



**engineering
new zealand**
te ao rangahau

Financial statements

For the year ended 20 September 2020

Institution of Professional Engineers New Zealand
(trading as Engineering New Zealand)

Table of Contents

Directory	3
Statement of Comprehensive Revenue and Expense	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes To The Financial Statements	8-20
Auditor's Report	21-22

Directory

President	Colin Crampton
Deputy President	Rosalind Archer
Vice President	Tim Fisher
Immediate Past President	Ben Holland
Board Members	Geoffrey Farquhar Jan Evans-Freeman Bryan Leyland Kennie Tsui Sue-Ellen Fenelon Matt Harris
Chief Executive	Susan Freeman-Greene (to 11 Sep 20) Helen Davidson (acting from 11 Sep 20 to 16 Nov 20) Richard Templer (from 16 Nov 20)
Auditors	Grant Thornton
Bankers	Westpac
Solicitors	Dentons Kensington Swan
Business Address	Level 6 40 Taranaki Street Wellington 6011

Statement of Comprehensive Revenue and Expense

For the year ended 30 September 2020

	Notes	2020 \$'000	2019 \$'000
Revenue			
Revenue from exchange transactions			
Members Subscriptions		5,420	4,806
Registry and Assessment Fees		2,719	2,353
Contract Income		4,576	3,195
Investment Income		227	328
Other Income	4	1,443	1,570
Technical and Special Interest Groups		1,513	731
Revenue from non-exchange transactions			
Fines		52	39
Other Income		210	-
Total Revenue		16,160	13,022
Expenses			
Personnel Costs		7,253	6,617
Technical and Special Interest Groups		1,309	725
Competency Assessment costs		636	390
Depreciation/Amortisation and Impairment		1,188	224
Other Expenses	5	5,754	5,461
Total Expenses		16,140	13,417
Surplus/(Deficit) before Tax		20	(395)
Income Tax Expenses	21	-	-
Net Surplus for the Year		20	(395)
Total Comprehensive Revenue and Expense for the Year		20	(395)

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 30 September 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current			
Cash and Cash Equivalents	6	395	827
Investments	7	2,244	258
Debtors and Other Receivables	8	1,196	1,159
Prepayments		380	567
Total Current Assets		4,215	2,811
Non-Current Assets			
Investments	7	2,397	3,150
Property, Plant and Equipment	9	746	828
Intangible assets	10	943	1,168
Total Non-Current Assets		4,086	5,146
TOTAL ASSETS		8,301	7,957
LIABILITIES			
Current			
Creditors and other payables	11	1,438	1,188
Employee Entitlements	12	407	282
Income Received in Advance	13	2,519	2,570
Total Current Liabilities		4,364	4,040
TOTAL LIABILITIES		4,364	4,040
NET ASSETS		3,937	3,917
Member Funds	14	3,937	3,917
TOTAL EQUITY		3,937	3,917

The accompanying notes form part of these financial statements.



Statement of Changes in Equity

For the year ended 30 September 2020

	2020 \$'000	2019 \$'000
Member Funds		
Opening balance	3,917	4,312
Net Surplus / (Deficit) for the year	20	(395)
TOTAL EQUITY	3,937	3,917

For and on behalf of the Institution



President

Colin Crampton



Deputy President

Rosalind Archer

7 December 2020

Date:

The accompanying notes form part of these financial statements.



Statement of Cash Flows

For the year ended 30 September 2020

	Notes	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities			
Cash was provided from:			
Member Subscriptions		5,363	4,032
Contract Income		4,836	2,763
Interest Received		17	119
Registry & Assessment Fees		2,682	2,851
Other Income		2,936	3,083
		15,834	12,848
Cash was disbursed to:			
Payment to Employees		(7,128)	(6,568)
Service Delivery Payments		(7,239)	(6,790)
		(14,367)	(13,358)
Net Cash Flow from Operating Activities	15	1,467	(510)
Cash Flows to/from Investing Activities			
KiwiWealth investment		(1,210)	(2,000)
Purchase of Non-Current Assets		(881)	(1,325)
Net Cash Flow from Investing Activities		(2,091)	(3,325)
Net Increase/(decrease) in cash and cash equivalents		(624)	(3,835)
Cash and cash equivalents at the beginning of the year		1,019	4,854
Cash and cash equivalents at the end of the year		395	1,019
Represented by;			
Cash and Cash Equivalents		395	827
Bank Term Deposits - Current		-	192
		395	1,019

The accompanying notes form part of these financial statements.



Notes to the financial statements

For the year ended 30 September 2020

1. REPORTING ENTITY

The Institution of Professional Engineers New Zealand Incorporated (the 'Institution', trading as Engineering New Zealand) is incorporated under the Incorporated Societies Act 1908. The financial statements include the financial statements of the Institution, its Branches and its Technical and Special Interest Groups.

The Institution is a non-profit membership organisation that promotes the integrity and interests of its members, the profession and the industry. The organisation shares engineering knowledge, provides opportunities for networking through events, branches and interest groups and provides advocacy and advice to members, employers, the public and government.

The Institution also provides training opportunities, maintains a code of ethical conduct and sets professional and competence standards that members and registered Chartered Professional Engineers must follow and meet.

The Institution's primary objective is to provide services for the community for social benefit rather than a financial return. Accordingly, the Institution has designated itself as a Not For Profit Public Benefit Entity ("NFP PBE") for financial reporting purposes.

The financial statements of the Institution are for the year ended 30 September 2020. The financial statements were authorised for issue by the Board on 7 December 2020.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. All transactions are reported using the accrual basis of accounting.

a. Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) as appropriate for Tier 2 not-for-profit public benefit entities, and disclosure concessions have been applied.

The Institution qualifies as a Tier 2 reporting entity as for the two most recent reporting periods, it is not publicly accountable, and it is not large (operating expenditure has been between \$2m and \$30m in the current and prior period).

b. Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ('000).

c. Changes in Accounting Policy

There have been no changes in accounting policies during the financial year (2019: Nil).



3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in all periods presented in these financial statements.

a. Revenue

Revenue is recognised to the extent that it is probable, that the economic benefit will flow to the Institution and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received. The Institution assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only, the portion of revenue earned on the Institutions own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expense.

(i) Membership subscriptions

Membership subscription income is recognised as subscription invoices are issued. We invoiced 2019-20 (1 October 2019-30 September 2020) members subscriptions in October 2019. Unpaid subscriptions are included in Debtors and Other Receivables at balance date.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Revenue for services provided

Service revenue is recognised when services are provided or by reference to the stage of completion at the reporting date. The stage of completion is assessed by an estimate of work performed in proportion to total contractually agreed services.

(iv) Income in advance & contract income

Membership subscriptions for 2019-20 were invoiced in October last year.

Registration Fees are annual registration fees received for Chartered Professional Engineers (CPEng) and other engineering registers. The registration year runs from 1 January to 31 December. Three months of the CPEng annual registration fees – October to December - are treated as income in advance at balance date.

Assessment income is received for initial competence assessment for assessed memberships and first-time registration. Income for those assessments still in progress at balance date is treated as income in advance.

Course fees received from attendees are treated as income in advance until the course has been completed.

Secretariat fees received are recognised when the secretariat services have been performed.

b. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months.



c. Investments

Investments in bank deposits are measured at fair value plus transaction costs. Impairment is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the deposit.

d. Trade Debtors and Other Receivables

Trade debtors and other receivables are measured at cost less any impairment losses. A provision for impairment is established where there is objective evidence that the Institution will not be able to collect all amounts according to the original terms of the receivable. Receivables with a short duration are not discounted.

e. Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to New Zealand dollars at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on transactions are recognised in the Statement of Comprehensive Revenue and Expense.

f. Plant and Equipment

Plant and Equipment are shown at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(i) Additions

The cost of replacing part of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits of service potential will flow to the company and the cost of the item can be measured reliably.

(i) Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expense.

(ii) Depreciation

Depreciation is charged on all property, plant and equipment. Depreciation is charged to the Statement of Comprehensive Revenue and Expense. The useful lives have been estimated as follows;

Computer and audio-visual equipment	3 - 5 years
Office furniture and fittings and office fitouts	10 years

(iii) Subsequent Costs

Subsequent costs for property, plant and equipment are capitalised only when future economic benefits or service potential will flow to the Institution.



g. Intangible Assets

Intangible assets that are acquired, which have a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses. The useful lives have been estimated as follows:

General Ledger System	7 years
Membership System (CRM)	7 years
Website	3 years

Amortisation is recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the estimated useful lives of the intangible assets.

We have not commenced amortising the cost of our new Customer Relationship Management (CRM) system, as we are still developing it.

h. Impairment of Non-Financial Assets

The carrying amounts of the Institution's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the reported profit or loss within the Statement of Comprehensive Revenue and Expense.

The estimated recoverable amount of an asset is the greater of fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting to present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indicators exist, the Institution estimates the assets recoverable amount, to measure the reversal of any previous period impairment charges.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversals of impairment are recognised in the reported profit or loss within the Statement of Comprehensive Revenue and Expense.

i. Employee Entitlements

(i) Short term entitlements

Employee benefits are measured at nominal value based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date, expected to be settled within 12 months.

(ii) Long term employee entitlements

Long service leave entitlement of one week's leave is due to an employee after 5 years of continuous service. Long service leave has been provided for based on one day for every year of service, assuming a staff turnover rate of 15%.



j. Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST. When GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Cash flows are included in the Cash Flow Statement on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department are classified as operating cash flows.

k. Income Tax

Due to tax losses carried forward, no taxation is payable on non-membership related taxable income for the year. The potential future income tax benefit has not been recorded in the financial statements. The Institution has adopted the taxes payable method to account for income tax.

l. Operating Lease Payments

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases are recognised in the reported profit or loss within the Statement of Comprehensive Revenue and Expense on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

m. Financial Instruments

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, investments, trade creditors and other payables. The Institution had held no derivative financial instruments (i.e. hedging instruments) in the years reported.

The Institution has no off-balance sheet financial instruments.

(i) Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the Institution becomes a party to the contractual provision of the financial instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for those carried at fair value through profit or loss, which are measured at fair value.

(ii) Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification. The classification depends on the purpose for which financial assets were acquired.

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

The Institution currently holds financial assets in classification as defined in PBE IPSAS 29 – Financial Instruments: Recognition and Measurement: being held to maturity investments and loans and receivables.



THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

(iii) Loans and receivables

The financial assets are non-derivative with fixed or determinable payments, and are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

All financial assets are subject to review for impairment at least once each reporting date. Accounts receivable are reviewed for impairments when accounts are past due or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables are presented in the Statement of Comprehensive Revenue and Expense within operating expenses.

(iv) Subsequent measurement of financial liabilities

Trade payables and other borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

n. Equity

Equity is the Institution's accumulated surplus or deficit since its formation.

4. OTHER INCOME

	2020 \$'000	2019 \$'000
Advertising and EG Subscriptions	101	130
Member Education & Training	979	1,260
Conferences and Events	270	74
Rental and Sundry Income	93	106
TOTAL OTHER INCOME	1,443	1,570



5. OTHER EXPENSES

	2020 \$'000	2019 \$'000
Audit Fees	24	22
Member Publications and Communications	244	213
Disciplinary Legal Fees	61	59
Member Education & Training	632	791
Rent and Utilities	452	555
ICT	1,064	1,210
Travel	209	621
Other Sundry Expenses ^{1,2}	3,068	1,990
TOTAL OTHER EXPENSES	5,754	5,461

1. Fees paid to auditors for non-audit services was nil (2019: nil).
2. Other expenses include consultants \$2,398k including those relating to external contracts and on-billed (2019: \$1,085k); membership related expenses (meetings, events, student support, membership organisation fees) \$412k (2019: \$522k) and administration \$258k (2019: \$282k).

6. CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Operating accounts	395	310
Interest-bearing account	-	517
TOTAL CASH AND CASH EQUIVALENTS	395	827

7. INVESTMENTS

	2020 \$'000	2019 \$'000
Current		
Bank Term Deposits	32	192
Kiwi Wealth Cash	2,211	31
Kiwi Wealth Fixed Interest	1	35
	2,244	258
Non current		
Bank Term Deposits	-	1,000
Kiwi Wealth Investment	2,397	2,150
	2,397	3,150



8. DEBTORS AND OTHER RECEIVABLES

	2020 \$'000	2019 \$'000
Trade Debtors (Exchange Transactions)	1,178	1,120
IPENZ Foundation Current Account	18	33
Interest Accrued	-	6
TOTAL RECEIVABLES	1,196	1,159

The carrying value of receivables approximates their fair value.

9. PROPERTY, PLANT AND EQUIPMENT – 30 SEPTEMBER 2020 (\$'000)

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Total
Cost					
Original cost 1/10/19	755	15	327	196	1,294
Additions	117	-	19	3	139
Disposals/Adjustment	-	-	-	-	-
Total cost at 30/9/20	872	15	346	199	1,432
Depreciation					
Accumulated depreciation	404	8	33	20	465
Charge for the year	162	2	35	22	221
Disposals/Adjustment	-	-	-	-	-
Total depreciation at 30/9/20	566	10	68	42	686
Net book value at 30/9/20	304	5	278	157	746

PROPERTY, PLANT AND EQUIPMENT – 30 September 2019 (\$'000)

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Total
Cost					
Original cost 1/10/18	599	15	280	116	1,010
Additions	202	-	42	34	279
Disposals/Adjustment	(46)	-	5	46	5
Total cost at 30/9/19	755	15	327	196	1,294
Depreciation					
Accumulated depreciation	296	6	-	-	302
Charge for the year	108	2	33	20	163
Disposals/Adjustment	-	-	-	-	-
Total depreciation at 30/9/19	404	8	33	20	465
Net book value at 30/9/19	351	7	294	176	828



10. INTANGIBLE ASSETS – 30 SEPTEMBER 2020 (\$'000)

	Website	Software	Total
Cost			
Original cost at 1/10/19	169	1,118	1,287
Additions	23	720	743
Impairment	-	(899)	(899)
Disposals/Adjustment	-	-	-
Total cost at 30/9/20	192	939	1,131
Amortisation			
Accumulated amortisation	110	9	119
Charge for the year	59	9	68
Disposals/Adjustment	-	-	-
Total amortisation at 30/9/20	169	18	187
Net book value at 30/9/20	23	921	943

The Institution has taken a conservative approach valuing intangibles. The Institution has impaired Hononga (membership database) by \$899k for historic expenditure where it is difficult to assign a value included in the go-live product. The Institution successfully pursued legal mediation with the original developer where a confidential settlement was reached in the Institutions favour for some of this expenditure.

INTANGIBLE ASSETS – 30 September 2019 (\$'000)

	Website	Software	Total
Cost			
Original cost	169	468	637
Additions	-	650	650
Disposals/Adjustment	-	-	-
Total cost at 30/9/19	169	1,118	1,287
Amortisation			
Accumulated amortisation	54	-	54
Charge for the year	56	9	65
Disposals/Adjustment	-	-	-
Total amortisation at 30/9/19	110	9	119
Net book value at 30/9/19	59	1,109	1,168

11. CREDITORS AND OTHER PAYABLES

	2020 \$'000	2019 \$'000
Trade Creditors	1,438	1,188
TOTAL TRADE CREDITORS AND PAYABLES	1,438	1,188



12. EMPLOYEE ENTITLEMENTS

	2020 \$'000	2019 \$'000
Annual Leave	280	228
Salaries and Wages Accrual	93	24
Long Service Leave Provision	34	30
TOTAL EMPLOYEE ENTITLEMENTS	407	282

13. INCOME RECEIVED IN ADVANCE

	2020 \$'000	2019 \$'000
Registry/Membership fees in advance	422	468
Income for assessments in progress	230	277
Int. Engineering Alliance income	151	152
Conference/Course Fees	243	981
Secretariat Fees	27	27
Covid-19 Wage Subsidy	508	-
Other	938	665
TOTAL INCOME IN ADVANCE	2,519	2,570

The Institution was eligible for and claimed the Covid-19 Wage Subsidy in May 2020. The board are currently assessing the full impact of Covid-19 and in the meantime conservatively recognised the subsidy as a Liability.

14. MEMBER FUNDS

Member funds represent the accumulated reserves of the Institution.

15. RECONCILIATION OF NET SURPLUS WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	2020 \$'000	2019 \$'000
Net Surplus / (Deficit) for the year	20	(395)
Add Non-Cash Items		
Depreciation/Amortisation & Impairment	1,188	224
Reinvest KiwiWealth income	(215)	(216)
Add (Deduct) Movements in Working Capital		
Accounts Receivable	(24)	4,828
Prepaid Expenses	186	(284)
Accounts Payable	246	(478)
Employee Entitlements	124	48
Income received in advance	(58)	(4,237)
Net Cash Flow from Operating Activities	1,467	(510)



16. OPERATING LEASE COMMITMENTS

The Institution has the following non-cancellable operating lease commitments payable/receivable after balance date:

Payable

	2020 \$'000	2019 \$'000
Not later than one year	479	482
Later than one year and not later than five years	1,873	1,870
Later than five years	993	1,475
TOTAL	3,345	3,827

Operating lease commitments reflect the lease of office premises at 40 Taranaki Street and lease costs associated with 2 photocopiers.

17. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Institution has no capital commitments (2019: Nil). The Institution has no contingent liabilities at balance date (2019: Nil).

18. FINANCIAL INSTRUMENTS

a. Carrying Value of Financial Instruments

The carrying amount of all material balance sheet assets and liabilities are equivalent to their fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

b. Classification of Financial Instruments

All financial assets held by the Institution are classified as 'loans and receivables' and carried at cost less accumulated impairment losses.

All financial liabilities held by the Institution are carried at amortised cost using the effective interest rate method.

c. Risk Management Analysis

The Institution is exposed to various risks in relation to financial instruments. The main types of risk relevant to the Institution operations are credit risk and liquidity risk. The Institution has a series of policies to manage the risks associated with financial instruments. Policies have been established which do not allow transactions that are speculative in nature to be entered into. As part of this policy, limits on exposure have been set and are monitored on a regular basis.

(i) Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Institution causing the Institution to incur losses. The Institution has no significant concentration of credit risk in relation to accounts receivable. The Institution does not expect the non-performance of any obligations at balance date. The carrying value of trade debtors, other receivable, and cash and cash equivalents represents the Institution's maximum exposure to credit risk at balance date.



(ii) Liquidity Risk

Liquidity risk represents the Institutions ability to meet its contractual obligations. The Institution manages liquidity risk by managing cash flows and ensuring that adequate cash reserves are in place.

19. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Related party means parties are related if one party can (a) control the other party, or (b) exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

a. Related party transactions

No provision has been required, nor any expense recognised for impairment for any loans or other receivable balances with related parties (2019: \$Nil).

The Institution has provided accounting and administrative services to IPENZ Foundation, a registered charity under the Charities Act 2005. IPENZ Foundation is independently governed and controlled by its own board.

All transactions for the Foundation are transacted through the Institutions bank account and accounted for by the Foundation Current Account in the Institution's financial statements (refer to Note 11).

Foundation Current Account

	2020 \$'000	2019 \$'000
Opening receivable/(liability) balance	33	(14)
Income received for the Foundation	(3)	(4)
Expenses charged to the Foundation	17	51
Cash provided to/(from) the Foundation	(30)	-
Closing receivable/ (liability) balance	18	33

b. Key management personnel remuneration

Key management personnel are the members of the Board, the Chief Executive and the senior leadership team.

	2020 \$'000	2019 \$'000
Board Member Remuneration ¹	-	-
Leadership Team Remuneration	1,117	1,140
	1,117	1,140
<i>Board - Full Time Equivalent²</i>	<i>0.8</i>	<i>0.5</i>
<i>Leadership Team – Full Time Equivalent</i>	<i>4.9</i>	<i>5.9</i>

1. The members of the Board are not paid any remuneration.
2. This includes attendance at Board and Sub-Committee meetings.



20. CAPITAL MANAGEMENT

The Institution's capital is its total equity, being the net assets of the Institution represented by retained earnings and other equity reserves. The primary objective of the Institutions capital management policy is to ensure working capital is maintained to support its activities. The Institution manages its capital structure and adjusts it, considering changes to funding requirements. To maintain or adjust the capital structure, budgeted discretionary expenditure is reduced to avoid the need for external borrowing.

21. INCOME TAX

The Institution expects the taxable result for the year ended 30 September 2020 to be a neutral position (2019: \$147k taxable loss). The Institution continues to carry forward accumulated tax losses from prior periods therefore no tax expense arises. This potential future income tax benefit is not recognised in the financial statements.

Losses claimed and carried forward from the 30 September 2019 reporting period were \$5,007,957.

22. SUBSEQUENT EVENTS

There were no events after balance date requiring reporting or adjustment in the financial statements (2019: Nil).

23. COVID-19

On 23 March 2020, the New Zealand Government issued an Epidemic Notice to combat the threat of the COVID-19 pandemic. The countrywide lockdown commenced on 26 March 2020, and it is only as of 14 May 2020 when the country began to reopen the majority of its businesses, schools and other public venues. The results of the lockdown meant a substantial reduction of economic activities, especially those that were classed as non-essential businesses. The Institution has assessed the likely impact of COVID-19 and have concluded that the long term impact on the financial position and operating ability is low. However, it is difficult to predict the potential impacts of this pandemic as it continues on around the world.



Independent Auditor's Report

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To the Members of The Institution of Professional Engineers New Zealand Incorporated.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Institution of Professional Engineers New Zealand Incorporated (The Institution) on pages 4 to 20 which comprise the statement of financial position as at 30 September 2020, and the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended 30 September 2020, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Institution as at 30 September 2020, and its financial performance and cash flows for the year then ended, in accordance with the Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit) Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institution in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, The Institution.

Board Member's Responsibilities for the Financial Statements

The Board Members are responsible on behalf of The Institution for the preparation and fair presentation of these financial statements in accordance with the Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit) Reduced Disclosure, issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing The Institution'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 Board Members either intend to liquidate the Institution or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (NZ) 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 these special purpose financial statements.

A further description of the auditor's responsibilities for the audit of the special purpose financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

Restriction on use of our report

This report is made solely to The Institution members, as a body. Our audit work has been undertaken so that we might state to The Institution's board members, as a body, those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Institution's and its members, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited



Brent Kennerley

Partner

Wellington, New Zealand

7th December 2020