



**ANNUAL CONSOLIDATED  
FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

## Directors' report

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The members of the Board of Engineers Australia present the annual financial report of The Institution of Engineers Australia ('Engineers Australia') and the consolidated entity for the financial year ended 30 June 2018.

### Board members

The names and particulars of the members of the Board of Engineers Australia during or since the end of the financial year are

Name	Titles of membership IE Aust	Period of office	Board membership
P L White	FIEAust CPEng EngExec NER	01-Jan-18 31-Dec-18	Board Chairman / National President
P L White	FIEAust CPEng EngExec NER	01-Jan-16 31-Dec-17	Elected Director
G P Walters	FIEAust CPEng EngExec NER	01-Jan-16 31-Dec-18	Elected Director
M Kennedy	FIEAust CPEng EngExec NER	01-Jan-17 31-Dec-19	Elected Director
N Fleming	FIEAust CPEng EngExec NER	01-Jan-17 31-Dec-19	Elected Director
L Cade	FIEAust CPEng EngExec NER	01-Jan-18 31-Dec-20	Elected Director
C. Champion	FIEAust CPEng EngExec NER	01-Jan-18 31-Dec-20	Elected Director
J McIntosh	FIEAust CPEng EngExec NER	01-Jan-16 31-Dec-17	Board Chairman / National President
S P Orton	FIEAust CPEng EngExec NER	01-Jan-15 31-Dec-17	Elected Director
L K Bond	HonFIEAust CPEng EngExec NER	01-Apr-16 31-Dec-17	Appointed Director
H Inan	-	06-Aug-18 06-Aug-20	Appointed Director

### Principal activities

The principal activity of Engineers Australia 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 consolidated entity for the year was \$4,219,000 (2017: net surplus \$7,270,000).

### Subsequent events

There has not been any 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

### Future developments

Engineers Australia will continue to review the consolidated entity's activities to ensure that the objectives of Engineers Australia are maintained in the best interests of members.

**Meeting of directors**

Name	Full meeting of directors		Meeting of committees																	
			Audit and Risk		Board Nomination		People & Culture		College Chairs Forum		Professional Standards Committee		Honours and Awards		Engineering Practice Advisory Committee		Accreditation		Engineering Futures Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Hon P L White	8	8	6	6	*	*	*	*	1	1	*	*	*	*	1	1	*	*	3	3
G P Walters	8	8	*	*	*	*	*	*	1	1	*	*	*	*	1	1	*	*	2	3
M Kennedy	7	8	*	*	3	3	3	3	*	*	*	*	*	*	*	*	*	*	*	*
N Fleming	8	8	6	6	*	*	3	3	*	*	*	*	*	*	*	*	1	2	3	3
L Cade	4	4	3	3	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
C Champion	4	4	3	3	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
J McIntosh	4	4	1	3	3	3	*	*	1	1	2	2	*	*	1	1	*	*	*	*
S P Orton	4	4	3	3	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
L K Bond	4	4	*	*	*	*	*	*	*	*	1	2	2	2	*	*	*	*	*	*

*Note: H Inan became a director on the 6 August 2018 and is not disclosed in the table above.*

A = Number of meetings attended from 1 July 2017 to 30 June 2018

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 at Darwin on the 19th October 2018, 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 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) 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 grey circular stamp.

David Murphy  
Partner  
PricewaterhouseCoopers

Canberra  
19 October 2018

# Engineers Australia

## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Revenue and other income</b>			
Revenue	1(a)	58,509	57,173
Other income	1(b)	3,604	4,008
<b>Total revenue and other income</b>		<b>62,113</b>	<b>61,181</b>
<b>Expenses</b>			
Employee expenses		27,072	24,328
Administrative expenses		9,981	9,142
Consultancy expenses		2,126	3,139
Education course delivery expenses		5,828	5,883
Premises expenses		3,418	3,410
Conferences / events expenses		2,726	3,564
Depreciation and amortisation	5(a),6	3,801	2,485
Travel expenses		1,574	1,531
Impairment of assets	6	1,080	285
Other expenses		251	132
<b>Total expenses</b>		<b>57,857</b>	<b>53,899</b>
<b>Surplus before tax</b>		<b>4,256</b>	<b>7,282</b>
Income tax expense		37	12
<b>Surplus for the year</b>		<b>4,219</b>	<b>7,270</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of land and buildings		361	3,982
<b>Total comprehensive income for the year</b>		<b>4,580</b>	<b>11,252</b>
Total comprehensive income attributable to members		4,580	11,252

# Engineers Australia

## Consolidated balance sheet as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	2	9,055	11,569
Term deposits		30,023	16,896
Trade and other receivables	3	5,132	3,383
Conference work in progress	4	584	-
Prepayments		2,128	1,766
Total current assets		46,922	33,614
<b>Non-current assets</b>			
Property, plant and equipment	5	27,353	27,242
Intangible assets	6	10,559	12,715
Conference work in progress	4	60	-
Loans		50	50
Total non-current assets		38,022	40,007
<b>Total assets</b>		84,944	73,621
<b>Current liabilities</b>			
Unearned revenue	7	28,426	22,785
Trade and other payables	8	4,875	3,791
Provisions	9	2,389	2,348
Total current liabilities		35,690	28,924
<b>Non-current liabilities</b>			
Provisions	9	619	745
Lease liability		755	652
Total non-current liabilities		1,374	1,397
<b>Total liabilities</b>		37,064	30,321
<b>Net assets</b>		47,880	43,300
<b>Members' funds</b>			
Retained earnings		30,975	26,756
Reserves		16,905	16,544
<b>Total members' funds</b>		47,880	43,300

# Engineers Australia

## Consolidated statement of changes in equity for the year ended 30 June 2018

	Retained Earnings \$'000	Reserve Asset Revaluation Reserve \$'000	Reserve Technical Initiatives Fund \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	<b>18,560</b>	<b>11,070</b>	<b>2,418</b>	<b>32,048</b>
Surplus for the year	7,270	-	-	7,270
Other comprehensive income for the year	-	3,982	-	3,982
Total comprehensive income for the year	7,270	3,982	-	11,252
Net transfer to/(from) retained earnings	926	(926)	-	-
<b>Balance at 30 June 2017</b>	<b>26,756</b>	<b>14,126</b>	<b>2,418</b>	<b>43,300</b>
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
<b>Balance at 30 June 2018</b>	<b>30,975</b>	<b>14,487</b>	<b>2,418</b>	<b>47,880</b>

# Engineers Australia

## Consolidated statement of cash flows for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from members and customers		71,111	64,781
Payments to employees and suppliers		(58,439)	(57,054)
Income taxes (paid) / refunded		(21)	25
<b>Net cash generated by operating activities</b>		<u>12,651</u>	<u>7,752</u>
<b>Cash flows from investing activities</b>			
Interest received		583	439
Net investment in term deposits		(13,127)	(8,896)
Purchase of property, plant and equipment		(460)	(644)
Proceeds from disposal of property, plant and equipment		-	1,472
Purchase of intangible assets		(2,161)	(3,092)
<b>Net cash (used in) investing activities</b>		<u>(15,165)</u>	<u>(10,721)</u>
Net (decrease)/increase in cash and cash equivalents		(2,514)	(2,969)
Cash and cash equivalents at beginning of financial year		<u>11,569</u>	<u>14,538</u>
Cash and cash equivalents at end of financial year	2	<u>9,055</u>	<u>11,569</u>



# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
<b>Note 1 Revenue and other income</b>		
<b>(a) Revenue</b>		
Membership subscriptions	24,116	23,254
Assessment and registration fees	19,960	19,684
Education courses	10,223	9,173
Sponsorship	2,273	2,635
Conferences / events	1,937	2,427
Total Revenue	<u>58,509</u>	<u>57,173</u>
<b>(b) Other income</b>		
"create" advertising	1,019	1,207
Commission	153	471
Interest	583	439
Government grants	423	408
Rent	419	365
Management fees	358	237
Gains realised on sale of property	-	271
Other	649	610
Total other income	<u>3,604</u>	<u>4,008</u>
Total revenue and other income	<u>62,113</u>	<u>61,181</u>
<b>Note 2 Cash and cash equivalents</b>		
Cash at bank and on hand (i)	7,552	10,568
Short term bank deposits (ii)	1,503	1,001
	<u>9,055</u>	<u>11,569</u>

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

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

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
<b>Note 3 Trade and other receivables</b>		
Trade receivables	4,873	2,133
Less: provision for impairment	<u>(106)</u>	<u>(8)</u>
	4,767	2,125
Goods and services tax refundable	-	698
Accrued income	<u>365</u>	<u>560</u>
	<u>5,132</u>	<u>3,383</u>
<b>Note 4 Conference work in progress</b>		
<b>Current</b>		
At cost:		
- Australian Engineering Conference 2018	<u>584</u>	<u>-</u>
<b>Non-current</b>		
At cost:		
- World Engineers Convention Australia 2019	<u>60</u>	<u>-</u>
	<u>644</u>	<u>-</u>

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

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

	Land and Buildings at Fair Value \$'000	Plant, Furniture and Equipment at Cost \$'000	Leasehold Improvement at Cost \$'000	Assets in Progress at Cost \$'000	Total \$'000
<b>Note 5 Property, plant and equipment</b>					
<b>(a) At 30 June 2017</b>					
Cost or fair value	25,170	4,769	2,593	19	32,551
Accumulated depreciation and impairment	-	(4,085)	(1,224)	-	(5,309)
Net book amount	25,170	684	1,369	19	27,242
<b>Year ended 30 June 2018</b>					
Opening net book amount	25,170	684	1,369	19	27,242
Revaluation surplus	361	-	-	-	361
Additions	-	17	-	443	460
Disposals	-	(8)	-	-	(8)
Transfers	147	282	21	(450)	-
Depreciation charge	(308)	(156)	(238)	-	(702)
Closing net book amount	25,370	819	1,152	12	27,353
<b>At 30 June 2018</b>					
Cost or fair value	25,370	5,134	2,634	12	33,150
Accumulated depreciation and impairment	-	(4,315)	(1,482)	-	(5,797)
Net book amount	25,370	819	1,152	12	27,353

### (b) Building valuation

In accordance with Engineers Australia policy and AASB 13, 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 is performed by Savills Valuation Pty Ltd in June 2018. The previous valuation was prepared in June 2017.

## Engineers Australia

### Notes to the consolidated financial statements for the year ended 30 June 2018

	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
<b>Note 6 Intangible assets</b>							
<b>At 30 June 2017</b>							
Cost	16,970	96	174	116	572	1,895	19,823
Accumulated amortisation and impairment	(6,476)	(22)	(73)	-	(252)	(285)	(7,108)
Net book amount	10,494	74	101	116	320	1,610	12,715
<b>Year ended 30 June 2018</b>							
Opening net book amount	10,494	74	101	116	320	1,610	12,715
Additions	15	9	-	71	-	2,066	2,161
Disposals	(138)	-	-	-	-	-	(138)
Transfers	1,827	484	-	-	-	(2,311)	-
Impairment	(1,063)	-	-	-	-	(17)	(1,080)
Amortisation charge	(2,937)	(127)	(35)	-	-	-	(3,099)
Closing net book amount	8,198	440	66	187	320	1,348	10,559
<b>At 30 June 2018</b>							
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

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
<b>Note 7 Unearned revenue</b>		
Membership subscriptions paid in advance	16,752	17,174
Unearned revenue from education courses	7,937	3,195
Other unearned revenue	<u>3,737</u>	<u>2,416</u>
	<u>28,426</u>	<u>22,785</u>
<p>Other unearned revenue consists of unprocessed assessment applications, sponsorship and entry fees for events which will take place in the 2018-19 financial year.</p>		
<b>Note 8 Trade and other payables</b>		
Trade creditors and accruals	2,982	2,928
Sundry creditors	<u>937</u>	<u>863</u>
	3,919	3,791
Goods and services tax payable	<u>956</u>	<u>-</u>
	<u>4,875</u>	<u>3,791</u>
<b>Note 9 Provisions</b>		
Employee provisions	2,917	3,053
Provision of income tax	28	12
Lease make good	<u>63</u>	<u>28</u>
	<u>3,008</u>	<u>3,093</u>
<b>Current</b>	2,389	2,348
<b>Non-current</b>	<u>619</u>	<u>745</u>
	<u>3,008</u>	<u>3,093</u>
<b>Number of employees at year end</b>	<u>306</u>	<u>282</u>

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
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### Note 10 Leases

#### (a) Operating lease commitments

##### Leasing arrangements

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.

##### Non-cancellable operating lease commitments

##### Payable:

Not later than 1 year	1,713	1,725
Later than 1 year but not later than 5 years	6,438	6,377
Later than 5 years	3,429	5,027
	<u>11,580</u>	<u>13,129</u>

#### (b) Operating lease receivables

##### Leasing arrangements

Operating leases relate to properties owned by Engineers Australia with lease terms between 1 to 5 years. All operating leases do not contain an option to extend nor purchase the property at the expiry of the lease period.

##### Non-cancellable operating lease receivables

##### Receivable:

Not later than 1 year	101	178
Later than 1 year but not later than 5 years	6	94
	<u>107</u>	<u>272</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. <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>	952	952
Autopay Facility	30	-
	<u>982</u>	<u>952</u>

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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2018	2017
\$'000	\$'000

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### Note 12 Events after balance sheet date

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Note 13 Related party transactions

The names and particulars of the members of the Board of Engineers Australia during or since the end of the financial year are:

#### Non-executive

#### directors

	Position	
Hon P L White	National President and Chair	from 1 January 2018
Hon P L White	Director	
G P Walters	Director	
M Kennedy	Director	
N Fleming	Director	
L Cade	Director	from 1 January 2018
C Champion	Director	from 1 January 2018
J McIntosh	National President and Chair	until 31 December 2017
S P Orton	Director	until 31 December 2017
L K Bond	Director	until 31 December 2017
H Inan	Director	from 6 August 2018

#### Executive officers

P McIntyre	Chief Executive Officer (from 05 July 2017)
R Watts	Chief Operating Officer (until 04 August 2017)
R Watts	Executive General Manager - Professional Standards and Practice
M B Allen	Executive General Manager - Corporate Services (until 2 November 2017)
H Foss	Acting Executive General Manager - Commercial Services (until 26 Feb 2018)
J Hanks	Executive General Manager - Membership & Growth (from 26 February 2018)
J Hughes	Executive General Manager - Member Services (from 26 February 2018)
B Jackson	Executive General Manager - Public Affairs and Marketing
J Lau	Executive General Manager - Governance & Support Services (from 05 April 2018)

### Key management personnel compensation

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

Employee Benefits	1,781	1,833
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# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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	2018	2017
	\$'000	\$'000

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### Note 13 Related party transactions (continued)

#### Transactions with Directors of Board

From time to time transactions are entered into with Directors of 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 Board of Engineers Australia and its subsidiary companies are reimbursed for their out-of-pocket travel and related expenses.

### Note 14 Auditor's remuneration

Remuneration of the auditor of the parent entity for:

- audit of the financial report	123	123
- additional fee for audit of the financial report 2016	-	40
- non-audit services	-	371
	<hr/>	<hr/>
	123	534

### Note 15 Incorporation

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

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

### Note 16 Parent entity financial information

#### (a) Summary financial information

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

<b>Balance sheet</b>		
Current assets	34,877	27,626
Total assets	82,601	75,074
Current liabilities	27,888	25,871
Total liabilities	29,236	27,251
<b>Members' funds</b>		
Retained earnings	26,539	23,740
Reserves	26,826	24,083
<b>Surplus for the year</b>	2,799	6,830
<b>Total comprehensive income</b>	5,542	12,708



# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

	Notes	Equity holding	
		2018 %	2017 %

### Note 17 Controlled entities

#### Parent entity

The Institution of Engineers Australia Incorporated in Australia by Royal Charter	17(a)		
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#### Controlled entities

##### Subsidiaries:

Australian Engineering Foundation Ltd Incorporated in Australia	17(d)		
Engineers Australia Pty Ltd Incorporated in Australia	17(b)	100	100
Engineering Education Australia Pty Ltd Incorporated in Australia	17(c)	43	43
The Moreland Group Pty Ltd Incorporated in Australia	17(e)	43	43
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) Engineers Australia Pty Ltd is owned by The Institution of Engineers Australia. The company was previously trading as 'Engineers Media'.
- (c) 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.
- (d) 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.
- (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.

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

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

#### **Basis of preparation**

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations, the Royal Charter and the 2011 By-Laws 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 October 2018.

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

The financial report has been prepared on an accruals basis and is based on historical cost basis, except land and buildings.

#### **Accounting policies**

##### **a) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of Engineers Australia and entities controlled by Engineers Australia. Control is achieved where Engineers Australia 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 Engineers Australia's functional and presentation currency.

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

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### c) Revenue

##### Membership subscriptions:

Revenue from membership subscriptions is recognised evenly throughout the financial year. Membership subscriptions paid prior to year end to cover the next financial year are held in unearned revenue (a current liability). Membership subscriptions paid during the financial year to cover past financial years are recognised as revenue when received.

##### Assessment and registration fees:

Revenue from assessment and registration services is recognised by reference to the stage of completion of the services members of the group paid to receive. Revenue and costs are recognised by reference to the stage of completion of the service at the end of the reporting period, measured based on the proportion of service costs incurred for work performed to date relative to the estimated total service costs, except where this would not be representative of the stage of completion.

##### Revenue from education courses provided:

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 and expenditure are recognised when the event has occurred.

##### Rent:

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### Interest:

Interest revenue is recognised on a time basis taking into account the effective interest rates applicable to the financial assets. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### d) Income tax

Engineers Australia and the following controlled entities are not-for-profit entities and are exempt from the payment of income tax under Section 50-5 of the Income Tax Assessment Act 1997:

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

Englinsure Pty Ltd, a wholly owned subsidiary of Engineers Australia, is a for profit entity and subject to income tax.

The Moreland Group Pty Ltd, a wholly owned subsidiary of Engineering Education Australia Pty Ltd, is subject to income tax.

#### e) 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.

#### f) 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 statement of financial position are shown inclusive of GST.

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

#### g) Conference work in progress

Conference work in progress is measured at the lower of cost and net realisable value. The expenditure directly attributed to the conventions recorded as work in progress until the convention is held. Engineers Australia held the convention (Sydney) in September 2018 and will hold the World Engineers Convention Australia in November 2019.

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### h) 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 of Engineers Australia 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.

##### **Depreciation**

The depreciable amounts of all fixed assets including buildings and capitalised leased assets, 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 amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements using the straight line method. Depreciation on revalued buildings is charged to profit or loss.

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
Lease make good	5 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.

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### i) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment of 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 in estimated 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**

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### **"CREATE" design**

"CREATE" design recognised by Engineers Australia has a 5 year useful life and is amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support 5 year useful life assessment for the asset. The asset is tested for impairment in accordance with the policy stated in note j.

#### **Trademarks**

Trademarks recognised by Engineers Australia have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note j.

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### i) Intangible assets (continued)

##### ***Developed Education Courses***

An internally-generated intangible asset arising from development (or from the development phase of an education course) is recognised if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### ***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.

#### j) Impairment of assets

At each reporting date, Engineers Australia 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, Engineers Australia 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 statement of comprehensive income, 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 comprehensive income immediately, unless the relevant asset is carried at fair value, in which case, the reversal is treated as a revaluation increase.

# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### k) Provisions

Provisions are recognised when Engineers Australia have 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.

#### l) 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 consolidated entity 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.

#### m) 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.

#### n) 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.



# Engineers Australia

## Notes to the consolidated financial statements for the year ended 30 June 2018

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### Note 18 Summary of accounting policies (continued)

#### n) Critical accounting judgements and key sources of estimation uncertainty (continued)

##### ***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(h), 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

Control was determined under AASB 10. 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 by Directors and Officers

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In our opinion:

- a) the accompanying financial statements for the year ended 30 June 2018:
- (i) present fairly the entity's financial position, financial performance and cash flows;
  - (ii) are in accordance with the *Australian Charities and Not for Profit Commission Act 2012*, including compliance with accounting standards reduced disclosure requirements and giving a true and fair view of the financial position, performance and cash flows of Engineers Australia and the consolidated entity as of 30 June 2018.
- b) at the date of this report, there are reasonable grounds to believe that Engineers Australia will be able to pay its debts as and when they fall due.

Signed at Darwin on 19th October 2018, in accordance with a resolution of the Board of Engineers Australia.



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Hon. Trish White

National President and Chairman

Prior to the adoption of the 30 June 2018 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 Engineers Australia and its subsidiaries; 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 Engineers Australia and the consolidated entity as of 30 June 2018.



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Peter McIntyre

Chief Executive Officer

Engineers Australia



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John Lau

Executive General Manager  
Governance & Support Services  
Engineers Australia



## *Independent auditor's report*

To the members of The Institution of Engineers Australia

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### *Our opinion*

In our opinion:

The accompanying financial report of The Institution of Engineers Australia (the Company) 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 2018 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 financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- 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 directors' declaration.

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### *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* (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.

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the directors' report, but does not include the financial report and our auditor's report thereon.

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

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In connection with our audit of the financial report, our responsibility is to read the other information identified above 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 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.

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### *Responsibilities of the directors for the financial report*

The directors of the Company 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 determine 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 intend to liquidate the Group 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 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](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.

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

PricewaterhouseCoopers

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

David Murphy  
Partner

Canberra  
19 October 2018