



**ENGINEERS AUSTRALIA GROUP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

The Institution of Engineers Australia and its controlled entities

Directors' report

The directors present the annual financial report of The Institution of Engineers Australia and its controlled entities ('the Group') for the financial year ended 30 June 2021.

Board members

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

Name	Titles of membership IE Aust	Period of office	Board membership
N Fleming*	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-17 31-Dec-22	National President / Board Chair
C Champion**	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-18 31-Dec-20	National President / Board Chair
P L White	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-16 31-Dec-21	Elected Director
R Aseervatham	FIEAust CPEng APEC Engineer InstPE(Aus)	01-Jan-19 31-Dec-21	Elected Director
L Cade	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-18 31-Dec-23	Elected Director
H Inan	-	06-Aug-18 05-Aug-21	Appointed Director
MG M Thompson	FIEAust CPEng EngExec APEC Engineer IntPE(Aus)	01-Jan-20 31-Dec-22	Elected Director
K Kayvani	FIEAust CPEng NER APEC Engineer IntPE(Aus)	01-Jan-21 31-Dec-23	Elected Director

* N Fleming was National President/Board Chair from 1-Jan-21

** C Champion was National President/Board Chair from 1-Jan-20 to 31-Dec-20

Principal activities

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

Operating result

The net surplus of the Group for the year was \$9,304,000 (2020: net surplus \$6,824,000).

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 Group during the financial year.

Future developments

The Group is currently reviewing the rationalisation of its group structure and will continue to review the activities of the Group to ensure that its objectives are maintained in the best interests of members.

**The Institution of Engineers Australia
and its controlled entities**

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		Board Governance Committee		Engineering Practice Advisory Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
N Fleming	6	6	1	*	*	*	2	2	1	1	5	5	1	1
C Champion	3	3	*	*	*	*	*	*	1	1	*	*	1	1
Hon P L White	6	6	1	*	*	*	*	*	*	*	*	*	*	*
H Inan	6	6	*	*	*	*	2	2	*	*	*	*	*	*
K Kayvani	3	3	2	2	*	*	*	*	1	1	2	2	1	1
L Cade	6	6	4	4	2	2	*	*	*	*	3	3	*	*
MG M Thompson	6	6	4	4	*	*	2	2	*	*	*	*	*	*
R Aseervatham	5	6	2	3	*	*	4	4	*	*	*	*	*	*

A = Number of meetings attended from 1 July 2020 to 30 June 2021

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 Melbourne on the 6 October 2021, in accordance with a resolution of the Board.

Nick Fleming

National President and Board Chair



Auditor's Independence Declaration

As lead auditor for the audit of The Institution of Engineers Australia for the year ended 30 June 2021, 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 grey circular watermark.

David Murphy
Partner
PricewaterhouseCoopers

Canberra
6 October 2021

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 2021

	Notes	2021 \$'000	2020 \$'000
Revenue and other income			
Revenue from contracts with customers	1(a)	74,659	78,525
Other income	2(a)	952	1,143
Other gains from financial assets and property	2(b)	1,780	354
Total revenue and other income		77,391	80,022
Expenses			
Employee expenses		32,182	30,763
Education course delivery expenses		12,893	12,390
Administrative, publication and IT expenses		10,211	11,113
Depreciation and amortisation	8,9,10	4,917	5,392
Conferences / events expenses		1,575	5,069
Impairment of intangible assets		-	2,350
Premises expenses		2,085	2,126
Consultancy expenses		2,626	1,700
Travel expenses		374	1,419
Finance costs	9	582	537
Net impairment losses on financial and contract assets		352	199
Loss on disposal of assets	8,10	51	-
Other expenses		213	99
Total expenses		68,061	73,157
Share of net profit of joint ventures accounted for using the equity method		9	7
Surplus before income tax		9,339	6,872
Income tax expense		35	48
Surplus for the year		9,304	6,824
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Loss on revaluation of land and buildings		(254)	(147)
		(254)	(147)
Total comprehensive income for the year		9,050	6,677
Total comprehensive income attributable to members		9,050	6,677

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

The Institution of Engineers Australia and its controlled entities

Consolidated balance sheet as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	3	39,428	31,840
Financial assets at amortised cost	4	23,392	14,568
Contract assets	1(b)	228	337
Trade and other receivables	5	4,098	4,738
Prepayments		2,753	2,760
		69,899	54,243
Assets classified as held for sale	11	-	3,000
Total current assets		69,899	57,243
Non-current assets			
Investments accounted for using the equity method	6	71	62
Financial assets at fair value through profit or loss	7	16,387	12,465
Property, plant and equipment	8	24,422	24,861
Right-of-use assets	9	11,734	13,674
Intangible assets	10	4,526	4,939
Lease receivable	9	14	13
Loans		42	42
Total non-current assets		57,196	56,056
Total assets		127,095	113,299
Current liabilities			
Contract liabilities	1(b)	32,534	28,592
Lease liabilities	9	2,174	1,427
Trade and other payables	12	6,466	6,377
Provisions	13	2,996	2,847
Other liabilities		21	21
Income tax payable		2	17
Total current liabilities		44,193	39,281
Non-current liabilities			
Provisions	13	916	955
Other liabilities		1,746	-
Lease liabilities	9	11,591	13,464
Total non-current liabilities		14,253	14,419
Total liabilities		58,446	53,700
Net assets		68,649	59,599
Members' funds			
Retained earnings		52,694	42,396
Reserves		15,955	17,203
Total members' funds		68,649	59,599

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The Institution of Engineers Australia and its controlled entities

Consolidated statement of changes in equity for the year ended 30 June 2021

	Reserves			Total \$'000
	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Technical Initiatives Fund \$'000	
Balance at 1 July 2019	35,517	14,932	2,418	52,867
Surplus for the year	6,824	-	-	6,824
Other comprehensive income for the year	-	(147)	-	(147)
Transfer*	55	-	-	55
Total comprehensive income for the year	6,879	(147)	-	6,732
Balance at 30 June 2020	42,396	14,785	2,418	59,599
Surplus for the year	9,304	-	-	9,304
Other comprehensive income movements for the year				
Transfer on sale of land and buildings previously revalued**	994	(994)	-	-
Loss on revaluation of land and buildings	-	(254)	-	(254)
Total comprehensive income for the year	10,298	(1,248)	-	9,050
Balance at 30 June 2021	52,694	13,537	2,418	68,649

* The Group reported for the first time in 2019-20 the joint venture Australian Construction Achievement Award which the Group's parent entity, the Institution of Engineers Australia (Engineers Australia), is an equal partner. The transfer amount includes the Group's share of net assets taken up by the Group for this entity from prior years and, from 2020-21, the share of the annual net movement in net assets will be reported by the Group. Further details at Note 6.

** This amount relates to the net revaluation gains, reported in prior years via comprehensive income, relating to the Brisbane office which was removed from the asset revaluation reserve on sale of the property in June 2021.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

The Institution of Engineers Australia and its controlled entities

Consolidated statement of cash flows for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from members and customers		86,053	83,534
Payments to employees and suppliers		(68,731)	(69,421)
Interest paid		(582)	(537)
Income taxes paid		(50)	(72)
Net cash inflow from operating activities		<u>16,690</u>	<u>13,504</u>
Cash flows from investing activities			
Interest received on financial assets held as investments		227	487
Dividend received		26	-
Net proceeds from disposal of assets held for sale		3,024	-
Proceeds from William Hickson Bequest		1,576	-
Payments for financial assets at fair value through profit or loss		(1,576)	(12,000)
Net proceeds/(payment) from/for term deposits		(8,824)	10,284
Purchase of property, plant and equipment		(660)	(1,418)
Purchase of intangible assets		(1,494)	(1,624)
Net cash outflow from investing activities		<u>(7,701)</u>	<u>(4,271)</u>
Cash flows from financing activities			
Principal elements of lease payments received		9	9
Principal elements of lease payments		(1,410)	(1,651)
Net cash outflow from financing activities		<u>(1,401)</u>	<u>(1,642)</u>
Net increase in cash and cash equivalents		7,588	7,591
Cash and cash equivalents at beginning of the financial year		<u>31,840</u>	<u>24,249</u>
Cash and cash equivalents at end of the financial year	3	<u>39,428</u>	<u>31,840</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 1 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2021	Membership	Assessment and charges	Education courses	Sponsorship	Conferences and events	Advertising rebate	All other segments	TOTAL
	Australia	Australia	Australia	Australia	Australia	Australia	Australia	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Timing of revenue recognition								
At a point in time	-	2,733	1,528	324	859	-	540	5,984
Over time	29,222	15,988	21,282	1,221	-	818	144	68,675
Total	29,222	18,721	22,810	1,545	859	818	684	74,659

2020	Membership	Assessment and charges	Education courses	Sponsorship	Conferences and events	Advertising rebate	All other segments	TOTAL
	Australia	Australia	Australia	Australia	Australia	Australia	Australia	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Timing of revenue recognition								
At a point in time	-	3,253	1,572	1,499	4,848	-	70	11,242
Over time	27,737	16,782	19,996	1,187	-	807	774	67,283
Total	27,737	20,035	21,568	2,686	4,848	807	844	78,525

* All revenue is delivered in Australia, with a small amount of revenue being received from overseas customers. Refer to Note 24 (d) for further details.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 1 Revenue from contracts with customers (continued)		
(b) Assets and liabilities related to contracts with customers		
The Group has recognised the following assets and liabilities related to contracts with customers:		
Current contract assets relating to education courses	1	66
Current contract assets relating to advertising rebate	199	208
Current contract assets relating to assessment and charges	-	13
Current contract assets relating to conference and events	-	19
Current contract assets relating to all other segments	28	31
Less: loss allowance	-	-
Total current contract assets	<u>228</u>	<u>337</u>
Contract liabilities - membership	20,656	15,712
Contract liabilities - assessment and charges	2,731	1,670
Contract liabilities - education courses	8,057	9,956
Contract liabilities - sponsorship	286	378
Contract liabilities - conferences and events	548	631
Contract liabilities - advance payments for services not yet provided	256	245
Total current contract liabilities	<u>32,534</u>	<u>28,592</u>

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 2(a) Other income		
Dividends	489	145
Rent received	125	270
Interest on financial assets at amortised cost	227	486
Other	111	242
	<u>952</u>	<u>1,143</u>
Total other income	<u>952</u>	<u>1,143</u>
Note 2(b) Other gains from financial assets and property		
Net gain on disposal of property held for sale	23	-
Net gains from financial assets at fair value through profit or loss	1,757	354
	<u>1,780</u>	<u>354</u>
Total other gains from financial assets and property	<u>1,780</u>	<u>354</u>
Note 3 Cash and cash equivalents		
Cash at bank and on hand (i)	39,428	31,840
	<u>39,428</u>	<u>31,840</u>
Total cash and cash equivalents	<u>39,428</u>	<u>31,840</u>
<p>(i) Cash at bank included \$416,483 (2020: \$413,882) collected or managed on behalf of the Technical Societies that will be distributed to them or managed on their behalf after 30 June 2021, and as such is not available for general use by the Group.</p>		
Note 4 Financial assets at amortised cost		
<p>The Group classifies its financial assets at amortised cost only if both of the following criteria are met:</p> <ul style="list-style-type: none"> - the asset is held within a business model whose objective is to collect the contractual cash flows; and - the contractual terms give rise to cash flows that are solely payments of principal and interest. <p>Financial assets at amortised cost include the following debt investments:</p>		
Current assets		
Term deposits	23,392	14,568
	<u>23,392</u>	<u>14,568</u>
Total financial assets at amortised cost	<u>23,392</u>	<u>14,568</u>

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 5 Trade and other receivables		
Trade receivables from contracts with customers	4,358	5,018
Less: expected credit loss	(290)	(337)
	<u>4,068</u>	<u>4,681</u>
Other receivables		
Income tax receivable	1	-
Accrued interest income	29	57
	<u>30</u>	<u>57</u>
Total trade and other receivables	<u>4,098</u>	<u>4,738</u>

Note 6 Investments accounted for using the equity method

Interests in joint ventures

Set out below is a joint venture involving Engineers Australia as at 30 June 2021. The entity has share capital consisting solely of members' capital, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

<u>Name</u>	<u>Place of Business</u>	<u>% of ownership interest</u>		<u>Measurement method</u>	<u>Fair Value (\$000)</u>	
		<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
Australian Construction Achievement Award	Australia	50%	50%	Equity method	71	62
Total investments accounted for using the equity method					<u>71</u>	<u>62</u>

Note 7 Financial assets at fair value through profit or loss

Fair value through profit or loss

Equity and debt investments	16,387	12,465
Total financial assets at fair value through profit or loss	<u>16,387</u>	<u>12,465</u>
Comprising:		
Morgan Stanley investment - Engineers Australia	14,640	12,465
Morgan Stanley investment - Bill Hickson Bequest	1,747	-

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

	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
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Note 8 Property, plant and equipment

(a) As at 30 June 2020

Cost or fair value	22,095	4,406	2,573	1,306	30,380
Accumulated depreciation	-	(3,691)	(1,828)	-	(5,519)
Net book amount	22,095	715	745	1,306	24,861

For the year ended 30 June 2021

Opening net book amount	22,095	715	745	1,306	24,861
Revaluation deficit	(254)	-	-	-	(254)
Additions	-	11	-	649	660
Transfers	322	501	1,129	(1,952)	-
Net disposals	-	(29)	-	-	(29)
Depreciation expense	(303)	(146)	(367)	-	(816)
Closing net book amount	21,860	1,052	1,507	3	24,422

As at 30 June 2021

Cost or fair value	21,860	4,354	3,702	3	29,919
Accumulated depreciation	-	(3,302)	(2,195)	-	(5,497)
Net book amount	21,860	1,052	1,507	3	24,422

(b) Building valuation

In accordance with the Group's 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 2021. The previous valuation was prepared in June 2020.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
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Note 9 Leases

Lease information for the Group

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

Buildings	11,404	13,344
Equipment	330	330
	<u>11,734</u>	<u>13,674</u>

Lease receivable

Buildings	14	13
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Lease liabilities

Current	2,174	1,427
Non-current	11,591	13,464
	<u>13,765</u>	<u>14,891</u>

The decrease in the right-of-use asset balance during the financial year was \$1,940,000, largely due to depreciation, however there were also adjustments due to the annual remeasurement of the Group's Newcastle office lease (extended by two years) and additional equipment (over \$5k) purchased throughout the year.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Interest income on lease receivables

Buildings	-	1
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Depreciation charge of right-of-use assets

Buildings	2,099	1,877
Equipment	117	79
	<u>2,216</u>	<u>1,956</u>

Interest expense (included in finance cost)	582	537
Expense relating to short-term leases (included in Administrative, publication and IT expenses)	-	74

Expense relating to leases of low-value assets not shown above as short-term leases (included in Administrative, publication and IT expenses)	408	368
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The total cash outflow for leases in 2021 was \$2,403,000.

Further details on the application of leases for the Group is at Note 24(j).

Finance lease receivable

Finance lease receivable relates to the sublease of the Group's leased property in Newcastle, which has a lease term between 1 to 5 years.

Receivable:

Not later than 1 year	10	9
Later than 1 year but not later than 5 years	5	4
Total finance lease receivable	<u>15</u>	<u>13</u>

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

	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 at cost \$'000	Total \$'000
Note 10 Intangible assets							
As at 30 June 2020							
Cost	12,346	903	174	196	572	776	14,967
Accumulated amortisation and impairment	(8,849)	(646)	(174)	-	(359)	-	(10,028)
Net book amount	3,497	257	-	196	213	776	4,939
For the year ended 30 June 2021							
Opening net book amount	3,497	257	-	196	213	776	4,939
Additions	-	-	-	-	-	1,494	1,494
Net disposals	(17)	(5)	-	-	-	-	(22)
Transfers	837	723	-	-	-	(1,560)	-
Impairment	-	-	-	-	-	-	-
Amortisation expense	(1,642)	(243)	-	-	-	-	(1,885)
Closing net book amount	2,675	732	-	196	213	710	4,526
As at 30 June 2021							
Cost	13,092	1,618	174	196	572	710	16,362
Accumulated amortisation and impairment	(10,417)	(886)	(174)	-	(359)	-	(11,836)
Net book amount	2,675	732	-	196	213	710	4,526

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 11 Assets classified as held for sale		
Current assets held for sale		
447 Upper Edward St, Spring Hill QLD	-	3,000
Total assets classified as held for sale	-	3,000
<p>The Group's Brisbane office was sold in June 2021 for \$3.1 million. As a result the Group recorded a net gain on sale of property of \$1.017 million. This result also includes gains realised from previous revaluations totalling \$993,861, which have previously been reported through other comprehensive income.</p>		
Note 12 Trade and other payables		
Trade creditors and accruals	3,651	4,728
Sundry creditors	1,068	506
Goods and services tax payable	1,747	1,143
Total trade and other payables	6,466	6,377
Note 13 Provisions		
Employee benefit provisions	3,695	3,585
Make good provision	217	217
Total provisions	3,912	3,802
Current	2,996	2,847
Non-current	916	955
Total provisions	3,912	3,802
Number of employees at year end	345	303
Note 14 Contingent liabilities		
<p>Estimates of material amounts of contingent liabilities not provided for in the financial report arising from contract performance guarantees in favour of the lessor at the following premises:</p>		
1. Bourke Place Melbourne VIC 3000. (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)	952	952
2. 44 Market Street Sydney NSW 2000. (Security Deposit Guarantee Favouree: PERPETUAL TRUSTEE COMPANY LIMITED ABN 42 000 001 0)	267	-
3. 44 Market Street Sydney NSW 2000. (Security Deposit Guarantee Favouree: PERPETUAL TRUSTEE COMPANY LIMITED ABN 42 000 001 0)	314	-
4. Suite A, Level 9, 340 Adelaide St, Brisbane QLD 4000. (Security Deposit Guarantee Favouree: BNY TRUST COMPANY OF AUSTRALIA LIMITED ACN 050 294)	313	-
Total contingent liabilities	1,846	952

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Note 15		
Commitments		
(a) Other commitments		
Other expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Within one year	3,063	2,945
Later than one year but not later than five years	3,138	6,201
Later than five years	-	-
Total other commitments	<u>6,201</u>	<u>9,146</u>

Other commitments includes only the material value of contracts where the Group has made a commitment via a contract or agreement with a third party for future purchases of goods or services. The amount reported includes commitments for IT services and publishing expenditure relating to the Group's "create" magazine.

(b) Lease receivables

Operating lease receivable

Operating lease receivable relate to properties owned by the Group that are leased to third parties, 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.

Receivable:

Not later than 1 year	62	119
Later than 1 year but not later than 5 years	-	191
Total operating lease receivable	<u>62</u>	<u>310</u>

Note 16 Reserves

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 24(q) for details.

Note 17 Events after balance sheet date

There were no events after balance sheet date to be reported.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 18 Going concern

The Group concludes that no material uncertainty exists about the Group's ability to continue as a going concern. The Group has continued to monitor business activity and economic confirmations to support this assessment. There has also been no material impact due to the economic downturn from the COVID-19 pandemic. The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which have had a significant impact on the economy. In 2021 the COVID-19 outbreak has been relatively contained in Australia and there have been smaller number of cases when compared to other countries around the world. This has seen Australia's impact be smaller in comparison to these countries, however the inconsistency across Australia's states and territories with how they have managed the outbreaks of COVID-19 has impacted many businesses and individuals through mandatory lockdowns, strict health authority orders and many disruptions to many businesses, including Engineers Australia.

The Group has seen minimal net financial impact to date, but has continued to take a number of measures to monitor and mitigate the effects of COVID-19 such as allowing staff to work from home, moving courses/events/meetings online, ensuring offices are COVID-safe, developing internal policies on keeping staff safe and providing staff with pandemic leave to ensure staff that are required to isolate are able to do so. The Group will remain in a strong financial position and will be able to mitigate any further impacts to its results due to the following reasons:

- main income streams, such as membership subscriptions, assessment fees and charges, course revenue have not been heavily impacted and the Group is closely monitoring these for any signs of decline;
- strong balance sheet with large cash reserves, no borrowings, investments that can be readily convertible to cash and a robust asset base;
- changed internal policies and offerings to members, to adapt to the current environment; and
- the ability to fund operations for at least twelve months, taking into consideration current cash on hand, current and projected net cash flows from operations, maturities of debt and other commitments, and available other sources of funding.

Note 19 Related party transactions

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

Non-executive directors	Position	
N Fleming*	National President and Board Chair	from 1 January 2021
C Champion**	National President and Board Chair	to 31 December 2020
Hon P L White	Director	
K Kayvani	Director	from 1 January 2021
L Cade	Director	
H Inan	Director	
MG M Thompson	Director	
R Aseervatham	Director	
Executive officers		
B Evans	Chief Executive Officer	
H Foss	Acting Executive General Manager - Chief Engineer	to 16 July 2020
J Hanks	Executive General Manager - Membership and Growth	
J Hughes	Executive General Manager - Member Engagement	
J Lau	Executive General Manager - Corporate Services	
J McMaster	Executive General Manager - Chief Engineer	from 15 July 2020
R Pena	Executive General Manager - People & Transformation	from 19 October 2020

* N Fleming was National President/Board Chair from 1-Jan-21

** C Champion was National President/Board Chair from 1-Jan-20 to 31-Dec-20

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	2021	2020
Note 19 Related party transactions (continued)		
Key management personnel compensation		
The aggregated compensation of the key management personnel (non-executive directors and executive officers) of the Group is set out below:		
Employee benefits	1,899,208	1,780,756
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. These transactions were principally for fees paid to directors in their capacity as directors, and fees paid by directors for their membership and attendance at events held by Engineers Australia.		
Directors of the Group are reimbursed for their out-of-pocket travel and related expenses.		
Note 20 Auditor's remuneration		
Remuneration of the auditor for:		
- audit of the financial report	140,000	128,000
- non-audit services	233,860	22,440
Total auditor's remuneration*	373,860	150,440
<i>* Auditor remuneration fee must be reported as full numbers</i>		
Note 21 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		
Note 22 Parent entity financial information		
The individual financial statements for the parent entity show the following aggregate amounts:		
Summary financial information	\$'000	\$'000
Balance sheet		
Current assets	42,817	32,756
Total assets	118,772	102,630
Current liabilities	35,962	28,607
Total liabilities	50,131	42,956
Net Assets	68,641	59,674
Members' funds		
Retained earnings	32,974	28,268
Reserves	35,667	31,406
Total Members' funds	68,641	59,674
Surplus for the year	3,712	1,685
Total comprehensive income	8,969	(1,079)

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

	Notes	Equity holding	
		2021 %	2020 %
Note 23 Controlled entities			
Parent entity			
The Institution of Engineers Australia Incorporated in Australia by Royal Charter	23(a)		
Controlled entities			
Subsidiaries:			
Australian Engineering Foundation Ltd Incorporated in Australia	23(b)	100	100
Engineers Australia Pty Ltd Incorporated in Australia	23(c)	100	100
Engineering Education Australia Pty Ltd Incorporated in Australia	23(d)	100	100
The Moreland Group Pty Ltd Incorporated in Australia	23(e)	100	100
EnglInsure Pty Ltd Incorporated in Australia	23(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 ("AEF") 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. 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 2021

Note 24 Summary of accounting policies

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the consolidated financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Royal Charter and the 2011 By-Laws of The Institution of Engineers Australia (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 6 October 2021. The directors have the power to amend and re-issue the financial statements.

i) Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

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

ii) Historical cost convention

The financial report has been prepared on a historical cost basis, except the following:

- certain financial assets, liabilities, and land and building – measured at fair value; and
- assets held for sale - measured at fair value.

b) Principles of consolidation and equity accounting

Consolidation

The consolidated financial statements incorporate the entities controlled by the parent entity. Control is achieved where the parent entity 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 23 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.

Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its subsidiaries and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is also tested for impairment.

c) Foreign currency transactions and balances

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

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

d) Revenue

The details below should be read in conjunction with Note 1 (a) and (b).

Membership subscriptions:

Revenue from membership subscriptions relates to the provision of annual membership benefits to members. The consideration for memberships is based on fixed fees with discounts applied where applicable for some members, and is recognised over the membership year as members simultaneously receive and benefit from the services provided. Membership subscriptions paid prior to year-end which are related to the next financial year are held in contract liabilities (previously reported as unearned revenue), which is a current liability.

Assessment and registration fees:

Revenue from assessment and registration services relates to the provision of these services to customers of the Group and are based on fixed fees. The main assessment and registration services include:

(i) Migration Skills Assessment (MSA) and Chartered Assessment – revenue recognised in relation to the provision of services to complete an MSA or Chartered assessment for an applicant. These assessments are performed over time through stages as the relevant application is progressed by an assessor until a final outcome is determined. Revenue is recognised over time in line with the progression of the assessment.

(ii) MSA Fast Track – revenue recognised in relation to the provision of services to MSA applicants to start their applications at a faster rate than the standard service. Revenue related to MSA Fast Track is recognised when the application is assigned to an assessor to process the application, as this is the point in time when the service has been completed for the applicant.

(iii) National Engineering Register (NER) fees – revenue recognised in relation to the provision of annual registration benefits to members of NER. The revenue is recognised over the membership year as members simultaneously receive and benefit from the services provided. Registration fees paid prior to year-end to which are related to the next financial year are held in contract liabilities (previously reported as unearned revenue), which is a current liability.

(iv) Other assessment services – revenue recognised in relation to other assessments services are recognised when the outcome of the assessment has been provided to the applicant. These assessments are completed within a short period of time (ie.1-2 days).

Education courses:

Revenue relates to the delivery of education courses to students, is determined from fixed price contracts, and is recognised over time as students simultaneously receive and use the services provided. Revenue recognised in the financial year is based on actual services provided to the end of the reporting period and measured with reference to the number of training days completed as a percentage of the total expected training days for the course (inclusive of period for internships, if applicable).

Sponsorship:

The Group receives sponsorship revenue from customers for corporate partnerships with the Group or in support of specific events. Revenue from corporate partnerships is recognised over the period of the agreement in line with the completion of activities or provision of services as outlined in the sponsorship agreement, which are generally based on fixed fees.

Sponsorship revenue in support of specific events is recognised when the event has been held and the consideration is based on fixed fees.

Conferences / events:

The Group held a number of conferences / events during the year. Revenue is recognised when the event has been held and the consideration is based on fixed fees.

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

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

d) Revenue (continued)

Management fees:

The Group provides management support services to external entities as determined in contractual agreements for general management services and the coordination of one-off events.

The contracts for general management services contain fixed monthly management fees and specifies the services to be provided. The services provided are substantially the same each month and have the same pattern of transfer, therefore the Group accounts for the contracts as one performance obligation; the provision of management support services. Revenue is recognised over the life of the contract as the customers simultaneously receives the benefits as the Group provides the services.

Revenue for services provided for one-off events are recognised once the event has been completed.

Advertising rebate:

The Group receives a monthly rebate, which is a percentage of the advertising revenue that is generated from the Group's 'create' magazine each month. The revenue rebate is based on an agreed calculation contained in a multi-year contract with a company which manages the production of the magazine for the Group.

Revenue is recognised over the period of the contract, in line with advertising generated from the 'create' magazine.

Contract assets and liabilities:

Contract assets represent services provided to customers which are not yet billed. Contract liabilities recognised are in relation to revenue billed to customers, where the Group has not yet provided the services.

e) Income tax

The parent (a registered charity) and the following controlled entities are currently exempt from the payment of income tax:

- i) Engineering Education Australia Pty Ltd (a registered charity)
- ii) Australian Engineering Foundation Ltd (self assessed as tax exempt in accordance with ATO guidelines; dormant entity)
- iii) Engineers Australia Pty Ltd (a registered charity; dormant entity)

Englinsure 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.

f) 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 maturities of three months or less.

g) Trade 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 Group holds the trade receivables with the objective to collect the contractual cash flows and therefore subsequently measures them at amortised cost, less an expected credit loss allowance for impairment. Bad debts are written off when debts become uncollectible in a subsequent period.

The Group applies the *AASB 9 Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

i) 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.

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.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

j) Leases

The Group leases various offices and equipment using rental contracts that are typically made for fixed periods of 3 to 10 years, but may also have extension options. These lease contracts may contain both lease and non-lease components that the Group allocates based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions within each agreement. These lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and may not be used as security for borrowing purposes.

From 1 July 2019, under *AASB 16 Leases* all Group building leases and some property, plant and equipment leases (above a threshold) are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease receivables are recognised on sub-leases when the sub-lease of a leased property is classified as a finance lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease income from operating leases where the group is a lessor is recognised in income over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor for the leasing standard.

Low value threshold

The Group has determined, that where practical, to apply the low-value assets exemption to any property, plant and equipment with a new value under \$5,000 (excluding GST). When low-value asset exemption applies to any asset, the lease payments for that asset are expensed in the Group's statement of profit or loss over the lease term.

Measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Application of interest rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group has determined the following methods for determining the rate:

- Building leases - quoted rate provided by current banking provider (currently CBA) which reflects the value and nature of the leased assets, lease terms and economic environment; and
- Plant and equipment leases – based on rate provided by finance company.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

j) Leases (continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Lease receivables

Lease receivable on a sublease is measured at the net investment in the lease, discounted using the interest rate in the head lease. Lease payments received by the Group are allocated between lease receivable and interest income. The interest income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Exemptions applied

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group, where it is reasonably certain that the relevant option will be taken up. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

k) 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 5 years.

"create" design (specific trademark)

"create" design recognised with a 5 year useful life has now been fully amortised as at 30 June 2020.

Trademarks

Trademarks recognised have an indefinite useful life and are not amortised, unless otherwise specified.

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.

Impairment

At each reporting date, the 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 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.

l) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are presented separately from the other assets in the balance sheet.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

m) Investments and other financial assets

Recognition and derecognition

The Group recognise financial assets on the date it becomes party to the contractual agreement (trade date) and recognised changes in fair value of the financial assets from this date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets at fair value through profit or loss (FVPL) are presented in the statement of profit or loss and other comprehensive income in the period in which they arise.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group has subsequently measured its debt instruments at amortised cost as the assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at FVPL. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in net gains/(losses) on financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income as applicable.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Bequests

The Group received a bequest from the estate of William Hickson during the financial year to provide education scholarships. The funds from the bequest do not provide a financial benefit to the Group and there are no defined performance obligations to be met. The Group administers these funds separately from the Group's other funds and has appropriately accounted for the transactions in accordance with *AASB 1058 - Income from Not-for-Profit Entities* and *AASB 9 - Financial Instruments*. The funds are accounted for as a financial asset and financial liability, with any movements from increase/decreases in the investment, payment of scholarships or other movements to be treated as movements in both these accounts.

n) Trade and other payables

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 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.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

o) Provisions

Provisions are recognised when the 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.

Make good provision

The Group is required to restore some leased offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the right-of-use assets and are amortised over the shorter of the term of the lease and the useful life of the assets.

Employee benefit provisions

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) 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.

q) 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 24(i), 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.

The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 24 Summary of accounting policies (continued)

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

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 trade and other payables 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 Melbourne on 6 October 2021, 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*.



Nick Fleming
National President and Board Chair

Prior to the adoption of the 30 June 2021 financial statements, the Board received and considered a written statement from the Chief Executive Officer and the EGM Corporate 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 2021.



Dr Bronwyn Evans
Chief Executive Officer
The Institution of Engineers Australia



John Lau
Executive General Manager / Chief Financial Officer
Corporate 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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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 2021, 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 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.

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 'Murphy', written in a cursive style.

David Murphy
Partner

Canberra
6 October 2021