

THE INSTITUTE OF ACTUARIES OF AUSTRALIA
FINANCIAL REPORT
& DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011





ACN 000 423 656
Level 7 Challis House
4 Martin Place
Sydney NSW 2000
Telephone +61 2 9233 3466
Fax +61 2 9233 3446
Email actuaries@actuaries.asn.au
Website www.actuaries.asn.au

© The Institute of Actuaries of Australia 2012

Contents

Report of Council	4
Council Declaration	11
Auditor's Independence Declaration	12
Independent Auditor's Report	13
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity & Statement of Cash Flows	16
Notes to Financial Statements	17

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

Council submits herewith its report on the Institute for the year ended 31 December 2011. 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.

In prior years unaudited "Members Income Statement" and "Prize Fund Statement" were appended to the Financial Report. Following a review and changes to the structure of the business units we have changed the way we are applying costs from a marginal basis to a fully allocated basis. This makes the "Members Income Statement" redundant. Accounting Standards do not require the inclusion of the "Prize Fund Statement" in the presentation of the Financial Report and accordingly it has not been included. The statement however will be available to Members on our website.

Overview of result for the twelve months to 31 December 2011

Operating surplus for the year was \$661,792, being \$66,343 lower than the surplus for the year ended 31 December 2010.

Investment and Other revenues, which are primarily investment and interest income, continued to increase in 2011 as a result of stronger cash flows and tighter cash management. Education revenues declined in 2011 by \$553,280 due to a reduction in fees from Part III Program courses partially offset by a reduction in related expenses. Six major events were held in 2011 (three in 2010) resulting in revenue increasing by \$508,672. The decline in the combined revenue from Member Services and Knowledge revenue is due to changes in allocation of revenue to business units/activities.

Changes to the recording and reporting of financial transactions during the year provides a more accurate allocation of expenses to the business units/activities of the Institute in 2011 and thus direct comparisons to 2010 are not meaningful. However the total expenses for 2011 were marginally higher [by \$18,175] over 2010 demonstrating strong control of expenditure.

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 2011.

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 2011 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. 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 11 to the Financial Statements on page 27.

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

During the financial year, the Institute paid a premium of \$9,494 (2010 \$8,506) in respect of a contract insuring the Office Bearers (as defined including any past, present or future Director, Secretary, Officer, Trustee, Committee member 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 as such.

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 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 FIA FIAA

Caroline is the Head of Insurance Risk at the Commonwealth Bank of Australia, responsible for the valuation services of the Retail Advice, Wholesale and Direct Life lines of business for CBA's Commlinsure business, as well as the life reinsurance function of the company covering reinsurance strategy and direction of operations, and the management of the insurance risk of the business.

Caroline's previous roles include Business Actuary for MLC Corporate Solutions and as a Principal and Consultant for Aon Consulting's pensions practice in London. Caroline has been involved in financial services consulting and corporate actuarial work for over 20 years, covering a range of practice areas and functions including mergers and acquisitions, pricing, valuation, benefit design and strategic business projects.

Period of service on Council during financial year: 01.01.11 – 31.12.11

David Millington Goodsall BA FIAA ASA CERA

David is a Director of ClearView Wealth Ltd and is the Founder and Director of Synge and Noble Pty Ltd, providing professional advice to financial services companies. He also advises on regulatory issues, as well as provides executive coaching for actuaries and technical professionals who deal with the C suite and boards in their organisations.

Prior to this, David was a Partner in the Sydney Financial Services Practice of Ernst & Young, having joined EY in 1990. He has worked in the financial services industry for over 30 years and has extensive experience in the financial and risk management aspects of a wide range of financial service companies. He has been closely involved in a number of public floats, demutualisations, corporate restructures and transfers of business, as well as holding a number of appointed actuary roles.

Period of service on Council and Senior Vice President during financial year: 01.01.11 – 31.12.11

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

Julian deGruchy Gribble FIAA FSA FCIA CERA

Jules has actively supported Institute activities and professional education for over 20 years - organising Conventions, being a Chief Examiner (Life), teaching Part II since 2000, representing the Institute on the International Actuarial Association, leading the development of the new GRIS Part III subjects, and contributing to ERM education and the Wealth Management Sub-Committee of the Life Insurance and Wealth Management Practice Committee.

Currently Director of Enterprise Metrics, Jules has previously been a Partner at Ernst & Young (2008-2010); Director, Askit Consulting (2000-2008); Director, John Ford & Associates (1997-2000); and a Consultant with Tillinghast – Towers Perrin (1993-1997).

Period of service on Council during financial year: 01.01.11 – 31.12.11

Andrew Huszczo 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.

Andrew joined Council from 1 January 2011 after contributing to the Institute in a range of activities. In the past, he has been involved in the education process for most years since he qualified in 1997 including presenting tutorials, marking exams and assignments and drafting exam questions. He was also a member of the General Insurance Practice Committee from 2000 to 2005 and participated in the GI Financial Condition Taskforce (2004-2005) and Professionalism Taskforce (2008-2010).

Period of service on Council during financial year: 01.01.11 – 31.12.11

John Michael 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 has extensive experience in superannuation and benefits, having consulted to a wide range of stakeholders in this area throughout his career and been involved in the establishment of a major commercial Master Trust. He 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.

Period of service on Council and Vice President during financial year: 01.01.11 – 31.12.11

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

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

Michael is an equities manager specialising in financial sector companies including insurance and banks, along with companies in the information technology and media sectors. He joined Investors Mutual in 2010 and was previously with Cannae Capital Partners 2008-2009. Prior to this Michael was Actuary, AGA, Commonwealth Treasury 2005-2008.

Michael has served the Institute as Member of the Research Council Committee (2008-2011); Member of the Life Insurance and Wealth Management Sub-Committee (2008-2011); Convenor of Research Prizes and Scholarships Judging Panels (2009-2011); Member of International CERA Review Panel (2010); development of new Part III Investments bridging course (2010); Institute submission to Inquiry into Financial Products and Services - Parliamentary Joint Committee on Corporations and Financial Services (2009); Convenor of the Member Value Proposition Project as part of the MSE Taskforce (2009); Examiner – CAP – Investments papers (2008); Member of Investments Round-table discussing the future of the Investments module (2007); Actuary Unearthed February 2009.

Michael has also published a number of research papers and reports.

Period of service on Council during financial year: 01.01.11 – 31.12.11

Estelle Pearson FIAA BA (Hons) (Oxon)

Estelle is Managing Director of Finity Consulting. Prior to joining Finity in March 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 for general insurance companies.

Estelle has worked with a large number of insurers, reinsurers, regulators and Government departments on a diverse range of issues, both actuarial and strategic in nature. She joined Council in January 2011 after contributing to the Institute across a range of activities since qualifying in 1991.

Period of service on Council during financial year: 01.01.11 – 31.12.11

Barry Edwin Rafe BSc FIAA Dip Arts Phil (Hon 1st class)

Barry's professional background lies in the financial services industry. He currently consults within that sector and was Chief Executive Officer of Mellon Australia from 2003-2005. Prior to that, Barry was also in consulting practice, being a Partner (Financial Services Strategy) of Accenture (2000-2003) and Head of Financial Services at Trowbridge Consulting from 1995 to 2000.

Barry returned to studying in 2008 and has completed his Dip Arts Phil (Hon 1st class) and is currently working on his PhD in Philosophy. He has been a very active volunteer for the Institute, particularly through serving on Council during 1998-1999, on various Convention organising committees, facilitating a number of Professionalism Courses and as the Convenor of the Public Policy Council Committee.

Period of service on Council and President during financial year: 01.01.11 – 31.12.11

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

Lindsay Raymond Smartt BA FIAA FNZSA ASA

Lindsay is Munich Re's Chief Risk Officer in Australia and New Zealand. Previously Lindsay has worked in life insurance, reinsurance and wealth management across the Asia Pacific region including a spell operating his own consultancy. Lindsay has over 30 years experience in the financial services industry since graduating from Macquarie University in 1979. He became a Fellow in 1983 and has contributed to and been active in the profession since that time.

Lindsay joined Council at the start of 2010 and is currently the Convenor of the Audit and Risk Council Committee.

Period of service on Council during financial year: 01.01.11 – 31.12.11

Daniel Anthony Smith BSc FIAA

Daniel has been a consultant in general insurance since 1991 and is a Director of Taylor Fry (a consulting firm offering actuarial, financial modelling and statistical advice to business and government). He has been involved in a wide range of projects for general insurance companies, accident compensation schemes and government departments and is currently Appointed Actuary to two insurance companies.

Daniel is a member of the Audit and Risk Council Committee and the Council representative on the General Insurance Practice Committee. While on Council he has served on the Designations Taskforce and the Member Services & Educator Implementation Groups.

Period of service on Council during financial year: 01.01.11 – 31.12.11

Stephen Woods FIAA

Stephen is a Director of Panther Trust Australian Shares Investment, a managed investment scheme, and Hunter Pty Ltd, a diversified services company. He also provides support to the Institute in a consulting capacity as the Practice Committee Liaison Actuary.

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, including end-to-end strategy, implementation, change management and operations.

Period of service on Council during financial year: 01.01.11 – 31.12.11

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

Gloria Siu Yan Yu BCom, FIAA, LRSM, LMusA, ATCL

Gloria has been working in the general insurance industry since 2001 and is currently Manager in the General Insurance Actuarial Department in Westpac. Prior to this, she worked in a number of consultancies. She has also worked briefly in life insurance in a global financial services company.

Over the past few years, she has assisted in the Institute's education program in various capacities. More recently, she has been working with Practice Committees in developing strategic and operational plans for enterprise risk management within the actuarial profession in Australia.

In 2002 she was awarded the Goldman Sachs Global Leaders Award where she was selected as one of the 100 Goldman Sachs Global Leaders in the world and one of the eight representing Australia. In 2009, she was selected to participate in the Institute's Step Up Leadership Program and the BT Financial Group Developing Future Leaders Program.

Besides being an FIAA, she is also one of the youngest persons in Australia awarded with the Licentiate Diploma in Music Australia (LMusA), specialising in piano performance, as well as having attained distinction in the Licentiate Diploma in the UK's Associated Board of the Royal Schools of Music (LRSM).

Period of service on Council during financial year: 01.01.11 – 31.12.11

Company Secretary's qualifications and experience

Anne Peters MAICD, MSt (Oxon), LLB (Medal), Grad Dip Leg Prac

Company Secretary from 01 January 2011 to 31 December 2011.

Master of Studies in Legal Research (University of Oxford), Bachelor of Laws and University Medal (University of New South Wales), Graduate Diploma in Legal Practice (University of Technology), Member of the Australian Institute of Company Directors, admitted as a Solicitor of the Supreme Court of New South Wales in 1992, admitted as a Solicitor of the Supreme Court of Queensland in 2003.

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

Report of Council

THE INSTITUTE OF ACTUARIES OF AUSTRALIA REPORT OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

Directors' attendance at Council and Council Committee meetings: 01/01/11 – 31/12/11

Councillor	Council	Audit and Risk Council Committee	Education Council Committee	Presidential Committee	HR and Remuneration Council Committee
C A Bayliss	5 of 5		1 of 1 ²		
D M Goodsall	4 of 5	3 of 4		4 of 4	
J D Gribble	4 of 5		4 of 6		
A J Huszczo	4 of 5				
J M Newman	4 of 5			4 of 4	2 of 2
M J O' Neill	5 of 5				
E E Pearson	5 of 5				
B E Rafe	5 of 5		1 of 1 ²	4 of 4	
L R Smartt	3 of 5	4 of 4			
D A Smith	5 of 5	4 of 4			
S M Woods	5 of 5		2 of 4 ^{2,3}		
G S Y Yu	4 of 5	3 of 4			
M S Howes ¹	1 of 1				
Councillor		International Council Committee	Nominations Council Committee	Public Policy Council Committee	Research Council Committee
C A Bayliss					
D M Goodsall		3 of 3	1 of 1		
J D Gribble					2 of 3
A J Huszczo			1 of 1		
J M Newman		3 of 3		3 of 3	
M J O' Neill					1 of 3
E E Pearson				2 of 3	
B E Rafe				3 of 3	
L R Smartt					
D A Smith					
S M Woods					
G S Y Yu				2 of 3	
M S Howes ¹					

¹ M S Howes was an Alternate Director for D M Goodsall for the period 29 - 30 March 2011 and attended 1 Council meeting during that period in that capacity.

² B E Rafe, C A Bayliss and S M Woods were appointed by Council on 6 September 2011 to the Education Council Committee for a specific purpose discussed at the Education Council Committee meeting held 10 November 2011.

³ S M Woods resigned from the Education Council Committee on 10 May 2011.

The auditor's independence declaration for the year ended 31 December 2011 has been received and can be found on page 12.

Signed on behalf of Council in accordance with a resolution of Council.



D M GOODSALL
President
Sydney, 6 March 2012



J M NEWMAN
Senior Vice President

Council and Audit Declarations

THE INSTITUTE OF ACTUARIES OF AUSTRALIA DECLARATION BY MEMBERS OF COUNCIL FOR THE YEAR ENDED 31 DECEMBER 2011

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 Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year then ended on that date of the Institute; 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 M GOODSALL
President
Sydney, 6 March 2012



J M NEWMAN
Senior Vice President

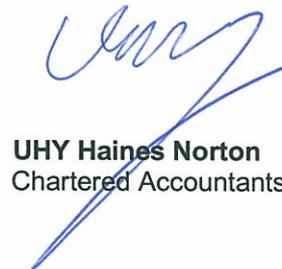
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001
TO THE COUNCILLORS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2011, 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 6 March 2012



UHY Haines Norton
Chartered Accountants

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

Report on the Financial Report

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 2011, the statement of 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 of the company and the consolidated entity.

Councillors' Responsibility for the Financial Report

The Councillors of the company 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.

In Note 1, the Councillors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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 entity's preparation and fair presentation of the financial report 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 entity'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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Councillors of the Institute of Actuaries of Australia, would be in the same terms if given to the Councillors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) 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 2011 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; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.


Franco Giannuzzi
Partner
Sydney
Signed on 6 March 2011


UHY Haines Norton
Chartered Accountants

UHY Haines Norton - ABN 85 140 758 156 NSWBN 98 133 826

Level 11, 1 York Street Sydney NSW 2000
GPO Box 4137 Sydney NSW 2001

t +61 2 9256 6600
f +61 2 9256 6611

e sydney@uhyhn.com.au
w www.uhyhn.com

An association of independent firms in Australia and New Zealand and a member of UHY, an international association of independent accounting and consulting firms

Liability limited by a scheme approved under Professional Standards Legislation

**THE INSTITUTE OF ACTUARIES OF AUSTRALIA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	Year Ended 31/12/2011 \$	Year Ended 31/12/2010 \$
Investment and Other revenues		425,592	362,004
Events revenues		1,366,081	857,409
Education revenues		3,375,939	3,929,219
Knowledge revenues		69,145	139,189
Member Services revenues		3,004,860	3,001,965
Total Revenue	3	8,241,617	8,289,786
Office Support & Services		(2,148,490)	(1,120,781)
Employment expenses		-	(2,727,058)
Events expenses		(1,204,470)	(525,928)
University Foundation Grants		(320,090)	(400,000)
Education expenses		(1,883,700)	(1,768,447)
Knowledge expenses		(154,254)	(162,801)
Governance expenses		(365,505)	(13,977)
CEO & Public Face expenses (Public Affairs 2010)		(922,231)	(255,730)
Member Services expenses		(413,991)	(258,312)
Council expenses (Council and CEO expenses 2010)		(167,094)	(232,462)
Strategic Projects		-	(96,156)
Total Expenses		(7,579,825)	(7,561,650)
Surplus/(Deficit) before income tax expense		661,792	728,135
Income tax expense	1	-	-
Surplus/(Deficit) attributable to members		661,792	728,135

In 2011 employment expenses have been allocated across the business units.

Total employment expenses are now reported in Note 15.

The accompanying notes form part of these financial statements.

THE INSTITUTE OF ACTUARIES OF AUSTRALIA
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31/12/2011 \$	31/12/2010 \$
CURRENT ASSETS			
Cash and cash equivalents	4	3,770,369	754,779
Trade and other receivables	5	277,795	543,762
Financial assets	6	4,538,906	5,509,599
Total current assets		8,587,070	6,808,140
NON CURRENT ASSETS			
Financial assets	6	80,565	-
Property, plant and equipment	7(a)	297,026	420,771
Intangibles	7(b)	266,197	420,611
Total non current assets		643,788	841,382
TOTAL ASSETS		9,230,858	7,649,522
CURRENT LIABILITIES			
Trade and other payables	8	2,644,992	1,739,562
Provisions	9	333,521	353,719
Total current liabilities		2,978,513	2,093,281
NON CURRENT LIABILITIES			
Provisions	9	77,569	43,257
Total non current liabilities		77,569	43,257
TOTAL LIABILITIES		3,056,081	2,136,538
NET ASSETS		6,174,776	5,512,984
MEMBERS' FUNDS			
Retained surplus		6,174,776	5,512,984
TOTAL MEMBERS' FUNDS		6,174,776	5,512,984

The accompanying notes form part of these financial statements.

Statements of Changes in Equity & Cash Flows

THE INSTITUTE OF ACTUARIES OF AUSTRALIA STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	31/12/2011 \$	31/12/2010 \$
Balance at 1 January	5,512,984	4,784,849
Surplus attributable to members of the Institute	661,792	728,135
Balance at 31 December	6,174,776	5,512,984

THE INSTITUTE OF ACTUARIES OF AUSTRALIA STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year Ended 31/12/2011 \$	Year Ended 31/12/2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and others		9,065,448	9,256,527
Interest received		307,348	215,505
Trust distributions		29,858	58,349
Payments to suppliers and employees		(7,204,340)	(7,548,566)
Net cash inflow/(outflow) from operating activities	13(b)	2,198,314	1,981,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		1,083,492	1,144,775
Payments for investments		(153,687)	(3,145,258)
Purchase of property, plant and equipment		(42,598)	(288,064)
Net cash inflow/(outflow) from investing activities		887,207	(2,288,547)
Net increase/(decrease) in cash held		3,085,521	(306,733)
Cash at the beginning of year		684,848	991,580
Cash at the end of year	13(a)	3,770,369	684,848

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 2011

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

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

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The company has applied AASB 2010-4 amendments from 1 January 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards

The company has applied AASB 2010-5 amendments from 1 January 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards ("IFRS") by the International Accounting Standards Board ("IASB").

AASB 124 Related Party Disclosures (December 2009)

The company has applied AASB 124 (revised) from 1 January 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. Significant accounting policies (continued)

Basis of preparation

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. These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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.

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 2011

1. Significant accounting policies (continued)

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 in the periods in which they are 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 income statement 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 income statement.

Trade and Other Receivables

Trade and other receivables are recorded at amortised costs 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.

Revenue Recognition

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 is deferred as a liability or asset, as appropriate. (Note 5 - Deferred expenses and Note 8 - Registration fees received in advance, respectively).

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

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

1. Significant accounting policies (continued)

Employee Benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs.

Long Service Leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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.

Goods and Services Tax ("GST")

Revenues, expenses 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset.

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.

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

1. Significant accounting policies (continued)

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.

Comparatives

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

New Accounting Standards and Interpretations not yet mandatory or 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 2011. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The company will adopt this standard from 1 January 2013 but the impact of its adoption is yet to be assessed by the company.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 January 2012 will increase the disclosure requirements on the company when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the company continues to have a continuing exposure to the asset after the sale or transfer.

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

1. Significant accounting policies (continued)

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

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the company from 1 January 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 January 2013 will require increased disclosures by the company.

AASB 1054 Australian Additional Disclosures

This standard is applicable to annual reporting periods beginning on or after 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to IFRS, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 January 2012 will not have a material impact on the company.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRS and harmonisation between Australian and New Zealand standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRS but without any intention to change requirements. The adoption of these amendments from 1 January 2012 will not have a material impact on the company.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments require grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 January 2013 will impact the company's presentation of its statement of comprehensive income.

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

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 various 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 lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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 2011 (CONTINUED)

	31/12/2011	31/12/2010
	\$	\$
3. REVENUE AND EXPENSES		
(a) Revenue		
Revenue from operating activities		
Income from sale of goods and services	7,853,207	7,948,655
Total Revenue from operating activities	7,853,207	7,948,655
Revenue from non-operating activities		
Interest received	387,834	246,413
Trust distributions received	29,858	58,349
Market value fluctuations of investments	(54,947)	38,289
Realised gains/(losses) on sale of investments	25,665	(1,920)
Net Revenue from non-operating activities	388,410	341,131
Total Revenue	8,241,617	8,289,786
(b) Expenses requiring additional disclosure		
Amortisation and Depreciation of assets:		
Leasehold improvements	93,133	89,604
Office equipment	57,742	42,694
Furniture and fittings	3,868	4,312
	154,743	136,610
Movements in provisions		
Leave and entitlements (see note 9)	14,113	(14,430)
Doubtful debts	-	-
	14,113	(14,430)
Rental expenses on operating leases		
Lease payments	331,834	303,667
	331,834	303,667
Remuneration of the auditors		
Auditing the accounts	26,300	22,150
Other services	-	-
	26,300	22,150
(c) Significant Revenue and Expense Items		
The following revenue and (expense) items are relevant in explaining the financial performance:		
Increase/(Diminution) in value of investment	(54,947)	38,289

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	31/12/20 11 \$	31/12/20 10 \$
4. CASH AND CASH EQUIVALENTS		
Cash at bank and cash equivalents	3,769,969	684,448
Cash on hand	400	400
	3,770,369	684,848
5. TRADE AND OTHER RECEIVABLES		
Interest receivable	133,674	53,188
Income receivable	64,281	454,666
Less: Provision for doubtful debts	(7,500)	(7,500)
Deferred expenses	87,340	43,408
	277,795	543,762
6. FINANCIAL ASSETS - Current		
Listed securities at market value	451,335	498,600
Unit trusts at market value	40,206	527,186
Cash on deposit	4,047,364	4,553,744
	4,538,906	5,579,530
FINANCIAL ASSETS - Non-Current		
Cash on deposit	80,565	-
	80,565	-
7. OTHER NON-CURRENT ASSETS		
7. PROPERTY, PLANT AND EQUIPMENT (a)		
Leasehold improvements, at cost	922,922	896,044
Less: accumulated amortisation	700,961	607,828
	221,961	288,216
Computer and office equipment, at cost	264,845	260,725
Less: accumulated depreciation	195,202	137,460
	69,643	123,265
Furniture and fittings, at cost	34,901	34,901
Less: accumulated depreciation	29,479	25,611
	5,422	9,290
	297,026	420,771

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements 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 2010	377,820	91,510	13,602	482,932
Additions	-	84,955	-	84,955
Disposals	-	(10,506)	-	(10,506)
Depreciation / amortisation expense	(89,604)	(42,694)	(4,312)	(136,610)
Balance at 31 December 2010	288,216	123,265	9,290	420,771
Additions	26,878	4,120	-	30,998
Disposals	-	-	-	-
Depreciation / amortisation expense	(93,133)	(57,742)	(3,868)	(154,743)
Balance at 31 December 2011	221,961	69,643	5,422	297,026

	31/12/2011	31/12/2010
7. (b) INTANGIBLE ASSETS		
Computer software and IT infrastructure - at cost	506,333	494,733
Less: accumulated amortisation	240,136	74,122
	266,197	420,611

The capitalised costs at 31 December 2010 comprised \$50,000 of project management software (SIRDAR) and \$444,733 for the membership database (Aptify) completed in June 2010. Both the database and project software have ongoing value to the Institute but have no net realisable market value. The costs are being amortised over three years from date of installation.

8. TRADE AND OTHER PAYABLES

Unsecured:

Sundry creditors and accruals	398,706	342,224
Enrolments and Registration fees received in advance	252,765	304,623
Unearned income (Membership renewals received in advance)	1,993,521	1,092,715
	2,644,992	1,739,562

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

9. PROVISIONS

Employee entitlements			
Current	Bonuses	Annual Leave	Total
Opening balance	212,333	141,386	353,719
Increase/(Decrease) in provision during the year	222,000	(29,865)	192,135
Amounts used	(212,333)		(212,333)
Closing Balance	222,000	111,521	333,521
Non-Current			
		Long Service Leave	Total
Opening balance		43,257	43,257
Increase in provision during the year		34,312	34,312
Closing Balance		77,569	77,569
Total Provisions			411,090

	Note	31/12/2011	31/12/2010
		\$	\$
(a) Aggregate employee entitlement liability		411,090	396,976
(b) Number of employees at year end		24	24
10. CAPITAL AND LEASING COMMITMENTS			
Operating Leases			
Lease rental expenses and commitments:			
Rentals charged to income statement		331,834	458,997
Lease commitments:			
Not later than 12 months		314,113	314,599
Between 12 months and five years		579,440	791,364
Greater than five years		-	-
Total operating lease commitments	(a)	893,553	1,105,963

(a) Building Rent Agreement that expired on 1 May 2009 with a 5 year option to renew at market rates was completed in 2010 and is due to expire on 1 May 2014

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

11. RELATED PARTY TRANSACTIONS

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

C A Bayliss	M J O'Neill	S M Woods
D M Goodsall	E E Pearson	G S Y Yu
J D Gribble	B E Rafe	
A J Huszczo	L R Smartt	
J M Newman	D A Smith	

- (b) 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 \$1,225 (2010 \$0).

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 \$111,012 (2010 \$85,647).

There was a contract with Hunter Pty Ltd, which is related to S M Woods, in relation to services as the Practice Committee Liaison Actuary. The amount incurred during the year was \$71,658 (2010 \$0).

There was a contract with Taylor Fry Pty Ltd, which is related to D A Smith, in relation to a research project. The amount incurred during the year was \$13,000 (2010 \$8,250).

- (c) The Chief Executive Officer of the Institute, Ms Melinda Howes, is a Fellow of the Institute.
- (d) There were no other transactions with related parties during the year.

12. 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:

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12. FINANCIAL INSTRUMENTS (continued)

	Year Ended 31/12/2011	Year Ended 31/12/2010
Weighted Average Effective Interest Rate:	%	%
Financial Assets		
Cash at Banks	3.53	1.61
Cash on deposit	5.35	4.54
Investments	-	6.30
	\$	\$
Floating Interest Rate: Financial Assets		
Cash at Banks	398,312	684,448
Cash on deposit	2,561,479	68,932
Investments	810,179	498,600
Total Financial Assets	3,769,969	1,251,980
Fixed Interest Rate Maturing within 1 year: Financial Assets		
Cash at Banks	-	-
Cash on deposit	4,047,365	4,484,812
Total Financial Assets	4,047,365	4,484,812
Fixed Interest Rate Maturing within 1-5 years: Financial Assets		
Cash at Banks	-	-
Cash on deposit	80,565	-
Total Financial Assets	80,565	-
Non-Interest Bearing: Financial Assets		
Cash at Banks	-	-
Cash on deposit	-	-
Investments	491,541	527,186
Total Financial Assets	491,541	527,186

(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 balance sheet 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 2011 (CONTINUED)

12. FINANCIAL INSTRUMENTS (continued)

(d) Net Fair Values

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. The exception to the foregoing is that of the unlisted investment in Basis Capital, which has been valued using information supplied by the fund manager. For other assets and liabilities, the net fair value is their carrying value in the balance sheet.

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

(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 investment holdings of \$491,541 (2010 \$1,025,786) 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 \$
Year ended 31/12/2011			
+/- 2% in interest rates	+/-	156,344	156,344
+/- 10% in listed & unlisted investments	+/-	49,154	49,154
Year ended 31/12/2010			
+/- 2% in interest rates	+/-	91,537	91,537
+/- 10% in listed & unlisted investments	+/-	102,579	102,579

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

13. 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 balance sheet as follows:

	Year Ended 31/12/2011 \$	Year Ended 31/12/2010 \$
Cash	3,770,369	684,848

(b) Reconciliation of Cash Flow from Operations with Net Surplus

Net Surplus/(Deficit)	661,792	728,135
Non-Cash Flows in Surplus		
Depreciation and amortisation	320,757	210,731
Loss on disposal of assets	-	10,506
Loss on disposal of securities	-	1,920
Non-cash other (income) / expenses	(9,911)	1,354
Changes in Assets and Liabilities		
Decrease/(Increase) in interest receivable	(80,486)	(30,908)
Decrease/(Increase) in income receivable	362,321	(108,296)
Increase/(Decrease) in doubtful debts	-	-
Decrease/(Increase) in deferred expenses	(15,867)	(28,040)
Increase/(Decrease) in sundry creditors	(155,851)	262,716
Increase/(Decrease) in income in advance	848,948	986,413
Decrease/(Increase) in market value of investments	40,165	(38,288)
Increase/(Decrease) in employee provisions	226,446	(14,430)
Net cash provided by operating activities	2,198,314	1,981,814

14. 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 3,757 (2010: 3,788).

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

15. 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 11. Councillors do not receive remuneration.

The aggregate compensation made to key management personnel is set out below:

	Termination Payments	Short-term benefits	Post- employment benefit	Other long- term benefits	Total
2011	71,645	1,014,356	75,284	44,611	1,205,896
2010	67,685	947,796	112,220	1,825	1,129,526

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

	Short-term benefits	Post- employment benefit	Other long- term benefits	Total
2011	2,602,893	169,369	34,312	2,806,574
2010	2,544,799	194,653	(12,394)	2,727,058

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

Related party transactions:

Related party transactions are set out in note 11

16. SEGMENT INFORMATION

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

17. 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:

	2011 \$	2010 \$
Audit services – UHY Haines Norton		
Audit of the financial statements	26,300	22,150

Notes to the Financial Statements

THE INSTITUTE OF ACTUARIES OF AUSTRALIA NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

18. COMPANY DETAILS

The registered office of the company is:
Level 7 Challis House
4 Martin Place
SYDNEY NSW 2000

19. CONTINGENT LIABILITIES

The Institute posted letters of offer for research grants before balance date totalling \$147,750 which are awaiting the return of signed contracts (2010: \$0).

20. COMMITMENTS

The company had no commitments for expenditure as at 31 December 2011 and 31 December 2010.

21. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in future financial years.