Institute
and Faculty
of Actuaries

Institute and Faculty of Actuaries

Financial Statements 2013/2014

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Financial review

for the year ended 28 February 2014

These financial statements for the year to 28 February 2014 are a consolidation of the Institute and Faculty of Actuaries (IFoA), Institute and Faculty Education Limited (IFE Limited), and Continuous Mortality Investigation Limited (CMI Limited). The commentary in this review relates to the operating activities of the Group.

Operating results

Total revenue for 2014 of £30.3m (£22.6m for the IFoA) represents an increase of 2% over the 2013 figure of £29.7m (£22.7m for the IFoA). This includes income of £1.1m from CMI Limited for the first time.

The Group income includes the turnover and expenditure of Institute and Faculty Education Limited which provides tuition to persons studying for the professional examinations of the IFoA. Additionally this year for the first time, it adds the turnover and expenditure of Continuous Mortality Investigation Limited which accumulates and analyses data on mortality and morbidity risks arising under life assurance, annuity and pension business.

The main source of revenue for the IFoA is from members' fees and subscriptions, which made up 48% (2013: 44%) of total revenue. Subscription rates for members were not increased from the previous year.

Revenue summary – percentage of total revenue (IFoA only)

	2014	**2013**
Subscriptions and fees	48%	44%
Pre-qualification learning	36%	39%
Post-qualification learning and development	14%	14%
Other income including from Investments	2%	3%

The number of new students joining in the year was 2,174. There continues to be an increase in the proportion of overseas students, with 55% of students now based overseas. The number of fellows has increased during the year by 4.8%. The total number of members increased by 4% to 25,495.

The loss after taxation for the Group for the year was £1.0m compared to a retained surplus of £1.9m in 2013.

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

- **Subscriptions and other revenue increased by £1.6m to £12.2m**

This increase is due to continued growth in member numbers with the total membership increasing by 4% in the year, and the inclusion for the first time of CMI Limited in the Group accounts.

- **Pre-qualification learning and development revenue decreased by £1.1m to £15.0m**

There has been an increase in the proportion of overseas students which has led to a fall in income as a significant number qualify for the lower overseas examination fee.

- **Employment costs expenditure reduced by £0.3m to £8.8m**

Salary and social security costs increased £1.5m to £7.1m due to planned growth in staff numbers from 135 compared to 128 in 2013 and the relocation of some support functions between offices which led to a period of dual running.

Contributions of £0.6m were made to the defined benefit pension scheme during the year. Contributions were stopped ahead of schedule in November 2013 as the pension scheme had moved out of deficit.

- **Operating expenditure increased by £4.2 million in the year to £23.2m**

This was mainly due to an increase of the cost of central activities by £2.9m due to the costs of office moves in London and Oxford, and increased cost of temporary staff due to relocation of support functions. The costs of CMI Limited are also included this year for the first time.

- **Actuarial loss recognised in the retirements benefits scheme £7.6m**

The defined benefit pension scheme was the subject of two buy-ins during 2013/14, relating to current pensioners and future pensioners. The price paid for the buy-in policies was greater than the value of the corresponding pension assets disclosed in the accounts (due to differences between buy-in pricing terms and the IAS 19 assumptions) which has led to this adjustment. The buy-ins occurred in March 2013 and January 2014 respectively.

Financial position and cash flow

Net assets at 28 February 2014 were £16.6m (2013: £25.1m), including cash and cash equivalents of £20.6m (2013: £23.2m). The most significant change is the increase in the cost of property plant and equipment by £2.0m to £2.1m due to the costs of new leasehold properties in London and Oxford.

Net cash outflow from operating activities was £1,373k in the year (2013: £372k). £204k was generated from working capital (2013: £373k). Capital expenditure was £2,132k which related to leasehold improvement and fixtures & fittings at the new offices in London and Oxford (2013: £63k).

The IFoA holds reserves to: provide working capital to cover seasonal fluctuations in income and expenditure and avoid the need to borrow; to meet emergency calls for cash and protect against immediate business interruption; invest in specific projects such as the new website, the Certified Actuarial Analyst and the Virtual Learning Environment; and cover the buy-out liability of the pension scheme. The General Fund balance of £15.5m is considered sufficient to meet the above needs.

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

Scottish Endowment Fund

Following the merger of the Faculty of Actuaries in Scotland and the Institute of Actuaries in 2010 to form the Institute and Faculty of Actuaries it was agreed to create a fund of £500k (plus annual interest) to facilitate actuarial activities in Scotland. £230k was subsequently earmarked to help establish the Actuarial Research Centre (ARC), which will invest in the next generation of researchers of actuarial science. No expenditure was made in the year as we were successful in attracting full external commercial sponsorship for our activities.

David Hare
President
19 May 2014

Derek Cribb
Chief Executive
19 May 2014

Statement of responsibilities

for the year ended 28 February 2014

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

The Council confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 28 February 2014. 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.

David Hare
President
19 May 2014

Derek Cribb
Chief Executive
19 May 2014

Independent auditor's report

for the year ended 28 February 2014

We have audited the financial statements of the Institute and Faculty of Actuaries (IFoA) for the year ended 28 February 2014 which comprise the Consolidated Statement of Income, Consolidated and Institute IFoA Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Council, as a body, in accordance with the Bye-laws of the IFoA. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute 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

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 group's and the IFoA'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 Group's and the IFoA's affairs as at 28 February 2014 and of the net surplus 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
19 May 2014

26 Red Lion Square
London
WC1R 4AG

Financial statements

for the year ended 28 February 2014

Consolidated Statement of Income

		2014		2013	
		Group	IFoA	Group	IFoA
	Notes	£000	£000	£000	£000
Revenue					
Subscriptions and other operating income	4	12,220	11,168	10,566	10,566
Pre-qualification learning and development	5	14,974	8,274	16,096	9,146
Post-qualification learning and development		3,138	3,138	3,030	3,030
		30,332	**22,580**	**29,692**	**22,742**
Expenditure					
Employment costs	6	(8,820)	(8,820)	(9,123)	(9,123)
Other operating charges	7	(23,210)	(15,611)	(18,971)	(12,021)
		(32,030)	**(24,431)**	**(28,094)**	**(21,144)**
Operating (Loss)/Profit	8	**(1,698)**	**(1,851)**	**1,598**	**1,598**
Finance and other income	9	210	204	373	373
(Loss)/Profit before tax		**(1,488)**	**(1,647)**	**1,971**	**1,971**
Taxation	10	(77)	(45)	(72)	(72)
(Loss)/Profit for the year		**(1,565)**	**(1,692)**	**1,899**	**1,899**
Amortisation of negative goodwill	21	582	-	-	-
(Loss)/Profit after taxation and exceptional items		**(983)**	**(1,692)**	**1,899**	**1,899**

Statement of Comprehensive Income

		2014		2013	
		Group	IFoA	Group	IFoA
	Notes	£000	£000	£000	£000
(Loss)/Profit for the year		(983)	(1,692)	1,899	1,899
Other Comprehensive Income					
Gain on revaluation of investments	13	103	103	85	85
Actuarial (loss) recognised in the retirement benefits scheme	15	(7,564)	(7,564)	(625)	(625)
Other comprehensive (expenditure) / income for the year net of tax		**(7,461)**	**(7,461)**	**(540)**	**(540)**
Total comprehensive income for the year		**(8,444)**	**(9,153)**	**1,359**	**1,359**

Financial statements

as at 28 February 2014

Consolidated Statement of Financial Position

		2014		2013	
		Group	IFoA	Group	IFoA
	Notes	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	12	2,093	2,093	112	112
Available for sale financial assets	13	911	911	802	802
Historical assets	14	1,013	1,013	1,009	1,009
Retirement benefit asset	15	2,889	2,889	9,507	9,507
		6,906	**6,906**	**11,430**	**11,430**
Current assets					
Inventories		20	20	26	26
Trade and other receivables	16	3,548	1,693	2,901	1,031
Cash and cash equivalents		20,556	19,276	23,239	23,222
		24,124	**20,989**	**26,166**	**24,279**
Total assets		**31,030**	**27,895**	**37,596**	**35,709**
Current liabilities					
Trade and other payables	17	(3,499)	(2,690)	(2,794)	(2,148)
Corporation tax	10	(69)	(38)	(73)	(73)
Deferred revenue	18	(10,321)	(8,736)	(9,525)	(8,284)
Deferred rent		(104)	(104)	(39)	(39)
		(13,993)	**(11,568)**	**(12,431)**	**(10,544)**
Non-current liabilities					
Deferred rent		(403)	(403)	(87)	(87)
		(403)	**(403)**	**(87)**	**(87)**
Total liabilities		**(14,396)**	**(11,971)**	**(12,518)**	**(10,631)**
Net assets		**16,634**	**15,924**	**25,078**	**25,078**
Reserves					
General fund		15,516	14,806	24,062	24,062
Investment revaluation reserve		1,119	1,119	1,016	1,016
		16,635	**15,925**	**25,078**	**25,078**

The financial statements on pages 7 to 21 were approved and authorised for issue by Council on 19 May 2014 and signed on its behalf by:

David Hare
President
19 May 2014

Derek Cribb
Chief Executive
19 May 2014

Financial statements

for the year ended 28 February 2014

Consolidated statement of changes in equity

Group and IFoA	General Fund £000	Investment Revaluation Reserve £000	Total £000
Balance as at 1 March 2013	24,062	1,016	25,078
Loss for the year	(983)	-	(983)
Other comprehensive (expenditure) / income	(7,564)	103	(7,461)
Total comprehensive (expenditure) / income	(8,547)	103	(8,444)
Balance as at 28 February 2014	**15,515**	**1,119**	**16,634**

IFoA	General Fund £000	Investment Revaluation Reserve £000	Total £000
Balance as at 1 March 2013	24,062	1,016	25,078
Loss for the year	(1,692)	-	(1,692)
Other comprehensive (expenditure) / income	(7,564)	103	(7,461)
Total comprehensive (expenditure) / income	(9,256)	103	(9,153)
Balance as at 28 February 2014	**14,806**	**1,119**	**15,925**

Financial statements

for the year ended 28 February 2014

Consolidated statement of changes in cash flows

		2014		2013	
		Group	IFoA	Group	IFoA
	Notes	£000	£000	£000	£000
Cash flow from operating activities					
Operating (Loss)/ Profit	8	(1,698)	(1,851)	1,598	1,598
Depreciation	12	141	141	189	189
Retirement benefits scheme contributions	15	(645)	(645)	(2,310)	(2,310)
Retirement benefits scheme cost	15	(301)	(301)	43	43
Decrease in inventories		6	6	4	4
(Increase) in debtors		(606)	(662)	(299)	(94)
Increase in creditors and deferred revenue		1,807	1,340	475	269
Cash (used in) operating activities		**(1,296)**	**(1,972)**	(300)	(301)
Taxation	10	(77)	(45)	(72)	(72)
Net cash from operating activities		**(1,373)**	**(2,017)**	(372)	(373)
Cash flow from investing activities					
Acquisition of subsidiary CMI, net cash acquired		611	-	-	-
Finance income received	9	210	204	373	373
Purchase of property, plant and equipment	12	(2,126)	(2,126)	(53)	(53)
Purchase of investment	13	(6)	(6)	(10)	(10)
Net (decrease) in cash and cash equivalents		**(2,684)**	**(3,945)**	(62)	(63)
Cash and cash equivalents at 1 March		23,239	23,222	23,301	23,285
Cash and cash equivalents at 28 February		**20,555**	**19,277**	23,239	23,222

Notes to the financial statements

1. General Information

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

2. Significant Accounting Policies

(a) Basis of preparation

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

(b) Adoption of new and revised standards

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

Standard, Interpretations and amendments adopted early

IAS 19 Employee Benefits (amendment)

Standards and Interpretations in issue but not yet effective

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

IAS 1 Presentation of Financial Statements (amendment)

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IFRS 7 Financial Instruments: Disclosures (amendment)

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

(c) Basis of consolidation

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

(d) Critical accounting judgements and estimates

Retirement Benefit Obligations

These financial statements have been prepared on the basis that the IFoA has a right to a refund after the last member's liability is extinguished from the Scheme. Under IFRIC14 guidance, the IAS19 surplus of £2.9m has therefore been recognised as an asset of IFoA in full and no account has been taken of the deficit funding contributions payable.

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

(e) Foreign currencies

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

(f) Revenue recognition

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

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

(g) Leases

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

(h) Property, plant and equipment

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

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

Notes to the financial statements

(i) Inventories

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

(j) Taxation

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

(k) Financial assets

Investments available for sale

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

Other Investments

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

(l) Impairment

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

(m) Financial risk management

Currency risk

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

Liquidity, credit and interest rate risk

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

Cash surpluses are invested in interest bearing current and call accounts and also a number of term deposits with major banks. At the balance sheet date IFoA held £2.9m (2013: £2.4m) in current accounts, £5.2m (2013: £8.7m) in notice accounts and £11.1m (2013: £12.1m) in term deposits.

As a result of holding the majority of investments as cash deposits with financial institutions, the IFoA is exposed to interest rate fluctuations. These investments are spread to avoid excessive concentration in any specific institution and are monitored on a regular basis.

Equity price risk

Equity risk arises from the fluctuations in the market price of the investments available for sale. The IFoA does not actively trade in these investments.

(n) Retirement benefits

Defined Contribution Scheme

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

Defined Benefit Scheme

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

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

Notes to the financial statements

4. Subscriptions and other income

		2014		2013
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Subscriptions, admissions and certificate fees	10,779	10,779	10,149	10,149
Income from research (CMI Limited)	1,052	-	-	-
Designated Professional Body regulation	251	251	246	246
FTSE fees and other royalties	55	55	53	53
Actuary magazine	13	13	63	63
Management service fees	13	13	18	18
List of actuarial advisors	21	21	17	17
Disciplinary fines	27	27	15	15
Other Income	9	9	5	5
	12,220	**11,168**	10,566	10,566

The income from research relates to the turnover of Continuous Mortality Investigation Limited (CMI Limited) which commenced trading on the 1st March 2013. There are therefore no comparatives for last year.

5. Qualification learning and development

		2014		2013
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Examinations	12,014	5,313	12,321	5,371
Exemptions	525	525	620	620
Practical Exams	2,198	2,198	2,915	2,915
Tuition Materials	237	237	240	240
	14,974	**8,273**	19,126	12,176

6. Employment costs

		2014		2013
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Wages and salaries	(7,089)	(7,089)	(5,633)	(5,633)
Social security costs	(683)	(683)	(604)	(604)
Pension costs	(1,048)	(1,048)	(2,886)	(2,886)
	(8,820)	**(8,820)**	(9,123)	(9,123)

The number of staff employed at 28 February 2014 was 135 (2013: 128).

Notes to the financial statements

The remuneration of the Chief Executive and Executive Directors, for the financial year ended 28 February 2014 is disclosed below:

	2014 Derek Cribb (Chief Executive) £000	2014 Executive Directors (excl CEO) £000
Short-term benefits	212	612
Bonus	70	90
Post-employment benefit	32	92
	314	794

7. Other operating charges

	2014		2013	
	Group	**IFoA**	**Group**	**IFoA**
	£000	**£000**	**£000**	**£000**
Central activities	(6,800)	(6,800)	(3,942)	(3,942)
Pre-qualification learning and development	(11,217)	(4,517)	(11,050)	(4,100)
Post-qualification learning and development	(2,212)	(2,212)	(1,983)	(1,983)
Participation in other bodies	(556)	(556)	(537)	(537)
Learned society and research	(1,033)	(134)	(420)	(420)
Professional / ethical standards	(859)	(859)	(627)	(627)
Member services	(418)	(418)	(261)	(261)
Practice areas and member interest groups	(75)	(75)	(119)	(119)
Designated Professional Body Regulation	(40)	(40)	(32)	(32)
	(23,210)	**(15,611)**	(18,971)	(12,021)

8. Operating (loss)/profit

	2014	2013
The group and IFoA operating (loss)/profit is stated after charging:	**Group**	**Group**
	£000	**£000**
Employment costs	(8,820)	(9,123)
Depreciation	141	(218)
Presidents and Council Members' expenses	(28)	(16)
Audit fees	(31)	(31)
Operating lease	(761)	(560)

Notes to the financial statements

9. Finance income and other income

	2014 Group £000	2013 Group £000
Bank interest	57	41
Interest from investment deposits	129	315
Dividends from investments	24	17
	210	373

10. Taxation

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

	2014 Group £000	2013 Group £000
Current tax	69	76
Prior year over provision	8	(4)
Prior year under provision	-	-
Tax on profit on ordinary activities	**77**	72
(Loss)/Profit before tax	(1,488)	1,971
Tax at the UK corporation tax rate of 20% (2013: 20%)	(298)	394
Effects of non-taxable items	546	(322)
	77	72

2014 figures include corporation tax for CMI Limited of £31,776. There are no comparative figures for CMI Limited as trading activities started on 1 March 2013.

Notes to the financial statements

11. Interests in subsidiaries

The IFoA has three subsidiary undertakings.

The IFoA owns ten £1 ordinary shares comprising 100% of the issued share capital of Institute and Faculty Education Limited ("IFE"), a company incorporated in Great Britain, which provides tuition to persons studying for the professional examinations of the IFoA. Under the terms of an agreement dated 25 July 1995 IFE appointed Actuarial Education Company Limited ("ActEd"), a wholly owned subsidiary of BPP Actuarial Education Limited, to provide tuition services. ActEd makes a charge to IFE for such services equivalent to IFE's income. The results of IFE for the year to 28 February 2014 are included in the consolidated accounts.

The IFoA also owns one £1 ordinary share comprising 100% of the issued share capital of Continuous Mortality Investigation Limited ("CMI Limited"), a company incorporated in England and Wales, which was established to take on the transfer of the unincorporated association Continuous Mortality Investigation on 1 March 2013. The results for CMI Limited for the year to 28 February 2014 are included in the consolidated accounts.

The IFoA also owns ten £1 ordinary shares comprising 100% of the issued share capital of ICA 98 Limited, a company incorporated in Great Britain, this company has ceased trading and has been dormant since 28 February 1999.

12. Property, plant and equipment

	Leasehold Property £000	IT equipment £000	Fixtures & fittings £000	Total £000
Cost or valuation:				
as at 1 March 2013		**286**	**183**	**469**
Additions	1,374	361	391	2,126
Disposals			(146)	(146)
as at 28 February 2014	**1,374**	**647**	**428**	**2,449**
Depreciation:				
as at 1 March 2013		**223**	**134**	**357**
Provided in year	33	44	64	141
Disposals			(142)	(142)
as at 28 February 2014	**33**	**267**	**56**	**356**
Net Book Value at 28 February 2013	-	63	49	112
Net Book Value at 28 February 2014	**1,341**	**380**	**372**	**2,093**

Notes to the financial statements

13. Available for sale financial assets

	2014 Group £000	2013 Group £000
as at 1 March	802	717
Additions	6	-
Unrealised gain / (loss) on revaluation	103	85
as at 28 February	**911**	802

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 2014 was £61k (2013: £55k).

14. Historical assets

	2014 Group £000	2013 Group £000
as at 1 March	1,009	999
Additions	4	5
as at 28 February	**1,013**	1,009

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.

15. Retirement benefit asset

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

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

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

Notes to the financial statements

IAS 19 valuation

The Scheme's actuary provides a separate report for IAS 19 purposes at each year end. The assumptions made at 28 February 2014 by the Management Board with the advice of the Scheme's actuary were:

The mortality assumption adopted for the purpose of the calculations as at 28 February 2014 is as follows:

- Base table: SAPS "light" tables projected to 2014 in line with future mortality improvements
- Future mortality improvements: CMI core projections with a long-term rate of improvement 1.5% pa.

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

Age	Males	Females
65	24.6	25.9
65 in 15 years	26.2	27.6

Sensitivity analysis of the principal assumptions used to measure Scheme liabilities

Assumption	Change in assumption	Impact on Scheme liabilities
Discount Rate	Decrease by 1%	Increase by £7.0m
Price inflation (RPI)	Increase by 0.5%	Increase by £3.2m
Salary increases	Increase by 0.5%	Increase by £0.3m
Pension increases	Increase by 0.5%	Increase by £2.2m
Mortality	Increase of 1 year in expected lifetime of plan participants	Increase by £1.0m

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

	2014	2013
Amounts recognised in the consolidated income statement	**£000**	**£000**
Employer service cost	-	494
Interest cost	1,491	1,433
Interest income on Scheme assets	(1,949)	(1,884)
Admin costs paid	157	-
Total operating charge	**(301)**	43

	2014	2013
Amounts recognised as other comprehensive income (OCI)	**£000**	**£000**
Return on Scheme assets (less) / greater than discount rate	(8,575)	1,390
Liability experience actuarial gain / (loss) arising during period	2,884	747
Liability assumptions actuarial (loss) arising during period	(1,873)	(2,762)
Remeasurement effects recognised in OCI	**(7,564)**	(625)

Notes to the financial statements

Retirement benefit asset	2014 £000	2013 £000
Fair value of assets	34,590	41,717
Actuarial value of Scheme liabilities	(31,701)	(32,210)
Surplus in the Scheme	**2,889**	9,507

Movement in surplus during the year	2014 £000	2013 £000
as at 1 March	9,507	7,865
Operating charges	458	(43)
Employer contributions	645	2,310
Admin costs incurred in period	(157)	-
Remeasurement effects recognised in OCI	(7,564)	(625)
as at 28 February	**2,889**	9,507

Movement in Scheme assets during the year	2014 £000	2013 £000
as at 1 March	41,717	36,916
Return on Scheme assets	(6,626)	3,274
Employer contributions	645	2,310
Benefits paid	(989)	(783)
as at 28 February	**34,747**	41,717

Movement in Scheme liabilities during the year	2014 £000	2013 £000
as at 1 March	32,210	29,051
Employer service cost	-	494
Interest cost	1,491	1,433
Actuarial loss	(1,011)	2,015
Benefits paid	(989)	(783)
as at 28 February	**31,701**	32,210

Notes to the financial statements

16. Trade and other receivables

	2014		2013	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Trade receivables	994	417	1,072	443
Prepayments and accrued income	923	923	552	552
Deferred expenditure	1,245	-	1,241	-
Other receivables	385	353	36	36
	3,548	**1,693**	2,901	1,031

17. Trade and other payables

	2014		2013	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Trade payables	929	237	1,232	586
Taxation and social security costs	204	192	111	111
Amounts held on behalf of members	16	16	16	16
Accruals	2,339	2,245	1,431	1,431
Other payables	11	-	4	4
	3,499	**2,690**	2,794	2,148

18. Deferred revenue

	2014		2013	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
Subscriptions	5,327	5,327	5,233	5,233
Tuition fees	1,245	-	1,241	-
Examination fees	2,602	2,602	2,231	2,231
Events fees	91	91	102	102
Practising Certificates	616	616	670	670
Other deferred revenue	440	100	48	48
	10,321	**8,736**	9,525	8,284

Notes to the financial statements

19. Commitments

At 28 February 2014 the IFoA had outstanding total commitments under non-cancellable leases for land and buildings as follows:

	2014 Group £000	2013 Group £000
Within 1 year	453	554
In 2 to 5 years	2,831	511
More than 5 years	5,043	1,008
	8,327	2,073

20. Related party disclosures

One Council member, Nick Salter, President-elect is the senior partner of Barnett Waddingham LLP, which means that Barnett Waddingham LLP is a related party of the IFoA and of its subsidiary companies. Barnett Waddingham LLP provides services to CMI Limited for which fees amounting to £897k were payable during the year. Arrangements relating to the provision of services by Barnett Waddingham to the CMI were in place prior to his election to Council.

The IFoA provided administrative services to the Memorial Prize Fund, Memorial Research, Education Fund, Faculty of Actuaries in Scotland Charitable Trust and ICA 98 Limited for which no fees were received (2013: Nil). The IFoA is the sole corporate trustee of the three trust funds. The Institute and Faculty of Actuaries paid prizes totalling £1,600 on behalf of MERF and £2,000 on behalf of MPF in the year.

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

21. Negative goodwill on Acquisition of Subsidiary

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

Notes

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