

**JOINT ACCOUNT – THE FACULTY OF ACTUARIES AND THE
INSTITUTE OF ACTUARIES**

CONTINUOUS MORTALITY INVESTIGATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2007

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CHAIRMAN’S STATEMENT

I am pleased to present the financial results of the CMI for the year to 28 February 2007. The year has been a very busy one for the CMI and the high level of activity is expected to continue in 2007/08. More details are contained in the CMI’s Annual Review, as sent to the Faculty and Institute Management Committee (“FIMC”) and to all members.

Results

Expenditure was higher than in 2005/06; however it still fell short of the budgeted figure by £40,000. Much of the increased expenditure related to the development and implementation of the new “Per Policy” method of data collection.

Income was just over £90,000 higher than in 2005/06, mainly accounted for by the introduction of formal contributions for Pensions Consultancies supporting the investigation into mortality within Self Administered Pension Schemes (SAPS).

The financial result for the year was a surplus of £39,447, compared to a surplus of £90,143 in 2005/06.

Reserves

The CMI has traditionally adopted a policy of maintaining reserves at each year-end that are the equivalent of six months income. As a result of the variances in income and expenditure, the reserves as at 28 February 2007 exceeded the target level at £640,397.

Signed on behalf of the CMI Executive Committee:

..... **B P Ridsdale**
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 company’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.

..... **G T Russell**
Treasurer of the Institute of Actuaries,
on behalf of the CMI Executive Committee

..... Date

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**INDEPENDENT AUDITOR’S REPORT TO THE FACULTY AND INSTITUTE
MANAGEMENT COMMITTEE**

We have audited the financial statements of the Continuous Mortality Investigation for the year ended 28 February 2007 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 Faculty and Institute Management Committee. Our audit work has been undertaken so that we might state to the Committee 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 Committee and the Committee’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

The CMI Executive Committee’s 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 CMI Executive Committee.

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 Report 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.

We read the 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 CMI Executive Committee 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 2007 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 2007

**INCOME AND EXPENDITURE ACCOUNT FOR THE
YEAR ENDED 28 FEBRUARY 2007**

	2006/07	2005/06
	£	£
<u>INCOME</u>		
Interest	25,758	15,468
Member Contributions: Life Offices	961,204	994,774
Member Contributions: Pensions Consultancies	118,750	-
Sales of CMI Tables Programs	12,500	6,180
Miscellaneous	106	6,702
Donations	-	2,000
Consultancy fees	9,349	11,169
	1,127,667	1,036,293
 <u>EXPENDITURE</u>		
Executive & General Secretariat	181,381	154,492
“Per Policy” Project	208,805	-
Critical Illness	149,044	119,279
Critical Illness – Irish	6,780	11,169
Mortality Investigation	213,514	336,982
Income Protection	118,090	181,697
Impaired Lives	1,286	7,975
Self Administered Pensions	54,469	35,189
Grants to Universities	61,500	67,500
Printing and stationery	1,988	1,327
Barnett Waddingham LLP Accounting charges	10,519	10,907
Office expenses	3,663	911
Legal and Professional costs	18,700	6,150
Secretarial fees (Actuarial Profession)	4,099	3,623
Travelling expenses	1,451	2,144
Hotels, Entertainment & Seminars	2,062	6,805
Corporation Tax	28,990	-
Non-recoverable VAT	21,879	-
	1,088,220	946,150
 Excess of Income for the year, before exceptional items	 39,447	 90,143
Excess of Income	39,447	90,143

Note: Income & expenditure is shown net of VAT.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2007

BALANCE SHEET AS AT 28 FEBRUARY 2007

	2006/07	2005/06
	£	£
Debtors (<i>Note 7</i>)	84,300	139,540
Cash at bank	31,327	96,319
Investments on deposit	<u>670,000</u>	<u>545,000</u>
	785,627	780,859
Deduct: Creditors and accruals (<i>Note 8</i>)	(145,230)	(179,909)
	<u>640,397</u>	<u>600,950</u>
Total Net Assets	<u>640,397</u>	<u>600,950</u>
Represented by:-		
General Fund		
Balance at 1 March 2006 / 2005	600,950	510,807
excess of income for the year	<u>39,447</u>	<u>90,143</u>
	<u>640,397</u>	<u>600,950</u>

.....

G T Russell
Treasurer of the Institute of Actuaries,
on behalf of the CMI Executive Committee

.....

Date

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2007

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 FEBRUARY 2007

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:** 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. During the year under review, Her Majesty's Revenue and Customs (HMRC) confirmed the CMI qualified as a mutual trading organisation. For the years following 1 March 2000, the CMI is liable to tax in respect of income arising from transactions with parties other than its "members". The tax liability for 1 March 2004 to 28 February 2006 has been settled, while the outstanding tax liability for the period 1 March 2000 to 29 February 2004 has been negotiated with HMRC to be £20,700 including late payment penalties and interest. The estimated liability for the year under review is £4,834.

7. **Debtors:**

	2006/07 (£)	2005/06 (£)
VAT Recoverable	24,684	-
Bank Interest	2,481	1,387
Members' Contributions – Life Offices	35,536	114,502
Members' Contributions – Pension Consultancies	17,500	-
Fees due	-	23,651
Refund due of overpaid Corporation Tax	4,099	-
	84,300	139,540

8. **Creditors & Accruals:**

	2006/07 (£)	2005/06 (£)
VAT Payable	-	11,058
Grants to Universities	15,375	15,375
Legal and Professional costs	8,400	9,762
Travelling expenses	-	473
Consultancy Services	5,640	5,640
Barnett Waddingham fees	83,897	135,790
Office expenses	-	1,811
Contributions received in advance	6,383	-
Corporation tax payable	25,535	-
	145,230	179,909