



**ENGINEERS AUSTRALIA GROUP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

**PARENT ENTITY: THE INSTITUTION OF ENGINEERS AUSTRALIA
ABN: 63 020 415 510**

Directors' report

The directors present the annual financial report of The Institution of Engineers Australia and its controlled entities ('Engineers Australia Group') for the financial year ended 30 June 2019.

Board members

The names and particulars of the directors of the Board during or since the end of the financial year are:

1

Name	Titles of membership IE Aust	Period of office	Board membership
P L White	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-16 31-Dec-21	Board Chairman / National President
G P Walters	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-12 31-Dec-18	Elected Director
M Kennedy	FIEAust CPEng EngExec APEC Engineer IntPE(Aus)	01-Jan-17 31-Dec-19	Elected Director
N Fleming	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-17 31-Dec-19	Elected Director
L Cade	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-18 31-Dec-20	Elected Director
C Champion	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-18 31-Dec-20	Elected Director
H Inan	-	06-Aug-18 06-Aug-20	Appointed Director
R Aseervatham	FIEAust CPEng APEC Engineer InstPE(Aus)	01-Jan-19 31-Dec-21	Elected Director

Principal activities

The principal activity of the parent entity of the Engineers Australia Group during the financial year was to operate as the peak body of the engineering profession to advance the science and practice of engineering.

Operating result

The net surplus of the Engineers Australia Group for the year was \$4,542,000 (2018: net surplus \$4,219,000).

Subsequent events

Morgan Stanley was engaged to manage and invest cash, that is surplus to normal operating requirements, in accordance with Engineers Australia Group's Investment Policy Statement. In July 2019, \$12,000,000 was transferred to Morgan Stanley for that purpose. There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Engineers Australia Group, the results of those operations, or the state of affairs of the Engineers Australia Group in future financial years.

Changes in state of affairs

There was no significant change in the state of affairs of the Engineers Australia Group during the financial year.

Future developments

The Engineers Australia Group will continue to review the activities of the group to ensure that its objectives are maintained in the best interests of members.

Directors' report (cont'd)

Meeting of directors

Name	Full meeting of directors		Meeting of committees													
			Audit and Risk		Board Nomination		People & Culture		College Chairs Forum		Honours and Awards		Engineering Practice Advisory Committee		Engineering Futures Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Hon P L White	8	8	1	1	1	1	1	*	1	1	*	*	1	1	2	2
G P Walters	4	4	*	*	*	*	*	*	1	1	*	*	1	1	1	1
M Kennedy	8	8	2	3	*	*	4	4	*	*	0	1	*	*	*	*
N Fleming	8	8	3	3	*	*	4	4	*	*	*	*	1	1	2	2
L Cade	7	8	3	3	2	2	2	3	*	*	*	*	*	*	*	*
C Champion	8	8	1	1	3	3	*	*	*	*	*	*	1	1	*	*
H Inan	8	8	*	*	*	*	*	*	*	*	*	*	*	*	1	2
R Aseervatham	4	4	*	*	*	*	*	*	*	*	*	*	*	*	*	*

A = Number of meetings attended from 1 July 2018 to 30 June 2019

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

Signed in Adelaide on the 19th September 2019, in accordance with a resolution of the Board.



Hon. Trish White

National President and Chairman



Auditor's Independence Declaration

As lead auditor for the audit of The Institution of Engineers Australia for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Institution of Engineers Australia and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Murphy', is written over a light blue circular stamp.

David Murphy
Partner
PricewaterhouseCoopers

Canberra
19 September 2019

The Institution of Engineers Australia and its controlled entities

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue and other income			
Revenue	1(a)	69,886	58,509
Other income	1(b)	3,480	3,604
Total revenue and other income		73,366	62,113
Expenses			
Employee expenses		30,155	27,072
Administrative, publication and IT expenses		11,535	9,981
Education course delivery expenses		10,815	5,828
Conferences / events expenses		5,082	2,726
Premises expenses		3,529	3,418
Depreciation and amortisation	5(a),6	3,390	3,801
Consultancy expenses		1,860	2,126
Travel expenses		1,823	1,574
Impairment of assets	6	107	1,080
Other expenses		482	251
Total expenses		68,778	57,857
Surplus before income tax		4,588	4,256
Income tax expense		46	37
Surplus for the year		4,542	4,219
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of land and buildings		445	361
Total comprehensive income for the year		4,987	4,580
Total comprehensive income attributable to members		4,987	4,580

The Institution of Engineers Australia and its controlled entities

Consolidated balance sheet as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	2	24,249	9,055
Term deposits		24,852	30,023
Trade and other receivables	3	5,319	5,132
Conference work in progress	4	168	584
Prepayments		2,267	2,128
Total current assets		56,855	46,922
Non-current assets			
Property, plant and equipment	5	27,245	27,353
Intangible assets	6	8,448	10,559
Conference work in progress	4	-	60
Loans		50	50
Total non-current assets		35,743	38,022
Total assets		92,598	84,944
Current liabilities			
Unearned revenue	7	29,980	28,426
Trade and other payables	8	5,796	4,875
Provisions	9	2,470	2,361
Income tax payable		41	28
Total current liabilities		38,287	35,690
Non-current liabilities			
Provisions	9	622	619
Lease liability		822	755
Total non-current liabilities		1,444	1,374
Total liabilities		39,731	37,064
Net assets		52,867	47,880
Members' funds			
Retained earnings		35,517	30,975
Reserves		17,350	16,905
Total members' funds		52,867	47,880

The Institution of Engineers Australia and its controlled entities

Consolidated statement of changes in equity for the year ended 30 June 2019

	Reserves			Total \$'000
	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Technical Initiatives Fund \$'000	
Balance at 1 July 2017	26,756	14,126	2,418	43,300
Surplus for the year	4,219	-	-	4,219
Other comprehensive income for the year	-	361	-	361
Total comprehensive income for the year	4,219	361	-	4,580
Balance at 30 June 2018	30,975	14,487	2,418	47,880
Surplus for the year	4,542	-	-	4,542
Other comprehensive income for the year	-	445	-	445
Total comprehensive income for the year	4,542	445	-	4,987
Balance at 30 June 2019	35,517	14,932	2,418	52,867

The Institution of Engineers Australia and its controlled entities

Consolidated statement of cash flows for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from members and customers		80,008	71,111
Payments to employees and suppliers		(69,603)	(58,439)
Income taxes paid		(33)	(21)
Net cash from operating activities		<u>10,372</u>	<u>12,651</u>
Cash flows from investing activities			
Interest received		795	583
Net proceeds from / (investment in) term deposits		5,171	(13,127)
Purchase of property, plant and equipment		(157)	(460)
Purchase of intangible assets		(987)	(2,161)
Net cash from / (used in) investing activities		<u>4,822</u>	<u>(15,165)</u>
Net increase / (decrease) in cash and cash equivalents		15,194	(2,514)
Cash and cash equivalents at beginning of the financial year		<u>9,055</u>	<u>11,569</u>
Cash and cash equivalents at end of the financial year	2	<u>24,249</u>	<u>9,055</u>

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Note 1 Revenue and other income		
(a) Revenue		
Membership subscriptions	25,402	24,116
Assessment and registration fees	20,147	19,960
Education courses	19,190	10,223
Sponsorship	1,811	2,273
Conferences/events	3,336	1,937
Total revenue	<u>69,886</u>	<u>58,509</u>
(b) Other income		
Advertising	841	1,019
Commission	148	153
Interest	795	583
Government grants	131	423
Rent	407	419
Management fees	366	358
Other	792	649
Total other income	<u>3,480</u>	<u>3,604</u>
Total revenue and other income	<u>73,366</u>	<u>62,113</u>
Note 2 Cash and cash equivalents		
Cash at bank and on hand (i)	24,249	7,552
Short term bank deposits (ii)	-	1,503
	<u>24,249</u>	<u>9,055</u>

(i) Cash at bank included \$393,082 of revenue (2018: \$485,971) collected for the Technical Societies that will be distributed to them after 30 June 2019, and as such is not available for general use by the group.

(ii) Term deposits with banks with original maturities three months or less.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Note 3 Trade and other receivables		
Trade receivables	5,108	4,873
Less: provision for impairment	<u>(248)</u>	<u>(106)</u>
	<u>4,860</u>	<u>4,767</u>
Accrued income	<u>459</u>	<u>365</u>
	<u>5,319</u>	<u>5,132</u>
Note 4 Conference work in progress		
Current		
- World Engineers Convention Australia 2019	168	-
- Australian Engineering Conference 2018	<u>-</u>	<u>584</u>
Non-current		
- World Engineers Convention Australia 2019	<u>-</u>	<u>60</u>
	<u>168</u>	<u>644</u>

Work in progress represents the expenditure directly attributed to the Australian Engineering Conference 2018 (Sydney) and the World Engineers Convention Australia 2019 (Melbourne).

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2019

	Land and Buildings at Fair Value \$'000	Plant, Furniture and Equipment at Cost \$'000	Leasehold Improvement at Cost \$'000	Total \$'000
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Note 5 Property, plant and equipment

(a) At 30 June 2018

Cost or fair value	25,370	5,146	2,634	33,150
Accumulated depreciation	-	(4,315)	(1,482)	(5,797)
Net book amount	25,370	831	1,152	27,353

Year ended 30 June 2019

Opening net book amount	25,370	831	1,152	27,353
Revaluation surplus	445	-	-	445
Additions	75	78	4	157
Disposals	-	(1)	-	(1)
Depreciation charge	(320)	(151)	(238)	(709)
Closing net book amount	25,570	757	918	27,245

At 30 June 2019

Cost or fair value	25,570	5,186	2,638	33,394
Accumulated depreciation	-	(4,429)	(1,720)	(6,149)
Net book amount	25,570	757	918	27,245

(b) Building valuation

In accordance with the Engineers Australia Group policy, the land and buildings were revalued by independent professional valuers to determine the fair value of the land and buildings. Land and buildings are situated throughout Australia and each valuation was performed by Savills Valuation Pty Ltd in June 2019. The previous valuation was prepared in June 2018.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2019

	Computer Software at Cost \$'000	Developed Course at Cost \$'000	"create" Design at Cost \$'000	Trademarks at Cost \$'000	Goodwill at Cost \$'000	Intangible Assets WIP at Cost \$'000	Total \$'000
Note 6 Intangible assets							
At 30 June 2018							
Cost	18,581	588	174	187	572	1,348	21,450
Accumulated amortisation and impairment	(10,383)	(148)	(108)	-	(252)	-	(10,891)
Net book amount	8,198	440	66	187	320	1,348	10,559
Year ended 30 June 2019							
Opening net book amount	8,198	440	66	187	320	1,348	10,559
Additions	-	153	-	9	-	825	987
Disposals	(310)	-	-	-	-	-	(310)
Transfers	1,915	7	-	-	-	(1,922)	-
Impairment	-	-	-	-	(107)	-	(107)
Amortisation charge	(2,454)	(192)	(35)	-	-	-	(2,681)
Closing net book amount	7,349	408	31	196	213	251	8,448
At 30 June 2019							
Cost	17,773	748	174	196	572	251	19,714
Accumulated amortisation and impairment	(10,424)	(340)	(143)	-	(359)	-	(11,266)
Net book amount	7,349	408	31	196	213	251	8,448

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Note 7 Unearned revenue		
Membership subscriptions paid in advance	17,169	16,752
Unearned revenue from education courses	9,357	7,937
Other unearned revenue	3,454	3,737
	<u>29,980</u>	<u>28,426</u>
<p>Other unearned revenue consists of unprocessed assessment applications, sponsorship and entry fees for events which will take place in the 2019-20 financial year.</p>		
Note 8 Trade and other payables		
Trade creditors and accruals	3,597	2,982
Sundry creditors	929	937
	<u>4,526</u>	<u>3,919</u>
Goods and services tax payable	1,270	956
	<u>5,796</u>	<u>4,875</u>
Note 9 Provisions		
Employee provisions	3,029	2,917
Lease make good	63	63
	<u>3,092</u>	<u>2,980</u>
Current	2,470	2,361
Non-current	622	619
	<u>3,092</u>	<u>2,980</u>
Number of employees at year end	<u>307</u>	<u>306</u>

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Note 10 Leases		
(a) Operating lease commitments		
<u>Leasing arrangements</u>		
Operating leases relate to leases of office and equipment with lease terms between 1 to 10 years. Operating leases may contain an option to extend or purchase the leased asset at the expiry date of the lease period.		
<u>Non-cancellable operating lease commitments</u>		
Payable:		
Not later than 1 year	1,920	1,713
Later than 1 year but not later than 5 years	7,253	6,438
Later than 5 years	<u>2,000</u>	<u>3,429</u>
	<u>11,173</u>	<u>11,580</u>
(b) Operating lease receivables		
<u>Leasing arrangements</u>		
Operating leases relate to properties owned by Engineers Australia with lease terms between 1 to 5 years. No operating leases contain an option to extend or purchase the property at the expiry of the lease period.		
<u>Non-cancellable operating lease receivables</u>		
Receivable:		
Not later than 1 year	135	101
Later than 1 year but not later than 5 years	<u>309</u>	<u>6</u>
	<u>444</u>	<u>107</u>
Note 11 Contingent liabilities		
Estimates of material amounts of contingent liabilities not provided for in the financial report arising from:		
Contract performance guarantee in favour of the lessor of the premises at Bourke Place Melbourne VIC 3000.	<u>952</u>	<u>952</u>
<i>(First registered mortgage over non residential real property located at units 1-5 Engineering House 11 National Circuit Barton ACT 2600 is held as security for the guarantee)</i>		
	<u>952</u>	<u>952</u>

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 12 Events after balance sheet date

Morgan Stanley was engaged to manage and invest cash, that is surplus to normal operating requirements, in accordance with Engineers Australia Group's Investment Policy Statement. In July 2019, \$12,000,000 was transferred to Morgan Stanley for that purpose. There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Engineers Australia Group, the results of those operations, or the state of affairs of the Engineers Australia Group in future financial years.

Note 13 Related party transactions

The names and particulars of the members of the Board of The Institution of Engineers Australia during the financial year are:

Non-executive directors

Position	
Hon P L White	National President and Chair
G P Walters	Director
M Kennedy	Director
N Fleming	Director
L Cade	Director
C Champion	Director
H Inan	Director
R Aseervatham	Director

to 31 December 2018

from 6 August 2018

from 1 January 2019

Executive officers

P McIntyre	Chief Executive Officer
R Watts	Executive General Manager - Professional Standards and Practice
J Hanks	Executive General Manager - Membership & Growth
J Hughes	Executive General Manager - Member Services
B Jackson	Executive General Manager - Strategy & Transformation (until 26 April 2019)
J Lau	Executive General Manager - Governance & Support Services

2019

2018

Key management personnel compensation

The aggregated compensation of the key management personnel (non-executive directors and executive officers) of Engineers Australia Group is set out below:

Employee benefits	1,931,216	1,781,032
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The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

	2019	2018
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Note 13 Related party transactions (continued)

Transactions with Directors of the Board

From time to time transactions are entered into with Directors of the Board, their firms or associated entities. Such transactions are within normal customer employee relationships on terms and conditions no more favourable than those available to other members, customers or employees.

Directors of the Engineers Australia Group are reimbursed for their out-of-pocket travel and related expenses.

Note 14 Auditor's remuneration

Remuneration of the auditor for:

- audit of the financial report*	<u>122,500</u>	<u>122,500</u>
	<u>122,500</u>	<u>122,500</u>

* Auditor remuneration fee must be reported as full numbers

Note 15 Incorporation

The registered office and principal place of business of The Institution of Engineers Australia is:

Engineers Australia - National Office
Engineering House
11 National Circuit
Barton, ACT, 2600

	2019 \$'000	2018 \$'000
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Note 16 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance sheet

Current assets	38,138	34,877
Total assets	90,667	82,601
Current liabilities	28,520	27,888
Total liabilities	<u>29,930</u>	<u>29,236</u>

Net Assets	<u>60,737</u>	<u>53,365</u>
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Members' funds

Retained earnings	26,568	26,539
Reserves	<u>34,169</u>	<u>26,826</u>

Total Members' funds	<u>60,737</u>	<u>53,365</u>
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Surplus for the year	33	2,799
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Total comprehensive income	7,374	5,542
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The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

	Notes	Equity holding by the group	
		2019 %	2018 %
Note 17 Controlled entities			
Parent entity			
The Institution of Engineers Australia Incorporated in Australia by Royal Charter	17(a)		
Controlled entities			
Subsidiaries:			
Australian Engineering Foundation Ltd Incorporated in Australia	17(b)		
Engineers Australia Pty Ltd Incorporated in Australia	17(c)	100	100
Engineering Education Australia Pty Ltd Incorporated in Australia	17(d)	100	100
The Moreland Group Pty Ltd Incorporated in Australia	17(e)	100	100
EnglInsure Pty Ltd Incorporated in Australia	17(f)	100	100

- (a) The Institution of Engineers Australia is a body incorporated under Royal Charter issued on 10 March 1938.
- (b) Australian Engineering Foundation Ltd is a company limited by guarantee. The Institution of Engineers Australia exercises control over AEF through the appointment of its Board members.
- (c) Engineers Australia Pty Ltd is owned by The Institution of Engineers Australia. The company was previously trading as 'Engineers Media'.
- (d) Engineering Education Australia Pty Ltd ("EEA") is 43% owned by The Institution of Engineers Australia and 57% owned by the Australian Engineering Foundation Ltd ("AEF"). The Institution of Engineers Australia exercises control over AEF, a company limited by guarantee, through the appointment of its Board members.
- (e) The Moreland Group Pty Ltd ("TMG") is 100% owned and directly controlled by Engineering Education Australia Pty Ltd ("EEA"). The Institution of Engineers Australia exercises control over EEA and accordingly exercises control over TMG.
- (f) EnglInsure Pty Ltd is owned by The Institution of Engineers Australia.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 18 Summary of accounting policies

The following is a summary of the material accounting policies adopted by The Institution of Engineers Australia and its controlled entities ('Engineers Australia Group') in the preparation and presentation of the consolidated financial report. The accounting policies adopted are consistent with those of the previous financial year.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations, the Royal Charter and the 2011 By-Laws of Engineers Australia.

The Institution of Engineers Australia ('Engineers Australia') is a body incorporated in Australia by Royal Charter.

For the purpose of these financial statements, the entity is not for profit.

The financial statements were authorised for issue by the Board members on 19th September 2019. The directors have the power to amend and re-issue the financial statements.

The consolidated financial statements comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The financial report has been prepared on a historical cost basis, except land and buildings which are measured at fair value.

Accounting policies

a) Principles of consolidation

The consolidated financial statements incorporate the entities controlled by the parent entity. Control is achieved where the Engineers Australia Group has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. A list of controlled entities is contained in Note 17 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances, transactions, income and expenses are eliminated in full on consolidation.

b) Foreign currency transactions and balances

The financial statements are presented in Australian dollars which is the Engineers Australia Group's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 18 Summary of accounting policies (continued)

c) Revenue

Membership subscriptions:

Revenue from membership subscriptions is recognised evenly throughout the period of membership, which is consistent with the financial year. Membership subscriptions paid prior to year end to cover the next financial year are held in unearned revenue (a current liability).

Assessment and registration fees:

Revenue from assessment and registration services is recognised by reference to the stage of completion.

Education courses:

Course fees and charges are recognised as revenue over the period in which the service is provided. Fees and charges received that relate to the service to be rendered in future periods are treated as unearned revenue.

Sponsorship:

Sponsorship revenue is recognised when the performance obligation is satisfied. The revenue recognition should be determined at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point of time.

Conferences / events:

Conferences / events revenue are recognised when the event has occurred.

Rent:

Rental income from operating leases is recognised over the term of the relevant lease.

d) Income tax

The parent and the following controlled entities are registered charities and are currently exempt from the payment of income tax:

- i) Engineering Education Australia Pty Ltd
- ii) Australian Engineering Foundation Ltd
- iii) Engineers Australia Pty Ltd

EngInsure Pty Ltd and The Moreland Group Pty Ltd are for profit entities and subject to income tax.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate.

e) Cash and cash equivalents

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

f) Term deposits

Term deposits are classified as financial assets at amortised cost as they are held with the objective to hold the assets to maturity to collect the contractual cash flows. These cash flows consist solely of payments of principal and interest. The original maturity of the term deposits are greater than three months. Term deposits with maturities of less than 12 months from the end of the reporting period are classified as current assets.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 18 Summary of accounting policies (continued)

g) Accounts receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at fair value. The Engineers Australia Group holds the trade receivables with the objective to collect the contractual cash flows and therefore subsequently measures them at amortised cost, less a provision for impairment. Bad debts are written off when debts become uncollectible in a subsequent period.

h) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of acquisition of the asset or as part of an item of expense. Receivables and payables in the consolidated balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i) Conference work in progress

Conference work in progress is measured at cost. The expenditure directly attributed to any major conference is recorded as work in progress until the conference is held.

j) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses (if any).

Land and buildings

Land and buildings are measured at fair value (fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate). It is the policy to have an independent valuation every year.

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged.

A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit and loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to that asset. In the event that there are revaluation increases and revaluation decreases relating to individual assets within land and buildings these are offset against one another. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, is transferred directly to retained earnings.

Plant, furniture and equipment

Plant, furniture and equipment are measured at cost less depreciation and impairment losses (if any). Cost includes expenditure that is directly attributable to the acquisition of the item.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 18 Summary of accounting policies (continued)

j) Property, plant and equipment (continued)

Depreciation

The depreciable amounts of all fixed assets including buildings, but excluding freehold land and works of art, are depreciated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements using the straight line method.

The following estimated useful lives are used in the calculation of depreciation:

<u>Class of property, plant and equipment</u>	<u>Useful life</u>
Buildings	40 - 50 years
Plant, furniture and equipment	3 -10 years
Leasehold improvements	5 -10 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes recognised on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss.

k) Accounts payable

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Engineers Australia Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

l) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Computer software assets have useful lives of between 3 to 10 years.

"create" design

"create" design recognised has a 5 year useful life and is amortised.

Trademarks

Trademarks recognised have an indefinite useful life and are not amortised.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 18 Summary of accounting policies (continued)

m) Intangible assets (continued)

Developed Education Courses

Developed education course assets have useful lives between 3 to 5 years.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses if any.

n) Impairment of assets

At each reporting date, the Engineers Australia Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and depreciated replacement cost, is compared to the asset's carrying value. Where it is not possible to estimate the recoverable amount of an individual asset, the Engineers Australia Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of profit and loss, unless the relevant asset is carried at fair value, in which case, the impairment cost is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. The reversal of an impairment loss is recognised in the statement of profit and loss immediately, unless the relevant asset is carried at fair value, in which case, the reversal is treated as a revaluation increase.

o) Provisions

Provisions are recognised when the Engineers Australia Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and the outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

p) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the Engineers Australia Group are classified as finance leases. All other leases are classified as operating leases.

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2019

Note 18 Summary of accounting policies (continued)

p) Leases (continued)

Make good on commercial leases that can be reliably estimated result in their net present value being capitalised and amortised over the unexpired period of the lease.

q) Technical initiative funds

Technical Initiative Funds (TIF) represent surpluses from specific events or initiatives which are attributed to the efforts of groups within Engineers Australia. These funds are treated as reserves on the balance sheet awaiting future use. These funds can be used by these groups to undertake activities consistent with their purpose and are subject to utilisation within the ordinary budgetary processes of Engineers Australia.

r) Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision if the revision affects both current and future periods.

Key estimates and judgements

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revaluation of land and buildings

As described in Note 18(j), land and buildings are measured at fair value. Determining the fair value requires an estimation of the market value of the land and buildings. Management engages independent professional valuers to determine the market value. These valuations are undertaken on an annual basis and the carrying amount of land and buildings is adjusted to reflect these valuations.

Technical societies

Determination of control was based on whether Engineers Australia had the power and ability to influence variable returns from the Technical Societies. It was determined that Engineers Australia does not control the Technical Societies (unincorporated and incorporated). Therefore the financial results of the Technical Societies are not consolidated into the accounts of Engineers Australia.

Revenue for Technical Societies is received by Engineers Australia and distributed directly to the Technical Societies. Any undistributed Technical Society revenue at balance date is included as Sundry Creditors in the Balance Sheet.

The financial results of the Technical Societies are disclosed in the Technical Societies own audited financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Declaration of the Directors

The directors declare that in their opinion:

- (i) there are reasonable grounds to believe that The Institution of Engineers Australia and its controlled entities are able to pay all of their debts, as and when they become due and payable; and
- (ii) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in Adelaide on 19 September 2019, in accordance with a resolution of the Board of The Institution of Engineers Australia, and in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.



Hon. Trish White
National President and Chairman

Prior to the adoption of the 30 June 2019 financial statements, the Board received and considered a written statement from the Chief Executive Officer and EGM Governance & Support Services that in their opinion:

- (i) the financial statements of the consolidated entity are supported by the financial records of The Institution of Engineers Australia and its controlled entities; and
- (ii) the statements comply with the accounting standards and any requirements of the *Australian Charities and Not for Profit Commission Act 2012* and give a true and fair view of the financial position, performance and cash flows of The Institution of Engineers Australia and its controlled entities as of 30 June 2019.



Peter McIntyre

Chief Executive Officer
The Institution of Engineers Australia



John Lau

Executive General Manager
Governance & Support Services
The Institution of Engineers Australia



Independent auditor's report

To the members of The Institution of Engineers Australia

Our opinion

In our opinion:

The accompanying financial report of The Institution of Engineers Australia (the Institution) and its controlled entities (together the Group) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the declaration of the directors.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2019, including the directors' report, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Institution are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'David Murphy', written in a cursive style.

David Murphy
Partner

Canberra
19 September 2019