

**INSTITUTE AND FACULTY OF ACTUARIES**  
**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 28 FEBRUARY 2015**

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These financial statements for the year to 28 February 2015 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). The commentary in this review relates to the operating activities of the Group.

## Operating results

Total revenue for 2015 of £31.5m (£23.8m for the IFoA) represents an increase of 4% over the 2014 figure of £30.3m (£22.6m for the IFoA).

The Group income includes the turnover and expenditure of Institute and Faculty Education Limited which provides tuition to persons studying for the professional examinations of the IFoA. It adds the turnover and expenditure of Continuous Mortality Investigation Limited which accumulates and analyses data on mortality and morbidity risks arising under life assurance, annuity and pension business. It also includes ICA 98 Limited which provides services to IFoA members and students based in the Asia Pacific region.

The main source of revenue for the IFoA is from members' fees and subscriptions, which made up 47% (2014: 48%) of total revenue. Subscription rates for members were not increased from the previous year.

<b>Revenue summary – percentage of total revenue (IFoA only)</b>	<b>2015</b>	<b>2014</b>
Subscriptions and fees	47%	48%
Pre-qualification learning	38%	36%
Post-qualification learning and development	14%	14%
Other income including from Investments	1%	2%

The number of new students joining in the year was 2,229 compared to 2,174 last year. There continues to be an increase in the proportion of overseas students, with 57% of students now based overseas. The number of fellows has increased during the year by 3.7%. The total number of members increased by 3.5% to 26,375.

The loss after taxation for the Group for the year was £1.7m compared to a loss of £1.0m in 2014.

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

- **Subscriptions and other revenue increased by £0.2m to £12.4m**

This increase is due to continued growth in member numbers with the total membership increasing from 25,495 at the start of the year to 26,375 on the 28th February 2015 which is equivalent to an increase of 3.5% during the year.

- **Pre-qualification learning and development revenue increased by £0.6m to £15.6m**

This increase is due to an increase in the number of examinations being taken by students, with over 32,000 exams taken this year.

- **Total Employment costs expenditure increased by £0.2m to £9.0m**

Salary and social security costs increased £0.9m to £8.7m due to planned growth in staff numbers to 155 compared to 135 in 2014. Offsetting the increase was the reduction in contributions to the Defined Benefit Pension Scheme and associated costs.

No contributions were made to the defined benefit pension scheme during the year, but there was £0.1m of professional fees incurred in running the scheme. Contributions were stopped ahead of schedule in November 2013 as the pension scheme had moved out of deficit.

- **Operating expenditure increased by £1.0 million in the year to £24.2m**

This was mainly due to an increase in irrecoverable VAT of £0.4m due to a change in the nature of some activities which reduced the VAT reclaim, together with an increase in depreciation of £0.3m, exam setting costs of £0.1m and legal costs of £0.1m.

- **Actuarial gain recognised in the retirements benefits scheme £0.8m**

The actuarial gain over the year has arisen from a number of factors including actual salary and pension increases over the year being lower than expected. In addition, the asset returns on the assets outside of the buy-in policy were higher than expected.

### **Financial position and cash flow**

Net assets at 28 February 2015 were £15.9m (2014: £16.6m), including cash and cash equivalents of £18.6m (2014: £20.6m). The most significant change is the increase in the cost of property plant and equipment by £0.5m to £2.6m due to the cost of new leasehold property in Edinburgh.

Net cash outflow from operating activities was £1,222k in the year (2014: £895k). £141k was generated from working capital (2014: £210k). Capital expenditure was £933k which related to leasehold improvement and fixtures & fittings at the new offices in Edinburgh (2014: £2,126k).

The IFoA holds reserves to: provide working capital to cover seasonal fluctuations in income and expenditure and avoid the need to borrow; to meet emergency calls for cash and protect against immediate business interruption; meet foreseeable future commitments; invest in specific projects such as the new website, the Certified Actuarial Analyst and the Virtual Learning Environment. The General Fund balance of £14.6m is considered sufficient to meet the above needs.

Cash assets are held as short term and long term bank deposits spread across four financial institutions; NatWest Bank, Barclays Bank, Bank of Scotland and the Clydesdale Bank.

### **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 fund of £500k (plus annual interest) to facilitate actuarial activities in Scotland. A sum of £230k was subsequently earmarked to help establish the Actuarial Research Centre (ARC), which will invest in the next generation of researchers of actuarial science. The Scottish Endowment Fund incurred expenditure of £54k in the year on the ARC.

Nick Salter  
President

Derek Cribb  
Chief Executive

June 2015

June 2015

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.

The 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 28 February 2015. The Council also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and Faculty. 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 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 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.

Nick Salter  
President

Derek Cribb  
Chief Executive

June 2015

June 2015

We have audited the financial statements of the Institute and Faculty of Actuaries (IFoA) for the year ended 28 February 2015 which comprise the Consolidated Statement of Income, Consolidated and Institute IFoA Statements of Financial Position, the Consolidated Statement of Comprehensive Income, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Council, as a body, in accordance with the Bye-laws of the IFoA. Our audit work has been undertaken so that we might state to the 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Council of the Institute and Faculty of Actuaries ("the IFoA") and auditors**

As explained more fully in the Statement of the Responsibilities of the Council of the IFoA, the Council is responsible for the preparation of the financial statements in accordance with applicable law and IFRSs as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion**

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 28 February 2015 and of the net loss and cash flows of the Group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Bye-laws of the IFoA.

haysmacintyre  
Chartered Accountants and Registered Auditors

June 2015

26 Red Lion Square  
London  
WC1R 4AG

	Notes	2015		2014	
		Group £000	IFoA £000	Group £000	IFoA £000
<b>Revenue</b>					
Subscriptions and other operating income	4	12,412	11,239	12,220	11,168
Pre-qualification learning and development	5	15,578	9,246	14,974	8,274
Post-qualification learning and development		3,493	3,320	3,138	3,138
		<u>31,483</u>	<u>23,805</u>	<u>30,332</u>	<u>22,580</u>
<b>Expenditure</b>					
Employment costs	6	(9,039)	(9,039)	(8,820)	(8,820)
Other operating charges	7	(24,189)	(16,540)	(23,210)	(15,611)
		<u>(33,228)</u>	<u>(25,579)</u>	<u>(32,030)</u>	<u>(24,431)</u>
<b>Operating (Loss)/ Profit</b>	8	<b>(1,745)</b>	<b>(1,774)</b>	<b>(1,698)</b>	<b>(1,851)</b>
Finance and other income	9	141	136	210	204
<b>(Loss)/Profit before tax</b>		<b>(1,604)</b>	<b>(1,638)</b>	<b>(1,488)</b>	<b>(1,647)</b>
Taxation	10	(55)	(48)	(77)	(45)
<b>(Loss)/Profit for the year</b>		<b>(1,659)</b>	<b>(1,686)</b>	<b>(1,565)</b>	<b>(1,692)</b>
Amortisation of negative goodwill	21	-	-	582	-
<b>(Loss)/Profit after taxation and exceptional items</b>		<b>(1,659)</b>	<b>(1,686)</b>	<b>(983)</b>	<b>(1,692)</b>

**Statement of Comprehensive Income for the year ended 28 February 2015**

	Notes	2015		2014	
		Group £000	IFoA £000	Group £000	IFoA £000
(Loss)/Profit for the year		(1,659)	(1,686)	(983)	(1,692)
<b>Other Comprehensive Income</b>					
Gain on revaluation of investments	13	25	25	103	103
Gain on revaluation of historical books	14	155	155	-	-
Actuarial gain/(loss) recognised in the retirement benefits scheme	15	815	815	(7,564)	(7,564)
<b>Other comprehensive income/(expenditure) for the year net of tax</b>		<b>995</b>	<b>995</b>	<b>(7,461)</b>	<b>(7,461)</b>
<b>Total comprehensive income for the year</b>		<b>(664)</b>	<b>(691)</b>	<b>(8,444)</b>	<b>(9,153)</b>

Institute and Faculty of Actuaries  
Consolidated Statement of Financial Position  
as at 28 February 2015

	Notes	2015		2014	
		Group £000	IFoA £000	Group £000	IFoA £000
<b>Non-current assets</b>					
Property, plant and equipment	12	2,612	2,612	2,093	2,093
Available for sale financial assets	13	936	936	911	911
Historical assets	14	1,175	1,175	1,013	1,013
Retirement benefit asset	15	3,482	3,482	2,889	2,889
		<u>8,205</u>	<u>8,205</u>	<u>6,906</u>	<u>6,906</u>
<b>Current assets</b>					
Inventories		6	6	20	20
Trade and other receivables	16	3,826	1,820	3,548	1,693
Cash and cash equivalents		18,574	17,118	20,556	19,276
		<u>22,406</u>	<u>18,944</u>	<u>24,124</u>	<u>20,989</u>
<b>Total assets</b>		<b>30,611</b>	<b>27,149</b>	<b>31,030</b>	<b>27,895</b>
<b>Current liabilities</b>					
Trade and other payables	17	(3,452)	(2,324)	(3,529)	(2,690)
Corporation tax	10	(41)	(35)	(69)	(38)
Deferred revenue	18	(10,251)	(8,630)	(10,321)	(8,736)
Deferred rent		(90)	(90)	(104)	(104)
		<u>(13,834)</u>	<u>(11,079)</u>	<u>(14,023)</u>	<u>(11,568)</u>
<b>Non-current liabilities</b>					
Deferred rent		(837)	(837)	(403)	(403)
		<u>(837)</u>	<u>(837)</u>	<u>(403)</u>	<u>(403)</u>
<b>Total liabilities</b>		<b>(14,671)</b>	<b>(11,916)</b>	<b>(14,426)</b>	<b>(11,971)</b>
<b>Net assets</b>		<u><b>15,940</b></u>	<u><b>15,233</b></u>	<u><b>16,604</b></u>	<u><b>15,924</b></u>
<b>Reserves</b>					
General fund		14,641	13,934	15,485	14,805
Investment revaluation reserve		1,299	1,299	1,119	1,119
		<u>15,940</u>	<u>15,233</u>	<u>16,604</u>	<u>15,924</u>

The financial statements on pages 5 to 20 were approved and authorised for issue by Council on Xx May 2015 and signed on its behalf by:

**Nick Salter**  
President

**Derek Cribb**  
Chief Executive



<b>Group and IFoA</b>	<b>Investment</b>		<b>Total</b>
	<b>General Fund</b>	<b>Revaluation Reserve</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 March 2014</b>	<b>15,485</b>	<b>1,119</b>	<b>16,604</b>
Loss for the year	(1,659)	-	(1,659)
Other comprehensive income /(expenditure)	815	180	995
Total comprehensive (expenditure) / income	<u>(844)</u>	<u>180</u>	<u>(664)</u>
<b>Balance as at 28 February 2015</b>	<b><u>14,641</u></b>	<b><u>1,299</u></b>	<b><u>15,940</u></b>

<b>IFoA</b>	<b>Investment</b>		<b>Total</b>
	<b>General Fund</b>	<b>Revaluation Reserve</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 March 2014</b>	<b>14,805</b>	<b>1,119</b>	<b>15,924</b>
Loss for the year	(1,686)	-	(1,686)
Other comprehensive income/(expenditure)	815	180	995
Total comprehensive (expenditure) / income	<u>(871)</u>	<u>180</u>	<u>(691)</u>
<b>Balance as at 28 February 2015</b>	<b><u>13,934</u></b>	<b><u>1,299</u></b>	<b><u>15,233</u></b>

Institute and Faculty of Actuaries  
Consolidated Statement of Changes in Cash Flow  
for the year ended 28 February 2015

	Notes	2015		2014	
		Group £000	IFoA £000	Group £000	IFoA £000
<b>Cash flow from operating activities</b>					
Operating (Loss)/ Profit		(1,745)	(1,774)	(1,698)	(1,851)
Depreciation	12	414	414	141	141
Retirement benefits scheme contributions	15	-	-	(645)	(645)
Retirement benefits scheme net cost/(income)	15	222	222	(301)	(301)
Decrease in inventories		14	14	6	6
(Increase)/decrease in debtors		(318)	(166)	(128)	(184)
Increase/(decrease) in creditors and deferred revenue		274	(55)	1,807	1,340
<b>Cash (used in) operations</b>		<b>(1,139)</b>	<b>(1,345)</b>	<b>(818)</b>	<b>(1,494)</b>
Taxation		(83)	(48)	(77)	(45)
<b>Net cash from operating activities</b>		<b>(1,222)</b>	<b>(1,393)</b>	<b>(895)</b>	<b>(1,539)</b>
<b>Cash flow from investing activities</b>					
Acquisition of subsidiary CMI, net cash acquired		-	-	611	-
Finance income received	9	141	136	210	204
Purchase of property, plant and equipment	12	(933)	(933)	(2,126)	(2,126)
Movement in fixed asset prepayments		40	40	(480)	(480)
Purchase of investments	14	(8)	(8)	(4)	(4)
<b>Net (decrease) in cash and cash equivalents</b>		<b>(1,982)</b>	<b>(2,158)</b>	<b>(2,684)</b>	<b>(3,945)</b>
Cash and cash equivalents at 1 March		<b>20,556</b>	<b>19,276</b>	23,239	23,222
<b>Cash and cash equivalents at 28 February</b>		<b>18,574</b>	<b>17,118</b>	20,556	19,276

## 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. Significant Accounting Policies

### (a) 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.

### (b) Adoption of new and revised standards

Changes to Standards are listed below, where relevant to the Group. Adoption of these Standards has not had a material impact on the financial statements.

#### *Standard, Interpretations and amendments adopted early*

IAS 19 Employee Benefits (amendment)

#### *Standards and Interpretations in issue but not yet effective*

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will have an effect on IFoA future financial statements but this is not considered to be material.

IAS 1 Presentation of Financial Statements (amendment)

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IFRS 7 Financial Instruments: Disclosures (amendment)

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

### (c) 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.

### (d) Critical accounting judgements and estimates

#### *Retirement Benefit Obligations*

These financial statements have been prepared on the basis that the IFoA has a right to a refund after the last member's liability is extinguished from the Scheme. Under IFRIC14 guidance, the IAS19 surplus of £3.5m has therefore been recognised as an asset of IFoA in full and no account has been taken of the deficit funding contributions payable.

Scheme assets are measured at fair value. Scheme liabilities are measured using the key assumptions agreed by the Management Board after taking expert, professional advice. These assumptions are listed at Note 15.

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

#### (e) 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.

#### (f) 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.

#### (g) Leases

Costs of operating leases are charged to the income statement on a straight line basis over the period of the relevant agreement. For property leases where a rent free period is agreed, this is spread over the life of the lease.

#### (h) 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 and furniture and fittings over £2,000 are depreciated on a straight line basis over 4 years, leasehold property is depreciated over the life of the lease.

#### (i) Inventories

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

#### (j) 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.

#### (k) 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.

##### *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 February 2015.

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

#### (l) Impairment

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (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.

#### (m) 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 £5.6m (2014: £2.9m) in current accounts, £4.0m (2014: £5.2m) in notice accounts and £7.5m (2014: £11.1m) in term deposits.

As a result of holding the majority of 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.

#### (n) Retirement benefits

##### *Defined Contribution Scheme*

Employer contributions to the defined contribution personal pension plan are charged to the income and expenditure statement as incurred. Death in Service payments continue to be made by the Pension Scheme during the year.

##### *Defined Benefit Scheme*

The IFoA operates a defined benefit scheme for permanent staff. This Scheme was closed to new members from 1 January 2003 and was closed to future accrual from 28 February 2013.

The liabilities of the Scheme are calculated by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method, which is an accrued benefits valuation method in which the Scheme liabilities make allowance for projected earnings. The Scheme assets are valued at bid price at market close at the balance sheet date. Scheme service costs are charged to the income statement. Actuarial gains and losses and the effect of changes in actuarial assumptions are recognised in other comprehensive income as they are incurred.

#### 4. Subscriptions and other income

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions, admissions, certificate fees	10,850	10,850	10,779	10,779
Income from research (CMI Limited)	1,173	-	1,052	-
Designated Professional Body regulation	252	252	251	251
FTSE fees and other royalties	58	58	55	55
Actuary magazine	-	-	13	13
Management service fees	16	16	13	13
List of actuarial advisors	22	22	21	21
Disciplinary fines	38	38	27	27
Other Income	3	3	9	9
	<b>12,412</b>	<b>11,239</b>	<b>12,220</b>	<b>11,168</b>

The income from research relates to the turnover of Continuous Mortality Investigation Limited (CMI Limited) which commenced trading on the 1<sup>st</sup> March 2013.

#### 5. Pre-qualification learning and development

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Examinations	12,125	5,793	12,014	5,314
Exemptions	619	619	525	525
Practical Exams	2,588	2,588	2,198	2,198
Tuition Materials	246	246	237	237
	<b>15,578</b>	<b>9,246</b>	<b>14,974</b>	<b>8,274</b>

#### 6. Employment costs

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Wages and salaries	(7,929)	(7,929)	(7,089)	(7,089)
Social security costs	(780)	(780)	(683)	(683)
Pension costs	(330)	(330)	(1,048)	(1,048)
	<b>(9,039)</b>	<b>(9,039)</b>	<b>(8,820)</b>	<b>(8,820)</b>

The number of staff employed at 28 February 2015 was 155 (2014: 135).

## 6. Employment costs (cont.)

The remuneration of the Chief Executive and other Executive Directors for the financial year ended 28 February 2015 is disclosed below:

### Management remuneration

	2015 Derek Cribb (Chief Executive) £000	2014 Derek Cribb (Chief Executive) £000	2015 Executive Directors (excl. CE) £000	2014 Executive Directors (excl. CE) £000
Short-term benefits	232	212	622	612
Bonus	70	70	90	90
Post-employment benefit	35	32	93	92
	<b>337</b>	<b>314</b>	<b>805</b>	<b>794</b>

## 7. Other operating charges

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Central activities	(7,610)	(7,439)	(6,800)	(6,800)
Pre-qualification learning and development	(10,458)	(4,125)	(11,217)	(4,517)
Post-qualification learning and development	(2,113)	(2,113)	(2,212)	(2,212)
Participation in other bodies	(754)	(754)	(556)	(556)
Learned society and research	(1,546)	(401)	(1,033)	(134)
Professional / ethical standards	(1,062)	(1,062)	(859)	(859)
Member services	(503)	(503)	(418)	(418)
Practice areas and member interest groups	(105)	(105)	(75)	(75)
Designated Professional Body Regulation	(38)	(38)	(40)	(40)
	<b>(24,189)</b>	<b>(16,540)</b>	<b>(23,210)</b>	<b>(15,611)</b>

## 8. Operating (loss)/profit

The group and IFoA operating (loss)/ profit is stated after charging:

	2015 Group £000	2014 Group £000
Employment costs	(9,039)	(8,820)
Depreciation	(414)	(141)
President's and Council Members' expenses	(40)	(28)
Audit fees	(29)	(31)
Operating lease	(796)	(761)

## 9. Finance income and other income

	2015 Group £000	2015 IFoA £000	2014 Group £000	2014 IFoA £000
Bank interest	44	39	57	51
Interest from investment deposits	79	79	129	129
Dividends from investments	18	18	24	24
	<b>141</b>	<b>136</b>	210	204

## 10. Taxation

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

	2015 Group £000	2015 IFoA £000	2014 Group £000	2014 IFoA £000
Current tax	41	35	69	38
Prior year under provision	14	13	8	7
<b>Tax on profit on ordinary activities</b>	<b>55</b>	<b>48</b>	77	45
(Loss)/ Profit before tax	<b>(1,604)</b>	<b>(1,636)</b>	(1,488)	(1,647)
Tax at the UK corporation tax rate of 20% (2014: 20%)	<b>(321)</b>	<b>(326)</b>	(298)	(329)
Effects of non-taxable items	252	264	213	276
Prior year under provision	14	14	8	8
	<b>55</b>	<b>48</b>	77	45

## 11. Interests in subsidiaries

The IFoA has three subsidiary undertakings.

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 28 February 2015 are included in the consolidated accounts.

The IFoA also 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. The results for CMI Limited for the year to 28 February 2015 are included in the consolidated accounts.



### 11. (cont.) Interests in subsidiaries

The IFoA also owns ten £1 ordinary shares comprising 100% of the issued share capital of ICA 98 Limited, a company incorporated in Great Britain, and this company's activities are included in the consolidated accounts for the year to 28 February 2015. ICA 98 Limited was dormant in the prior year but was active in the current year.

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

	Leasehold Property £000	IT equipment £000	Fixtures & fittings £000	Total £000
<b>Cost or valuation:</b>				
<b>as at 1 March 2014</b>	1,374	647	428	2,449
Additions	654	169	110	933
<b>as at 28 February 2015</b>	<u>2,028</u>	<u>816</u>	<u>538</u>	<u>3,382</u>
<b>Depreciation:</b>				
<b>as at 1 March 2014</b>	33	267	56	356
Provided in year	159	135	120	414
<b>as at 28 February 2015</b>	<u>192</u>	<u>402</u>	<u>176</u>	<u>770</u>
Net Book Value at 28 February 2014	1,341	380	372	2,093
<b>Net Book Value at 28 February 2015</b>	<u>1,836</u>	<u>414</u>	<u>362</u>	<u>2,612</u>

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

#### Investments available for sale

	2015 £000	2014 £000
as at 1 March	911	802
Additions	-	6
Unrealised gain / (loss) on revaluation	25	103
<b>as at 28 February</b>	<u>936</u>	<u>911</u>

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 28 February 2015 was £61k (2014: £61k).

#### 14. Historical assets – Group and IFoA

	<b>2015</b>	2014
	<b>Group</b>	Group
	<b>£000</b>	£000
as at 1 March	1,013	1,009
Additions	8	4
Unrealised gain / (loss) on revaluation	154	-
<b>as at 28 February</b>	<b>1,175</b>	<b>1,013</b>

The historical books were revalued in February 2015 by Pickering & Chatto, Antiquarian Booksellers.

#### 15. Retirement benefit asset

The IFoA operates a defined benefit scheme for permanent staff. This Scheme was closed to new members from 1 January 2003 and was closed to future accrual on 28 February 2013. The assets of the Scheme are held separately from those of the IFoA.

Scheme members are not required to pay contributions. Contributions to the Scheme by the IFoA are determined on the basis of a triennial valuation. The most recent valuation was completed as at 28 February 2013.

The asset has been recognised in accordance with IAS19 as the IFoA has a right to a refund over time until all members have left the Scheme, assuming the gradual settlement of the Scheme liabilities. The duration of the Scheme, based on mortality assumptions and the average years until non-pensioners retire, is significant and means that the asset will not be available to IFoA until the final wind up of the Scheme.

#### IAS 19 valuation

The Scheme's actuary provides a separate report for IAS 19 purposes at each year end. The assumptions made at 28 February 2015 by the Management Board with the advice of the Scheme's actuary were:

	<b>Central</b>	<b>Central</b>	<b>Central</b>
	<b>Assumption 2015</b>	<b>Assumption 2014</b>	<b>Assumption change</b>
Discount Rate	3.5%	4.3%	Decrease by 0.8%
Price inflation (RPI)	3.2%	3.5%	Decrease by 0.3%
Salary increases	3.7%	4.0%	Decrease by 0.3%
Pension increases	3.2%	3.5%	Decrease by 0.3%

The mortality assumption adopted for the purpose of the calculations as at 28 February 2015 is as follows:

- SAPS "Light" tables with CMI 2012 core projections with a long-term rate of 1.5% p.a.

## 15. Retirement benefit asset (cont.)

The expected lifetime of a participant who is age 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below.

Age	2015 Males	2015 Females	2014 Males	2014 Females
65	24.7	26.0	24.6	25.9
65 in 15 years	26.3	27.7	26.2	27.6

### Sensitivity analysis of the principal assumptions used to measure Scheme liabilities

	Sensitivity Analysis Assumption	Impact on Scheme Liabilities
Discount Rate	Decrease by 1%	Increase by £7.8m
Price inflation (RPI)	Increase by 0.5%	Increase by £3.6m
Salary increases	Increase by 0.5%	Increase by £0.4m
Pension increases	Increase by 0.5%	Increase by £2.5m
Mortality	Increase of 1 year in expected lifetime of plan participants	Increase by £1.2m

The same analysis would apply to the assumptions used to measure Scheme Assets.

### Amounts recognised in the consolidated income statement

	2015 £000	2014 £000
Employer service cost	-	-
Interest cost	1,343	1,491
Interest income on Scheme assets	(1,460)	(1,949)
Admin costs paid	339	157
<b>Total operating charge</b>	<b>222</b>	<b>(301)</b>

### Amounts recognised in the other comprehensive income (OCI)

	2015 £000	2014 £000
Return on Scheme assets (less)/ greater than discount rate	3,712	(8,575)
Liability experience actuarial (loss) /gain arising during period	440	2,884
Liability assumptions actuarial gain /(loss) arising during period	(3,337)	(1,873)
<b>Remeasurement effects recognised in OCI</b>	<b>815</b>	<b>(7,564)</b>

## 15. Retirement benefit asset (cont.)

### Retirement benefit asset

Net balance sheet position

	2015 £000	2014 £000
Fair value of assets	38,489	34,590
Actuarial value of Scheme liabilities	<u>(35,007)</u>	<u>(31,701)</u>
<b>Surplus in the Scheme</b>	<b><u>3,482</u></b>	<b><u>2,889</u></b>

### Movement in surplus

Movement in surplus during the year

	2015 £000	2014 £000
as at 1 March	2,889	9,507
Operating charges	117	458
Employer contributions	-	645
Admin costs incurred in period	(339)	(157)
Remeasurement effects recognised in OCI	815	(7,564)
<b>as at 28 February</b>	<b><u>3,482</u></b>	<b><u>2,889</u></b>

### Movement in Scheme assets

Movement in Scheme assets during the year

	2015 £000	2014 £000
as at 1 March	34,590	41,717
Return on Scheme assets	5,172	(6,626)
Employer contributions	-	645
Benefits paid	(934)	(989)
Admin costs paid	(339)	(157)
<b>as at 28 February</b>	<b><u>38,489</u></b>	<b><u>34,590</u></b>

### Movement in Scheme liabilities

Movement in Scheme liabilities during the year

	2015 £000	2014 £000
as at 1 March	31,701	32,210
Interest cost	1,343	1,491
Actuarial loss/ (gain)	2,897	(1,011)
Benefits paid	(934)	(989)
<b>as at 28 February</b>	<b><u>35,007</u></b>	<b><u>31,701</u></b>

## 16. Trade and other receivables

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade receivables	1,281	543	995	417
Prepayments and accrued income	843	843	923	923
Deferred expenditure	1,238	-	1,245	-
Other receivables	464	434	385	353
	<b>3,826</b>	<b>1,820</b>	<b>3,548</b>	<b>1,693</b>

## 17. Trade and other payables

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade payables	1,243	115	958	237
Taxation and social security costs	241	241	204	192
Amounts held on behalf of members	20	20	16	16
Accruals	1,948	1,948	2,340	2,245
Other payables	-	-	11	-
	<b>3,452</b>	<b>2,324</b>	<b>3,529</b>	<b>2,690</b>

## 18. Deferred revenue

	2015		2014	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions	5,397	5,396	5,327	5,327
Tuition fees	1,238	-	1,245	-
Examination fees	2,426	2,426	2,602	2,602
Events fees	208	208	91	91
Practising Certificates	534	534	616	616
Other deferred revenue	448	66	440	100
	<b>10,251</b>	<b>8,630</b>	<b>10,321</b>	<b>8,736</b>

## 19. Commitments – Group and IFoA

At 28 February 2015 the IFoA had outstanding total commitments under non-cancellable leases for land and buildings as follows:

### Lease Commitments

	2015 £000	2014 £000
Within 1 year	875	453
In 2 to 5 years	3,411	2,831
More than 5 years	4,428	5,043
	<b>8,714</b>	<b>8,327</b>

## **20. Related party disclosures**

One Council member, Nick Salter, is President of IFoA and the Senior Partner of Barnett Waddingham LLP. Barnett Waddingham LLP provides services to CMI Limited for which fees amounting to £1,138k (2014: £897k) were payable during the year. Arrangements relating to the provision of services by Barnett Waddingham to the CMI were in place prior to his election to Council.

The IFoA provided administrative services to the Memorial Prize Fund, Memorial Research, Education Fund, Faculty of Actuaries in Scotland Charitable Trust and ICA 98 Limited for which no fees were received (2014: Nil). The IFoA is the sole corporate trustee of the three trust funds. The Institute and Faculty of Actuaries paid prizes totalling £1,600 on behalf of MERF and £2,000 on behalf of MPF in the year.

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.

## **21. Negative goodwill of Acquisition of Subsidiary**

On the 22 January 2013 the Institute and Faculty of Actuaries acquired a 100% holding of one £1 share in Continuous Mortality Investigation Limited (CMI Limited). Continuous Mortality Investigation (CMI) has had a long history of providing authoritative and independent mortality and sickness rate tables for UK life insurers and pension funds. The Institute and Faculty of Actuaries acquired CMI Limited through business transfer agreements which placed the work CMI carried out into a formal limited company structure. On the 1 March 2013 business was transferred from CMI to CMI Limited. The transfer value was £nil which gave CMI Limited net assets of £582k and created negative goodwill of £582k which was written off immediately. Under IFRS this type of acquisition is deemed to be a "bargain purchase" as there was no consideration paid for the net assets of £582k of CMI. Under the terms of the business transfer agreements the consideration was deemed to be the assumption of the burden of the liabilities incurred before and after the transfer date.