



**ANNUAL CONSOLIDATED
FINANCIAL REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Directors' Report

The members of the Board of Engineers Australia present the annual financial report of The Institution of Engineers Australia ('Engineers Australia') and the consolidated entity for the financial year ended 30 June 2017.

Board Members

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

| Name | Titles of Membership IE Aust | Period of Office | Board Membership |
|-------------|---------------------------------|---------------------|------------------------------|
| J McIntosh | FIEAust CPEng EngExec NER | 01-Jan-15 31-Dec-17 | National President and Chair |
| G P Walters | FIEAust CPEng EngExec NER | 01-Jan-16 31-Dec-18 | Director |
| S P Orton | FIEAust CPEng EngExec NER | 01-Jan-15 31-Dec-17 | Director |
| P L White | FIEAust CPEng EngExec NER | 01-Jan-16 31-Dec-18 | Director |
| L K Bond | HonFIEAust CPEng EngExec NER | 01-Apr-16 31-Dec-17 | Director |
| M Kennedy | FIEAust CPEng EngExec NER | 01-Jan-17 31-Dec-19 | Director |
| N Fleming | FIEAust CPEng EngExec NER | 01-Jan-17 31-Dec-19 | Director |
| J C Olson | FIEAust CPEng EngExec NER | 01-Jan-14 31-Dec-16 | Director |

Principal Activities

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

Operating Result

The net surplus of the consolidated entity for the year was \$7,270,000 (2016: net surplus \$81,000).

Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Changes in State of Affairs

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

Future Developments

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

Meeting of Directors

| Name | Meeting of committees | | | | | | | | | | | | | | | | | | | |
|---------------|---------------------------|----|----------------|----|------------------|----|--------------|----|------------------|----|---------------|---|----------------------------------|---|--------------------|----|--------------------------------------|----|---------------|---|
| | Full meeting of directors | | Audit and Risk | | Board Nomination | | Remuneration | | Board Governance | | International | | Professional Standards Committee | | Honours and Awards | | Major Conference Oversight Committee | | Accreditation | |
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| J McIntosh | 9 | 9 | 4 | 7* | * | * | 1 | 1* | * | * | 1* | * | 4 | 5 | 1 | 4* | * | * | * | * |
| G P Walters | 9 | 9 | 1* | * | * | * | * | * | 1 | 1* | * | * | * | * | * | * | * | * | * | * |
| N Fleming | 4 | 4 | 2 | 3* | * | * | 1 | 1* | * | * | * | * | * | * | * | * | * | * | * | * |
| S P Orton | 9 | 9 | 4 | 4* | * | * | 1 | 1* | * | * | * | * | * | * | * | * | 1 | 1 | 3 | 5 |
| Hon P L White | 9 | 9 | 7 | 7 | 2 | 2* | * | * | * | * | * | * | * | * | * | * | * | * | * | * |
| L K Bond | 8 | 9 | 1* | * | 2 | 2* | * | * | * | * | 7 | 7 | 4 | 4 | 3 | 4* | * | * | * | * |
| J Olson | 5 | 5 | 3 | 3* | * | * | * | * | 1 | 1* | * | * | * | * | * | * | 1 | 1* | * | * |
| M Kennedy | 4 | 4* | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * | * |

A = Number of meetings attended

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

* = Not a member of the relevant committee

Signed at Adelaide this 10th day of October 2017, in accordance with a resolution of the Board.



John McIntosh

National President and Chair



Auditor's Independence Declaration

As lead auditor for the audit of The Institution of Engineers Australia for the year ended 30 June 2017, 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
10 October 2017

Engineers Australia

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

| | | Consolidated | | Engineers Australia | |
|---|--------------|---------------|---------------|---------------------|--------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | Notes | \$'000 | \$'000 | \$'000 | Restated \$'000 |
| Revenue and Other Income | | | | | |
| Revenue | 3(a) | 57,581 | 47,704 | 48,408 | 38,728 |
| Other Income | 3(b) | 3,600 | 2,669 | 3,779 | 2,838 |
| Total Revenue and Other Income | | 61,181 | 50,373 | 52,187 | 41,566 |
| Expenses | | | | | |
| Employee Expenses | | 24,328 | 22,548 | 22,776 | 20,808 |
| Administrative Expenses | | 9,142 | 7,937 | 8,333 | 7,239 |
| Consultancy Expenses | | 3,139 | 4,337 | 2,966 | 4,140 |
| Course Delivery Expenses | | 5,883 | 5,269 | - | - |
| Premises Expenses | | 3,410 | 3,275 | 3,409 | 3,229 |
| Conference / Meeting Expenses | | 3,564 | 2,728 | 3,564 | 2,729 |
| Depreciation and Amortisation | 11(b), 12(b) | 2,485 | 2,205 | 2,395 | 2,114 |
| Travel Expenses | | 1,531 | 1,806 | 1,531 | 1,806 |
| Bad Debts Expense | | 16 | 6 | - | - |
| Impairment of Assets | 11(b), 12(b) | 285 | - | 285 | - |
| Loss on Disposal of Assets | | 13 | 109 | - | 113 |
| Other Expenses | | 103 | 72 | 98 | 28 |
| Total Expenses | | 53,899 | 50,292 | 45,357 | 42,206 |
| Net surplus/(deficit) before income tax expense | | 7,282 | 81 | 6,830 | (640) |
| Income tax expense | | 12 | - | - | - |
| Net surplus/(deficit) from operations | | 7,270 | 81 | 6,830 | (640) |
| Other Comprehensive Income | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Gain on revaluation of properties | | 3,982 | 37 | 3,982 | 37 |
| Changes in the fair value of equity investments at FVOCI | 2(a) | - | - | 1,896 | 1,796 |
| | | 3,982 | 37 | 5,878 | 1,833 |
| Total Comprehensive income for the year | | 11,252 | 118 | 12,708 | 1,193 |
| Total Comprehensive income attributable to members | | 11,252 | 118 | 12,708 | 1,193 |

Engineers Australia

Balance Sheet as at 30 June 2017

| | Notes | Consolidated | | Engineers Australia | |
|------------------------------------|-------|----------------|----------------|---------------------|----------------------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 Restated \$'000 |
| Current Assets | | | | | |
| Cash and Cash Equivalents | 5 | 11,569 | 14,538 | 9,292 | 9,775 |
| Other Financial Assets | 6 | 16,896 | 8,000 | 14,000 | 8,000 |
| Trade and Other Receivables | 7 | 3,383 | 3,895 | 2,958 | 2,897 |
| Inventories | | - | 7 | - | - |
| Conference Work in Progress | 13 | - | 174 | - | 174 |
| Other Assets | 8 | 1,766 | 1,423 | 1,376 | 1,296 |
| | | <u>33,614</u> | <u>28,037</u> | <u>27,626</u> | <u>22,142</u> |
| Assets Classified as Held for Sale | 9 | - | 1,200 | - | 1,200 |
| Total Current Assets | | <u>33,614</u> | <u>29,237</u> | <u>27,626</u> | <u>23,342</u> |
| Non-Current Assets | | | | | |
| Other Financial Assets | 6 | 50 | 50 | 8,239 | 6,343 |
| Property, Plant and Equipment | 11 | 27,242 | 23,283 | 27,203 | 23,200 |
| Intangible Assets | 12 | 12,395 | 11,419 | 12,006 | 11,207 |
| Goodwill | 14 | 320 | 320 | - | - |
| Total Non-Current Assets | | <u>40,007</u> | <u>35,072</u> | <u>47,448</u> | <u>40,750</u> |
| Total Assets | | <u>73,621</u> | <u>64,309</u> | <u>75,074</u> | <u>64,092</u> |
| Current Liabilities | | | | | |
| Trade and Other Payables | 15 | 3,753 | 4,730 | 2,448 | 3,825 |
| Borrowings | 16 | - | - | 1,554 | 1,565 |
| Provisions | 17 | 2,348 | 2,312 | 2,253 | 2,236 |
| Other Liabilities | 18 | 22,823 | 24,004 | 19,616 | 20,136 |
| Total Current Liabilities | | <u>28,924</u> | <u>31,046</u> | <u>25,871</u> | <u>27,762</u> |
| Non-Current Liabilities | | | | | |
| Provisions | 17 | 745 | 741 | 728 | 741 |
| Lease Liability | | 652 | 474 | 652 | 474 |
| Total Non-Current Liabilities | | <u>1,397</u> | <u>1,215</u> | <u>1,380</u> | <u>1,215</u> |
| Total Liabilities | | <u>30,321</u> | <u>32,261</u> | <u>27,251</u> | <u>28,977</u> |
| Net Assets | | <u>43,300</u> | <u>32,048</u> | <u>47,823</u> | <u>35,115</u> |
| Members' Funds | | | | | |
| Reserves | 2(a) | 16,544 | 13,488 | 24,083 | 19,131 |
| Retained Earnings | | 26,756 | 18,560 | 23,740 | 15,984 |
| Total Members' Funds | | <u>43,300</u> | <u>32,048</u> | <u>47,823</u> | <u>35,115</u> |

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Statement of Changes in Equity for the year ended 30 June 2017

| | | Reserve | | | |
|--|-------|-------------------|---------------------------|----------------------------|---------------|
| | | Retained Earnings | Asset Revaluation Reserve | Technical Initiatives Fund | Total |
| | Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated | | | | | |
| Balance 1 July 2015 | | 18,479 | 11,033 | 2,418 | 31,930 |
| Surplus from operations | | 81 | - | - | 81 |
| Other comprehensive income for the year | | | | | |
| Gain on revaluation of property | | - | 37 | - | 37 |
| Total comprehensive income for the year | | 81 | 37 | - | 118 |
| | | | | | - |
| Balance 30 June 2016 | | 18,560 | 11,070 | 2,418 | 32,048 |
| Surplus from operations | | 7,270 | - | - | 7,270 |
| Other comprehensive income for the year | | | | | - |
| Gain on revaluation of property | | - | 3,982 | - | 3,982 |
| Total comprehensive income for the year | | 7,270 | 3,982 | - | 11,252 |
| Net transfer to/(from) retained earnings | | 926 | (926) | - | - |
| Balance 30 June 2017 | | 26,756 | 14,126 | 2,418 | 43,300 |
| Engineers Australia | | | | | |
| Balance 1 July 2015 | 2(a) | 16,624 | 14,880 | 2,418 | 33,922 |
| (Deficit) from operations | | (640) | - | - | (640) |
| Other comprehensive income for the year | | | | | |
| Gain on revaluation of property | | - | 37 | - | 37 |
| Changes in the fair value of equity investments at FVOCI | 2(a) | - | 1,796 | - | 1,796 |
| Total comprehensive income/(loss) for the year | | (640) | 1,833 | - | 1,193 |
| | | | | | - |
| Balance 30 June 2016 | | 15,984 | 16,713 | 2,418 | 35,115 |
| Surplus from operations | | 6,830 | - | - | 6,830 |
| Other comprehensive income for the year | | | | | |
| Gain on revaluation of property | | - | 3,982 | - | 3,982 |
| Changes in the fair value of equity investments at FVOCI | | - | 1,896 | - | 1,896 |
| Total comprehensive income for the year | | 6,830 | 5,878 | - | 12,708 |
| Net transfer to/(from) retained earnings | | 926 | (926) | - | - |
| Balance 30 June 2017 | | 23,740 | 21,665 | 2,418 | 47,823 |

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Statement of Cash Flows for the year ended 30 June 2017

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Cash Flows from Operating Activities | | | | | |
| Payments to Employees, Suppliers and Others | | (57,054) | (53,874) | (48,275) | (43,145) |
| Receipts from Members, Customers and Others | | 64,781 | 59,475 | 55,477 | 47,606 |
| Income Taxes Received /(Paid) | | 25 | (6) | | - |
| Net Cash Generated by Operating Activities | 23(a) | <u>7,752</u> | <u>5,595</u> | <u>7,202</u> | <u>4,461</u> |
| Cash Flows from Investing Activities | | | | | |
| Interest Received | | 439 | 332 | 354 | 260 |
| Loan to Technical Society | | - | (50) | - | (50) |
| Net Movement in Term Deposits | | (8,896) | (8,000) | (6,000) | (8,000) |
| Purchase of Property, Plant, Equipment | | (644) | (1,272) | (629) | (1,234) |
| Proceeds from Disposal of Property, Plant and Equipment | | 1,472 | 12 | 1,472 | 8 |
| Purchase of Intangible Assets | | (3,092) | (3,315) | (2,871) | (3,104) |
| Net Cash (Used In) Investing Activities | | <u>(10,721)</u> | <u>(12,293)</u> | <u>(7,674)</u> | <u>(12,120)</u> |
| Cash Flows from Financing Activities | | | | | |
| Repayment of Borrowings | | - | - | (11) | (550) |
| Net Cash (Used in) Financing Activities | | <u>-</u> | <u>-</u> | <u>(11)</u> | <u>(550)</u> |
| Net (Decrease)/Increase in Cash and Cash Equivalents | | (2,969) | (6,698) | (483) | (8,209) |
| Cash and Cash Equivalents at Beginning of Financial Year | | <u>14,538</u> | <u>21,236</u> | <u>9,775</u> | <u>17,984</u> |
| Cash and Cash Equivalents at End of Financial Year | 5 | <u>11,569</u> | <u>14,538</u> | <u>9,292</u> | <u>9,775</u> |

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Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 1 Summary of Accounting Policies

Statement of Compliance

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

The financial report includes the separate financial statements of The Institution of Engineers Australia ('Engineers Australia') and the consolidated financial statements of the consolidated entity.

The consolidated entity incorporates Engineers Australia, the Australian Engineering Foundation Ltd, Engineers Australia Pty Limited, EngInsure Pty Ltd, Engineering Education Australia Pty Limited and its subsidiary (The Moreland Group Pty Ltd).

Engineers Australia is a body incorporated in Australia by Royal Charter.

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

The financial statements were authorised for issue by the Board members on 10th October 2017.

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars.

The following is a summary of the material accounting policies adopted by Engineers Australia in the preparation and presentation of the financial report. The accounting policies adopted are consistent with those of the previous financial year except the measurement of investments in subsidiaries (please see note 2(a)).

Accounting Policies

a) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of Engineers Australia and entities controlled by Engineers Australia. Control is achieved where Engineers Australia has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a 30 June financial year-end.

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

b) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 1 Summary of Accounting Policies (continued)

c) 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).

Property

Land and buildings are measured at fair value (fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate). It is the policy of Engineers Australia to have an independent valuation every year. Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit and loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to that asset. In the event that there are revaluation increases and revaluation decreases relating to individual assets within land and buildings these are offset against one another. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, is transferred directly to retained earnings.

Plant and Equipment

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

Depreciation

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

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

| <u>Class of Property, Plant and Equipment</u> | <u>Useful Life</u> |
|---|--------------------|
| Buildings | 50 years |
| Computer Hardware | 3 -10 years |
| Plant, Furniture and Equipment | 5 -10 years |
| Leasehold Improvements | 5 -10 years |
| Lease Make Good | 5 years |

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

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

d) Intangible Assets

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

Computer Software

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

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

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

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

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

"CREATE" Design

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

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 1 Summary of Accounting Policies (continued)

d) Intangible Assets (con't)

Trademarks

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

e) Leases

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

Finance leases are capitalised, recording an asset at fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. A corresponding liability is included in the statement of financial position.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the finance charges for the period.

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

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

f) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

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Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 1 Summary of Accounting Policies (continued)

g) Impairment of Assets

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

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

h) Conference Work in Progress

Conference work in progress is measured at the lower of cost and net realisable value. The expenditure directly attributed to the convention is recorded as work in progress until the convention is held. Engineers Australia held the convention (Brisbane) in November 2016.

i) Goodwill

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

j) Cash and Cash Equivalents

Cash and Cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within the short-term borrowings in current liabilities on the statement of financial position.

k) Goods and Services Tax ("GST")

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

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

l) Provisions

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

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Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 1 Summary of Accounting Policies (continued)

m) Revenue

Membership Subscriptions:

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

Revenue from Course Provided:

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

Revenue from Publishing:

Revenue from publishing is recognised when the consolidated entity has transferred the risks and rewards of ownership of the goods and the amount of revenue can be measured reliably.

Assessment & Registration Fees:

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

Events Income:

Events revenue and expenditure is recognised when the event has occurred.

Sponsorship Revenue:

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

Rental Income:

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

Interest Revenue:

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

Government Grants

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

n) Income Tax

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

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

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

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 1 Summary of Accounting Policies (continued)

o) Foreign Currency Transactions and Balances

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

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

p) Employee Benefits

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.

q) Financial Liabilities: Borrowings

Borrowings are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated further cash payments through the expected life of the borrowing, or where appropriate, a shorter period.

r) 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.

s) 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 Sources of Estimation Uncertainty

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 1(c), 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 values. These valuations are undertaken on an annual basis and the carrying amount of land and buildings is adjusted to reflect these valuations. Details of the revaluation amounts are provided in Note 11.

Revaluation of Investments in Subsidiaries

As described in Note 2 (a), investments in subsidiaries are measured at fair value.

Technical Societies

Control was determined under AASB 10. Control was based on whether Engineers Australia had the power and ability to influence variable returns from the Technical Societies. It was determined that Engineers Australia does not control the Technical Societies (unincorporated and incorporated). Therefore the financial results of the Technical Societies are not consolidated into the accounts of Engineers Australia.

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

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

Impairment of Goodwill

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

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 2 Application of new and revised Accounting Standards

a) **New and amended standards adopted by the company**

The group has elected to apply AASB 9 Financial Instruments as issued in December 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as AASB 7 Financial Instruments: Disclosures.

Comparative figures have been restated.

The impact on Engineers Australia's asset revaluation reserve due to the change to classification and measurement of financial instruments is as follows:

| | \$'000 |
|--|---------------|
| Opening asset revaluation reserve - AASB 139 -1 July 2015 | 11,033 |
| Adjustment from adoption of AASB 9 | 3,847 |
| Opening assets revaluation reserve - AASB 9 - 1 July 2015 | <u>14,880</u> |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 2 Application of new and revised Accounting Standards (continued)

b) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation | Nature of change | Impact | Effective for Annual Reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|--|---|
| <ul style="list-style-type: none"> AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15' | <p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p> | <p>The potential financial impacts of this standard is still being assessed.</p> | 1 January 2018 | 30 June 2019 |
| <ul style="list-style-type: none"> AASB 16 'Leases' | <p>AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.</p> <p>The accounting for lessors will not significantly change.</p> | <p>The potential financial impacts of this standard is still being assessed.</p> | 1 January 2019 | 30 June 2020 |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | | Consolidated | | Engineers Australia | |
|---------------|---|---------------|---------------|---------------------|--------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | \$'000 | \$'000 | \$'000 | Restated \$'000 |
| | Notes | | | | |
| Note 3 | Revenue and Other Income | | | | |
| | (a) Revenue | | | | |
| | Membership Subscriptions | 23,254 | 22,476 | 23,254 | 22,476 |
| | Assessment & Registration Fees | 19,684 | 11,801 | 19,684 | 11,801 |
| | Revenue from Courses Provided | 9,173 | 8,812 | - | - |
| | Sponsorship | 2,635 | 1,430 | 2,635 | 1,430 |
| | Events | 2,427 | 1,922 | 2,427 | 1,922 |
| | Government Grant | 408 | 1,099 | 408 | 1,099 |
| | Revenue from Publishing | - | 164 | - | - |
| | Total Revenue | <u>57,581</u> | <u>47,704</u> | <u>48,408</u> | <u>38,728</u> |
| | (b) Other Income | | | | |
| | "create" Advertising Revenue | 1,207 | 806 | 1,207 | 806 |
| | Rent Received | 365 | 330 | 683 | 569 |
| | Commission Income | 471 | 515 | 471 | 515 |
| | Management Fee | 237 | 135 | 267 | 169 |
| | Gains Realised on Sale of Property | 271 | - | 271 | - |
| | Interest Income | 439 | 333 | 354 | 260 |
| | Other Income | 610 | 550 | 526 | 519 |
| | Total Other Income | <u>3,600</u> | <u>2,669</u> | <u>3,779</u> | <u>2,838</u> |
| | Total Revenue and Other Income | <u>61,181</u> | <u>50,373</u> | <u>52,187</u> | <u>41,566</u> |
| Note 4 | Auditor's Remuneration | | | | |
| | - audit of the financial report | 123 | 120 | 86 | 86 |
| | - additional fee for audit of the financial report 2016 | 40 | - | - | - |
| | - non-audit services | 371 | 51 | 286 | 51 |
| | | <u>534</u> | <u>171</u> | <u>372</u> | <u>137</u> |
| Note 5 | Cash and Cash Equivalents | | | | |
| | Cash at Bank and on Hand (i) | 10,568 | 9,261 | 9,292 | 6,775 |
| | Short Term Bank Deposits | 1,001 | 5,277 | - | 3,000 |
| | Total Cash and Cash Equivalents | <u>11,569</u> | <u>14,538</u> | <u>9,292</u> | <u>9,775</u> |

- (i) Restricted Cash - Revenue for Technical Societies is received by Engineers Australia and distributed directly to the Technical Societies. The amount of undistributed revenue at 30 June 2017 was \$255,000.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|---------------|--------------|---------------------|--------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | \$'000 | \$'000 | \$'000 | Restated \$'000 |
| Note 6 Other Financial Assets | | | | | |
| Current | | | | | |
| Short Term Investments (i) | | 16,896 | 8,000 | 14,000 | 8,000 |
| Non-Current | | | | | |
| Investments in Controlled Entities at FVOCI (ii) | 2(a) | - | - | 8,189 | 6,293 |
| Long Term Loan to Technical Society | | 50 | 50 | 50 | 50 |
| | | <u>16,946</u> | <u>8,050</u> | <u>22,239</u> | <u>14,343</u> |
| (i) Term deposits with banks with original maturities of more than three months. | | | | | |
| (ii) Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss. | | | | | |
| Refer to Note 10 for details of controlled entities. | | | | | |
| Note 7 Trade and Other Receivables | | | | | |
| Current | | | | | |
| External Trade and Other Debtors | | 2,133 | 2,468 | 1,377 | 1,246 |
| Less: Allowance for Doubtful Debts | | (8) | (55) | - | - |
| | | <u>2,125</u> | <u>2,413</u> | <u>1,377</u> | <u>1,246</u> |
| Goods and Services Tax Refundable | | 698 | 881 | 1,059 | 1,050 |
| Accrued income | | 560 | 601 | 522 | 601 |
| | | <u>3,383</u> | <u>3,895</u> | <u>2,958</u> | <u>2,897</u> |
| Note 8 Other Assets | | | | | |
| Prepayments | | 1,713 | 1,369 | 1,323 | 1,268 |
| Money Held in Trust | | 53 | 28 | 53 | 28 |
| Income Tax Refund | | - | 26 | - | - |
| | | <u>1,766</u> | <u>1,423</u> | <u>1,376</u> | <u>1,296</u> |
| Note 9 Assets Classified as Held for Sale | | | | | |
| Assets Classified as Held for Sale | | | | | |
| Land and Building Held for Sale | | - | 1,200 | - | 1,200 |
| | | <u>-</u> | <u>1,200</u> | <u>-</u> | <u>1,200</u> |

The sale of the property located at 122 Parry Street Newcastle West NSW 2302 was settled in February 2017. The amount of \$271,000 gains realised on the sale.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | | Equity Holding | | |
|----------------|--|----------------|-----------|-----------|
| | | Notes | 2017 % | 2016 % |
| Note 10 | Controlled Entities | | | |
| | Parent Entity | | | |
| | The Institution of Engineers Australia Incorporated in Australia as a result of the Royal Charter | 10(a) | | |
| | Controlled Entities | | | |
| | Subsidiaries: | | | |
| | Australian Engineering Foundation Ltd Incorporated in Australia | 10(d) | | |
| | Engineers Australia Pty Ltd Incorporated in Australia | 10(b) | 100 | 100 |
| | Engineering Education Australia Pty Ltd Incorporated in Australia | 10(c) | 43 | 43 |
| | The Moreland Group Pty Ltd Incorporated in Australia | 10(e) | 43 | 43 |
| | Englinsure Pty Ltd Incorporated in Australia | 10(f) | 100 | 100 |

- (a) The Institution of Engineers Australia is a body incorporated under Royal Charter issued on 10 March 1938 and comprises a National Office and Divisions.
- (b) Engineers Australia Pty Ltd is directly controlled by The Institution of Engineers Australia.
- (c) Engineering Education Australia Pty Ltd ("EEA"), which is 43% owned by The Institution of Engineers Australia and 57% owned by the Australian Engineering Foundation Ltd ("AEF"). Engineers Australia exercises control over AEF, a company limited by guarantee, through the appointment of its Board members and accordingly exercises control over EEA.
- (d) Australian Engineering Foundation Ltd is a company limited by guarantee. Engineers Australia exercises control over AEF through the appointment of its Board members.
- (e) The Moreland Group Pty Ltd ("TMG") was acquired on 1 August 2012, which is 100% owned and directly controlled by Engineering Education Australia Pty Ltd ("EEA"). Engineers Australia exercises control over EEA and accordingly exercises control over TMG.
- (f) Englinsure Pty Ltd is registered on 9 February 2016 and directly controlled by The Institution of Engineers Australia.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Land and Buildings at Fair Value \$'000 | Computer Hardware at Cost \$'000 | Plant, Furniture and Equipment at Cost \$'000 | Leasehold Improvement at Cost \$'000 | Lease Make Good at Cost \$'000 | Assets in Progress at Cost \$'000 | Total \$'000 |
|--|--|---|---|---|--|---|-----------------|
| Note 11 Property, Plant and Equipment | | | | | | | |
| (a) Gross Carrying Amount | | | | | | | |
| Consolidated Entity | | | | | | | |
| Balance 1 July 2015 | 22,589 | 286 | 5,605 | 1,432 | 26 | 95 | 30,033 |
| Additions | 77 | 47 | 61 | 882 | - | 208 | 1,275 |
| Transfer | - | - | 37 | 58 | - | (95) | - |
| Disposals | - | (1) | (1,117) | (163) | (26) | - | (1,307) |
| Reclassified as Held for Sale | (1,200) | - | - | - | - | - | (1,200) |
| Revaluation (Decrement) | (242) | - | - | - | - | - | (242) |
| Balance 30 June 2016 | 21,224 | 332 | 4,586 | 2,209 | - | 208 | 28,559 |
| Additions | - | 15 | - | - | - | 629 | 644 |
| Transfer | 248 | 3 | 163 | 404 | - | (818) | - |
| Disposals | - | (141) | (189) | (20) | - | - | (350) |
| Revaluation Increment | 3,698 | - | - | - | - | - | 3,698 |
| Balance 30 June 2017 | 25,170 | 209 | 4,560 | 2,593 | - | 19 | 32,551 |
| Engineers Australia | | | | | | | |
| Balance 1 July 2015 | 22,589 | 66 | 5,265 | 1,269 | - | 95 | 29,284 |
| Additions | 77 | 9 | 61 | 882 | - | 208 | 1,237 |
| Transfer | - | - | 37 | 58 | - | (95) | - |
| Disposals | - | (1) | (779) | - | - | - | (780) |
| Reclassified as Held for Sale | (1,200) | - | - | - | - | - | (1,200) |
| Revaluation (Decrement) | (242) | - | - | - | - | - | (242) |
| Balance 30 June 2016 | 21,224 | 74 | 4,584 | 2,209 | - | 208 | 28,299 |
| Additions | - | - | - | - | - | 629 | 629 |
| Transfer | 248 | 3 | 163 | 404 | - | (818) | - |
| Disposals | - | - | (114) | - | - | - | (114) |
| Revaluation Increment | 3,698 | - | - | - | - | - | 3,698 |
| Balance 30 June 2017 | 25,170 | 77 | 4,633 | 2,613 | - | 19 | 32,512 |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Land and Buildings at Fair Value \$'000 | Computer Hardware at Cost \$'000 | Plant, Furniture and Equipment at Cost \$'000 | Leasehold Improvement at Cost \$'000 | Lease Make Good at Cost \$'000 | Assets in Progress at Cost \$'000 | Total \$'000 |
|--|--|---|---|---|--|---|-----------------|
| Note 11 Property, Plant and Equipment (continued) | | | | | | | |
| (b) Accumulated depreciation, amortisation and impairment | | | | | | | |
| Consolidated Entity | | | | | | | |
| Balance 1 July 2015 | - | (196) | (4,869) | (1,059) | (26) | - | (6,150) |
| Disposals | - | 1 | 1,053 | 163 | 26 | - | 1,243 |
| Revaluation Increment | 279 | - | - | - | - | - | 279 |
| Reclassified as Held for Sale | 17 | - | - | - | - | - | 17 |
| Depreciation Expense | (296) | (45) | (171) | (153) | - | - | (665) |
| Balance 30 June 2016 | - | (240) | (3,987) | (1,049) | - | - | (5,276) |
| Disposals | - | 128 | 189 | 20 | - | - | 337 |
| Revaluation Increment | 284 | - | - | - | - | - | 284 |
| Depreciation Expense | (284) | (51) | (124) | (195) | - | - | (654) |
| Balance 30 June 2017 | - | (163) | (3,922) | (1,224) | - | - | (5,309) |
| Engineers Australia | | | | | | | |
| Balance 1 July 2015 | - | (63) | (4,558) | (905) | - | - | (5,526) |
| Disposals | - | 1 | 715 | - | - | - | 716 |
| Reclassified as Held for Sale | 17 | - | - | - | - | - | 17 |
| Revaluation Increment | 279 | - | - | - | - | - | 279 |
| Depreciation Expense | (296) | (2) | (144) | (143) | - | - | (585) |
| Balance 30 June 2016 | - | (64) | (3,987) | (1,048) | - | - | (5,099) |
| Disposals | - | - | 114 | - | - | - | 114 |
| Revaluation Increment | 284 | - | - | - | - | - | 284 |
| Depreciation Expense | (284) | (5) | (124) | (195) | - | - | (608) |
| Balance 30 June 2017 | - | (69) | (3,997) | (1,243) | - | - | (5,309) |
| (c) Net Book Value | | | | | | | |
| Consolidated Entity | | | | | | | |
| At 30 June 2016 | 21,224 | 92 | 599 | 1,160 | - | 208 | 23,283 |
| At 30 June 2017 | 25,170 | 46 | 638 | 1,369 | - | 19 | 27,242 |
| Engineers Australia | | | | | | | |
| At 30 June 2016 | 21,224 | 10 | 597 | 1,161 | - | 208 | 23,200 |
| At 30 June 2017 | 25,170 | 8 | 636 | 1,370 | - | 19 | 27,203 |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 11 Property, Plant and Equipment (continued)

(d) Asset Impairment

On 30 June 2017, assets other than Land and Buildings were reviewed to ensure that their recoverable amount did not exceed the carrying value. On the basis of this review no assets were identified as impairment.

(e) Building Revaluation

In accordance with Engineers Australia policy and AASB 13, the land and buildings were revalued by independent professional valuers to determine the fair value of the land and buildings. Land and buildings are situated throughout Australia and each valuation is performed by a different Valuer.

Fair Value of Land and Buildings by Location

This note provides information about how EA determines fair values of land and building, the following table gives information about how the fair values of these land and buildings are determined (in particular, the valuation technique(s) and inputs used).

| Land and buildings by Location | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|--------------------------------|------------------|-----------|----------------------|--|
| | 30/06/17 | 30/06/16 | | |
| Canberra | 12,110,000 | 8,600,000 | Level 2 | Direct comparison and capitalisation approach |
| Sydney | 3,535,000 | 3,000,000 | Level 2 | Direct comparison and capitalisation approach |
| Adelaide | 1,475,000 | 1,600,000 | Level 2 | Direct comparison and capitalisation approach |
| Brisbane | 3,450,000 | 3,175,000 | Level 2 | Direct comparison and capitalisation approach |
| Perth | 4,600,000 | 4,850,000 | Level 2 | Direct comparison, summation and capitalisation approach |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Computer Software at Cost \$'000 | Developed Course at Cost \$'000 | "CREATE" Design at Cost \$'000 | Trademarks at Cost \$'000 | Intangible Assets WIP at Cost \$'000 | Total \$'000 |
|--|---|--|---|---------------------------------|--|-----------------|
|--|---|--|---|---------------------------------|--|-----------------|

Note 12 Intangible Assets (a) Gross Carrying Amount

Consolidated Entity

| | | | | | | |
|-----------------------------|---------|----|-----|-----|---------|---------|
| Balance 1 July 2015 | 12,330 | - | 174 | 55 | 2,034 | 14,593 |
| Additions | 70 | - | - | 38 | 3,204 | 3,312 |
| Transfer | 3,053 | - | - | - | (3,053) | - |
| Disposals | (1,746) | - | - | - | - | (1,746) |
| Balance 30 June 2016 | 13,707 | - | 174 | 93 | 2,185 | 16,159 |
| Additions | 9 | 10 | - | 23 | 3,050 | 3,092 |
| Transfer | 3,254 | 86 | - | - | (3,340) | - |
| Balance 30 June 2017 | 16,970 | 96 | 174 | 116 | 1,895 | 19,251 |

Engineers Australia

| | | | | | | |
|-----------------------------|---------|---|-----|-----|---------|---------|
| Balance 1 July 2015 | 12,193 | - | 174 | 55 | 2,034 | 14,456 |
| Additions | - | - | - | 38 | 3,063 | 3,101 |
| Transfer | 3,053 | - | - | - | (3,053) | - |
| Disposals | (1,746) | - | - | - | - | (1,746) |
| Balance 30 June 2016 | 13,500 | - | 174 | 93 | 2,044 | 15,811 |
| Additions | - | - | - | 23 | 2,848 | 2,871 |
| Transfer | 3,254 | - | - | - | (3,254) | - |
| Balance 30 June 2017 | 16,754 | - | 174 | 116 | 1,638 | 18,682 |

Engineers Australia

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

| | Computer Software at Cost \$'000 | Developed Course at Cost \$'000 | "CREATE" Design at Cost \$'000 | Trademarks at Cost \$'000 | Intangible Assets WIP at Cost \$'000 | Total \$'000 |
|--|---|--|---|---------------------------------|--|-----------------|
| Note 12 Intangible Assets (continued) | | | | | | |
| (b) Accumulated amortisation and impairment | | | | | | |
| Consolidated Entity | | | | | | |
| Balance 1 July 2015 | (4,869) | - | (3) | - | - | (4,872) |
| Disposals | 1,672 | - | - | - | - | 1,672 |
| Impairment | - | - | - | - | - | - |
| Amortisation Expense | (1,505) | - | (35) | - | - | (1,540) |
| Balance 30 June 2016 | (4,702) | - | (38) | - | - | (4,740) |
| Impairment | - | - | - | - | (285) | (285) |
| Amortisation Expense | (1,774) | (22) | (35) | - | - | (1,831) |
| Balance 30 June 2017 | (6,476) | (22) | (73) | - | (285) | (6,856) |
| Engineers Australia | | | | | | |
| Balance 1 July 2015 | (4,744) | - | (3) | - | - | (4,747) |
| Disposals | 1,672 | - | - | - | - | 1,672 |
| Impairment | - | - | - | - | - | - |
| Amortisation Expense | (1,494) | - | (35) | - | - | (1,529) |
| Balance 30 June 2016 | (4,566) | - | (38) | - | - | (4,604) |
| Impairment | - | - | - | - | (285) | (285) |
| Amortisation Expense | (1,752) | - | (35) | - | - | (1,787) |
| Balance 30 June 2017 | (6,318) | - | (73) | - | (285) | (6,676) |
| (c) Net Book Value | | | | | | |
| Consolidated Entity | | | | | | |
| At 30 June 2016 | 9,005 | - | 136 | 93 | 2,185 | 11,419 |
| At 30 June 2017 | 10,494 | 74 | 101 | 116 | 1,610 | 12,395 |
| Engineers Australia | | | | | | |
| At 30 June 2016 | 8,934 | - | 136 | 93 | 2,044 | 11,207 |
| At 30 June 2017 | 10,436 | - | 101 | 116 | 1,353 | 12,006 |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|----------------|----------------|---------------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Note 13 Conference Work in Progress | | | | | |
| Current | | | | | |
| At cost: | | | | | |
| - Australian Engineering Conference 2016 | | - | 174 | - | 174 |
| | | <u>-</u> | <u>174</u> | <u>-</u> | <u>174</u> |
| | | | | | |
| Work in progress represented the expenditure directly attributed to Australian Engineering Conference 2016 (Brisbane). | | | | | |
| Note 14 Goodwill | | | | | |
| Cost | | 572 | 572 | - | - |
| Accumulated impairment losses | | <u>(252)</u> | <u>(252)</u> | <u>-</u> | <u>-</u> |
| | | <u>320</u> | <u>320</u> | <u>-</u> | <u>-</u> |
| Note 15 Trade and Other Payables | | | | | |
| Current | | | | | |
| Trade Creditors and Accruals | | 2,928 | 3,438 | 1,793 | 3,305 |
| Sundry Creditors | | <u>825</u> | <u>1,292</u> | <u>655</u> | <u>520</u> |
| | | <u>3,753</u> | <u>4,730</u> | <u>2,448</u> | <u>3,825</u> |
| Note 16 Borrowings | | | | | |
| Current | | | | | |
| Amounts Payable to Controlled Entities | | - | - | 1,554 | 1,565 |
| | | <u>-</u> | <u>-</u> | <u>1,554</u> | <u>1,565</u> |
| Note 17 Provisions | | | | | |
| Employee Provisions | | 3,053 | 3,025 | 2,953 | 2,949 |
| Provision of Income Tax | | 12 | - | - | - |
| Lease Make Good | | <u>28</u> | <u>28</u> | <u>28</u> | <u>28</u> |
| | | <u>3,093</u> | <u>3,053</u> | <u>2,981</u> | <u>2,977</u> |
| Current | | 2,348 | 2,312 | 2,253 | 2,236 |
| Non-Current | | <u>745</u> | <u>741</u> | <u>728</u> | <u>741</u> |
| | | <u>3,093</u> | <u>3,053</u> | <u>2,981</u> | <u>2,977</u> |
| Number of Employees at Year End | | <u>282</u> | <u>254</u> | <u>265</u> | <u>237</u> |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Consolidated | | Engineers Australia | |
|--|----------------|----------------|---------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Note 18 Other Liabilities | | | | |
| Monies Held in Trust | 38 | 53 | 26 | 41 |
| Membership Subscriptions paid in advance | 17,174 | 17,800 | 17,174 | 17,800 |
| Unearned Revenue from Courses | 3,195 | 3,856 | - | - |
| Other Unearned Revenue | 2,416 | 2,295 | 2,416 | 2,295 |
| | <u>22,823</u> | <u>24,004</u> | <u>19,616</u> | <u>20,136</u> |

Other unearned revenue consists of unprocessed assessment applications, sponsorship and entry fees for events which will take place in the 2017-18 financial year.

Note 19 Leases

(a) Operating Lease Commitments

Leasing arrangements

Operating leases relate to leases of office and equipment with lease terms between 1 to 10 years. No operating leases contain an option to extend or purchase the leased asset at the expiry date of the lease period.

Non-cancellable operating lease commitments

Payable:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Not later than 1 year | 1,725 | 1,649 | 1,723 | 1,641 |
| Later than 1 year but not later than 5 years | 6,377 | 6,108 | 6,377 | 6,106 |
| Later than 5 years | 5,027 | 6,568 | 5,027 | 6,568 |
| | <u>13,129</u> | <u>14,325</u> | <u>13,127</u> | <u>14,315</u> |

(b) Operating Lease Receivables

Leasing arrangements

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

Non-cancellable operating lease receivables

Receivable:

| | | | | |
|--|------------|------------|------------|------------|
| Not later than 1 year | 178 | 212 | 178 | 212 |
| Later than 1 year but not later than 5 years | 94 | 247 | 94 | 247 |
| | <u>272</u> | <u>459</u> | <u>272</u> | <u>459</u> |

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Consolidated | | Engineers Australia | |
|--|----------------|----------------|---------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Note 20 Contingent Liabilities | | | | |
| Estimates of material amounts of contingent liabilities not provided for in the financial report arising from: | | | | |
| Bank Guarantee | - | 23 | - | - |
| Contract Performance Guarantee (ii) | 952 | 952 | 952 | 952 |
| GST Payable (ii) | - | 900 | - | - |
| | <u>952</u> | <u>1,875</u> | <u>952</u> | <u>952</u> |

(i) Contract performance guarantee in favour of the lessor of the premises at 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)

(ii) Engineering Education Australia (subsidiary) has successfully obtained a Private Binding Ruling from the Australian Taxation Office (ATO), which confirmed the treatment of Goods and Services Tax (GST) for certain monies received by the company in relation to the Professional Year Program. Therefore there is no additional GST to be remitted to the ATO,

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 21 Events after Balance Sheet Date

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

Note 22 Key Management Personnel

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

| Non-executive directors | Position |
|--------------------------------|--|
| J McIntosh | National President and Chair |
| G P Walters | Director |
| J C Olson | Director until 31 December 2016 |
| S P Orton | Director |
| Hon P L White | Director |
| L K Bond | Director |
| M Kennedy | Director from 1 January 2017 |
| N Fleming | Director from 1 January 2017 |
| Executive officers | |
| S Durkin | Chief Executive Officer (until 6 February 2017) |
| R Watts | Chief Operating Officer (from 6 February 2017) |
| R Watts | Executive General Manager - Professional Standards and Practice |
| M B Allen | Executive General Manager - Corporate Services |
| H Foss | Acting Executive General Manager - Commercial Services (from 14 June 2017) |
| B Jackson | Executive General Manager - Public Affairs and Marketing |
| B Leaver | Executive General Manager - Commercial Services (until 30 June 2017) |

During the year, Engineers Australia considered the organisation structure and those personnel who are classified as key management personnel. It was concluded that the General Managers of the State Offices should be excluded from this category.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Consolidated | | Engineers Australia | |
|--|--------------|--------|---------------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |

Note 22 Key Management Personnel (continued)

Key Management Personnel Compensation

The aggregated compensation of the key management personnel of Engineers Australia and the consolidated entity is set out below:

Non-executive directors

| | | | | |
|--------------------------|------------|------------|------------|------------|
| Short-term Benefits | 217 | 102 | 217 | 102 |
| Other Long-term Benefits | - | - | - | - |
| Termination Benefits | - | - | - | - |
| | <u>217</u> | <u>102</u> | <u>217</u> | <u>102</u> |

Executive officers

| | | | | |
|------------------------------|--------------|--------------|--------------|--------------|
| Short-term Employee Benefits | 1,451 | 1,923 | 1,257 | 1,579 |
| Post Employment Benefits | 150 | 147 | 131 | 119 |
| Termination Benefits | 232 | - | 192 | - |
| | <u>1,833</u> | <u>2,070</u> | <u>1,580</u> | <u>1,698</u> |

Other Transactions of Directors of Board and Directors of Board Related Entities

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

Directors of the Board of Engineers Australia and its subsidiary companies are reimbursed for their out-of-pocket travel and related expenses.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

| | Notes | Consolidated | | Engineers Australia | |
|--|--------------|----------------|----------------|---------------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Note 23 Cash Flow Information | | | | | |
| (a) Reconciliation of Cash Flow from Operating Activities | | | | | |
| Surplus / (Deficit) for the year | | 7,270 | 81 | 6,830 | (640) |
| Depreciation and Amortisation | 13(b), 14(b) | 2,485 | 2,205 | 2,395 | 2,114 |
| Impairment of Assets | | 285 | - | 285 | - |
| Interest received | | (439) | (332) | (354) | (260) |
| (Gains)/Loss on sale of property, plant and equipment | | (258) | 109 | (271) | 113 |
| Income Tax Expense | | 12 | - | - | - |
| Bad Debts | | 16 | - | - | - |
| Changes in operating assets and liabilities: | | | | | |
| (Decrease) in payables | | (978) | (1,172) | (1,377) | (840) |
| Increase/(Decrease) in provisions for employee benefits | | 27 | (315) | 4 | 20 |
| (Decrease) in other provisions | | - | (91) | - | - |
| Increase/(Decrease) in provision of income tax | | 12 | (32) | - | - |
| Decrease in inventories | | 7 | 10 | - | - |
| (Increase)/Decrease in conference work in progress | | 174 | (116) | 174 | (116) |
| (Increase)/Decrease in receivables | | 511 | 1,925 | (61) | 1,334 |
| (Decrease)/Increase in other current liabilities | | (1,181) | 2,884 | (520) | 2,399 |
| Increase in lease liability | | 178 | 474 | 177 | 474 |
| (Increase) in other current assets | | (344) | (29) | (80) | (137) |
| (Increase) in income tax refund | | (25) | (6) | - | - |
| Net cash provided by operating activities | | <u>7,752</u> | <u>5,595</u> | <u>7,202</u> | <u>4,461</u> |
| (b) Credit stand-by Arrangements with Banks | | | | | |
| Bank overdraft facility | | 600 | 600 | 600 | 600 |
| Direct debit facilities | | <u>460</u> | <u>460</u> | <u>460</u> | <u>460</u> |
| Amount utilised | | - | - | - | - |
| Unused facilities | | <u>1,060</u> | <u>1,060</u> | <u>1,060</u> | <u>1,060</u> |

The facilities may be drawn upon at any time.
Interest rates are variable. The facilities are secured by a mortgage over Engineers Australia property.

Note 24 Incorporation

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

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

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 25 Financial Instruments

Engineers Australia and the consolidated entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries.

Due to the small size of the group significant risk management decisions are taken by the Board. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The group does not use derivative financial instruments to hedge these risk exposures.

Risk Exposures and Responses

(a) Interest Rate Risk

Engineers Australia and the consolidated entity's exposure to market interest rates relates primarily to the group's cash holdings and short term deposits.

At balance date, Engineers Australia and the consolidated entity had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

| Consolidated | | Engineers Australia | |
|--------------|--------|---------------------|--------|
| 2017 | 2016 | 2017 | 2016 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Financial Assets

| | | | | |
|---------------------------|--------|--------|-------|-------|
| Cash and cash equivalents | 11,569 | 14,538 | 9,292 | 9,775 |
|---------------------------|--------|--------|-------|-------|

Engineers Australia and the consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Engineers Australia or the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties which are continuously monitored.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international agencies.

Engineers Australia

Notes to the Consolidated Financial Statements for the year ended 30 June 2017

Note 25 Financial Instruments (continued)

(c) Liquidity risk management

Engineers Australia and the consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity risk management rests with Board, who has built an appropriate risk management framework for the management of the consolidated group's short, medium and long term funding and liquidity requirements. The consolidated group manages liquidity by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and managing maturity profiles of financial assets.

Liquidity and interest risk tables

The following table details Engineers Australia and the consolidated entity's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where Engineers Australia or the consolidated entity anticipates that the cash flow will occur in a different period.

| | Carrying amount \$'000 | Contractual cash flows \$'000 | 6 months or less \$'000 | 6-12 months \$'000 | 1-5 years \$'000 |
|--|------------------------------|-------------------------------------|-------------------------------|-----------------------|---------------------|
| Consolidated Entity | | | | | |
| 2017 | | | | | |
| <i>Non derivative financial assets:</i> | | | | | |
| Cash and cash equivalents | 11,569 | 11,569 | 11,569 | - | - |
| Other Financial Assets | 16,946 | 16,946 | 16,896 | - | 50 |
| Trade and other receivables | 3,383 | 3,383 | 3,383 | - | - |
| | 31,898 | 31,898 | 31,848 | - | 50 |
| <i>Non derivative financial liabilities:</i> | | | | | |
| Trade and other payables | 3,753 | 3,753 | 3,753 | - | - |
| | 3,753 | 3,753 | 3,753 | - | - |
| 2016 | | | | | |
| <i>Non derivative financial assets:</i> | | | | | |
| Cash and cash equivalents | 14,538 | 14,538 | 14,538 | - | - |
| Other Financial Assets | 8,050 | 8,050 | 8,000 | - | 50 |
| Trade and other receivables | 3,895 | 3,895 | 3,895 | - | - |
| | 26,483 | 26,483 | 26,433 | - | 50 |
| <i>Non derivative financial liabilities:</i> | | | | | |
| Trade and other payables | 4,730 | 4,730 | 4,730 | - | - |
| | 4,730 | 4,730 | 4,730 | - | - |
| Engineers Australia | | | | | |
| 2017 | | | | | |
| <i>Non derivative financial assets:</i> | | | | | |
| Cash and cash equivalents | 9,292 | 9,292 | 9,292 | - | - |
| Other Financial Assets | 14,050 | 14,050 | 14,000 | - | 50 |
| Trade and other receivables | 2,958 | 2,958 | 2,958 | - | - |
| | 26,300 | 26,300 | 26,250 | - | 50 |
| <i>Non derivative financial liabilities:</i> | | | | | |
| Borrowings | 1,554 | 1,554 | - | - | 1,554 |
| Trade and other payables | 2,448 | 2,448 | 2,448 | - | - |
| | 4,002 | 4,002 | 2,448 | - | 1,554 |
| 2016 | | | | | |
| <i>Non derivative financial assets:</i> | | | | | |
| Cash and cash equivalents | 9,775 | 9,775 | 9,775 | - | - |
| Other Financial Assets | 8,050 | 8,050 | 8,000 | - | 50 |
| Trade and other receivables | 2,897 | 2,897 | 2,897 | - | - |
| | 20,722 | 20,722 | 20,672 | - | 50 |
| <i>Non derivative financial liabilities:</i> | | | | | |
| Borrowings | 1,565 | 1,565 | - | 1,565 | - |
| Trade and other payables | 3,825 | 3,825 | 3,825 | - | - |
| | 5,390 | 5,390 | 3,825 | 1,565 | - |

Engineers Australia

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

Note 29 Financial Instruments (continued)

(d) Price risk

Engineers Australia and the consolidated entity's exposure to commodity price risk is minimal.

Engineers Australia and the consolidated entity does not make investments in equity securities other than in its subsidiaries.

(e) Foreign currency risk

Engineers Australia and the consolidated entity's exposure to foreign currency risk is minimal as it undertakes limited transactions a year that are denominated in foreign currencies.

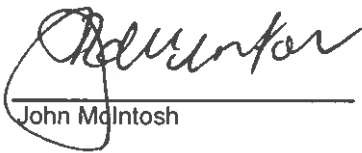
Declaration by Directors and Officers

In our opinion:

- a) the accompanying financial statements for the year ended 30 June 2017:
- (i) present fairly the entity's financial position, financial performance and cash flows;
 - (ii) are in accordance with the *Australian Charities and Not for Profit Commission Act 2012*, including compliance with accounting standards and giving a true and fair view of the financial position, performance and cash flows of Engineers Australia and the consolidated entity as of 30 June 2017.
- b) at the date of this report, there are reasonable grounds to believe that Engineers Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Directors.

Signed at Adelaide this 10th October 2017, in accordance with a resolution of the Board of Engineers Australia.



John McIntosh

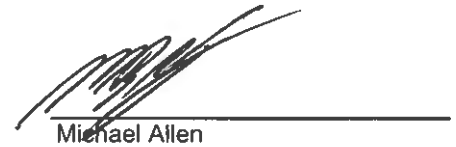
National President and Chairman



Peter McIntyre

Chief Executive Officer

Engineers Australia

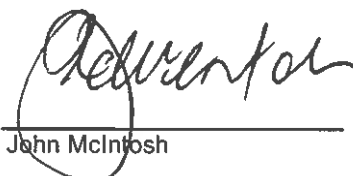


Michael Allen

Executive General Manager
Corporate Services
Engineers Australia

Prior to the adoption of the 2016/17 financial statements, the Board received and considered a written statement from the Chief Executive Officer and EGM Corporate Services that in their opinion:

- (i) the financial statements of the consolidated entity are supported by the financial records of Engineers Australia and its subsidiaries; and
- (ii) the statements comply with the accounting standards and any requirements of the *Australian Charities and Not for Profit Commission Act 2012* and give a true and fair view of the financial position, performance and cash flows of Engineers Australia and the consolidated entity as of 30 June 2017.



John McIntosh

National President and Chairman



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 Company) and its controlled entities (together the Group) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (a) giving a true and fair view of the Company's and Group's financial positions as at 30 June 2017 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company balance sheets as at 30 June 2017
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company statements of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- **the directors' declaration.**

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information obtained at the date of **this auditor's report comprises** the directors' report included in the annual consolidated financial report, **but does not include the financial report and our auditor's report thereon.**

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *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 that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'David Murphy' in a cursive script.

David Murphy
Partner

Canberra
10 October 2017