



engineering
new zealand
Institute of Engineering Professionals

FINANCIAL STATEMENTS.

2016/2017 FINANCIAL YEAR

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Directory

President	Craig Price
Deputy President	Dean Kimpton
Vice President	Ben Holland
Immediate Past President	Elena Trout
Board Members	Geoffrey Farquhar Jan Evans-Freeman Ron McDowall John Burden Kaye Clark Sue-Ellen Fenelon
Chief Executive	Susan Freeman-Greene
Auditors	Grant Thornton
Bankers	Westpac
Solicitors	Kensington Swan
Business Address	Level 3 50 Customhouse Quay Wellington 6011

Statement of Comprehensive Revenue and Expense

For the year ended 30 September 2017

	Notes	2017 \$'000	2016 \$'000
Revenue			
Revenue from exchange transactions			
Members Subscriptions		4,081	3,935
Registry and Assessment Fees		2,466	2,642
Contract Income		2,498	3,443
Interest		182	198
Other Income	4	1,679	1,755
Technical and Special Interest Groups		862	983
Revenue from non-exchange transactions			
Fines		20	17
Total Revenue		11,788	12,973
Expenses			
Personnel Costs		5,484	5,376
Technical and Special Interest Groups		792	792
Consultancy Competency Assessments		587	613
Depreciation and Amortisation		461	433
Other Expenses	5	4,301	5,543
Total Expenses		11,625	12,757
Surplus before Tax		163	216
Income Tax Expenses	21	-	-
Net Surplus for the Year		163	216
Total Comprehensive Revenue and Expense for the Year		163	216

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 30 September 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current			
Cash and Cash Equivalents	6	1,418	614
Investments	7	3,251	5,045
Debtors and Other Receivables	8	588	376
Prepayments		99	5
Total Current Assets		5,356	6,040
Non-Current Assets			
Investments	7	1,000	-
Property, Plant and Equipment	9	263	300
Intangible assets	10	1,688	1,493
Total non- current Assets		2,951	1,793
TOTAL ASSETS		8,307	7,833
LIABILITIES			
Current			
Creditors and other payables	11	946	598
Employee Entitlements	12	214	251
Income Received in Advance	13	945	945
Total Current Liabilities		2,105	1,794
TOTAL LIABILITIES		2,105	1,794
NET ASSETS		6,202	6,039
MEMBER FUNDS			
Accumulated Funds:			
IPENZ National Office (Retained Earnings)		4,689	4,596
Technical and Special Interest Groups	14	1,513	1,443
TOTAL EQUITY		6,202	6,039

The accompanying notes form part of these financial statements.



Statement of Changes in Equity

For the year ended 30 September 2017

	2017 \$'000	2016 \$'000
IPENZ National Office		
Opening balance	4,596	4,572
Net surplus for the year	163	216
Transfer to Technical and Special Interest Group Reserve	(70)	(192)
	<hr/> 4,689	<hr/> 4,596
Technical and Special Interest Group Reserve		
Opening balance	1,443	1,251
Transfer from IPENZ National Office	70	192
	<hr/> 1,513	<hr/> 1,443
TOTAL EQUITY	<hr/> 6,202	<hr/> 6,039

For and on behalf of the Institution

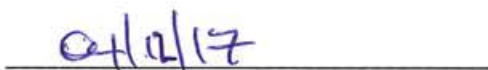
President



Deputy President



Date:



The accompanying notes form part of these financial statements.



Statement of Cash Flows

For the year ended 30 September 2017

	Notes	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Cash was provided from:			
Member Subscriptions		4,124	4,200
Contract Income		2,247	3,630
Interest Received		175	263
Registry & Assessment Fees		2,504	2,612
Other Income		2,578	2,418
		<u>11,628</u>	<u>13,123</u>
Cash was disbursed to:			
Payment to Employees		(5,521)	(5,459)
Service Delivery Payments		(5,442)	(7,221)
		<u>(10,963)</u>	<u>(12,680)</u>
Net Cash Flow from Operating Activities	15	665	443
Cash Flows to/from Investing Activities			
Bank Term Deposit Matured/(Reinvested)		(1,000)	1,000
Purchase of Non-Current Assets		(655)	(486)
Net Cash Flow from Investing Activities		(1,655)	514
Net Increase/(decrease) in cash and cash equivalents		(990)	957
Cash and cash equivalents at the beginning of the year		<u>5,659</u>	<u>4,702</u>
Cash and cash equivalents at the end of the year		4,669	5,659
Represented by;			
Cash and Cash Equivalents		1,418	614
Bank Term Deposits - Current		3,251	5,045
		<u>4,669</u>	<u>5,659</u>

The accompanying notes form part of these financial statements.



Notes to the financial statements

For the year ended 30 September 2017

1. REPORTING ENTITY

The Institution of Professional Engineers New Zealand Incorporated (the 'Institution') 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.

On 1 October 2017, the Institution launched its new brand with a new trading name – Engineering New Zealand - and a new symbol – a butterfly. The rebranding reflects the organisation's new direction and strategy to bring engineering to life. The legal name will remain The Institution of Professional Engineers New Zealand Incorporated.

The Institution of Professional Engineers New Zealand Inc. 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 organisation'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 2017. The financial statements were authorised for issue by the Board on 4 December 2017.

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 (2016: Change to recognition of membership revenue on accruals basis from cash basis; Transitioned to Tier 2 Not-for-Profit PBE IPSAS).



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. 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.

(i) Income in advance & contract income

The Futureintech and e2e contract income is treated as Income in Advance until the key deliverables under the terms of that contract have been completed.

Effective from 1 July 2007, the Institution was appointed by the International Engineering Alliance (IEA) Governing Group to provide secretariat services to the consortium of international engineering agreements for an annual fee. This income has been recognised on a straight-line basis.

Registration Fees are annual registration fees received for Chartered Professional Engineers and seven other engineering registers. The registration year runs from 1 January to 31 December. Three months of the 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, other short term highly liquid investments with original maturities of three months or less and bank overdrafts (if any).



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.

(ii) 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.

(iii) Depreciation

Depreciation is charged on a diminishing value basis on all property, plant and equipment. Depreciation is charged to the Statement of Comprehensive Revenue and Expense. The useful lives and associated depreciation rates have been estimated as follows;

Computer Equipment	48-50% DV
Furniture and Fittings	14.4% DV
Office Equipment	39.6% DV
Office Fit Out	10% DV

(iv) 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 and associated amortisation rates have been estimated as follows:

General Ledger System	33.3% SL
Membership Database (Midas)	20% SL

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.

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 that the Institution expects to be settled within 12 months of balance date 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.

The Institution recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Long term employee entitlements

THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

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 accrued based on one day for every year of service, assuming a staff turnover rate of 10%.

j. Provisions

The Institution recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) because of a past event, it is probable that expenditures will be required to be settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

k. 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.

l. 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.

m. 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.

n. 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.



THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

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.

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.

(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.

o. Equity

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

4. OTHER INCOME

	2017 \$'000	2016 \$'000
Advertising and e.nz Subscriptions	237	269
Member Education & Training	1,086	1,220
Conferences and Events	160	74
Rental and Sundry Income	196	192
TOTAL OTHER INCOME	1,679	1,755



5. OTHER EXPENSES

	2017 \$'000	2016 \$'000
Audit Fees	24	22
Member publications and Communications	554	532
Disciplinary Legal Fees	40	74
Member Education & Training	754	636
Rent and Utilities	765	698
ICT	656	558
Make the World campaign ¹	175	1,278
Travel	377	412
Other Sundry Expenses ^{2,3}	956	1,333
TOTAL OTHER EXPENSES	4,301	5,543

1. Engineering to Employment programme (e2e) funded by Tertiary Education Commission to encourage students to enrol in engineering qualifications.
2. Fees paid to auditors for non-audit services was nil (2016: \$2k).
3. Main expenses are membership related (meetings, student support, membership organisation fees) \$222k (2016: \$420k), administration \$444k (2016: \$271k) and consultants \$290k (2016: \$340k).

6. CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Operating accounts	467	233
Interest-bearing account	951	381
TOTAL CASH AND CASH EQUIVALENTS	1,418	614

7. INVESTMENTS

	2017 \$'000	2016 \$'000
Current		
Bank Term Deposits	2,446	4,240
Bank Term Deposits – Technical & Special Interest Groups	805	805
Total Current Term Deposits	3,251	5,045
Non Current		
Bank Term Deposits	1,000	-
TOTAL BANK TERM DEPOSITS	4,251	5,045

8. DEBTORS AND OTHER RECEIVABLES

	2017 \$'000	2016 \$'000
Trade Debtors (Exchange Transactions)	406	217
Interest Accrued	38	31
Goods and Services Tax	144	128
TOTAL RECEIVABLES	588	376

The carrying value of receivables approximates their fair value.

9. PROPERTY, PLANT AND EQUIPMENT – 30 SEPTEMBER 2017 (\$'000)

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Total
Cost					
Original cost 1/10/16	918	102	249	181	1,450
Additions	64	2	2	-	68
Disposals/Adjustment	(656)	(97)	(191)	-	(944)
Total cost at 30/9/17	326	7	60	181	574
Depreciation					
Accumulated depreciation	842	97	174	37	1,150
Charge for the year	40	3	11	14	68
Disposals/Adjustment	(650)	(95)	(162)	-	(907)
Total depreciation at 30/9/17	232	5	23	51	311
Net book value at 30/9/17	94	2	37	130	263

PROPERTY, PLANT AND EQUIPMENT – 30 September 2016 (\$'000)

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Total
Cost					
Original cost 1/10/15	894	102	226	169	1,391
Additions	26	-	23	12	61
Disposals/Adjustment	(2)	-	-	-	(2)
Total cost at 30/9/16	918	102	249	181	1,450
Depreciation					
Accumulated depreciation	787	93	163	22	1,065
Charge for the year	56	4	11	15	86
Disposals/Adjustment	(1)	-	-	-	(1)
Total depreciation at 30/9/16	842	97	174	37	1,150
Net book value at 30/9/16	76	5	76	143	300

10. INTANGIBLE ASSETS – 30 SEPTEMBER 2017 (\$'000)

	Website	Software	Total
Cost			
Original cost	-	1,858	1,858
Additions	148	440	588
Total cost at 30/9/17	148	2,298	2,446
Amortisation			
Accumulated amortisation	-	365	365
Charge for the year	-	393	393
Total amortisation at 30/9/17	-	758	758
Net book value at 30/9/17	148	1,540	1,688

INTANGIBLE ASSETS – 30 September 2016 (\$'000)

	Website	Software	Total
Cost			
Original cost	-	1,860	1,860
Additions	-	425	425
Total cost at 30/9/16	-	2,285	2,285
Amortisation			
Accumulated amortisation	-	443	443
Charge for the year	-	349	349
Total amortisation at 30/9/16	-	792	792
Net book value at 30/9/16	-	1,493	1,493

11. CREDITORS AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Trade Creditors	943	593
IPENZ Foundation Current Account	3	5
TOTAL TRADE CREDITORS AND PAYABLES	946	598

12. EMPLOYEE ENTITLEMENTS

	2017 \$'000	2016 \$'000
Annual Leave	189	204
Long Service Leave Provision	25	47
TOTAL EMPLOYEE ENTITLEMENTS	214	251

13. INCOME RECEIVED IN ADVANCE

	2017 \$'000	2016 \$'000
Registry/Membership fees in advance	467	464
Income for assessments in progress	146	76
Int. Engineering Alliance income	74	63
Conference/Course Fees	88	60
Secretariat Fees	170	165
Other	-	117
TOTAL INCOME IN ADVANCE	945	945

14. TECHNICAL AND SPECIAL INTEREST GROUPS

Technical and Special Interest Group Westpac funds are reported within cash and cash equivalents and investments reported on the Statement of Financial Position.

The Institution rules provide the Board with the power to create or dissolve Technical and Special Interest Groups and therefore the Institution has a control relationship with these groups. The groups are not defined as reporting entities and income, expenditure, assets, liabilities and equity components of the groups are reported within the financial statements of the Institution.

The accumulated funds of the Technical and Special Interest Groups is the balance relating to the Groups after offsetting direct revenues and costs.

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

	2017 \$'000	2016 \$'000
Net Surplus/(Deficit) for the year	163	216
Add Non-Cash Items		
Depreciation & Amortisation	461	433
Loss on disposal	37	-
Add (Deduct) Movements in Working Capital		
Accounts Receivable	(212)	94
Prepaid Expenses	(94)	27
Accounts Payable	347	(244)
Employee Entitlements	(37)	(83)
Net Cash Flow from Operating Activities	665	443



16. OPERATING LEASE COMMITMENTS

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

Payable

	2017 \$'000	2016 \$'000
Not later than one year	707	624
Later than one year and not later than five years	2,817	2,486
Later than five years	497	1,002
TOTAL	4,021	4,112

Operating lease commitments reflect the lease of office premises at 50 Customhouse Quay and lease costs associated with 2 photocopiers.

17. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Institution has no capital commitments (2016: Nil). The Institution has no contingent liabilities at balance date (2016: 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

THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

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 Institutions 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 (2016: \$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 IPENZ bank account and accounted for by the Foundation Current Account in the Institution's financial statements (refer to Note 11).

Foundation Current Account

	2017 \$'000	2016 \$'000
Opening receivable/(liability) balance	(5)	(10)
Income received for the Foundation	(2)	(473)
Expenses charged to the Foundation	54	49
Cash provided to/(from) the Foundation	(50)	429
Closing receivable/ (liability) balance	(3)	(5)

b. Key management personnel remuneration

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

	2017 \$'000	2016 \$'000
Board Member Remuneration ¹	-	-
Leadership Team Remuneration	947	1,149
	947	1,149
<i>Board - Full Time Equivalent²</i>	<i>0.5</i>	<i>0.4</i>
<i>Leadership Team – Full Time Equivalent</i>	<i>5.1</i>	<i>6.7</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 2017 to be a small taxable loss (2016: \$311k taxable gain). 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 2016 reporting period were \$3,958,007.

22. SUBSEQUENT EVENTS

There were no events after balance date requiring reporting or adjustment in the financial statements (2016: 2013 and 2014 income tax returns were under review by Inland Revenue, resulting in a reduction of tax losses carried forward).

Independent Auditor's Report

Audit**Grant Thornton New Zealand Audit Partnership**

L15 Grant Thornton House
215 Lambton Quay
PO Box # 10712
Wellington 6143

T (Office)+64 (0)4 474 8500
F (Fax)+64 (0)4 474 8509
www.grantthornton.co.nz

To the Board of Directors of The Institution of Professional Engineers New Zealand Inc.**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of The Institution of Professional Engineers New Zealand Inc. (the "Society") which comprise the statement of financial position as at 30 September 2017, and the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended, 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 Society as at 30 September 2017 and its financial performance and cash flows for the year then ended in accordance with 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 Society 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 Society.

Board's Responsibilities for the Financial Statements

The Board is responsible on behalf of the Society for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit) Reduced Disclosure Regime 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 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 Society'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 either intends to liquidate the Society 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the 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 directors, as a body. Our audit work has been undertaken so that we might state to the directors, 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 Society and the Society's directors, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership**B Kennerley**

Partner

Wellington

4 December 2017



engineering
new zealand
Institute of Engineering Professionals

Engineering New Zealand
PO Box 21 241
Wellington 6144

04 473 9444
hello@engineeringnz.org
www.engineeringnz.org