



**ENGINEERS AUSTRALIA GROUP  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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

# The Institution of Engineers Australia and its controlled entities

## Directors' report

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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 2020.

### 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
C Champion*	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-18 31-Dec-21	National President / Board Chair
P L White**	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	02-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-20	Elected Director
N Fleming	FIEAust CPEng EngExec NER APEC Engineer IntPE(Aus)	01-Jan-17 31-Dec-21	Elected Director
H Inan	-	06-Aug-18 06-Aug-20	Appointed Director
M Kennedy	FIEAust CPEng EngExec APEC Engineer IntPE(Aus)	01-Jan-17 31-Dec-19	Elected Director
MG M Thompson	FIEAust CPEng EngExec APEC Engineer IntPE(Aus)	01-Jan-20 31-Dec-22	Elected Director

\* C Champion was an elected Director from period 1-Jan-18 to 31-Dec-19

\*\* P L White was National President / Board Chair from period 1-Jan-16 to 31-Dec-19

### 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 \$6,824,000 (2019: net surplus \$4,542,000).

### 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		Honours and Awards		Engineering Practice Advisory Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
C Champion	9	10	1	*	2	2	1	1	*	*	*	*	*	*	1	1
Hon P L White	10	10	2	2	4	4	1	1	1	1	*	*	*	*	1	1
M Kennedy	4	4	2	2	*	*	1	1	*	*	*	*	2	2	*	*
N Fleming	10	10	2	2	*	*	2	2	*	*	1	1	*	*	*	*
L Cade	10	10	4	4	*	*	1	1	*	*	1	1	*	*	*	*
H Inan	9	10	*	*	*	*	*	*	*	*	*	*	*	*	*	*
R Aseervatham	10	10	2	2	2	2	1	1	*	*	*	*	*	*	*	*
MG M Thompson	6	6	2	2	*	*	1	1	*	*	*	*	*	*	*	*

A = Number of meetings attended from 1 July 2019 to 30 June 2020

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 Sydney on the 28th October 2020, in accordance with a resolution of the Board.



Chris Champion

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 2020, 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 'David Murphy', is written over a light grey circular stamp.

David Murphy  
Partner  
PricewaterhouseCoopers

Canberra  
28 October 2020

# 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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Revenue and other income</b>			
Revenue from contracts with customers	1(a)	78,525	71,973
Other income	2	1,143	1,393
Net gains on financial assets at fair value through profit or loss		354	-
<b>Total revenue and other income</b>		<b>80,022</b>	<b>73,366</b>
<b>Expenses</b>			
Employee expenses		30,763	30,155
Education course delivery expenses		12,390	10,815
Administrative, publication and IT expenses		11,113	11,535
Depreciation and amortisation	9,10,11	5,392	3,390
Conferences / events expenses		5,069	5,082
Impairment of intangible assets	11	2,350	107
Premises expenses		2,126	3,529
Consultancy expenses		1,700	1,860
Travel expenses		1,419	1,823
Finance costs	10	537	-
Net impairment losses on financial and contract assets		199	-
Other expenses		99	482
<b>Total expenses</b>		<b>73,157</b>	<b>68,778</b>
Share of net profit of joint ventures accounted for using the equity method		7	-
<b>Surplus before income tax</b>		<b>6,872</b>	<b>4,588</b>
Income tax expense		48	46
<b>Surplus for the year</b>		<b>6,824</b>	<b>4,542</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
(Loss) / gain on revaluation of land and buildings		(147)	445
<b>Total comprehensive income for the year</b>		<b>6,677</b>	<b>4,987</b>
Total comprehensive income attributable to members		6,677	4,987

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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	3	31,840	24,249
Financial assets at amortised cost	4	14,568	24,852
Contract assets	1(b)	337	449
Trade receivables	5	4,738	4,870
Conferences work in progress	6	-	168
Prepayments		2,760	2,267
		<u>54,243</u>	<u>56,855</u>
Assets classified as held for sale	12	3,000	-
Total current assets		<u>57,243</u>	<u>56,855</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	7	62	-
Financial assets at fair value through profit or loss	8	12,465	-
Property, plant and equipment	9	24,861	27,245
Right-of-use assets	10	13,674	-
Intangible assets	11	4,939	8,448
Lease receivable	10	13	-
Loans		42	50
		<u>56,056</u>	<u>35,743</u>
Total non-current assets		<u>56,056</u>	<u>35,743</u>
<b>Total assets</b>		<u>113,299</u>	<u>92,598</u>
<b>Current liabilities</b>			
Contract liabilities	1(b)	28,592	29,965
Lease liabilities	10	1,427	-
Trade and other payables	13	6,377	5,796
Provisions	14	2,847	2,470
Other liabilities		21	15
Income tax payable		17	41
		<u>39,281</u>	<u>38,287</u>
Total current liabilities		<u>39,281</u>	<u>38,287</u>
<b>Non-current liabilities</b>			
Provisions	14	955	622
Lease liabilities	10	13,464	822
		<u>14,419</u>	<u>1,444</u>
Total non-current liabilities		<u>14,419</u>	<u>1,444</u>
<b>Total liabilities</b>		<u>53,700</u>	<u>39,731</u>
<b>Net assets</b>		<u>59,599</u>	<u>52,867</u>
<b>Members' funds</b>			
Retained earnings		42,396	35,517
Reserves		17,203	17,350
		<u>59,599</u>	<u>52,867</u>
<b>Total members' funds</b>		<u>59,599</u>	<u>52,867</u>

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 2020

	Retained Earnings \$'000	Reserves		Total \$'000
		Asset Revaluation Reserve \$'000	Technical Initiatives Fund \$'000	
<b>Balance at 1 July 2018</b>	<b>30,975</b>	<b>14,487</b>	<b>2,418</b>	<b>47,880</b>
Surplus for the year	4,542	-	-	4,542
Other comprehensive income for the year	-	445	-	445
Total comprehensive income for the year	4,542	445	-	4,987
<b>Balance at 30 June 2019</b>	<b>35,517</b>	<b>14,932</b>	<b>2,418</b>	<b>52,867</b>
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
<b>Balance at 30 June 2020</b>	<b>42,396</b>	<b>14,785</b>	<b>2,418</b>	<b>59,599</b>

\* The Group has 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. Further details at Note 7.

*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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from members and customers		83,534	80,008
Payments to employees and suppliers		(69,421)	(69,603)
Interest paid		(537)	-
Income taxes paid		(72)	(33)
<b>Net cash inflow from operating activities</b>		<u>13,504</u>	<u>10,372</u>
<b>Cash flows from investing activities</b>			
Interest received on financial assets held as investments		487	795
Payments for financial assets at fair value through profit or loss		(12,000)	-
Net proceeds from term deposits		10,284	5,171
Purchase of property, plant and equipment		(1,418)	(157)
Purchase of intangible assets		(1,624)	(987)
<b>Net cash (outflow) / inflow from investing activities</b>		<u>(4,271)</u>	<u>4,822</u>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments received		9	-
Principal elements of lease payments		(1,651)	-
<b>Net cash (outflow) from financing activities</b>		<u>(1,642)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the financial year		24,249	9,055
Cash and cash equivalents at end of the financial year	3	<u>31,840</u>	<u>24,249</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 2020

### 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:

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
<b>Total</b>	<b>27,737</b>	<b>20,035</b>	<b>21,568</b>	<b>2,686</b>	<b>4,848</b>	<b>807</b>	<b>844</b>	<b>78,525</b>

2019	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	-	3,603	2,535	469	3,336	-	10	9,953
Over time	25,402	16,972	16,656	1,342	-	841	807	62,020
<b>Total</b>	<b>25,402</b>	<b>20,575</b>	<b>19,191</b>	<b>1,811</b>	<b>3,336</b>	<b>841</b>	<b>817</b>	<b>71,973</b>

\* All revenue is delivered in Australia, with a small amount of revenue being received from overseas customers. Refer to Note 25 (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 2020

	2020 \$'000	2019 \$'000
<b>Note 1 Revenue from contracts with customers (continued)</b>		
<b>(b) Assets and liabilities related to contracts with customers</b>		
The Group has recognised the following assets and liabilities related to contracts with customers:		
Current contract assets relating to education courses	66	-
Current contract assets relating to advertising rebate	208	449
Current contract assets relating to assessment services	13	-
Current contract assets relating to conference / events	19	-
Current contract assets relating to other	31	-
Less: loss allowance	-	-
Total current contract assets	<u>337</u>	<u>449</u>
Contract liabilities - membership subscriptions	15,712	17,169
Contract liabilities - assessment related services	1,670	1,377
Contract liabilities - education courses	9,956	9,357
Contract liabilities - sponsorship	378	195
Contract liabilities - conferences / events	631	1,494
Contract liabilities - advance payments for services not yet provided	245	373
Total current contract liabilities	<u>28,592</u>	<u>29,965</u>

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Note 2 Other income</b>		
Dividend	145	-
Rent received	270	407
Interest on financial assets at amortised cost	486	795
Other	242	191
	<u>1,143</u>	<u>1,393</u>
Total other income	<u>1,143</u>	<u>1,393</u>
<b>Note 3 Cash and cash equivalents</b>		
Cash at bank and on hand (i)	<u>31,840</u>	<u>24,249</u>
Total cash and cash equivalents	<u>31,840</u>	<u>24,249</u>
<p>(i) Cash at bank included \$413,882 of net revenue (2019: \$393,082) collected for the Technical Societies that will be distributed to them after 30 June 2020, and as such is not available for general use by the Group.</p>		
<b>Note 4 Financial assets at amortised cost</b>		
<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"> <li>- the asset is held within a business model whose objective is to collect the contractual cash flows; and</li> <li>- the contractual terms give rise to cash flows that are solely payments of principal and interest.</li> </ul> <p>Financial assets at amortised cost include the following debt investments:</p>		
<b>Current assets</b>		
Term deposits	<u>14,568</u>	<u>24,852</u>
Total financial assets at amortised cost	<u>14,568</u>	<u>24,852</u>

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020 \$'000	2019 \$'000				
<b>Note 5 Trade receivables</b>						
Trade receivables from contracts with customers	5,018	5,108				
Less: expected credit loss	(337)	(248)				
	<u>4,681</u>	<u>4,860</u>				
Accrued interest income	57	10				
Total trade receivables	<u>4,738</u>	<u>4,870</u>				
<b>Note 6 Conference work in progress</b>						
<b>Current</b>						
- World Engineers Convention Australia 2019	-	168				
Total conference work in progress	<u>-</u>	<u>168</u>				
<i>Change in accounting policy for conference work in progress</i>						
In the prior year salary costs associated with future conferences (that are yet to be held) were categorised as work in progress. In the 2019-20 financial year, salary costs are expensed in the year that they are incurred. The amount for 2019 relates to the World Engineers Convention Australia 2019 (Melbourne) which was held in November 2019.						
<b>Note 7 Investments accounted for using the equity method</b>						
<b>Interests in joint ventures</b>						
Set out below is a joint venture involving Engineers Australia as at 30 June 2020. 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. This was the first year that this has been reported and Engineers Australia held a 50% share.						
	<b>Place of Business</b>	<b>% of ownership interest</b>	<b>Measurement method</b>	<b>Fair Value (\$000)</b>		
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	
Australian Construction Achievement Award	Australia	50%	50%	Equity method	62	-
Total investments accounted for using the equity method					<u>62</u>	<u>-</u>
<b>Note 8 Financial assets at fair value through profit or loss</b>						
<b>Fair value through profit or loss</b>						
Equity and debt investments					12,465	-
Total financial assets at fair value through profit or loss					<u>12,465</u>	<u>-</u>
Comprising:						
Morgan Stanley investment					<u>12,465</u>	<u>-</u>

# The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements  
for the year ended 30 June 2020

	Land and buildings at fair value \$'000	Plant, furniture and equipment at cost \$'000	Leasehold improvement at cost \$'000	Total \$'000
<b>Note 9 Property, plant and equipment</b>				
<b>(a) As at 30 June 2019</b>				
Cost or fair value	25,570	5,186	2,638	33,394
Accumulated depreciation	-	(4,429)	(1,720)	(6,149)
Net book amount	25,570	757	918	27,245
<b>For the year ended 30 June 2020</b>				
Opening net book amount	25,570	757	918	27,245
Revaluation (deficit) / surplus	(147)	-	-	(147)
Additions	-	91	1,327	1,418
Disposals / impairment	-	(2)	-	(2)
Reclassified as held for sale	(3,000)	-	-	(3,000)
Depreciation expense	(328)	(131)	(194)	(653)
Closing net book amount	22,095	715	2,051	24,861
<b>As at 30 June 2020</b>				
Cost or fair value	22,095	4,406	3,879	30,380
Accumulated depreciation	-	(3,691)	(1,828)	(5,519)
Net book amount	22,095	715	2,051	24,861

## (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 2020. The previous valuation was prepared in June 2019.

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020 \$'000	1 July 2019 * \$'000
<b>Note 10 Leases</b>		
<b>Lease information for the Group</b>		
<u>Amounts recognised in the balance sheet</u>		
The balance sheet shows the following amounts relating to leases:		
<b>Right-of-use assets</b>		
Buildings	13,344	8,595
Equipment	330	184
	<u>13,674</u>	<u>8,779</u>
<b>Lease receivable</b>		
Buildings	13	22
<b>Lease liabilities</b>		
Current	1,427	1,300
Non-current	13,464	8,258
	<u>14,891</u>	<u>9,558</u>

\* For adjustments recognised on adoption of AASB 16 Leases on 1 July 2019, please refer to note 26.

Additions to the right-of-use assets during the financial year were \$6,851,733 (which is the gross value excluding the impact of depreciation through 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	1,877
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Equipment	79
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	<u>1,956</u>
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Interest expense (included in finance cost)	537
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Expense relating to short-term leases (included in Administrative, publication and IT expenses)	74
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short-term leases (included in Administrative, publication and IT expenses)	368
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The total cash outflow for leases in 2020 was \$2,631,518.

Further details on the application of leases for the Group is at Note 25(j).

### Finance lease receivable

Finance lease receivable relate 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	9	-
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Later than 1 year but not later than 5 years	4	-
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Total finance lease receivable	<u>13</u>	<u>-</u>
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## The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements  
for the year ended 30 June 2020

	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 11 Intangible assets</b>							
<b>As at 30 June 2019</b>							
Cost	17,773	748	174	196	572	251	19,714
Accumulated amortisation and impairment	(10,424)	(340)	(143)	-	(359)	-	(11,266)
Net book amount	7,349	408	31	196	213	251	8,448
<b>For the year ended 30 June 2020</b>							
Opening net book amount	7,349	408	31	196	213	251	8,448
Additions	942	124	-	-	-	558	1,624
Transfers	2	31	-	-	-	(33)	-
Impairment	(2,278)	(72)	-	-	-	-	(2,350)
Amortisation expense	(2,518)	(234)	(31)	-	-	-	(2,783)
Closing net book amount	3,497	257	-	196	213	776	4,939
<b>As at 30 June 2020</b>							
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

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Note 12 Assets classified as held for sale</b>		
Current assets held for sale		
447 Upper Edward St, Spring Hill QLD	3,000	-
Total assets classified as held for sale	3,000	-
<p>In November 2019, Engineers Australia's Brisbane office moved to a new location at 340 Adelaide Street Brisbane, and the Directors of Engineers Australia decided to sell the property at 447 Upper Edward Street, Spring Hill QLD. Assets classified as held for sale during the reporting period were measured at fair value, based on the revaluation performed by Savills Valuation Pty Ltd in June 2020.</p>		
<b>Note 13 Trade and other payables</b>		
Trade creditors and accruals	4,728	3,597
Sundry creditors	506	929
Goods and services tax payable	1,143	1,270
Total trade and other payables	6,377	5,796
<b>Note 14 Provisions</b>		
Employee benefit provisions	3,585	3,029
Make good provision	217	63
Total provisions	3,802	3,092
<b>Current</b>	2,847	2,470
<b>Non-current</b>	955	622
Total provisions	3,802	3,092
<b>Number of employees at year end</b>	303	307
<b>Note 15 Contingent liabilities</b>		
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.	952	952
<p><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></p>		



# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Note 16</b>		
<b>Commitments</b>		
<b>(a) Non-cancellable operating lease commitments</b>		
Operating leases relate to leases of office and equipment with lease terms between 1 to 10 years. No operating leases contain an option to purchase the leased asset at the expiry date of the lease period. From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see note 10 for further information.		
<u>Non-cancellable operating lease commitments</u>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	1,947 *
Later than one year but not later than five years	-	7,586 *
Later than five years	-	2,000
	<u>-</u>	<u>11,533</u>
Total non-cancellable lease commitments	<u>-</u>	<u>11,533</u>
<i>* The lease commitments for 30 June 2019 have been updated due to additional commitments included for the Group's office lease in Hobart, Tasmania and office equipment lease with Capital Finance.</i>		
<b>(b) Other commitments</b>		
Other expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Within one year	2,945	3,535
Later than one year but not later than five years	6,201	-
Later than five years	-	-
	<u>9,146</u>	<u>3,535</u>
Total other commitments	<u>9,146</u>	<u>3,535</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. The disclosure for the financial year ending 30 June 2019 has also been updated accordingly.

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Note 16</b>		
<b>Commitments (continued)</b>		
<b>(c) Lease receivables</b>		
<u>Operating lease receivable</u>		
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	119	135
Later than 1 year but not later than 5 years	191	309
Total operating lease receivable	310	444

## **Note 17** 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 25(q) for details.

## **Note 18** 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 2020

### Note 19 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.

At this stage only Engineering Education Australia has been provided support via any Government stimulus and this was not due to any down-turn in business, but as part of the cash flow boost provided to eligible businesses. No entities of the Group have experienced a drop of 15% in turnover and are therefore not currently entitled to the Government's JobKeeper stimulus program.

The Group has taken 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 to be 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 20 Related party transactions

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

<b>Non-executive directors</b>	<b>Position</b>	
C Champion*	National President and Board Chair	from 1 January 2020
Hon P L White**	Director	from 1 January 2020
R Aseervatham	Director	
L Cade	Director	
N Fleming	Director	
H Inan	Director	
M Kennedy	Director	to 31 December 2019
MG M Thompson	Director	from 1 January 2020
<b>Executive officers</b>		
B Evans	Chief Executive Officer	from 3 October 2019
P McIntyre	Chief Executive Officer	to 2 October 2019
H Foss	Acting Executive General Manager - Chief Engineer	from 27 January 2020
J Hanks	Executive General Manager - Business Development	
J Hughes	Executive General Manager - Membership Value	
J Lau	Executive General Manager - Corporate Services	
R Watts	Executive General Manager - Professional Standards & Practice	to 24 December 2019

\* C Champion was an elected Director from period 1-Jan-18 to 31-Dec-19

\*\* P L White was National President/Board Chair from period 1-Jan-16 to 31-Dec-19

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	2020	2019
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### Note 20 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	1,780,756	1,966,755
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#### Change in accounting policy for recognition of recreation and long service leave entitlements

Due to an accounting policy change, the calculation of employee benefits in 2019-20 includes all recreation leave and long service leave accrued for during the period. In 2018-19 this was not included, however it has now been updated accordingly.

#### 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 21 Auditor's remuneration

Remuneration of the auditor for:

- audit of the financial report	128,000	122,500
- non-audit services	22,440	-

<b>Total auditor's remuneration*</b>	150,440	122,500
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\* Auditor remuneration fee must be reported as full numbers

### Note 22 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 23 Parent entity financial information

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

Summary financial information	\$'000	\$'000
<b>Balance sheet</b>		
Current assets	32,756	38,138
Total assets	102,630	90,667
Current liabilities	28,607	28,520
Total liabilities	42,956	29,930
Net Assets	59,674	60,737
<b>Members' funds</b>		
Retained earnings	28,268	26,568
Reserves	31,406	34,169
Total Members' funds	59,674	60,737
<b>Surplus for the year</b>	1,685	33
<b>Total comprehensive income</b>	(1,079)	7,374

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

	Notes	Equity holding	
		2020 %	2019 %
<b>Note 24 Controlled entities</b>			
<b>Parent entity</b>			
The Institution of Engineers Australia Incorporated in Australia by Royal Charter	24(a)		
<b>Controlled entities</b>			
Subsidiaries:			
Australian Engineering Foundation Ltd Incorporated in Australia	24(b)	100	100
Engineers Australia Pty Ltd Incorporated in Australia	24(c)	100	100
Engineering Education Australia Pty Ltd Incorporated in Australia	24(d)	100	100
The Moreland Group Pty Ltd Incorporated in Australia	24(e)	100	100
EnglInsure Pty Ltd Incorporated in Australia	24(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 2020

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### Note 25 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 28th October 2020. 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.

#### iii) New standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2019:

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income for Not-for-Profit Entities

The Group had to change its accounting policies following the adoption of *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income for Not-for-Profit Entities* as described in note 25 (d) however this change did not have a material impact on the amount disclosed in the financial statements for prior years.

The Group had to change its accounting policies following the adoption of *AASB 16 Leases* as described in note 25(j). The Group elected to adopt the new rules retrospectively and recognised the cumulative effect of initially applying the new standard on 1 July 2019.

The adoption of all other new standards or amendments to standard interpretations did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### 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 24 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.

# The Institution of Engineers Australia and its controlled entities

Notes to the consolidated financial statements  
for the year ended 30 June 2020

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## Note 25 Summary of accounting policies (continued)

### b) Principles of consolidation and equity accounting (continued)

#### Equity accounting

The Group reported for the first time the accounting treatment of a joint venture which the parent entity holds a 50% share under the equity accounting method - further details at Note 7. 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.

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

### 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.

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

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### Note 25 Summary of accounting policies (continued)

#### d) Revenue (continued)

(iii) National Engineering Register fees (NER) – 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.

#### 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.



# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

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### Note 25 Summary of accounting policies (continued)

#### d) Revenue (continued)

##### 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 (exemption via Australian Taxation Office)
- iii) Engineers Australia Pty Ltd (a registered charity)

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 2020

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### Note 25 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 2020

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### Note 25 Summary of accounting policies (continued)

#### j) Leases

As explained in Note 25(a) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and further details are included at notes 10 and 26.

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.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. From 1 July 2019, under *AASB 16 Leases* all Group building leases and some property, plant and equipment leases (above a threshold) will be 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.

#### 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 2020

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## Note 25 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 2020

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### Note 25 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 2020

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### Note 25 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

From 1 July 2019, 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.

#### 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.

#### 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.

# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

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### Note 25 Summary of accounting policies (continued)

#### o) Provisions (continued)

##### ***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 25(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 2020

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## Note 25 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.



# The Institution of Engineers Australia and its controlled entities

## Notes to the consolidated financial statements for the year ended 30 June 2020

### Note 26 Changes in accounting policies

This note explains the impact of the adoption of *AASB 16 Leases* on the Group's financial statements.

As indicated in note 25(a)(iii) above, the Group has adopted *AASB 16 Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policy is disclosed in note 25(j).

On adoption of *AASB 16 Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4%.

#### a) Practical expedients applied

In applying *AASB 16 Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying *AASB 117 Leases* (superceded by *AASB 16 Leases*) and *Interpretation 4 Determining whether an Arrangement contains a Lease*.

#### b) Measurement of opening lease liabilities balance

	<b>1 July 2019 \$'000</b>
Operating lease commitments disclosed at 30 June 2019	11,533
Discounted using the lessee's incremental borrowing rate of at the date of initial application	10,142
(Less): short-term leases not recognised as a liability	(584)
<b>Lease liability recognised as at 1 July 2019</b>	<b>9,558</b>
Of which are	
Current lease liabilities	1,300
Non-current lease liabilities	8,258
	<b>9,558</b>

#### c) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of *AASB 16 Leases*.

## Declaration of the Directors

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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 Sydney on 28 October 2020, 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*.



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Chris Champion  
National President and Board Chair

Prior to the adoption of the 30 June 2020 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 2020.



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Dr Bronwyn Evans

Chief Executive Officer  
The Institution of Engineers Australia



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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

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### *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 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

### ***What we have audited***

The Group's financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the declaration of the directors.

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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 & 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.

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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, including the directors' report, for the year ended 30 June 2020, 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.

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

The directors 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 black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

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

David Murphy  
Partner

Canberra  
28 October 2020