

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**  
**FINANCIAL REPORT**  
**& COUNCIL'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2013**





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# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

Council submits herewith its report on the Institute for the year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the Council reports as follows:

The Institute is a public company limited by guarantee and is licensed under s150 of the Corporations Act 2001 (Cth) to be incorporated without the word 'Limited' in its name. Council constitutes the Board of Directors of the Institute.

### Overview of result for the twelve months to 31 December 2013

The objectives of the Institute are:

- To support the professional and career aspirations of its members: to provide or arrange effective pre-qualification education and valued and inclusive continuing professional development programs and forums.
- To promote research and the development of actuarial science and support the expansion of the profession into new areas of endeavour.
- To provide practice guidance to help actuaries provide professional services of high quality and to maintain and enforce sound professional standards to protect the public and the reputation of the profession.
- To represent the profession in Australia, and develop and promote the actuarial profession's value, including contributing to and informing debate on public policy and business issues.
- To meet member service needs and expectations, including efficient Secretariat operations and financing, and provide valued member communications

Council in association with the Secretariat sets a triennial strategy policy outlining a Vision statement, a Mission, Strategic Intent and Strategic Outcomes. Business plans are developed and set for each year within the triennial by the Secretariat that achieves the strategy objectives. These plans are submitted to Council with the proposed budget for the year for approval.

The Secretariat produces monthly management reports comparing actual results to budget and KPIs for team members to measure performance. Council and the Audit and Risk Council Committee [ARCC] receive quarterly reports.

The principal activities of the Institute are:

- Provision of educational courses and exams
- Running of 2 – 3 major events per year
- Provision of 100+ small events for member interest groups
- Members support services

The operating deficit for the year was \$453k, (2012: surplus \$102K). This was in accordance with Council's plan to reduce excess reserves.

Major events held in 2013 included the 2-day Summit which attracted a record 557 delegates. Events revenue increased by \$252k from 2012 but due to a significant increase in the number of events held free of charge for members during the year net contribution declined by \$80k. Education revenues declined in 2013 by \$203k from a reduction in course fees of \$177k and a reduction in the net fees from UK exams of \$26k. Investment income declined by \$89k in 2013 due to lower interest rates. In 2012 Investments and Other Revenues include significant donations totalling \$225K.

Total expenses increased in 2013 by \$167k or 2.1%. During the year the Institute signed an eight year lease to occupy suite 201, level 2, 50 Carrington Street from 1<sup>st</sup> July 2014. Details pertaining to this

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

transaction are included in note 11 on capital and leasing commitments. The estimated cost of \$103k for "making good" the Challis House office on expiry of the lease 1 May 2014 has been provided for in 2013. The difference of \$372k between 2012 and 2013 expenditure on university foundation and research grants is a result of the accounting treatment of contracts relating to 2013 signed before 31 December 2012. Expenditure on projects was \$414k comprising of \$73k external costs and \$341k of HR costs which are allocated to the respective cost centres.

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in the financial year subsequent to 31 December 2013.

The members of Council believe that there are no likely developments in the operations of the Institute and the expected results of those operations in the financial years subsequent to 31 December 2013 which need to be brought to members' attention.

The Institute's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Council members receive no remuneration or other benefits other than Presidential Committee members who are entitled to attend all Institute events free of charge. No member of Council, since the end of the previous financial year, has received or become entitled to receive a benefit by reason of a contract made by the Institute with that member or with a firm of which s/he is a member or with a company in which s/he has a substantial financial interest for services rendered in connection with the activities of the Institute, except as disclosed in Note 12 to the Financial Statements on page 30.

During the financial year, the Institute had in place an insurance policy covering the Office Bearers (as defined including any past, present or future Director, Secretary, Officer, Trustee, Committee member, volunteer or employee of the Institute or any other natural person acting on behalf of the Institute at the direction of an Officer or Board of Directors or Committee of Management of the Institute) against a liability incurred as such Office Bearer to the extent permitted by law.

The Institute has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Institute against a liability incurred.

The Institute was not a party to any legal proceedings during the year and no person sought leave to bring proceedings on its behalf.

The Institute is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding obligations of the entity. At 31 December 2013, the total amount that members of the company are liable to contribute if the company wound up is \$81,760 (2012: \$77,580).

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

*The names of each person who has been a director during the financial year and to the date of this report (directors are listed in alphabetical order) along with details of their qualifications and experience are:*

### **Caroline Bayliss MA (Oxon) FIA FIAA**

Caroline is a Director at KPMG Actuarial, specialising in life insurance and defined benefit scheme consulting, including pricing, reserving and reinsurance for the life insurance industry. Prior to joining KPMG in 2013, Caroline was Head of Insurance Risk at the Commonwealth Bank of Australia, responsible for valuation services, life reinsurance, pricing and the management of the insurance risk of the CommInsure business.

Caroline's previous roles include Business Actuary for MLC and as a Principal and Actuary for Aon Consulting's pensions practice in London. Caroline has been involved in financial services consulting and corporate actuarial work for over 20 years.

#### **Councillor**

1 January 2011 to present

#### **Council Committee service during 2013**

Convenor, Education Council Committee

Member, Audit and Risk Council Committee

### **Peter Carroll BA FIAA**

Peter is a consulting actuary, self-employed since 1994 and with international consulting firms prior to that. He has been responsible for numerous large actuarial assignments and has regular clients in health insurance and industry superannuation.

He was also once an academic and continues casual teaching and research at a major university.

Peter has served as a director of numerous entities, including a previous term on the Council of the Institute of Actuaries of Australia, and on the governing body of a major university.

#### **Councillor**

1 January 2013 to present

#### **Council Committee service during 2013**

None

### **John Evans MBA FIAA FIA FFin**

John is a part time Associate Professor in the Sydney Business School. Previously he held a number of senior academic roles in the University of New South Wales, the most recent being as an Associate Professor in the University's Australian School of Business.

John is an experienced director and risk compliance committee chair and he currently holds several such appointments. He also provides advice to both institutions and superannuation funds on the application of quantitative techniques to asset portfolio management and risk management.

#### **Councillor**

1 January 2014 to present

#### **Council Committee service during 2013**

Convenor, Research Council Committee

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

### Shauna Ferris BA MComp FIAA

Shauna is a Senior Lecturer in the Department of Applied Finance and Actuarial Studies at Macquarie University. Prior to entering academia, she worked in life insurance, superannuation and banking. She has published and presented a number of papers on risk management, prudential regulation, and risk classification. She teaches the Part II Control Cycle units at Macquarie University and contributed a chapter to the textbook *Understanding Actuarial Management*.

#### Councillor

3 June 2013 to 15 June 2013 (as alternate director for Cr Peter Carroll)

#### Council Committee service during 2013

Not applicable – alternate director appointment only during 2013

### Julian Gribble PhD FIAA FSA FCIA CERA FASFA MAICD NRMIA

Jules is Principal Administrator at the IAIS (International Association of Insurance Supervisors). Prior to that, he was a Director of Enterprise Metrics, a Partner at Ernst & Young, Director Askit Consulting and, Director John Ford & Associates.

Jules has over 25 years international experience in superannuation, wealth management, life insurance, risk management and governance. Jules also holds positions with University of Melbourne as an Honorary Senior Fellow with the Centre for Actuarial Studies, RMIT University through the Australian APEC Study Centre's Advisory Board, and the Australian Centre for Financial Studies through its Advisory groups.

#### Councillor

1 January 2011 to 13 September 2013

#### Council Committee service during 2013

Convenor, Research Council Committee

### Andrew Huszczo BEc FIAA

Andrew is the Appointed Actuary – General Insurance for the Suncorp Group. Prior to joining Suncorp in 2011, Andrew was the Chief Actuary and Chief Risk Officer from 2000 to 2011 with Allianz Australia. He has previously worked for GIO Australia, MIRA Consultant Ltd and the Government Insurance Office of New South Wales.

Andrew has over 25 years experience across all areas of general insurance in both corporate and consulting environments, including 10 years as Appointed Actuary for Allianz and Suncorp.

#### Councillor

1 January 2011 to present

#### Council Committee service during 2013

Member, Nominations Council Committee

### Jenny Lyon BSC (Hons) FIAA GAICD

Jenny is a Director of SKL Executive (a recruitment consulting firm) and also a Director of Hall & Lyon which manages an education distribution business. She has over 25 years business experience within the financial service industry.

Prior to this, she was Managing Director and shareholder of Qed Actuarial, a specialist actuarial recruitment firm which was sold in 2008. She also has actuarial experience as a superannuation consultant and in the life insurance industry.

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## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

### Jenny Lyon (Cont.)

#### Councillor

14 August 2013 to 16 August 2013 (as an alternate director for Cr Estelle Pearson)  
1 January 2014 to present

#### Council Committee service during 2013

Not applicable – alternate director appointment only during 2013

### John Newman BBusSc (Hons) FIAA

John is a Director and Principal of Professional Financial Solutions (PFS). He started his actuarial career with E S Knight & Co, which was acquired by Mercer in 1985. He became a worldwide partner and was the head of the Retirement practice in Australia and New Zealand until 2004 when he left and joined PFS.

John advises on strategic and operational issues in the financial services industry, specialising in superannuation and insurance, and has a particular focus on risk management and governance matters.

#### Councillor

19 December 2007 to 31 December 2013

#### Council Committee service during 2013

President

Member, HR & Remuneration Council Committee

Member, International Council Committee

Member, Public Policy Council Committee

### Michael O'Neill BActS (Hons)/LLB FIAA

Michael is an equities manager specialising in financial sector companies, including insurers and banks, along with IT, media and food and beverage companies. He joined Investors Mutual in 2010 and was previously with Cannae Capital Partners. Prior to this, Michael was with the office of the Australian Government Actuary, Commonwealth Treasury.

#### Councillor

1 January 2010 to 31 December 2013

#### Council Committee service during 2013

Member, Public Policy Council Committee

Member, Research Council Committee

### Estelle Pearson BA (Hons) (Oxon) FIAA

Estelle is a Principal and Managing Director of Finity Consulting. Prior to joining Finity in 2005, Estelle was a partner at Trowbridge Deloitte for 5 years, following 7 years as a Principal at Trowbridge Consulting and having held consulting roles in both Sydney and the United Kingdom.

Estelle has more than 20 years of general insurance experience and holds a number of Appointed Actuary and External Peer Review Actuary positions.

#### Councillor

1 January 2011 to present

#### Council Committee service during 2013

Vice President

Convenor, Public Policy Council Committee



# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

### **Lisa Simpson** MEc FIAA

Lisa is a Partner at PwC in Melbourne. She specialises in providing advice to general insurers and accident compensation schemes in areas including pricing, reserving, capital modelling, forecasting and advice on scheme changes. Lisa has also previously worked in life insurance and has a long standing interest in the development of international accounting standards.

#### **Councillor**

7 January 2013 to present

#### **Council Committee service during 2013**

Member, HR & Remuneration Council Committee

### **Lindsay Smartt** BA FIAA FNZSA ASA MAICD

Lindsay is an independent consultant and has over 30 years experience in the financial services industry. Lindsay's experience encompasses risk management, life insurance, reinsurance and wealth management across the Asia Pacific region, and he has held a number of Appointed Actuary positions. Lindsay was Chief Risk Officer in Australia and New Zealand with Munich Re from 2011 to 2013.

#### **Councillor**

1 January 2010 to present

#### **Council Committee service during 2013**

Convenor, Audit and Risk Council Committee

### **Daniel Smith** BSc FIAA FNZSA GAICD

Daniel is a Director of Taylor Fry and has been a consultant specialising in general insurance and accident compensation industry for over 20 years. In recent years he has been heavily involved with Institute submissions and representations in relation to natural disasters.

#### **Councillor**

17 December 2008 to present

#### **Council Committee service during 2013**

Senior Vice President

Member, Audit and Risk Council Committee

### **Stephen Woods** BEc FIAA FFin

Stephen is a Director of Panther Trading Pty Ltd, a managed investment scheme trustee company, and Hunter Pty Ltd, a diversified services company.

Previously Stephen has held executive positions including General Manager at REST Superannuation, Head of MLC Group Insurance at NAB, Senior Manager at KPMG and Investment Services Manager and Consultant at Towers Watson, specialising in projects involving large-scale, complex environments with multiple stakeholders.

#### **Councillor**

1 January 2011 to present

#### **Council Committee service during 2013**

Member, Education Council Committee

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

### **Andy Yang** BEc (Hons) FIAA FFin FHKIoD

Andy is Group Head of Investment and Asset Liability Management at the FWD Group. Before that, he was Head of Investment Process and Business Management Asia at ING Investment Management Asia Pacific (Hong Kong) Limited and has held various positions within the ING Group in Asia since 2001.

With over 20 years work experience across seven Asia-Pacific countries, Andy has worked primarily in the investment management industry. His breadth of experience includes portfolio management, ALM, insurance investment, risk management, business development/M&A, product development and performance/attribution analysis.

He is a member of the CFA Institute.

#### **Councillor**

1 January 2014 to present

#### **Council Committee service during 2013**

Not applicable, as term commenced on 1 January 2014

### **Gloria Yu** BCom FIAA MAICD LRSM LMusA ATCL

Gloria is a Director at Deloitte, specialising in general insurance in Australia and the broader Asia Pacific region. She has extensive experience in actuarial consulting and corporate environments, advising on long tail and short tail businesses, and has been involved in pricing, valuation work, experience monitoring as well as audits and external peer reviews.

Gloria has been working in the general insurance industry since 2001. She holds a number of Certifying Actuary positions in Singapore. Prior to joining Deloitte, Gloria was working in Westpac, having previously worked in a number of consultancies and a global financial services company.

#### **Councillor**

23 June 2009 to present

#### **Council Committee service during 2013**

Member, Audit and Risk Council Committee

Member, Public Policy Council Committee

### **Company Secretary's qualifications and experience**

#### **Anne Peters** MSt (Oxon) LLB (Medal) Grad Dip Leg Prac Cert Gov Prac MAICD

Anne holds extensive legal qualifications and was admitted as a Solicitor of the Supreme Court of New South Wales in 1992 and as a Solicitor of the Supreme Court of Queensland in 2003. She is a member of the Australian Institute of Company Directors and the Governance Institute of Australia.

Anne has practised law since 1992 and been a Company Secretary for approximately thirteen years.

#### **Company Secretary from 25 October 2006 to present**

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2013

Directors' attendance at Council and Council Committee meetings: 01/01/13 – 31/12/13

Councillor	Council	Audit and Risk Council Committee	Education Council Committee	Presidential Committee	HR & Remuneration Council Committee
C A Bayliss <sup>5</sup>	6 of 6	1 of 1	3 of 3		
P M Carroll	5 of 6				
S D Ferris <sup>1</sup>	1 of 1				
J D Gribble <sup>2</sup>	3 of 4				
A J Huszczo	6 of 6				
J A Lyon <sup>3</sup>	1 of 1				
J M Newman <sup>4</sup>	6 of 6			4 of 4	1 of 1
M J O'Neill	3 of 6				
E E Pearson	5 of 6			4 of 4	
L N Simpson	6 of 6				3 of 3
L R Smartt	6 of 6	4 of 4			
D A Smith	6 of 6	4 of 4		4 of 4	
S M Woods	6 of 6		3 of 3		
G S Y Yu	4 of 6	4 of 4			
Councillor		International Council Committee	Nominations Council Committee	Public Policy Council Committee	Research Council Committee
C A Bayliss					
P M Carroll					
S D Ferris <sup>1</sup>					
J D Gribble <sup>2</sup>					3 of 4
A J Huszczo			2 of 2		
J A Lyon <sup>3</sup>					
J M Newman		3 of 3			
M J O'Neill				2 of 4	N/A
E E Pearson				3 of 4	
L N Simpson					
L R Smartt					
D A Smith		1 of 1			
S M Woods					
G S Y Yu				4 of 4	

<sup>1</sup>Alternate director for P M Carroll

<sup>2</sup>Resigned from Council and Research Council Committee effective 13 September 2013

<sup>3</sup>Alternate director for E E Pearson

<sup>4</sup>Resigned from the HR & Remuneration Council Committee effective 1 February 2013

<sup>5</sup>Resigned from the Education Council Committee and appointed to Audit and Risk Council Committee effective 10 September 2013

The auditor's independence declaration as required under section 307C of the Corporations Act 2001, for the year ended 31 December 2013 has been received.

Signed on behalf of Council in accordance with a resolution of Council pursuant to section 298(2)(a) of the Corporations Act 2001.



**D A SMITH**  
President  
Sydney 11 March 2014



**E E PEARSON**  
Senior Vice President

## Council and Audit Declarations

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA DECLARATION BY MEMBERS OF COUNCIL FOR THE YEAR ENDED 31 December 2013

The members of Council of the Institute declare that:

1. the financial statements and notes thereto are in accordance with the Corporations Act 2001 and
  - a. comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. give a true and fair view of the Institute's financial position as at 31 December 2013 and of its performance for the year then ended on that date; and
2. in the Council's opinion, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Council and is signed for and on behalf of the members of Council by:



**D A SMITH**  
President  
Sydney, 11 March 2014



**E E PEARSON**  
Senior Vice President

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001  
TO THE COUNCILORS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2013, there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



**Franco Giannuzzi**  
**Partner**  
Sydney

Signed on 11 March 2014



**UHY Haines Norton**  
**Chartered Accountants**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

We have audited the accompanying financial report of the Institute of Actuaries of Australia, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Councillors' declaration.

### **Councillors' Responsibility for the Financial Report**

The Councillors of the Institute are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## Opinion

In our opinion the financial report of the Institute of Actuaries of Australia is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Institute's financial position as at 31 December 2013 and its financial performance and its cash flows for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.



**Franco Giannuzzi**  
**Partner**

Sydney

Signed on 11 March 2014



**UHY Haines Norton**  
**Chartered Accountants**

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**  
**STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	Year Ended 31/12/2013 \$	Year Ended 31/12/2012 \$
<b>Revenues</b>			
Events revenues		1,166,669	915,003
Education revenues		2,838,177	3,041,177
Publications revenues		158,530	319,974
Member Services revenues		3,020,704	2,975,258
Investment and Other Revenue		355,851	677,431
<b>Total Revenues</b>	3	<b>7,539,931</b>	<b>7,928,843</b>
<b>Expenses</b>			
Office Support & Services		(2,974,924)	(2,612,305)
Events expenses		(1,286,382)	(954,524)
University Foundation & Research Grants		(6,865)	(379,112)
Education expenses		(1,761,778)	(1,772,779)
Publications expenses		(276,603)	(240,448)
Governance expenses		(437,617)	(369,105)
CEO & Public Face expenses		(614,855)	(845,167)
Member Services expenses		(243,191)	(283,442)
Council expenses		(317,563)	(181,552)
Projects		(73,420)	(188,023)
<b>Total Expenses</b>	3	<b>(7,993,198)</b>	<b>(7,826,457)</b>
<b>(Deficit)/Surplus before income tax expense</b>		<b>(453,267)</b>	<b>102,386</b>
Income tax expense	1	-	-
<b>(Deficit)/Surplus after income tax expense</b>		<b>(453,267)</b>	<b>102,386</b>
<b>Other Comprehensive Income:</b>			
Nil		-	-
Other Comprehensive Income for the period , net of tax		-	-
<b>Total Comprehensive (Loss) / Income for the period</b>		<b>(453,267)</b>	<b>102,386</b>

The accompanying notes form part of these financial statements.



**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	Note	31/12/2013 \$	31/12/2012 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	4	2,874,629	3,999,808
Trade and other receivables	5	430,200	296,119
Financial assets	6	5,645,142	4,775,579
Total current assets		8,949,971	9,071,506
NON CURRENT ASSETS			
Financial assets	6	-	80,565
Property, plant and equipment	7	204,405	358,018
Intangibles	8	223,945	233,993
Total non current assets		428,350	672,576
<b>TOTAL ASSETS</b>		<b>9,378,321</b>	<b>9,744,082</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	9	3,118,154	2,982,948
Provisions	10	366,158	405,013
Total current liabilities		3,484,312	3,387,961
NON CURRENT LIABILITIES			
Provisions	10	70,114	78,959
Total non current liabilities		70,114	78,959
<b>TOTAL LIABILITIES</b>		<b>3,554,426</b>	<b>3,466,920</b>
<b>NET ASSETS</b>		<b>5,823,895</b>	<b>6,277,162</b>
MEMBERS' FUNDS			
Retained surplus		5,823,895	6,277,162
<b>TOTAL MEMBERS' FUNDS</b>		<b>5,823,895</b>	<b>6,277,162</b>

The accompanying notes form part of these financial statements.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	31/12/2013 \$	31/12/2012 \$
Balance at 1 January	6,277,162	6,174,776
(Deficit)/Surplus after income tax expense for the year	(453,267)	102,386
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (loss)/income for the year	(453,267)	102,386
<b>Balance at 31 December</b>	<b>5,823,895</b>	<b>6,277,162</b>

The accompanying notes form part of these financial statements.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	31/12/2013 \$	31/12/2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and others		7,893,398	7,885,938
Interest received		319,907	485,321
Trust distributions		8,296	24,628
Payments to suppliers and employees		(8,302,836)	(7,589,434)
Net cash (outflow)/inflow from operating activities	14(b)	(81,235)	806,453
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		477,448	4,062
Payments for investments		(1,297,100)	(221,125)
Purchase of property, plant and equipment and intangibles		(224,292)	(359,950)
Net cash (outflow) from investing activities		(1,043,944)	(577,013)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash inflow/(outflow) from financing activities		-	-
<b>Net (decrease)/increase in cash held</b>		<b>(1,125,179)</b>	<b>229,440</b>
Cash at the beginning of year		3,999,808	3,770,368
<b>Cash at the end of year</b>	14(a)	<b>2,874,629</b>	<b>3,999,808</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The company has adopted all of the new, revised or amending Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Australian Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Australian Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Australian Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Australian Accounting Standards and Interpretations are most relevant to the company:

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13:*

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

The company has applied AASB 13 for the first time in the current year.

*AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119:*

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This amendment requires annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 January 2013 has reduced the reported annual leave liability of the company by an immaterial amount.

These amendments have had no significant impact on the entity.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 1. Significant accounting policies (continued)

#### Basis of preparation

The Institute is classified as a Not for Profit Entity ("NFPE"). These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and associated regulations and the Corporations Act 2001. A statement of compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) cannot be made due to the application of not-for-profit specific requirements contained in Australian Accounting Standards.

#### *Historical cost convention*

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values (except where otherwise stated), or current valuations of non-current assets.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The Institute of Actuaries of Australia is a public company limited by guarantee, incorporated and domiciled in Australia.

#### Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received. Leasehold improvements were written down to \$0 as at 31 December 2013 due to the pending move to new premises in 2014. The cost value and accumulated depreciation of computer and office equipment with a \$0 net carrying value were offset resulting in a reduction of the gross values carried forward from 2012.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Institute commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Prime Cost Method
Office Equipment and Software	20% - 33.33%
Furniture & Fittings	13%
Leasehold Improvements	the period of the lease and lease option

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 1. Significant accounting policies (continued)

#### Depreciation (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if applicable, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit and loss.

#### Income Tax

The Institute has been granted an exemption from paying income tax under the Income Tax Assessment Act 1997, as amended and accordingly does not provide for income tax.

#### Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

#### Financial Instruments

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

#### Impairment of Non-Financial Assets

At each reporting date, the Institute reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

#### Trade and Other Receivables

Trade and other receivables are recorded at amortised cost less any provision for impairment.

#### Trade and Other Payables

Trade payables and other accounts payable are recognised when the Institute becomes obliged to make future payments resulting from the purchase of goods and services. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables includes the unearned portion of members' subscriptions received.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 1. Significant accounting policies (continued)

#### Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be readily measured. Revenue is measured at the fair value of the consideration received or receivable.

#### Services

Revenue from the rendering of services is recognised upon delivery of the service to the member. Subscription income is brought to account evenly over the period to which it relates. Receipts received and expenses incurred before year end in relation to future services to be provided are deferred as a liability or asset, as appropriate. (Note 5 - Deferred expenses and Note 9 – Trade and other payables).

#### Interest

Interest income is recorded on an accruals basis and trust distributions are recognised on a distribution basis.

#### Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liability is settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expenses*

Contributions are made by the Institute to employee superannuation funds and are charged as expenses when incurred.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call or under 3 months with banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 1. Significant accounting policies (continued)

#### Goods and Services Tax ("GST")

Revenues, expenses, liabilities and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

#### IT Infrastructure Costs and Software

Significant costs relating to the major IT Infrastructure Project (Aptify members' database), completed during 2010, were capitalised as a non-current intangible asset in accordance with accounting standards and are being amortised over three years commencing from the middle of 2010.

Costs relating to upgrading of the website, completed during 2013, were capitalised as a non-current intangible asset in accordance with Australian Accounting Standards and are being amortised over three years commencing in November 2013.

#### Donations Received

During 2012 two donations of significant value were received. These donations did not have any conditions attached to them that would have required them to be reported in the Statement of Financial Position. Accordingly the treatment of these donations was to record them as income in the Statement of Profit or Loss and Other Comprehensive Income which is consistent with the treatment of donations received in prior years. There were no such donations in 2013.

#### Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation of these financial statements.



# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 1. Significant accounting policies (continued)

#### New Accounting Standards issued but not yet effective and not been early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2013. Council has assessed the impact of all new or amended standards (to the extent relevant to the company) and concluded that these standards and interpretations will not have any financial impact on the amounts recognised in the financial statements. The following standards were assessed:

AASB 9 Financial Instruments, December 2010.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013).

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.

AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets.

The company's assessment of the impact of these new or amended Australian Accounting Standards and Interpretations, most relevant to the company, are set out in the notes to the financial statements.

### 2. Critical Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires judgments, estimates and assumptions that affect the reported amounts in the financial statements. These judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses are reviewed. The judgments, estimates and assumptions are based on historical experience and on other factors, including expectations of future events, and are considered to be reasonable for the purpose. The resulting accounting judgments, estimates and assumptions will seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Estimation of useful lives of assets*

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated useful lives, or where technically obsolete or non-strategic assets that have been abandoned or sold are written off or written down.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 2. Critical Accounting Judgments, Estimates and Assumptions (continued)

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Long service leave provision*

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31/12/2013 \$	31/12/2012 \$
<b>3. REVENUE AND EXPENSES</b>		
<b>(a) Revenue</b>		
Revenue from operating activities		
Provision of services and sale of goods	7,184,080	7,251,412
<b>Total Revenue from operating activities</b>	<b>7,184,080</b>	<b>7,251,412</b>
Revenue from non-operating activities		
Interest received	324,004	397,033
Donations received	-	225,000
Trust distributions received	8,296	24,628
Market value fluctuations of investments	(57,691)	66,454
Realised gains/(losses) on sale of investments	81,242	(43,492)
Other sundry income	-	7,808
<b>Net Revenue from non-operating activities</b>	<b>355,851</b>	<b>677,431</b>
<b>Total Revenue</b>	<b>7,539,931</b>	<b>7,928,843</b>
<b>(b) Expenses requiring additional disclosure</b>		
Amortisation and Depreciation of assets:		
Leasehold improvements	137,473	100,685
Office equipment	108,188	57,748
Furniture and fittings	2,184	3,238
	247,845	161,671
Movement in provisions		
Leave and entitlements (see note 10)	(47,701)	72,883
Doubtful debts	-	-
	(47,701)	72,883
Rental expenses on operating leases		
Lease payments	356,211	315,919
	356,211	315,919
Remuneration of the auditors		
Auditing the accounts	20,220	24,150
Other audit related services	-	8,100
	20,220	32,250

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31/12/2013 \$	31/12/2012 \$
<b>4. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and cash equivalents	2,874,229	3,999,408
Cash on hand	400	400
	<b>2,874,629</b>	<b>3,999,808</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Interest receivable	49,482	45,385
Other income receivable	139,700	106,056
Less: Provision for doubtful debts	(7,500)	(7,500)
Deferred expenses	248,518	152,178
	<b>430,200</b>	<b>296,119</b>
<b>6. FINANCIAL ASSETS - Current</b>		
Listed securities at market value	-	473,385
Unit trusts at market value	-	32,932
Cash on deposit	5,645,142	4,269,262
	<b>5,645,142</b>	<b>4,775,579</b>
<b>FINANCIAL ASSETS - Non-Current</b>		
Cash on deposit	-	80,565
	<b>-</b>	<b>80,565</b>
<b>7. NON-CURRENT ASSETS</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold improvements, at cost	939,119	939,119
Less: accumulated amortisation	(939,119)	(801,646)
	<b>-</b>	<b>137,473</b>
Computer and office equipment, at cost	343,920	428,852
Less: accumulated depreciation	(139,515)	(210,491)
	<b>204,405</b>	<b>218,361</b>
Furniture and fittings, at cost	32,129	32,129
Less: accumulated depreciation	(32,129)	(29,945)
	<b>-</b>	<b>2,184</b>
	<b>204,405</b>	<b>358,018</b>

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 7. NON-CURRENT ASSETS, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Movement in the Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold Improvements	Computer Equipment	Furniture & Fittings	Total
Balance at 1 January 2012	221,961	69,643	5,422	297,026
Additions	16,197	206,466	-	222,663
Disposals	-	-	-	-
Depreciation / amortisation expense	(100,685)	(57,748)	(3,238)	(161,671)
Balance at 31 December 2012	137,473	218,361	2,184	358,018
Additions	-	94,233	-	94,233
Disposals	-	-	-	-
Depreciation / amortisation expense	(137,473)	(108,189)	(2,184)	(247,846)
Balance at 31 December 2013	-	204,405	-	204,405

	31/12/2013 \$	31/12/2012 \$
<b>8. INTANGIBLE ASSETS</b>		
Computer software, IT infrastructure and website, at cost	773,682	610,200
Less: accumulated amortisation	(549,737)	(409,627)
	223,945	200,573
Website development work in progress	-	33,420
	223,945	233,993

#### Movement in the Carrying Amounts

Movements in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year.

	Computer Software	Website	Total
Balance at 1 January 2012	266,197	-	266,197
Additions	103,867	33,420	137,287
Disposals	-	-	-
Depreciation / amortisation expense	(169,491)	-	(169,491)
Balance at 31 December 2012	200,573	33,420	233,993
Additions	21,694	108,368	130,062
Disposals	-	-	-
Depreciation / amortisation expense	(132,232)	(7,878)	(140,110)
Balance at 31 December 2013	90,035	133,910	223,945

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31/12/2013 \$	31/12/2012 \$
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Unsecured:</b>		
Sundry creditors and accruals	451,898	502,837
Enrolments and Registration fees received in advance	553,937	415,807
Unearned income (Membership renewals received in advance)	2,112,319	2,064,304
	<b>3,118,154</b>	<b>2,982,948</b>

<b>10. Provisions</b>			
Employee entitlements			
<b>Current</b>	Bonuses	Annual Leave	Total
Opening Balance	281,145	123,868	405,013
Increase in provision during the year	236,425	5,865	242,290
Amounts used	(281,145)		(281,145)
Closing Balance	236,425	129,733	366,158
<b>Non-current</b>		Long Service Leave	Total
Opening Balance		78,959	78,959
Increase in provision during the year		26,998	26,998
Amounts used		(35,843)	(35,843)
Closing Balance		70,114	70,114
Total Provisions			<b>436,272</b>

	31/12/2013 \$	31/12/2012 \$
(a) Aggregate employee entitlement liability	436,272	483,972
Current	366,158	405,013
Non-current	70,114	78,959
(b) Number of employees at year end	24	24

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31/12/2013 \$	31/12/2012 \$
<b>11. CAPITAL AND LEASING COMMITMENTS</b>		
Operating Leases		
Lease rental expenses and commitments:		
Rentals charged to Statement of Profit or Loss and Other Comprehensive Income	356,211	315,919
Lease commitments:		
Not later than 12 months	332,475	312,200
Between 12 months and five years	2,081,387	171,811
Greater than five years	1,203,844	-
<b>Total operating lease commitments</b>	<b>3,617,706</b>	<b>484,011</b>

See note 21.

### 12. RELATED PARTY TRANSACTIONS

- (a) The names of the Council Members who held office during the financial period are:
- |             |             |            |
|-------------|-------------|------------|
| C A Bayliss | J M Newman  | L R Smartt |
| P M Carroll | M J O'Neill | D A Smith  |
| J D Gribble | E E Pearson | S M Woods  |
| A J Huszczo | L N Simpson | G S Y Yu   |

- (b) Key Management Personnel  
Disclosures relating to key management personnel are set out in Note 16

- (c) During the year the Institute had contracts with various entities which had officers or employees who were Council Members of the Institute. These transactions are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There was a contract with A J Huszczo as a Course Leader. The amount incurred during the year was \$600 (2012 \$3,150).

There was a contract with Professional Financial Solutions, which is related to J M Newman, in relation to public policy consulting services. The amount incurred during the year was \$9,570 (2012 \$124,273).

There was a contract with Hunter Pty Ltd, which is related to S M Woods, in relation to services as a Chief Examiner and as the Practice Committee Liaison Actuary (2012). The amount incurred during the year was \$9,570 (2012 \$29,326).

There was a contract with Taylor Fry Pty Ltd, which is related to D A Smith, in relation to research projects. The amount incurred during the year was \$32,400 (2012 \$26,375).

- (d) Ms Melinda Howes, a Fellow of the Institute held the position of Chief Executive Officer of the Institute until 1 November 2013.
- (e) There were no other transactions with related parties during the year.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 13. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies  
Details of the significant accounting policies and methods adopted are disclosed in note 1 to the financial statements.

(b) Interest Rate Risk  
The Institute's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets and financial liabilities is set out in the following table:

	31/12/2013	31/12/2012
Weighted Average Effective Interest Rate:	%	%
<b>Financial Assets</b>		
Cash at banks	3.34	4.27
Cash on deposit	3.84	5.01
Investments		
	\$	\$
<b>Floating Interest Rate: Financial Assets</b>		
Cash at banks	730,423	593,851
Cash on deposit	2,143,806	2,556,415
Investments	-	849,142
Total Financial Assets	2,874,229	3,999,408
<b>Fixed Interest Rate maturing within 1 year: Financial Assets</b>		
Cash at banks		
Cash on deposit	5,645,142	4,269,262
Total Financial Assets	5,645,142	4,269,262
<b>Fixed Interest Rate maturing within 1 - 5 years: Financial Assets</b>		
Cash at banks	-	-
Cash on deposit	-	80,565
Total Financial Assets	-	80,565
<b>Non-Interest Bearing: Financial Assets</b>		
Cash at banks	-	-
Cash on deposit	-	-
Investments	-	506,317
Total Financial Assets	-	506,317



# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### (c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Institute. The Institute has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and in the notes to the financial statements.

### (d) Net Fair Values

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (adjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2013 and 31 December 2012:

	Level 1	Level 2	Level 3	Total
<b>31 December 2013</b>				
Assets				
Unit trust Investments	-	-	-	-
Net fair value	-	-	-	-
<b>31 December 2012</b>				
Assets				
Unit trust	-	480,357	-	480,357
Net fair value	-	480,357	-	480,357

The net fair value of listed investments has been taken at market value at balance date. The net fair value of unlisted investments has been determined by their published unit prices as at balance date or, for those unlisted investments which have no published unit price at balance date, their latest quoted unit price or using information supplied by the fund manager. For other assets and liabilities, the net fair value is their carrying value in the Statement of Financial Position.

During the year the investments in the unit trusts were redeemed.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### (e) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This may be whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At balance date the Institute had no investment holdings (2012: \$506,317) with exposure to market risk.

#### Sensitivity analysis

The following table illustrates sensitivities to the Institute's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

		Surplus \$	Equity \$
<b>Year ended 31/12/2013</b>			
+/- 2% in interest rates	+/-	147,710	147,710
+/- 10% in listed & unlisted investments	+/-	-	-
<b>Year ended 31/12/2012</b>			
+/- 2% in interest rates	+/-	165,373	165,373
+/- 10% in listed & unlisted investments	+/-	50,632	50,632

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 14. CASH FLOW INFORMATION

#### (a) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of the financial position as follows:

	31/12/2013 \$	31/12/2012 \$
Cash	2,874,629	3,999,808
<b>(b) Reconciliation of Cash Flow from Operations with Net (Deficit)/Surplus</b>		
Net Surplus	(453,267)	102,386
Non-Cash Flows in Surplus		
Depreciation and amortisation	387,953	331,162
Loss on disposal of assets	-	-
Loss on disposal of securities	-	-
Non-cash other (income) / expenses	1,785	(770)
Changes in Assets and Liabilities		
Decrease/(Increase) in interest receivable	(4,097)	88,288
Decrease/(Increase) in income receivable	2,656	(41,776)
Increase/(Decrease) in doubtful debts	-	-
Decrease/(Increase) in deferred expenses	(132,640)	(64,838)
Increase/(Decrease) in sundry creditors	(50,938)	104,131
Increase/(Decrease) in income in advance	186,145	233,825
Decrease/(Increase) in market value of investments	28,869	(18,838)
Increase/(Decrease) in employee provisions	(47,701)	72,883
Net cash (used in)/provided by operating activities	(81,235)	806,453

### 15. MEMBERS' GUARANTEE

The Institute is a public company limited by guarantee and holds a licence under the Corporations Act 2001 which allows it to exclude the word "Limited" from its name.

Each member of the Institute guarantees its liabilities to the extent of \$20. The number of members at year end was 4,088 (2012: 3,879).

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 16. EMPLOYEE BENEFITS AND KEY MANAGEMENT PERSONNEL COMPENSATION

The directors of the Institute of Actuaries of Australia are members of the Council as listed in note 12. Councillors do not receive remuneration.

The aggregate compensation made to 6 (2012: 6) key management personnel is set out below:

	Termination payments	Short-term benefits	Post- employment benefits	Other long-term benefits	Total
2013	-	1,137,098	51,144	15,948	1,204,190
2012	-	1,040,138	50,646	10,265	1,101,049

The aggregate compensation made to all employees is set out below:

	Short-term benefits	Post- employment benefits	Other long-term benefits	Total
2013	2,587,707	182,833	(8,842)	2,761,698
2012	2,302,827	163,428	1,391	2,467,646

The post-employment benefit comprises superannuation contributions payable in accordance with SGL legislation. Other long-term benefits relate to provision for long service leave which as a result of terminations during the year resulted in an overall reduction.

Related party transactions:

Related party transactions are set out in note 12

### 17. SEGMENT INFORMATION

The Institute operates in Australia to provide members of the actuarial profession with education, continuing professional development, public representation and other services.

### 18. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by UHY Haines Norton, the auditor of the company:

	2013 \$	2012 \$
Audit services – UHY Haines Norton		
Audit of the financial statements	20,220	24,150
Other audit related services	-	8,100

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

### 19. COMPANY DETAILS

The registered office of the company is:

Level 7 Challis House  
4 Martin Place  
SYDNEY NSW 2000

### 20. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2013 (2012: \$55,500).

### 21. COMMITMENTS

The company has commitments totalling \$275,868 for hosting and support services of the Institute's IT structure and internet connections expendable within one year as at 31 December 2013 (\$593,316 as at 31 December 2012).

The company has a commitment totalling \$116,561 for a Building rent agreement that expires on 1 May 2014. A Bank Guarantee to secure the Institute's obligations under the lease totalling \$80,565 which is secured by a term deposit of \$80,565 has been issued by the National Australia Bank.

The company has commitments totalling \$3,442,239 for an eight year lease signed on 28 January 2014 to occupy suite 201, level 2, 50 Carrington St commencing 1 July 2014 and expiring on 30 June 2022. The landlord will provide an incentive which will be accounted for in accordance with AASB 117. This treatment requires the creation of a deferred benefit and a deferred liability amortised over the period of the lease. The amounts required to be raised in 2014 are projected to be in the vicinity of \$700k. Bank Guarantees to secure the Institute's obligations under the new lease totalling \$598,109 which are secured by a term deposit of \$600,000 have been issued by the ANZ Bank.

### 22. EVENTS AFTER THE REPORTING PERIOD

Apart from the signing of the lease mentioned in note 21 above no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or the state of affairs of the Institute in the financial year subsequent to 31 December 2013.