

**JOINT ACCOUNT – THE INSTITUTE OF ACTUARIES AND THE
FACULTY OF ACTUARIES
CONTINUOUS MORTALITY INVESTIGATION**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006

Contents	Page
Chairman’s Statement	2
Statement of the responsibilities of the Treasurer of the Institute of Actuaries	3
Independent Auditor’s Report to the Councils of the Institute of Actuaries and the Faculty of Actuaries	4 -5
Income and Expenditure Account	6
Balance Sheet	7
Notes to the Accounts	8

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CHAIRMAN’S STATEMENT

I am pleased to present the financial results of the CMI for the year to 28 February 2006. The year has been a very busy one for the CMI and the high level of activity is expected to continue in 2006/07. More details are contained in the CMI’s Annual Review, as sent to Faculty and Institute Councils and to all member offices.

Results

Expenditure was lower than in 2004/05. It also fell short of the budgeted figure by some £208,000, largely reflecting work deferred, or not being undertaken. Much of this work remained outstanding at the end of the financial year.

Income was around £240,000 higher than in 2004/05, mainly accounted for by increased contributions from Life Offices. Compared to budget, income in 2005/06 was higher by around £97,000.

The financial result for the year was a surplus of £90,143, compared to a deficit of £217,870 in 2004/05.

Reserves

The CMI has traditionally adopted a policy of maintaining reserves at each year-end that are the equivalent of six months income. In setting the contribution rate for 2005/06, the Executive Committee expected that there would be a lower level of reserves at 28 February 2006, however as a result of the variances in income and expenditure, the reserves exceeded the target level at £600,950.

Signed on behalf of the CMI Executive Committee:

..... **B P Ridsdale**
Chairman

..... Date

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**STATEMENT OF THE RESPONSIBILITIES OF THE TREASURER
OF THE INSTITUTE OF ACTUARIES**

The Constitution of the Continuous Mortality Investigation (“CMI”) requires the Treasurer of the Institute of Actuaries to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the CMI as at the end of the financial period and of the net result for that period. The Treasurer is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CMI will continue in business.

The Treasurer is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the CMI. He is also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

..... **G T Russell**
Treasurer of the Institute of Actuaries

..... Date

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILS OF THE INSTITUTE OF ACTUARIES AND THE FACULTY OF ACTUARIES

We have audited the financial statements of Continuous Mortality Investigation for the year ended 28 February 2006 which comprise the balance sheet and the income and expenditure account and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Councils of the Institute and Faculty of Actuaries as a body. Our audit work has been undertaken so that we might state to the Councils 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 Councils and the Councils' members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Treasurer of the Institute of Actuaries' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Responsibilities of the Treasurer of the Institute of Actuaries.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Byelaws of the Institute and United Kingdom Financial Reporting Standards. We also report to you if, in our opinion, the Treasurers' Report is not consistent with the financial statements, if the CMI has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Treasurers' 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the CMI'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 of the state of the CMI’s affairs as at 28 February 2006 and of its net surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

..... **for haysmacintyre**
Chartered Accountants and Registered Auditors
London

..... Date

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006

**INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 28 FEBRUARY 2006**

	Note	2005/06 £	2004/05 £
<u>INCOME</u>			
Revenue from publications		-	114
Interest		15,468	18,846
Contributions from Life Offices		994,774	657,599
Sales of Standard Tables Programs		6,180	4,710
Miscellaneous		6,702	-
Donations		2,000	100,000
Consultancy fees		11,169	12,482
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		1,036,293	793,751
 <u>EXPENDITURE</u>			
General Secretariat		154,492	217,921
Critical Illness		117,588	165,045
Critical Illness – Irish		11,169	12,482
Mortality Investigation		336,982	260,139
Income Protection		181,697	158,004
Computer Development		1,691	467
Impaired Lives		7,975	20,377
Self Administered Pensions		35,189	66,528
Consultancy Services		-	9,240
Grants to Universities		67,500	64,000
Printing and stationery:			
CMI Reports		906	1,800
General		421	1,855
BW Accounting charges		10,907	11,314
Offices expenses		911	2,567
Legal and Professional costs		6,150	8,650
Secretarial fees (Institute)		3,623	4,173
Travelling expenses		2,144	2,030
Hotels, Entertainment & Seminars		6,805	5,029
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		946,150	1,011,621
 Excess / (Deficit) of Income for the year, before exceptional items		 90,143	 (217,870)
		<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
Excess / (Deficit) of Income		90,143	(217,870)
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Note: Income & expenditure is shown net of VAT.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006

BALANCE SHEET AS AT 28 FEBRUARY 2006

	2005/06	2004/05
	£	£
Debtors (<i>Note 8</i>)	139,540	85,485
Cash at bank	96,319	158,471
Investments on deposit	<u>545,000</u>	<u>470,000</u>
	780,859	713,956
Deduct: Creditors and accruals (<i>Note 9</i>)	(179,909)	(203,149)
	<u>600,950</u>	<u>510,807</u>
Total Net Assets		
Represented by:-		
General Fund		
Balance at 1 March 2005	510,807	728,677
excess / (deficit) of income for the year	<u>90,143</u>	<u>(217,870)</u>
	<u>600,950</u>	<u>510,807</u>

On behalf of the Faculty and Institute Management Committee

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Treasurer of the Institute of Actuaries

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2006

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 FEBRUARY 2006

1. The Accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and on the historical cost basis of accounting. Income is stated net of VAT where relevant.
2. All recognised gains and losses are included in the Income and Expenditure Account.
3. All items in the Income and Expenditure Account relate to continuing operations.
4. No value is placed on publications in stock or software development costs for the purposes of these Accounts. The CMI owns the software systems written and operated by Barnett Waddingham LLP and used to process data collected by the CMI.
5. Contributions from Life Offices are made on a voluntary basis and are therefore accounted for upon the receipt of an undertaking as to the amount to be paid, which generally coincides with the receipt of cash.
6. **Related party transactions:** The CMI was charged £854,056 (2004/05: £896,821) by Barnett Waddingham LLP in respect of services rendered in connection with the management and administration of the business and data processing services.
7. **Contingent liability:** For all periods up to 29 February 2000, the CMI was exempt from corporation tax as it was recognised as a Scientific Research Association under Section 508 of the Income and Corporation Taxes Act 1988. For the years following 1 March 2000, the CMI has applied to Her Majesty's Revenue and Customs for recognition as a mutual trading organisation. It does remain possible that the CMI will suffer tax in respect of the excess of income over expenditure reported during this latter period. The potential tax liability for the period 1 March 2000 to 28 February 2006 is estimated to be £58,000.

8. **Debtors:**

	2005/06 (£)	2004/05 (£)
VAT Recoverable	-	9,959
Bank Interest	1,387	-
Publication Sales	-	114
Members Contributions	114,502	30,730
Donations	-	32,000
Fees due	23,651	12,482
Refund due from Institute	-	200
	139,540	85,485

9. **Creditors:**

	2005/06 (£)	2004/05 (£)
VAT Payable	11,058	-
Grants to Universities	15,375	13,500
Legal and Professional costs	9,762	11,623
Travelling expenses	473	-
Consultancy Services	5,640	5,640
Barnett Waddingham fees	135,790	169,030
Offices expenses	1,811	3,356
	179,909	203,149

10. During the year under review, George Russell was appointed Treasurer of the Institute of Actuaries and therefore also took on this role in respect of the CMI.