

Connecting, Equipping and Inspiring.

2016 Annual Report

Institute of
Directors

Direct
101 Leadership Conference

The upside and downside of
digital in a disrupted world

LEADING
GOVERNANCE

Institute of
Directors

Highlights

439

Company Directors'
Course attendees

2635

Director Development
course attendees

1190

stories in the media

440

Direct2016 IoD Leadership
Conference attendees

8046

members in 2016

10.23%

increase of members
from 2015





227,470

website visits
averaging

18,955

visits per month

5

Practice Guides

11

submissions
to government/
regulators

3

Governance
Updates

6

DirectorsBriefs
published



\$10.9m

operating revenue in 2016

23.86%

growth in total operating
revenue from 2015

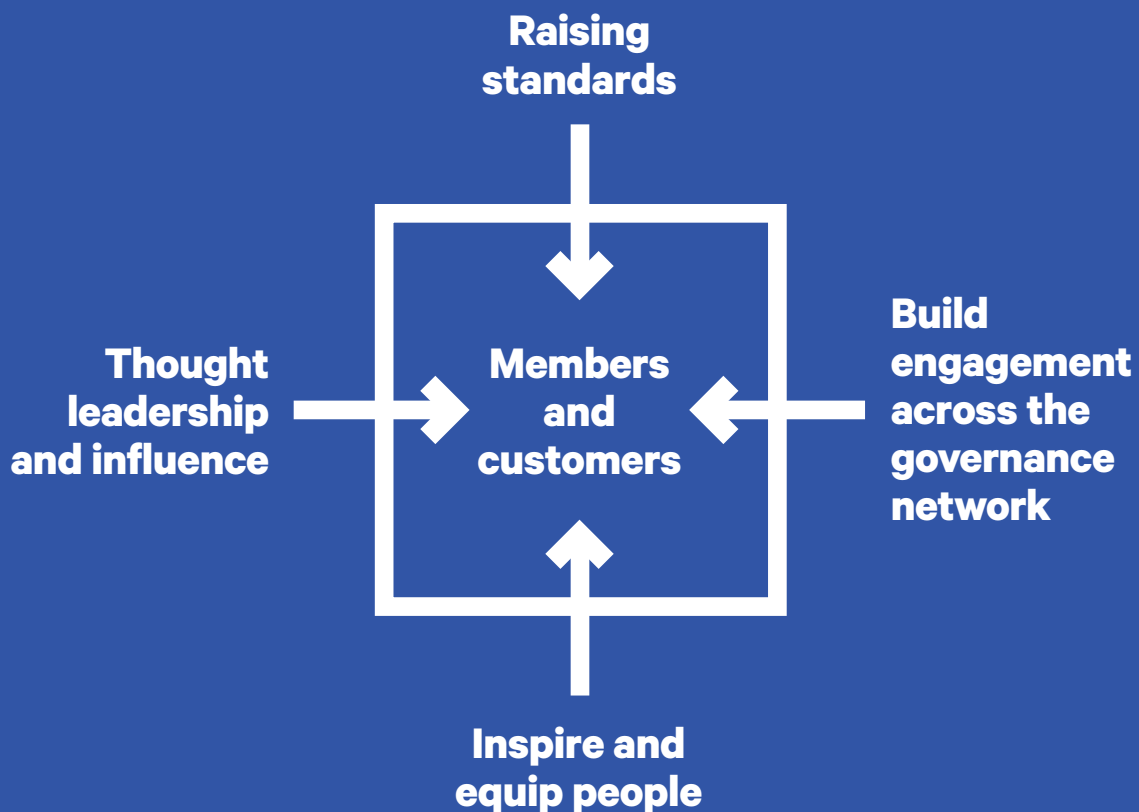
Our vision

To be the world class professional body at the heart of New Zealand's governance network.

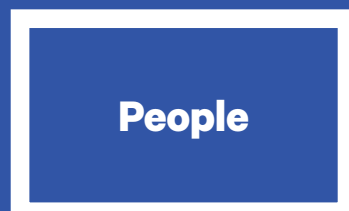
Our mission

To inspire and equip people in governance to add value across New Zealand business and society.

Our strategic objectives



Core enablers



President's report

2016 was a year of strong growth for the IoD.

Globally it was a year of disruption and uncertainty with startling geo-political turmoil with the Brexit vote in the UK and the Trump election in the US and with more events happening all too frequently.

These global events have shown a backlash against social trends, with growing anti-establishment and anti-globalisation movements. The implications for New Zealand continue alongside ongoing reverberations from major natural disasters.

Although economically it was a volatile year, this is expected to increase in pace over the next two years, especially in emerging markets and developing economies.

All going well, 2017 should be a prosperous year for New Zealand. But, as always, being a small open economy we need to prepare for the unexpected. That is where we, as directors, must lead and think more broadly to improve governance.

Our stakeholders and customers are asking more of us. Transparency and efficiency have never been assessed, debated or critiqued more publicly than today. The way we have always done business is no longer acceptable, nor should it be, and as directors we must focus beyond the horizon.

The Institute of Directors has and continues to play an important role in supporting directors to prepare for tomorrow's challenges. The IoD reached 8000 members in 2016 and over the last 10 years we have more than doubled our growth. We entered the New Year ready to continue to inspire and equip people in governance to add value across New Zealand business and society.

The IoD's profile has increased significantly, allowing us to speak with a stronger and more influential voice. In these ever changing times it is essential that we continue to speak out on the matters critical to our members and New Zealand as a whole.

Board diversity is critical to maintaining a competitive and vibrant economy. The challenges of disruption and the modern world call for modern and diverse boardrooms – and we need to lift our game. This year the *Getting on board with diversity* guide was released alongside

gender statistics, which continue to tell a sobering story. Unfortunately, for all of us, not enough has been achieved in regard to diversity of thought and we all need to step up to achieve a better outcome.

The commercial arm of IoD has seen great success this year, noting in particular the programme work with The Ministry of Social Development and Te Puni Kokiri, which speaks strongly to the IoD's aim of raising governance standards across all sectors. This success I am sure will continue.

Thank you to Glenn Snelgrove who acted in the CEO capacity after Simon Arcus' resignation, as a safe pair of hands who with the support of the leadership team and all staff, guided the IoD through the last few months of the year and into 2017. Our search for a new CEO culminated in Kirsten Patterson being appointed and joining the IoD as Chief Executive in early May 2017. Kirsten will be an amazing leader for the IoD and its membership. I wish her well in this role.

My thanks also to the IoD Council, especially Liz Coutts as Vice President, the IoD Limited board, and IoD staff. I would also like to thank those members who gave their time to branch committees to support the aims of the IoD. A special thanks to our national partners ASB and Marsh, national cybersecurity partner Aura and national sponsors Chapman Tripp and KPMG. It is the work and support of everyone involved with the IoD that allows us to achieve our goals for the benefit of members and New Zealand society.

The organisation is in good stead and has accomplished much in 2016. We live in a dynamic and complex world with globalisation and technology reshaping the business landscape. I leave the IoD in great heart and am excited about its plans to connect, equip and inspire directors in New Zealand business and society to face the challenges, and grasp the opportunities, of tomorrow.



Michael Stiasny
President

CEO's report

The IoD continues to make tremendous strides in its work in advocacy, thought-leadership and professional development opportunities for our members.

We've remained on the pulse of governance, connecting, equipping and inspiring directors through thought leadership and our extensive network, professional governance courses, events and resources. Membership rose 10.2% to 8046 in 2016, and engagement remains a critical objective.

To ensure engagement continued, the IoD's strong branch network hosted 208 events during the year attended by more than 10,000 people. Branches ensure we remain connected and relevant with our members. IoD member's value being part of a network of world class leaders and membership engagement is expected to grow in 2017.

Our national sponsors and partners are valued supporters of the IoD. To our pleasure Aura Information Security, powered by Kordia joined us as our national cybersecurity partner. Aura joins our valued long term national partners ASB and Marsh and national sponsors Chapman Tripp and KPMG.

Chartered membership continues to strengthen

Our Chartered Membership pathway comes into its third year, with more directors stepping up to become Chartered and remain at the forefront of their profession and on the pulse of governance through continual professional development.

It is pleasing to see that Chartered Membership is gaining momentum and recognition in the market place. Being a member of the IoD puts members at the heart of New Zealand's governance network. As a Member, Chartered Member or Chartered Fellow of the IoD, they are required to complete continuing professional development, and I want to commend those members who met this benchmark, have become Chartered and remain committed to following best practice.

Advocacy

The IoD engages in debate on behalf of members on issues such as diversity, ethics, culture, board dynamics, risk, digital leadership and sustainability.

The Governance Leadership Centre (GLC) continues to make strides in providing significant value, and to lobby for governance best practice on behalf of our members. With two new staff in its team, the GLC made 11 submissions to government and others, including two to the NZX on the revised corporate governance codes.

Our media presence remained high throughout the year, and we broadened our positions on matters important to members. This included partnering with Chapman Tripp to develop a call to action paper highlighting the risks, opportunities and challenges Artificial Intelligence (AI) presents. The paper called on the government to establish a high-level working group to help New Zealand deal with AI. This group has now been established.

The GLC also urged directors to set gender diversity targets to improve the sobering gender statistics, and developed a guide: *Getting on board with diversity*, that offered five practical steps to help boards achieve this. The guide was sent to NZX chairs, all IoD members and made available on our website.

In 2017 we will focus on three key themes during the year, and provide resources, education and thought leadership to support boards in the areas of what matters in digital, board dynamics and board sustainability.

Expansion of offerings

Our investment in our commercial arm, our governance business remains strong. Three years on, our commercial arm continues to produce innovative new courses and new delivery methods. We also teamed up with the Ministry of Social Development and Te Puni Kokiri in 2016 to provide specialised governance training programmes for NFP service providers, Maori and iwi.

Income from services for 2016 was \$10.9 million, which was an increase of 23.9% over 2015; subscription revenue increased 14.7% reflecting a strong increase in membership and Director Development training revenue was up 30.0%.

Gold standard governance

Good governance makes a difference to our businesses, our economy and our communities. In these globally changing times, strong governance and leadership is needed now more than ever. It's not just about "best practice" – leaders need to adapt and adjust.

The IoD is committed to giving leaders the licence to think differently and make informed decisions to position them as world-class directors and enable New Zealand businesses and society to thrive.

The IoD has a strong leadership team, and with a new CEO, Kirsten Patterson taking the reins in May 2017, I am looking forward to seeing where the IoD goes next.



Glenn Snelgrove
Chief Executive Officer (Acting)

Council

The IoD Council is responsible for overall corporate governance and consists of 11 non-executive members. In March of each year, branch committees elect members to represent them on the national council. The council elects the president and vice president annually.



Michael Stiassny

BCom, FCA, LLB, CFInstD (President)

Michael is a Chartered Fellow of the IoD and a Fellow of Chartered Accountants Association of New Zealand. He is a lawyer and senior partner at KordaMentha and a director of a number of private and public companies. He is currently chairman of Vector Ltd, Ngati Whatua Orakei Whai Rawa Ltd and TOWER Ltd. Michael is also on IoD's Commercial board.



Liz Coutts

ONZM, BMS, FCA, CFInstD (Vice President)

Liz is a Chartered Fellow of the IoD. Liz is Chair of Oceania Healthcare Ltd, Ports of Auckland Ltd, Skellerup Holdings Ltd and Urwin & Co Ltd, and a director of EBOS Group Ltd, Yellow Pages Group, Sanford Ltd and Tennis Auckland Region Inc., and a member of the Marsh New Zealand Advisory Board. Liz is also on the IoD's Commercial board.



Dr Helen Anderson

QSO, PhD, BSc (Hons), CFInstD

Helen is a Chartered Fellow of the IoD, Chair of the IoD's Wellington Branch Committee and Building Research Association of NZ. Helen is an independent director on the boards of DairyNZ, Massey University Council, NIWA, Antarctica NZ and the Lincoln Hub Ltd. She also chairs, or is a member of, the risk and assurance committees for New Zealand Police and the Department of Internal Affairs, the Department of Prime Minister and Cabinet's Strategic Risk and Resilience Panel and the ClearPoint Ltd Advisory Board.



Margaret Devlin

BA (Hons), Ch Enviro, FIWO, CFInstD

Margaret is a Chartered Fellow of the IoD. She is chair of Harrison Grierson WEL Networks, Watercare and Women in Infrastructure Networks and the independent Chair of Waikato District Council audit committee. Margaret is a director of Waikato Regional Airport Ltd, Titanium Park Ltd, City Care, Meteorological Services of New Zealand and IT Partners Group, a member of the National Infrastructure Advisory Board and the University of Waikato's Finance and Risk Committee.

Note: Margaret stepped down from the Council on December 31 2016.



Julia Hoare

BCom, FCA, MInstD

Julia is a professional independent director and member of the IoD's Auckland Branch Committee. She is Deputy Chair of The a2 Milk Company Limited, and director and Chair of the Audit and Risk committees of AWF Madison Limited and Watercare Services Limited. She is also a director of Port of Tauranga Limited and New Zealand Post Limited and a member of the External Reporting Advisory Panel.



Alan Isaac

CNZM, BCA, FCA, FICS, CFInstD

Alan is a Chartered Fellow of the IoD, member of the IoD's Wellington Branch Committee and Chair of the New Zealand Community Trust and McGrathNicol. Alan is a director of Opus International Consultants Ltd, Scales Corporation Limited, Fliway Group Limited, Skellerup Holdings Limited, Oceania Healthcare Limited, Isaac Advisory Services Ltd, New Zealand Vault Ltd, Murray Capital General Partner Ltd. and the Wellington Free Ambulance.



John McCliskie

CFInstD

John is a Chartered Fellow of the IoD and a member of the IoD's Nelson Marlborough Branch Committee. John is Chair of Alandale Orchards Ltd, Network Tasman Ltd, T Seventeen Ltd; Director Nelson Electricity Ltd; President International Pomefruit Alliance.



Vincent Pooch

NZCE, CA, CFInstD

Vincent is a Chartered Fellow of the IoD, Chair of the IoD's Canterbury Branch Committee and joined the national council in 2016. Vincent owns Key Business Partners Limited, a niche corporate advisory firm in Christchurch. He is Chair of IFS Forestry Group Limited and on the advisory board of Smith Crane & Construction Ltd and recently retired as a director of Dynes Transport Ltd where he continues as a consultant.



Glenn Snelgrove

MInstD

Glenn is Chair of the IoD's Bay of Plenty Branch Committee and has been acting CEO of the IoD since November 2016. Glenn has had an extensive career in management and governance across private, public, central and local government sectors. Glenn is independent chair of the South Waikato District Council Risk and Audit Committee, chair of the Lake Tarawera Wastewater Steering Committee, director of the Rotoiti Rugby Sponsorship Club and other community roles.

Note: Glenn stepped down from Council in November 2016.



Geoff Thomas

LLB, CFInstD

Geoff is a Chartered Fellow of the IoD and Chair of the IoD's Otago Southland Branch Committee. Geoff is Chair of Dunedin Casinos Limited, Taieri Gorge Railway Limited, Larnach Castle Limited, Otago Chapter of the Property Council of New Zealand, and Principals Advice and Support Limited, a director of Fund Managers Holdings Limited and a Trustee of Otago Third Age Trust.



Clayton Wakefield

BSc, PG Dip Mgmt, CMInstD

Clayton is a Chartered Member of the IoD and Chair of the IoD's Auckland Branch Committee. Clayton has over 35 years' experience as an executive and director in banking, financial services, telecommunications and technology. Clayton is a non-executive director of The Cooperative-Bank and a director of TechX, an independent digital/technology advisory company.

Leadership Team:

Acting Chief Executive Officer:

Glenn Snelgrove

Chief Executive Officer: Simon Arcus
(resigned in November)

Manager Membership, Marketing and Communications:

Nikki Franklin;

Manager Governance Leadership Centre:

Felicity Caird;

Corporate Services Manager:

Chris Fox;

General Manager Commercial:

Kirsten Ralph;

Branch Network Manager:

Peter McLellan.

Corporate governance

The IoD is governed by an 11-member council, responsible for the overall corporate governance and direction of the IoD's business and affairs on behalf of members.

The council consists of a non-executive president, a non-executive vice president and nine non-executive members. Councillors are elected under the procedures set out in the IoD constitution.

The president carries out a leadership role in the conduct of the council and its relations with members and other stakeholders.

The council has delegated the day-to-day leadership and management of the IoD to the chief executive officer, who maintains a close working relationship with the president.

All members of the council are members of the IoD. Although they do not receive any remuneration in their roles as councillors of the IoD, a number also contribute their expertise as course facilitators and are remunerated in this capacity.

IoD Council

The IoD is grateful to the following council members for their contribution in 2016: Michael Stiassny (president), Liz Coutts (vice president), Helen Anderson, Margaret Devlin, Julia Hoare, Alan Isaac, John McCliskie, Vincent Pooch, Ray Polson (who stepped down from the council and his committee roles at the June 2016 AGM), Glenn Snelgrove, Geoff Thomas and Clayton Wakefield.

Committees

To assist in the execution of its responsibilities, the council maintains a number of committees.

The Audit and Risk Committee monitors the IoD's internal controls and financial systems, provides a direct link between council and external auditors, and ensures there are procedures in place to safeguard the IoD's assets and interests. Members of the Audit and Risk Committee in 2016 were Alan Isaac (Chair), Dr Helen Anderson, Clayton Wakefield and Ray Polson (until June).

The Human Resources Committee sets, reviews and makes recommendations to council regarding the IoD's remuneration

policies and practices. Members of the HR Committee in 2016 were Glenn Snelgrove (Chair), Margaret Devlin, John McCliskie and Michael Stiassny.

The IoD thanks the members of the Professional Committee; Julia Hoare, Geoff Thomas, John McCliskie and Margaret Devlin and acknowledges the work of the Governance Leadership Oversight Committee; Julia Hoare (Chair), Clayton Wakefield, Dr Helen Anderson and Margaret Devlin.

We also thank the newly formed Health and Safety Committee, comprised of Alan Isaac (Chair), Helen Anderson, Clayton Wakefield, Ray Polson and Glenn Snelgrove and members of the Policy and Practices Committee Geoff Thomas (Chair), Michael Stiassny and Liz Coutts.

IoD Ltd Board (Commercial Board)

The Institute of Directors in New Zealand Limited (IoD Ltd) is the commercial arm of the IoD. Its purpose is to deliver financial stability, enabling funds to be reinvested into enabling the IoD to deliver on its mission, and increase the IoD's reach into New Zealand business and society. Providing commercial services which ensure their longevity.

IoD Ltd was governed by a six-person board chaired by Catherine McDowell following the resignation of Simon Arcus in November.

Liz Coutts, Dr Alison Harrison, Rangimarie Hunia, Ray Polson (until June).

Council President and IoD CEO (ex-officio).

Professional Standards

The IoD recognises the need for directors to observe the highest standards of behavior and business ethics when engaging in corporate activity. Both the IoD Council and the IoD Ltd Board abide by the principles contained in the *Code of Practice for Directors*.

Our year in review

In late 2016 the IoD developed a new strategy with four key objectives: Thought leadership and influence – high quality information in all our services and a strong advocacy platform; Raising standards – Chartered Membership pathway; Inspire and equip people – through education, branch events and services with relevant tools and materials; and Building engagement across the governance network – better integration and campaign philosophy to activate all parts of the IoD on core values and messaging.

The IoD underwent a brand review in 2016. Our positioning line Leading Governance ensures the IoD continues to strive to seek out and deliver leading knowledge to its members. By always being at the leading edge of governance the IoD gives its members the licence to think differently and make informed decision, positioning them as world-class directors.

2016 also saw the start of the IoD's digital transformation to make things easier and faster for members, while also increasing personalisation and automation.

With a new brand to set the tone, vision and mission to lead the way, and digital project to provide the tools, the IoD remains committed, relevant and focused to connect, equip and inspire its members.

Our thought leadership, extensive networks, governance training programmes, events and resources give our members the tools to become world-class directors. We are a membership organisation of more than 8000 members who, combined, are on the pulse of governance in every industry in New Zealand.

Professionalism

Our Chartered Membership pathway keeps directors at the forefront of the governance profession through continuous development, ensuring they have the latest relevant knowledge and skillset to add value across New Zealand business and society.

The Chartered designation offers stakeholders an assurance that their directors have met professional standards. Our pathway takes members from Chartered through to Chartered Fellow and Distinguished Fellow and recognises our members' commitment to professional development in the pursuit of becoming world-class directors.

All our Members, Chartered Members and Chartered Fellows are required to commit to Continuing Professional Development (CPD). CPD covers the activities, both formal and informal, which a director undertakes to improve their skills, knowledge and competence within the IoD's New Zealand Director Competency Framework.

We provide many opportunities for CPD. Members can attend events, courses, readings, presenting, webinars and online modules then record their CPD with an easy to use online dashboard tool. This ongoing requirement for self-improvement makes our members role models for their organisations and the community as a whole.

“The reality is that you just can't rest on what you've learned in the past so we continually need to adapt and learn. A modern director embraces that.” Chartered Fellow and professional director, Ian Fitzgerald

Branches

The IoD has a regional network of eight branches throughout New Zealand; five in the North Island, with a sub-branch of Wellington on the East Coast, and three branches in the South Island. Branches provide networking opportunities through regular events featuring national and international speakers along with functions tailored to the regional needs. In 2016, the branches hosted 208 events attended by a total of 10,046 people. This was an increase of 16 events from 2015.

Membership engagement is expected to continue to grow across all branches in 2017, as branch managers seek to hold innovative and forward thinking events, including the aspiring and emerging director awards.

Mentoring for Diversity

Established in 2011, the Mentoring for Diversity programme was initially developed to link high-performing women directors with experienced chairs and senior directors for mentoring. In 2015 the programme was expanded to promote diversity in the wider sense including ethnicity, age, skill and experience, in addition to gender. In 2016, the programme paired 17 mentees with mentors, bringing the overall total since 2011 to 110 pairings.

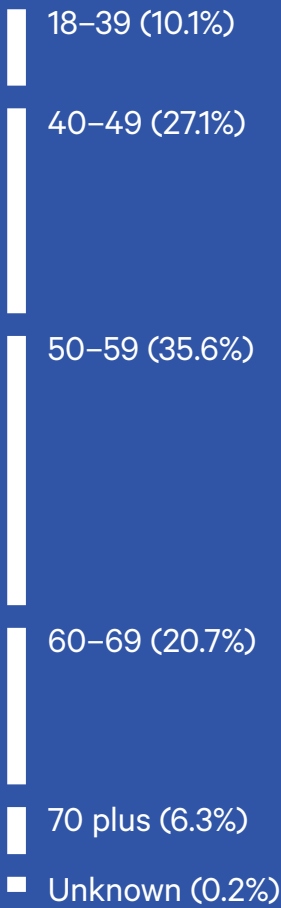
Future Directors

The Future Directors programme, founded by Michael Stiassny, Des Hunt and Sir Stephen Tindall in 2012, helps develop the next generation of directors by providing the opportunity for individuals to sit at the board table of a New Zealand company for a year. This valuable experience aims to equip and inspire future directors. The IoD welcomed the government's announcement in June that the programme would be extended to state sector boards, further strengthening the country's director pool.

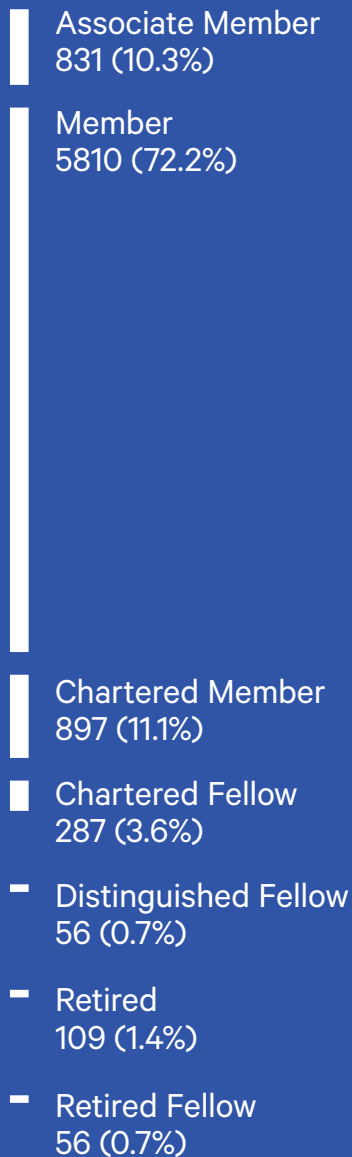
We thank our 2016 Future Director host boards: Auckland International Airport, AWF Group, Fisher & Paykel Healthcare, Kordia, Mercury, Meridian, Scales Corporation, Service IQ, The Warehouse, Vector along with Worksafe New Zealand, which was part of Future Directors Public Sector Programme announced in June.



Membership age breakdown



Membership category breakdown



27.9%
Females

72.1%
Males

33%
of attendees at nationwide events were non-members (3348 non-members compared to 6698 members)

The IoD offers a myriad of opportunities for members to **connect** with other senior leaders, to **develop** their skills and learning and to **build** their board career.

Our Commercial arm is the engine room providing financial stability and enhancing the IoD's reputation through commercialising what the IoD does.

Providing products and services to boards and individual directors to support them to be the best they can in the boardroom.

During 2016 we developed nine new courses, including two that were developed in partnership with government departments, with each providing valuable new knowledge and skills for senior leaders.

The Governance with Purpose programme, developed with the Ministry of Social Development, delivered training to 41 social service providers across New Zealand. The programme was unique for the IoD and unlike anything we have undertaken before. The programme customised governance training to support non-for-profit committees of social service providers who work at the front line. The programme was delivered at times and venues to suit the social service providers and they also chose the facilitators. More workshops are planned for 2017.

Another new governance training course was developed in partnership with Te Puni Kōkiri. The programme highlighted issues of most significance to each entity and drew on the aspirations, as well as the specific needs of each, while covering the three key areas of governance, strategy and finance. Attendees represented 14 iwi boards and trusts.

Other new courses included a one-day course on State Sector Governance for state sector directors, webinars on Chairing Fundamentals, Risk Trends, Risk Agility for Directors of Small/Medium Enterprises, and one-day courses on Advanced Health and Safety Governance, Not for Profit Finance Fundamentals, and Risk Essentials.

We will continue to run new and existing courses, workshops and online training throughout 2017, with a specific focus on digital capability development, and produce resources and collateral that provide a breadth of learning solutions and information sharing opportunities.

The fourth annual Direct2016 IoD Leadership Conference, was held in 2016 and proved again it is the gold standard professional development event for the governance community. The sold-out conference, with the theme Change is Now Constant, hosted 18 international and national speakers and four workshops. The keynote speakers included GE chief information and security officer Tim McKnight, String Theory's Dr Jane Cherrington, Health and Safety expert Dr Kirsten Ferguson, Institute for the Future's Brad Kreit, Cultural intelligence expert Dr Margaret Byrne, Qantas CE Alan Joyce, Former AICD Managing Director John Colvin and Australian of the Year David Morrison.

Our Facilitators Forum this year adopted a theme of digital innovation in the boardroom, and received high praise by participants. The Forum is a coming together of subject matter experts that partner with the IoD to provide our ever increasing suite of services from short courses to board services.

In 2016 we also held our second Leading Directors Forum, which was attended by 45 invited senior directors. The theme, *Leading Edge – global trends for New Zealand governance*, set the scene for a range of speakers on topics of significance to senior leaders. Attendees benefitted from in-depth peer to peer learning and networking.



15%

increase in course participants from 2015 to 2669 in 2016

447

attendees in 29 Boardroom Training workshops.

171

attendees from TPK



15%

increase in DirectorRem snapshot assignments



8%

increase in Director Vacancy roles advertised and an 18% increase in ads being placed



8.3%

increase in loD member participation in loD Directors' Fees survey



70%

of businesses identified diversity as important in the Director Sentiment Survey

The IoD is committed to being a leading voice of governance best practice to enable New Zealand businesses and society to thrive.

In 2016 we expanded our work in providing resources, meeting with stakeholders, engaging in debate and lobbying on behalf of our members.

Into its 3rd year, our research, policy and thought leadership hub, the Governance Leadership Centre (GLC), strengthened its capability and capacity.

Members were kept up to date on governance issues with six DirectorsBriefs on topics including what is changing for incorporated societies, joint venture governance, understanding and valuing intangible assets, and how to prevent boardroom conflict and manage disputes. We also provided three GovernanceUpdates covering legislative changes, court decisions, and global and national governance developments.

Four new practice guides were developed with stakeholders to share governance best practice on farming directorships, health and safety and corporate governance codes. The two health and safety leadership guides written with WorkSafe NZ were particularly important given the introduction of the new Health and Safety at Work Act in April 2016. We also released a guide to attracting diverse board talent. Diversity continues to be a key area of focus and advocacy for us and we undertook statistical analysis of gender diversity on NZX-listed company boards with the launch of our diversity guide.

The IoD partnered with ASB for the 2016 annual Director Sentiment Survey, designed to take the pulse of the director community. Technology continued to be a strong theme when it came to internal risks so developing board and organisational capability must be areas of focus for directors to ensure organisations are resilient.

IoD made 11 submissions to government and others on behalf of members, including two submissions to the NZX on the revised corporate governance code. In partnership with Chapman Tripp we developed a white paper *Determining our Future: Artificial Intelligence: Opportunities and challenges for New Zealand: A Call to Action*.

To position us as the thought leader on governance in New Zealand, the IoD leadership team regularly writes articles, online columns, and opinion pieces and makes comment in the mainstream media on governance issues. In 2016 there were 1,190 stories in the media that mentioned the IoD with the majority covering cyber-risk, diversity, directors' fees and the rural governance essentials programme. This was nearly a 90% increase on 2015 when there were 632 stories in the media that mentioned the IoD.

As well as providing thought leadership in New Zealand, the IoD is a founding member of the Global Network of Director Institutes (GNDI), an association of sovereign state director organisations. We represent New Zealand's interests in the GNDI and share international thinking and developments with New Zealand directors.

BoardWide members

The Institute of Directors and its members are committed to raising the standards of governance in New Zealand, and we encourage organisations to demonstrate their commitment to best practice by becoming BoardWide members. BoardWide membership offers directors of participating organisations a 20% reduction in member fees and a waiving of joining fee.

Other benefits include a complimentary subscription to boardroom, a copy of The Four Pillars of Governance Best Practice, and one free advertisement on DirectorVacancies. To qualify, an organisation must have four or more board directors, all of whom are members of the IoD. CEOs and senior managers can also be included in BoardWide membership.

Current BoardWide members: 3R Group Limited, Abano Healthcare Group Limited, Access Ability Charitable Trust, Accuro Health Insurance, Air New Zealand Limited, Bay of Plenty Regional Council, Biogro New Zealand Limited, Bluelab Corporation Limited, Braemar Hospital Limited, BRANZ Limited, Canterbury Development Corporation, Central Primary Health Organisation Limited, CompeteNZ, Exercise Association Of New Zealand Incorporated, Federated Farmers of NZ Inc, Fiji And Tonga Territory, Fisher & Paykel Healthcare, Corporation Limited, Foodstuffs South Island Limited, Grassroots Trust Limited, Hamilton Hardware Retail Limited, Mahaanui Kurataiao Limited, Mangere East Family Service Centre Inc, Master Plumbers, Gasfitters & Drainlayers NZ Inc, Morrison Low Holdings Limited, New Zealand National Fieldays Society Incorporated, New Zealand School Trustees Association Incorporated, New Zealand Trade and Enterprise, Ngati Rarua Atiawa Iwi Trust, NZCU Baywide, NZCU Employees, Pasifika Futures Limited, PBO Group, Pegasus Health (Charitable) Limited, Pohlen Hospital Trust Board, Police & Families Credit Union, Rātā Foundation, Rider Levett Bucknall Auckland Limited, Selwyn District Council, Site Safe New Zealand Inc, Smartpay Holdings Limited, Te Hau Ora o Kaikohe, Te Korowai n Ngaruahine Trust, Te Puna Ora O Mataatua Charitable Trust, Te Runanga a Rangitane o Wairau Trust, The Building Officials Institute of New Zealand, The Salvation Army New Zealand, The Selwyn Foundation, Theta Systems Limited, Thomsons Timber Supplied Limited, Tourism Bay Of Plenty, Vector Limited, Vetora Waikato, Victoria University of Wellington, Waiotahi Contractors Limited, Wintec Student Residence Trust Board.



Independent Auditor's Report To the Members of The Institute of Directors in New Zealand Incorporated

Opinion

We have audited the consolidated financial statements of The Institute of Directors in New Zealand Incorporated (the 'Institute'), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 18 to 23, present fairly, in all material respects, the financial position of the Institute as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We are independent of the entity in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the entity or its subsidiary, except that partners and employees of our firm deal with the entity and its subsidiary on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiary.

Other information

The National Council is responsible on behalf of the group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

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

Our responsibility is to read the other information, and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

National Council's responsibility for the consolidated financial statements

The National Council is responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the National Council determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the National Council is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Council either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs and ISAs (NZ) 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Wellington, New Zealand
3 May 2017

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2016

	Note	2016 \$	2015 \$
Income from Services	3	10,867,778	8,804,226
Cost of Services	3	7,829,064	6,764,158
Gross Profit		3,038,714	2,040,068
Interest Income		133,620	113,132
Operating Expenses		(2,604,781)	(2,165,909)
Surplus/(Deficit) before tax expense		567,553	(12,709)
Income tax expense	10	0	0
Surplus/(Deficit) for the period		567,553	(12,709)
Total comprehensive revenue and expense for the year net of tax attributable to members		567,553	(12,709)
Other comprehensive revenue and expense for the period		0	0
Total comprehensive revenue and expense for the period attributable to members		567,553	(12,709)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	2016 \$	2015 \$
Accumulated funds 1 January	1,106,454	1,119,163
Total comprehensive revenue and expense for the period	567,553	(12,709)
Accumulated funds 31 December	1,674,007	1,106,454

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and Cash equivalents		3,725,390	1,713,305
Cash on deposit		2,607,189	1,443,752
Trade & other receivables	7	894,226	647,915
Interest receivable		29,089	16,303
Total current assets		7,255,894	3,821,275
Non current assets			
Property, plant & equipment	4	216,020	258,210
Intangible assets	5	81,158	140,903
Total non current assets		297,178	399,113
Total assets		7,553,072	4,220,388
Current liabilities			
Trade & other payables	8	5,879,065	3,113,934
Total current liabilities		5,879,065	3,113,934
Total liabilities		5,879,065	3,113,934
Net assets		1,674,007	1,106,454
Represented by:			
Accumulated funds		1,674,007	1,106,454

The Council of the Institute of Directors in New Zealand Inc authorised these financial statements presented on pages 18 to 23 for issue.



PRESIDENT

3 May 2017



CHIEF EXECUTIVE OFFICER

3 May 2017

Consolidated Statement of Cash Flow

For the year ended 31 December 2016

	2016 \$	2015 \$
Cash Flows from Operating Activities		
Cash Receipts from Subscriptions & Joining Fees	3,522,046	2,647,023
Cash Receipts from Commercial, Branch Activities & Other	9,232,785	6,166,832
Cash Receipts from Interest	120,834	129,683
Cash paid to suppliers	(5,402,278)	(4,767,104)
Cash paid to employees	(4,210,678)	(3,728,936)
Net GST (paid)/received	(29,602)	43,464
Net cash flows from operating activities	3,233,107	490,962
Cash flows from investing activities		
Proceeds from maturity of cash deposits	0	494,025
Acquisition of cash deposits	(1,163,437)	0
Acquisition of Fixed assets	(57,585)	(68,267)
Net cash flows used in investing activities	(1,221,022)	425,758
Net increase in cash and cash equivalents	2,012,085	916,720
Cash and cash equivalents at beginning of the year	1,713,305	796,585
Cash and cash equivalents at end of the year	3,725,390	1,713,305
ANZ current account	265,181	335,068
Term Deposits as cash equivalents	3,460,209	1,378,237
Cash and cash equivalents at end of the year	3,725,390	1,713,305

The attached notes form part of and should be read in conjunction with these financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. General information

The Institute of Directors in New Zealand (Inc) (IoD) provides support and education to directors and aspiring directors. The IoD is a New Zealand incorporated society under the Incorporated Societies Act 1908 and is domiciled in New Zealand. The registered office is located at 50 Customhouse Quay, Wellington.

These financial statements have been adopted by the Council on 3 May 2017.

2. Summary of significant accounting policies

a Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the Public Benefit Entity Standards Reduced Disclosure Regime

("PBE Standards RDR") as appropriate for Tier 2 not-for-profit entities, for which all reduced disclosure regime exemptions have been adopted.

The Group qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure.

The financial statements of the IoD as at and for the year ended 31 December 2016 incorporates the financial statements of their subsidiary IoD Limited (previously known as IODX Limited) which was incorporated on 11 November 2013.

These statements are prepared on the historical cost basis.

The functional and presentation currency is New Zealand dollars.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

b Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash on deposit with financial institutions with maturities greater than three months are classified as cash on deposit within the statement of financial position.

c Goods and services tax

The financial statements have been prepared on a goods and services tax exclusive basis, except for accounts receivable and payable which include GST as invoiced.

d Trade receivables

Trade receivables are valued at expected realisable value. A provision has been made for any specific doubtful accounts. Receivables are reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Trade receivables, Cash and cash equivalents and Cash on deposit are the only financial assets of the IoD and are categorised as loans and receivables.

e Property, plant and equipment

Assets are valued at the aggregate of cost less accumulated depreciation and impairment losses, if any. Cost includes only those directly attributable external costs incurred in obtaining the asset.

Depreciation is calculated on a diminishing value (DV) basis or straight line (SL) basis according to the assets useful life as follows:

Computers and cabling	48% and 20% DV, 33% SL
Furniture and fixtures	20% DV
Office equipment	48% and 20% DV

f Intangible assets

Intangible assets consist of software and development costs.

Development costs incurred in the development of new or substantially improved programmes and services are only capitalised if the future economic benefits are certain and the IoD intends to use or sell the service.

Amortisation is recognised in the statement of comprehensive revenue and expense over the estimated useful lives which are as follows:

Software	48% DV
Other intangibles	20% SL

Research costs are recognised in the statement of comprehensive revenue and expense in the period in which they are incurred.

g Revenue recognition

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Institute/Group, and is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria in relation to the Institute's/Group's revenue streams must also be met before revenue is recognised:

h Revenue from exchange transactions*Membership fees and subscriptions*

Annual subscriptions are recognised as income in advance when invoiced and

recognised as income on a straight line basis over the period of membership.

Director development income

Income from Director Development courses is accrued as income in advance and recognised in the month of the course.

Board services

Income from Board Services is recognised in the month of the service being provided.

Branch activities

Income from Branch Activities is recognised in the month the activity occurs.

i Other income*Sponsorships*

Income from sponsorship is accrued as income in advance and recognised over the term of the sponsorship.

Sundry income

Sundry income is recognised on an accruals basis.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

The interest rate risk due to possible fluctuations in rates and credit risk is managed by investing with a number of registered banks, for variable terms not exceeding 12 months.

j Taxation

Tax recognised in the statement of comprehensive revenue and expense is the estimated income tax payable in the current year, adjusted for any differences from prior years and taking into account any brought forward tax losses available to the IoD.

k Leased assets*Operating leases*

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease.

l Employee entitlements

Employee entitlements to salaries and wages, annual leave and other benefits are recognised when they accrue to employees. The liability for salaries, sick leave and annual leave is carried at the amount earned for service in the current and past periods.

A number of employees belong to the KiwiSaver scheme. The IoD's obligations as an employer are limited to any agreed contribution levels and these obligations and contributions will cease if the employee leaves the organisation. These contributions are expensed as incurred.

m Trade and other payables

These amounts represent liabilities for goods and services provided to the IoD prior to

year-end which are unpaid. The amounts are unsecured and are generally paid within 30 days.

Trade payables are the only financial liabilities of the IoD.

Income received in advance revenue includes subscriptions, training and sponsorship income received in advance of the provision of the service. This revenue is recognised as the IoD provides the related services.

n Financial assets

The IoD classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at the initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the IoD provides money, goods or services directly to a counterparty with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. Loans and receivables are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the IoD has transferred substantially all the risks and rewards of ownership.

o Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

p Management of liquidity & accumulated funds

The IoD's capital consists of accumulated funds. The IoD's management and Council monitor its liquidity and management of cash on a regular basis.

3. Income and costs from services, include, inter alia:

	2016 \$	2015 \$
Revenue from exchange transactions:		
Subscriptions	3,036,684	2,647,023
Director Development income	6,063,586	4,664,679
Board services	510,415	374,616
Branch activities	511,650	444,269
Costs from services		
Employee Remuneration	3,218,104	2,982,296
Cost of delivery Director Development Courses (excl. Salaries)	3,261,256	2,469,735
Cost of Commercial Operations development	55,749	124,838
Cost of delivery Branches, Membership, Governance Leadership Centre (excl. Salaries)	1,293,955	1,187,289

4. Property, Plant and Equipment

		2016 \$	2015 \$
Computers and cabling	Cost	305,045	260,592
	Accumulated depreciation	(225,817)	(170,724)
	Book Value	79,228	89,868
Furniture and fixtures	Cost	366,799	357,235
	Accumulated depreciation	(242,814)	(206,161)
	Book Value	123,985	151,074
Office equipment	Cost	112,597	109,029
	Accumulated depreciation	(99,790)	(91,761)
	Book Value	12,807	17,268
Totals	Cost	784,441	726,856
	Accumulated depreciation	(568,421)	(468,646)
Total book value		216,020	258,210
Depreciation expense			
Computers and cabling		55,093	50,334
Furniture and fixtures		36,653	41,018
Office equipment		8,029	10,745
Total depreciation expense		99,775	102,097

5. Intangible Assets

		2016 \$	2015 \$
Computer software	Cost	273,359	273,359
	Accumulated amortisation	(192,201)	(132,456)
	Book Value	81,158	140,903
Amortisation intangibles		59,745	101,321

6. Operating leases

The aggregate operating lease commitments are as follows:

	2016 \$	2015 \$
Current	203,791	225,218
1 – 5 years	143,480	316,621
Total	347,271	541,839

The IoD leases premises and equipment. Operating leases for the Auckland and Wellington property give the IoD the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of equipment held under operating leases.

7. Trade and other receivables

	2016 \$	2015 \$
From exchange transactions		
Trade receivables	775,638	555,098
Prepayments	118,588	92,817
Total	894,226	647,915

The IoD has not recognised any loss or provision in respect of bad and doubtful trade receivables during the year ended 31 December 2016 (2015 Nil).

8. Trade and other payables

	2016 \$	2015 \$
From exchange transactions		
Trade payables	464,531	202,980
Income received in advance	4,498,466	2,390,872
Accruals	419,621	115,687
Employee entitlements	420,540	298,885
Other payables (GST)	75,907	105,510
Total	5,879,065	3,113,934

9. Professional indemnity insurance

The IoD has paid a professional indemnity insurance premium on behalf of its Council members' of \$6,250 (2015 \$6,250).

10. Taxation

As we have estimated tax losses of \$1,008,902 there is no provision for tax on estimated assessable income of \$509,104 for the tax year ended 31 December 2016.

11. Contingent liabilities

The IoD has no contingent liabilities at 31 December 2016 (2015 Nil).

12. Related parties disclosures

All members, senior management and branch managers are considered to be related parties of the IoD.

During the year, various members received remuneration in their capacity as professional development presenters and for their involvement in accreditation and board advisory services, on an arm's length basis.

Details are as follows:

	2016 \$	2015 \$
Director Development	973,898	740,265
Chartered Member	7,129	25,598
Course review	52,593	47,456
Director fees – IoD Limited	60,000	85,000

Council members

The total amount paid for services from Council members in their capacity as directors of IoD Limited, included in the totals above, was \$0 (2015 \$26,667).

	2016 \$	2015 \$
R Polson	0	26,667
Total	0	26,667

All Council members are members of the IoD and pay full subscriptions as per ordinary members.

Branch Committee members

The total amount paid to Branch committee members in their capacity as facilitators, trainers, and / or directors for IoD Limited, included in the totals above, was \$80,246 (2015 \$69,791).

No amounts remain outstanding as at the end of the reporting period.

All transactions have been undertaken at arms-length under normal commercial arrangements.

13. Capital commitments

The IoD has no capital commitments as at 31 December 2016 (2015 Nil).

14. Events after balance date

There are no significant events which have occurred subsequent to balance date (2015 Nil).

15. Financial Instruments

	Loans and receivables at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
2016			
Cash and cash equivalents	3,725,390		3,725,390
Cash on deposit	2,607,189		2,607,189
Trade Receivables (excl. prepayments)	775,638		775,638
Other accounts receivable	29,089		29,089
	7,137,306		7,137,306
Trade payables		464,531	464,531
Accruals		840,161	840,161
		1,304,692	1,304,692

2015

Cash and cash equivalents	1,713,305		1,713,305
Cash on deposit	1,443,752		1,443,752
Trade Receivables (excl. prepayments)	555,098		555,098
Other accounts receivable	16,306		16,306
	3,728,461		3,728,461
Trade payables		202,980	202,980
Accruals		414,572	414,572
		617,552	617,552

16. Cash Flow reconciliation

	2016 \$	2015 \$
Net Surplus / (Deficit) as per Statement of Comprehensive Revenue and Expense	567,553	(12,709)
Add back non-cash depreciation	159,520	203,418
Less Capital expenditure	(57,585)	(68,267)
(Increase) / Decrease in cash on deposit	(1,163,437)	494,025
Increase in Trade and Other payables	2,765,132	274,073
Decrease / (Increase) in Trade and Other receivables	(259,098)	26,180
	2,012,085	916,720
Cash and Term Deposits at the end of the year	3,725,390	1,713,305
Cash and Term Deposits at the beginning of the year	1,713,305	796,585
Movement in Cash and Term deposits	2,012,085	916,720

17. Transition to PBE Standards RDR

This is the Group's first set of consolidated financial statements presented in accordance with PBE Standards RDR.

There are no material differences arising from the transition from previous NZIFRS to PBE Standards RDR affected in the Institute's/Group's reported financial position, statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows. Differences only relate to enhanced disclosure of revenue and receivables between exchange and non-exchange transactions.

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