



**ENGINEERS
AUSTRALIA**

**ANNUAL CONSOLIDATED
FINANCIAL REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Engineers Australia
National Office, Divisions and Subsidiary Companies

National Council Report

The members of the Council 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 2014.

Council Members

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

| Name | Titles of Membership IE Aust | Period of Office | | Council Membership |
|---------------------|---|-------------------------|----------|---|
| A Baitch | HonFIEAust CPEng | 25-11-09 | Ongoing | National President |
| D Cruickshanks-Boyd | FIEAust CPEng EngExec | 01-01-13 | Ongoing | National Deputy President |
| M Kanga | FIEAust CPEng | 26-11-07 | Ongoing | Past National President (2013) |
| G P Walters | FIEAust CPEng EngExec | 01-01-12 | Ongoing | Councillor, National Vice President (Finance) |
| C Cher | FIEAust | 01-01-13 | Ongoing | Councillor |
| B Finlay | FIEAust CPEng | 01-01-14 | Ongoing | Councillor |
| J McIntosh | FIEAust CPEng EngExec | 01-01-14 | Ongoing | Councillor |
| A Meldrum | FIEAust CPEng | 01-01-14 | Ongoing | Councillor |
| S Orton | FIEAust CPEng EngExec | 01-01-13 | Ongoing | Councillor |
| D A Hood | FIEAust CPEng | 24-11-10 | 31-12-13 | Past National President (2012) |
| M E McManus | FIEAust | 01-01-12 | 31-12-13 | Councillor |
| B Tonkin | FIEAust CPEng | 01-01-13 | 31-12-13 | Councillor |

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 \$2,694,000 (2013: net deficit \$1,561,000).

Subsequent Events

On 30 July 2014, Engineers Australia exchanged contract to sell the property located at 13-21 Bedford Street, NORTH MELBOURNE VIC 3051. The sale price was agreed at \$13.2 million, and the settlement is to be due on 30 April 2015.

Other than the above, 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.

Signed at Canberra this 16 October 2014, in accordance with a resolution of Council.



National President



Councillor, National Vice President (Finance)

Engineers Australia
National Office, Divisions and Subsidiary Companies

Councillors' Declaration

The councillors declare that:

- a) In the councillors' opinion, there are reasonable grounds to believe that Engineers Australia will be able to pay its debts as and when they become due and payable; and
- b) In the councillors' opinion, the attached financial statements, as set out on pages 6 to 31, 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 and performance of the Engineers Australia and the consolidated entity as of 16 October 2014.

Signed at Canberra this 16 October 2014, in accordance with a resolution of the Council of Engineers Australia.



National President



Councillor, National Vice President (Finance)

Members of Council
The Institution of Engineers Australia
11 National Circuit, Barton
Canberra ACT 2600

16 October 2014

Dear Council Members

The Institution of Engineers Australia

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the directors of The Institution of Engineers Australia.

As the lead audit partner for the audit of the financial statements of The Institution of Engineers Australia for the financial year ended 30 June 2014, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Alexandra Spark
Partner
Chartered Accountants

Independent Auditor's Report to the members of The Institution of Engineers Australia

We have audited the accompanying financial report of The Institution of Engineers Australia which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the councillors' declaration of the consolidated entity comprising The Institution of Engineers Australia and the entities it controlled at the year's end or from time to time during the financial year set out on pages 2 to 31.

Members of the Council's Responsibility for the Financial Report

The members of the council are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Royal Charter and By-Laws of Engineers Australia and the *Australian Charities and Not-for-profit Commission Act 2012*, and for such internal control as the councillors determine is necessary to enable the preparation of the financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the councillors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profit Commission Act 2012*.

Opinion

In our opinion, the financial report of The Institution of Engineers Australia is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and their financial performance and cash flows for the year then ended; and
- (b) Complying with the Australian Accounting Standards, the Royal Charter and By-Laws of Engineers Australia and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.


DELOITTE TOUCHE TOHMATSU



Alexandra Spark
Partner
Chartered Accountants
Canberra, 20 October 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2014

| | Notes | Consolidated 2014 \$'000s | 2013 \$'000s | Engineers Australia 2014 \$'000s | 2013 \$'000s |
|--|----------|---------------------------------|-----------------|--|-----------------|
| Income | | | | | |
| Revenue | 3(a) | 45,810 | 45,962 | 36,714 | 35,230 |
| Other Income | 3(b) | 7,194 | 3,565 | 6,936 | 3,495 |
| Total Income | | 53,004 | 49,527 | 43,650 | 38,725 |
| Expenses | | | | | |
| Employee Expenses | | 22,538 | 21,215 | 19,533 | 18,259 |
| Consultancy Expenses | | 3,987 | 3,500 | 3,769 | 3,413 |
| Administration, Publication and IT Expenses | | 8,835 | 8,630 | 7,793 | 7,385 |
| Travel Expenses | | 2,012 | 2,141 | 2,001 | 2,107 |
| Premises Expenses (Excl Depreciation) | | 2,057 | 2,119 | 1,788 | 1,878 |
| Finance Costs | 4(a) | - | - | 84 | 101 |
| Provision of Doubtful Debts | 8 | 23 | 9 | - | - |
| Depreciation and Amortisation | 13(b, e) | 1,803 | 1,715 | 1,713 | 1,632 |
| Conference / Meeting Expenses | | 8,646 | 11,312 | 5,197 | 5,823 |
| Other Expenses | | 395 | 444 | 123 | 74 |
| Total Expenses | | 50,296 | 51,085 | 42,001 | 40,672 |
| Net surplus (deficit) before income tax expense | | 2,708 | (1,558) | 1,649 | (1,947) |
| Income tax expense | | 14 | 3 | - | - |
| Net surplus (deficit) from operations | | 2,694 | (1,561) | 1,649 | (1,947) |
| Other Comprehensive Income | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Gain (Loss) on revaluation of properties | | (733) | 293 | (733) | 293 |
| (Loss) on revaluation of shares in controlled entities | | - | - | - | (154) |
| | | (733) | 293 | (733) | 139 |
| Total Comprehensive income for the year | | 1,961 | (1,268) | 916 | (1,808) |
| Total Comprehensive income attributable to members | | 1,961 | (1,268) | 916 | (1,808) |

Consolidated Statement of Financial Position
as at 30 June 2014

| | Notes | Consolidated 2014 \$'000s | Consolidated 2013 \$'000s | Engineers Australia 2014 \$'000s | Engineers Australia 2013 \$'000s |
|--|-------|---------------------------------|---------------------------------|--|--|
| Current Assets | | | | | |
| Cash and Cash Equivalents | 6 | 15,576 | 12,919 | 12,768 | 9,428 |
| Other Financial Assets | 7 | 2,000 | 4,000 | 2,000 | 4,000 |
| Trade and Other Receivables | 8 | 2,008 | 2,243 | 990 | 849 |
| Inventories | 9 | 62 | 78 | - | - |
| Conference Work in Progress | 14 | 1,279 | - | 1,279 | - |
| Other Assets | 10 | 1,134 | 1,507 | 842 | 1,185 |
| | | <u>22,059</u> | <u>20,747</u> | <u>17,879</u> | <u>15,462</u> |
| Assets Classified as Held for Sale | 11 | 9,000 | - | 9,000 | - |
| Total Current Assets | | <u>31,059</u> | <u>20,747</u> | <u>26,879</u> | <u>15,462</u> |
| Non-Current Assets | | | | | |
| Other Financial Assets | 7 | - | - | 650 | 650 |
| Property, Plant, Equipment and Intangible Assets | 13(b) | 32,623 | 38,425 | 31,425 | 38,229 |
| Conference Work in Progress | 14 | 56 | 319 | 56 | 319 |
| Goodwill | 15 | 572 | 572 | - | - |
| Total Non-Current Assets | | <u>33,251</u> | <u>39,316</u> | <u>32,131</u> | <u>39,198</u> |
| Total Assets | | <u>64,310</u> | <u>60,063</u> | <u>59,010</u> | <u>54,660</u> |
| Current Liabilities | | | | | |
| Trade and Other Payables | 16 | 6,099 | 6,613 | 4,080 | 3,459 |
| Borrowings | 17 | - | - | 2,342 | 2,381 |
| Provisions | 18 | 3,110 | 3,040 | 2,771 | 2,660 |
| Other Liabilities | 19 | 17,881 | 15,036 | 17,860 | 15,010 |
| Total Current Liabilities | | <u>27,090</u> | <u>24,689</u> | <u>27,053</u> | <u>23,510</u> |
| Non-Current Liabilities | | | | | |
| Provisions | 18 | 261 | 376 | 214 | 323 |
| Total Non-Current Liabilities | | <u>261</u> | <u>376</u> | <u>214</u> | <u>323</u> |
| Total Liabilities | | <u>27,351</u> | <u>25,065</u> | <u>27,267</u> | <u>23,833</u> |
| Net Assets | | <u>36,959</u> | <u>34,998</u> | <u>31,743</u> | <u>30,827</u> |
| Members' Funds | | | | | |
| Reserves | | 20,561 | 21,273 | 20,561 | 21,273 |
| Retained Earnings | 20 | 16,398 | 13,725 | 11,182 | 9,554 |
| | | <u>36,959</u> | <u>34,998</u> | <u>31,743</u> | <u>30,827</u> |
| Equity attributable to members | | 36,959 | 34,998 | 31,743 | 30,827 |
| Total Members' Funds | | <u>36,959</u> | <u>34,998</u> | <u>31,743</u> | <u>30,827</u> |

Engineers Australia
National Office, Divisions and Subsidiary Companies
Consolidated Statement of Changes in Equity
for the year ended 30 June 2014

| | Notes | Retained Earnings \$'000s | Asset Revaluation Reserve \$'000s | Technical Initiatives Fund \$'000s | Attributable to owners | Total \$'000s |
|--|-------|------------------------------|--------------------------------------|---------------------------------------|------------------------|---------------|
| Consolidated | | | | | | |
| Balance 1 July 2012 | | 15,477 | 18,956 | 1,867 | 36,300 | 36,300 |
| (Deficit) attributable to members | | (1,561) | - | - | (1,561) | (1,561) |
| Difference arising on acquisition of The Moreland Group P/L | | (34) | - | - | (34) | (34) |
| Other comprehensive income for the year | | | | | | |
| Gain on revaluation of property | | - | 293 | - | 293 | 293 |
| Total comprehensive income for the year | | (1,595) | 293 | - | (1,302) | (1,302) |
| Net transfer to retained earnings | | (157) | - | 157 | - | - |
| Balance 30 June 2013 | | 13,725 | 19,249 | 2,024 | 34,998 | 34,998 |
| Surplus attributable to members | | 2,694 | - | - | 2,694 | 2,694 |
| Other comprehensive income for the year | | | | | | |
| (Loss) on revaluation of property | | - | (733) | - | (733) | (733) |
| Total comprehensive income for the year | | 2,694 | (733) | - | 1,961 | 1,961 |
| Net transfer from retained earnings | | (21) | - | 21 | - | - |
| Balance 30 June 2014 | | 16,398 | 18,516 | 2,045 | 36,959 | 36,959 |
| Engineers Australia | | | | | | |
| Balance 1 July 2012 | | 11,658 | 19,110 | 1,867 | 32,635 | 32,635 |
| (Deficit) attributable to members | | (1,947) | - | - | (1,947) | (1,947) |
| Other comprehensive income | | | | | | |
| (Loss) on revaluation of shares in controlled entities at the cost | | - | (154) | - | (154) | (154) |
| Gain on revaluation of property | | - | 293 | - | 293 | 293 |
| Total comprehensive income | | (1,947) | 139 | - | (1,808) | (1,808) |
| Net transfer to retained earnings | | (157) | - | 157 | - | - |
| Balance 30 June 2013 | | 9,554 | 19,249 | 2,024 | 30,827 | 30,827 |
| Surplus attributable to members of parent entity | | 1,649 | - | - | 1,649 | 1,649 |
| Other comprehensive income | | | | | | |
| (Loss) on revaluation of property | | - | (733) | - | (733) | (733) |
| Total comprehensive income | | 1,649 | (733) | - | 916 | 916 |
| Net transfer from retained earnings | | (21) | - | 21 | - | - |
| Balance 30 June 2014 | | 11,182 | 18,516 | 2,045 | 31,743 | 31,743 |

Consolidated Statement of Cash Flows
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|---|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Cash Flows from Operating Activities | | | | | |
| Payments to Employees, Suppliers and Others | | (48,005) | (46,278) | (38,586) | (36,790) |
| Receipts from Members, Customers and Others | | 53,816 | 44,551 | 44,285 | 34,195 |
| Income Taxes Paid | | 10 | (47) | - | - |
| Net Cash (Used in)/Generated by Operating Activities | 26(a) | <u>5,821</u> | <u>(1,774)</u> | <u>5,699</u> | <u>(2,595)</u> |
| Cash Flows from Investing Activities | | | | | |
| Interest Received | | 581 | 542 | 487 | 450 |
| Purchase of Investments | | - | (2,000) | - | (2,000) |
| Proceeds from Maturity of Investments | | 2,000 | - | 2,000 | - |
| Net Cash Outflow on Acquisition of Subsidiary | | - | (606) | - | - |
| Purchase of Property, Plant, Equipment & Intangible Assets | | (5,745) | (2,722) | (4,646) | (2,637) |
| Net Cash (Used In)/Generated by Investing Activities | | <u>(3,164)</u> | <u>(4,786)</u> | <u>(2,159)</u> | <u>(4,187)</u> |
| Cash Flows from Financing Activities | | | | | |
| Repayment of Borrowings | | - | - | (200) | (165) |
| Net Cash (Used in)/Generated by Financing Activities | | <u>-</u> | <u>-</u> | <u>(200)</u> | <u>(165)</u> |
| Net (Decrease)/Increase in Cash and Cash Equivalents | | 2,657 | (6,560) | 3,340 | (6,947) |
| Cash and Cash Equivalents at Beginning of Financial Year | | <u>12,919</u> | <u>19,479</u> | <u>9,428</u> | <u>16,375</u> |
| Cash and Cash Equivalents at End of Financial Year | 6 | <u>15,576</u> | <u>12,919</u> | <u>12,768</u> | <u>9,428</u> |

Notes to the Financial Statements
for the year ended 30 June 2014

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 and 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 Council members on 16 October 2014.

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 have been consistently applied, unless otherwise stated.

Accounting Policies

a) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of Engineers Australia and entities (including special purpose 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.

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 and Software | 3 -10 years |
| Plant, Furniture and Equipment | 5 -10 years |
| Leasehold Improvements | 5 -10 years |
| Lease Make Good | 5 years |

Notes to the Financial Statements
for the year ended 30 June 2014

Note 1 Summary of Accounting Policies (continued)

c) Property, Plant and Equipment (con't)
Depreciation (con't)

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.

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 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.

d) 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 leases 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.

e) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the entity's financial statements.

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the cost effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

f) Impairment of Assets

At each reporting date, Engineers Australia reviews the carrying values of its tangible 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.

Notes to the Financial Statements
for the year ended 30 June 2014

Note 1 Summary of Accounting Policies (continued)

f) **Impairment of Assets (con't)**

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.

g) **Conference Work in Progress**

Conference work in progress is measured at the lower of cost and net realisable value. Engineers Australia will be hosting a national convention in November 2014. The expenditure directly attributed to the convention is recorded as work in progress until the convention is held.

h) **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.

i) **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.

j) **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 Tax 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.

k) **Provisions**

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

l) **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 income (a current liability). Membership subscriptions paid during the financial year to cover past financial years are recognised as income 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 prepaid/accrued income.

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 Fees:

Revenue from assessment 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:

Conference revenue and expenditure is recognised when the conference has occurred.

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.

m) **Government Grants**

Government grants are assistance by the government in the form of transfers of resources to the group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Notes to the Financial Statements
for the year ended 30 June 2014

Note 1 Summary of Accounting Policies (continued)

m) Government Grants (con't)

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.

The Moreland Group Pty Ltd, a wholly owned subsidiary of Engineering Education Australia Pty Ltd, is a for profit entity and is not exempt from the payment of income tax under Section 50-5 of the Income Tax Assessment Act 1997.

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) Working Capital

As detailed in note 19, other liabilities include membership subscriptions paid in advance as at 30 June 2014. As of 1 July 2014, this liability will cease to exist and this will have a significant positive impact on the working capital position.

s) Borrowing Costs

Borrowing costs are recognised in the profit and loss in the period in which they are incurred.

t) 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.

u) 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 reasonable under the circumstances, the results of which form the basis of making the judgments. 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 13.

Technical Societies (Both Unincorporated & Incorporated)

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.

Notes to the Financial Statements
for the year ended 30 June 2014

Note 2 Application of new and revised Accounting Standards

a) Standards and Interpretations affecting amounts reported in the current (and/or prior periods)

The following new and revised AASB's issued by the Australian Accounting Standards Board (AASB) have been adopted in the current period and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

In the current year, EA has applied AASB 119 (as revised in 2011) Employee Benefits' and the related consequential amendments for the first time.

The revised AASB 119 changes the definition of short-term benefits only that are expected to be settled wholly within 12 months after the end of the annual reporting period in which employees render the services are classified as short-term employee benefits.

Specific transitional provisions are applicable to first-time application of AASB 119 (as revised in 2011). EA has applied the relevant transitional provisions. The impact is not material.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB13'

EA has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see notes 20, 21 and 40 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

b) Standards and Interpretations affecting the reported results or financial position.

There are no new and revised Standards and Interpretations adopted in these financial statements materially affecting the reporting results financial position.

c) 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 | Effective for Annual Reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|--|---|
| • AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2017 | 30 June 2018 |
| • AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| • AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| • AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets' | 1 January 2014 | 30 June 2015 |

Notes to the Financial Statements
for the year ended 30 June 2014

| Standard/Interpretation | Effective for Annual Reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|--|
| • AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities' | 1 January 2014 | 30 June 2015 |
| • AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |
| • AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010– 2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality' | 1 July 2014 | 30 June 2015 |
| • AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14' | 1 January 2016 | 30 June 2017 |
| • AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments' | 1 January 2015 | 30 June 2016 |

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|---------------|-------------------------------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 3 | | | | | |
| | Revenue and Income | | | | |
| | (a) Revenue | | | | |
| | Membership Subscriptions | 21,982 | 21,418 | 21,982 | 21,418 |
| | Revenue from Courses Provided | 6,997 | 8,504 | - | - |
| | Revenue from Publishing | 2,177 | 2,315 | - | - |
| | Migration Skills Assessment | 4,716 | 3,443 | 4,716 | 3,446 |
| | Assessment Fees Other | 3,853 | 3,712 | 3,853 | 3,712 |
| | Events Income | 3,908 | 4,304 | 3,917 | 4,316 |
| | Sponsorship | 1,523 | 1,575 | 1,523 | 1,577 |
| | Commission Income | 547 | 630 | 547 | 630 |
| | Management Fee | 107 | 61 | 176 | 131 |
| | Total Revenue | 45,810 | 45,962 | 36,714 | 35,230 |
| | (b) Income | | | | |
| | Other Income | | | | |
| | - Payroll Tax Refund | 3,246 | - | 3,070 | - |
| | - Costs Recovered | 2,086 | 1,807 | 2,086 | 1,807 |
| | - Rent Received | 648 | 843 | 731 | 918 |
| | - Sales | 100 | 124 | 102 | 126 |
| | - Interest Income (external) | 581 | 542 | 487 | 450 |
| | - Other Income | 533 | 249 | 460 | 194 |
| | Total Other Income | 7,194 | 3,565 | 6,936 | 3,495 |
| | Total Revenue and Income | 53,004 | 49,527 | 43,650 | 38,725 |

During the financial year Engineers Australia was successful in applying for exemption from payroll tax in all states & territories in Australia. The total payroll tax refunds received amounted to \$3,246,000.

Note 4 Expenses for the year from continuing operations

Expense has been determined after:

(a) Charging as expense:

| | | | | |
|---|--------|--------|--------|--------|
| Depreciation and amortisation | 1,803 | 1,715 | 1,713 | 1,632 |
| Employee benefits expenses | 22,206 | 19,450 | 19,280 | 16,983 |
| Finance Costs are interest expenses derived from: | | | | |
| - inter company | - | - | 84 | 101 |
| Total | 24,009 | 21,165 | 21,077 | 18,716 |

(b) Expenses on operating leases

| | | | | |
|--------------------------------|-----|-----|-----|-----|
| (computers, copiers, premises) | 654 | 597 | 475 | 425 |
|--------------------------------|-----|-----|-----|-----|

| Consolidated | | Engineers Australia | |
|--------------|------|---------------------|------|
| 2014 | 2013 | 2014 | 2013 |
| \$ | \$ | \$ | \$ |

Note 5 Auditor's Remuneration

Remuneration of the auditor of the parent entity for:

| | | | | |
|---|--------|--------|--------|--------|
| - audit of the financial report | 79,800 | 76,650 | 79,800 | 76,650 |
| - audit of the financial report of Australian Rainfall & Runoff - Phase Two | - | 3,675 | - | 3,675 |
| - consulting services for MIS Renewal | - | 27,684 | - | 27,684 |

Remuneration of the auditor of the subsidiaries for:

| | | | | |
|---------------------------------|---------|---------|--------|---------|
| - audit of the financial report | 53,550 | 51,150 | - | - |
| Total | 133,350 | 159,159 | 79,800 | 108,009 |

The auditor of Engineers Australia and its controlled entities is Deloitte Touche Tohmatsu.

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 6 Cash and Cash Equivalents | | | | | |
| Cash at Bank and on Hand | | 4,424 | 4,540 | 3,768 | 3,628 |
| Short Term Bank Deposits | | 11,152 | 8,379 | 9,000 | 5,800 |
| Total Cash Assets | | 15,576 | 12,919 | 12,768 | 9,428 |
| The effective interest rate on short-term bank deposits was 3.29% (2013: 3.51%). These deposits have an average maturity of 90 days. | | | | | |
| Reconciliation of Cash | | | | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows: | | | | | |
| Cash and Cash Equivalents | | 15,576 | 12,919 | 12,768 | 9,428 |
| | | 15,576 | 12,919 | 12,768 | 9,428 |
| Note 7 Other Financial Assets | | | | | |
| Investments carried at cost: | | | | | |
| Current | | | | | |
| Short Term Investments (i) | | 2,000 | 4,000 | 2,000 | 4,000 |
| Non-Current | | | | | |
| Shares in Controlled Entities (ii) | | - | - | 650 | 650 |
| | | 2,000 | 4,000 | 2,650 | 4,650 |
| (i) Term deposits with banks with original maturities of more than three months. | | | | | |
| (ii) Refer to Note 12 for details of controlled entities. | | | | | |
| Note 8 Trade and Other Receivables | | | | | |
| Current | | | | | |
| External Trade and Other Debtors (i) | | 1,804 | 2,070 | 721 | 634 |
| Less: Allowance for Doubtful Debts | | (65) | (42) | - | - |
| | | 1,739 | 2,028 | 721 | 634 |
| Accrued income | | 269 | 215 | 269 | 215 |
| | | 2,008 | 2,243 | 990 | 849 |
| (i) The average credit period is 30 days. No interest is charged on trade receivables. An allowance has been made for irrecoverable trade receivable amounts, determined by past experience. The movement in the allowance of \$24,311 (2013: \$9,497) was recognised in the profit and loss for the current financial year. | | | | | |
| <u>Ageing of receivable that are past due but not impaired</u> | | | | | |
| 30-60 days | | 63 | 115 | 5 | 23 |
| 60-90 days | | 80 | 167 | 34 | 53 |
| 90 days + | | 298 | 596 | 127 | 1 |
| | | 441 | 878 | 166 | 77 |
| <u>Movement in the allowance for doubtful debts</u> | | | | | |
| Balance at the beginning of the year | | (42) | (33) | - | - |
| Impairment losses recognised as receivables | | - | - | - | - |
| Amounts raised during the year | | (24) | (9) | - | - |
| Amounts written off as uncollectable | | 1 | - | - | - |
| Balance at the end of the year | | (65) | (42) | - | - |
| <u>Ageing of impaired trade receivables</u> | | | | | |
| 90 days + | | 60 | 42 | - | - |
| 120 days + | | 5 | - | - | - |
| | | 65 | - | - | - |

Engineers Australia
National Office, Divisions and Subsidiary Companies

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|---|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 9 Inventories | | | | | |
| Current | | | | | |
| At cost: | | | | | |
| - publications and other finished goods | | 62 | 78 | - | - |
| | | <u>62</u> | <u>78</u> | <u>-</u> | <u>-</u> |
| Note 10 Other Assets | | | | | |
| Prepayments | | <u>1,114</u> | <u>1,463</u> | <u>842</u> | <u>1,185</u> |
| Comprising | | | | | |
| Insurance | | 30 | 122 | 4 | 100 |
| Conferences and Events | | 508 | 832 | 399 | 832 |
| Other | | 211 | 278 | 149 | 61 |
| Software licensing | | <u>365</u> | <u>231</u> | <u>290</u> | <u>192</u> |
| | | 1,114 | 1,463 | 842 | 1,185 |
| Income Tax Refund | | 20 | 44 | - | - |
| | | <u>1,134</u> | <u>1,507</u> | <u>842</u> | <u>1,185</u> |
| Note 11 Assets Classified as Held for Sale | | | | | |
| Assets Classified as Held for Sale | | | | | |
| Land and Building Held for Sale | | <u>9,000</u> | <u>-</u> | <u>9,000</u> | <u>-</u> |
| | | <u>9,000</u> | <u>-</u> | <u>9,000</u> | <u>-</u> |

The Institution of Engineers Australia intended to dispose of the property located at 13-21 Bedford Street, North Melbourne VIC 3051. No Impairment loss was recognised on reclassification of the land and building as held for sale nor as at 30 June 2014 as the fair value (a sale contract was exchanged on 30 July 2014) with a sale price less costs to sell is higher than the carrying amount.

Engineers Australia
National Office, Divisions and Subsidiary Companies

Notes to the Financial Statements
for the year ended 30 June 2014

| | | Equity Holding | | |
|----------------|--|-----------------------|-------------------|-------------------|
| | | Notes | 2014 % | 2013 % |
| Note 12 | Controlled Entities | | | |
| | Parent Entity | | | |
| | The Institution of Engineers Australia Incorporated in Australia as a result of the Royal Charter | 12(a) | | |
| | Controlled Entities | | | |
| | Subsidiaries: | | | |
| | Australian Engineering Foundation Ltd Incorporated in Australia | 12(d) | | |
| | Engineers Australia Pty Ltd Incorporated in Australia | 12(b) | 100 | 100 |
| | Engineering Education Australia Pty Ltd Incorporated in Australia | 12(c) | 43 | 43 |
| | The Moreland Group Pty Ltd | 12(e) | 43 | - |
| (a) | The Institution of Engineers Australia is a body incorporated under Royal Charter 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. | | | |

Notes to the Financial Statements
for the year ended 30 June 2014

| Notes | Land and Buildings at Fair Value \$'000s | Computer Hardware at Cost \$'000s | Intangibles Computer Software at Cost \$'000s | Plant, Furniture and Equipment at Cost \$'000s | Leasehold Improvement at Cost \$'000s | Lease Make Good at Cost \$'000s | Intangible Assets WIP at Cost \$'000s | Assets in Progress at Cost \$'000s | Total \$'000s |
|--|--|-----------------------------------|---|--|---------------------------------------|---------------------------------|---------------------------------------|------------------------------------|---------------|
| Note 13 Property, Plant and Equipment | | | | | | | | | |
| (a) Gross Carrying Amount | | | | | | | | | |
| Consolidated Entity | | | | | | | | | |
| Balance 1 July 2012 | 30,819 | 289 | 4,228 | 5,371 | 1,062 | 54 | 2,869 | 171 | 44,863 |
| Additions | 369 | 13 | - | 312 | 20 | - | 1,945 | 63 | 2,722 |
| Transfer from WIP to Fix Assets Register | - | - | 3,742 | 90 | - | - | (3,742) | (90) | - |
| Disposals | - | (150) | (697) | (267) | - | - | - | (3) | (1,117) |
| Revaluation Increment/(Decrement) | (104) | - | - | - | - | - | - | - | (104) |
| Balance 30 June 2013 | 31,084 | 152 | 7,273 | 5,506 | 1,082 | 54 | 1,072 | 141 | 46,364 |
| Additions | 1,545 | 91 | 971 | 163 | 109 | - | 2,846 | 20 | 5,745 |
| Transfer from WIP to Fix Assets Register | 50 | - | 2,233 | 2 | - | - | (2,233) | (52) | - |
| Disposals | - | - | (8) | (98) | (72) | (28) | - | - | (206) |
| Reclassified as Held for Sale (i) | (9,000) | - | - | - | - | - | - | - | (9,000) |
| Revaluation Increment/(Decrement) | (1,060) | - | - | - | - | - | - | - | (1,060) |
| Balance 30 June 2014 | 22,619 | 243 | 10,469 | 5,573 | 1,119 | 26 | 1,685 | 109 | 41,843 |
| Parent Entity | | | | | | | | | |
| Balance 1 July 2012 | 30,819 | 212 | 4,159 | 4,995 | 918 | 28 | 2,869 | 171 | 44,171 |
| Additions | 369 | - | - | 260 | - | - | 1,945 | 63 | 2,637 |
| Transfer from WIP to Fix Assets Register | - | - | 3,742 | 90 | - | - | (3,742) | (90) | - |
| Disposals | - | (150) | (697) | (253) | - | - | - | (3) | (1,103) |
| Revaluation Increment/(Decrement) | (104) | - | - | - | - | - | - | - | (104) |
| Balance 30 June 2013 | 31,084 | 62 | 7,204 | 5,092 | 918 | 28 | 1,072 | 141 | 45,601 |
| Additions | 1,545 | - | - | 126 | 109 | - | 2,846 | 20 | 4,646 |
| Transfer from WIP to Fix Assets Register | 50 | - | 2,233 | 2 | - | - | (2,233) | (52) | - |
| Disposals | - | - | (8) | (57) | (72) | (28) | - | - | (165) |
| Reclassified as Held for Sale (i) | (9,000) | - | - | - | - | - | - | - | (9,000) |
| Revaluation Increment/(Decrement) | (1,060) | - | - | - | - | - | - | - | (1,060) |
| Balance 30 June 2014 | 22,619 | 62 | 9,429 | 5,163 | 955 | - | 1,685 | 109 | 40,022 |

(i) \$9,000,000 of land and building located at 21-23 Bedford Street, North Melbourne VIC was reclassified and transferred to assets classified as held for sale, please refer Note 11.

Engineers Australia
National Office, Divisions and Subsidiary Companies

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Land and Buildings at Fair Value \$'000s | Computer Hardware at Cost \$'000s | Intangibles Computer Software at Cost \$'000s | Plant, Furn and Equipment at Cost \$'000s | Leasehold Improvement at Cost \$'000s | Lease Make Good at Cost \$'000s | Intangible Assets WIP at Cost \$'000s | Assets in Progress at Cost \$'000s | Total \$'000s |
|--|-------|--|---|--|--|--|---|---|--|------------------|
| Note 13 Property, Plant and Equipment (continued) | | | | | | | | | | |
| (b) Accumulated depreciation, amortisation and impairment | | | | | | | | | | |
| Consolidated Entity | | | | | | | | | | |
| Balance 1 July 2012 | | - | (255) | (2,644) | (3,777) | (1,014) | (45) | - | - | (7,735) |
| Disposals | | - | 150 | 697 | 267 | - | - | - | - | 1,114 |
| Revaluation Increment/(Decrement) | | 397 | - | - | - | - | - | - | - | 397 |
| Depreciation Expense | | (397) | (23) | (756) | (518) | (18) | (3) | - | - | (1,715) |
| Balance 30 June 2013 | | - | (128) | (2,703) | (4,028) | (1,032) | (48) | - | - | (7,939) |
| Disposals | | - | - | 6 | 90 | 72 | 28 | - | - | 196 |
| Revaluation Increment/(Decrement) | | 326 | - | - | - | - | - | - | - | 326 |
| Depreciation Expense | | (326) | (29) | (919) | (509) | (17) | (3) | - | - | (1,803) |
| Balance 30 June 2014 | | - | (157) | (3,616) | (4,447) | (977) | (23) | - | - | (9,220) |
| Parent Entity | | | | | | | | | | |
| Balance 1 July 2012 | | - | (194) | (2,563) | (3,539) | (913) | (28) | - | - | (7,237) |
| Disposals | | - | 150 | 697 | 253 | - | - | - | - | 1,100 |
| Revaluation Increment/(Decrement) | | 397 | - | - | - | - | - | - | - | 397 |
| Depreciation Expense | | (397) | (11) | (736) | (483) | (5) | - | - | - | (1,632) |
| Balance 30 June 2013 | | - | (55) | (2,602) | (3,769) | (918) | (28) | - | - | (7,372) |
| Disposals | | - | - | 6 | 56 | 72 | 28 | - | - | 162 |
| Revaluation Increment/(Decrement) | | 326 | - | - | - | - | - | - | - | 326 |
| Depreciation Expense | | (326) | (7) | (904) | (474) | (2) | - | - | - | (1,713) |
| Balance 30 June 2014 | | - | (62) | (3,500) | (4,187) | (848) | - | - | - | (8,597) |
| Consolidated Entity | | | | | | | | | | |
| Net Book Value | | | | | | | | | | |
| At 30 June 2013 | | 31,084 | 24 | 4,570 | 1,478 | 50 | 6 | 1,072 | 141 | 38,425 |
| At 30 June 2014 | | 22,619 | 86 | 6,853 | 1,126 | 142 | 3 | 1,685 | 109 | 32,623 |
| Parent Entity | | | | | | | | | | |
| Net Book Value | | | | | | | | | | |
| At 30 June 2013 | | 31,084 | 7 | 4,602 | 1,323 | - | - | 1,072 | 141 | 38,229 |
| At 30 June 2014 | | 22,619 | - | 5,929 | 976 | 107 | - | 1,685 | 109 | 31,425 |

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|---|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 13 Property, Plant and Equipment (continued) | | | | | |
| (c) Asset Impairment | | | | | |
| On 30 June 2014, 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 revalued due to impairment. | | | | | |
| (d) Aggregate depreciation | | | | | |
| Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: | | | | | |
| Land and Buildings | | 326 | 397 | 326 | 397 |
| Computers | | 948 | 779 | 911 | 747 |
| Plant, Furniture and Equipment | | 509 | 518 | 474 | 483 |
| Leasehold Improvements | | 17 | 18 | 2 | 5 |
| Lease Make Good | | 3 | 3 | - | - |
| | | <u>1,803</u> | <u>1,715</u> | <u>1,713</u> | <u>1,632</u> |

Notes to the Financial Statements
for the year ended 30 June 2014

Note 13 Property, Plant and Equipment (continued)

(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) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--------------------------------|------------------|-----------|----------------------|--|-----------------------------------|---|
| | 30/06/14 | 30/06/13 | | | | |
| National Office Canberra | 9,000,000 | 8,550,000 | Level 2 | Direct comparison and capitalisation approach | N/A | N/A |
| Sydney | 2,540,000 | 2,464,000 | Level 2 | Direct comparison and capitalisation approach | N/A | N/A |
| Melbourne (i) | 9,000,000 | 8,700,000 | Level 2 | Direct comparison and capitalisation approach | N/A | N/A |
| Newcastle | 1,100,000 | 1,000,000 | Level 2 | Capitalisation method | N/A | N/A |
| Adelaide | 1,500,000 | 1,570,000 | Level 2 | Direct comparison and capitalisation approach | N/A | N/A |
| Brisbane | 2,930,000 | 2,950,000 | Level 2 | Direct comparison and capitalisation approach | N/A | N/A |
| Perth | 5,550,000 | 5,850,000 | Level 2 | Direct comparison, summation and capitalisation approach | N/A | N/A |

(i) \$9,000,000 of land and building located at 21-23 Bedford Street, North Melbourne VIC was reclassified and transferred to assets classified as held for sale, please refer Note 11.

Engineers Australia
National Office, Divisions and Subsidiary Companies

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 14 Conference Work in Progress | | | | | |
| Current | | | | | |
| At cost: | | | | | |
| - 2014 National Convention | | 1,279 | - | 1,279 | - |
| Non-Current | | | | | |
| At cost: | | | | | |
| - 2014 National Convention | | - | 319 | - | 319 |
| - 2016 National Convention | | 56 | - | 56 | - |
| | | 56 | 319 | 56 | 319 |
| | | 1,335 | 319 | 1,335 | 319 |

2014 National Convention is the first inaugural national convention for Engineers Australia. The convention will be held in Melbourne in November 2014. Work in progress represents the expenditure directly attributed to the 2014 & 2016 national convention.

Note 15 Goodwill

| | | | | |
|--|-----|-----|---|---|
| Cost | 572 | 572 | - | - |
| Accumulated impairment losses | - | - | - | - |
| | 572 | 572 | - | - |
| Cost | | | | |
| Balance at beginning of the year | 572 | - | - | - |
| Amounts recognised from business purchase occurring during the year - The Moreland Group P/L | - | 572 | - | - |
| Balance at end of year | 572 | 572 | - | - |
| Accumulated impairment losses | | | | |
| Balance at beginning of the year | - | - | - | - |
| Impairment losses recognised in the year | - | - | - | - |
| Balance at end of year | - | - | - | - |

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 16 Trade and Other Payables | | | | | |
| Current | | | | | |
| Trade Creditors and Accruals (i) | | 3,823 | 4,255 | 2,339 | 2,027 |
| Sundry Creditors (i) | | 1,220 | 1,590 | 718 | 682 |
| Goods and Services Tax Payable | | 1,056 | 768 | 1,023 | 750 |
| | | <u>6,099</u> | <u>6,613</u> | <u>4,080</u> | <u>3,459</u> |
| (i) The average credit period is 30 days. No interest is paid on trade creditors. There are payable procedures in place to ensure that all payables are paid within credit timeframes. Procedures include weekly payments of all debts received. | | | | | |
| Note 17 Borrowings | | | | | |
| Unsecured at Amortised Cost | | | | | |
| Current | | | | | |
| Amounts Payable to Wholly Owned Entities Unsecured | | - | - | 2,342 | 2,381 |
| | | <u>-</u> | <u>-</u> | <u>2,342</u> | <u>2,381</u> |
| Note 18 Provisions | | | | | |
| Employee provisions | | 3,302 | 3,349 | 2,958 | 2,955 |
| Other Provisions (a) | | 69 | 67 | 28 | 28 |
| | | <u>3,371</u> | <u>3,416</u> | <u>2,986</u> | <u>2,983</u> |
| Current | | 3,110 | 3,040 | 2,771 | 2,660 |
| Non-Current | | 261 | 376 | 214 | 323 |
| | | <u>3,371</u> | <u>3,416</u> | <u>2,985</u> | <u>2,983</u> |
| Number of Employees at Year End | | <u>292</u> | <u>266</u> | <u>252</u> | <u>231</u> |
| Other Provisions (a) | | | | | |
| Consolidated Entity | | | | | |
| Balance as at 1 July 2013. | | | 67 | - | 67 |
| Additional provisions raised during the year | | | 2 | - | 2 |
| Amounts Used | | | - | - | - |
| Balance as at 30 June 2014 | | | <u>69</u> | <u>-</u> | <u>69</u> |
| Parent Entity | | | | | |
| Balance as at 1 July 2013 | | | 28 | - | 28 |
| Additional provisions raised during the year | | | - | - | - |
| Amounts Used | | | - | - | - |
| Balance as at 30 June 2014 | | | <u>28</u> | <u>-</u> | <u>28</u> |

Notes to the Financial Statements
for the year ended 30 June 2014

Note 18 Provisions (continued)

- (a) The provision for employee benefits represents annual leave, long service leave and performance incentives. Performance incentives represents the present value of bonus payments due to staff under employment contracts. The bonus payments will be made in the next financial year.
- (b) The provision for Lease Make Good represents the present value of Council's best estimate of the future sacrifice of economic benefits that will be required to remove leasehold improvements from leased property.

Note 19 Other Current Liabilities

Monies Held in Trust:

| | Consolidated | | Engineers Australia | |
|---|--------------|---------|---------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000s | \$'000s | \$'000s | \$'000s |
| - Funded Projects | 579 | 649 | 570 | 635 |
| - Other | 55 | 64 | 43 | 52 |
| Total Monies Held in Trust | 634 | 713 | 613 | 687 |
| Membership Subscriptions paid in advance | 14,806 | 11,621 | 14,806 | 11,621 |
| Other Unearned Revenue | | | | |
| - Commonwealth Grant (Australian Rainfall & Runoff) | 378 | 388 | 378 | 388 |
| - Other Unearned Revenue | 2,063 | 2,314 | 2,063 | 2,314 |
| | 17,881 | 15,036 | 17,860 | 15,010 |

Other unearned revenue consists of unprocessed assessment applications, sponsorship and entry fees for events which will take place in the 2014-15 financial year.

Note 20 Retained Earnings

| | | | | |
|---|--------|---------|--------|---------|
| Balance at beginning of financial year | 13,725 | 15,477 | 9,554 | 11,658 |
| Surplus/(Deficit) attributable to members of parent entity | 2,694 | (1,561) | 1,649 | (1,947) |
| Difference arising on acquisition of The Moreland Group P/L | - | (34) | - | - |
| Aggregate of amounts transferred to reserves | (21) | (157) | (21) | (157) |
| Aggregate of amounts transferred from reserves | - | - | - | - |
| Balance at end of the financial year | 16,398 | 13,725 | 11,182 | 9,554 |

Note 21 Leases

(a) Operating Lease Commitments

Leasing arrangements

Operating leases relate to leases of office equipment and software with lease terms between 3 to 5 years. All operating leases do not contain an option to extend nor purchase the leased asset at the expiry date of the lease period.

Non-cancellable operating lease commitments

Payable:

| | | | | |
|--|-------|-------|-------|-----|
| Not later than 1 year | 615 | 532 | 439 | 344 |
| Later than 1 year but not later than 5 years | 1,227 | 662 | 1,024 | 311 |
| Later than 5 years | 299 | - | 299 | - |
| | 2,141 | 1,194 | 1,762 | 655 |

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 21 Leases (continued) | | | | | |
| (b) Operating Lease Receivables | | | | | |
| <u>Leasing arrangements</u> | | | | | |
| Operating leases relate to properties owned by Engineers Australia with lease terms between 1 to 5 years. All operating leases do not contain an option to extend nor purchase the property at the expiry of the lease period. | | | | | |
| <u>Non-cancellable operating lease receivables</u> | | | | | |
| Receivable: | | | | | |
| Not later than 1 year | | 389 | 465 | 389 | 465 |
| Later than 1 year but not later than 5 years | | 427 | 128 | 427 | 128 |
| | | <u>816</u> | <u>593</u> | <u>816</u> | <u>593</u> |

Note 22 Contingent Liabilities

Estimates of material amounts of contingent liabilities not provided for in the financial report arising from:

| | | | | |
|-----------|-----------|-----------|----------|----------|
| Other (i) | 23 | 27 | - | - |
| | <u>23</u> | <u>27</u> | <u>-</u> | <u>-</u> |

(i) Bank guarantee in favour of the lessor of the premises at Crows Nest. (A term deposit is held as security for the guarantee)

Note 23 Events after Balance Sheet Date

On 30 July 2014, Engineers Australia exchanged contract to sell the property located at 13-21 Bedford Street, NORTH MELBOURNE VIC 3051. The sale price was agreed at \$13.2 million, and the settlement is to be due on 30 April 2015.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may 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 24 Key Management Personnel Compensation

Key Management Personnel

Directors and the following are key management personnel of Engineers Australia. Unless otherwise noted they have held that position for the full year.

| | |
|-------------|---|
| S Durkin | Chief Executive Officer |
| R Grayston | Executive General Manager, Prof Standards & Practice |
| B Leaver | Executive General Manager - Member Delivery |
| M B Allen | Executive General Manager - Corporate Services |
| B Jackson | Executive General Manager Public Affairs & Marketing (from 1 Sept 2013) |
| B Jackson | Director International and National Policy (to 30 Aug 2013) |
| J Anderson | General Manager - Engineering Practice and CPD |
| D Robinson | Director Education and Assessment (Finished 27 September 2013) |
| J Penrose | Director Communications and Marketing (Finished 1 July 2013) |
| S Finlay | General Manager - Sydney Division |
| H Link | General Manager - Newcastle Division |
| I McEwan | General Manager - Queensland Division |
| B Russell | Director Northern Division (Finished 4 September 2013) |
| G Ewing | General Manager - Northern Division (commenced 25 Nov 2013) |
| L Hardwicke | General Manager - Western Australia Division |
| C Argent | General Manager - South Australia Division |
| V Gardiner | General Manager - Tasmania Division |
| G C Graham | General Manager - Victoria Division |
| V Strika | General Manager - Canberra Division |

Notes to the Financial Statements
for the year ended 30 June 2014

| Notes | Consolidated | | Engineers Australia | |
|-------|-----------------|-----------------|---------------------|-----------------|
| | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |

Note 24 Key Management Personnel Compensation (continued)

Key Management Personnel Compensation

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

| | | | | |
|------------------------------|--------------|--------------|--------------|--------------|
| Short-term Employee Benefits | 3,100 | 3,565 | 2,744 | 3,020 |
| Post Employment Benefits | 306 | 298 | 268 | 278 |
| Other Long-term Benefits | - | - | - | - |
| Termination Benefits | 253 | - | 253 | - |
| | <u>3,659</u> | <u>3,863</u> | <u>3,265</u> | <u>3,298</u> |

Other Transactions of Members of Council and Members of Council Related Entities

From time to time transactions are entered into with members of Council, 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.

Loans

Loans are made to and from controlled entities under normal commercial terms and conditions. Balances outstanding at 30 June are disclosed in note 17.

Note 25 Related Parties

The names of the members of Council in office during the reporting period:

| Name | Period of Office | |
|---------------------|------------------|----------|
| A Baitch | 25-11-09 | Ongoing |
| D Cruickshanks-Boyd | 01-01-13 | Ongoing |
| M Kanga | 26-11-07 | Ongoing |
| G P Walters | 01-01-12 | Ongoing |
| C Cher | 01-01-13 | Ongoing |
| B Finlay | 01-01-14 | Ongoing |
| J McIntosh | 01-01-14 | Ongoing |
| A Meldrum | 01-01-14 | Ongoing |
| S Orton | 01-01-13 | Ongoing |
| D A Hood | 24-11-10 | 31-12-13 |
| M E McManus | 01-01-12 | 31-12-13 |
| B Tonkin | 01-01-13 | 31-12-13 |

Remuneration and Retirement Benefits

Members of Council of Engineers Australia and directors of subsidiary companies provided their services in a voluntary capacity. They receive no remuneration or retirement benefits. They are reimbursed for their out-of-pocket travel and related expenses.

During the reporting period the parent entity paid professional indemnity and directors and officer liability insurance in respect of its members of Council, company directors, officers and others, to offset the risk which may arise from claims made under By-Law 54 of the 2011 By-Laws. This insurance is not separately identifiable from the other insurances.

There are no loans made, guaranteed or secured to members of Council of Engineers Australia, or its company directors at the reporting date.

Notes to the Financial Statements
for the year ended 30 June 2014

| | Notes | Consolidated | | Engineers Australia | |
|--|-------|-----------------|-----------------|---------------------|-----------------|
| | | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Note 26 Cash Flow Information | | | | | |
| (a) Reconciliation of Cash Flow from Operating Activities | | | | | |
| Surplus / (Deficit) for the year | | 2,694 | (1,561) | 1,649 | (1,947) |
| Depreciation | 13(b) | 1,803 | 1,715 | 1,713 | 1,632 |
| Interest received | | (581) | (542) | (487) | (450) |
| Loss on sale of equipment | | 10 | 3 | 3 | 3 |
| Finance costs paid | | - | - | 84 | 101 |
| Changes in operating assets and liabilities: | | | | | |
| In(De)crease in payables | | (514) | 563 | 621 | (305) |
| Increase in provisions for employee benefits | | 70 | 277 | 2 | 277 |
| (De)crease in other provisions | | (115) | (5) | - | - |
| (In)Decrease in inventories | | 16 | (5) | - | - |
| (In)crease in conference work in progress | | (1,016) | (319) | (1,016) | (319) |
| (In)Decrease in receivables | | 235 | (155) | (141) | 65 |
| (De)Increase in other current liabilities | | 2,845 | (1,942) | 2,928 | (1,864) |
| (In)Decrease in prepayments | | 349 | 241 | 343 | 212 |
| (In)decrease in income tax refund | | 25 | (44) | - | - |
| Net cash provided by operating activities | | <u>5,821</u> | <u>(1,774)</u> | <u>5,699</u> | <u>(2,595)</u> |
| (b) Credit stand-by Arrangements with Banks | | | | | |
| Bank overdraft facility | | 600 | 600 | 600 | 600 |
| Amount utilised | | - | - | - | - |
| Direct debit facilities | | <u>300</u> | <u>205</u> | <u>300</u> | <u>205</u> |
| Unused overdraft facility | | <u>900</u> | <u>805</u> | <u>900</u> | <u>805</u> |

The bank overdraft facility may be drawn upon at any time and is repayable on demand, which the bank may make at any time subject to the Usual Terms and Conditions clause. Interest rates are variable. The facility is secured by a mortgage over Engineers Australia property.

Engineers Australia has a \$600,000 (2013: \$600,000) facility with the Commonwealth Bank of Australia which was not utilised.

Note 27 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 is a body incorporated in Australia by Royal Charter. It is a member based national professional body whose objects are to promote the science and practice of engineering in Australia. As an extension of its objects Engineers Australia has established wholly owned subsidiaries which specialise in particular segments of the operations.

Notes to the Financial Statements
for the year ended 30 June 2014

Note 28 Financial Instruments

Engineers Australia and the consolidated entity's financial instruments consist mainly of deposits with banks, local money market instruments, 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 Council. 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 | |
|--------------|---------|---------------------|---------|
| 2014 | 2013 | 2014 | 2013 |
| \$'000s | \$'000s | \$'000s | \$'000s |

Financial Assets

| | | | | |
|---------------------------|--------|--------|--------|-------|
| Cash and cash equivalents | 15,576 | 12,919 | 12,768 | 9,428 |
| Other financial assets | 2,000 | 4,000 | 2,000 | 4,000 |

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.

Interest rate sensitivity analysis

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, deficit/surplus and equity would have been affected as follows:

| Judgements of reasonably possible movements | Surplus Higher / (Lower) | | Equity Higher / (Lower) | |
|---|-----------------------------|-----------------|----------------------------|-----------------|
| | 2014 \$'000s | 2013 \$'000s | 2014 \$'000s | 2013 \$'000s |
| Consolidated | | | | |
| + 1% (100 basis points) | 193 | 155 | 193 | 155 |
| -0.5% (50 basis points) | (97) | (77) | (97) | (77) |
| Engineers Australia | | | | |
| + 1% (100 basis points) | 148 | 127 | 148 | 127 |
| -0.5% (50 basis points) | (74) | (64) | (74) | (64) |

(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.

Notes to the Financial Statements
for the year ended 30 June 2014

Note 28 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 Council, 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.

| | Weighted average effective interest rate % | Less than 1 month \$'000 | 1-3 months \$'000 | 3 months to 1 year \$'000 | 1-5 years \$'000 | Total |
|------------------------------------|---|---|----------------------------------|--|-----------------------------|---------------|
| Consolidated Entity | | | | | | |
| 2014 | | | | | | |
| Non-interest bearing | | - | 6,062 | - | - | 6,062 |
| Variable interest rate instruments | 3.28% | 3,234 | 9,972 | 2,118 | - | 15,324 |
| | | 3,234 | 16,034 | 2,118 | - | 21,386 |
| 2013 | | | | | | |
| Non-interest bearing | | - | 4,758 | - | - | 4,758 |
| Variable interest rate instruments | 3.51% | 3,943 | 6,571 | 4,210 | - | 14,724 |
| | | 3,943 | 11,329 | 4,210 | - | 19,482 |
| Engineers Australia | | | | | | |
| 2014 | | | | | | |
| Non-interest bearing | | - | 2,957 | - | - | 2,957 |
| Variable interest rate instruments | 3.29% | 2,819 | 7,872 | 2,066 | - | 12,757 |
| | | 2,819 | 10,829 | 2,066 | - | 15,714 |
| 2013 | | | | | | |
| Non-interest bearing | | - | 3,141 | - | - | 3,141 |
| Variable interest rate instruments | 3.54% | 3,146 | 4,035 | 4,142 | - | 11,323 |
| | | 3,146 | 7,176 | 4,142 | - | 14,464 |

(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 less than ten transactions a year that are denominated in foreign currencies.

Engineers Australia and the consolidated entity does not make investments in forward foreign exchange contracts.