

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2005

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2005

CHAIRMAN’S STATEMENT

I am pleased to present the financial results of the CMI for the year to 28 February 2005. The year has been a very busy one for the CMI and a high level of activity is planned for 2005/06. More details are contained in the CMI’s Annual Review, as sent to all member offices.

Results

Expenditure was substantially higher than in 2003/04, reflecting the volume of work associated with the quadrennial analyses for the main investigations. Expenditure did however exceed the budgeted figure by just over £120,000, largely reflecting work associated with the Mortality and Critical Illness investigations exceeding original estimates.

Income was around £60,000 lower than in 2003/04, largely accounted for by consultancy fees received in 2003/04 for the Irish Critical Illness investigation not fully recurring in 2004/05 and because 2003/04 Contributions from Life Offices were boosted by late payments relating to the preceding year. Compared to budget, income in 2004/05 was higher by around £50,000 as donations received to support the SAPS investigation exceeded the original expectation.

The financial result for the year is a deficit of £217,870, compared to a surplus of £136,170 in 2003/04. The Executive Committee had set the contribution rate expecting a deficit but the outcome exceeded that anticipated. The Executive Committee is satisfied that this result is well within the operational parameters it has set for the running of the CMI.

Reserves

The CMI has adopted a policy of maintaining reserves at each year-end that are the equivalent of six months income. At 29 February 2004, the reserves were significantly above this level at £728,677. Reserves at 28 February 2005 are closer to, but still slightly exceed, the target level at £510,807.

Signed on behalf of the CMI Executive Committee:

..... **B P Ridsdale**
(Chairman)
..... Date

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2005

**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.

..... **S Creedon**
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 the Continuous Mortality Investigation for the year ended 28 February 2005, which comprise the balance sheet and the income and expenditure account and the related notes, which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective responsibilities of the Treasurer of the Institute of Actuaries and Auditors

The Treasurer of the Institute of Actuaries' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of the Responsibilities of the Treasurer of the Institute of Actuaries. This report, including the opinion, has been prepared for and only for the councils of the Institute and Faculty of Actuaries 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Treasurer's statement is not consistent with the financial statements, if the CMI has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 Treasurer 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.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Treasurer's statement and the Chairman's statement.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the CMI at 28 February 2005 and of the net deficit of the CMI for the year then ended.

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

..... Date

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2005

**INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 28 FEBRUARY 2005**

	Note	2004/05 £	2003/04 £
<u>INCOME</u>			
Revenue from publications		114	287
Interest		18,846	19,970
Contributions from Life Offices		657,599	693,632
Sales of Standard Tables Programs		4,710	5,630
Miscellaneous		-	8,900
Donations		100,000	75,000
Consultancy fees		12,482	37,000
		793,751	840,419
<u>EXPENDITURE</u>			
Secretariat		217,921	141,149
Critical Illness		165,045	102,601
Critical Illness – Irish		12,482	9,631
Mortality Investigation		260,139	178,585
Income Protection		158,004	132,359
Computer Development		467	321
Impaired Lives		20,377	3,466
Self Administered Pensions		66,528	45,789
Consultancy Services		9,240	21,720
Grants to Universities		64,000	58,000
Printing, postage and stationery:			
CMI Reports		1,800	-
General		1,855	4,637
BW Accounting charges		11,314	6,185
Offices expenses		2,567	237
Legal and Professional costs		8,650	(600)
Secretarial fees (Institute)		4,173	-
Travelling expenses		2,030	169
Hotels, Entertainment & Seminars		5,029	-
		1,011,621	704,249
(Deficit) / Excess of Income for the year before exceptional items		(217,870)	136,170
(Deficit) / Excess of Income		(217,870)	136,170

Note: Income & expenditure is shown net of VAT.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2005

BALANCE SHEET AS AT 28 FEBRUARY 2005

	2005	2004
	£	£
Debtors (<i>Note 8</i>)	85,485	77,271
Cash at bank	158,471	28,637
Investments on deposit	<u>470,000</u>	<u>720,000</u>
	713,956	825,908
Deduct: Creditors and accruals (<i>Note 9</i>)	(203,149)	(97,231)
	<u>510,807</u>	<u>728,677</u>
Total Net Assets		
	<u>510,807</u>	<u>728,677</u>
Represented by:-		
General Fund		
Balance at 1 March 2004	728,677	592,507
(deficit) / excess of income for the year	<u>(217,870)</u>	<u>136,170</u>
	<u>510,807</u>	<u>728,677</u>

On behalf of the Faculty and Institute Management Committee

..... Treasurer of the Institute of Actuaries

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2005

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 FEBRUARY 2005

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 were charged £909,302 (2003/04: £608,781) 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 is considering applying to the Inland Revenue 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 2005 is estimated to be £41,000.

8. **Debtors:**

	2004/05 (£)	2003/04 (£)
VAT Recoverable	9,959	36,474
Bank Interest	-	2,432
Publication Sales	114	287
Members Contributions	30,730	-
Donations	32,000	37,500
GAD contribution to seminar	-	578
Fees due	12,482	
Refund due from Institute	200	-
	85,485	77,271

9. **Creditors:**

	2004/05 (£)	2003/04 (£)
Grants to Universities	13,500	13,000
Legal and Professional costs	11,623	3,000
Travelling expenses	-	325
Consultancy Services	5,640	30,636
Barnett Waddingham fees	169,030	47,238
Bank Charges	-	-
Offices expenses	3,356	3,032
	203,149	97,231

10. During the year under review, Brian Ridsdale was appointed Chairman of the Executive Committee of the CMI.