

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

**FOR THE YEAR ENDED 28 FEBRUARY 2018**

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 - 5
Consolidated Financial Statements	6 - 9
Notes to the Financial Statements	10 - 22

These financial statements for the year to 28 February 2018 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 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 associate company. The commentary in this review relates to the operating activities of the Group.

### Operating results

Total revenue for 2018 of £34.8m (£26.5m for the IFoA) represents an increase of 3% over the 2017 figure of £33.9m (£25.6m 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.

On an associate company basis

- 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 49.2% (2017: 47.4%) of total revenue. Subscription rates for members were increased in the year by 2.8%.

Revenue summary – percentage of total revenue (IFoA only)	2018	2017
Subscriptions and fees	49.2%	47.4%
Pre-qualification learning	37.8%	39.3%
Post-qualification learning and development	12.1%	12.8%
Other income including from Investments	0.9%	0.5%

The number of new students joining in the year increased by 30% from 2,729 to 3,557. There continues to be an increase in the proportion of overseas students, with 71.2% of these admissions coming from students outside of the UK. The number of Fellows has increased by 5.3% and total number of members has increased during the year by 7.2%.

The loss after taxation for the Group for the year was £0.7m compared to a loss of £1.1m in 2017. This is in line with the IFoA's five year financial plan. This year's result has been affected by an exceptional item relating to the sales of investment assets amounting to £0.5m.

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 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 £1.0m (7.7%) to £14.4m**

This increase is due to continued growth in member numbers with the total membership increasing from 29,051 at the start of the year to 31,131 on the 28th February 2018 which is equivalent to an increase of 7.2% during the year.

- **Pre-qualification learning and development revenue reduced by £0.1m to £17.1m**

Whilst the IFoA continued to see an increase in demand for its examinations during the year one paper had to be suspended in the later part of the year. This reduced income in the year by £0.4m, however this will be recovered next year.

- **Employment Cost increased by £0.2m (1.8%) to £10.7m**

This includes £0.2m of costs relating to the winding up and buy out of the Defined Benefit Pension Scheme.

- **Other Operating Charges increased by £0.5m (1.9%) to £25.1m**

Other operating expenses remain tightly controlled and have risen roughly in line with inflation

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

Net assets at 28 February 2018 were £12.7m (2017: £12.1m), including cash and cash equivalents of £15.7m (2017: £12.6m). The increase was in part due to the payment of the Pension fund surplus of £2.0m in June 2017

Net cash inflow from operating activities was £1.3m in the year (2017 inflow of: £751k). 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; 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 four financial institutions; NatWest Bank, Barclays Bank, Nationwide Building Society 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 2018 was £131K.



Marjorie Ngwenya  
President



Derek Cribb  
Chief Executive

29 May 2018

29 May 2018

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.

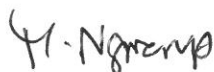
Management Board, through its delegated authority from Council, confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 28 February 2018.

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.

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.



Marjorie Ngwenya  
President

29 May 2018



Derek Cribb  
Chief Executive

29 May 2018

## **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 28 February 2018 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 28 February 2018 and of the net loss 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.

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.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the IFoA's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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 assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*haysmacintyre*

haysmacintyre (Senior Statutory Auditor)  
For and on behalf of haysmacintyre, Statutory Auditors  
Date: *29th May 2018*

10 Queen Street Place  
London  
EC4R 1AG

	Notes	2018		Restated 2017	
		Group £000	IFoA £000	Group £000	IFoA £000
<b>Revenue</b>					
Subscriptions and other operating income	4	14,400	13,133	13,426	12,209
Pre-qualification learning and development	5	17,137	10,140	17,206	10,117
Post-qualification learning and development		3,238	3,238	3,310	3,310
		<u>34,775</u>	<u>26,511</u>	<u>33,942</u>	<u>25,636</u>
<b>Expenditure</b>					
Employment costs	6	(10,676)	(10,354)	(10,479)	(10,232)
Other operating charges	7	(25,109)	(17,240)	(24,695)	(16,620)
		<u>(35,785)</u>	<u>(27,594)</u>	<u>(35,174)</u>	<u>(26,852)</u>
<b>Operating (Loss)</b>	8	<b>(1,010)</b>	<b>(1,083)</b>	<b>(1,232)</b>	<b>(1,216)</b>
Finance and other income	9	242	235	122	122
Profit on disposal of financial assets		525	525	636	636
Exceptional Items	10	-	-	(587)	(587)
Share of losses of Joint Venture	13	(282)	-	-	-
<b>(Loss) before tax</b>		<b>(525)</b>	<b>(323)</b>	<b>(1,061)</b>	<b>(1,045)</b>
Taxation	11	(218)	(202)	(18)	(18)
<b>(Loss) for the year</b>		<b>(743)</b>	<b>(525)</b>	<b>(1,079)</b>	<b>(1,063)</b>

**Statement of Comprehensive Income for the year ended 28 February 2018**

	Notes	2018		Restated 2017	
		Group £000	IFoA £000	Group £000	IFoA £000
(Loss) for the year		(743)	(525)	(1,079)	(1,063)
<b>Other Comprehensive Income</b>					
Unrealised gain on revaluation of investments	16	2	2	694	694
Reclassification on disposal of available for sale assets		(506)	(506)	(545)	(545)
Removal of pension asset		-	-	-	-
Movement in Deferred Tax for the year	12	48	48	(153)	(153)
Actuarial gain / (loss) recognised in the retirement benefits scheme	18	-	-	530	530
<b>Other comprehensive (expenditure) / income for the year net of tax</b>		<b>(456)</b>	<b>(456)</b>	<b>526</b>	<b>526</b>
<b>Total comprehensive income for the year</b>		<b>(1,199)</b>	<b>(981)</b>	<b>(553)</b>	<b>(537)</b>



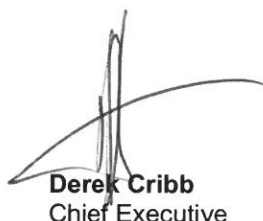
Institute and Faculty of Actuaries  
Consolidated Statement of Financial Position  
as at 28 February 2018

	Notes	2018		Restated 2017	
		Group £000	IFoA £000	Group £000	IFoA £000
<b>Non-current assets</b>					
Property, plant and equipment	14	1,516	1,516	2,043	2,043
Intangible assets	15	220	220	232	232
Available for sale financial assets	16	8,781	8,781	9,087	9,087
Historical assets	17	1,184	1,184	1,183	1,183
Investment in associate	13	513	795	495	495
		<u>12,214</u>	<u>12,496</u>	<u>13,040</u>	<u>13,040</u>
<b>Current assets</b>					
Inventories		15	15	12	12
Trade and other receivables	19	3,081	1,403	3,828	2,144
Current retirement benefit asset	18	-	-	2,107	2,107
Cash and cash equivalents		15,749	14,096	12,093	10,810
		<u>18,845</u>	<u>15,514</u>	<u>18,040</u>	<u>15,073</u>
<b>Total assets</b>		<b>31,059</b>	<b>28,010</b>	<b>31,080</b>	<b>28,113</b>
<b>Current liabilities</b>					
Trade and other payables	20	(4,174)	(2,907)	(4,213)	(3,122)
Corporation tax		(126)	(110)	(15)	(15)
Deferred revenue	21	(13,080)	(11,887)	(11,778)	(10,693)
Deferred rent		(135)	(135)	(135)	(135)
		<u>(17,515)</u>	<u>(15,039)</u>	<u>(16,141)</u>	<u>(13,965)</u>
<b>Non-current liabilities</b>					
Deferred taxation	12	(104)	(104)	(153)	(153)
Deferred rent		(754)	(754)	(901)	(901)
		<u>(858)</u>	<u>(858)</u>	<u>(1,054)</u>	<u>(1,054)</u>
<b>Total liabilities</b>		<b>(18,373)</b>	<b>(15,897)</b>	<b>(17,195)</b>	<b>(15,019)</b>
<b>Net assets</b>		<u><b>12,686</b></u>	<u><b>12,113</b></u>	<u><b>13,885</b></u>	<u><b>13,094</b></u>
<b>Reserves</b>					
General fund		11,887	11,314	12,630	11,839
Investment revaluation reserve		799	799	1,255	1,255
		<u>12,686</u>	<u>12,113</u>	<u>13,885</u>	<u>13,094</u>

The financial statements on pages 5 to 22 were approved and authorised for issue by Management Board on behalf of Council on 29 May 2018 and signed on its behalf by:



**Marjorie Ngwenya**  
President



**Derek Cribb**  
Chief Executive

Institute and Faculty of Actuaries  
 Consolidated Statement of Changes in Equity  
 for the year ended 28 February 2018

---

<b>Group and IFoA</b>	<b>Investment</b>		<b>Total</b>
	<b>General Fund</b>	<b>Revaluation Reserve</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 March 2017 ( Restated )</b>	<b>12,630</b>	<b>1,255</b>	<b>13,885</b>
(Loss) for the year	(743)		(743)
Other comprehensive income /(expenditure)		(456)	(456)
Total comprehensive (expenditure) / income	(743)	(456)	(1,199)
<b>Balance as at 28 February 2018</b>	<b>11,887</b>	<b>799</b>	<b>12,686</b>

<b>IFoA</b>	<b>Investment</b>		<b>Total</b>
	<b>General Fund</b>	<b>Revaluation Reserve</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 March 2017 ( Restated )</b>	<b>11,839</b>	<b>1,255</b>	<b>13,094</b>
(Loss) for the year	(525)		(525)
Other comprehensive income/(expenditure)		(456)	(456)
Total comprehensive (expenditure) / income	(525)	(456)	(981)
<b>Balance as at 28 February 2018</b>	<b>11,314</b>	<b>799</b>	<b>12,113</b>

Institute and Faculty of Actuaries  
Consolidated Statement of Changes in Cash Flow  
for the year ended 28 February 2018

	Notes	2018		2017	
		Group £000	IFoA £000	Group £000	IFoA £000
<b>Cash flow from / (used in) operating activities</b>					
Loss for the year		(743)	(525)	(1,079)	(1,063)
Depreciation	14	527	527	566	566
Amortisation	15	12	12	13	13
Finance income		(242)	(235)	(122)	(122)
Current Tax charge		218	202	18	18
Profit on disposal of investments and intangible assets		(525)	(525)	(636)	(636)
Retirement benefits scheme net cost/(income)	18	-	-	1,896	1,896
Joint Venture Impairment		282	-	-	-
Increase in inventories		(3)	(3)	(2)	(2)
(Increase) / decrease in debtors		748	741	(361)	(150)
Increase / (decrease) in creditors and deferred revenue		1,111	828	491	274
<b>Cash (used in) operations</b>		<b>1,385</b>	<b>1,022</b>	<b>784</b>	<b>794</b>
Taxation		(107)	(107)	(33)	(15)
<b>Net cash from operating activities</b>		<b>1,278</b>	<b>915</b>	<b>751</b>	<b>779</b>
<b>Cash flow from investing activities</b>					
Finance income received	9	242	235	122	122
Dividends reinvested		(210)	(210)	(48)	(48)
Purchase of Property, Plant and Equipment	14	-	-	(28)	(28)
Monies received from Pension Fund		2,107	2,107	-	-
Purchase of available for sale assets		-	-	(8,005)	(8,005)
Movement on investment in associate		(300)	(300)	(495)	(495)
Sale of assets for resale		540	540	654	654
Purchase of historical assets	17	(1)	(1)	(5)	(5)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>3,656</b>	<b>3,286</b>	<b>(7,054)</b>	<b>(7,026)</b>
Cash and cash equivalents at 1 March 2017		<b>12,093</b>	<b>10,810</b>	19,147	17,836
<b>Cash and cash equivalents at 28 February 2018</b>		<b>15,749</b>	<b>14,096</b>	12,093	10,810

## 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. IFRS 16 – Leases. This standard 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.

### 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 £8.8m (2017: £9.1m).

#### *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) 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 associated 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.

#### **m) Going Concern**

The financial statements have been prepared on a going concern basis. The Group continues to generate cash despite making an operating loss. 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.

#### **n) 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 £7.7m (2017: £4.8m) in current accounts, £3m (2017: £0.7m) in notice accounts and £5m (2017: £7.1m) 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.

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

#### *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.

#### 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.

##### *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 scheme was wound up on the 29<sup>th</sup> June 2017.

### 4. Subscriptions and other income

	2018		2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions, admissions, certificate fees	12,605	12,605	11,789	11,789
Income from research (CMI Limited)	1,267	-	1,217	-
Designated Professional Body regulation	384	384	337	337
Royalties	30	30	-	-
Actuary magazine	8	8	1	1
Management service fees	48	48	16	16
List of actuarial advisors	23	23	19	19
Disciplinary fines	29	29	37	37
Other Income	6	6	10	10
	<b>14,400</b>	<b>13,133</b>	<b>13,426</b>	<b>12,209</b>

### 5. Pre-qualification learning and development

	2018		2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Examinations	15,955	8,958	16,095	9,006
Exemptions	937	937	862	862
Tuition materials	245	245	249	249
	<b>17,137</b>	<b>10,140</b>	<b>17,206</b>	<b>10,117</b>

## 6. Employment costs

	2018		2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Wages and salaries	(8,618)	(8,296)	(8,092)	(7,845)
Social security costs	(903)	(903)	(878)	(878)
Pension costs	(1,155)	(1,155)	(1,509)	(1,509)
	<u>(10,676)</u>	<u>(10,354)</u>	<u>(10,479)</u>	<u>(10,232)</u>

The number of staff employed by the group at 28 February 2018 was 165 (2017: 161). The number of staff employed by the IFoA at 28 February 2018 was 161 (2017:157).

The remuneration of the Chief Executive and other Executive Directors for the financial year ended 28 February 2018 is disclosed below:

	IFoA	IFoA	IFoA	IFoA
	2018	2017	2018	2017
	Derek Cribb (Chief Executive)	Derek Cribb (Chief Executive)	Executive Directors (excl. CE)	Executive Directors (excl. CE)
	£000	£000	£000	£000
Short-term benefits	304	286	603	713
Bonus	85	85	129	129
Post-employment benefit	-	13	68	104
	<u>389</u>	<u>384</u>	<u>800</u>	<u>946</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.

## 7. Other operating charges

	2018		2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Central activities	(7,907)	(8,228)	(7,442)	(7,688)
Pre-qualification learning and development	(11,385)	(4,388)	(11,456)	(4,367)
Post-qualification learning and development	(1,879)	(1,879)	(1,878)	(1,878)
Participation in other bodies	(1,029)	(1,029)	(808)	(808)
Learned society and research	(1,321)	(128)	(1,472)	(240)
Professional / ethical standards	(677)	(677)	(585)	(585)
Member services	(752)	(752)	(880)	(880)
Practice areas and member interest groups	(116)	(116)	(122)	(122)
Designated Professional Body Regulation	(43)	(43)	(52)	(52)
	<u>(25,109)</u>	<u>(17,240)</u>	<u>(24,695)</u>	<u>(16,620)</u>



## 8. Operating loss

The Group and IFoA operating surplus / (loss) is stated after charging:

	2018 Group £000	2017 Group £000
Employment costs	(10,676)	(10,479)
Depreciation	(527)	(566)
Amortisation of intangibles	(12)	(13)
President's and Council Members' expenses	(42)	(33)
Audit fees	(43)	(39)
Operating lease	(730)	(686)

## 9. Finance and other income

	2018 Group £000	2018 IFoA £000	2017 Group £000	2017 IFoA £000
Bank interest	11	4	32	32
Interest from investment deposits	20	20	19	19
Dividends from investments	211	211	71	71
	<u>242</u>	<u>235</u>	<u>122</u>	<u>122</u>

## 10. Exceptional Items

	2018 Group £000	2018 IFoA £000	Restated 2017 Group £000	Restated 2017 IFoA £000
Sale of IP on the CAA qualification to CAA Global Limited which is 50% owned by IFoA	-	-	990	990
Agreed uplift of DB pension scheme members on triggering scheme wind-up		-	(1,577)	(1,577)
	<u>-</u>	<u>-</u>	<u>(587)</u>	<u>(587)</u>

## 11. 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

	2018 Group £000	2018 IFoA £000	2017 Group £000	2017 IFoA £000
Current tax	126	110	15	15
Prior year (over)/ under provision	92	92	3	3
<b>Tax on profit on ordinary activities</b>	<b>218</b>	<b>202</b>	<b>18</b>	<b>18</b>
Surplus/ (Loss) before tax	(525)	(323)	(1,061)	(1,045)
Tax at the UK corporation tax rate of 20% 16/17			(311)	(209)
Tax at the UK corporation tax rate of 19% 17/18	(105)	(65)	-	-
Effects of non-taxable items	(205)	(229)	290	188
Prior year (over) / under provision	92	92	3	3
	<b>(218)</b>	<b>(202)</b>	<b>(18)</b>	<b>(18)</b>

## 12. Movement in Deferred taxation

	2018 Group £000	2018 IFoA £000	2017 Group £000	2017 IFoA £000
<b>Balance at 1st March 2017</b>	<b>153</b>	<b>153</b>	<b>-</b>	<b>-</b>
Deferred tax on fair value movement on available for sale assets	(48)	(48)	153	153
<b>Balance at 28th February 2018</b>	<b>104</b>	<b>104</b>	<b>153</b>	<b>153</b>

## 13. 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 28 February 2018 are included in the consolidated accounts.

### 13. Interest in subsidiaries and associate companies (cont.)

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 2018 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 2018 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. 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 15 months to 28<sup>th</sup> February 2018 as shown below:

#### Investment in Associate

	2018 £000
CAA Global Ltd: 50% Shareholding	
Investment value :	795
(Share of loss) :	<u>(282)</u>
Net Value :	<u>513</u>

A prior year adjustment has been processed following a review of the investment in CAA Global Limited to show it as an associate rather than a joint arrangement. The change shows the value of the investment held rather than showing the proportion of each underlying asset and liability.

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

	Leasehold Property £000	IT equipment £000	Fixtures & fittings £000	Website	Total £000
<b>Cost or valuation:</b>					
as at 1 March 2017	2,028	615	537	438	3,618
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
as at 28 February 2018	<u>2,028</u>	<u>615</u>	<u>537</u>	<u>438</u>	<u>3,618</u>
<b>Depreciation:</b>					
as at 1 March 2017	554	459	416	146	1,575
Provided in year	187	129	101	110	527
Disposals	-	-	-	-	-
as at 28 February 2018	<u>741</u>	<u>588</u>	<u>517</u>	<u>256</u>	<u>2,102</u>
Net Book Value at 28 February 2017	1,474	156	121	292	2,043
Net Book Value at 28 February 2018	<u>1,287</u>	<u>27</u>	<u>20</u>	<u>182</u>	<u>1,516</u>

### 15. Intangible assets – Group and IFoA

Intangible Assets Actuary Magazine title

	IFoA Totals £000
<b>Cost or valuation:</b>	
<b>as at 1 March 2017</b>	<b>250</b>
Additions	-
Disposals	-
<b>as at 28 February 2018</b>	<b>250</b>
<b>Accumulated amortisation</b>	
<b>as at 1 March 2017</b>	<b>18</b>
Charge for the year	12
Disposals	-
<b>as at 28 February 2018</b>	<b>30</b>
Net Book Value at 29 February 2017	232
<b>Net Book Value at 28 February 2018</b>	<b>220</b>

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

	2018 Group £000	2017 Group £000
as at 1 March	9,087	901
Additions	210	8,055
Disposals	(540)	(654)
Unrealised gain / (loss) on revaluation	2	694
Realised gain on disposal	22	91
<b>as at 28 February</b>	<b>8,781</b>	<b>9,087</b>

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 2018 was £8.3m (2017: £8.1m). 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.

The disposals in the year relate to the remainder of 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

	<b>Group £000</b>	Group £000
as at 1 March	1,183	1,178
Additions	1	5
Unrealised gain / (loss) on revaluation	-	-
<b>as at 28 February</b>	<b><u>1,184</u></b>	<b><u>1,183</u></b>

The historical books were revalued in February 2015 by Pickering & Chatto, Antiquarian Booksellers. No revaluation was considered necessary in 2018.

## 18. Retirement benefit asset

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 on 28 February 2013. The assets of the Scheme were held separately from those of the IFoA. The scheme was wound up on the 29<sup>th</sup> June 2017.

### IAS 19 valuation

The Scheme's actuary provided a separate report for IAS 19 purposes at each year end. As the scheme closed on the 29<sup>th</sup> June 2017 no report is necessary for 28<sup>th</sup> February 2018. Final termination statements were made up to the 29<sup>th</sup> June 2017.

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.

### Amounts recognised in the consolidated income statement

	<b>2018 £000</b>	2017 £000
Employer service cost	-	-
Past Service Cost - scheme amendments	-	644
Settlement (gain) / loss	-	933
Interest cost	-	-
Interest income on Scheme assets	-	(95)
Admin costs paid	161	414
<b>Total operating charge</b>	<b><u>161</u></b>	<b><u>1,896</u></b>

**18. Retirement benefit asset (cont.)**

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

	<b>2018</b>	2017
	<b>£000</b>	£000
Return on Scheme assets (less)/ greater than discount rate	-	12,320
Liability experience actuarial (loss) /gain arising during period	-	-
Liability assumptions actuarial gain /(loss) arising during period	-	(11,790)
<b>Remeasurement effects recognised in OCI</b>	<u>-</u>	<u>530</u>

**Retirement benefit asset**

	<b>2018</b>	2017
	<b>£000</b>	£000
Fair value of assets	-	2,107
Actuarial value of Scheme liabilities	-	-
<b>Surplus in the Scheme</b>	<u>-</u>	<u>2,107</u>

**Movement in surplus**

	<b>2018</b>	2017
	<b>£000</b>	£000
as at 1 March	-	3,473
Service Charges	-	(1,577)
Operating charges	-	95
Employer contributions	-	-
Admin costs incurred in period	-	(414)
Remeasurement effects recognised in OCI	-	530
<b>as at 28 February</b>	<u>-</u>	<u>2,107</u>

**Movement in Scheme assets**

	<b>2018</b>	2017
	<b>£000</b>	£000
as at 1 March	2,107	35,460
Return on Scheme assets	-	13,226
Benefits paid	-	(615)
Admin costs paid	(161)	(414)
Settlements	(1,946)	(45,550)
<b>as at 28 February</b>	<u>-</u>	<u>2,107</u>

## 18. Retirement benefit asset (cont.)

### Movement in Scheme liabilities

	2018 £000	2017 £000
as at 1 March	-	31,987
Interest cost	-	811
Actuarial loss/ (gain)	-	11,790
Past service cost - scheme amendments	-	644
Benefits paid	-	(615)
Settlements	-	(44,617)
<b>as at 28 February</b>	<b>-</b>	<b>-</b>

## 19. Trade and other receivables

	2018		Restated 2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade receivables	970	317	781	356
Amounts owed by subsidiaries	-	78	-	538
Prepayments and accrued income	964	962	1,032	992
Deferred expenditure	1,061	-	1,239	-
Other receivables	86	46	281	258
Amounts owed by associate	-	-	495	-
	<b>3,081</b>	<b>1,403</b>	<b>3,828</b>	<b>2,144</b>

## 20. Trade and other payables

	2018		2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Trade payables	1,377	96	1,168	388
Amounts owed to subsidiaries	-	14	-	17
Taxation and social security costs	264	264	217	217
Amounts held on behalf of members	19	19	23	23
Accruals	2,467	2,467	2,798	2,476
Other payables	47	47	7	1
	<b>4,174</b>	<b>2,907</b>	<b>4,213</b>	<b>3,122</b>

## 21. Deferred revenue

	2018		2017	
	Group £000	IFoA £000	Group £000	IFoA £000
Subscriptions	6,521	6,521	6,091	6,091
Tuition fees	1,193	-	1,085	-
Examination fees	4,613	4,613	3,685	3,685
Events fees	123	123	160	160
Practising certificates	533	533	549	549
Other deferred revenue	97	97	208	208
	<b>13,080</b>	<b>11,887</b>	<b>11,778</b>	<b>10,693</b>

## 22. Commitments – Group and IFoA

At 28 February 2018 the IFoA had outstanding total commitments under non-cancellable leases for land and buildings and other are as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
Within 1 year	<b>748</b>	756
In 2 to 5 years	<b>3,367</b>	3,193
More than 5 years	<b>1,670</b>	2,642
	<u><b>5,785</b></u>	<u>6,591</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.