engineering new zealand
te ao rangahau

FINANCIAL STATEMENTS.

2017/2018 FINANCIAL YEAR

The Institution of Professional Engineers New Zealand Inc, trading as Engineering New Zealand.

OUR 2017/2018 FINANCIAL YEAR

Over the past couple of years, we've operated at a surplus. The Board made a strategic decision to run a deficit in 2017/18 to set us up for future financial growth.

Investment in both our IT system and new premises has also had an impact on the bottom line for 2017/18, while significantly improving our outlook. Some of this deficit is from writing off depreciation in this year, instead of over a period of years for our existing IT system. Our new premises will save us $100,000 a year and our new IT system will cost significantly less to maintain and develop in the coming years. While 2017/18 is in a managed deficit, we aim to break even again in 2018/19 and then start to replenish reserves from there.

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DIRECTORY

President	**Dean Kimpton**
Deputy President	**Ben Holland**
Vice President	**Colin Crampton**
Immediate Past President	**Craig Price**
Board Members	**Geoffrey Farquhar** **Jan Evans-Freeman** **John Burden** **Kaye Clark** **Sue-Ellen Fenelon** **Sina Cotter-Tait** **Tim Fisher**
Chief Executive	**Susan Freeman-Greene**
Auditors	**Grant Thornton**
Bankers	**Westpac**
Solicitors	**Kensington Swan**
Business Address	**Level 6** **40 Taranaki Street** **Wellington 6011**

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Revenue from exchange transactions			
Members Subscriptions		4,446	4,081
Registry and Assessment Fees		2,345	2,466
Contract Income		1,900	2,498
Interest		193	182
Other Income	4	1,520	1,679
Technical and Special Interest Groups		1,004	862
Revenue from non-exchange transactions			
Fines		(11)	20
Total Revenue		**11,397**	**11,788**
Expenses			
Personnel Costs		5,985	5,484
Technical and Special Interest Groups		896	792
Competency Assessment costs		374	587
Depreciation/Amortisation and Impairment		1,838	461
Other Expenses	5	4,194	4,301
Total Expenses		**13,287**	**11,625**
Surplus/(Deficit) before Tax		**(1,890)**	**163**
Income Tax Expenses	21	-	-
Net Surplus for the Year		**(1,890)**	**163**
Total Comprehensive Revenue and Expense for the Year		**(1,890)**	**163**

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current			
Cash and Cash Equivalents	6	2,988	1,418
Investments	7	1,866	3,251
Debtors and Other Receivables	8	5,987	588
Prepayments		283	99
Total Current Assets		**11,124**	**5,356**
Non-Current Assets			
Investments	7	1,000	1,000
Property, Plant and Equipment	9	708	263
Intangible assets	10	583	1,688
Total non- current Assets		**2,291**	**2,951**
TOTAL ASSETS		**13,415**	**8,307**
LIABILITIES			
Current			
Creditors and other payables	11	2,062	946
Employee Entitlements	12	234	214
Income Received in Advance	13	6,807	945
Total Current Liabilities		**9,103**	**2,105**
TOTAL LIABILITIES		**9,103**	**2,105**
NET ASSETS		**4,312**	**6,202**
Member Funds	14	4,312	6,202
TOTAL EQUITY		**4,312**	**6,202**

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 $'000	2017 $'000
Member Funds		
Opening balance	6,202	6,039
Net surplus/(deficit) for the year	(1,890)	163
TOTAL EQUITY	**4,312**	**6,202**

For and on behalf of the Institution

President

Deputy President Benjamin

Date: 3/12/2018

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Cash was provided from:			
Member Subscriptions		5,198	4,124
Contract Income		2,308	2,247
Interest Received		218	175
Registry & Assessment Fees		2,392	2,504
Other Income		2,454	2,578
		12,570	11,628
Cash was disbursed to:			
Payment to Employees		(5,965)	(5,521)
Service Delivery Payments		(5,668)	(5,442)
		(11,633)	(10,963)
Net Cash Flow from Operating Activities	15	937	665
Cash Flows to/from Investing Activities			
Bank Term Deposit Matured/(Reinvested)		-	(1,000)
Purchase of Non-Current Assets		(752)	(655)
Net Cash Flow from Investing Activities		**(752)**	**(1,655)**
Net Increase/(decrease) in cash and cash equivalents		185	**(990)**
Cash and cash equivalents at the beginning of the year		**4,669**	**5,659**
Cash and cash equivalents at the end of the year		**4,854**	**4,669**
Represented by;			
Cash and Cash Equivalents		2,988	1,418
Bank Term Deposits - Current		1,866	3,251
		4,854	**4,669**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 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 2018. The financial statements were authorised for issue by the Board on 3 December 2018.

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 (2017: Nil).

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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. This year, we invoiced 2018-19 (1 October 2018-30 September 2019) members subscriptions in September 2018. This income has been included in income in advance. In previous years, we invoiced in October for that current membership year. Unpaid subscriptions for 2017-18 and 2018-19 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 and contract income

Membership subscriptions for 2018-19 were invoiced in September this year and are included in income in advance.

Registration Fees are annual registration fees received for Chartered Professional Engineers and 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.

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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.

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;

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

This year, we wrote off the book value of fitout costs ($116k) and office furniture ($31k) as a result of our move to new premises on September 24th this year.

(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.

This year, we wrote off the remaining book value for our Midas membership database ($1.1m). The write-off was a result of our move to a new Customer Relationship Management (CRM) system, which we will be using from 2019.

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.

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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 10%.

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.

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.

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n. Equity

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

4. OTHER INCOME

	2018 $'000	2017 $'000
Advertising and EG Subscriptions	117	237
Member Education & Training	966	1,086
Conferences and Events	185	160
Rental and Sundry Income	252	196
TOTAL OTHER INCOME	**1,520**	**1,679**

5. OTHER EXPENSES

	2018 $'000	2017 $'000
Audit Fees	21	24
Member publications and Communications	353	554
Disciplinary Legal Fees	21	40
Member Education & Training	722	754
Rent and Utilities	757	765
ICT	743	656
Make the World campaign[1]	-	175
Travel	505	377
Other Sundry Expenses[2,3]	1,072	956
TOTAL OTHER EXPENSES	**4,194**	**4,301**

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 (2017: nil).

3. Other expenses include membership related expenses (meetings, events, student support, membership organisation fees) $604k (2017: $449k), administration $243k (2017: $223k) and consultants $225k (2017: $266k).

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6. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Operating accounts	771	467
Interest-bearing account	2,217	951
TOTAL CASH AND CASH EQUIVALENTS	**2,988**	**1,418**

7. INVESTMENTS

	2018 $'000	2017 $'000
Current		
Bank Term Deposits	1,866	3251
Non current		
Bank Term Deposits	1,000	1,000
TOTAL BANK TERM DEPOSITS	**2,866**	**4,251**

8. DEBTORS AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade Debtors (Exchange Transactions)	5,974	406
Interest Accrued	13	38
Goods and Services Tax	-	144
TOTAL RECEIVABLES	**5,987**	**588**

The carrying value of receivables approximates their fair value.

9. PROPERTY, PLANT AND EQUIPMENT – 30 SEPTEMBER 2018 ($'000)

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Total
Cost					
Original cost 1/10/17	326	7	60	181	574
Additions	273	8	279	116	676
Disposals/Adjustment	-	-	(59)	(181)	(240)
Total cost at 30/9/18	599	15	280	116	1,010
Depreciation					
Accumulated depreciation	232	5	23	51	311
Charge for the year	64	1	5	13	83
Disposals/Adjustment	-	-	(28)	(64)	(92)
Total depreciation at 30/9/18	296	6	-	-	302
Net book value at 30/9/18	**303**	**9**	**280**	**116**	**708**

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**

10. INTANGIBLE ASSETS – 30 SEPTEMBER 2018 ($'000)

	Website	Software	Total
Cost			
Original cost at 1/10/17	148	2,298	2,446
Additions	21	480	501
Disposals/Adjustment	-	(2,310)	(2,310)
Total cost at 30/9/18	169	468	637
Amortisation			
Accumulated amortisation	-	758	758
Charge for the year	54	451	505
Disposals/Adjustment	-	(1,209)	(1,209)
Total amortisation at 30/9/18	54	-	54
Net book value at 30/9/18	**115**	**468**	**583**

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**

11. CREDITORS AND OTHER PAYABLES

	2018 $'000	2017 $'000
Trade Creditors	2,048	943
IPENZ Foundation Current Account	14	3
TOTAL TRADE CREDITORS AND PAYABLES	**2,062**	**946**

12. EMPLOYEE ENTITLEMENTS

	2018 $'000	2017 $'000
Annual Leave	209	189
Long Service Leave Provision	25	25
TOTAL EMPLOYEE ENTITLEMENTS	**234**	**214**

13. INCOME RECEIVED IN ADVANCE

	2018 $'000	2017 $'000
Registry/Membership fees in advance	5,971	467
Income for assessments in progress	189	146
Int. Engineering Alliance income	99	74
Conference/Course Fees	85	88
Secretariat Fees	172	170
Other	291	-
TOTAL INCOME IN ADVANCE	**6,807**	**945**

14. MEMBER FUNDS

Member funds represent the accumulated reserves of the Institution.

In the past, we have separately disclosed the accumulated funds of the IPENZ National Office and the Technical and Special Interest Groups. As these are all members funds we have now combined them into one total.

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

	2018 $'000	2017 $'000
Net Surplus/(Deficit) for the year	(1,890)	163
Add Non-Cash Items		
Depreciation/Amortisation and Impairment	1,838	498
Add (Deduct) Movements in Working Capital		
Accounts Receivable	(5,399)	(212)
Prepaid Expenses	(184)	(94)
Accounts Payable	690	347
Employee Entitlements	20	(37)
Income received in advance	5,862	-
Net Cash Flow from Operating Activities	**937**	**665**

16. OPERATING LEASE COMMITMENTS

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

Payable

	2018 $'000	2017 $'000
Not later than one year	259	707
Later than one year and not later than five years	1,879	2,817
Later than five years	1,948	497
TOTAL	**4,086**	**4,021**

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

17. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Institution has no capital commitments (2017: Nil). The Institution has no contingent liabilities at balance date (2017: 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.

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(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.

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 (2017: $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

	2018 $'000	2017 $'000
Opening receivable/(liability) balance	(3)	(5)
Income received for the Foundation	(1)	(2)
Expenses charged to the Foundation	25	54
Cash provided to/(from) the Foundation	(35)	(50)
Closing receivable/ (liability) balance	**(14)**	**(3)**

b. Key management personnel remuneration

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

	2018 $'000	2017 $'000
Board Member Remuneration[1]	-	-
Leadership Team Remuneration	987	947
	987	947
Board - Full Time Equivalent[2]	*0.5*	*0.5*
Leadership Team – Full Time Equivalent	*5.6*	*5.1*

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 2018 to be a neutral position (2017 $72k 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 2017 reporting period were $4,030,290.

22. SUBSEQUENT EVENTS

There were no events after balance date requiring reporting or adjustment in the financial statements (2017: Nil).

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Grant Thornton

Independent Auditor's Report

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To the Board 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 21 which comprise the statement of financial position as at 30 September 2018, 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 Institution as at 30 September 2018 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Institution 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's Responsibilities for the Financial Statements

The Board is responsible on behalf of the Institution 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 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 either intend to liquidate the Institution or to cease operations, or have no realistic alternative but to do so.

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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 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 Institution's Board, as a body. Our audit work has been undertaken so that we might state to the Board, 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 and its Board, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

Grant Thornton

B Kennerley
Partner
Wellington

3 December 2018

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