

INSTITUTE AND FACULTY OF ACTUARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2021

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These financial statements for the year to 28 February 2021 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 2021 of £33.3m (£25.2m for the IFoA) represents a decrease of 10% over the 2020 figure of £37.0m (£27.5m 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 55.5% (2020 51.3%) of total revenue.

	2021	2020
Revenue summary – percentage of total revenue (IFoA only)		
Subscriptions and fees	55.5%	51.3%
Pre-qualification learning	40.5%	37.7%
Post-qualification learning and development	2.5%	10.0%
Other income including from Investments	1.5%	1.0%

The profit after taxation for the Group for the year was £0.6m compared to a loss of £1.4m in 2020. IFoA also includes a charge of £0.8m relating to office dilapidations due when the leases end in 2023 and 2024 and a charge of £0.3m being an impairment of the investment made in CAA Global Ltd. 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 surplus position over the short to medium term, while enabling the IFoA to invest in specific activities. In 2021/22 we will be investing in a new Customer Relationship Management (CRM) system and a Learning Change Programme in order to enhance the member experience. We also continue to review 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 remained the same at £15.5m**

The number of qualified members increased by 2.8% to 15,755 (2020 15,328) after 740 students transferred to Fellow and 119 transferred to Associate on completing their studies. Student members increased by 4.2% to 16,040 (2020 15,399) which meant that total membership increased by 3.1% to 32,631 (2020 31,642)

- **Pre-qualification learning and development revenue decreased by £1.5m to £17.2m**

This relates to the cancellation of around half of the April 2020 examinations as a result of the impact of the COVID pandemic and also the need to restrict access to the September 2020 examinations to student members only. All the examinations are currently held online and this will continue to be the case going forward.

- **Post – qualification learning and development revenue decreased by £2.1m to £0.6m**

The IFoA has held no face to face events since COVID restrictions were introduced in March 2020. Events are now held exclusively online with the Autumn Life and GIRO conferences held as a series of connected webinars. Income has fallen along with the expenditure of providing face to face events. This will likely continue into 2021/22.

- **Employment costs increased by £0.2m (1.8%) to £11.4m**

The changes made in 2019 and stable employee turnover levels, particularly during the early part of the COVID pandemic have kept cost increases modest.

- **Other operating charges decreased by £6.6m to £20.3m**

Other operating expenses have decreased in line with the fall in pre-qualification learning and development revenue resulting in fewer examinations and the reduced cost of online provision and with post qualification the move from face to face events to webinars. There was also a reduction in general overheads as activity was impacted by the COVID pandemic and were also the result of a strong focus on cost and efficiency.

Financial position and cash flow

Net assets at 28 February 2021 were £12.5m (2020: £11.7m), including cash and cash equivalents of £15.6m (2020: £13.8m).

Net cash inflow from operating activities was £1.8m in the year (2020 outflow of £1.4 m). 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 such as CRM and Learning Change Programme..

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 face to face events that IFoA holds during the year. The financial impact in 2020/21 is a reduction of turnover for IFoA Group to around £33.3m (down from £37.0m 2019/20). The Council, Management Board and the Executive are continually working to mitigate the impact on the IFoA and to ensure that, when an impact is crystallised, the organisation remains 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 28 February 2021 was £112k (2020: 139k).



Tan Suee Chieh
President

4th June 2021



Stephen Mann
Chief Executive

4th June 2021

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 28 February 2021.

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.



Tan Suee Chieh
President

4th June 2021



Stephen Mann
Chief Executive

4th June 2021

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 2021 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 2021 and of the net profit 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

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Council's assessment of the entity's ability to continue to adopt the going concern basis of accounting included review of the IFoA's financial position and cash flow forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the IFoA's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Based on our understanding of the Institute and Faculty of Actuaries, we identified that the principal risks of non-compliance with laws and regulations relates to its Royal Charter and Bye-Laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as its Royal Charter and Bye-Laws, the application of IFRS, income tax and payroll tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management regarding correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

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: 9th June 2021

10 Queen Street Place
London
EC4R 1AG

	Notes	2021		2020	
		Group £000	IFoA £000	Group £000	IFoA £000
Revenue					
Subscriptions and other operating income	4	15,521	14,170	15,554	14,271
Pre-qualification learning and development	5	17,157	10,349	18,670	10,469
Post-qualification learning and development		638	638	2,775	2,775
		<u>33,316</u>	<u>25,157</u>	<u>36,999</u>	<u>27,515</u>
Expenditure					
Employment costs	6	(11,422)	(11,085)	(11,214)	(10,854)
Other operating charges	7	(20,350)	(12,383)	(26,998)	(17,821)
		<u>(31,772)</u>	<u>(23,468)</u>	<u>(38,212)</u>	<u>(28,675)</u>
Operating Profit / (Loss)	8	1,544	1,689	(1,213)	(1,160)
Finance and other income	9	381	379	292	284
Lease Liability Interest		(191)	(191)	(222)	(222)
Profit on disposal of financial assets		-	-	-	-
Dilapidations	19	(778)	(778)	-	-
Impairment of Joint Venture	16	(228)	(329)	-	(616)
Share of losses of Joint Venture	16	(101)	-	(149)	-
		<u>627</u>	<u>770</u>	<u>(1,292)</u>	<u>(1,714)</u>
Profit / (Loss) before tax		627	770	(1,292)	(1,714)
Taxation	10	17	(10)	(110)	(118)
		<u>644</u>	<u>760</u>	<u>(1,402)</u>	<u>(1,832)</u>
Profit / (Loss) for the year		644	760	(1,402)	(1,832)

Statement of Comprehensive Income for the year ended 28 February 2021

	Notes	2021		2020	
		Group £000	IFoA £000	Group £000	IFoA £000
Profit/(Loss) for the year		644	760	(1,402)	(1,832)
Other Comprehensive Income					
Unrealised gain on revaluation of investments	14	289	289	642	642
Movement in Endowment Fund		(27)	(27)	183	183
Movement in Deferred Tax for the year	11	(87)	(87)	-	-
		<u>175</u>	<u>175</u>	<u>825</u>	<u>825</u>
Other comprehensive (expenditure) / income for the year net of tax		175	175	825	825
Total comprehensive income for the year		<u>819</u>	<u>935</u>	<u>(577)</u>	<u>(1,007)</u>

Institute and Faculty of Actuaries
 Consolidated Statement of Financial Position
 for the year ended 28 February 2021

	Notes	2021		2020	
		Group £000	IFoA £000	Group £000	IFoA £000
Non-current assets					
Property, plant and equipment	12	748	748	934	934
Lease Asset	12	3,347	3,347	4,072	4,072
Intangible assets	13	182	182	195	195
Available for sale financial assets	14	10,299	10,299	9,807	9,807
Historical assets	15	1,375	1,375	1,375	1,375
Investment in associate	16	-	-	329	329
		<u>15,951</u>	<u>15,951</u>	<u>16,712</u>	<u>16,712</u>
Current assets					
Inventories		18	18	22	22
Trade and other receivables	17	2,614	1,449	3,166	1,486
Cash and cash equivalents	21	15,611	14,417	13,787	12,490
		<u>18,243</u>	<u>15,884</u>	<u>16,975</u>	<u>13,998</u>
Total assets		34,194	31,835	33,687	30,710
Current liabilities					
Trade and other payables	18	(3,129)	(2,214)	(2,985)	(1,943)
Corporation tax		17	(10)	(131)	(140)
Contract Liabilities	20	(13,604)	(12,707)	(13,973)	(12,719)
Lease Liability	22	(835)	(835)	(803)	(803)
		<u>(17,551)</u>	<u>(15,766)</u>	<u>(17,892)</u>	<u>(15,605)</u>
Non-current liabilities					
Deferred taxation	11	(178)	(178)	(92)	(92)
Lease Liability	19,22	(3,139)	(3,139)	(3,974)	(3,974)
Dilapidations	19	(778)	(778)	-	-
		<u>(4,095)</u>	<u>(4,095)</u>	<u>(4,066)</u>	<u>(4,066)</u>
Total liabilities		(21,646)	(19,861)	(21,958)	(19,671)
Net assets		<u>12,548</u>	<u>11,974</u>	<u>11,729</u>	<u>11,039</u>
Reserves					
General fund		10,747	10,173	10,130	9,440
Investment revaluation reserve		1,801	1,801	1,599	1,599
		<u>12,548</u>	<u>11,974</u>	<u>11,729</u>	<u>11,039</u>

The financial statements on pages 6 to 21 were approved and authorised for issue by Management Board on behalf of Council on 4th June 2021 and signed on its behalf by:



Tan Suee Chieh
 President



Stephen Mann
 Chief Executive

Institute and Faculty of Actuaries
Consolidated Statement of Changes in Equity
for the year ended 28 February 2021

Group and IFoA	Investment		Total £000
	General Fund £000	Revaluation Reserve £000	
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
Balance as at 1 March 2020	10,130	1,599	11,729
Profit for the year	644	-	644
Other comprehensive income /(expenditure)	(27)	202	175
Total comprehensive (expenditure) / income	617	202	819
Balance as at 1 March 2021	10,747	1,801	12,548

IFoA	Investment		Total £000
	General Fund £000	Revaluation Reserve £000	
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
Balance as at 1 March 2020	9,440	1,599	11,039
Profit for the year	760	-	760
Other comprehensive income/(expenditure)	(27)	202	175
Total comprehensive (expenditure) / income	733	202	935
Balance as at 1 March 2021	10,173	1,801	11,974

Institute and Faculty of Actuaries
Consolidated Statement of Changes in Cash Flow
for the year ended 28 February 2021

	Notes	2021		2020	
		Group £000	IFoA £000	Group £000	IFoA £000
Cash flow used in operating activities					
Profit / Loss for the year		644	760	(1,402)	(1,832)
Depreciation - Tangible Assets	12	911	911	990	990
Amortisation - Intangible Assets	13	13	13	13	13
Finance income		(231)	(229)	(292)	(284)
Lease Liability Interest		191	191	222	222
Current Tax charge	10	(17)	10	110	118
Dilapidations	19	778	778	-	-
Joint Venture Impairment	16	329	329	149	616
Increase in inventories		4	4	(6)	(6)
Decrease in receivables		552	36	751	296
Decrease in payables and contract liabilities		(1,246)	(762)	(1,879)	(1,408)
Cash used in operating activities		1,928	2,041	(1,344)	(1,275)
Taxation		(132)	(140)	(37)	(46)
Net cash from operating activities		1,796	1,901	(1,381)	(1,321)
Cash flow from investing activities					
Finance income received	9	231	229	292	284
Dividends reinvested	14	(203)	(203)	(216)	(216)
Purchase of Fixed asset	12	-	-	(6)	(6)
Purchase of historical assets	15	-	-	(8)	(8)
Net Increase/ (decrease) in cash and cash equivalents		1,824	1,927	(1,319)	(1,267)
Cash and cash equivalents at 1 March 2020		13,787	12,490	15,106	13,757
Cash and cash equivalents at 28 February 2021		15,611	14,417	13,787	12,490
Net Debt Reconciliation					
Cash and cash equivalents at 28 February 2021		15,611	14,417	13,787	12,490
Lease Commitment		(3,974)	(3,974)	(4,020)	(4,020)
		11,637	10,443	9,767	8,470

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 28 February 2021. 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%.

	2021
	£'000
Profit for the period to 28 February 2021	644
Add back: notional interest charged on finance leases	191
Add back: depreciation on right-of-use asset	725
Less: rent which would have been charged before transition:	(994)
Revised Profit for 28 February 2021:	566
Profit gained as a result of transition:	78

The following table reconciles the minimum lease commitments liabilities on 1 March 2020 disclosed in the Group's financial statements as at 29 February 2020 to the amount of lease on 28 February 2021

Minimum operating lease commitment at 29 February 2020:	5,524
Undiscounted lease payments:	5,524
Less: effect of discounting using the incremental borrowing rate as	(747)
Lease liabilities recognised at 1 March 2020	4,777
Interest for year to 28 February 2021	191
Rental payments for 12 months to 28 February 2021	(994)
Lease liability at 29 February 2020	3,974
Lease Asset recognised at 1 March 2020	4,072
Depreciation charge for year	(725)
Net Book Value at 28 February 2021	3,347
Net Impact at 28 February 2021	627

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 depreciated 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 £10.3m (2020: £9.8m).

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) Dilapidations

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is made for an estimate of dilapidations costs on the three leasehold properties in relation to both repairs and reinstatement relating to conditions in place at the reporting date.

l) Retirement benefits

Defined Contribution Scheme

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

m) 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.

n) Going Concern

The financial statements have been prepared on a going concern basis. The Group continues to generate sufficient working capital whilst making a profit in 2020/21 despite the 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.

o) 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 £6.3m (2020: £6.8m) in current accounts, £4.3m (2020: £4.0m) in notice accounts and £5m (2020: £3m) 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)
- iv) In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is made for an estimate of dilapidations costs on the three leasehold properties in relation to both repairs and reinstatement relating to conditions in place at the reporting date.

4. Subscriptions and other income

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions, admissions, certificate fees	13,702	13,702	13,467	13,467
Income from research (CMI Limited)	1,351	-	1,283	-
Designated Professional Body regulation	313	313	379	379
Royalties	55	55	234	234
Actuary magazine	-	-	-	-
Management service fees	24	24	44	44
List of actuarial advisors	17	17	18	18
Disciplinary fines	28	28	37	37
Research Sponsorship	29	29	71	71
Other Income	2	2	21	21
	15,521	14,170	15,554	14,271

All revenue for the Group is generated in the UK.

5. Pre-qualification learning and development

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Examinations	16,019	9,211	17,632	9,431
Exemptions	926	926	778	778
Tuition materials	212	212	260	260
	<u>17,157</u>	<u>10,349</u>	<u>18,670</u>	<u>10,469</u>

All revenue for the Group is generated in the UK

6. Employment costs

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Wages and salaries	(9,279)	(8,942)	(9,020)	(8,660)
Social security costs	(954)	(954)	(1,034)	(1,034)
Pension costs	(1,189)	(1,189)	(1,160)	(1,160)
	<u>(11,422)</u>	<u>(11,085)</u>	<u>(11,214)</u>	<u>(10,854)</u>

The number of staff employed by the group at 28 February 2021 was 170 (2020: 173). The number of staff employed by the IFoA at 28 February 2021 was 166 (2020:169) and termination benefits of £51k (2020:£277k) were paid.

The remuneration of the Chief Executive and other Executive Directors for the financial year ended 28 February 2021 is disclosed below:

	IFoA	IFoA	IFoA	IFoA
	2021	2020	2021	2020
	(Chief Executive)	(Chief Executive)	Executive Directors (excl. CE)	Executive Directors (excl. CE)
	£000	£000	£000	£000
Short-term benefits	265	301	809	945
Bonus	-	57	-	115
Post-employment benefit	-	-	92	84
	<u>265</u>	<u>358</u>	<u>901</u>	<u>1,144</u>

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. In respect of awards for the 2020-21 financial year, the CEO formally requested the Remuneration Committee to be excluded for consideration of a bonus under the CEO Scheme. The Remuneration Committee agreed however that the CEO and Executive Directors should be awarded the same bonus percentage as all employees at IFoA (approx. 2%). No bonus payments were made to any Executive Directors in respect of the 2019-20 financial year. In respect of the year preceding that the then CEO was awarded £57k and the Directors a total of £115k (relating to year ending 2019). The number of Directors (excluding Chief Executive) employed at 28 February 2021 was 5 (2020:5).

7. Other operating charges

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Central activities	(6,428)	(6,765)	(7,285)	(7,645)
Pre-qualification learning and development	(10,323)	(3,516)	(13,301)	(5,100)
Post-qualification learning and development	(370)	(370)	(1,500)	(1,500)
Participation in other bodies	(638)	(638)	(1,116)	(1,116)
Learned society and research	(1,547)	(50)	(1,702)	(366)
Professional / ethical standards	(585)	(585)	(1,028)	(1,028)
Member services	(411)	(411)	(919)	(919)
Practice areas and member interest groups	(23)	(23)	(117)	(117)
Designated Professional Body Regulation	(25)	(25)	(30)	(30)
	<u>(20,350)</u>	<u>(12,383)</u>	<u>(26,998)</u>	<u>(17,821)</u>

8. Operating Profit / (Loss)

The Group and IFoA operating profit is stated after charging:

	2021	2020
	Group £000	Group £000
Employment costs	(11,422)	(11,214)
Depreciation	(911)	(990)
Amortisation of intangibles	(13)	(13)
President's and Council Members' expenses	(67)	(93)
Audit fees	(62)	(56)
Committee Expenses	(8)	(45)

9. Finance and other income

	2021	2021	2020	2020
	Group £000	IFoA £000	Group £000	IFoA £000
Bank interest	11	9	24	16
Interest from investment deposits	11	11	52	52
Dividends from investments	203	203	216	216
JRS Grant	156	156	-	-
	<u>381</u>	<u>379</u>	<u>292</u>	<u>284</u>

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

	2021 Group £000	2021 IFoA £000	2020 Group £000	2020 IFoA £000
Current tax	9	9	132	140
Prior year under/(over) provision	(26)	-	(22)	(22)
Tax on surplus / (loss) on ordinary activities	(17)	9	110	118
surplus/(Loss) before tax	627	770	(1,292)	(1,714)
Tax at the UK corporation tax rate of 19%	119	146	(245)	(326)
Effects of non-taxable items	(102)	(156)	156	229
Prior year (over) / under provision	-	-	(21)	(21)
	17	(10)	(110)	(118)

11. Movement in Deferred taxation

	2021 Group £000	2021 IFoA £000	2020 Group £000	2020 IFoA £000
Balance at 1st March 2020	92	92	92	92
Deferred tax on fair value movement on available for sale assets	87	87	-	-
Balance at 28th February 2021	179	179	92	92

12. Property, plant and equipment – Group and IFoA

	Leasehold Property £000	IT Equipment £000	Fixtures & fittings £000	Website £000	Property Plant Equip Subtotal £000	Lease Assets £000	Total £000
Cost or valuation:							
as at 1 March 2020	2,028	621	537	438	3,624	4,797	8,421
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
as at 28 February 2021	2,028	621	537	438	3,624	4,797	8,421
Depreciation:							
as at 1 March 2020	1,103	616	533	438	2,690	725	3,415
Provided in year	181	2	3	-	186	-	186
Depreciation on Financed Asset	-	-	-	-	-	725	725
Disposals	-	-	-	-	-	-	-
as at 28 February 2021	1,284	618	536	438	2,876	1,450	4,326
Net Book Value at 29 February 2020	925	5	4	-	934	4,072	5,006
Net Book Value at 28 February 2021	744	3	1	-	748	3,347	4,095

13. Intangible assets – Group and IFoA

	IFoA Totals £000
Cost or valuation:	
as at 1 March 2020	250
Additions	-
Disposals	-
as at 28 February 2021	250
Accumulated amortisation	
as at 1 March 2020	55
Charge for the year	13
Disposals	-
as at 28 February 2021	68
Net Book Value at 29 February 2020	195
Net Book Value at 28 February 2021	182

14. Available for sale financial assets – Group and IFoA

	2021 Group £000	2020 Group £000
as at 1 March	9,807	8,948
Additions	203	217
Unrealised gain / (loss) on revaluation	289	642
as at 28 February	10,299	9,807

	2021 Group £000	2020 Group £000
Concentration of Investments		
UK Government Bond Index Fund	13%	14%
UK Invest Grade Bond Index Fund	55%	57%
FTSE Developed World ex- UK Equity index Fund	26%	23%
FTSE UK All Share Index Unit Acc	6%	6%

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 2021 was £8.9m (2020: £8.7m). 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

	2021	2020
	Group	Group
	£000	£000
as at 1 March	1,375	1,184
Additions	-	8
Unrealised gain / (loss) on revaluation	-	183
as at 28 February	<u>1,375</u>	<u>1,375</u>

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 28 February 2021 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 28th February 2021 as shown below:

	2021	2021	2020	2020
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
CAA Global Ltd: 50% Shareholding				
Investment value :	329	329	478	945
Additional Investment:	-	-	-	-
Impairment of investment at IFoA Level:	(228)	(329)	-	(616)
Share of loss at Group Level:	(101)	-	(149)	-
Net Value :	<u>-</u>	<u>-</u>	<u>329</u>	<u>329</u>

17. Trade and other receivables

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade receivables	692	399	848	444
Amounts owed by subsidiaries	-	86	-	31
Prepayments and accrued income	934	934	974	974
Deferred expenditure	897	-	1,254	-
Other receivables	91	30	90	37
	2,614	1,449	3,166	1,486

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

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade payables	1,023	108	1,306	264
Amounts owed to subsidiaries	-	-	-	-
Taxation and social security costs	298	298	281	281
Amounts held on behalf of members	58	58	24	24
Accruals	1,750	1,750	1,374	1,374
	3,129	2,214	2,985	1,943

19. Payables due in greater than one year

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Lease Liabilities due after one year	3,139	3,139	3,974	3,974
Dilapidations	778	778	-	-
	3,917	3,917	3,974	3,974

20. Contract Liabilities

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions	7,128	7,128	6,924	6,924
Tuition fees	897	-	1,254	-
Examination fees	4,830	4,830	5,045	5,045
Events fees	65	65	107	107
Practising certificates	480	480	493	493
Other contract liabilities	204	204	150	150
	13,604	12,707	13,973	12,719

21. Cash and cash equivalents

	2021		2020	
	Group £000	IFoA £000	Group £000	IFoA £000
Current Accounts	6,354	5,160	6,756	5,458
Notice Accounts	4,257	4,257	4,031	4,031
Term Deposits	5,000	5,000	3,000	3,000
	<u>15,611</u>	<u>14,417</u>	<u>13,787</u>	<u>12,490</u>

22. Leases

Group as a lessee

The group has leasing arrangements for their operations.

Lease liabilities are due as follows:

	2021	2020
	£'000	£'000
Not later than one year	835	803
Between one year and five years	<u>3,139</u>	<u>3,974</u>
Balance at 28 February 2021	<u>3,974</u>	<u>4,777</u>

Contractual undiscounted cash flows are due as follows:

	2021	2020
	£'000	£'000
Not later than one year	994	994
Between one year and five years	<u>4,530</u>	<u>5,524</u>
Balance at 28 February 2021	<u>5,524</u>	<u>6,518</u>

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

	2021	2020
	£'000	£'000
Interest expense on lease liabilities	<u>191</u>	<u>222</u>

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.