

INSTITUTE OF ACTUARIES

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2008

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2008
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF ACTUARIES

We have audited the financial statements of the Institute of Actuaries for the year ended 29 February 2008 which comprise the consolidated income and expenditure account, consolidated and Institute balance sheets, the consolidated statement of total recognised gains and losses, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Institute's members as a body. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Bye-laws of the Institute and United Kingdom Financial Reporting Standards. We also report to you if, in our opinion, the Treasurer's Statement is not consistent with the financial statements, if the Institute has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Institute's and Group's affairs as at 29 February 2008 and of the net surplus and cash flows of the Group for the year then ended; and
- have been properly prepared in accordance with the Bye-laws of the Institute.

haysmacintyre
Chartered Accountants and Registered Auditors

19 May 2008

Fairfax House
15 Fulwood Place
London
WC1V 6AY

INSTITUTE OF ACTUARIES

STATEMENT OF THE RESPONSIBILITIES OF THE COUNCIL OF THE INSTITUTE OF ACTUARIES ("THE COUNCIL")

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

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 period ended 29 February 2008. 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. It is also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Council Member is aware at the time the report is approved:

- there is no relevant audit information of which the Institute's 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.

G T Russell
Treasurer
19 May 2008

INSTITUTE OF ACTUARIES

CONSOLIDATED BALANCE SHEET AS AT 29 FEBRUARY 2008

	Note	2008		2007	
		£000	£000	£000	£000
Fixed assets	2		252		251
Listed investments	4	701		2,930	
Other investments	4	<u>545</u>		<u>538</u>	
			1,246		3,468
Current Assets					
Stock	5	26		31	
Debtors	6	2,597		2,699	
Cash at bank		283		61	
Deposits		11,009		8,837	
Compensation Fund bank account	7	<u>450</u>		<u>438</u>	
		<u>14,365</u>		<u>12,066</u>	
Current Liabilities					
Creditors	8	1,278		1,464	
Members' credit balances		18		12	
Corporation tax	9	147		78	
Deferred income	10	<u>6,736</u>		<u>5,950</u>	
		<u>8,179</u>		<u>7,504</u>	
Net Current Assets			6,186		4,562
Net Assets			<u>7,684</u>		<u>8,281</u>
Represented by:					
General Fund	11		6,564		6,952
Investment revaluation reserve	11		<u>670</u>		<u>891</u>
			7,234		7,843
Compensation Fund	7		<u>450</u>		<u>438</u>
			<u>7,684</u>		<u>8,281</u>

On behalf of the Council	(N J Dumbreck	President
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	(G T Russell	Treasurer
	(

19 May 2008

INSTITUTE OF ACTUARIES

BALANCE SHEET AS AT 29 FEBRUARY 2008

	Note	2008	2008	2007	2007
		£000	£000	£000	£000
Fixed Assets	2		252		251
Investments					
Investments in subsidiary undertakings	3				
Listed investments	4	701		2,930	
Other investments	4	<u>545</u>		<u>538</u>	
			1,246		3,468
Current Assets					
Stock	5	26		31	
Debtors	6	1,101		977	
Cash at bank		192		1	
Deposits		11,009		8,837	
Compensation Fund bank account	7	<u>450</u>		<u>438</u>	
			<u>12,778</u>		<u>10,284</u>
Current Liabilities					
Creditors	8	835		813	
Members' credit balances		18		12	
Corporation tax	9	147		78	
Deferred income	10	<u>5,592</u>		<u>4,819</u>	
			<u>6,592</u>		<u>5,722</u>
Net Current Assets			6,186		4,562
Net Assets			<u>7,684</u>		<u>8,281</u>
Represented by:					
General Fund	11		6,564		6,952
Investment revaluation reserve	11		<u>670</u>		<u>891</u>
			7,234		7,843
Compensation Fund	7		<u>450</u>		<u>438</u>
			<u>7,684</u>		<u>8,281</u>

On behalf of the Council	(N J Dumbreck	President
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	(G T Russell	Treasurer
	(

19 May 2008

INSTITUTE OF ACTUARIES

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 29 FEBRUARY 2008**

	Note	2008 £000	2007 £000
<u>INCOME</u>			
Subscriptions and entrance fees		5,673	5,207
Regulatory income		239	238
Continuing Professional Development income		4,703	3,639
Exams and Exemption fees		4,274	3,792
Education:			
Initial training		5,363	4,625
International, Monitoring fees etc.		360	373
		5,723	4,998
Investment income		945	423
Miscellaneous	15	1,662	993
		23,219	19,290
<u>EXPENDITURE</u>			
Staff costs	16	10,291	6,301
Initial training		5,363	4,625
Honoraria fees and expenses		1,068	868
Legal and advisory		780	898
Premises costs		925	921
Communications and office supplies		969	947
Venue and catering costs		1,786	1,309
Other services	17	1,607	1,373
Depreciation		142	157
Irrecoverable VAT		516	555
		23,447	17,954
Operating (deficit)/surplus for the year before tax		(228)	1,336
Tax	9	(148)	(91)
Operating (deficit)/surplus for the year after tax		(376)	1,245
Appropriated to:			
General Fund		(388)	1,239
Compensation Fund		12	6
		(376)	1,245

The result of the Institute of Actuaries before the consolidation of ICA 98 Limited and Institute and Faculty Education Limited was an operating deficit after tax of £376,567 (2007: surplus £1,216,437).

INSTITUTE OF ACTUARIES

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 29 FEBRUARY 2008**

	2008	2007
	£000	£000
(Deficit)/surplus for the year	(376)	1,245
Unrealised gains on investments	57	165
Realised gains on investments	(278)	-
Movement on deferred tax relating to gains released during the year	-	-
Total recognised (losses)/gains relating to the year	<u>(597)</u>	<u>1,410</u>

HISTORICAL COST PROFITS AND LOSSES

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

INSTITUTE OF ACTUARIES

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 FEBRUARY 2008**

	Note	2008 £000	2007 £000
Net Cash (outflow)/inflow from operating activities	a	(262)	996
Returns on investments and servicing of finance			
Investment income received		945	423
Taxation		(148)	(91)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(143)	(74)
Purchase of non-cash investment		(7)	(80)
Disposal of tangible fixed assets		-	-
Cash inflow before use of liquid resources and financing		386	1,174
Management of liquid resources			
Cash deposited on one month Term Deposit	c	2,172	1,312
Increase/(decrease) in cash in the period		2,558	2,486
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		386	1,174
Cash outflow from increase in liquid resources		-	-
Change in net funds resulting from cash flows	b	386	1,174
Changes in market value	b	57	165
Net funds at 1 March 2007	b	11,828	10,489
Transfer to General fund on sale of Gilt		(278)	-
Net funds at 29 February 2008	b	11,993	11,828

Notes to the Cash Flow Statement

Note a: Reconciliation of operating profit to operating cash flows

	2008 £000	2007 £000
Operating (deficit)/surplus before taxation and investment income	(1,174)	913
Depreciation charges	142	157
Decrease/(Increase) in stocks	5	(1)
Decrease/(Increase) in debtors	91	(838)
Increase/(Decrease) in creditors and deferred income	674	765
Surplus/(Loss) on disposal of fixed assets	-	-
Net cash (outflow)/inflow from operating activities	(262)	996

INSTITUTE OF ACTUARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 FEBRUARY 2008

Notes to the Cash Flow Statement continued

Note b: Analysis of net funds	At 1 March 2007 £000	Cash flow £000	Changes to Market value £000	At 29 February 2008 £000
Cash in hand, at bank	61	221		283
Current asset investments:				
One month term deposits	8,837	2,172		11,009
Investments				
Purchases/(sales)	2,930	(2,286)	57	701
Total	<u>11,828</u>	<u>107</u>	<u>57</u>	<u>11,993</u>

Note c

Included within liquid resources are term deposits of less than one year, British government securities and ordinary stocks and shares.

INSTITUTE OF ACTUARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2008

1. Accounting Policies

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

- (a) The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of current asset investments which are included at market value. Surpluses and deficits on revaluation are reflected in the Investment revaluation reserve.
- (b) The consolidated Income and Expenditure Account and Balance Sheet include the Financial Statements of the Institute and its subsidiary undertakings made up to 29 February 2008.
- (c) Subscription income received and Certificate fees have been apportioned over the periods to which they relate. The subscription year ends on 30 September.
- (d) Income received from Conferences, Examinations and Initial Training 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) Expenditure on a major refurbishment programme of works is capitalised in the year in which the costs are incurred and written-off over ten years. The member database has an estimated useful life of six years. Other significant expenditure on fixed assets is similarly capitalised and written-off over four years; the remaining costs of office furniture, equipment and improvements are written off in the year of acquisition. Depreciation is applied from date of acquisition/completion of project in the year of acquisition of any fixed asset.
- (f) Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.
- (g) Contributions to the Institute's defined benefit pension scheme are charged to the Income and Expenditure Account i.e. are accounted for as if it were a defined contribution scheme as the scheme is a multi-employer scheme and the Institute is unable to identify its share of the underlying assets and liabilities. Details of the results of the latest actuarial valuation of the scheme are set out in Note 12.
- (h) Rental costs under operating leases are charged to the Income and Expenditure Account on a straight-line basis over the lease term.
- (i) Historical books are recorded in the financial statements at valuation.
- (j) Stocks are valued at historical cost less amounts written off in respect of diminution in value.

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**NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 29 FEBRUARY 2008**

2. Fixed Assets

Group and Institute Cost	Major Refurbishment £000	IT Equipment £000	Fixtures and Fittings £000	Total £000
As at 1 March 2007	1,232	557	561	2,350
Disposals	-	-	-	-
Acquisitions	-	5	138	143
As at 29 February 2008	<u>1,232</u>	<u>562</u>	<u>699</u>	<u>2,493</u>
Depreciation				
As at 1 March 2007	1,232	351	516	2,099
Eliminated on disposals	-	-	-	-
Charge for year	-	108	34	142
As at 29 February 2008	<u>1,232</u>	<u>459</u>	<u>550</u>	<u>2,241</u>
Net Book Value				
As at 1 March 2007	<u>-</u>	<u>206</u>	<u>45</u>	<u>251</u>
As at 29 February 2008	<u>-</u>	<u>103</u>	<u>149</u>	<u>252</u>

3. Interests in Subsidiary Undertakings

The Institute has two subsidiary undertakings.

The Institute owns nine £1 ordinary shares comprising 90% of the issued share capital of Institute and Faculty Education Limited (IFE), a company incorporated in Great Britain, which provides tuition to persons studying for the professional examinations of the Institute and the Faculty of Actuaries.

Under the terms of an agreement dated 25 July 1995, IFE appointed Actuarial Education Company Limited ("ACTED"), a wholly owned subsidiary of BPP Actuarial Education Limited, to provide tuition services. ACTED makes a charge to IFE for such services equivalent to IFE's income. The results of IFE for the year to 29 February 2008 are included in the consolidated accounts.

The minority interests in this company are immaterial and have not been disclosed in the Balance Sheet.

The Institute also owns eight £1 ordinary shares comprising 80% of the issued share capital of ICA 98 Limited, a company incorporated in Great Britain, which was established to organise the 1998 actuarial congress held in June 1998. On 9 April 1999, the Institute entered into an agreement with ICA 98 Limited whereby all assets and liabilities of ICA 98 Limited were transferred to the Institute with effect from the close of business on 28 February 1999. Thereafter, ICA 98 Limited ceased to trade.

INSTITUTE OF ACTUARIES

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 29 FEBRUARY 2008**

4. Investments

(a) Listed investments - Group and Institute

	2008		2007	
	Cost	Market	Cost	Market
	£000	Value	£000	Value
	£000	£000	£000	£000
British government securities	-	-	2,008	2,286
Ordinary stocks and shares	31	701	31	644
	<u>31</u>	<u>701</u>	<u>2,039</u>	<u>2,930</u>

During the year, the Institute sold its entire holding of government securities at a gain of £397,980.

(b) Other investments - Institute

Other investment assets relate to historical books held by the Institute.

	2008	2007
	£000	£000
Value at 1 March 2007	538	458
Additions	<u>7</u>	<u>80</u>
Value at 29 February 2008	<u>545</u>	<u>538</u>

The historical books were valued in May 2005 by Pickering & Chatto, Antiquarian Booksellers. The Council believes that there has been no material change in the value of those books held since the original valuation. Acquisitions have been recorded at market value.

5. Stock

Group and Institute

	2008	2007
	£000	£000
Publications stocks	24	25
Stationery stocks	<u>2</u>	<u>6</u>
	<u>26</u>	<u>31</u>

6. Debtors

	Group		Institute	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade	500	622	147	32
Intercompany	-	-	-	-
Prepayments and accrued income	621	543	621	543
Deferred expenditure	1,143	1,132	-	-
Other	<u>333</u>	<u>402</u>	<u>333</u>	<u>402</u>
	<u>2,597</u>	<u>2,699</u>	<u>1,101</u>	<u>977</u>

Deferred expenditure arises from Institute and Faculty Education Limited's accounting policy of matching timing of revenue and expenditure at the point of delivery of tuition. The corresponding income is recorded as Deferred Tuition fees (note 10)

7. Compensation Fund

The Institute was required, as a condition of recognition under the Financial Services Act 1986, to make provision to meet legitimate claims by investors arising from the default of any firm authorised for investment business by the Institute as a Recognised Professional Body, relating to business written prior to 1 December 2001. Responsibility for authorising such firms passed to the Financial Services Authority from 1 December 2001. The Institute's maximum liability for such claims is £1,000,000 in any year to 31 March, and to the extent that such claims might exceed the amount standing initially to the credit of the Compensation Fund they would be met from the general reserves of the Institute, which would be

INSTITUTE OF ACTUARIES

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 29 FEBRUARY 2008**

7. Compensation Fund continued

reimbursed by a levy on authorised firms. One such claim for £3,000 has been received since the institution of the Compensation Scheme in 1988. The Fund was financed by an annual levy on authorised firms.

Group and Institute	2008 £000	2007 £000
Interest	16	10
Tax on interest	(4)	(4)
Movement in year	<u>12</u>	<u>6</u>
Balance at 1 March	<u>438</u>	<u>432</u>
Balance at 29 February	<u><u>450</u></u>	<u><u>438</u></u>

8. Creditors

	Group		Institute	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade	513	819	94	178
Other taxes and social security costs	109	105	109	105
Accruals	589	482	565	482
Other	67	58	67	48
	<u>1,278</u>	<u>1,464</u>	<u>835</u>	<u>813</u>

It is the general policy of the Institute and its subsidiary undertakings to pay for the supply of goods and services within 30 days of the date of any invoice.

9. Taxation

	2008 £000	2007 £000
Tax on profit on ordinary activities:		
a) Analysis of charge in period		
Current Tax:		
UK Corporation tax on profits of the period	148	80
Adjustments in respect of previous periods	-	11
Foreign Tax:	-	-
	<u>148</u>	<u>91</u>
Total current tax (note 9(b))	148	91
Total deferred tax:	-	-
Tax on profit on ordinary activities	<u>148</u>	<u>91</u>

b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2008 £000	2007 £000
(Loss)/Profit on ordinary activities before tax	<u>(228)</u>	<u>1,336</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	(68)	401
Effects of:		
Small companies marginal relief	23	(30)
Non-taxable items	193	(280)
Current tax charge for period (note 9a)	<u>148</u>	<u>91</u>

Tax is charged on investment income and gains on gilts only. Provision for deferred tax: in accordance with FRS19 no deferred tax is recorded for the current year.

INSTITUTE OF ACTUARIES

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 29 FEBRUARY 2008**

10. Deferred Income

	Group		Institute	
	2008 £000	2007 £000	2008 £000	2007 £000
Subscriptions	3,266	2,766	3,266	2,766
Tuition fees	1,182	1,174	38	43
Examination fees	1,919	1,782	1,919	1,782
Authorisation fees	20	18	20	18
Conference fees	307	202	307	202
Dinner income	30	-	30	-
Management charges	3	-	3	-
Journal fees	9	8	9	8
	6,736	5,950	5,592	4,819

Deferred Subscription income arises from annual membership fees being largely received in full at the beginning of the subscription year on 1 October.

11. Reserves

Group	General Fund £000	Investment Revaluation Reserve £000	Total £000
As at 1 March 2007	6,952	891	7,843
Transfers from Income and Expenditure Account in year	(388)	(278)	(666)
Unrealised gains		57	57
As at 29 February 2008	6,564	670	7,234
Institute			
As at 1 March 2007	6,952	891	7,843
Transfers from Income and Expenditure in year	(388)	(278)	(666)
Unrealised gains		57	57
As at 29 February 2008	6,564	670	7,234

INSTITUTE OF ACTUARIES

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 29 FEBRUARY 2008

12. Pension Arrangements

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

Employees who are Scheme members are not required to pay contributions. Contributions to the Scheme by the Employers are determined on the basis of triennial valuations by the Scheme Actuary. The most recent valuation was completed as at 28 February 2007, this being the first such valuation in accordance with the scheme funding requirements of the Pensions Act 2004. This valuation was based on the key assumptions detailed in the table below, which were agreed by the Scheme Trustees and the Employers:

Nominal rate of:	% pa
Investment return (net of investment expenses):	
- before retirement	5.5
- after retirement	4.5
Pension increases	3.0
Salary increases	5.0
Price inflation	3.0

Mortality rates were based on the tables produced from the Faculty and Institute of Actuaries' Continuous Mortality Investigation (CMI) into pensioner mortality as follows:

- Base table: CMI "00 series" table projected to 2007 in line with CMI "92 series" table long cohort projection; and
- Allowance for future mortality improvements: CMI "92 series" table long cohort projection from 2007 subject to a minimum rate of improvement of 1.5% pa.

The market value of the Scheme's assets as at 28 February 2007 was £19.3 million (excluding Additional Voluntary Contributions). The value of the benefits that had then accrued to members, after allowing for future increases in their salaries and pensions, was calculated to be £24.5 million, using the projected unit method and the assumptions above. The Scheme therefore showed a deficit of £5.2m as at 28 February 2007, the Scheme assets representing 79% of the value of members' accrued benefits.

During the year to 29 February 2008 the Employers' contributions were as follows:

Up to 30 November 2007:

(a) 29.2% of pensionable salaries plus £400,000pa, in accordance with the schedule of contributions then in place; and

(b) additional contributions of £5,188,000.

The Scheme Actuary estimated, on the basis of the assumptions above, that payment of these contributions would be sufficient for the Scheme's assets as at 1 December 2007 to be at least equal to the value of members' accrued benefits as at that date.

From 1 December 2007 £940,000pa, in accordance with the revised schedule of contributions effected from 1 December 2007. These contributions represent the cost of ongoing benefit accrual by employees who are Scheme members, on the basis of the assumptions above and using the attained age method.

The pension cost and contribution for the year to 29 February 2008 has been calculated by reference to the methods and assumptions above. No provision relating to the Institute's share of any total Scheme surplus or deficit is included within the Accounts at the end of the year, as the Scheme operates on a multi-employer basis and the Institute is unable to identify its share of the underlying assets and liabilities. For the same

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**NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 29 FEBRUARY 2008**

12. Pension Arrangements continued

reason, the contributions paid by the Institute are accounted as if the Scheme were a defined contribution scheme.

Had the Scheme discontinued on 28 February 2007, the last valuation date, and the benefits been secured with an insurance company, then overall the Scheme's assets would have been about 60% of the amount needed to cover the value of the benefits earned to that date. The estimated discontinuance position would have improved to 76% had the additional contributions of £5,188,000 been paid by the valuation date.

The pension cost for the year was £6,330,604 (2007: £2,632,272). This includes payments into the personal pension arrangements of employees who are not Scheme members.

13. Commitments

a) Lease Commitments:

At 29 February 2008, the Institute had annual commitments under operating leases in respect of land and buildings as follows:

	2008	2007
	£	£
Expiring in under one year	-	-
Expiring in two to five years	-	3,000
Expiring in over five years	429,000	427,000

b) Capital Commitments:

At 29 February 2008, the Institute had entered into no commitments in respect of capital expenditure (2007: none).

14. Contingent Liabilities

As at 29 February 2008 and 28 February 2007, the Institute has a contingent liability in respect of the Compensation Fund as described in Note 7. It is expected that a maximum period of 7 years from 1 December 2001 would apply to any liability.

15. Income - Miscellaneous

	Group and Institute	
	2008	2007
	£000	£000
Commercial lettings	140	159
Management charges and service charges	63	61
Appointment circulars	7	11
FT Indices Royalties	55	55
Mail shots	1	2
Biennial dinner	4	53
List of Members Adverts	6	27
Actuary magazine	140	118
List of Actuarial Employers	17	12
Surplus on disposal of fixed assets	-	-
Share of Joint Pool	1,222	395
Donations received	1	99
Others	7	1
	1,662	993

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**NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 29 FEBRUARY 2008**

16. Staff Costs

	Group and Institute	
	2008	2007
	£000	£000
Wages and salaries	3,424	3,175
Social security costs	321	303
Pension scheme contribution	6,150	2,480
Personal pension contributions	180	152
Other costs	216	191
	<u>10,291</u>	<u>6,301</u>

The number of staff employed at 29 February 2008 was 96 (2007: 91).
No emoluments or loans were made to Council Members (2007: none).

17. Expenditure - Other Services

	Group and Institute	
	2008	2007
	£000	£000
Repairs and equipment costs	102	101
Research and other grants	195	122
Staff travel	172	147
Books and periodicals	33	39
President's and Council Members' expenses	55	48
Subscriptions	357	301
Insurances	110	115
Miscellaneous	583	500
	<u>1,607</u>	<u>1,373</u>

18. Auditors' Remuneration

Fees payable to the Auditors are included in Legal and Advisory costs and amount to:

	Group		Institute	
	2008	2007	2008	2007
	£000	£000	£000	£000
Audit fees	<u>20</u>	<u>19</u>	<u>20</u>	<u>19</u>

19. Joint Activities with the Faculty of Actuaries

The majority of the work of the UK Actuarial Profession is conducted jointly by the Faculty and the Institute, each recording within its financial statements all income received and expenditure incurred in respect of the joint work undertaken. The aggregate net expenditure on joint activities incurred by the Faculty and the Institute is then compared against the objective that it should be shared between them according to a ratio based on membership numbers. The ratio for 2007/2008 was 85.3:14.7. The aggregate net expenditure on joint activities in 2007/2008 was £7,106,839 (2006/2007: £3,986,861), the Institute's share of which was £6,062,133 (2006/2007: £3,417,013). The income and expenditure associated with joint activities included within the Institute's consolidated income and expenditure account for the year ended 29 February is:

INSTITUTE OF ACTUARIES

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 29 FEBRUARY 2008

19 Joint Activities with the Faculty of Actuaries continued

	2008 £000	2007 £000
Income	11,234	9,032
Expenditure		
Direct	(8,012)	(6,508)
Allocated overheads	<u>(9,284)</u>	<u>(5,941)</u>
Total	<u>(17,296)</u>	<u>(12,449)</u>
Operating deficit	<u>(6,062)</u>	<u>(3,417)</u>

Income includes £1,222,695 (2007: £395,222) receivable from the Faculty and this represents the difference between the Institute's agreed share of aggregate net expenditure on direct activities and that which it incurred directly.

20. Related Party Transactions

The Institute provided administrative services to the Memorial Prize Fund, Memorial Research and Education Fund and ICA 98 Ltd, for which no fees were received (2007: Nil). The Institute of Actuaries is the sole trustee of the two trust funds.