

INSTITUTE AND FACULTY OF ACTUARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2017

Contents	Page No.
Financial Review	1 - 2
Statement of the Council of the Institute and Faculty of Actuaries' Responsibilities	3
Independent Auditor's Report	4
Consolidated Financial Statements	5 - 8
Notes to the Financial Statements	9 - 21

These financial statements for the year to 28 February 2017 are a consolidation of the Institute and Faculty of Actuaries (IFoA), its wholly owned subsidiaries Institute and Faculty Education Limited (IFE Limited), ICA 98 Limited, Continuous Mortality Investigation Limited (CMI Limited) and its 50% owned joint venture company (with Society of Actuaries) CAA Global Limited. The commentary in this review relates to the operating activities of the Group.

Operating results

Total revenue for 2017 of £33.9m (£25.6m for the IFoA) represents an increase of 3% over the 2016 figure of £32.9m (£24.7m for the IFoA).

The Group income includes the turnover and expenditure of 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.

Also included this year, although not in the income and expenditure as it had yet to trade, is the 50% share relating to the joint venture of:

- CAA Global Limited which will provide examinations services for the Certified Actuarial Analyst

The main source of revenue for the IFoA (as opposed to the other Group companies) is from members' fees and subscriptions, which made up 47.4% (2016: 46.8%) of total revenue. Subscription rates for members were increased in the year by 1.4%.

Revenue summary – percentage of total revenue (IFoA only)	2017	2016
Subscriptions and fees	47.4%	46.8%
Pre-qualification learning	39.3%	38.4%
Post-qualification learning and development	12.8%	14.4%
Other income including from Investments	0.5%	0.4%

The number of new students joining in the year increased by 9.5% from 2,492 to 2,729. There continues to be an increase in the proportion of overseas students, with 61% of students now based overseas. The number of fellows has increased by 4% and total number of members has increased during the year by 5%.

The loss after taxation for the Group for the year was £1.6m compared to a loss of £1.3m in 2016. This is in line with the IFoA's five year financial plan. This year's result has been affected by a number of exceptional items relating to the sales of investment assets £0.6m, sale of the intellectual property in the CAA qualification to the joint venture company CAA Global Limited Group £0.5m and a one off charge to enhance benefits on wind-up of the Defined Benefit Pension Scheme £1.6m. It was agreed between the Trustees and the employer to split the final surplus of the scheme on wind up equally between enhancing benefits and returning the surplus to the IFoA.

The overall aim of the current financial plan is to achieve a breakeven position over the medium term, while in the short term enabling the IFoA to invest from reserves in activities such as the Certified Actuarial Analyst (now a joint venture with the Society of Actuaries as noted above) and an expanded research programme into actuarial science.

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

- **Subscriptions and other revenue increased by £0.6m (4%) to £13.4m**

This increase is due to continued growth in member numbers with the total membership increasing from 27,706 at the start of the year to 29,051 on the 28th February 2017 which is equivalent to an increase of 5% during the year.

- **Pre-qualification learning and development revenue increased by £0.7m (4%) to £17.2m**

This increase is due to a 5% increase from 2015/16 in the number of examinations being taken by students

- **Employment Cost increased by £0.5m (4.3%) to £10.5m**

This includes £0.4m of costs relating to the winding up and buy out of the Defined Benefit Pension Scheme which was an increase of £0.2m on the previous year.

- **Other Operating Charges increased by £0.4m (1.6%) to £24.7m**

Other operating charges increased by 1.6%. No contributions were made to the defined benefit pension scheme during the year, however there was £0.4m of employer related professional fees incurred in running the scheme and its preparation for wind up and closure.

Financial position and cash flow

Net assets at 28 February 2017 were £13.4m (2016: £14.4m), including cash and cash equivalents of £12.6m (2016: £19.1m). The most significant change is the purchase of investments with Vanguard of £8.0m which has impacted the IFoA by a reduction in its cash balances.

Net cash inflow from operating activities was £256k in the year (2016 inflow of: £747k). Capital expenditure was negligible in the year (2016: £464K being investment in the IFoA website).

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; meet foreseeable future commitments; invest in specific projects such as our expanded research programme.

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

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 2017 was £141k.

Colin Wilson
President

Derek Cribb
Chief Executive

June 2017

June 2017

The Management Board and 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 2017. 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.

Colin Wilson
President

June 2017

Derek Cribb
Chief Executive

June 2017

We have audited the financial statements of the Institute and Faculty of Actuaries (IFoA) for the year ended 28 February 2017 which comprise the Consolidated Statement of Income, Consolidated Statement 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

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 2017 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 2017

26 Red Lion Square
London
WC1R 4AG

	Notes	2017		2016	
		Group £000	IFoA £000	Group £000	IFoA £000
Revenue					
Subscriptions and other operating income	4	13,426	12,209	12,833	11,603
Pre-qualification learning and development	5	17,206	10,117	16,525	9,511
Post-qualification learning and development		3,310	3,310	3,569	3,569
		<u>33,942</u>	<u>25,636</u>	<u>32,927</u>	<u>24,683</u>
Expenditure					
Employment costs	6	(10,479)	(10,232)	(10,043)	(9,850)
Other operating charges	7	(24,695)	(16,620)	(24,296)	(16,364)
		<u>(35,174)</u>	<u>(26,852)</u>	<u>(34,339)</u>	<u>(26,214)</u>
Operating Loss	8	(1,232)	(1,216)	(1,412)	(1,531)
Finance and other income	9	122	122	109	109
Profit on disposal of financial assets		636	636	-	-
Exceptional Items	10	(1,082)	(587)	-	-
Loss before tax		(1,556)	(1,045)	(1,303)	(1,422)
Taxation	11	(18)	(18)	(15)	3
Loss for the year		(1,574)	(1,063)	(1,318)	(1,419)

	Notes	2017		2016	
		Group £000	IFoA £000	Group £000	IFoA £000
(Loss)/Profit for the year		(1,574)	(1,063)	(1,318)	(1,419)
Other Comprehensive Income					
Unrealised gain on revaluation of investments	16	694	694	(40)	(40)
Reclassification on disposal of available for sale assets		(545)	(545)	-	-
Movement in Deferred Tax for the year	12	(153)	(153)	-	-
Actuarial gain/(loss) recognised in the retirement benefits scheme	18	530	530	88	88
Other comprehensive income/(expenditure) for the year net of tax		526	526	48	48
Total comprehensive income for the year		(1,048)	(537)	(1,270)	(1,371)

	Notes	2017		2016	
		Group £000	IFoA £000	Group £000	IFoA £000
Non-current assets					
Property, plant and equipment	14	2,043	2,043	2,581	2,581
Intangible Assets	15	232	232	245	245
Available for sale financial assets	16	9,087	9,087	901	901
Historical assets	17	1,183	1,183	1,178	1,178
Retirement benefit asset	18	-	-	3,473	3,473
		<u>12,545</u>	<u>12,545</u>	<u>8,378</u>	<u>8,378</u>
Current assets					
Inventories		12	12	10	10
Trade and other receivables	19	3,333	2,639	3,469	1,994
Current retirement benefit asset	18	2,107	2,107	-	-
Cash and cash equivalents		12,588	10,810	19,147	17,836
		<u>18,040</u>	<u>15,568</u>	<u>22,626</u>	<u>19,840</u>
Total assets		30,585	28,113	31,004	28,218
Current liabilities					
Trade and other payables	20	(4,213)	(3,122)	(3,356)	(2,825)
Corporation tax		(15)	(15)	(30)	(12)
Deferred revenue	21	(11,778)	(10,693)	(11,998)	(10,568)
Deferred rent		(135)	(135)	(136)	(136)
		<u>(16,141)</u>	<u>(13,965)</u>	<u>(15,520)</u>	<u>(13,541)</u>
Non-current liabilities					
Deferred Taxation	12	(153)	(153)	-	-
Deferred rent		(901)	(901)	(1,046)	(1,046)
		<u>(1,054)</u>	<u>(1,054)</u>	<u>(1,046)</u>	<u>(1,046)</u>
Total liabilities		(17,195)	(15,019)	(16,566)	(14,587)
Net assets		<u>13,390</u>	<u>13,094</u>	<u>14,438</u>	<u>13,631</u>
Reserves					
General fund		12,135	11,839	13,179	12,372
Investment revaluation reserve		1,255	1,255	1,259	1,259
		<u>13,390</u>	<u>13,094</u>	<u>14,438</u>	<u>13,631</u>

The financial statements on pages 5 to 20 were approved and authorised for issue by Management Board on behalf of Council on 24 May 2017 and signed on its behalf by:

Colin Wilson
President

Derek Cribb
Chief Executive

Group and IFoA	Investment		Total
	General Fund	Revaluation Reserve	
	£000	£000	£000
Balance as at 1 March 2016	13,179	1,259	14,438
Loss for the year	(1,574)		(1,574)
Other comprehensive income /(expenditure)	530	(4)	526
Total comprehensive (expenditure) / income	(1,044)	(4)	(1,048)
Balance as at 28 February 2017	12,135	1,255	13,390

IFoA	Investment		Total
	General Fund	Revaluation Reserve	
	£000	£000	£000
Balance as at 1 March 2016	12,372	1,259	13,631
Loss for the year	(1,063)	-	(1,063)
Other comprehensive income/(expenditure)	530	(4)	526
Total comprehensive (expenditure) / income	(533)	(4)	(537)
Balance as at 28 February 2017	11,839	1,255	13,094

Institute and Faculty of Actuaries
Consolidated Statement of Changes in Cash Flow
for the year ended 28 February 2017

	Notes	2017		2016	
		Group £000	IFoA £000	Group £000	IFoA £000
Cash flow from / (used in) operating activities					
Loss for the year		(1,574)	(1,063)	(1,318)	(1,419)
Depreciation	14	566	566	495	495
Amortisation	15	13	13	5	5
Finance Income		(122)	(122)	(109)	(109)
Current Tax charge		18	18	15	(3)
Profit on disposal of investments and intangible assets		(1,132)	(1,627)		
Retirement benefits scheme net cost/(income)	18	1,896	1,896	97	97
Increase in inventories		(2)	(2)	(4)	(4)
(Increase)/decrease in debtors		135	(644)	(252)	(612)
Increase in creditors and deferred revenue		491	274	1,872	2,460
Cash (used in) operations		289	(691)	801	910
Taxation		(33)	(15)	(54)	(17)
Net cash from operating activities		256	(706)	747	893
Cash flow from investing activities					
Finance income received	9	122	122	109	109
Dividends reinvested		(48)	(48)	(5)	(5)
Purchase of property, plant and equipment	14	(28)	(28)	(464)	(464)
Movement in fixed asset prepayments		-	-	438	438
Purchase of intangible asset		-	-	(250)	(250)
Monies Received by CAA Global from SOA		495	990	-	-
Purchase of available for sale assets		(8,005)	(8,005)	-	-
Sale of assets for resale		654	654	-	-
Purchase of historical assets	17	(5)	(5)	(3)	(3)
Net (decrease)/increase in cash and cash equivalents		(6,559)	(7,026)	572	718
Cash and cash equivalents at 1 March		19,147	17,836	18,575	17,118
Cash and cash equivalents at 28 February		12,588	10,810	19,147	17,836

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. Adoption of these Standards has not had a material impact on the financial statements.

Standards and Interpretations in issue but not yet effective

- a. IFRS 15 – Revenue from contracts with customers. This standard is effective for accounting periods beginning on or after 1 January 2018 and its implementation is not expected to have a material impact on the financial statements of the IFoA
- b. IFRS16 – Leases. This standards is effective for accounting periods beginning on or after 1 January 2019. The implementation of this standard is expected to have a material impact on the financial statements of the IFoA. The new standard removes the distinction between operating leases and finance leases, requiring all significant leases to be accounted for as finance leases. This will result in additional assets and liabilities relating to the IFoA's property leases to be recognised in the Statement of Financial Position, as well as additional depreciation and finance charges being recognised in the Consolidated Statement of Income.
- c. IFRS 9 – Financial Instruments. This standard is effective from periods commencing from 1 January 2018 and could impact the treatment of the classification of the Groups available for sale investments. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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) 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 £2.1m has therefore been recognised as an asset of IFoA in full.

Scheme assets are measured at fair value. These assumptions are listed at Note 18.

c) 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.

3. Significant Accounting Policies (cont.)

d) 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.

e) 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.

f) 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.

g) 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.

h) Inventories

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

i) 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

j) 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.

3 Significant Accounting Policies (cont.)

During the year the IFoA made the decision to invest £8m 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 change of policy is to try to make these reserves retain value after the impact of inflation. The value of these investments at the balance sheet date is £9.1m (2016 £0.9m)

Other Investments

The historical assets collection contains a number of books and documents illustrating the application of actuarial science throughout history. These are reported in the financial statements based on market value. These assets are determined by Council to have indeterminate lives and high residual value therefore it is not considered appropriate to charge depreciation. The collection is valued by external experts every 5 years, and was most recently revalued in February 2015.

k) 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.

l) 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 £4.8m (2016: £14.8m) in current accounts, £0.7m (2016: £0.0m) in notice accounts and £7.1m (2016: £3.0m) in term deposits. Cash balances have reduced from the prior year reflecting the decision to make some long term investments.

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 j) Financial Assets does hold investments available for sale.

m) 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.

3 Significant Accounting Policies (cont.)

Defined Benefit Scheme

The IFoA operated 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 final premium and conversion to buyout on the 9 November 2016 means that both assets and liabilities relating to the various policies were removed from the balance sheet.

The value of the assets as at 28 February 2017 were made up of remaining investment assets held as cash and net current assets including the scheme bank account.

4. Subscriptions and other income

	2017		2016	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions, admissions, certificate fees	11,789	11,789	11,166	11,166
Income from research (CMI Limited)	1,217	-	1,230	-
Designated Professional Body regulation	337	337	324	324
FTSE fees and other royalties	-	-	-	-
Actuary magazine	1	1	1	1
Management service fees	16	16	16	16
List of actuarial advisors	19	19	25	25
Disciplinary fines	37	37	65	65
Other Income	10	10	6	6
	13,426	12,209	12,833	11,603

5. Pre-qualification learning and development

	2017		2016	
	Group £000	IFoA £000	Group £000	IFoA £000
Examinations	16,095	9,006	15,517	8,503
Exemptions	862	862	769	769
Tuition Materials	249	249	239	239
	17,206	10,117	16,525	9,511

6. Employment costs

	2017		2016	
	Group £000	IFoA £000	Group £000	IFoA £000
Wages and salaries	(8,092)	(7,845)	(7,704)	(7,511)
Social security costs	(878)	(878)	(852)	(852)
Pension costs	(1,509)	(1,509)	(1,487)	(1,487)
	(10,479)	(10,232)	(10,043)	(9,850)

The number of staff employed by the group at 28 February 2017 was 161 (2016: 166). The number of staff employed by IFoA at 28 February 2017 was 157 (2016:164).

6. Employment costs (cont.)

The remuneration of the Chief Executive and other Executive Directors for the financial year ended 28 February 2017 is disclosed below:

	2017	2016	2017	2016
	Derek Cribb	Derek Cribb	Executive	Executive
	(Chief	(Chief	Directors	Directors
	Executive)	Executive)	(excl. CE)	(excl. CE)
	£000	£000	£000	£000
Short-term benefits	286	250	713	634
Bonus	85	75	129	101
Post-employment benefit	13	38	104	98
	384	363	946	833

The non executive Management Board members reviewed, on behalf of 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.

7. Other operating charges

	2017		2016	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Central activities	(7,442)	(7,688)	(6,913)	(7,135)
Pre-qualification learning and development	(11,456)	(4,367)	(11,494)	(4,480)
Post-qualification learning and development	(1,878)	(1,878)	(1,880)	(1,880)
Participation in other bodies	(808)	(808)	(993)	(993)
Learned society and research	(1,472)	(240)	(1,388)	(248)
Professional / ethical standards	(585)	(585)	(958)	(958)
Member services	(880)	(880)	(468)	(468)
Practice areas and member interest groups	(122)	(122)	(153)	(153)
Designated Professional Body Regulation	(52)	(52)	(49)	(49)
	(24,695)	(16,620)	(24,296)	(16,364)

8. Operating (loss)/profit

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

	2017	2016
	Group	Group
	£000	£000
Employment costs	(10,479)	(10,043)
Depreciation	(566)	(495)
Amortisation of intangibles	(13)	(5)
President's and Council Members' expenses	(33)	(41)
Audit fees	(39)	(38)
Operating lease	(686)	(736)

9. Finance income and other income

	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Bank interest	32	32	33	33
Interest from investment deposits	19	19	50	50
Dividends from investments	71	71	26	26
	<u>122</u>	<u>122</u>	<u>109</u>	<u>109</u>

10. Exceptional Items

	2017	2017	2016	2016
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Sale of IP on the CAA qualification to CAA Global Limited which is 50% owned by IFoA	495	990	-	-
Agreed uplift of DB pension scheme members on triggering scheme wind-up	(1,577)	(1,577)	-	-
Exceptional Item	<u>(1,082)</u>	<u>(587)</u>	<u>-</u>	<u>-</u>

11. 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

	2017 Group £000	2017 IFoA £000	2016 Group £000	2016 IFoA £000
Current tax	15	15	30	12
Prior year (over)/ under provision	3	3	(15)	(15)
Tax on profit on ordinary activities	18	18	15	(3)
(Loss)/ Profit before tax	(1,556)	(1,045)	(1,303)	(1,422)
Tax at the UK corporation tax rate of 20% (2015: 20%)	(311)	(209)	(261)	(284)
Effects of non-taxable items	326	224	291	296
Prior year (over)/ under under provision	3	3	(15)	(15)
	18	18	15	(3)

12. Movement in Deferred Taxation

	2017 Group £000	2017 IFoA £000	2016 Group £000	2016 IFoA £000
Balance at 1st March 2016	-	-	-	-
Deferred Tax on fair value movement on available for sale assets	153	153	-	-
Balance at 28th February 2017	153	153	-	-

13. Interests in subsidiaries

The IFoA has three 100% owned subsidiary undertakings and one 50% owned subsidiary undertaking

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 2017 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 2017 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 28 February 2017 are included in the consolidated accounts.

During the year the IFoA acquired 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. A management opinion of the balance sheet as at 28 February 2017 are included in the consolidated accounts.

14. Property, plant and equipment – Group and IFoA

	Leasehold Property £000	IT equipment £000	Fixtures & fittings £000	Website	Total £000
Cost or valuation:					
as at 1 March 2016	2,028	601	523	438	3,590
Additions	-	14	14	-	28
Disposals	-	-	-	-	-
as at 28 February 2017	<u>2,028</u>	<u>615</u>	<u>537</u>	<u>438</u>	<u>3,618</u>
Depreciation:					
as at 1 March 2016	373	310	289	37	1,009
Provided in year	181	149	127	109	566
Disposals	-	-	-	-	-
as at 28 February 2017	<u>554</u>	<u>459</u>	<u>416</u>	<u>146</u>	<u>1,575</u>
Net Book Value at 29 February 2016	1,655	291	234	401	2,581
Net Book Value at 28 February 2017	<u>1,474</u>	<u>156</u>	<u>121</u>	<u>292</u>	<u>2,043</u>

15. Intangible assets – Group and IFoA

	Totals
	£000
Cost or valuation:	
as at 1 March 2016	250
Additions	
Disposals	-
as at 28 February 2017	250
Accumulated amortisation	
as at 1 March 2016	5
Charge for the year	13
Disposals	-
as at 28 February 2017	18
Net Book Value at 29 February 2016	245
Net Book Value at 28 February 2017	232

16. Available for sale financial assets – Group and IFoA

	2017	2016
	Group	Group
	£000	£000
as at 1 March	901	936
Additions	8,055	5
Disposals	(654)	-
Unrealised gain / (loss) on revaluation	694	(40)
Realised gain on disposal	91	-
as at 28 February	9,087	901

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 2017 was £8.1m (2016 £67k). The increase in investments reflects the decision by IFoA to invest reserves in a mix of investment grade bonds and other stock market pooled funds. This should 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.

The disposals in the year relate to various stock market investments some of which were purchased in the 1960's that were considered outside the current investment policy

17. Historical assets – Group and IFoA

	2017	2016
	Group	Group
	£000	£000
as at 1 March	1,178	1,175
Additions	5	3
Unrealised gain / (loss) on revaluation	-	-
as at 28 February	<u>1,183</u>	<u>1,178</u>

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

18. 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 were determined on the basis of a triennial valuation, however the valuation due in 2016 was not undertaken in view of the fact that the scheme was in the process of moving to buy-out position.

The asset has been recognised in accordance with IAS19 as the IFoA has a right to a refund which means that the asset will not be available to IFoA until the final wind up of the Scheme expected sometime in 2017.

18. Retirement benefit asset (cont.)

IAS 19 valuation

The Scheme's actuary provides a separate report for IAS 19 purposes at each year end.

The scheme was a final salary defined benefit Scheme which closed to new entrants with effect from 1 January 2003. On 28 February 2013 the Scheme closed to future accrual. Wind-up of the scheme was triggered on 13 May 2016 and a final premium to buy-out scheme benefits was paid on the 9 November 2016. The pensioners receive inflation-linked increases in deferment and payment. The Trustees have sought to eliminate risk in the Scheme by completing a full buy-out of Scheme benefits.

As the liabilities of the scheme are zero at 28 February 2017, changes in actuarial assumptions at this date do not affect the liabilities and so sensitivity analysis is not applicable this year.

Amounts recognised in the consolidated income statement

	£000	£000
Employer service cost	-	-
Past Service Cost - scheme amendments	644	
Settlement (gain) / loss	933	
Interest cost		1,197
Interest income on Scheme assets	(95)	(1,315)
Admin costs paid	414	215
Total operating charge	<u>1,896</u>	<u>97</u>

Amounts recognised in the other comprehensive income (OCI)

	£000	£000
Return on Scheme assets (less)/ greater than discount rate	12,320	(2,538)
Liability experience actuarial (loss) /gain arising during period	-	558
Liability assumptions actuarial gain /(loss) arising during period	(11,790)	2,068
Remeasurement effects recognised in OCI	<u>530</u>	<u>88</u>

Retirement benefit asset

	£000	£000
Fair value of assets	2,107	35,460
Actuarial value of Scheme liabilities	-	(31,987)
Surplus in the Scheme	<u>2,107</u>	<u>3,473</u>

18. Retirement benefit asset (cont.)

Movement in surplus

	£000	£000
as at 1 March	3,473	3,482
Service Charges	(1,577)	
Operating charges	95	118
Employer contributions		-
Admin costs incurred in period	(414)	(215)
Remeasurement effects recognised in OCI	530	88
as at 28 February	<u>2,107</u>	<u>3,473</u>

Movement in Scheme assets

	£000	£000
as at 1 March	35,460	38,489
Return on Scheme assets	13,226	(1,223)
Benefits paid	(615)	(1,591)
Admin costs paid	(414)	(215)
Settlements	(45,550)	
as at 28 February	2,107	35,460

Movement in Scheme liabilities

	£000	£000
as at 1 March	31,987	35,007
Interest cost	811	1,197
Actuarial loss/ (gain)	11,790	(2,626)
Past service cost - scheme amendments	644	-
Benefits paid	(615)	(1,591)
Settlements	(44,617)	
as at 28 February	0	31,987

19. Trade and other receivables

	2017		2016	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade receivables	781	356	965	412
Amounts owed by subsidiaries	-	1,033	-	345
Prepayments and accrued income	1,032	992	1,017	1,017
Deferred expenditure	1,239	-	1,219	-
Other receivables	281	258	268	220
	3,333	2,639	3,469	1,994

20. Trade and other payables

	2017		2016	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade payables	1,168	388	1,131	411
Amounts owed to subsidiaries	-	17	-	341
Taxation and social security costs	217	217	286	286
Amounts held on behalf of members	23	23	20	20
Accruals	2,798	2,476	1,910	1,765
Other payables	7	1	9	2
	4,213	3,122	3,356	2,825

21. Deferred revenue

	2017		2016	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions	6,091	6,091	5,700	5,700
Tuition fees	1,085	-	1,218	-
Examination fees	3,685	3,685	3,842	3,842
Events fees	160	160	212	212
Practising Certificates	549	549	600	600
Other deferred revenue	208	208	426	214
	<u>11,778</u>	<u>10,693</u>	<u>11,998</u>	<u>10,568</u>

22. Commitments – Group and IFoA

At 28 February 2017 the IFoA had outstanding total commitments under non-cancellable leases for land and buildings and other are as follows:

	2017 £000	2016 £000
Within 1 year	756	807
In 2 to 5 years	3,193	3,390
More than 5 years	2,642	3,582
	<u>6,591</u>	<u>7,779</u>

23. Related party disclosures

One Council member, Nick Salter is the Senior Partner of Barnett Waddingham LLP. Barnett Waddingham LLP provides services to CMI Limited for which fees amounting to £1,112k (2015: £1,138k) 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. Nick Salter completed his term of office at the IFoA Annual General Meeting on the 23rd June 2016

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.