# INSTITUTE AND FACULTY OF ACTUARIES

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 29 FEBRUARY 2020

Contents

These financial statements for the year to 29 February 2020 are a consolidation of the Institute and Faculty of Actuaries (IFoA) and, its wholly owned subsidiaries; Institute and Faculty Education Limited (IFE Limited), ICA 98 Limited and Continuous Mortality Investigation Limited (CMI Limited). In addition its 50% owned joint venture company (with Society of Actuaries) CAA Global Limited is brought in as an investment in an associate company. The commentary in this review relates to the operating activities of the Group.

**Operating results**

Total revenue for 2020 of £37m (£27.5m for the IFoA) represents a decrease of 3.4% over the 2019 figure of £38.3m (£29.1m for the IFoA).

The Group income includes the turnover and expenditure for the following group companies:

- Institute and Faculty Education Limited (IFE Ltd) which provides tuition to persons studying for the professional examinations of the IFoA,
- Continuous Mortality Investigation Limited (CMI Ltd) which accumulates and analyses data on mortality and morbidity risks arising under life assurance, annuity and pension business, and
- ICA 98 Limited which provides services to IFoA members and students based in the Asia Pacific region.

For the associate company.

- CAA Global Limited which provides examination services for the Certified Actuarial Analyst qualification.

The main source of revenue for the IFoA (as opposed to the other Group companies) is from members' fees and subscriptions, which made up 51.9% (2019: 47.4%) of total revenue.

| Revenue summary – percentage of total revenue (IFoA only) | 2020 | 2019 |
|---|---|---|
| Subscriptions and fees | 51.3% | 47.4% |
| Pre-qualification learning | 37.7% | 41.3% |
| Post-qualification learning and development | 10.0% | 10.4% |
| Other income including from Investments | 1.0% | 0.9% |

The loss after taxation for the Group for the year was £1.4m compared to a loss of £0.4m in 2019. This was due to a reduced level of IFoA's examinations and student admissions than in previous years. IFoA (not the Group) also includes a charge of £0.6m being an impairment of the investment made in CAA Global Ltd in 2017. The IFoA Council and Management Board took action to mitigate the impact of these changes during the course of the year, and continues to be flexible in the delivery of its services to members to ensure optimum value.

The overall aim of the current financial plan is to achieve a breakeven position over the medium term, while in the short term enabling the IFoA to invest from reserves in specific activities. In 2020/21 we will be investing in a review of our operational processes and systems and new methods of assessment in order to enhance the member experience. We are also reviewing the impact of the COVID-19 pandemic on the short and longer term reserves position and are actively managing our activities in response.

The key changes to revenue and expenditure in the year are:

- **Subscriptions and other revenue increased by £0.4m to £15.5m**

  The number of qualified members increased by 2% to 14,752 (2019 14,393) after 688 students transferred to Fellow and 97 transferred to Associate on completing their studies. Student members fell by 9% to 15,399 (2019 16,174) which along with a lower level of admissions meant that total membership reduced marginally by 1% to 31,642 (2019 31,847)

- **Pre-qualification learning and development revenue decreased by £1.5m to £18.7m**

  This relates to a reduced level of examinations sat, partly due to the transition in the first year to a revised curriculum.

- **Post – qualification learning and development revenue decreased by £0.2m to £2.8m**

  This relates to a reduced number of events held during the year, whilst also transitioning to online webinar programmes.

- **Employment costs increased by £0.4m (3.3%) to £11.2m**

  This increase is largely down to the changes in senior management in the year, the details of which are outlined in note 6 to these financial statements.

- **Other operating charges decreased by £0.7m (2.4%) to £27.2m**

  Other operating expenses have decreased in line with the fall in pre-qualification learning and development revenue.

**Financial position and cash flow**

Net assets at 28 February 2020 were £11.7m (2019: £12.5m), including cash and cash equivalents of £13.8m (2019: £15.1m).

Net cash outflow from operating activities was £1.4m in the year (2019 outflow of: £0.6m). Capital expenditure was negligible in the year as it had been in the previous year

The IFoA holds reserves to: provide working capital to cover seasonal fluctuations in income and expenditure and avoid the need to borrow; meet emergency calls for cash and protect against immediate business interruption (such as the COVID-19 pandemic see note below); meet foreseeable future commitments; and invest in specific projects from time to time.

Cash assets are held as short term and long term bank deposits spread across three financial institutions; NatWest Bank, Nationwide Building Society and Bank of Scotland.

**Impact of COVID-19 pandemic**

In line with most UK business and organisations the COVID-19 pandemic has affected the IFoA significantly. In particular the situation has resulted in the cancellation of some examination subjects and the rearranging of others to an online format. It has also affected the many events that IFoA holds during the year. The financial impact in 2020/21 is expected to be a reduction of turnover for IFoA to around £23m (down from £27.5m 2019/20) with a losses mitigated to around £1.5m. The Council, Management Board and the Executive are working to mitigate the impact on the IFoA in 2020 and to ensure that, when the impact is crystallised, the organisation emerges from the situation in a healthy financial position.

**Scottish Endowment Fund**

Following the merger of the Faculty of Actuaries in Scotland and the Institute of Actuaries in 2010 to form the Institute and Faculty of Actuaries it was agreed to create a notional fund of £500k (plus annual interest) to facilitate actuarial activities in Scotland. The remaining balance on the Endowment Fund at 29 February 2020 was £139k.

John Taylor
President

3rd June 2020

Stephen Mann
Chief Executive

3rd June 2020

The Council of the Institute and Faculty of Actuaries ("the Council") is required by the Bye-laws of the Institute and Faculty of Actuaries ("IFoA") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the IFoA as at the end of the financial year and of the net result, total recognised gains and losses and cash flows for that year.

Management Board, through its delegated authority from Council, confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 29 February 2020.

Management Board, on behalf of Council, also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. Whilst the IFoA is adversely impacted by COVID-19 pandemic this does not change the opinion on going concern.

The Council and Management Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the IFoA. It is also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Council and Management Board Member is aware at the time the report is approved:

- There is no relevant audit information of which the IFoA auditors are unaware;
- Each Council and Management Board Member has taken all steps that they ought to have taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

John Taylor
President

3rd June 2020

Stephen Mann
Chief Executive

3rd June 2020

## Independent auditor's report to the Council of the Institute and Faculty of Actuaries

### Opinion

We have audited the financial statements of Institute and Faculty of Actuaries (IFoA) for the year ended 29 February 2020 which comprise the Consolidated Statement of Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

• give a true and fair view of the state of the Group's and the IFoA's affairs as at 29 February 2020 and of the net loss for the year then ended;
• the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
• have been prepared in accordance with the Bye-laws of the IFoA.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Council of the IFoA

As explained more fully in the Statement of the Responsibilities of the Council of the IFoA, set out on page 3, the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**

This report is made solely to the IFoA's Council. Our audit work has been undertaken so that we might state to the IFoA's Council those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the IFoA and the IFoA's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Haysmacintyre LLP

Haysmacintyre LLP (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors
Date: 9 June 2020

10 Queen Street Place
London
EC4R 1AG

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | **Group** | **IFoA** | Group | IFoA |
| | **Notes** | **£000** | **£000** | £000 | £000 |
| **Revenue** | | | | | |
| Subscriptions and other operating income | **4** | **15,554** | **14,271** | 15,161 | 13,910 |
| Pre-qualification learning and development | **5** | **18,670** | **10,469** | 20,126 | 12,137 |
| Post-qualification learning and development | | **2,775** | **2,775** | 3,047 | 3,047 |
| | | **36,999** | **27,515** | 38,334 | 29,094 |
| **Expenditure** | | | | | |
| Employment costs | **6** | **(11,214)** | **(10,854)** | (10,860) | (10,453) |
| Other operating charges | **7** | **(26,998)** | **(17,821)** | (27,878) | (18,876) |
| | | **(38,212)** | **(28,675)** | (38,738) | (29,329) |
| **Operating (Loss)** | **8** | **(1,213)** | **(1,160)** | (404) | (235) |
| Finance and other income | **9** | **292** | **284** | 269 | 260 |
| Lease Liability Interest | | **(222)** | **(222)** | - | - |
| Impairment of Joint Venture | **16** | **-** | **(616)** | - | - |
| Share of losses of Joint Venture | **16** | **(149)** | **-** | (185) | - |
| **(Loss)/Profit before tax** | | **(1,292)** | **(1,714)** | (320) | 25 |
| Taxation | **10** | **(110)** | **(118)** | (35) | (67) |
| **(Loss) for the year** | | **(1,402)** | **(1,832)** | (355) | (42) |

**Statement of Comprehensive Income for the year ended 29 February 2020**

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | **Group** | **IFoA** | Group | IFoA |
| | **Notes** | **£000** | **£000** | £000 | £000 |
| (Loss) for the year | | **(1,402)** | **(1,832)** | (355) | (42) |
| **Other Comprehensive Income** | | | | | |
| Unrealised gain on revaluation of investments | **14** | **642** | **642** | (38) | (38) |
| Revaluation of Historical Books | **15** | **183** | **183** | - | - |
| Movement in Deferred Tax for the year | **11** | **-** | **-** | 13 | 13 |
| **Other comprehensive (expenditure) / income for the year net of tax** | | **825** | **825** | (25) | (25) |
| **Total comprehensive income for the year** | | **(577)** | **(1,007)** | (380) | (67) |

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | Group | IFoA | Group | IFoA |
| | Notes | £000 | £000 | £000 | £000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 934 | 934 | 1,193 | 1,193 |
| Lease Asset | 12 | 4,072 | 4,072 | - | - |
| Intangible assets | 13 | 195 | 195 | 207 | 207 |
| Available for sale financial assets | 14 | 9,807 | 9,807 | 8,948 | 8,948 |
| Historical assets | 15 | 1,375 | 1,375 | 1,191 | 1,191 |
| Investment in associate | 16 | 329 | 329 | 478 | 945 |
| | | 16,712 | 16,712 | 12,017 | 12,484 |
| **Current assets** | | | | | |
| Inventories | | 22 | 22 | 16 | 16 |
| Trade and other receivables | 17 | 3,166 | 1,486 | 3,724 | 1,782 |
| Cash and cash equivalents | 21 | 13,787 | 12,490 | 15,106 | 13,757 |
| | | 16,975 | 13,998 | 18,846 | 15,555 |
| **Total assets** | | 33,687 | 30,710 | 30,863 | 28,039 |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | (2,985) | (1,943) | (3,954) | (2,658) |
| Corporation tax | | (131) | (140) | (35) | (67) |
| Contract Liabilities | 20 | (13,973) | (12,719) | (13,724) | (12,424) |
| Lease Liability | 22 | (803) | (803) | - | - |
| Deferred rent | | - | - | (135) | (135) |
| | | (17,892) | (15,605) | (17,848) | (15,284) |
| **Non-current liabilities** | | | | | |
| Deferred taxation | 11 | (92) | (92) | (92) | (92) |
| Lease Liability | 19 | (3,974) | (3,974) | - | - |
| Deferred rent | | - | - | (617) | (617) |
| | | (4,066) | (4,066) | (709) | (709) |
| **Total liabilities** | | (21,958) | (19,671) | (18,557) | (15,993) |
| **Net assets** | | 11,729 | 11,039 | 12,306 | 12,046 |
| **Reserves** | | | | | |
| General fund | | 10,130 | 9,440 | 11,532 | 11,272 |
| Investment revaluation reserve | | 1,599 | 1,599 | 774 | 774 |
| | | 11,729 | 11,039 | 12,306 | 12,046 |

The financial statements on pages 6 to 21 were approved and authorised for issue by Management Board on behalf of Council on 3rd June 2020 and signed on its behalf by:

**John Taylor**
President

**Stephen Mann**
Chief Executive

| Group and IFoA | General Fund £000 | Investment Revaluation Reserve £000 | Total £000 |
|---|---|---|---|
| **Balance as at 1 March 2018** | **11,887** | **799** | **12,686** |
| (Loss) for the year | (355) | - | (355) |
| Other comprehensive income /(expenditure) | - | (25) | (25) |
| **Balance as at 1 March 2019** | **11,532** | **774** | **12,306** |
| (Loss) for the year | (1,402) | - | (1,402) |
| Other comprehensive income /(expenditure) | - | 825 | 825 |
| Total comprehensive (expenditure) / income | (1,402) | 825 | (577) |
| **Balance as at 1 March 2020** | **10,130** | **1,599** | **11,729** |

| IFoA | General Fund £000 | Investment Revaluation Reserve £000 | Total £000 |
|---|---|---|---|
| **Balance as at 1 March 2018** | **11,314** | **799** | **12,113** |
| (Loss) for the year | (42) | - | (42) |
| Other comprehensive income/(expenditure) | - | (25) | (25) |
| **Balance as at 1 March 2019** | **11,272** | **774** | **12,046** |
| (Loss) for the year | (1,832) | - | (1,832) |
| Other comprehensive income/(expenditure) | - | 825 | 825 |
| Total comprehensive (expenditure) / income | (1,832) | 825 | (1,007) |
| **Balance as at 1 March 2020** | **9,440** | **1,599** | **11,039** |

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | **Group** | **IFoA** | Group | IFoA |
| | **Notes** | **£000** | **£000** | £000 | £000 |
| **Cash flow used in operating activities** | | | | | |
| Loss for the year | | **(1,402)** | **(1,832)** | (355) | (42) |
| Depreciation - Tangible Assets | **12** | **990** | **990** | 323 | 323 |
| Amortisation - Intangible Assets | **13** | **13** | **13** | 13 | 13 |
| Finance income | | **(292)** | **(284)** | (269) | (260) |
| Lease Liability Interest | | **222** | **222** | | |
| Current Tax charge | **10** | **110** | **118** | 35 | 67 |
| Joint Venture Impairment | **16** | **149** | **616** | 185 | - |
| Increase in inventories | | **(6)** | **(6)** | (1) | (1) |
| (Increase)/Decrease in receivables | | **751** | **296** | (642) | (378) |
| Increase/(Decrease) in payables and contract liabilities | | **(1,879)** | **(1,408)** | 287 | 151 |
| **Cash used in operating activities** | | **(1,344)** | **(1,275)** | (424) | (127) |
| Taxation | | **(37)** | **(46)** | (126) | (110) |
| **Net cash from operating activities** | | **(1,381)** | **(1,321)** | (550) | (237) |
| **Cash flow from investing activities** | | | | | |
| Finance income received | **9** | **292** | **284** | 269 | 260 |
| Dividends reinvested | | **(216)** | **(216)** | (205) | (205) |
| Movement on investment in associate | | **-** | **-** | (150) | (150) |
| Purchase of Fixed asset | **12** | **(6)** | **(6)** | | |
| Purchase of historical assets | **15** | **(8)** | **(8)** | (7) | (7) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(1,319)** | **(1,267)** | (643) | (339) |
| Cash and cash equivalents at 1 March 2019 | | **15,106** | **13,757** | 15,749 | 14,096 |
| **Cash and cash equivalents at 29 February 2020** | | **13,787** | **12,490** | 15,106 | 13,757 |

**Net Debt Reconciliation**

| | | | | |
|---|---|---|---|---|
| **Cash and cash equivalents at 29 February 2020** | **13,787** | **12,490** | 15,106 | 13,757 |
| Lease Commitment | **(4,020)** | **(4,020)** | **-** | **-** |
| | **9,767** | **8,470** | 15,106 | 13,757 |

## 1. General Information

The Institute and Faculty of Actuaries (IFoA) is a professional body incorporated under Royal Charter. The financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union.

## 2. Basis of preparation

The financial statements are prepared in accordance with the Bye-laws of the IFoA and IFRS as adopted by the European Union.

**Adoption of new and revised standards**

Changes to Standards are listed below, where relevant to the Group.

*Standards and Interpretations adopted in the current financial year*

a. IFRS 16 – Leases. This standard is now reflected in the accounts year ending 29 February 2020. The implementation of this has been reflected for the leases using the modified retrospective approach for IFoA. Revaluation has been made on the remaining term of the leases, and the balances have been apportioned over short term liability less than one year, and long term liability. The discount rate applied is based on an indicated borrowing rate from Natwest for IFoA of 4%.

| | **2020**<br>**£'000** |
|---|---|
| **Loss for the period to 29 February 2020** | **(1,402)** |
| Add back: notional interest charged on finance leases | **222** |
| Add back: depreciation on right-of-use asset | **725** |
| Less: rent which would have been charged before transition: | **(858)** |
| Revised (loss) for 29 February 2020: | **(1,313)** |
| **Additional profit/(loss) gained as a result of transition:** | **(89)** |

The following table reconciles the minimum lease commitments liabilities on 1 March 2019 disclosed in the Group's financial statements as at 28 February 2019 to the amount of lease on 29 February 2020

| | |
|---|---|
| **Minimum operating lease commitment at 28 February 2019:** | **5,468** |
| Plus: Rent review lease commitments | **1,050** |
| **Undiscounted lease payments:** | **6,518** |
| Less: effect of discounting using the incremental borrowing rate as | **(969)** |
| **Lease liabilities recognised at 1 March 2019** | **5,549** |
| Interest for year to 29 February 2020 | **222** |
| Rental payments for 12 months to 29 February 2020 | **(994)** |
| **Lease liability at 29 February 2020** | **4,777** |
| **Lease Asset recognised at 1 March 2019** | **5,549** |
| Deferred rent per IFRS 16 calculation | **(752)** |
| Depreciation charge for year | **(725)** |
| **Net Book Value at 29 February 2020** | **4,072** |
| **Net Impact at 29 February 2020** | **705** |

There are no new standards and interpretations in issue but not yet effective that are considered to have a material impact on the financial statements.

## 3. Significant Accounting Policies

### a) Basis of consolidation

Where the IFoA has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the IFoA and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated.

### b) Foreign currencies

Transactions in foreign currencies are converted into sterling, which is the reporting currency of the group, at exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement are recognised in the income statement.

### c) Revenue recognition

Subscription income, Certificate fees and Designated Professional Body regulatory fees have been apportioned over the periods to which they relate. The subscription year ends on 30 September.

Revenue received from Events, Examinations and Tuition activities is recognised by reference to the date that services are provided. Deferred income from these activities represents amounts invoiced but not yet earned and deferred expenditure represents expenditure incurred that is matched to relevant deferred income.

### d) Leases

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

a) Fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is included in Payables in the Statement of Financial Position.
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciation over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.
The right-of-use assets are included in the tangible fixed assets in the Statement of Financial Position.
The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment losses.

**3. Significant Accounting Policies (cont.)**

**e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of the assets over their estimated useful lives and assume nil residual value. Assets of less than £2,000 are written off when acquired; IT equipment, furniture and fittings over £2,000 and the Website are depreciated on a straight line basis over 4 years, leasehold property is depreciated over the life of the lease.

**f) Intangible Asset**

The Intangible Asset is the cost of the title of the Actuary Magazine. Amortisation is charged on a straight line basis on the estimated useful economic life of the asset of 20 years. The impairment of Intangible assets is considered annually, or wherever events or changes in circumstances indicate that the carrying amount may not be recoverable and provisions made where necessary.

**g) Inventories**

Inventories are valued at historical cost less amounts written off in respect of diminution in value.

**h) Taxation including deferred taxation**

The tax currently payable is based on the total taxable profit for the year which relates to investment income. Taxable profit differs from the profit as reported in the Income Statement because it includes items of income and expenditure that are taxable or deductible in other years and further includes items that are never taxable or deductible.

Deferred tax is provided at the substantive adapted rate applicable at the balance sheet date on any gain in investment values at the balance sheet date and adjusted on a yearly basis

**i) Financial assets**

*Investments available for sale*

Interest-bearing investments, equities and unit trusts held for the purposes of generating long-term investments income are treated as non-current investments available for sale and are included at market value at the year end date. Gains and losses on re-measurement are taken to the investment revaluation reserve initially and are recognised in the statement of comprehensive income. On disposal, the cumulative gain or loss previously recognised in reserves is reclassified to profit or loss.

The IFoA invests a significant portion of its cash reserves in a mixture of government and investment grade bonds (75%) as well as UK and World stock market index tracking investments (the balance of 25%). The aim of this policy is to try to make these reserves retain value after the impact of inflation. The value of these investments at the balance sheet date is £9.8m (2019: £8.9m).

*Other Investments*

The historical assets collection contains a number of books and documents illustrating the application of actuarial science throughout history. These are reported in the financial statements based on market value. These assets are determined by Council to have indeterminate lives and high residual value therefore it is not considered appropriate to charge depreciation. The collection is valued by external experts every 5 years, and was most recently revalued in December 2019.

## 3. Significant Accounting Policies (cont.)

### j) Impairment

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset or investment in an associate (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss.

### *k)* Retirement benefits

*Defined Contribution Scheme*

Employer contributions to the defined contribution personal pension plan are charged to the income and expenditure statement as incurred.

### l) Associate

Investments in associates are accounted for using the equity method. IFoA's interest in the net assets of their associate is included in investment in associate in the consolidated statement of financial position, and its interest in their results, in the consolidated income statement below the operating result. The associate is an entity over which the IFoA has significant influence to participate in, but not control over, the financial and operating policies of the company.

### m) Going Concern

The financial statements have been prepared on a going concern basis. The Group continues to generate sufficient working capital despite making an operating loss in 2019/20 and the future impact of Covid-19 in 2020/21.
The Council believe that the Group will continue to generate cash from its operations in the foreseeable future and therefore consider it appropriate to prepare the accounts under the going concern assumption.

### n) Financial risk management

*Currency risk*

The majority of IFoA transactions are carried out in sterling. The organisation does not currently hedge against currency exchange movements.

*Liquidity, credit and interest rate risk*

Liquidity risk arises from the IFoA's management of working capital. It is the risk that the IFoA will encounter difficulty in meeting its financial obligations as they fall due. IFoA receives the majority of its income as subscriptions in the three months from August to October, or as exam fees relating to two exam sessions each year. Cash not required for short-term operating purposes is invested to maximise return with an acceptable level of risk.

Cash surpluses are invested in interest bearing current and call accounts and also a number of term deposits with major banks. At the balance sheet date IFoA held £6.8m (2019: £9.1m) in current accounts, £4m (2019: £4.0m) in notice accounts and £3m (2019: £2m) in term deposits.
As a result of holding investments as cash deposits with financial institutions, the IFoA is exposed to interest rate fluctuations. These investments are spread to avoid excessive concentration in any specific institution and are monitored on a regular basis.

*Equity price risk*

Equity risk arises from the fluctuations in the market price of the investments available for sale. The IFoA does not actively trade in these investments, although as noted under i) Financial Assets does hold investments available for sale.

### 3. Significant Accounting Policies (cont.)

#### p) Critical accounting estimates and judgements

The IFoA are required to make critical accounting estimates and judgements in the preparation of the financial statements, namely:

i) Depreciation: Depreciation is charged so as to write off the cost or valuation of the assets over their estimated useful lives and assume nil residual value. Assets of less than £2,000 are written off when acquired; IT equipment, furniture and fittings over £2,000 and the Website are depreciated on a straight line basis over 4 years, leasehold property is depreciated over the life of the lease.

ii) Discount rate for IFRS 16: The Group has used a discount rate of 4% on the lease liabilities having considered that 4% is the expected rate of external borrowing. This has been based on advice provided by Natwest as to the expected rate of borrowing the IFoA could obtain.

iii) Impairment of Investments: Investments are reviewed on a yearly basis and a judgement made on any change in value. The value of the investments held on the balance sheet may be either on the basis of a professional valuation (historical books), market prices (financial assets) or discounted future cash flows (investments in subsidiaries or associates)

### 4. Subscriptions and other income

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Group** | **IFoA** | Group | IFoA |
| | **£000** | **£000** | £000 | £000 |
| Subscriptions, admissions, certificate fees | **13,467** | **13,467** | 13,274 | 13,274 |
| Income from research (CMI Limited) | **1,283** | **-** | 1,251 | - |
| Designated Professional Body regulation | **379** | **379** | 375 | 375 |
| Royalties | **234** | **234** | - | - |
| Actuary magazine | **-** | **-** | 5 | 5 |
| Management service fees | **44** | **44** | 46 | 46 |
| List of actuarial advisors | **18** | **18** | 17 | 17 |
| Disciplinary fines | **37** | **37** | 32 | 32 |
| Research Sponsorship | **71** | **71** | 154 | 154 |
| Other Income | **21** | **21** | 7 | 7 |
| | **15,554** | **14,271** | 15,161 | 13,910 |

All revenue for the Group is generated in the UK.

### 5. Pre-qualification learning and development

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Group** | **IFoA** | Group | IFoA |
| | **£000** | **£000** | £000 | £000 |
| Examinations | **17,632** | **9,431** | 18,604 | 10,615 |
| Exemptions | **778** | **778** | 1,245 | 1,245 |
| Tuition materials | **260** | **260** | 277 | 277 |
| | **18,670** | **10,469** | 20,126 | 12,137 |

All revenue for the Group is generated in the UK

## 6. Employment costs

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Wages and salaries | **(9,020)** | **(8,660)** | (8,797) | (8,390) |
| Social security costs | **(1,034)** | **(1,034)** | (964) | (964) |
| Pension costs | **(1,160)** | **(1,160)** | (1,099) | (1,099) |
| | **(11,214)** | **(10,854)** | (10,860) | (10,453) |

The number of staff employed by the group at 29 February 2020 was 173 (2019: 169). The number of staff employed by the IFoA at 29 February 2020 was 169 (2019:165) and termination benefits of £277k (2019:£0) were paid.

The remuneration of the Chief Executive and other Executive Directors for the financial year ended 29 February 2020 is disclosed below:

| | IFoA 2020 (Chief Executive) £000 | IFoA 2019 (Chief Executive) £000 | IFoA 2020 Executive Directors (excl. CE) £000 | IFoA 2019 Executive Directors (excl. CE) £000 |
|---|---|---|---|---|
| Short-term benefits | **301** | 312 | **945** | 766 |
| Bonus | **57** | 82 | **115** | 109 |
| Post-employment benefit | **-** | - | **84** | 79 |
| | **358** | 394 | **1,144** | 954 |

The Remuneration Committee reviewed, on behalf of Management Board and Council, the objectives, the achievement of those objectives and remuneration package of the Chief Executive. Executive salaries are benchmarked against market salary levels, as assessed by an independent external provider. The number of Directors (excluding Chief Executive) employed at 29 February 2020 was 5 (2019:5).During the year there was a change of Chief Executive. Derek Cribb was appointed until 31 December 2019, and Stephen Mann commenced in the role on 6 January 2020. Desmond Hudson served as interim Executive Director during the second half of 2019 and led the Directors Group during that period. His costs of employment are included under Executive Directors and explains the increase in costs between 2019 and 2020.

## 7. Other operating charges

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Central activities | **(7,285)** | **(7,645)** | (7,459) | (7,867) |
| Pre-qualification learning and development | **(13,301)** | **(5,100)** | (13,314) | (5,325) |
| Post-qualification learning and development | **(1,500)** | **(1,500)** | (1,744) | (1,744) |
| Participation in other bodies | **(1,116)** | **(1,116)** | (1,152) | (1,152) |
| Learned society and research | **(1,702)** | **(366)** | (1,843) | (422) |
| Professional / ethical standards | **(1,028)** | **(1,028)** | (1,026) | (1,026) |
| Member services | **(919)** | **(919)** | (1,195) | (1,195) |
| Practice areas and member interest groups | **(117)** | **(117)** | (114) | (114) |
| Designated Professional Body Regulation | **(30)** | **(30)** | (31) | (31) |
| | **(26,998)** | **(17,821)** | (27,878) | (18,876) |

## 8. Operating loss

The Group and IFoA operating loss is stated after charging:

| | 2020 Group £000 | 2019 Group £000 |
|---|---|---|
| Employment costs | **(11,214)** | (10,860) |
| Depreciation | **(990)** | (323) |
| Amortisation of intangibles | **(13)** | (13) |
| President's and Council Members' expenses | **(93)** | (46) |
| Audit fees | **(56)** | (52) |
| Operating lease | **-** | (790) |
| Committee Expenses | **(45)** | (40) |

## 9. Finance and other income

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Bank interest | **24** | **16** | 28 | 19 |
| Interest from investment deposits | **52** | **52** | 35 | 35 |
| Dividends from investments | **216** | **216** | 206 | 206 |
| | **292** | **284** | 269 | 260 |

## 10. Taxation

The IFoA is charged corporation tax on its investment income only. CMI Limited is charged corporation tax on income arising from subscribers and transactions with parties other than its subscribers

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Current tax | **132** | **140** | 18 | 50 |
| Prior year under/(over) provision | **(22)** | **(22)** | 17 | 17 |
| **Tax on (loss)/surplus on ordinary activities** | **110** | **118** | 35 | 67 |
| (Loss) / surplus before tax | **(1,292)** | **(1,714)** | (320) | 25 |
| Tax at the UK corporation tax rate of 19% | **(245)** | **(326)** | (61) | 5 |
| Effects of non-taxable items | **156** | **229** | 10 | (88) |
| Prior year (over) / under provision | **(21)** | **(21)** | 16 | 16 |
| | **(110)** | **(118)** | (35) | (67) |

## 11. Movement in Deferred taxation

| | 2020 Group £000 | 2019 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| **Balance at 1st March 2019** | **92** | **92** | 104 | 104 |
| Deferred tax on fair value movement on available for sale assets | **-** | **-** | (13) | (13) |
| **Balance at 29th February 2020** | **92** | **92** | 92 | 92 |

## 12. Property, plant and equipment – Group and IFoA

| | Leasehold Property | IT Equipment | Fixtures & fittings | Website | Lease Assets | Total |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or valuation:** | | | | | | |
| **as at 1 March 2019** | **2,028** | **615** | **537** | **438** | **-** | **3,618** |
| Additions | - | 6 | - | - | - | 6 |
| Additions (impact of change in accounting policy) | - | - | - | - | 4,797 | 4,797 |
| Disposals | - | - | - | - | - | - |
| **as at 29 February 2020** | **2,028** | **621** | **537** | **438** | **4,797** | **8,421** |
| **Depreciation:** | | | | | | |
| **as at 1 March 2019** | **922** | **608** | **529** | **366** | **-** | **2,425** |
| Provided in year | 181 | 8 | 4 | 72 | - | 265 |
| Depreciation on Financed Asset | - | - | - | - | 725 | 725 |
| Disposals | - | - | - | - | - | - |
| **as at 29 February 2020** | **1,103** | **616** | **533** | **438** | **725** | **3,415** |
| Net Book Value at 28 February 2019 | 1,106 | 7 | 8 | 72 | - | 1,193 |
| **Net Book Value at 29 February 2020** | **925** | **5** | **4** | **-** | **4,072** | **5,006** |

The addition of the lease assets for 2019/20 relates to the change in accounting policy for IFRS 16 to include the property lease commitments for London, Staple Inn, Edinburgh and Oxford offices.

## 13. Intangible assets – Group and IFoA

| | IFoA Totals |
|---|---|
| | **£000** |
| **Cost or valuation:** | |
| **as at 1 March 2019** | **250** |
| Additions | - |
| Disposals | - |
| **as at 29 February 2020** | **250** |
| **Accumulated amortisation** | |
| **as at 1 March 2019** | **43** |
| Charge for the year | 13 |
| Disposals | - |
| **as at 29 February 2020** | **56** |
| Net Book Value at 28 February 2019 | 207 |
| **Net Book Value at 29 February 2020** | **194** |

## 14. Available for sale financial assets – Group and IFoA

| | **2020 Group £000** | 2019 Group £000 |
|---|---|---|
| as at 1 March | **8,948** | 8,781 |
| Additions | **217** | 205 |
| Unrealised gain / (loss) on revaluation | **642** | (38) |
| **as at 29 February** | **9,807** | 8,948 |

| **Concentration of Investments** | **2020 Group £000** | 2019 Group £000 |
|---|---|---|
| UK Government Bond Index Fund | 14% | 13% |
| UK Invest Grade Bond Index Fund | 57% | 57% |
| FTSE Developed World ex- UK Equity index Fund | 23% | 23% |
| FTSE UK All Share Index Unit Acc | 6% | 7% |

All the investments are denominated in sterling and are publicly traded in the UK. Fair values have been determined by reference to Stock Exchange quoted bid prices at the close of business on the balance sheet date. The historical cost of listed investments at 29 February 2020 was £8.7m (2019: £8.5m). The investments reflect the decision by IFoA to invest reserves in a mix of investment grade bonds and other stock market pooled funds. The aim is to minimise the impact of inflation on these investments, whilst earning a return more than holding cash on deposits in the current low interest rate environment. The holdings are reviewed by Management Board on a regular basis.

## 15. Historical assets – Group and IFoA

| | **2020 Group £000** | 2019 Group £000 |
|---|---|---|
| as at 1 March | **1,184** | 1,184 |
| Additions | **8** | 7 |
| Unrealised gain / (loss) on revaluation | **183** | - |
| **as at 29 February** | **1,375** | 1,191 |

The historical books were revalued in December 2019 by Pickering & Chatto, Antiquarian Booksellers.

## 16. Interests in subsidiaries and associate companies

The IFoA has three 100% owned subsidiary undertakings and one associate.

The IFoA owns ten £1 ordinary shares comprising 100% of the issued share capital of Institute and Faculty Education Limited (“IFE”), a company incorporated in Great Britain, which provides tuition to persons studying for the professional examinations of the IFoA. Under the terms of an agreement dated 25 July 1995 IFE appointed Actuarial Education Company Limited ("ActEd"), a wholly owned subsidiary of BPP Actuarial Education Limited, to provide tuition services. ActEd makes a charge to IFE for such services equivalent to IFE's income. The results of IFE for the year to 29 February 2020 are included in the consolidated accounts.

The IFoA owns one £1 ordinary share comprising 100% of the issued share capital of Continuous Mortality Investigation Limited ("CMI Limited"), a company incorporated in England and Wales, which was established to take on the transfer of the unincorporated association Continuous Mortality Investigation on 1 March 2013. CMI Limited has been accumulating and analysing data on mortality and morbidity risk arising under life, annuity and pension business for around 90 years. The results for CMI Limited for the year to 29 February 2020 are included in the consolidated accounts.

The IFoA owns ten £1 ordinary shares comprising 100% of the issued share capital of ICA 98 Limited, a company incorporated in England and Wales. ICA 98 Limited provides services to IFoA members and students based in the Asia Pacific Area from offices in Beijing and Singapore. The results for ICA 98 Limited for the year to 29 February 2020 are included in the consolidated accounts.

The IFoA owns one £1 share comprising of 50% of the issued share capital of CAA Global Limited, a company incorporated in England and Wales. CAA Global Limited provides examination for the Certified Actuarial Analyst qualification and its marketing and support globally. The other 50% of the issued share capital is owned by the Society of Actuaries an American based actuarial membership body. Under the equity method of accounting for an associate company the losses of CAA Global Ltd are deducted from the value of the investment at Group level only.

The value of the investments by IFoA in CAA Global Limited is shown as the investment in joint venture adjusted for any impairment in that value relating to its trading activities for the 12 months to 29th February 2020 as shown below:

**Investment in Associate**

| CAA Global Ltd: 50% Shareholding | **2020 Group £000** | **2020 IFoA £000** | 2019 Group £000 | **2019** IFoA £000 |
|---|---|---|---|---|
| Investment value : | **478** | **945** | 513 | 945 |
| Additional Investment: | **-** | **-** | 150 | - |
| Impairment of investment at IFoA Level: | **-** | **(616)** | - | - |
| Share of loss at Group Level: | **(149)** | **-** | (185) | - |
| Net Value : | **329** | **329** | 478 | 945 |

### 17. Trade and other receivables

| | **2020 Group £000** | **2020 IFoA £000** | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Trade receivables | **848** | **444** | 993 | 407 |
| Amounts owed by subsidaries | **-** | **31** | - | 217 |
| Prepayments and accrued income | **974** | **974** | 1,072 | 1,072 |
| Deferred expenditure | **1,254** | **-** | 1,301 | - |
| Other receivables | **90** | **37** | 358 | 86 |
| | **3,166** | **1,486** | 3,724 | 1,782 |

### 18. Trade and other payables due in less than one year

| | **2020 Group £000** | **2020 IFoA £000** | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Trade payables | **1,306** | **264** | 1,693 | 397 |
| Taxation and social security costs | **281** | **281** | 298 | 298 |
| Amounts held on behalf of members | **24** | **24** | 22 | 22 |
| Accruals | **1,374** | **1,374** | 1,941 | 1,941 |
| Lease Liabilities due less than 1 year | **803** | **803** | - | - |
| | **3,788** | **2,746** | 3,954 | 2,658 |

## 19. Payables due in greater than one year

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Lease Liabilities due after one year | **3,974** | **3,974** | - | - |
| | **3,974** | **3,974** | - | - |

## 20. Contract Liabilities

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Subscriptions | **6,924** | **6,924** | 6,811 | 6,811 |
| Tuition fees | **1,254** | **-** | 1,300 | - |
| Examination fees | **5,045** | **5,045** | 4,703 | 4,703 |
| Events fees | **107** | **107** | 142 | 142 |
| Practising certificates | **493** | **493** | 517 | 517 |
| Other contract liabilities | **150** | **150** | 251 | 251 |
| | **13,973** | **12,719** | 13,724 | 12,424 |

## 21. Cash and cash equivalents

| | 2020 Group £000 | 2020 IFoA £000 | 2019 Group £000 | 2019 IFoA £000 |
|---|---|---|---|---|
| Current Accounts | **6,756** | **5,458** | 9,101 | 7,753 |
| Notice Accounts | **4,031** | **4,031** | 4,005 | 4,005 |
| Term Deposits | **3,000** | **3,000** | 2,000 | 2,000 |
| | **13,787** | **12,490** | 15,106 | 13,757 |

## 22. Leases

**Group as a lessee**

The group has leasing arrangements for their operations.

| **Lease liabilities are due as follows:** | **2020 £'000** |
|---|---|
| Not later than one year | **803** |
| Between one year and five years | **3,974** |
| **Balance at 29 February 2020** | **4,777** |

| Contractual undiscounted cash flows are due as follows: | **2020 £'000** |
|---|---|
| Not later than one year | **994** |
| Between one year and five years | **5,524** |
| **Balance at 29 February 2020** | **6,518** |

There is not considered to be any significant liquidity risk by the Group in respect of leases.

The following amounts in respect of leases, where the Group is a lessee, have been recognised in profit or loss

| | **2020 £'000** |
|---|---|
| Interest expense on lease liabilities | **222** |

## 23. Related party disclosures

Council members occasionally get paid a fee for work in connection with the IFoA's examinations in the same way and at the same rates as other members but this has no bearing on their being a Council member.

**24. Post balance Sheet Event**

In line with most UK business and organisations the COVID-19 pandemic is a significant event that could also have affected the Investments available for sale that IFoA holds during the year. The value of these investments at the balance sheet date is £9.8m and as at the date of signing 3rd June 2020 is £9.9m.