthcare post retirement obligations of £302,000 has been shown as a deferred tax asset and the healthcare post retirement obligations increased by the same amount. The figure at 31 December 2014 was £315,400. The net deferred tax asset after offsetting other deferred tax items amounted to £277,000 at 1 January 2014 and £512,400 at 31 December 2014.

##### 25.5 Statement of cash flows

The Association's cash flow statement reflects the presentation requirements of FRS102, which is different to that prepared under FRS 1.

##### 25.6 Reclassification of balances relating to Better Business Finance

The 2014 financial statements incorrectly included a bank account of £698,692 and a creditor balance of £16,167 within other debtors. The amounts have been corrected in the 2015 financial statements which has led to a restatement of the comparative figures for other debtors, cash at bank and other creditors.

# British Bankers' Association

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

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## **25 Reconciliations on adoption of FRS 102**

**(Continued)**

### **25.7 Reclassification of turnover and total expenditure**

Turnover in the 2014 financial statements was shown net of direct expenditure incurred of £871,613. These amounts have been corrected in the 2015 financial statements which has led to a restatement of the comparative figures for turnover and total expenditure.