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**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

**FINANCIAL REPORT AND COUNCIL'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

To comply with the *Corporations Act 2001 (Act)*, Council submits its report on the Institute of Actuaries of Australia (Institute) for the year ended 31 December 2018.

The Institute is registered in Australia as a public company limited by guarantee and holds a licence to omit the word "Limited" from its name (the operation of which is extended by s151 of the Act). Council constitutes the Board of Directors of the Institute.

### Overview of result for the twelve months to 31 December 2018

#### The Institute's Vision and Mission

The Vision of the Institute is: "That wherever there is uncertainty of future financial outcomes, actuaries are sought after for their valued advice and authoritative comment."

The Mission is:

- ▶ To inspire, guide and support actuaries to help business and society be more resilient to future uncertain events.
- ▶ This is achieved by providing education, standards, representation, thought leadership and a professional community.

#### Strategy for achieving the Vision and Mission

The year represented the first year of implementation of the 2018-20 Strategic Plan. The Plan and associated budget to execute the Strategy were approved at the March 2018 Council meeting.

#### 2018-20 Strategic Plan

The Plan has four goals:

Goal 1: Deliver quality professional learning by enhancing the qualification education program, driving continuing professional development and establishing a flagship event by 2020 and building the platform for ICA 2022.

Goal 2: Growth and diversity, foster emerging area of data analytics, increase demand for Actuaries and grow membership and diversity.

Goal 3: Build brand and community by raising awareness of brand "Actuary", contributing to public policy and promoting member value.

Goal 4: Build a future-proof and professional organisation by enhancing professional standards, developing global strategy and partnerships whilst cultivating a 'best practice' organisation.

Council held a strategy day in October 2017 to develop the 2018-2020 Strategic Plan which was finalised and approved by Council at the March 2018 Council meeting. The goals centre on delivering quality professional learning; growth and diversity; building brand and community and building a future-proof and professional organisation.

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

### The principal activities of the Institute are:

- ▶ providing qualifications for Actuaries (FIAA and AIAA);
- ▶ provision of education courses and exams, and the provision of CPD;
- ▶ running of 2–3 major events per year which, in turn, allow for the running of many smaller events like Insights sessions;
- ▶ promoting the views of the profession to key decision makers; and
- ▶ providing relevant information and services to Members through active communication.

### The Institute's finances

The Institute's finances are governed by policies set down by Council. Council has tasked the Audit and Risk Council Committee (ARCC) to monitor and report on the Institute's finances and financial reports.

Council's financial strategy for the medium term is to:

- ▶ produce at least break-even budgets on business as usual activities (BAU);
- ▶ maintain reserves at levels within the Financial Management Policy
- ▶ fund the development of the new education curriculum (ESR) through use of the strategic reserves (i.e. permit ESR to incur deficits); and
- ▶ Fund the 2018-2020 Strategic Plans.

### Performance measure

Monthly management reports comparing actual results to budget are provided to the CEO. Council and ARCC receive quarterly reports.

The Institute's finances are audited and reported upon annually, in accordance with Australian accounting standards.

### Review of operations

#### Year on Year

Total revenue was \$9,331k (2017: \$8,870k) and total expenses was \$9,175k (2017: \$8,852k) resulting in an operating profit for the year of \$156k (2017: \$18k). Details of the revenue and expenses are reported in note 3 in 'Notes to the Financial Statements'.

Total revenue increased in 2018 by \$462k. Membership fees increased by \$196k, education revenue increased by \$519k from an increase in course and exam fees of \$407k and \$112k in exemption fees, events revenue decreased by \$230k as the "Summit" biennial conference was held in 2017 but not in 2018. Investment income increased by \$8k. Recovery of credit card fees generated \$120k (2017: \$100k). Sale of publications and advertising space declined by \$51k. Anecdotal evidence indicates that

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

students are attempting to complete their subjects/courses before the changes to the syllabus contained in the ESR resulting in the increase in education revenue.

Total expenses increased in 2018 by \$324k. The major contributors to this increase were implementation of ESR \$470k, education costs increased by \$148k, member services increased by \$33k, offset by reductions in events costs \$211k, principally due to 2018 not being a "Summit" year, and administration costs by \$31k.

The translation of the balances in the five foreign currency bank accounts resulted in an unrealised currency deficit of \$8k (2017: surplus of \$18k).

### Actual to Budget

Council approved a budgeted deficit of \$565k of which \$581k was approved for the Education Strategy Review in 2018. The approval is within the parameters set within the Financial Management policy. Subsequently in September 2018 Council agreed to set up a contingency reserve of \$500k for the International Congress of Actuaries we are hosting in 2022 by targeting a BAU surplus of \$125k per year from 2018 to 2021. Accordingly, the BAU budget was adjusted to a target surplus of \$141k (original budget of \$16k plus ICA2022 \$125k).

The net surplus of \$156k is \$721k greater than the original budgeted deficit of \$565k [and \$596k greater than the revised budgeted deficit of \$440k (original budget deficit \$565k less ICA2022 \$125k)] which is mainly due to, higher than expected course and exam enrolments (due to students' desire to sit exams before changes come in) of \$391k; lower revenue from events \$78k lower membership fees \$89k lower revenue from sale of publications \$97k and higher sundry income \$33k; Lower costs of operations \$358k lower costs of support services \$91k and the deferment of the ESR costs to 2019 of \$174k offset by increased ESR expenditure in HR and travel costs of \$62k.

The surplus from BAU transactions \$484k will be treated as a reserve for ICA2022 for the following 3 years (\$375k) plus to cover any reduction in exams revenue due to early sitting of exams this year and/or possible additional costs of the ESR up to \$100k.

### Other information

- ▶ Council approved a new reserving policy during 2017 which set two reserves – Minimum Reserves and Strategic Reserves. Minimum reserves set the floor for net assets and cash and cash equivalents. Strategic reserves are to accommodate expenditure on strategic transactions such as the ESR. The value of these reserves for 2018 are \$1.104m and \$2.208m.
- ▶ Council approved the implementation of the recommendations of the Education Strategy Review Committee relating to Part III syllabus at the December 2017 Council meeting. The budgeted cumulative deficit which peaks in 2021 is expected to be in the vicinity of \$1,310k funded from strategic reserves.
- ▶ Council resolved to proceed with holding the International Congress of Actuaries in 2022 in Sydney. Due to the length of time before the congress is held Council required that a contingency reserve of \$500k be established and funded by requiring BAU surplus to be a minimum \$125k for 2018 to 2021 to cover any possible deficit that ICA2022 may produce in 2022. The reserve requirement will be regularly reviewed.

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

- ▶ Capital expenditure in 2018 of \$550k was approved by Council at the December 2017 Council meeting for CPD development project and the finalisation of the upgrade of the Institute's database. Further expenditure of \$323k in 2019 was approved in December 2018.
- ▶ No other 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 2018.
- ▶ The members of Council believe that there are no other likely developments in the operations of the Institute and the expected results of those operations in the financial years subsequent to 31 December 2018 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 attend Institute events free of charge. Since the end of the previous financial year, no member of Council who was a member of Council during 2018 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 14 to the Financial Statements.
- ▶ During the financial year, the Institute had in place an insurance policy covering the Office Bearers against liabilities incurred as such Office Bearers 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.
- ▶ If the Institute 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 2018, the total amount that Members of the Institute are liable to contribute if the Institute is wound up is \$94,800 (2017: \$93,900).

### Information on Councillors

The name of each person who has been a Councillor during the financial year and to the date of this report along with details of their qualifications and experience are shown below (in alphabetical order).

#### **Andrew Brown** BSc Dip Ed FIAA Finsia

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Andrew is co-founder and Director of Adaptive Cultures which supports leaders and organisations to build adaptive organisational cultures. He is also founder and Director at lead.first where he partners with clients to address their business strategies through developing effective leadership mindsets and practices. He has previously held senior executive roles as Chief Actuary for AXA Life Singapore, CFO for Philippine AXA Life and Head of Learning and Leadership Development for AXA Asia Pacific Holdings.

<b>Councillor</b>	<b>Council Committee service during 2018</b>
1 January 2015 to 31 December 2018	Chair, Audit and Risk Council Committee

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

### [Hoa Bui FIAA](#)

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Hoa is Partner in Charge of Actuarial & Financial Risk, the quantitative team for insurance, banking and superannuation at KPMG Australia. She joined KPMG after 20 years of corporate experience at AC&L, AXA and Tower Australia. Hoa has held Appointed Actuary roles for 3 insurers at various times and was the senior actuary for Australia's No 1 and No 2 Group and Retail risk portfolios. At KPMG, she advises clients on a range of actuarial and insurance engagements, including leading the FSC-KPMG industry claims since 2008, and advising the Hong Kong Government on the design of risk-based capital frameworks.

**Councillor**

1 January 2015 to present

**Council Committee service during 2018**

Member, Presidential Committee

Member, Nominations Council Committee

### [Ann-Maree Cook BSc FIAA](#)

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Ann-Maree has close to 30 years' experience in the insurance industry, predominantly in general insurance with roles in both corporations and consulting firms. She worked throughout the Asia Pacific region and resided in Hong Kong and Singapore for several years. Ann-Maree was previously the Asia Pacific Actuary and Senior Vice President for the Chubb Insurance Group.

**Councillor**

9 January 2017 to present

**Council Committee service during 2018**

Chair, Education Council Committee

### [Andrew Doughman BCom, BAppFin, FIAA](#)

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Andrew is a General Manager at Allianz Australia, responsible for the functions of Underwriting Services and Reinsurance. Prior to joining Allianz, he worked in a number of other roles within the General Insurance industry including as a Senior (Reinsurance) Underwriter and Client Manager with Hannover Re, as a Senior Manager with EY and in Product Management for Suncorp. Andrew has deep expertise in stakeholder management having dealt with a number of different functions within insurance and reinsurance companies as well as with brokers, clients and regulators

**Councillor**

1 January 2017 to present

**Council Committee service during 2018**

Member, Public Policy Council Committee

Member, ICA 2022 Council Steering Committee

### [John Evans MBA FIAA FFin](#)

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John is a part time academic with the University of Wollongong. Previously he held several senior academic roles in the University of New South Wales, the most recent being as an Associate Professor in the Australian School of Business and Head of the School of Risk and Actuarial Studies. John is an experienced company director and risk compliance committee chair and he currently holds several such appointments.

**Councillor**

1 January 2014 to 13 May 2018

**Council Committee service during 2018**

Member, Presidential Committee

Member, Public Policy Council Committee

Member, International Council Committee

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

### **Jefferson Gibbs** BSc FIA FIAA FSocANZ

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Jefferson has worked for more than 25 years' as an actuarial consultant, predominantly in general insurance. He has worked in New Zealand, the UK and Australia and covered insurers in more than 20 global jurisdictions. Jefferson holds a number of Appointed Actuary and Loss Reserve specialist roles. He is a Partner at KPMG and a Director of KPMG Financial Services Consulting Ltd.

**Councillor**

1 January 2018 to present

**Council Committee service during 2018**

Member, Audit and Risk Council Committee

### **Jules Gribble** FIAA, FSA, FCAI, CERA, GAICD, PhD

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Jules has over 30 years professional experience. Until December 2018 he was a Senior Policy Advisor at the IAIS in Basel. Prior to that he has established actuarial consultancies and been a partner at EY. Jules has long standing interests in professional actuarial capacity building, especially CPD, supervisory capacity building, and retirement incomes. He has represented the Australian Institute on the IAA's Advice and Assistance committee since 2014 and is an active contributor to the IAA. He is also part of the team organising the global ICA 2022.

**Councillor**

1 January 2019 to present

**Council Committee service during 2018**

Not Applicable

### **Steve Hui** BSc MSc FIAA FCPA

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Steve has over 40 years of experience in the financial and insurance services industry and in public services. He has held executive positions in finance, investment, actuarial and IT areas in Australia, Hong Kong, Taiwan and China. Steve is the owner of Financial Consulting Co Ltd in Hong Kong. He is an advisor to the Hong Kong Insurance Authority and the China Insurance Regulatory Commission. He is also a Fellow and past president of CPA Australia, Hong Kong China Division.

**Councillor**

1 January 2019 to present

**Council Committee service during 2018**

Not applicable

### **Annette King** BEc FIAA FAICD

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Annette is the Chair of Galileo Platforms (an insurtech company) and a Non-Executive Director of FNZ (a wealth technology company). She has been a CEO, CMO and CFO working in wealth management, pensions and life insurance for companies such as Manulife, AXA and Mercer. She has lived and worked in Australia, Singapore and Hong Kong.

**Councillor**

1 January 2018 to present

**Council Committee service during 2018**

Member, Audit and Risk Council Committee  
Chair, ICA 2022 Council Steering Committee

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# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

### **Bill Konstantinidis** BEc, FIAA, MBA(Exec)

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Bill has extensive experience within the general insurance area. He is currently Chief Underwriting Officer at Cover-More. Prior to this he held a number of Executive Manager positions with Suncorp managing large actuarial valuation and pricing teams. He has also held Chief Underwriting Officer/Executive Manager roles with Allianz Global Assistance, RACQ Insurance and CUNA Mutual. In 2011 he was President of the Queensland Branch of ANZIIF (Australian and New Zealand Institute of Insurance and Finance).

**Councillor**

20 January 2016 to present

**Council Committee service during 2018**

Member, Nominations Council Committee

Member, ICA 2022 Council Steering Committee

### **Michael O'Neill** BActS Hons/LLB PhD FIAA MAICD

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Michael was previously a member of the Council of the Institute of Actuaries of Australia from 2010 to 2013. Michael has worked as an equities analyst and portfolio manager at Investors Mutual Ltd since 2008. Michael also has experience in actuarial consulting and public policy from his time working with the Australian Government Actuary (Commonwealth Treasury) from 2004 to 2007. Michael also currently holds the position of Adjunct Associate Professor of Actuarial Studies at Bond University.

**Councillor**

1 January 2015 to 30 August 2018

**Council Committee service during 2018**

Member, Education Council Committee

### **Chao Qiao** BCom (Hons) FIAA CERA

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Chao is a recently qualified young actuary and has 9 years' experience as an actuarial consultant. Chao currently works at PwC in Sydney in the financial services industry in fields including analytics, capital, product, customer, strategic transformations as well as traditional actuarial advice. Chao completed his Honours thesis on group self-annuitisation. He regularly presents at conferences on financial services related topics. He also has experience in volunteering with the Institute on education and non-traditional practice areas, as well as with other membership and community organisations.

**Councillor**

1 January 2015 to 31 December 2018

**Council Committee service during 2018**

Member, Audit and Risk Council Committee

Member, Education Council Committee

### **Barry Rafe** BSc FIAA FAICD

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Barry is a past President of the Actuaries Institute and a financial services professional with experience as a director, CEO and consultant to significant financial services firms and superannuation funds. Barry facilitates courses on governance, strategy and financial analysis, offered by the Australian Institute of Company Directors. He is also on the board of Greenpeace Australia Pacific and is working on his PhD through MGSM

**Councillor**

1 January 2015 to 31 December 2018

**Council Committee service during 2018**

Member, Presidential Committee

Member, Audit and Risk Council Committee

Chair, Nominations Council Committee

Member, International Council Committee

Member, ICA 2022 Council Steering Committee

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

### Nicolette Rubinsztein B Bus Sc (Hons) EMBA FIAA GAICD

Nicolette is a non-executive director of UniSuper, OnePath Insurance, Class Limited and SuperEd. Prior to this she was a General Manager at Colonial First State/ Commonwealth Bank, a director of ASFA (the Association of Superannuation Funds of Australia) and a Vice President at BT and a consultant at Towers Perrin. She is author of the book *Not Guilty* on the subject of career mums.

**Councillor**

1 January 2016 to present

**Council Committee service during 2018**

Member, Presidential Committee

Member, Public Policy Council Committee

Member, Nominations Council Committee

### David Whittle BSc (1<sup>st</sup> Class Hons) BEc DipLaw FIAA GAICD

David is Principal at Deloitte. He has had 30 years' experience in the insurance industry spanning general and life insurance, multinational insurers and consulting firms plus roles in reserving, pricing, underwriting and general management. From 2013 to 2018 David was Chief Reserving Actuary for Zurich's Asia-Pacific general insurance business across 9 countries.

**Councillor**

1 January 2019 to present

**Council Committee service during 2016**

Member, International Council Committee

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

#### Glyn Thomas BBus CPA

Company Secretary from 26 February 2016 to present.

Glyn has been the Chief Financial Officer of the Institute since 2011 having previously held a number of Financial Controller / Company Secretary positions and has been a member of CPA Australia for over 35 years.

#### David Thompson B.AppSc MAICD, MIOD

Company Secretary from 14 September 2016 to 2 January 2019.

David has more than 30 years' experience as a company director including 14 years as executive and non-executive director with a listed company. David is a member of the Institute of Directors (UK), the Australian Institute of Company Directors and the Australian Institute of Management.

# Report of Council

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

### Directors' attendance at Council and Council Committee meetings: 01/01/18 – 31/12/18

Director	Council	Audit and Risk Council Committee	Education Council Committee	International Council Committee	Nominations Council Committee	Presidential Committee	Public Policy Council Committee	ICA 2022 Council Steering Committee
A J G Brown	3 of 4	4 of 4						
H Bui	4 of 4				1 of 2	4 of 4		
A M Cook	4 of 4		6 of 6					
A Doughman	4 of 4						4 of 5	1 of 1
J R Evans	1 of 1 <sup>1</sup>			1 of 2 <sup>1</sup>		2 of 2 <sup>1</sup>	1 of 1 <sup>1</sup>	
J Gibbs	4 of 4	2 of 2 <sup>3</sup>						
A King	4 of 4	2 of 2 <sup>4</sup>						1 of 1
B Konstantinidis	4 of 4				0 of 1 <sup>7</sup>			1 of 1
M J O'Neill	0 of 2 <sup>2</sup>		0 of 2 <sup>6</sup>					
C Qiao	4 of 4	3 of 4	5 of 6					
B E Rafe	4 of 4	2 of 2 <sup>5</sup>		0 of 2 <sup>9</sup>	1 of 1 <sup>5</sup>	2 of 2 <sup>8</sup>		1 of 1
N Rubinsztein	4 of 4				2 of 2	4 of 4	4 of 5	

<sup>1</sup> Cr Evans resigned from Council and as President on 13 May 2018

<sup>2</sup> Cr O'Neill resigned from Council on 30 August 2018

<sup>3</sup> Cr Gibbs was appointed to the Committee on 13 June 2018

<sup>4</sup> Cr King was appointed to the Committee on 13 June 2018

<sup>5</sup> Cr Rafe resigned from the Committee on 3 August 2018

<sup>6</sup> Cr O'Neill resigned from the Committee on 30 June 2018

<sup>7</sup> Cr Konstantinidis became a member of the Committee on 20 June 2018

<sup>8</sup> Cr Rafe was appointed President on 15 May 2018

<sup>9</sup> Cr Rafe was appointed to the Committee on 3 August 2018

### Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, for the year ended 31 December 2018 has been received and can be found on page 13.

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



**N RUBINSZTEIN**

President

Sydney 12 March 2019



**H BUI**

Senior Vice President

## Council and Audit Declarations

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA DECLARATION BY MEMBERS OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 and of its performance and cashflows 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 made pursuant to section 295(5)(a) of the *Corporations Act 2001*, and is signed for and on behalf of the members of Council by:



**N RUBINSZTEIN**  
President  
Sydney, 12 March 2019



**H BUI**  
Senior Vice President

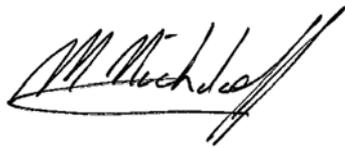
**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001***

**TO THE COUNCILLORS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

As auditor for the audit of the Institute of Actuaries of Australia for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



**Mark Nicholaeff**  
Partner  
12<sup>th</sup> March 2019  
Sydney



**UHY Haines Norton**  
Chartered Accountants

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA

#### Opinion

We have audited the financial report of the Institute of Actuaries of Australia (the Institute), which comprises the statement of financial position as at 31 December 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the councillors' declaration.

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

- (a) giving a true and fair view of the institute's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Institute in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Other Information

The councillors are responsible for the other information. The other information comprises the information included in the Institute's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Councillors' for the Financial Report**

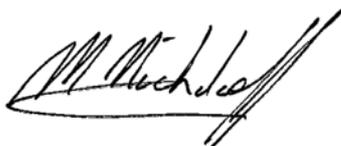
The councillors of the Institute are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the councillors determine is necessary to enable the preparation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

In preparing the financial report, the councillors are responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the councillors either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

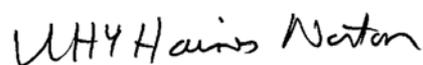
### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.



**Mark Nicholaeff**  
Partner  
12<sup>th</sup> March 2019  
Sydney



**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 2018

	Note	Year Ended 31/12/2018 \$	Year Ended 31/12/2017 \$
Revenues	3	9,331,207	8,869,619
Expenses	3	(9,175,272)	(8,851,647)
<b>Surplus before income tax expense</b>		<b>155,935</b>	<b>17,972</b>
Income tax expense	1	-	-
<b>Surplus after income tax expense</b>		<b>155,935</b>	<b>17,972</b>
<b>Other Comprehensive Income:</b>			
Other Comprehensive Income for the period, net of tax		-	-
<b>Total Comprehensive Income for the period</b>		<b>155,935</b>	<b>17,972</b>

The accompanying notes form part of these financial statements.

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	31/12/2018 \$	31/12/2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	3,251,866	2,711,711
Trade and other receivables	5	480,853	349,622
Financial assets	6	4,739,050	4,642,734
<b>Total current assets</b>		<b>8,471,769</b>	<b>7,704,067</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	179,663	237,538
Other non-current assets	8	325,693	418,749
Intangible assets	9	553,194	399,725
<b>Total non-current assets</b>		<b>1,058,550</b>	<b>1,056,012</b>
<b>TOTAL ASSETS</b>		<b>9,530,319</b>	<b>8,760,079</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	3,921,020	3,591,937
Provisions	12	487,530	159,999
<b>Total current liabilities</b>		<b>4,408,550</b>	<b>3,751,936</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	12	112,810	51,224
Other non-current liabilities	11	373,903	477,798
<b>Total non-current liabilities</b>		<b>486,713</b>	<b>529,022</b>
<b>TOTAL LIABILITIES</b>		<b>4,895,263</b>	<b>4,280,958</b>
<b>NET ASSETS</b>		<b>4,635,056</b>	<b>4,479,121</b>
<b>MEMBERS' FUNDS</b>			
Retained surplus		4,635,056	4,479,121
<b>TOTAL MEMBERS' FUNDS</b>		<b>4,635,056</b>	<b>4,479,121</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 2018**

	31/12/2018	31/12/2017
	\$	\$
<b>Balance at 1 January</b>	<b>4,479,121</b>	<b>4,461,149</b>
Surplus after income tax expense for the year	155,935	17,972
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>155,935</b>	<b>17,972</b>
<b>Balance at 31 December</b>	<b>4,635,056</b>	<b>4,479,121</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 2018**

	Note	31/12/2018 \$	31/12/2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and others		10,266,541	9,268,984
Interest received		141,389	160,949
Payments to suppliers and employees		(9,495,460)	(9,642,260)
<b>Net cash (outflow) inflow from operating activities</b>	16(b)	<b>912,470</b>	<b>(212,327)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net reinvestment from redemption of term deposits		(96,316)	(532,743)
Purchase of property, plant and equipment and intangibles		(268,475)	(433,232)
<b>Net cash outflow from investing activities</b>		<b>(364,791)</b>	<b>(965,975)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash inflow/(outflow) from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash held</b>		<b>547,679</b>	<b>(1,178,302)</b>
Unrealised currency differences		(7,524)	17,562
Cash at the beginning of year		2,711,711	3,872,451
<b>Cash at the end of year</b>	4, 16(a)	<b>3,251,866</b>	<b>2,711,711</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 2018 (CONTINUED)

### 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.

#### Basis of preparation

The Institute of Actuaries of Australia is a public company limited by guarantee, incorporated and domiciled in Australia. It is classified as a Not for Profit Entity. 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 the Corporations Act 2001. A statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board cannot be made due to the application of not-for-profit specific requirements contained in Australian Accounting Standards.

#### *Historical cost convention*

The financial statements have been prepared on an accruals basis and are based on historical costs and do 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 Institute'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.

#### 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.

#### 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	33.33% to 50%
Furniture & Fittings	13%
Leasehold Improvements	the period of the lease

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 1. Significant accounting policies (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 Institute. 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 Assets

Financial assets are classified into the following categories: Held-to-maturity investments and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Institute has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

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.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 1. Significant accounting policies (continued)

#### 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.

#### Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Institute 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 – Trade and other receivables -Deferred expenses and Note 10 – Trade and other payables – unearned income).

#### Interest

Interest income is recorded on an accruals basis.

#### Employee Benefits

##### Short-term 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.

##### Other long-term employee benefits

All other employee benefit liabilities not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 liquid corporate 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.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 1. Significant accounting policies (continued)

#### 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.

#### Foreign currency translation

The financial statements are presented in Australian dollars, which is the Institute of Actuaries of Australia's functional and presentation currency.

#### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### 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 were amortised over three years commencing from the middle of 2010. Enhancements to the software undertaken in 2014 were capitalised and amortised over a two-year period. Costs of a major reconfiguration of the Aptify Members' database incurred during the year are classified as work in progress and, when completed in 2019, will be amortised over a three-year period.

#### Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 1. Significant accounting policies (continued)

An asset is classified as current when:

- it is either expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or

#### Current and non-current classification (continued)

the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is either expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

### Comparatives

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

### New Accounting Standards effective from 1 January 2018

#### (i) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This replaces AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018. There is no significant impact on the recording of revenue with the adoption of this standard.

#### (ii) AASB 9 Financial instruments

*AASB 9 Financial Instruments*, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard applies from 1 January 2018. The new guidance does not have a significant impact on the classification and measurement of its financial assets.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 1. Significant accounting policies (continued)

#### **New Accounting Standards effective from 1 January 2018 (continued)**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Institute. The Institute's assessment of the impact of these new standards and interpretations is set out below.

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

##### *(i) AASB 16 Leases*

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Institute's operating leases. As at the reporting date, the Institute has non-cancellable operating lease commitments of \$1,827,976. The Institute has determined that these commitments will result in the recognition of an asset and a liability for future payments of \$1,257,970, they will impact on the Institute's profit, classification of some expenses and cash flows. The anticipated impact on the Institute's profit will be a timing difference in the recognition of additional one-off non-cash revenue of approximately \$145,000 in 2019 and increased expenses of \$145,000 across 2020 to 2022.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Institute does not intend to adopt the standard before its effective date.

##### *(ii) AASB1058 Income of Not-for-profit Entities*

AASB 1058 was issued in December 2016. Adoption is required from 1 January 2019. The standard requires an entity to recognise as income the benefit of receiving volunteer services. A not-for-profit entity may as an accounting policy choice elect to recognise volunteer services if the fair value of those services can be measured reliably. Although members of the Institute provide volunteer services in an array of transactions the Institute has as an accounting policy choice elected not to recognise volunteer services accordingly there will be no impact to the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 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.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

#### Estimation of useful lives of assets

The Institute 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.

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

The Institute 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 Institute 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 as the present value of the estimated future cash flows to be made in respect of all employees at the reporting date expected to be settled more than 12 months from 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. Expected future payments are discounted using market yields at the reporting date on liquid corporate bonds with terms to maturity and currency that match, as close as possible, the estimated future cash outflows.

## Notes to the Financial Statements

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31/12/2018	31/12/2017
	\$	\$
<b>3. REVENUE AND EXPENSES</b>		
<b>(a) Revenue</b>		
Revenue from operating activities		
Member subscriptions	3,592,402	3,396,107
Education courses & exams and CPD	4,152,099	3,632,667
Events	1,154,492	1,384,988
Sale of publications and advertising	155,194	206,581
<b>Total Revenue from operating activities</b>	<b>9,054,187</b>	<b>8,620,343</b>
Revenue from non-operating activities		
Credit card fees recovered	120,067	100,279
Interest received	156,953	148,997
<b>Total Revenue from non-operating activities</b>	<b>277,020</b>	<b>249,276</b>
<b>Total Revenue</b>	<b>9,331,207</b>	<b>8,869,619</b>
<b>(b) Expenses</b>		
Specific activities costs		
Member services costs	99,455	66,222
Member services employee costs	1,332,497	1,283,260
Education courses & exams costs	1,676,448	1,528,274
Education strategy review	469,841	-
Events costs	699,659	910,214
Sale of publications and advertising costs	19,033	60,062
	<b>4,296,933</b>	<b>3,848,032</b>
Supporting activities costs		
Communications and marketing costs	821,725	668,938
Public policy costs	438,709	683,817
Research grants, scholarships and prizes	4,000	6,000
	<b>1,264,434</b>	<b>1,358,755</b>
Corporate administration costs		
Employee costs	1,432,836	1,534,910
Council, presidents and committees	147,150	179,728
Premises	612,639	613,741
Office & IT costs	835,499	731,785
Asian liaison costs	166,832	125,364
Audit, Legal and consulting fees,	62,393	122,913
Credit card and bank fees	106,926	119,443
Staff travel and accommodation costs	53,615	58,289
Depreciation and amortisation	172,881	166,894
Unrealised currency differences	7,525	(17,562)
Other costs	15,609	9,355
	<b>3,613,905</b>	<b>3,644,860</b>
<b>Total Expenses</b>	<b>9,175,272</b>	<b>8,851,647</b>

## Notes to the Financial Statements

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31/12/2018	31/12/2017
	\$	\$
<b>3. REVENUE AND EXPENSES (Continued)</b>		
<b>(c) Expenses requiring additional disclosure</b>		
Amortisation and Depreciation of assets:		
Leasehold improvements	1,626	1,390
Office equipment	106,424	86,930
Furniture and fittings	5,222	2,027
Computer software and website	59,609	76,547
	172,881	166,894
Amortisation of lease liability and fitout		
Deferred fitout benefit	93,054	93,054
Lease liability	(98,478)	(83,597)
	(5,424)	9,457
Movement in provisions		
Leave and entitlements (see note 12)	389,116	(300,299)
Doubtful debts	(856)	-
	388,260	(300,299)
Rental expenses on operating leases		
Lease payments	446,900	440,412
	446,900	440,412
Remuneration of the auditors		
Auditing the accounts	27,600	26,500
Other audit related services	-	-
	27,600	26,500
<b>4. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and equivalents	2,890,827	2,670,596
Cash on hand	400	400
Cash at bank held in foreign currencies	360,639	40,715
	3,251,866	2,711,711
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Interest receivable	31,548	15,984
Other income receivable	11,156	42,045
Less: Provision for doubtful debts	-	(1,000)
Deferred expenses	438,149	292,593
	480,853	349,622

## Notes to the Financial Statements

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31/12/2018 \$	31/12/2017 \$
<b>6. FINANCIAL ASSETS - Current</b>		
Term deposits	4,739,050	4,642,734
	<b>4,739,050</b>	<b>4,642,734</b>
<b>7. NON-CURRENT ASSETS</b>		
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold improvements, at cost	13,013	13,012
Less: accumulated amortisation	(4,889)	(3,262)
	<b>8,124</b>	<b>9,750</b>
Computer and office equipment, at cost	737,457	682,060
Less: accumulated depreciation	(595,998)	(489,574)
	<b>141,459</b>	<b>192,486</b>
Furniture and fittings, at cost	40,175	40,175
Less: accumulated depreciation	(10,095)	(4,873)
	<b>30,080</b>	<b>35,302</b>
	<b>179,663</b>	<b>237,538</b>

#### 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 2017	7,367	60,612	10,505	78,484
Additions	3,773	218,804	26,824	249,401
Assets written off				-
Depreciation / amortisation expense	(1,390)	(86,930)	(2,027)	(90,347)
Balance at 31 December 2017	<b>9,750</b>	<b>192,486</b>	<b>35,302</b>	<b>237,538</b>
Additions	0	55,397	-	55,397
Assets written off				-
Depreciation / amortisation expense	(1,626)	(106,424)	(5,222)	(113,272)
Balance at 31 December 2018	<b>8,124</b>	<b>141,459</b>	<b>30,080</b>	<b>179,663</b>

## Notes to the Financial Statements

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31/12/2018	31/12/2017
	\$	\$
<b>8. OTHER NON-CURRENT ASSETS</b>		
Deferred fit out benefit	325,693	418,748
	<b>325,693</b>	<b>418,748</b>
<b>9. INTANGIBLE ASSETS</b>		
Computer software, IT infrastructure and website, at cost	1,161,387	1,156,887
Less: accumulated amortisation	(1,017,319)	(957,710)
Less: impairment	(118,250)	(118,250)
WIP - IT software & Website	527,376	318,798
	<b>553,194</b>	<b>399,725</b>

#### 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.

	Work in Progress	Computer Software	Website	Total
	\$	\$	\$	\$
Balance at 1 January 2017	159,967	529	131,945	292,441
Additions	158,831	25,000	-	183,831
Transfers	-	-	-	-
Assets written off	-	-	-	-
Depreciation / amortisation expense	-	(5,389)	(71,158)	(76,547)
Balance at 31 December 2017	<b>318,798</b>	<b>20,140</b>	<b>60,787</b>	<b>399,725</b>
Additions	208,577	-	-	208,577
Transfers	-	-	4,500	4,500
Assets written off	-	-	-	-
Depreciation / amortisation expense	-	(8,333)	(51,275)	(59,608)
Balance at 31 December 2018	<b>527,375</b>	<b>11,807</b>	<b>14,012</b>	<b>553,194</b>

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31/12/2018	31/12/2017
	\$	\$
<b>10. TRADE AND OTHER PAYABLES</b>		
<b>Unsecured:</b>		
Trade creditors, accruals and other payables	436,280	660,620
Enrolments and Registration fees received in advance	680,835	326,383
Lease liability	93,055	87,639
Unearned income (Membership subscriptions received in advance)	2,710,850	2,517,296
	<u>3,921,020</u>	<u>3,591,937</u>
<b>11. OTHER NON-CURRENT LIABILITIES</b>		
Lease liability	373,903	477,798
	<u>373,903</u>	<u>477,798</u>

## 12. PROVISIONS

Employee entitlements

<b>Current</b>	Bonuses	Annual Leave	Long Service Leave	Total
	\$	\$	\$	\$
Balance at 1 January 2017	305,491	126,612	28,195	460,298
Increase in provision during the year	-	184,211	-	184,211
Transferred from non-current	-	-	-	-
Amounts used	(305,491)	(150,824)	(28,195)	(484,510)
Balance at 31 December 2017	<u>-</u>	<u>159,999</u>	<u>-</u>	<u>159,999</u>
Increase in provision during the year	243,960	244,440	-	488,400
Transferred from non-current	-	-	-	-
Amounts used and/or reversed	-	(160,869)	-	(160,869)
Balance at 31 December 2018	<u>243,960</u>	<u>243,570</u>	<u>-</u>	<u>487,530</u>
<b>Non-current</b>			Long Service Leave	Total
Balance at 1 January 2017			33,812	33,812
Increase in provision during the year			17,412	17,412
Transferred to current provision			-	-
Balance at 31 December 2017			<u>51,224</u>	<u>51,224</u>
Increase in provision during the year			61,586	61,586
Transferred to current provision			-	-
Balance at 31 December 2018			<u>112,810</u>	<u>112,810</u>
<b>Total Provisions</b>				<u><b>600,340</b></u>

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	31/12/2018	31/12/2017
	\$	\$
<b>12. PROVISIONS (Continued)</b>		
(a) Aggregate employee entitlement liability	600,340	211,223
Current	487,530	159,999
Non-current	112,810	51,224
(b) Number of employees at year end	27	23

The current provision for employee benefits includes all unconditional entitlements and the entire amount is presented as current other than with respect to long service leave, since the Institute does not have an unconditional right to defer settlement.

<b>13. LEASING COMMITMENTS</b>		
Operating Leases		
Lease rental expenses and commitments:		
Rentals charged to Statement of Profit or Loss and Other Comprehensive Income	446,900	440,412
Lease commitments:		
Not later than 12 months	503,726	483,961
Between 12 months and 5 years	1,324,250	1,827,977
Greater than 5 years	-	-
Total operating lease commitments	1,827,976	2,311,938

See note 23.

### 14. i RELATED PARTY AND RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2018

(a) The names of the members of Council who held office during the financial period are:

A Brown	J Evans	M O'Neill
H Bui	J Gibbs	C Qiao
A-M Cook	A King	B Rafe
A Doughman	B Konstantinidis	N Rubinsztein

(b) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 18.

(c) During the year the Institute had transactions with various entities which had officers or employees who were Council members of the Institute. These transactions, for which a register is maintained, are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The transactions were as follows:

- ▶ a contract with lead.first. (which is related to Andrew Brown) in relation to services as presenter at the Institute's Commercial Actuarial Practice courses. The amount incurred during the year was \$2,200 including expenses reimbursements;

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

- ▶ a contract with Chao Qiao in relation to services as an examiner for the Institute's Part 3 exam. The amount incurred during the year was \$2,208;
  - ▶ payments totalling \$1,286 relating to reimbursement of catering costs were paid to KPMG (which is related to Hoa Bui and Jefferson Gibbs) for events held in their Melbourne office the facilities of which were provided free; and
  - ▶ payment to Pricewaterhousecoopers of \$75 relating to reimbursement of catering costs (which is related to Chao Qiao) for an event held in their Brisbane office.
- (d) There were no other transactions with related parties during the year.

### 14. ii RELATED PARTY AND RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2017

- (a) The names of the members of Council who held office during the financial period are:

A Brown	J Evans	C Qiao
H Bui	B Konstantinidis	B Rafe
A-M Cook	J Lyon	N Rubinsztein
A Doughman	M O'Neill	A Yang

- (b) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 18.

- (c) During the year the Institute had transactions with various entities which had officers or employees who were Council members of the Institute. These transactions, for which a register is maintained, are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The transactions were as follows:

- ▶ a contract with lead.first. (which is related to Andrew Brown) in relation to services as presenter at the Institute's Commercial Actuarial Practice courses. The amount incurred during the year was \$5,073 including expenses reimbursements;
  - ▶ a contract with Chao Qiao in relation to services as an examiner for the Institute's Part 3 exam. The amount incurred during the year was \$4,840; and
  - ▶ payments totalling \$6,145 relating to reimbursement of catering costs were paid to KPMG (which is related to Hoa Bui) for events held in their Melbourne office the facilities of which were provided free.
- (d) 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 2018 (CONTINUED)

### 15. 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:

	31/12/2018	31/12/2017
<b>Weighted Average Effective Interest Rate:</b>	<b>%</b>	<b>%</b>
<b>Financial Assets</b>		
Cash at banks	1.48	1.79
Term deposits	2.42	2.46
	<b>\$</b>	<b>\$</b>
<b>Floating Interest Rate: Financial Assets</b>		
Cash at banks	3,216,596	2,676,863
<b>Total Financial Assets</b>	<b>3,216,596</b>	<b>2,676,863</b>
<b>Non-Interest Bearing: Financial Assets</b>		
Cash at banks	34,870	34,448
<b>Total Financial Assets</b>	<b>34,870</b>	<b>34,448</b>
<b>Fixed Interest Rate maturing within 1 year: Financial Assets</b>		
Cash at banks	-	-
Term deposits	4,739,050	4,642,734
<b>Total Financial Assets</b>	<b>4,739,050</b>	<b>4,642,734</b>

#### (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.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 15. FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Liquidity Risk

Liquidity risk arises from the Institute's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain a liquid asset ratio of at least 1.25:1.

Council receives on a quarterly basis information regarding cash balances and liquidity ratios. At the balance sheet date, these projections indicated that the Institute expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

*Maturity analysis of financial assets and liability based on management's expectations*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property and equipment, intangibles and investments in working capital. These assets are considered in the Institute's overall liquidity risk.

Maturity Analysis - 2018	Cash flows	1 year	2-5 years	Total	Carrying Amount
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	3,251,866	3,251,866	-	3,251,866	3,251,866
Other income receivables - net	11,156	11,156	-	11,156	11,156
Term deposits with accrued interest	4,795,278	4,795,278	-	4,795,278	4,770,599
<b>TOTAL</b>	<b>8,058,300</b>	<b>8,058,300</b>	<b>-</b>	<b>8,058,300</b>	<b>8,033,621</b>
Financial liabilities					
Trade creditors, accruals and other payables	436,280	436,280	-	436,280	436,280
Lease liabilities	1,405,836	388,510	1,017,327	1,405,836	466,959
<b>TOTAL</b>	<b>1,842,116</b>	<b>824,790</b>	<b>1,017,327</b>	<b>1,842,116</b>	<b>903,239</b>
<b>NET MATURITY</b>	<b>6,216,184</b>	<b>7,233,510</b>	<b>(1,017,327)</b>	<b>6,216,184</b>	<b>7,130,382</b>

Lease liabilities calculated under AASB16 which is effective from 1 January 2019

#### Maturity Analysis - 2017

Financial assets					
Cash and cash equivalents	2,711,711	2,711,711	-	2,711,711	2,711,711
Other income receivables - net	41,045	41,045	-	41,045	41,045
Term deposits with accrued interest	4,680,928	4,680,928	-	4,680,928	4,658,719
<b>TOTAL</b>	<b>7,433,683</b>	<b>7,433,683</b>	<b>-</b>	<b>7,433,683</b>	<b>7,411,474</b>
Financial liabilities					
Trade creditors, accruals and other payables	655,203	655,203		655,203	655,203
Lease liabilities	565,437	87,639	477,798	565,437	565,437
<b>TOTAL</b>	<b>1,220,640</b>	<b>742,843</b>	<b>477,798</b>	<b>1,220,640</b>	<b>1,220,640</b>
<b>NET MATURITY</b>	<b>6,213,043</b>	<b>6,690,840</b>	<b>(477,798)</b>	<b>6,213,043</b>	<b>6,190,834</b>

Lease liabilities calculated under AASB117 which is superseded by AASB16 effective from 1 January 2019

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 15. FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Net Fair Values

Unless otherwise stated, financial assets and financial liabilities are measured at fair value in the Statement of Financial Position.

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.

#### (f) 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 foreign currency holdings of \$360,639 (2017: \$40,715) with exposure to currency risk.

#### Sensitivity analysis

The following table illustrates sensitivities to the Institute's exposures to changes in interest rates and currency fluctuations. 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 31/12/2018</b>			
+/- 1% in interest rates	+/-	76,299	76,299
<b>Year ended 31/12/2017</b>			
+/- 1% in interest rates	+/-	72,929	72,929
<b>Year ended 31/12/2018</b>			
+/- 5% in currency fluctuations	+/-	18,981	18,981
<b>Year ended 31/12/2017</b>			
+/- 5% in currency fluctuations	+/-	2,143	2,143

## Notes to the Financial Statements

### THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 16. 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 Financial Position as follows:

	31/12/2018	31/12/2017
	\$	\$
Cash	3,251,866	2,711,711
<b>Reconciliation of Cash Flow from Operations with Net</b>		
<b>(b) Surplus/(Deficit)</b>		
Net Surplus	155,935	17,972
Non-Cash Flows in Surplus		
Depreciation and amortisation	172,881	166,894
Non-cash other expenses	(3,314)	(149)
Changes in Assets and Liabilities		
Decrease in interest receivable	(15,564)	11,953
(Increase)/Decrease in income receivable	29,888	23,321
(Increase)/Decrease in deferred expenses	(145,555)	(27,954)
(Increase)/Decrease in current provisions	5,416	
(Decrease)/Increase in trade and other payables	(224,339)	(45,062)
(Decrease)/Increase in income in advance	548,006	(68,459)
Increase in employee provisions	389,116	(300,299)
Movement in fitout asset	-	9,457
Net cash from (used in) by operating activities	912,470	(212,327)

#### 17. MEMBERS' GUARANTEE

The Institute is incorporated under the *Corporations Act 2001 (Cth)* and is a company limited by guarantee. If the Institute 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 2018 the total amount that Members of the Institute are liable to contribute if the Institute is wound up is \$94,800 (2017: \$93,900).

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 18. 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 14. Councillors, in their capacity as directors, do not receive remuneration.

The aggregate compensation made to 5 (2017: 5) key management personnel is set out below:

	Termination payments	Short-term benefits	Post- employment benefits	Other long-term benefits	Total
	\$	\$	\$	\$	\$
2018	-	889,711	58,704	33,797	982,212
2017	-	1,161,272	40,953	5,533	1,207,758

Reduction in short-term benefits from 2017 to 2018 is a result of:

- two years' bonuses were paid in 2017 and none in 2018
- one key management personnel departed mid year

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

	Termination payments	Short-term benefits	Post- employment benefits	Other long-term benefits	Total
	\$	\$	\$	\$	\$
2018	-	3,104,405	240,371	61,585	3,406,361
2017	-	3,333,025	239,825	(21,566)	3,551,284

The post-employment benefit comprises superannuation contributions payable in accordance with Superannuation Guarantee legislation.

#### [Related party transactions:](#)

Related party transactions are set out in Note 14.

### 19. SEGMENT INFORMATION

The Institute principally operates in Australia to provide members of the actuarial profession with education, continuing professional development, public representation and other services. The Institute conducts continuing professional development and other Member-related events outside of Australia.

# Notes to the Financial Statements

## THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

### 20. 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 Institute:

Audit services – UHY Haines Norton	2018 (\$)	2017 (\$)
Audit of the financial statements	27,300	25,960

### 21. INSTITUTE DETAILS

The registered office of the Institute is: Level 2, 50 Carrington Street, SYDNEY NSW 2000.

### 22. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2018 (2017: \$0).

### 23. COMMITMENTS

The Institute has commitments totalling:

- (a) \$1,757,446 (2017: \$2,214,408) for an eight-year lease signed on 28 January 2014 to occupy Suite 201, Level 2, 50 Carrington Street, Sydney commencing 1 July 2014 and expiring on 30 June 2022 (including estimate outlay for outgoings and cleaning). A bank guarantees to secure the Institute's obligations under the new lease totalling \$299,055 which is secured by a term deposit of \$300,000 has been issued by the ANZ Bank (see Note 13);
- (b) \$67,520 (2017: \$92,840) for leasing of photocopying equipment payable over the next 4 years (see Note 13); and
- (c) \$249,491 (2017: \$312,631) for venue hire relating to events scheduled for 2018 and beyond; and
- (d) \$3,010 (2017: \$4,690) for leasing of telephone lines payable over the next 2 years

The Institute has capital commitments totalling \$68,826 (2017: \$31,543) for consulting services for the completion of modifications to the Institute's Aptify Member database during 2019.

### 24. EVENTS AFTER THE REPORTING PERIOD

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 2018.