

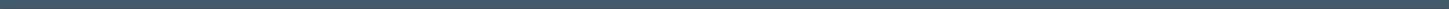
The Actuarial Profession

making financial sense of the future



Institute and Faculty of Actuaries

Financial Review of year ended 29 February 2012



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Financial review for the year ended 29 February 2012

These financial statements to 29 February 2012 are a consolidation of the Institute and Faculty of Actuaries, Institute and Faculty Education Ltd and ICA98 Ltd. The commentary in this review relates solely to the operating activities of the Institute and Faculty of Actuaries.

Operating results

Total income for 2012 of £21.8m (£28.4m for the Group) represents an increase of 9.5% over the 2011 figure of £19.8m (£25.7m for the Group).

The main source of revenue is from members' fees and subscriptions, which made up 44% (2011: 45%) of total revenue. Subscription rates for members were not increased from the previous year. Increases in income occurred over all of the three main income areas.

Income summary – percentage of total income	2012	2011
Subscriptions and fees	44%	45%
Pre-qualification learning	37%	35%
Post-qualification learning and development	16%	16%
Investment income	1%	1%
Other	2%	3%

The number of new students joining during the year continues to be better than expected, given the wider continued economic uncertainty: 2,239 (2011: 1,935). Of this intake, 50% were based in the UK (2011: 49%). The number of paid-up members, which includes students, increased by 4.8% to 22,459.

The retained surplus after taxation for the year was £1.5m, £0.7m higher than 2011 (retained surplus of £0.8m).

The staffing structure was completely restructured during 2011 to focus the Institute and Faculty of Actuaries on delivering improved member services over the next few years and to ensure continued fitness for purpose. The existing departments were reorganised into six directorates. The new directorates are Chief Executive, Member Support, Education, Public Affairs, General Counsel and Finance & Operations.

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

- Subscriptions and other income increased by £0.5m to £9.8m

This was largely driven by new admissions. No increase was applied to member subscription fees during the year although automatic entitlement to a reduction in membership rates for overseas members was withdrawn and replaced by a requirement to prove entitlement against certain criteria.

- Contribution from Pre-qualification Learning increased by £0.2m to £3.0m.

This was driven largely by a higher demand for courses driven by a higher student intake over the past few years

- Contribution from Post-qualification learning and development increased by £0.5m to £1.4m

The increased contribution reverses the trend of the previous year with increased demand for the four major conferences in the year and the more efficient provision of these conferences which saw a slight fall in expenditure. Sponsorship income also helped boost income during the year although this was a small element. The Profession will be reviewing its pricing strategy during 2012.

- Expenditure on Central Activities increased by £0.1m to £9.5m

The programme to change the internal structure of the staffing of the Profession was completed by the middle of 2011. This has incurred extra interim Executive Management costs, strategy consulting costs and other change management costs of £0.4m. Investment in the first phase of a new membership computer system totalled £0.5m in the year.

- Expenditure on core membership body activities increased by £0.5m to £2.7m

As part of the restructure a new directorate Member Support was created to oversee the provision of services to members and to consolidate existing activities with a new focus of delivering improvements in member value.

Financial review for the year ended 29 February 2012

Financial position and cash flow

Net assets at 29 February 2012 were £23.7m (2011: £19.3m), including cash and cash equivalents of £23.3m (2011: £23.3m). The most significant change is in the Pension Asset / (Liability), driven by the movement in the actuarial gain of £ 4.7m in the year.

Assets include an amount set aside for the endowment fund arising on merger.

Net cash inflow was neutral in the year (2011: an inflow £1.6m). £0.3m was generated from working capital (2011: £1.1m). Capital expenditure was £0.1m (2011: £0.1m).

The General Fund balance of £23.7m is considered sufficient to meet the latest estimate of the buy-out liability on the defined benefit pension scheme and to meet our reserves policy of covering between four to six months of annual expenditure.

Cash assets are held on bank deposit for varying amounts and time frames spread across four financial institutions; NatWest Bank, Barclays Bank, Bank of Scotland and the Clydesdale Bank.

Jane Curtis
President
21 May 2012

Derek Cribb
Chief Executive
21 May 2012

Statement of the Council of the Institute and Faculty of Actuaries' ("the Council") responsibilities

The Council is required by the Bye-laws of the Institute and Faculty of Actuaries ("the Institute and Faculty") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and Faculty 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 29 February 2012. 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 Institute and Faculty of Actuaries' 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.

Jane Curtis
President
21 May 2012

Derek Cribb
Chief Executive
21 May 2012

Financial statements for the year ended 29 February 2012

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

We have audited the financial statements of the Institute and Faculty of Actuaries for the year ended 29 February 2012 which comprise the Consolidated Income and Expenditure Account, Consolidated and Institute and Faculty Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related Notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, as a body, in accordance with the Bye-laws of the Institute and Faculty. 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 Institute and Faculty 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 Institute and Faculty") and auditors

As explained more fully in the Statement of the Responsibilities of the Council of the Institute and Faculty of Actuaries, the Council is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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 groups and the Institute and Faculty's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- Give a true and fair view of the state of the Institute and Faculty's and Group's affairs as at 29 February 2012 and of the net surplus and cash flows of the Group for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Bye-laws of the Institute and Faculty.

haysmacintyre
Chartered Accountants and
Registered Auditors
June 2012

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Accounts for the year to 29 February 2012

Consolidated income and expenditure

	Note	2012			2011		
		Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Subscriptions and other income	1						
Subscriptions, admissions and certificate fees		9,614	-	9,614	9,030	-	9,030
Actuary magazine fees		131	-	131	58	-	58
List of actuarial advisors		17	-	17	19	-	19
FTSE fees and other royalties		55	-	55	55	-	55
Management services fees		20	-	20	148	-	148
		9,837		9,837	9,310		9,310
Membership body activities							
Professional/ethical standards	2	15	(1,223)	(1,208)	18	(1,247)	(1,229)
Member services	3	17	(916)	(899)	10	(448)	(438)
Technical and other strategy	4	-	(592)	(592)	11	(462)	(451)
Central activities	5	11	(9,463)	(9,452)	24	(9,378)	(9,354)
		43	(12,194)	(12,151)	63	(11,353)	(11,472)
Activities supported by contributions							
Designated Professional Body regulation		284	(60)	224	273	(102)	171
Pre-qualification learning and development	6	14,687	(11,694)	2,993	12,916	(10,135)	2,781
Post-qualification learning and development	7	3,535	(2,092)	1,443	3,148	(2,249)	899
Practice areas and member interest groups		14	(548)	(534)	13	(639)	(626)
		18,520	(14,392)	4,126	16,350	(13,125)	3,225
Participation in other bodies	8			(516)			(531)
Gifts/donations	9			-			(5)
Operating result				1,296			527
Investment income and other income	10			271			299
Result before taxation				1,567			826
Taxation	11			(55)			(60)
Net result transferred to general fund				1,512			766

Accounts for the year to 29 February 2012

Institute and Faculty income and expenditure

	Note	2012			2011		
		Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Subscriptions and other income							
	1						
Subscriptions, admissions and certificate fees		9,614	-	9,614	9,030	-	9,030
Actuary magazine fees		131	-	131	58	-	58
List of actuarial advisors		17	-	17	19	-	19
FTSE fees and other royalties		55	-	55	55	-	55
Management services fees		20	-	20	148	-	148
Lettings		-	-	-	-	-	-
		9,837		9,837	9,310		9,310
Membership body activities							
Professional/ethical standards	2	15	(1,223)	(1,208)	18	(1,247)	(1,229)
Member services	3	17	(916)	(899)	10	(448)	(438)
Technical and other strategy	4	-	(592)	(592)	11	(462)	(451)
Central activities	5	11	(9,463)	(9,452)	24	(9,378)	(9,354)
		43	(12,194)	(12,151)	63	(11,535)	(11,472)
Activities supported by contributions							
Designated Professional Body regulation		284	(60)	224	273	(102)	171
Pre-qualification learning and development	6	8,095	(5,102)	2,993	7,087	(4,306)	2,781
Post-qualification learning and development	7	3,535	(2,092)	1,443	3,148	(2,249)	899
Practice areas and member interest groups		14	(548)	(534)	13	(639)	(626)
		11,928	(7,800)	4,126	10,520	(7,295)	3,225
Participation in other bodies	8			(516)			(531)
Gifts/donations	9			0			(5)
Operating result				1,296			527
Investment income and other income	10			271			299
Result before taxation				1,567			826
Taxation	11			(55)			(60)
Net result transferred to general fund				1,512			766

The result of the Institute and Faculty of Actuaries before the consolidation of ICA 98 Limited and Institute and Faculty Education Limited was an operating surplus after tax of £1,512,085 (2011 – surplus £765,786).

Balance sheet for the year to 29 February 2012

Assets and liabilities

		Group		Institute and Faculty	
	Note	2012 £000	2011 £000	2012 £000	2011 £000
Assets					
Non-current assets					
Property, plant and equipment	15	248	449	248	449
Investments available for sale	17	717	761	717	761
Other investments	17	999	994	999	994
		1,964	2,204	1,964	2,204
Current assets					
Inventories	18	30	35	30	35
Trade and other receivables	19	2,602	2,764	937	872
Cash and cash equivalents		23,301	23,028	23,285	22,994
		25,933	25,827	24,252	23,901
Total assets		27,897	28,031	26,216	26,105
Liabilities					
Current liabilities					
Trade and other payables	20	2,208	2,732	1,712	2,044
Members' credit balances		41	32	41	32
Corporation tax		53	54	53	54
Deferred income	21	9,741	9,123	8,556	7,885
		12,043	11,941	10,362	10,015
Net current assets		13,890	13,886	13,890	13,886
Total net assets excluding pension asset / (liability)		15,854	16,090	15,854	16,090
Pension asset / (liability)	14	7,865	3,237	7,865	3,237
Total Net Assets including Pension Asset / (Liability)		23,719	19,327	23,719	19,327
Represented by:					
General fund	22	22,788	18,350	22,788	18,350
Investment revaluation reserve	22	931	977	931	977
		23,719	19,327	23,719	19,327

The accounts on pages 2 to 22 were approved and authorised for issue by Council on 21 May 2012 and signed on its behalf by:

Jane Curtis
President

Derek Cribb
Chief Executive

Accounts

 for the year to 29 February 2012

Consolidated statement of total recognised gains and losses

	2012	2011
	£000	£000
Surplus for the year	1,152	766
Unrealised gains/(losses) on investments	(44)	78
Actuarial gain arising during period	2,926	3,260
Total recognised gains related to the year	4,394	4,104

Historical cost profits and losses

There is no difference between the operating surplus for the year before taxation and the operating surplus for the year after taxation stated on page 6 and their historical cost equivalent.

Accounts for the year to 29 February 2012

Consolidated cash flow statement

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	a	83	1,642
Returns on investments and servicing of finance			
Investment income received		271	299
Taxation		(58)	(44)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(18)	(61)
Purchase of non-cash investment		(5)	(12)
Net cash inflow		273	1,824

Reconciliation of net cash flow to movement in net funds

Increase/(Decrease) in cash in the period		273	1,824
Changes in market value	b	(44)	76
Net funds at 1 March 2011	b	23,789	21,889
Net funds at 29 February 2012	b	24,018	23,789

Notes to the Cash Flow Statement

	2012 £000	2011 £000
Note a: Reconciliation of operating profit to operating cash flows		
Operating surplus/(deficit) before taxation and investment income	1,296	527
Depreciation charges	219	230
Add back contribution to defined benefit pension scheme	(2,310)	(940)
Add defined benefit Pension Scheme service cost	608	647
(Decrease)/Increase in stocks	5	(10)
(Decrease)/Increase in debtors	162	34
Increase/(Decrease) in creditors and deferred income	103	1,154
Net cash inflow from operating activities	83	1,642

Note b: Analysis of net funds

	At 1 March 2011 £000	Cash flow £000	Changes to market value £000	At 29 February 2012 £000
Cash in hand, at bank	551	(116)	-	435
Current asset investments:				
One month term deposits	22,477	388	-	22,865
Investments				
Purchases	761	-	(44)	717
Total	23,789	272	(44)	24,018

Accounts for the year to 29 February 2012

Notes to the financial statements

1. Accounting policies

The Financial Statements are prepared in accordance with the Bye-laws of the Institute and Faculty of Actuaries and applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies is set out below:

- (a) The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of fixed asset investments which are included at market value. Surpluses and deficits on revaluation are reflected in the Investment Revaluation Reserve.
- (b) The consolidated Income and Expenditure Account and Balance Sheet include the Financial Statements of the Institute and Faculty of Actuaries and its subsidiary undertakings made up to 29 February 2012.
- (c) 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.
- (d) Income 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.
- (e) Major items of office equipment, IT equipment and furniture are depreciated on a straight line basis over four years. Expenditure on office furniture and office and IT equipment of less than £2,000 is written off when incurred. Depreciation is applied from date of acquisition/completion of project in the year of acquisition of any fixed asset.
- (f) Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.
- (g) The Institute and Faculty of Actuaries operate a defined benefit scheme. 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. Pension Scheme assets are valued at bid-value market value. Scheme service costs are charged to the income statement. Actuarial gains and losses, the differences between the expected and actual returns, of assets and the effect of changes in actuarial assumptions, are recognised in the statement of recognised gains and losses in the year.

Employer contributions to the defined contribution plan are charged to the income statement as incurred.
- (h) Rental costs under operating leases are charged to the Income and Expenditure Account on a straight-line basis over the lease term.
- (i) Historical books are recorded in the financial statements at valuation.
- (j) Stocks are valued at historical cost less amounts written off in respect of diminution in value.

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

2. Professional/ethical standards

	Group and Institute and Faculty 2012			Group and Institute and Faculty 2011		
	Income	Expenditure	Net	Income	Expenditure	Net
	£000	£000	£000	£000	£000	£000
Discipline	15	(438)	(423)	18	(725)	(707)
Professional regulation	-	(785)	(785)	-	(522)	(522)
	15	(1,223)	(1,208)	18	(1,247)	(1,229)

3. Member services

	Group and Institute and Faculty 2012			Group and Institute and Faculty 2011		
	Income	Expenditure	Net	Income	Expenditure	Net
	£000	£000	£000	£000	£000	£000
Member Support	-	(403)	(403)	-	-	-
Administration	17	(198)	(181)	-	(184)	(184)
New qualifiers' events	-	(56)	(56)	-	(52)	(52)
Library	-	(259)	(259)	10	(212)	(202)
	17	(916)	(899)	10	(448)	(438)

4. Technical and other strategy

	Group and Institute and Faculty 2012			Group and Institute and Faculty 2011		
	Income	Expenditure	Net	Income	Expenditure	Net
	£000	£000	£000	£000	£000	£000
International relations	-	(199)	(199)	-	(148)	(148)
International education	-	(25)	(25)	11	(30)	(19)
Research	-	(368)	(368)	-	(284)	(284)
	-	(592)	(592)	11	(462)	(451)

5. Central activities

	Group and Institute and Faculty 2012			Group and Institute and Faculty 2011		
	Income	Expenditure	Net	Income	Expenditure	Net
	£000	£000	£000	£000	£000	£000
Executive office	-	(1,081)	(1,081)	24	(1,206)	(1,182)
Communications	4	(1,412)	(1,408)	-	(1,248)	(1,248)
Premises and facilities	7	(2,037)	(2,030)	-	(2,091)	(2,091)
Finance	-	(486)	(486)	-	(730)	(730)
IT and telecommunications	-	(2,003)	(2,003)	-	(1,570)	(1,570)
Human resources	-	(1,163)	(1,163)	-	(814)	(814)
Defined benefit scheme service cost	-	(608)	(608)	-	(647)	(647)
Defined contribution and pension	-	(673)	(673)	-	(598)	(598)
Administration	-	-	-	-	-	-
Restructure cost	-	-	-	-	(474)	(474)
	11	(9,463)	(9,452)	24	(9,378)	(9,355)

Central costs are not allocated to activities, so all contribution reported for any activity is gross of these costs.

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

6. Pre-qualification learning and development

	Group 2012			Group 2011		
	Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Examinations and exemptions	11,714	(9,035)	2,679	10,546	(8,030)	2,516
Practical exams	2,809	(2,330)	480	2,226	(1,631)	595
Administration	164	(329)	(165)	144	(474)	(330)
	14,687	(11,694)	2,993	12,916	(10,135)	2,781
	Institute and Faculty 2012			Institute and Faculty 2011		
	Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Examinations and exemptions	5,122	(2,443)	2,679	4,717	(2,201)	2,516
Practical exams	2,809	(2,330)	480	2,226	(1,631)	595
Administration	164	(329)	(165)	144	(474)	(330)
	8,095	(5,102)	2,993	7,087	(4,306)	2,781

7. Post-qualification learning and development

	Group and Institute and Faculty 2012			Group and Institute and Faculty 2011		
	Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Professional development	3,405	(2,050)	1,355	3,030	(2,175)	855
Publications	130	(42)	88	118	(74)	(44)
	3,535	(2,092)	1,443	3,147	(2,249)	898

8. Participation in other bodies

	Group and Institute and Faculty 2011			Group and Institute and Faculty 2010		
	Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Financial Reporting Council	-	(291)	(291)	-	(289)	(289)
Groupe Consultatif	-	(96)	(96)	-	(92)	(92)
International Actuarial Association	-	(100)	(100)	-	(97)	(97)
CERA	-	(29)	(29)	-	(53)	(53)
	-	(516)	(516)	-	(531)	(531)

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

9. Gifts/donations

	Group and Institute and Faculty 2012			Group and Institute and Faculty 2011		
	Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Actuarial Society of South Africa	-	-	-	-	-	-
International Actuarial Association	-	-	-	-	(5)	(5)
	-	-	-	-	(5)	(5)

10. Investment income

	Group and Institute and Faculty 2012		Group and Institute and Faculty 2011	
	£000	£000	£000	£000
Investment income		271		233
Interest received from HMRC for VAT reclaim		-		66
		271		299

11. Taxation

	2012 £000	2011 £000
Tax on profit on ordinary activities:		
a) Analysis of charge in period		
Current tax:		
UK Corporation tax on profits of the period	55	60
Adjustments in respect of previous periods		
Foreign tax:		
Total current tax (Note 11(b))	55	60
Total deferred tax:	-	-
Tax on profit on ordinary activities	55	60

b) Factors affecting tax charge for period

The tax assessed for the period is lower than the small companies rate of corporation tax in the UK (21%).
The differences are explained below:

	2012 £000	2011 £000
Profit on ordinary activities before tax	1,567	826
Profit on ordinary activities multiplied by small companies rate of corporation tax In the UK of 21% (2010 : standard rate 21%)	329	173
Effects of:		
- Small companies marginal relief		
- Non-taxable items	(274)	(113)
Current tax charge for period	55	60

Tax is charged on investment income and gains on index linked gilts only.

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

12. Operating result

	Group and Institute and Faculty 2012 £000	Group and Institute and Faculty 2011 £000
Group and Institute and Faculty result is stated after charging:		
Staff costs (see Note 13)	(8,056)	(6,633)
Depreciation (see Note 15)	(218)	(230)
President's and Council Members' expenses	(16)	(27)
Audit fees	(31)	(29)
Operating lease	(560)	(580)

13. Staff costs

	Group and Institute and Faculty 2012 £000	Group and Institute and Faculty 2011 £000
Wages and salaries	(4,818)	(4,860)
Employers social security costs	(491)	(447)
Employers pension costs	(2,747)	(1,325)
	(8,056)	(6,633)

The number of staff employed at 29 February 2012 was 116 (2011: 126). No emoluments or loans were made to Council Members (2011: none).

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

14. Pension arrangements

The Institute and Faculty of Actuaries (“the Employer”) operates a pension scheme which provides defined benefits to certain employees. The assets of the Scheme are held separately from those of the Employer. This Scheme closed to new members from 1 January 2003 (from that date provision for new employees’ pensions is by means of Employer’s contributions of 15% of salary to a personal pension arrangement).

Employees who are Scheme members are not required to pay contributions. Contributions to the Scheme by the Employer are determined on the basis of triennial valuations by the Scheme Actuary. The most recent valuation was completed as at 28 February 2010. This valuation was based on the key assumptions detailed in the table below, which were agreed by the Scheme Trustees and the Employer:

Nominal rate of:	% pa
Investment return (net of investment expenses):	
- before retirement	5.65
- after retirement	4.60
Pension increases	
- RPI capped at 5%	3.80
- RPI capped at 3%	3.00
Salary increases	5.40
Price inflation	3.80
Mortality rates:	
• Base table: SAPS “light” tables projected to 2011 in line with future mortality improvements.	
• Future mortality improvements: CMI core projections with a long term rate of improvement of 2.0% pa.	

The market value of the Scheme’s assets as at 28 February 2010 was £27.2 million (excluding Additional Voluntary Contributions). The value of the benefits that had then accrued to members, after allowing for future increases in their salaries and pensions, was calculated to be £30.5 million, using the projected unit method and the assumptions above. The Scheme therefore showed a deficit of £3.3m as at 28 February 2011, the Scheme assets representing 89.6% of the value of members’ accrued benefits. Had the Scheme discontinued on 28 February 2011, the last valuation date, and the benefits been secured with an insurance company, then overall the Scheme’s assets would have been about 80% of the amount needed to cover the value of the benefits earned to that date.

During the year to 29 February 2012 the Employer’s contributions were £2,310,000, in accordance with the schedule of contributions effected from 1 December 2007. A new schedule of contributions and a three year recovery plan is currently being agreed between the employer and the Pension Scheme.

FRS 17 Retirement Benefit obligations

Summary of financial assumptions	2012 (% pa)	2011 (% pa)
Discount rate	5.0	5.6
Price inflation (RPI)	3.3	3.8
Price inflation (CPI)	2.3	3.3
Salary increase rate	4.8	5.4
Pension increases		
Excess pension increases (RPI capped at 5% pa)	3.3	3.8
Post 88 GMP (RPI capped at 3% pa)	N/A	N/A
Post 88 GMP (CPI capped at 3% pa)	N/A	2.8
Increases to pensions in deferment		
Pre 09 Excess (RPI capped at 5% pa)	N/A	N/A
Pre 09 Excess (CPI capped at 5% pa)	2.3	3.3
Post 09 Excess (RPI/CPI capped at 2.5% pa)	N/A	2.5

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

Sensitivity of the principal assumptions used to measure scheme liabilities

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by approximately 11%
Rate of inflation (RPI and CPI)	Increase/decrease by 0.5%	Increase/decrease by approximately 10%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by approximately 3%
Future mortality improvements	Move from long cohort projections with a long-term improvement of 1.5% pa to long cohort projections with a long term improvement of 2.0% pa	Increase by approximately 2%

(a) The assets in the Scheme and the expected return were:

	Value at 29/02/12 %	Value at 28/02/11 %
UK equities	15.3	15.8
Overseas equities	15.3	16.4
UK Index linked gilts	65.0	13.7
UK Fixed Interest gilts	2.1	27.2
Corporate bonds	0.0	26.9
Cash	2.3	-
	100.0	100.0
Surplus/(deficit) in the Scheme	2012	2011
	£000	£000
Total market value of assets	36,916	30,283
Present value of scheme liabilities	(29,051)	(27,046)
Surplus/(Deficit) in the Scheme	7,865	3,237
Net pension asset/(liability) in the balance sheet	7,865	3,237
Analysis of the amount charged to operating profit	2012	2011
	£000	£000
Current service cost	608	647
Total operating charge	608	647

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

(b) Analysis of amount recognised in statement of of total recognised gains and losses (STRGL)	2012	2011
	£000	£000
Actuarial return less expected return on pension Scheme assets	3,733	1,296
Experience gains and losses arising on pension Scheme liabilities	(123)	1,727
Changes in assumptions underlying the present value of the Scheme liabilities	(684)	237
	2,926	3,260
(c) Movement in deficit during the year	2012	2011
	£000	£000
Deficit in Scheme at beginning of the year 1 March 2011	3,237	(316)
Movement in the year:		
Current cost	(608)	(647)
Contributions	2,310	940
Actuarial gain	2,926	3,260
	7,865	3,237
(d) Change in actuarial value of Scheme liabilities	2012	2011
	£000	£000
1. Scheme liabilities at prior period end	27,046	27,473
2. Employer service cost	824	737
3. Interest cost	1,483	1,545
4. Actuarial (gain)/loss	807	(1,964)
5. Benefit paid from Scheme assets	(1,109)	(745)
	29,051	27,046
(e) Change in Scheme assets	2012	2011
	£000	£000
1. Fair value of assets at prior period end	30,283	27,157
2. Actuarial return on assets	5,432	2,931
3. Employer contributions	2,310	940
4. Benefits paid	(1,109)	(745)
	36,916	30,283

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

(f) Defined benefit obligation trends	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Scheme assets	36,916	30,283	27,157	22,238	24,837
Scheme liabilities	(29,051)	(27,046)	(27,473)	(23,715)	(21,940)
Surplus/(deficit) in the Scheme	7,865	3,237	(316)	(1,477)	2,897
(g) Five year history of assets, liabilities and experience gains and losses	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Asset experience					
Asset gain/(loss) during period	3,733	1,296	3,305	(4,536)	(1,439)
Asset gain/(loss) expressed as percentage of Scheme assets	10.11%	4.28%	12.17%	(20.39%)	(5.79%)
Liability experience					
Liability gain/(loss) over period	123	1,727	713	(194)	(79)
Liability gain/(loss) expressed as percentage of Scheme liabilities	0.42%	6.39%	2.59%	(0.81%)	(0.36%)
Total actuarial gain/(loss) recognised in STRGL	684	3,260	(1,037)	(4,730)	(171)
Percentage of the present value of the Scheme liabilities	2.35%	12.05%	(3.77%)	(21.56%)	(0.79%)

15. Fixed assets

Group and Institute and Faculty cost	IT equipment	Fixtures and fittings	Total
	£000	£000	£000
As at 1 March 2011	362	615	977
Elimination of fully depreciated assets	(36)	(47)	(83)
Acquisitions	7	11	18
As at 29 February 2012	333	579	912
Depreciation			
As at 1 March 2011	186	342	528
Elimination of fully depreciated assets	(36)	(47)	(83)
Charge for the year	77	142	219
As at 29 February 2012	227	437	664
Net book value			
As at 1 March 2010	176	273	449
As at 29 February 2011	106	142	248

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

16. Interests in subsidiary undertakings

The Institute and Faculty of Actuaries have two subsidiary undertakings.

The Institute and Faculty 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 Institute and Faculty of Actuaries. 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 2012 are included in the consolidated accounts.

The Institute and Faculty also owns ten £1 ordinary shares comprising 100% of the issued share capital of ICA 98 Limited, a company incorporated in Great Britain, which was established to organise the 1998 actuarial congress held in June 1998. On 9 April 1999, the Institute and Faculty entered in to an agreement with ICA 98 Limited whereby all assets and liabilities of ICA 98 Limited were transferred to the Institute and Faculty with effect from the close of business on 28 February 1999. Thereafter, ICA 98 Limited ceased to trade.

17. Investments

(a) Listed investments –

	Cost £000	2012 Market value £000	Cost £000	2011 Market value £000
Ordinary stocks and shares	56	715	56	761
	56	715	56	761

(b) Other investments

Other investments assets relate to historical books and other assets held by the Institute and the Faculty of Actuaries.

	2012 £000	2011 £000
Value at 1 March 2011	994	984
Additions	5	10
Revaluation in the year	-	-
Value at 29 February 2011	999	994

The historical books were valued in February 2010 by Pickering & Chatto, Antiquarian Booksellers. The Council believes that there has been no material change in the value of those books held since this valuation.

18. Inventories

Group and Institute and Faculty

	2012 £000	2011 £000
Publications inventories	30	35
	30	35

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

19. Trade and other receivables

	Group		Institute and Faculty	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade	681	772	200	118
Prepayments and accrued income	554	665	554	665
Deferred expenditure	1,184	1,238	-	-
Other	183	89	183	89
	2,602	2,764	937	872

Deferred expenditure arises from Institute and Faculty Education Limited's accounting policy of matching timing of revenue and expenditure at the point of delivery of tuition. The corresponding income is recorded as deferred tuition fees (Note 21).

20. Trade and other payables

	Group		Institute and Faculty	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade	899	818	403	130
Taxes and social security costs	163	150	163	150
Accruals	1,069	1,673	1,069	1,673
Other	77	91	77	91
	2,208	2,732	1,712	2,044

It is the general policy of the Institute and Faculty and its subsidiary undertakings to pay for the supply of goods and services within 30 days of the date of any invoice. Average creditor days for the last three months of the year to 29 February 2012 was (2011: 25).

21. Deferred income

	Group		Institute and Faculty	
	2012	2011	2012	2011
	£000	£000	£000	£000
Subscriptions	4,815	4,391	4,815	4,391
Tuition fees	1,184	1,288	-	50
Examination fees	2,777	2,390	2,777	2,390
Authorisation fees	-	23	-	23
Events fees	149	352	149	352
Practising certificates	67	672	67	672
Other	749	6	749	6
	9,741	9,123	8,556	7,885

Deferred subscription income relates to annual membership fees received in full at the beginning of the subscription year on 1 October.

Accounts for the year to 29 February 2012

Notes to the financial statements Cont'd

22. Movement of General Fund and Reserves

	General Fund £000	Investment Revaluation Reserve £000	Total £000
Group and Institute and Faculty			
As at 1 March 2011	18,350	977	19,327
Transfers from Income and Expenditure Account in year	1,512	-	1,512
Unrealised gains	-	(46)	(46)
Movement in actuarial gain/(loss)	2,926	-	2,926
As at 29 February 2012	22,788	931	23,719

There is a cumulative actuarial gain of £5,747,000 included in the General Fund.

23. Commitments

At 29 February 2011, the Institute and Faculty had annual commitments under operating leases for land and buildings as follows

	2012 £000	2011 £000
(a) Lease commitments		
Expiring in 2-5 years	471	466
Expiring in over 5 years	89	89
	560	555

(b) Capital commitments:

24. Contingent Liabilities

As at 29 February 2012 the Institute and Faculty of Actuaries had an ongoing contingent liability in respect of the Compensation Fund set up as part of the profession's activity as a recognised professional body. However, the risk of the future claim is now judged to be so low that the liability is no longer to be declared as contingent.

25. Related party transactions

The Institute and Faculty of Actuaries provided administrative services to the Memorial Prize Fund, Memorial Research, Education Fund, Faculty of Actuaries in Scotland Charitable Trust and ICA 98 Ltd for which no fees were received (2011: Nil). The Institute and Faculty of Actuaries is the sole corporate trustee of the three trust funds.

Notes

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