

THE INSTITUTE AND FACULTY OF ACTUARIES

CONTINUOUS MORTALITY INVESTIGATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

CHAIRMAN'S STATEMENT

I am pleased to present the financial results of the CMI for the year to 28 February 2013. The year has been a very busy one for the CMI culminating in the transfer of activities to a new private limited company, CMI Limited, from 1 March 2013. The activities and net assets of CMI were transferred to CMI Limited, a wholly owned subsidiary of the Institute and Faculty of Actuaries, on 1 March 2013. CMI, in its current form, ceased to trade at this date. More details are contained in the CMI's Annual Review, as sent to the Management Board of the Institute and Faculty of Actuaries and to all CMI members and published on the website.

I wish to thank all Committee members who served during the year for their invaluable work and input. The Executive Committee met four times during the year. Members and meeting attendance are set out below.

Executive Committee	Attendance*
Kevin Armstrong	4(4)
Peter Banthorpe	3(4)
Ronnie Bowie	1(4)
Deborah Cooper	4(4)
Joan Coverson	2(4)
Robert Hails	3(4)
Angus Macdonald (Deputy Chairman)	3(4)
Nigel Masters	4(4)
Keith Miller	3(4)
David Richardson	- (4)
Gordon Sharp (Chairman)	3(4)
James Tait	4(4)

* Figures in brackets relate to the number of Executive Committee meetings it was possible for a member to attend.

Results

Expenditure was £96,913 (10.7%) higher than in 2011/12, and £103,612 higher than the original budgeted figure. An increased budget was agreed during the year recognising the one-off nature of the costs associated with the changes to the structure and funding of the CMI and the exercise to bring data collection from life offices up-to-date.

Income was £20,176 (2.1%) higher than in 2011/12, principally due to a planned increase in SAPS contributions.

The financial result for the year was a deficit of £25,599, compared to a surplus of £51,138 in 2011/12. . The financial position of the CMI was and is monitored throughout each year.

Reserves

The CMI has traditionally adopted a policy of maintaining reserves at each year-end of around 50% of income. However a higher target for reserves at 28 February 2013 was agreed in order to maintain continuity of contributions, ahead of the planned changes to the CMI’s funding from 1 March 2013, and to ensure adequate reserves to cover any increase in risk associated with these changes. The actual reserves as at 28 February 2013 (£581,612) exceeded the customary target of 50% of the actual income in 2012/13 (by £91,105). The reserves were £25,599 lower than as at the end of 2011/12.

Signed on behalf of the CMI Executive Committee:

..... **A G Sharp**
Chairman

..... Date

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**STATEMENT OF THE RESPONSIBILITIES OF THE
CMI EXECUTIVE COMMITTEE**

The Constitution of the Continuous Mortality Investigation (“CMI”) requires financial statements for each financial period to be prepared, 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 CMI Executive Committee 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 CMI Executive Committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the CMI. 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 the CMI Executive Committee is aware at the time the report is approved:

- there is no relevant audit information of which the CMI’s auditors are unaware;
- the CMI Executive Committee has taken all steps that it ought to have taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

.....

R T G Hails

Treasurer of the CMI,
on behalf of the CMI Executive Committee

.....

Date

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

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

We have audited the financial statements of the Continuous Mortality Investigation for the year ended 28 February 2013 which comprise the Income and Expenditure Account, the Balance Sheet and the related Notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the CMI Executive Committee and auditors

As explained more fully in the Statement of the Responsibilities of the CMI Executive Committee, the Executive Committee 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the CMI's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Committee; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the CMI's affairs as at 28 February 2013 and of its net deficit 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

THE INSTITUTE AND FACULTY OF ACTUARIES

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

**INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 28 FEBRUARY 2013**

	2012/13	2011/12
	£	£
<u>INCOME</u>		
Interest	6,471	1,715
Member Contributions: Life Offices	803,042	806,622
Member Contributions: Pensions Consultancies	171,000	146,500
Sales of CMI Tables Programs	500	6,000
	<hr/> 981,013	<hr/> 960,837
<u>EXPENDITURE</u>		
Executive & General Secretariat	133,983	149,630
“Per Policy” Project and Data Processing	-	124,670
Critical Illness	160,318	148,491
Life Office Mortality	290,615	83,288
Income Protection	150,332	168,380
Self-Administered Pension Schemes Mortality	124,353	119,149
Mortality Projections	39,102	63,385
Technical Committee	29,777	24,296
Quality Audit – Barnett Waddingham LLP	15,914	9,336
Implementing the Profession’s Review of the CMI	53,926	-
Grants and Sponsorship to Universities	-	11,000
Office expenses	19	80
Legal and Professional costs	4,804	6,410
Bank charges	70	47
Travel, Meetings, Entertainment & Seminars	2,108	1,130
Corporation Tax	1,291	407
	<hr/> 1,006,612	<hr/> 909,699
(Deficit) / Excess of Income	<hr/> (25,599)	<hr/> 51,138

Notes: Income & expenditure is shown net of VAT.

A special exercise to collect data from life offices for the years 2007-2011 for the Life Office Mortality and Critical Illness investigations was launched in 2012/13. The budget and actual expenditure were allocated 75% / 25% between the two committees. This exercise effectively replaced the “Per Policy” Project, under which expenditure was recorded in 2011/12.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

BALANCE SHEET AS AT 28 FEBRUARY 2013

	2012/13	2011/12
	£	£
Debtors (<i>Note 7</i>)	40,953	41,610
Cash at bank	110,985	140,113
Investments on deposit	<u>500,000</u>	<u>600,000</u>
	651,938	781,723
Deduct: Creditors and accruals (<i>Note 8</i>)	(70,326)	(174,512)
	<u>581,612</u>	<u>607,211</u>
Total Net Assets	<u>581,612</u>	<u>607,211</u>
Represented by:-		
General Fund		
Balance at 1 March 2012 / 2011	607,211	556,073
(deficit) / excess of income for the year	<u>(25,599)</u>	<u>51,138</u>
	<u>581,612</u>	<u>607,211</u>

The accounts on pages 6 to 8 were approved and authorised for issue by the CMI Executive Committee on xx June 2013 and signed on its behalf by:

..... **R T G Hails**
Treasurer of the CMI,
on behalf of the CMI Executive Committee

..... Date

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2013

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 FEBRUARY 2013

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 and expenditure are 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 and Pensions Consultancies 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. Taxation liability: As the CMI is a mutual trading organisation, the CMI is only liable to corporation tax in respect of income arising from transactions with parties other than its members. The estimated liability for the year under review is £1,291.

7. **Debtors:**

	2012/13 (£)	2011/12 (£)
VAT Recoverable	37,201	40,938
Bank Interest	3,752	672
	<u>40,953</u>	<u>41,610</u>

8. **Creditors & Accruals:**

	2012/13 (£)	2011/12 (£)
Legal and Professional costs	3,977	3,290
Consultancy Services	-	9,384
Barnett Waddingham LLP fees	65,058	161,431
Corporation tax payable	1,291	407
	<u>70,326</u>	<u>174,512</u>

POST BALANCE SHEET EVENT

The activities and net assets of CMI were transferred to CMI Limited, a wholly owned subsidiary of the Institute and Faculty of Actuaries, on 1 March 2013. CMI, in its current form, ceased to trade at this date.