IPENZ
ENGINEERS NEW ZEALAND

Financial statements

For the year ended 30 September 2016

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THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

DIRECTORY

President	Elena Trout
Deputy President	Craig Price
Vice President	Dean Kimpton
Immediate Past President	Andrew Read
Board Members	Geoffrey Farquhar Ben Holland Jan Evans-Freeman Glen Mitchell Ron McDowall Aidan Cooper
Chief Executive	Susan Freeman-Greene
Auditors	Grant Thornton
Bankers	Westpac & Kiwibank
Solicitors	Kensington Swan
Business Address	Level 3 50 Customhouse Quay Wellington 6144

INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 $'000	2015 $'000
Revenue			
Revenue from exchange transactions			
Members Subscriptions		3,935	3,892
Registry and Assessment Fees		2,642	2,043
Contract Income		3,443	1,791
Interest		198	273
Other Income	4	1,755	2,017
Technical and Special Interest Groups		983	1,231
Revenue from non-exchange transactions			
Fines		17	14
Total Revenue		**12,973**	**11,261**
Expenses			
Personnel Costs		5,376	4,909
Technical and Special Interest Groups		792	1,181
Consultancy Competency Assessments		613	464
Depreciation and Amortisation		433	138
Other Expenses	5	5,543	4,247
Total Expenses		**12,757**	**10,939**
Surplus before Tax		**216**	**322**
Income Tax Expenses	22	-	-
Net Surplus for the Year		**216**	**322**
Other Comprehensive Revenue and Expense		-	-
Total Comprehensive Revenue and Expense for the Year		**216**	**322**

The accompanying notes form part of these financial statements.

Grant Thornton New Zealand Audit Partnership
Marked for identification purposes

THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Current			
Cash and Cash Equivalents	6	614	211
Investments	7	5,045	4,491
Debtors and Other Receivables	8	376	470
Prepayments		5	32
Total Current Assets		**6,040**	**5,204**
Non-Current Assets			
Investments	7	-	1,000
Property, Plant and Equipment	9	300	326
Intangible assets	10	1,493	1,417
Total non- current Assets		**1,793**	**2,743**
TOTAL ASSETS		**7,833**	**7,947**
LIABILITIES			
Current			
Creditors and other payables	11	598	845
Employee Entitlements	12	251	334
Income Received in Advance	13	945	945
Total Current Liabilities		**1,794**	**2,124**
TOTAL LIABILITIES		**1,794**	**2,124**
NET ASSETS		**6,039**	**5,823**
MEMBER FUNDS			
Accumulated Funds:			
IPENZ National Office (Retained Earnings)		4,596	4,572
Technical and Special Interest Groups	14,15	1,443	1,251
TOTAL EQUITY		**6,039**	**5,823**

The accompanying notes form part of these financial statements.

THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 $'000	2015 $'000
IPENZ National Office		
Opening balance	4,572	4,300
Net surplus(deficit) for the year	216	322
Transfer from/(to) Technical and Special Interest Group Reserve	(192)	(50)
	4,596	4,572
Technical and Special Interest Group Reserve		
Opening balance	1,251	1,201
Transfer from/(to) IPENZ National Office	192	50
	1,443	1,251
TOTAL EQUITY	**6,039**	**5,823**

For and on behalf of the Institution

President ....

Chief Executive ....

Date: 12 December 2016

The accompanying notes form part of these financial statements.

Grant Thornton New Zealand Audit Partnership
Marked for identification purposes

THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 $'000	2015 $'000
Cash Flows from Operating Activities			
Cash was provided from:			
Member Subscriptions		4,200	3,900
Contract Income		3,630	1,798
Interest Received		263	365
Registry Fees		2,612	2,150
Other Income		2,418	2,940
		13,123	11,153
Cash was disbursed to:			
Payment to Employees		5,459	5,050
Service Delivery Payments		7,221	5,919
		12,680	10,969
Net Cash Flow from Operating Activities	**16**	**443**	**184**
Cash Flows from Investing Activities			
Bank Term Deposit (Non Current) Matured		1,000	-
Purchase of Non Current Assets		(486)	(1,364)
Net Cash Flow from Investing Activities		**514**	**(1,364)**
Net Increase/(decrease) in cash and cash equivalents		**957**	**(1,180)**
Cash and cash equivalents at the beginning of the year		4,702	5,882
Cash and cash equivalents at the end of the year		**5,659**	**4,702**
Represented by;			
Cash and Cash Equivalents		614	211
Bank Term Deposits - Current		5,045	4,491
		5,659	**4,702**

The accompanying notes form part of these financial statements.

THE INSTITUTION OF PROFESSIONAL ENGINEERS NEW ZEALAND INC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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. The financial statements exclude the operations of the separately incorporated Collaborating Technical Societies.

The primary objective of the Institution is to provide for the advancement of the professions of engineering within New Zealand. The Institution is the professional body which represents professional engineers from all disciplines within New Zealand.

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 2016. The financial statements were authorised for issue by the Board on 12 December 2016.

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.

a. Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity International Public Standards (PBE IPSAS) and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-for-Profit entities.

For the purposes of complying with NZ GAAP, the Institution is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-for-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-for-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime (RDR) disclosure concessions except for PBE IPSAS 2 – Cash Flow Statements.

b. Effect of First Time Adoption of PBE Standards on Accounting Policies and Disclosures

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The accounting policies adopted in these financial statements are consistent with those of the previous financial year. The only change of any significance from the previous year's report is the separation of revenue into Exchange and Non-Exchange categories. Prior year's revenue has been restated under these two categories. There are no other material adjustments arising on transition to the new PBE accounting standards.

c. Presentation currency and rounding

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

d. Changes in Accounting Policy

Revenue from membership subscriptions is now recognised when the invoices for membership fees are issued. Previously, membership fees were voluntary, and income was recognised when received. The impact of this change is the recognition of membership fees receivable as at balance date in the amount of $216,000. There has been no adjustment to comparative figures.

Except for the change in recognition of income associated with membership subscriptions there have been no changes in accounting policies during the financial year. Where necessary, comparatives have been restated to reflect current classifications and presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the recognition of membership subscriptions, 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. Previously, subscription income was recognised when received. Unpaid subscriptions are included in Debtors and Other Receivables at balance date. Previously, there was no receivable recognised as payment was voluntary.

(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

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 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.

Registry Fees in Advance are fees received from applicants for registration on a competence register. As at balance date these applicants had not been assessed for competence and accordingly were not approved for registration. This income is allocated to cover the assessment costs as they are incurred.

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

Bank Deposits: Investments in bank deposits are measured at fair value plus transaction costs. For bank deposits, 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

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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, and only 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.

(i) 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% DV
Furniture and Fittings	9 – 40% DV
Office Equipment	20 – 40% DV
Office Fit Out	14 – 40% DV

(ii) 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:

Computer Software	3 years
Database	3- 5 years

(i) Amortisation

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.

(ii) Computer Software

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs associated with maintaining computer software are recognised as an expense when incurred.

h. Impairment Of Non-Financial Assets

The carrying amounts of the Institutions 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

Long term leave entitlements that are payable beyond 12 months have been calculated on actuarial basis. The calculations are based on: likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and the present value of the estimated cash flows. A discount rate of 2.5% was used. (2014: 4.5%)

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) as a result 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

By virtue of tax losses carried forward no taxation is payable on non-member 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.

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. It has two components – that which relates to IPENZ operations and that which relates to the Technical and Special Interest Groups.

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4. OTHER INCOME

	2016 $'000	2015 $'000
Advertising and e.nz Subscriptions	269	276
Member Education & Training	1,220	971
Conferences and Events	74	222
Rental and Sundry Income	192	548
TOTAL OTHER INCOME	**1,755**	**2,017**

5. OTHER EXPENSES

	2016 $'000	2015 $'000
Audit Fees	22	24
Member publications and Communications	532	569
Disciplinary Legal Fees	74	498
Member Education & Training	636	535
Rent and Utilities	698	727
ICT	558	391
Make The World campaign[1]	1,278	-
Travel	412	535
Other Sundry Expenses[2,3]	1,333	968
TOTAL OTHER EXPENSES	**5,543**	**4,247**

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 $2k (2015: $11k).
3. Main expenses are membership related (meetings, student support, membership organisation fees) $420k (2015: $295k), administration $271k (2015: $156k) and consultants $340k (2015: $242k).

6. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Operating accounts	233	211
Interest-bearing account	381	-
TOTAL CASH AND CASH EQUIVALENTS	**614**	**211**

7. INVESTMENTS

	2016 $'000	2015 $'000
Current		
Bank Term Deposits	4,240	3,616
Bank Term Deposits – Technical & Special Interest Groups	805	875
Total Current Term Deposits	**5,045**	**4,491**
Non Current		
Bank Term Deposits	-	1,000
	-	1,000
TOTAL BANK TERM DEPOSITS	5,045	5,491

8. DEBTORS AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade Debtors (Exchange Transactions)	217	291
Interest Accrued	31	96
Goods and Services Tax	128	71
Other Debtors	-	12
TOTAL RECEIVABLES	376	470

The carrying value of receivables approximates their fair value.

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

	Original Cost	Less Accumulated Depreciation	Current Year Additions	Current Year Disposals	Current Year Depreciation	Book Value 2016
Computer Equipment	894	(787)	26	(2)	(55)	76
Office Equipment	102	(93)	-	-	(4)	5
Furniture & Fittings	226	(162)	23	-	(11)	76
Leasehold Improvements	168	(22)	12	-	(15)	143
Total Property, Plant and Equipment	1,390	(1,064)	61	(2)	(85)	300

PROPERTY, PLANT AND EQUIPMENT – 30 September 2015 ($'000)

	Original Cost	Less Accumulated Depreciation	Current Year Additions	Current Year Disposals	Less Current Year Depreciation	Book Value 2015
Computer Equipment	843	(708)	52	(1)	(79)	107
Office Equipment	102	(88)	-	-	(5)	8
Furniture & Fittings	215	(153)	11	-	(9)	64
Leasehold Improvements	161	(6)	7	-	(16)	147
Total Property, Plant and Equipment	1,321	(955)	70	(1)	(109)	326

10. INTANGIBLE ASSETS – 30 September 2016 ($'000)

	Original Cost	Less Accumulated Amortisation	Current Year Additions	Current Year Disposals	Less Current Year Amortisation	Book Value 2016
Software	1,860	(443)	425	-	(349)	1,493
Total Intangible Assets	**1,860**	**(443)**	**425**	**-**	**(349)**	**1,493**

INTANGIBLE ASSETS – 30 September 2015 ($'000)

	Original Cost	Less Accumulated Amortisation	Current Year Additions	Current Year Disposals	Less Current Year Amortisation	Book Value 2015
Software	566	(414)	1,294	-	(29)	1,417
Total Intangible Assets	**566**	**(414)**	**1,294**	**-**	**(29)**	**1,417**

11. CREDITORS AND OTHER PAYABLES

	2016 $'000	2015 $'000
Trade Creditors	593	659
IPENZ Foundation Current Account	5	10
Other payables	-	176
TOTAL TRADE CREDITORS AND PAYABLES	**598**	**845**

12. EMPLOYEE ENTITLEMENTS

	2016 $'000	2015 $'000
Annual Leave	204	259
Long Service Leave Provision	47	75
TOTAL EMPLOYEE ENTITLEMENTS	**251**	**334**

13. INCOME RECEIVED IN ADVANCE

	2016 $'000	2015 $'000
Registry fee in advance	464	431
CPEng Fees (Initial Assessments)	76	139
Int. Engineering Agreement Income	63	129
Conference/Course Fees	60	218
Secretariat Fees	165	28
Other	117	-
TOTAL INCOME IN ADVANCE	**945**	**945**

14. TECHNICAL AND SPECIAL INTEREST GROUPS ($'000)

	Westpac Funds 2016	Current Account 2016	Equity Reserve 2016	Equity Reserve 2015
Electro Technical Group	25	9	34	33
Food Engineering Association	15	4	19	18
Special Interest Group for Immigrant Engineers	5	7	12	11
Maintenance Engineering Society	65	8	73	11
Mechanical Engineering Group	45	6	51	54
NZ Coastal Society	265	157	422	412
Society of Fire Protection Engineering	130	39	169	160
NZ Society Large Dams	-	58	58	35
River Group	25	23	48	50
The Sustainability Society	-	5	5	3
Technology Education NZ	55	37	92	93
Heavy Vehicle Engineers	20	45	65	37
Transportation Group	150	180	330	272
South Pacific Engineers Association	-	51	51	50
Student Engineers NZ	-	3	3	3
Recreation Safety Engineering	5	5	10	9
NZ Society for Safety Engineering	-	1	1	-
	805	**638**	**1,443**	**1,251**

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.

15. EXPLANATION OF RESERVES

Technical and Special Interest Groups

This reserve represents the accumulated balances of all the Technical and Special Interest Groups after offsetting direct revenues and costs.

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

	2016 $'000	2015 $'000
Net Surplus/(Deficit) for the year	216	322
Add Non Cash Items;		
Depreciation & Amortisation	433	138
Loss on disposal	-	1
Add (Deduct) Movements in Working Capital		
Accounts Receivable	94	(53)
Prepaid Expenses	27	139
Accounts Payable	(244)	(167)
Income in Advance	-	(55)
Employee Entitlements	(83)	(141)
Net Cash Flow From Operating Activities	**443**	**184**

17. OPERATING LEASE COMMITMENTS

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

Payable

	2016 $'000	2015 $'000
Not later than one year	624	581
Later than one year and not later than five years	2,486	2,324
Later than five years	1,002	1,583
TOTAL	**4,112**	**4,488**

Receivable

	2016 $'000	2015 $'000
Not later than one year	114	129
Later than one year and not later than five years	-	114
TOTAL	**114**	**243**

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

18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Institution has no capital commitments (2015: Nil). The Institution has no contingent liabilities at balance date (2015: Nil).

19. FINANCIAL INSTRUMENTS

a. Carrying Value Of Financial Instruments

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

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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 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.

20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Related parties arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Institution.

a. Parent and ultimate controlling party

The Institution is not a subsidiary and the ultimate controlling party of the Institution are the members of the Institution of Professional Engineers New Zealand Incorporated.

b. Related party transactions

No provision has been required, nor any expense recognised for impairment for any loans or other receivable balances with related parties (2015: $Nil). No such loans or other receivables exist (2015: $Nil)

The Institution has provided accounting and administrative services to the IPENZ Foundation. The IPENZ Foundation (a Trust with independent governance and control outside of the Institution) is a registered charitable entity under the Charities Act 2005.

All transactions between the Institution and the Foundation are accounted for through the Foundation Current Account (refer to Note 11).

Foundation Current Account

	2016 $'000	2015 $'000
Opening receivable/(liability) balance	(10)	(8)
Income received for the Foundation	(473)	(15)
Expenses charged to the Foundation	49	41
Cash provided to/(from) the Foundation	429	(28)
Closing receivable/ (liability) balance	**(5)**	**(10)**

c. Key management personnel remuneration

Key management personnel are the members of the Board, the Chief Executive and the senior leadership team. The members of the Board act as such in a voluntary capacity and receive no remuneration.

	2016 $'000	2015 $'000
Board Member Remuneration	-	-
Leadership Team Remuneration	1,149	1,082
	1,149	1,082
Board - Full Time Equivalent Members[1]	*0.4*	*0.4*
Leadership Team – Full Time Equivalent Members	*6.7*	*7.0*

1. The IPENZ Board meets 8 times per year, each meeting taking approximately 1 day. Committee meetings and pre-meeting reading time is additional.

21. 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 in order to support its activities. The Institution manages its capital structure and makes adjustments to it, in light of changes to funding requirements. To maintain or adjust the capital structure, budgeted discretionary expenditure is reduced to avoid the need for external borrowing.

22. INCOME TAX

The Institution expects the taxable result for the year ended 30 September 2016 to be a loss (2015: loss) therefore no income tax expense arises. The Institution continues to carry forward accumulated tax losses from prior periods. This potential future income tax benefit is not recognised in the financial statements.

The amount of the tax losses available to offset against future reporting periods is currently under review by IRD through a review of the Institution's 2013 and 2014 income tax returns. The outcome of the review will also impact on the 2015 income tax return. The impact of this review is not known as at 30 September 2016. The likely effect of the review is expected to be, at most, a reduction in tax losses available to carry forward.

Losses claimed and carried forward from the 30 September 2015 reporting period were $5,584,602.

23. SUBSEQUENT EVENTS

The Institution's 2013 and 2014 income tax returns are currently under review by the IRD. The outcome of the review will also impact on the 2015 income tax return. The impact of this review is not known as at 30 September 2016. The likely effect of the review is expected to be, at most, a reduction in tax losses available to carry forward.

There were no other events after balance date requiring reporting or adjustment in the financial statements (2015: Nil).

Grant Thornton

Independent Auditor's Report

Audit

Grant Thornton New Zealand Audit Partnership
L15, Grant Thornton House
215 Lambton Quay
PO Box 10712
Wellington 6143

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

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

We have audited the accompanying financial statements on pages 4 to 19 of The Institution of Professional Engineers New Zealand Inc. which comprise the statement of financial position as at 30 September 2016, and the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The responsibility of the Board members for the financial statements

The Board members are responsible 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, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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, as well as evaluating the overall presentation of the financial statements.

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

Our firm carries out other assignments for The Institution of Professional Engineers New Zealand Inc.in the area of taxation advice. The firm has no other interest in The Institution of Professional Engineers New Zealand Inc.

Opinion

In our opinion, the financial statements on pages 4 to 19 present fairly, in all material respects, the financial position of The Institution of Professional Engineers New Zealand Inc. as at 30 September 2016, 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.

Restriction on use of our report

This report is made solely to the members of The Institution of Professional Engineers New Zealand Inc., as a collective body. Our audit work has been undertaken so that we might state to the members, as a collective 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 of Professional Engineers New Zealand Inc. and its members, as a collective body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
12 December 2016

The Institution of Professional Engineers New Zealand Inc.
Pūtahi Kaiwetepanga Ngaio o Aotearoa

PO Box 12 241
Wellington 6144
New Zealand

P +64 4 473 9444
E ipenz@ipenz.org.nz
EngineersNZ

www.ipenz.nz