

Annual Report 2017

Investing in our future

LEADING
GOVERNANCE


Institute of
Directors

The Institute of Directors (IoD) in New Zealand connects, equips and inspires its members, to add value across business and society through thought leadership, our extensive network, professional governance courses, events and resources.

iod.org.nz

Our purpose

Driving excellence in governance.

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

- Raising standards
- Thought leadership and influence
- Inspire and equip people
- Build engagement across the governance network

Core enablers

- Financial sustainability
- Technology
- People

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WHO WE ARE

Our Council

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

Council advances the purpose laid out in the IoD's *Constitution*, which is to promote excellence in corporate governance, facilitate professional development and enhance the standard and effectiveness of directors through information and education on their legal, moral, financial and general rights and responsibilities.

As examples of the values that we hold as an organisation, Council follows the guidelines on conduct outlined in our *Charter*. All Council and Committee members also commit to engaging in continuous professional development to improve their governance practice.

This year, seven meetings of the Council were held. Council positions are voluntary and are not remunerated.

2017 Leadership team

Kirsten Patterson

Chief Executive Officer (appointed May 2017)

Glenn Snelgrove

Acting Chief Executive Officer (January – May)

Nikki Franklin

General Manager, Members

Felicity Caird

General Manager Governance Leadership Centre

Chris Fox

General Manager Corporate Services

Kirsten Ralph

General Manager Commercial

Peter McLellan

Branch Network Manager

WHO WE ARE

2017 Council



President
Liz Coutts ONZM, CFInstD



Vice President
Alan Isaac CNZM, CFInstD



Dr Helen Anderson
QSO, CFInstD



Des Hammond CFInstD
(elected 15 June 2017)



Julia Hoare CMIInstD



Jackie Lloyd CMIInstD
(elected 15 June 2017)



Simon Lockwood CMIInstD



Vincent Pooch CFInstD



Geoff Thomas CFInstD



Clayton Wakefield CMIInstD



Sarah-Jane Weir CMIInstD
(elected 15 June 2017)

Councillors who stood down at 15 June 2017

John McCliskie CFInstD
Michael Stiassny CFInstD
(President)

WHO WE ARE

Committees

Policy and Practice

Liz Coutts

Alan Isaac (from 15 June)

Michael Stiassny (until 15 June)

Geoff Thomas (Chair)

Sarah-Jane Weir (from 15 June)

Operates by email as required

Audit and Risk

Dr Helen Anderson

Alan Isaac (Chair until 15 June)

Julia Hoare (Chair and member from 15 June)

Clayton Wakefield

Two meetings

Health and Safety

Dr Helen Anderson (Chair from 15 June)

Clayton Wakefield

Julia Hoare

Alan Isaac (Chair and member until 15 June)

Jackie Lloyd (from 15 June)

One meeting

Human Resources

Michael Stiassny (until 15 June)

Liz Coutts

Alan Isaac (from 15 June)

John McCliskie (member until 15 June)

Jackie Lloyd (Chair and member from 15 June)

One meeting

Digital Project Committee

Clayton Wakefield (Chair)

Dr Helen Anderson

Alison Harrison (Commercial Board member)

Six meetings

Governance Leadership Oversight Committee

Clayton Wakefield

Julia Hoare (Chair)

Dr Helen Anderson

**Ceased operating December 2016 and disbanded
15 June 2017**

Commercial Board

The IoD has a separate Commercial Board to oversee commercial performance.

Independent directors of the Commercial Board are paid.

Liz Coutts (Ex-officio – Council Vice President until 15 June)

Council President from 15 June)

Alison Harrison

Rangimarie Hunia (until 9 August)

Alan Isaac (Ex officio – Council Vice President from 15 June)

Catherine McDowell (Chair and member until 9 August)

Kirsten Patterson (Chair and member from 9 August)

Michael Stiassny (Ex officio – Council President until 15 June)

Six meetings

WHO WE ARE

Our branch network

8

THE IOD HAS EIGHT BRANCHES THROUGHOUT THE COUNTRY

188

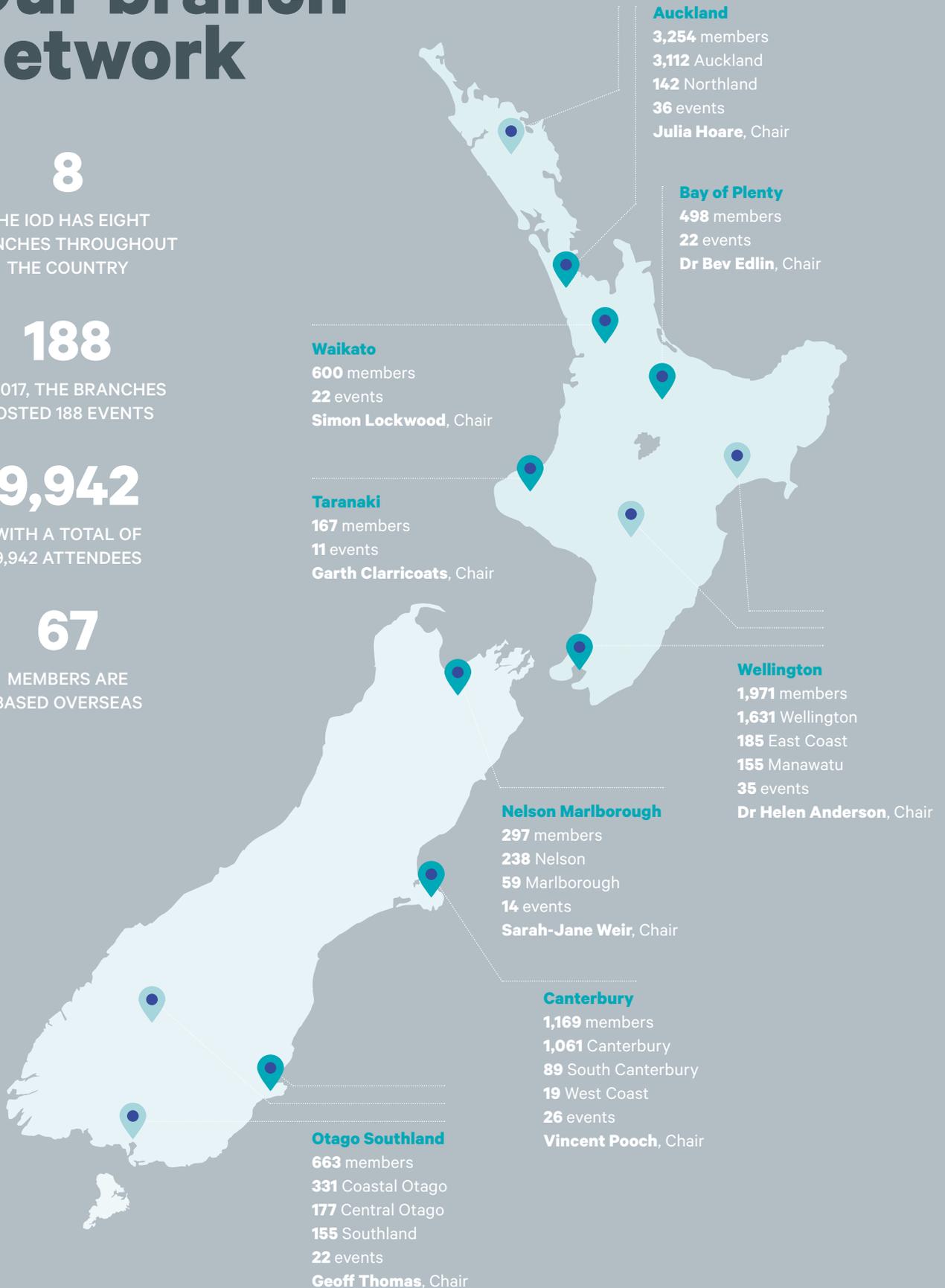
IN 2017, THE BRANCHES HOSTED 188 EVENTS

9,942

WITH A TOTAL OF 9,942 ATTENDEES

67

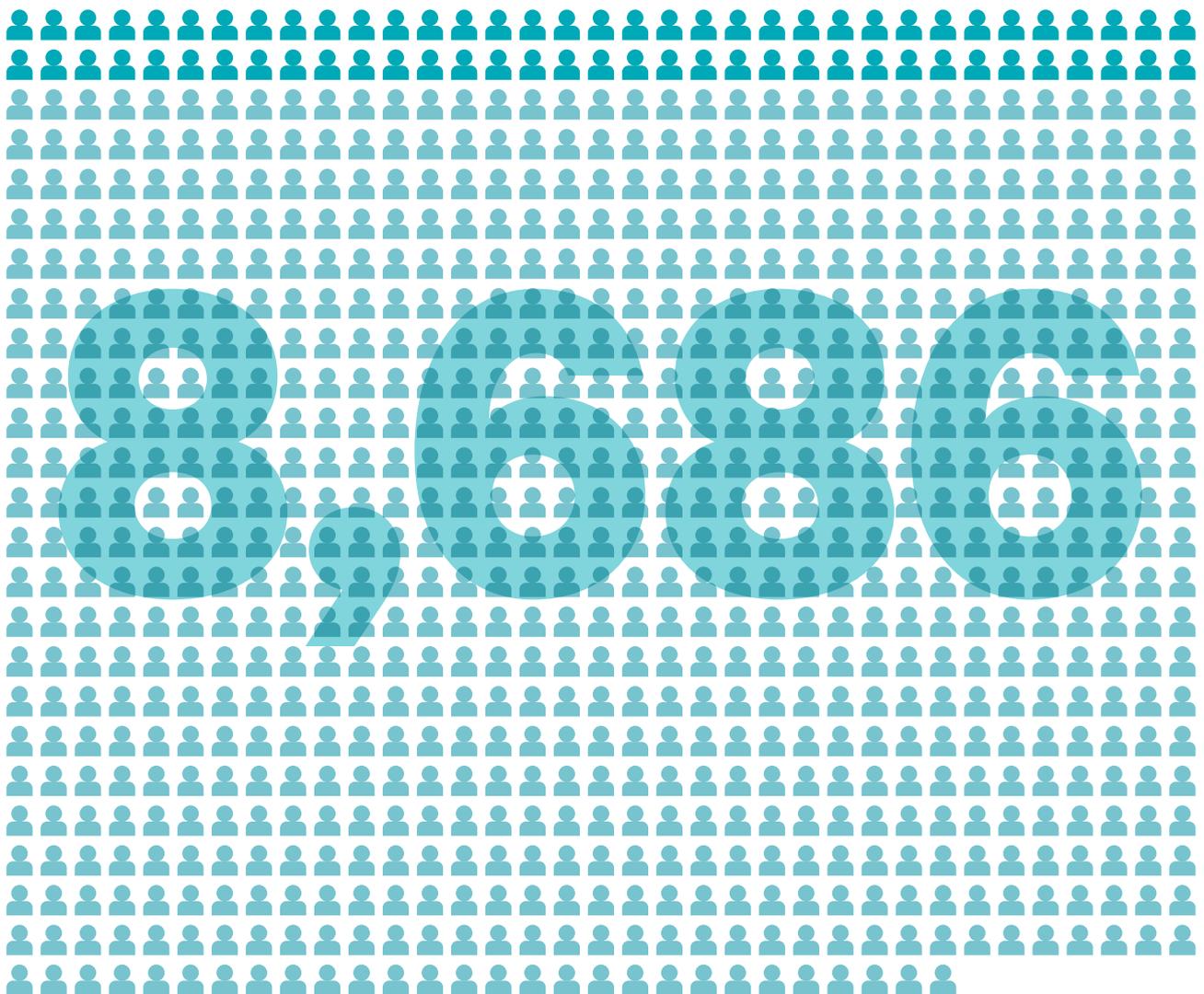
MEMBERS ARE BASED OVERSEAS

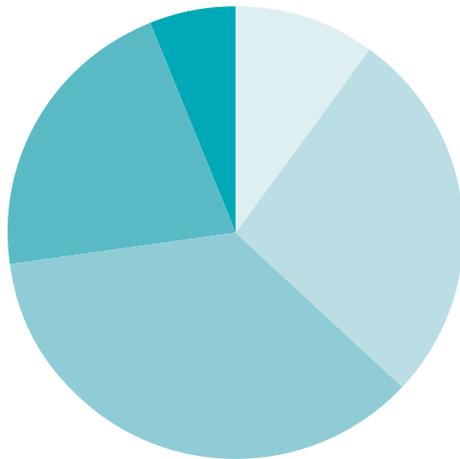


WHO WE ARE

Our members

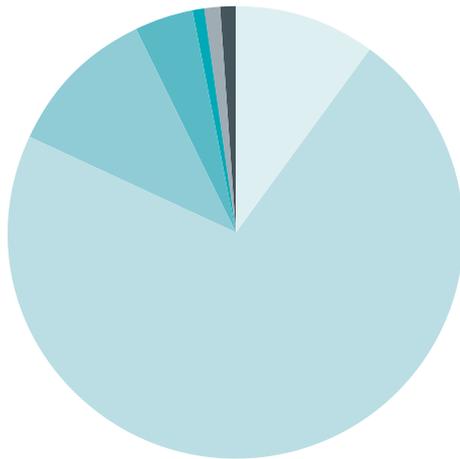
Our membership has grown to 8,686, up 8% from the previous year





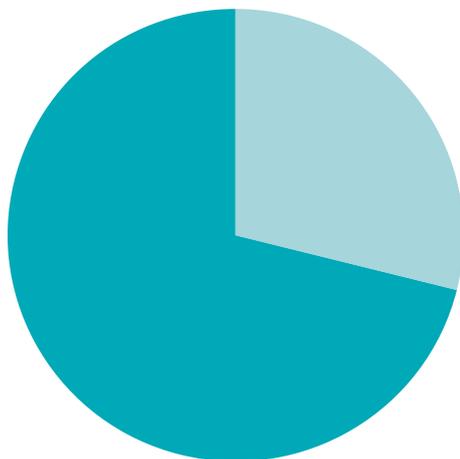
By age

- 18-39 **10%**
- 40-49 **27%**
- 50-59 **36%**
- 60-69 **21%**
- 70+ **6%**



By membership type

- ASSOCIATE **10%**
- MEMBER **72%**
- CHARTERED MEMBER **11%**
- CHARTERED FELLOW **4%**
- DISTINGUISHED FELLOW **1%**
- RETIRED **1%**
- RETIRED FELLOW **1%**



By gender

- FEMALE **29%**
- MALE **71%**

FROM THE PRESIDENT

From strength to strength in 2017

I am very pleased to report the Institute of Directors (IoD) is stronger than ever. Membership numbers are at a new high and more people than ever attended our courses. We have built up reserves to fund digital investment for the IoD to improve member experience and organisation efficiency, and to continue to refresh and enhance professional development resources.

Adapting to uncertainty and emerging developments is an ongoing challenge we face as directors. It requires balancing long-term thinking with current priorities. Directors need judgment, courage and resilience. The IoD is committed to driving excellence in governance and director professionalism to support New Zealand's prosperity and wellbeing.

The speed and scale of change continues to increase through technology advances, artificial intelligence, robotics and digital connectedness. Workers and workplaces are changing and the future looks increasingly diverse, including the growing gig economy. Boards need to ensure their organisations have the right skills and capability for sustainable success.

Culture is key. We need to fully understand our organisations, to use our insights to help shape a high energy, healthy and inclusive culture. Integral to this is setting the tone for ethical behaviour, organisational values and standards. It's about leadership not compliance.

Issues of trust, ethics and stakeholder engagement have become increasingly important with questions about the role of business in society, sustainability and the very shape of our economic system. This is clear in the *2018 Acumen Edelman Trust Barometer Report*, which highlights the need to show commitment to the longer term and for business to act on wider societal issues. Edelman's top trust-building mandates for business are to protect people's privacy and personal information, keep them safe from physical harm, drive economic prosperity and ensure workers have the skills to be competitive in the global market. This provides both opportunity and challenge for directors. We need to think about our role as stewards to ensure we leave our organisations better off for the future.

In 2016 New Zealand signed the Paris Agreement on climate change and there is an increasing sense of urgency for us to find ways to stabilise global warming and help meet the UN Sustainable Development Goals. Business has a key role in ensuring New Zealand leads and innovates to meet these challenges, to seek opportunities and gain a competitive edge.

To navigate into the future we need certainty around policy and economic frameworks and the IoD will continue to monitor developments and advocate on behalf of our members.



Investing in our future

The 2017 surplus of \$1.43m before taxation expense reflects strong revenue and the careful approach we have taken as an organisation. It also demonstrates that the services we offer are valued not only by members but also in the broader community, with attendance at IoD events and training up significantly in 2017.

Our membership has also continued to grow, up 8% from 2016 to 8,686 members. This is a 58% increase in members over the past five years.

Looking to the future, we plan to use these reserves to improve our digital capability and services, to better meet member professional development needs and support a sustainable future for the IoD.

Telling our story

Meaningful reporting that goes beyond financials and tells a more holistic story enhances the value of governance through greater transparency and accountability. We are seeing this in the increased use of extended external reporting, including Integrated Reporting, and in the 2017 *NZX Corporate Governance Code*, which lifts expectations on environmental, social and governance disclosures. These trends are across all sectors. For charities, the Statement of Service Performance covers what's been done (outputs) and what's been achieved (outcomes) during the year.

In this report we are taking steps to provide more information about our performance and on corporate governance matters that are important to the IoD. We will continue to review how we can provide more meaningful reporting for future years.

With appreciation

It has been a year of transition and changing of the guard at the IoD. First, my thanks to Glenn Snelgrove for guiding the IoD team until the appointment of Kirsten Patterson (KP) in May. My sincere thanks to KP for her leadership, the IoD staff for their hard work and dedication and the IoD Council for their time and efforts. I'd like to particularly thank outgoing President Michael Stiassny and incoming Vice President Alan Isaac for their support.

I would also like to congratulate those members who gained Chartered Membership or were awarded Chartered Fellowship or Distinguished Fellowship in 2017. You reflect the professionalism and dedication that the IoD strives to bring to the governance community.

Finally, I wish to acknowledge the work of our branch committees for their enthusiasm and time. Our branches hosted 188 events for 9,942 attendees at locations from Invercargill to Kerikeri – contributing hugely to the value of IoD membership and helping us to truly be the professional body at the heart of the governance network.

Liz Coutts, ONZM CFInstD,
President

FROM THE CEO

Building capability and delivering value

Access for directors to resources on governance practice is essential to New Zealand's economic growth

Being a director requires a complex set of skills, including the ability to work collaboratively with others and adapt quickly to changing environments. While we each have our natural aptitudes, director roles require much more than this. To succeed, directors need to be constantly curious and engage in continuous learning.

The Institute of Directors in New Zealand (IoD) is committed to professionalising governance in New Zealand. As an organisation we can see how engaging in continuous professional development allows directors to govern their organisations better. They are prepared to meet the challenges of a rapidly changing world, to ask their leadership teams relevant questions and ensure that they are addressing issues of resource, capacity and capability to build effective, efficient, happier and more productive workplaces.

Our success at the IoD is founded in the vibrant network of engaged members we have formed across New Zealand. At 8,686 members we are stronger than ever. Whether it is experienced chairs making their time available for mentees, or the 51% of our members who sit on not-for-profit boards as part of their directorship portfolios, it is clear our members take their commitment to improving governance in New Zealand seriously.

But the environment for New Zealand directors is changing. We are in the midst of the fourth Industrial Revolution – an era of digital disruption that is transforming industries around the world.

Our priority in 2017 has been on building an organisation that is fit to cater to the changing needs of our directors in a digital environment. For the IoD to remain the leading voice and resource for directors, we will need to build an organisation that is sustainable and ready to take on challenges and opportunities in the future.

This means continuing to improve the way we serve our members through investing in our digital capabilities, creating a more personalised approach, more relevant targeting, and creating a seamless digital experience. Our membership has grown significantly and we have been increasing staff resources to support this growth. We are currently evaluating our office premise requirements and we have built a reserve to fund our office expansion.

A key focus in 2017 then has been building up our financial reserves to allow for our digital transformation and growth in the coming years. Our surplus at 31 December 2017 was \$1.43m before income tax expense. Revenue from services for 2017 was \$13.36m, which was an increase of 22.9% over 2016; subscription revenue was up 9.5% and director development training revenue was up 30.5%. This puts us in a strong financial position for the coming years as we complete our digital transformation project.



We have also completed important work internally on our structure to ensure that we can serve the needs of our growing membership needs. Our organisational review identified the need for a new general manager for members, whose role is to better connect membership services across the IoD, driving better services as we roll out our digital transformation. Previously the role also included marketing which now has its own general manager to ensure we reach all directors and remain relevant in a changing environment.

Throughout this transformation, we have continued to strengthen our role as a major thought leader in New Zealand governance. We updated our flagship publication *The Four Pillars of Governance Best Practice* to offer better digital accessibility, and new chapters reflecting the environmental and social concerns of modern directors including human rights in business, reporting on and managing non-financials. Our team has worked hard to serve and represent directors, and has strong engagement with media and stakeholders, including government and business groups. We have also held two very successful conferences – our annual Leadership Conference and a new partnership with On Being Bold, a group of successful female directors who are dedicated to creating a pipeline for women into leadership roles.

Our success is also due to the support of our sponsors. I would like to thank our national business partners ASB, Marsh, Aura and our national sponsors KPMG and Chapman Tripp for getting behind our efforts to maintain high standards of governance in New Zealand. I would also like to extend

my thanks to all of our branch level sponsors and supporters who play an important role at a local level for the IoD. Special thanks also to the other organisations and individuals who contribute to our ability to deliver courses, guidance and thought leadership.

I am also very grateful to the team at the IoD for their support. Special thanks to President Liz Coutts and Vice President Alan Isaac for their generosity in sharing their knowledge. I would also like to thank their predecessors Michael Stiasny and then Acting Chief Executive Glenn Snelgrove for their assistance in the early part of 2017 as I began my new role. We have a great team at the IoD who consistently go above and beyond to serve members, and I am very thankful for this.

Finally, a special thanks to our members. Without your engagement, support and help, we would not have the vibrant organisation we have today.

Ngā mihi nui,

Kirsten Patterson,
Chief Executive Officer

Snapshot of our year

Good governance is crucial to building a strong New Zealand. The IoD is committed to improving best governance practice and providing our members with the networks, insight and information that will help them to excel. In 2017 we continued to focus on four strategic objectives: raising standards, providing thought leadership and influence, inspiring and equipping directors, and building engagement across the governance network.



WEBSITE VISITS INCREASED BY 9% ON LAST YEAR, DEMONSTRATING THE IMPORTANCE OF OUR DIGITAL INFRASTRUCTURE



100% OF PARTICIPANTS SAID THEY WOULD RECOMMEND THE *NGĀ PAE HIHIRI* PROGRAMME WITH TE PUNI KŌKIRI TO OTHERS. SATISFACTION IS ALSO HIGH FOR OUR GOVERNANCE WITH PURPOSE PROGRAMME WITH THE MINISTRY OF SOCIAL DEVELOPMENT



ALL MEMBERS RECEIVED AN UPDATED VERSION OF ***THE FOUR PILLARS OF GOVERNANCE BEST PRACTICE***, WHICH WAS ALSO MADE AVAILABLE AS AN ENHANCED ONLINE RESOURCE



213

BOARD VACANCY ADVERTISEMENTS APPEARED IN DIRECTOR VACANCIES, UP FROM 189 IN 2016

▲ **21%**

A 21% INCREASE IN DIRECTOR REM ASSIGNMENTS TO ADVISE ON APPROPRIATE DIRECTOR FEES



4,739

OUR DIRECTOR DEVELOPMENT OFFERINGS ATTRACTED 4,739 PARTICIPANTS INTERESTED IN BUILDING THEIR GOVERNANCE CAPABILITIES (THIS INCLUDES COURSES, WEBINARS, PUBLIC SECTOR PARTNERSHIPS AND TARGETED BOARDROOM TRAINING)



WE KEPT OUR MEMBERS INFORMED THROUGH 2 PRACTICE GUIDES, 2 GOVERNANCE UPDATES AND 4 DIRECTORS BRIEFS ON TOPICS INCLUDING SHAREHOLDER MEETINGS IN THE DIGITAL AGE, DIRECTING IN A GLOBAL ENVIRONMENT, LITIGATION FUNDING, AND SOCIAL ENTERPRISES



\$1.43m

OUR SURPLUS OF \$1.43M BEFORE TAXATION EXPENSE WILL BE INVESTED IN IMPROVING SERVICES FOR OUR MEMBERS AND CREATING A FUTURE FIT AND SUSTAINABLE ORGANISATION

▲ **469**

OUR LEADERSHIP CONFERENCE IS BUILDING MOMENTUM WITH 469 ATTENDEES THIS YEAR UP FROM 440 IN 2016



WE MADE SURE THE PERSPECTIVES OF DIRECTORS WERE HEARD THROUGH 8 SUBMISSIONS TO GOVERNMENT AND REGULATORS ON A VARIETY OF IMPORTANT TOPICS

▲ **8,686**

WE'VE GROWN OUR MEMBERSHIP TO 8,686 MEMBERS (UP 8% YEAR ON YEAR)



504

THE BOLD STEPS CONFERENCE (HELD IN PARTNERSHIP WITH **ON BEING BOLD**) ATTRACTED 504 PEOPLE



1850

PEOPLE COMPLETED OUR DIRECTOR DEVELOPMENT ONLINE COURSE MODULES

OUR YEAR

Core enablers

Financial sustainability

2017 was a year where we considered our members' immediate and long-term needs and focused on building our reserves to build a resilient and modern organisation equipped to support our members. Our end goal is to ensure our members feel supported to excel in their governance roles and contribute to building an even better New Zealand.

Our surplus at 31 December 2017 was \$1.43m before taxation expense which will allow us to invest for the future, in particular in technology and new premises.

Technology

Keeping abreast of a rapidly changing digital world is essential for us to create a more personalised and engaging experience for our members. We continued to work on a digital transformation project started in 2016. In 2017, the focus was on planning for a major overhaul of our website and data management systems.

People

We are proud of our IoD team and their commitment to serving our members. It is vital to have the right people on our team to ensure we can continue to deliver our strategic goals. As our membership grows we also need the right balance of staff to support increased activity.

An organisational review in 2017 resulted in the creation of two new general manager roles – GM Members and GM Brand, Marketing and Communications. These roles will enable us to bring value to our members, build our profile and anticipate future needs.

We have prepared for our next phase of growth by building our teams and we will be considering our premises to ensure that we can more easily accommodate our team and allow for future expansion.



246,547

WEBSITE VISITS INCREASED BY 9% ON LAST YEAR, DEMONSTRATING THE IMPORTANCE OF OUR DIGITAL INFRASTRUCTURE

Highlights

OUR SURPLUS
OUR SURPLUS AT
31 DECEMBER 2017
WAS \$1.43M BEFORE
TAXATION EXPENSE

In order to deliver on our strategic priorities we recognise the importance of ensuring our financial sustainability, staying in line with technology development, and equipping and inspiring our employees who deliver support and services to our members.

OUR YEAR

Thought leadership and influence

In addition to producing resources, we actively advocate on behalf of our members where issues, regulation or policy decisions will impact directors.

Our Governance Leadership Centre (GLC) made eight submissions on issues affecting directors to the External Reporting Board, the New Zealand Stock Exchange, the Financial Markets Authority, and the Ministry for Business, Innovation and Employment and Inland Revenue. Topics covered included corporate governance guidance, the NZX Listing Rules review, performance reporting and trust law reform.

Since its establishment in late 2014, the GLC has established its reputation as a trusted conduit of governance best practice and an advocacy arm for the New Zealand director community.

We continued to advocate for directors to be able to replace the residential address listed on the Companies Register with a service address to support director's personal safety.

In addition to updating the *Four Pillars*, our GLC issued four DirectorsBriefs. These focused on how to adapt to a changing environment for directorships including how to conduct shareholder meetings in the digital age, the rise of litigation funding in New Zealand, how to direct a global company, and the rise of social enterprises.

The GLC also issued two Practice Guides one focused on the disclosure of director remuneration and the second was a new edition of *Corporate Governance Codes Compared*.

For the fourth year, we partnered with ASB on the annual Director Sentiment Survey. This survey provides insight into the mood of the boardroom, and this year a record 934 members engaged. While the ability to adapt to new technologies and a digital environment remained a concern for directors, this year also saw a rise in the number of directors who identified stakeholder concerns as an important consideration for their business. This reflects a global shift in the power of stakeholders to shape and influence the reputation of business and organisations including using social media to share and air their views.

The IoD continues to be trusted and called on to provide perspectives in the media on governance trends and issues. This year we have continued to take a proactive stance on key issues through opinion editorials and articles on a range of topics including AI (artificial intelligence), sustainability, and international governance trends. In 2017, there were 710 stories with specific mention of the IoD in the media. The main topics for these articles were the launch of the revised *Four Pillars*, findings from the Director Sentiment Survey, cyber-risk, diversity and director fees.



69%

OF BOARDS SAY ENVIRONMENTAL AND SOCIAL ISSUES ARE VERY IMPORTANT TO THEIR BUSINESS (DIRECTOR SENTIMENT SURVEY 2017)

Highlights

EIGHT SUBMISSIONS
TO GOVERNMENT / REGULATORS
ON POLICY AND LAW REFORM

FOUR DIRECTORS BRIEFS
ON CURRENT ISSUES IN GOVERNANCE

710 STORIES
WITH SPECIFIC MENTION OF THE
IoD IN THE MEDIA

We facilitate and contribute to governance debates and policy formulation to keep members up to date and ensure the director's voice is heard.

OUR YEAR

Raising standards

The updated cornerstone publication *The Four Pillars of Governance Best Practice* was launched in September at well-attended events in Auckland and Wellington.

The new edition was updated to include sections on sustainability and human rights in business – topics that are highly relevant to directors in a modern environment where organisations are receiving increasing scrutiny from stakeholders. It was made available in an enhanced digital form, which will be updated regularly, and is accessible at iod.org.nz.

We also launched our *What Matters* thought leadership programme which clusters our advocacy, courses, resources and branch events into three key themes per year based on topical local and international issues in governance trends. Our 2017 themes “What Matters in Digital”, “What Matters in Board Dynamics”, and “What Matters in Sustainability” were profiled in BoardRoom and at branch events. We also provided targeted resources on our website, and in the media.

The *What Matters* initiative has been well received by our members and has enabled us to create greater awareness of important issues facing directors, and to profile organisations that are taking new approaches to these challenges and opportunities. *What Matters* has also enabled us to raise our profile as a respected thought leader on topics impacting New Zealand directors now and in the future.

In October we relaunched our member magazine, *BoardRoom*, refreshing its look and feel with a *What Matters*-themed sustainability issue.

Continuing Professional Development (CPD)

All IoD Members, Chartered Members and Chartered Fellows, commit to ongoing professional development (CPD). CPD includes all of the activities, both formal and informal, that directors engage in to increase their skills, knowledge and competency. CPD points can be earned from a range of activities included formal courses from the IoD and other providers.

We believe that a commitment to learning is fundamental to ensuring that directors maintain their edge and continue to build their skills. The IoD offers numerous opportunities for professional development including courses, networking events, resources, webinars and online modules, all of which contribute to members CPD points.

Our signature Company Directors' Course, which offers a five-day course for directors, attracted 546 participants this year, an increase of 24% on 2016. New courses on the risk of cyber breaches, negotiating board dynamics and upskilling management in reporting to the board were also added to our extensive director development suite in 2017. The latter course extended our reach into a new target market of executives. The number of course attendees continued to grow, with 2,833 attendees for public courses and webinars, up from 2,635 in 2016. In 2017, our focus on developing our reach saw participants engaged in targeted boardroom training rise, aided by our partnerships with Te Puni Kōkiri and the Ministry of Social Development. Our training attracted a total of 6,589 participants across all channels.



198

THE GOVERNANCE LEADERSHIP CENTRE RESPONDED TO 198 MEMBER ENQUIRIES ASKING FOR INFORMATION AND ADVICE ON GOVERNANCE BEST PRACTICE

Promoting governance best practice contributes to the success of our members, their organisations and their communities.

BoardWide membership

We encourage organisations to demonstrate their commitment to best practice by becoming BoardWide members. The number of participating organisations rose to 53 in 2017, up from 43 the previous year.

To qualify, an organisation must have four or more board directors, all of who sign up to be 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
 Accordia Asset Management Limited
 Accuro Health Insurance
 Air New Zealand Limited
 Bay of Plenty Regional Council
 Biogro New Zealand Limited
 Bluelab Corporation Limited
 Braemar Hospital Limited
 BRANZ Limited
 Central Primary Health Organisation Limited
 ChristchurchNZ Limited
 CompeteNZ
 Ebos Group Limited
 Federated Farmers of NZ Inc
 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 Inc
 New Zealand Trade and Enterprise
 Ngāti Rārua Ātiawa Iwi Trust
 Ngāti Whakauae Assets Trust
 NZCU Baywide
 NZCU Employees
 Pasifika Futures Limited
 PBO Group
 Pegasus Health (Charitable) Limited
 Pohlen Hospital Trust Board
 Police & Families Credit Union
 Rata Foundation
 Rider Levett Bucknall Auckland Limited
 Selwyn District Council
 Site Safe New Zealand Inc
 Skyline Enterprises Limited
 Smartpay Holdings Limited
 Te Hau Ora o Kaikohe
 Te Korowai n Ngāruahine Trust
 Te Puna Ora O Mataatua Charitable Trust
 Te Rūnanga a Rangitāne o Wairau Trust
 Te Whānau O Waipareira Trust
 The Building Officials Institute of New Zealand
 The Salvation Army New Zealand Fiji and Tonga Territory
 The Selwyn Foundation
 Theta Systems Limited
 Thomsons Timber Supplies Limited
 Tourism Bay Of Plenty

Highlights



UPDATED AND EXPANDED
THE FOUR PILLARS OF GOVERNANCE BEST PRACTICE

CREATED OUR WHAT MATTERS
 PROGRAMME WHICH UPDATES DIRECTORS ON RELEVANT TOPICAL ISSUES FROM NEW ZEALAND AND ABROAD



RELAUNCHED
BOARDROOM MAGAZINE



OUR YEAR

Inspire and equip people

Our Future Directors programme provides the opportunity for individuals to participate at the board table as a non-voting member for one year.

Founded by Sir Stephen Tindall, Michael Stiasny and Des Hunt in 2012, it aims to develop the next generation of directors and ensure that the talent pool is wide enough to support future economic growth.

In 2016 the programme was extended to include state sector boards in recognition of the valuable contribution they make to building governance capability in New Zealand.

Twenty host boards participated in Future Directors this year.

The IoD would like to thank the following boards for their participation in this programme: Argosy, Auckland International Airport, Augusta Capital Ltd & Augusta Funds Management Ltd, Department of Corrections, Experience Wellington, Financial Markets Authority, Fisher & Paykel Healthcare, Mercury, Meridian, New Zealand Geographic Board (LINZ), New Zealand on Air, NZX, Ports of Auckland, Scales Corporation, ServicelQ, Spark, Sport New Zealand, Transpower, The Warehouse, Worksafe New Zealand.

We had a bumper year, building director capability and resilience through our Director Development offerings reaching 6,589 members and non-members across numerous industries and sectors. We also saw an increase in numbers of attendees to our annual Leadership conference and an uplift in Company Director course participation.

We also continued to build our relationships with the state sector through completion of the Governance with Purpose programme. Developed in collaboration with the Ministry of Social Development (MSD). This two-year project was a significant achievement for the IoD and a first in our history of its scale and complexity.

We worked with more than 100 service providers identified by the MSD to deliver bespoke board training aimed at strengthening the governance of community service providers.

Another major state sector project was our partnership with Te Puni Kōkiri – Ngā Pae Hihiri. This programme worked to strengthen governance capabilities within Post-Settlement Governance Entities.



100%

100% OF PARTICIPANTS SAID THEY WOULD RECOMMEND THE *NGĀ PAE HIHIRI* PROGRAMME WITH TE PUNI KŌKIRI TO OTHERS. SATISFACTION IS ALSO HIGH FOR OUR GOVERNANCE WITH PURPOSE PROGRAMME WITH THE MINISTRY OF SOCIAL DEVELOPMENT.

Building capability and resilience in the director community and feeding the talent pipeline.

Mentoring for Diversity

Our Mentoring for Diversity programme is aimed at candidates seeking appointments on large company or NZX boards. It was founded on the basis that having a diverse range of perspectives in the boardroom leads to diversity of thought and to better decision making.

The programme links experienced directors with senior directors from NZX and large company boards for a 12 month period. Initially the programme was focused on gender diversity, but in 2015 the focus of the programme was expanded to consider other dimensions of diversity including age, ethnicity, skills and experience.

This year our programme paired 24 people with mentors which is up from 17 people in 2016. This brings the total number of people receiving a mentoring opportunity to 134 since 2011.

Congratulations to our Chartered and Distinguished Fellows

This year we saw a 3.4% growth in the number of people entering the Chartered Membership pathway. The pathway is an opportunity to recognise professional standards of governance and provides positive role models for new and aspiring directors.

On this pathway our members can progress from Member to Chartered Member and on to Chartered and Distinguished fellow.

2017 Chartered Fellows (CFInstD)

Rob Campbell
Peter Carnahan
Denise Church
Nicki Crauford
Kim Ellis
Hugh Fletcher
Quentin Hix
Murray Horn
Traci Houpapa
Sam Knowles
Sarah Ottrey
Joanna Perry
Rob Tait
Gavin Walker

2017 Distinguished Fellows (DistFInstD)

John Palmer
Sir John Anderson

Highlights

GOVERNANCE WITH PURPOSE

101 NOT-FOR-PROFIT BOARD TRAININGS WITH MSD AND 17 IWI THROUGH TPK PROGRAMMES SUCCESSFULLY CONCLUDED



MENTORING FOR DIVERSITY

ASSISTED 24 UP-AND-COMING DIRECTORS



EXCELLENCE

RECOGNISED THROUGH THE CHARTERED MEMBERSHIP PATHWAY



OUR YEAR

Build engagement across the governance network

2017 was a year of positive membership growth for the IoD as more directors discovered the broad range of benefits that being a member provides. Total membership reached 8,686, an increase of 8% from 2016.

Our annual Leadership Conference is a key vehicle for establishing the IoD's role as a visionary force for governance. This year the theme was Shaping the Future. The conference brought together experts and innovators from New Zealand and around the world to provide perspectives on the future of governance. Speakers included renowned British economist John Kay, entrepreneur and charity specialist Dan Pallotta, and Emma Herd, CEO of the Investor Group on Climate Change. The 2017 Leadership Conference was attended by a full house of 469 people.

In December, we worked together with a group of senior female directors called On Being Bold to launch a half-day event aimed at women who desire to progress into senior executive or director roles. Called Bold Steps, the conference was an immense success, and sold out within weeks of being promoted.

Alongside our national conferences, we also host regular networking events and training opportunities at our eight branches. In 2017, our branch network hosted 188 events with a total of 9,942 attendees.

Highlights included the opportunity to join former Prime Minister Bill English for lunch in Auckland, dinner with International Integrated Reporting Council Chair Mervyn King in the Bay of Plenty, and breakfast with businessman and philanthropist Sir Stephen Tindall in Canterbury.

The IoD is committed to the continuous refinement and improvement of our learning offerings and each year we host a Facilitators Forum for the subject matter experts we draw upon to teach our courses.

This year the theme of the forum was "disruption" and it focused on how facilitators and the IoD could work together to make the experience of learning more engaging in a digital environment.

We run a variety of services aimed at helping boards better access new talent and develop their board skills. Our DirectorSearch and DirectorVacancies services offer support in finding directors and advertising vacancies. Our BetterBoards service offers an online evaluation and appraisal service for boards to assess their progress and identify areas for improvement.

The IoD is also a founding member of the Global Network of Director Institutes (GNDI), an international collaboration that shares expertise in directorship and corporate governance. This means our members have access to discounted



9942

THE NUMBER OF ATTENDEES
AT OUR BRANCH EVENTS

Helping members network and access support through their professional association.

training through our GNDI partners, and can benefit from the knowledge of more than 100,000 directors in 21 professional organisations worldwide.

2017 Emerging Directors

We support capability building for governance across New Zealand with our Emerging Director Awards. These recognise people with exceptional talent and the potential to make a real difference to communities.

The opportunity to build relationships with local governance leaders is a key advantage the awards offer recipients.

Auckland – Carol Cheng
 Waikato – Daniel Shore
 Waikato Disability Sector – Maree Haddon
 Bay of Plenty – Laurissa Cooney
 Wellington – Michele Frey
 Canterbury – Jeff Smit and Arron Perriam
 Otago Southland – Jeffrey Broughton
 Canterbury First Steps in Governance Award – Madeleine Surie

Highlights

**MEMBERSHIP GREW
TO 8,686**



**SHAPING THE FUTURE
ANNUAL IoD LEADERSHIP
CONFERENCE SOLD OUT**



**OUR BRANCHES
HOSTED A COMBINED TOTAL OF
188 EVENTS**



OUR YEAR

IoD's corporate governance focus

In this year's annual report we have taken steps to provide more information about our performance on corporate governance matters that are important to our organisation. We will continue to review how we can provide more meaningful reporting in future years.

Ethical behaviour

Directors play an important role in setting the standards and values of an organisation and need to communicate these from the top down. Our Council, Committee and IoD Ltd Board members all adhere to the *Code of Practice for Directors*, while employees sign up to the *Staff Code of Conduct*.

Health and safety

Our Council's Health and Safety Committee monitors the IoD's health and safety compliance and ensures appropriate reporting. A Health and Safety Committee composed of staff and management is responsible for implementing this on a day-to-day level. We also have a Wellness Committee run by staff that identifies opportunities for team building and integrating wellness activities into the workplace.

Risk management

The IoD maintains an active approach to risk management. Risks are identified and reported to Council for discussion. We are in the process of refining business continuity plans for a major disaster.

Sustainability

Like many small and medium sized businesses, the IoD has only recently begun to focus on sustainability. This will be an increasing area of activity in the future.

In 2017, we profiled issues of sustainability as one of our *What Matters* themes and it was explored in October-November issue of *BoardRoom*, which was printed on biodegradable

paper. Our digital transformation project will enable us to deliver more resources to our members in an electronic form.

Stakeholder engagement

The IoD actively engages with members and other stakeholders, who play an essential role in providing feedback on the quality and relevance of our courses, resources and advocacy. This is achieved through accessible branch events, regular reviews of governance training and feedback on governance resources. We also conduct a membership survey every two years that assesses the satisfaction of our members and identifies areas for improvement.

In addition to our member-focused engagement, the IoD also maintains key relationships with a number of stakeholders influential in policy and business sectors including policy and regulatory agencies.

Diversity

The IoD has long been an advocate of diversity in the boardroom. Diversity as a concept goes much further than gender to cover broader considerations such as skills, age, experience, ethnicities and diversity of thought.

IoD advocacy through the media and our Mentoring for Diversity and Future Directors programmes help to create a pipeline for greater representation on boards, as do our Emerging Director Awards. The Bold Steps conference and our partnership with Te Puni Kōkiri are also initiatives that we have taken to improve diversity in New Zealand boardrooms. We are also working on our internal cultural capability through te reo and tikanga training for our employees and also for our course facilitators.

In line with current reporting best practice, we have included for the first time, the gender breakdown of our leadership team and council.



OF OUR COUNCIL IS FEMALE



OF OUR LEADERSHIP TEAM IS FEMALE



OF OUR STAFF ARE FEMALE

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 2017, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows 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 24 to 33, present fairly, in all material respects, the financial position of the Institute as at 31 December 2017, 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 Institute 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 Institute or its subsidiary, except that partners and employees of our firm deal with the Institute and its subsidiary on normal terms within the ordinary course of trading activities of the business of the Institute and its subsidiary.

Other information

The National Council is responsible on behalf of the Institute 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 Institute 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 Institute'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 Institute 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/standards-for-assurance-practitioners/auditorsresponsibilities/audit-report-7>

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
9 April 2018

Consolidated statement of comprehensive revenue and expense

For the year ended 31 December 2017

	Note	2017 \$	2016 \$
Revenue from Services	3	13,361,015	10,867,778
Cost of Services	3	10,500,785	8,942,746
Gross Profit		2,860,230	1,925,032
Interest Income		184,825	133,620
Operating Expenses	4	1,611,129	1,491,099
Surplus before tax expense		1,433,926	567,553
Income tax expense	11	180,576	-
Surplus for the period		1,253,350	567,553
Total comprehensive revenue and expense for the year-net of tax attributable to members		1,253,350	567,553
Other comprehensive revenue and expense for the period		-	-
Total comprehensive revenue and expense for the period Attributable to members		1,253,350	567,553

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Note	Building Reserve \$	Technology Reserve \$	General Reserve \$	Total \$
Balance at 1 January 2016		-	-	1,106,454	1,106,454
Total comprehensive revenue and expense for the year		-	-	567,553	567,553
Transfers/movements		-	-	-	-
Balance at 31 December 2016		-	-	1,674,007	1,674,007
Balance at 1 January 2017		-	-	1,674,007	1,674,007
Total comprehensive revenue and expense for the year		-	-	1,253,350	1,253,350
Transfers/movements	2(q)	400,000	1,500,000	(1,900,000)	-
Balance at 31 December 2017		400,000	1,500,000	1,027,357	2,927,357

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

Consolidated statement of financial position

As at 31 December 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents		5,123,443	3,725,390
Cash on deposit		1,487,621	2,607,189
Trade & other receivables	8	1,084,687	894,226
Interest receivable		36,525	29,089
Total current assets		7,732,276	7,255,894
Non current assets			
Property, Plant & Equipment	5	190,730	216,020
Intangible Assets	6	51,491	81,158
Total non current assets		242,221	297,178
Total assets		7,974,497	7,553,072
Current liabilities			
Trade & Other Payables	9	4,866,564	5,879,065
Income Tax Payable	11	180,576	-
Total current liabilities		5,047,140	5,879,065
Total liabilities		5,047,140	5,879,065
Net assets		2,927,357	1,674,007
Represented by:			
Building Reserve		400,000	-
Technology Reserve		1,500,000	-
General Reserve		1,027,357	1,674,007
Accumulated Funds		2,927,357	1,674,007

The Council of the Institute of Directors in New Zealand Inc authorised these financial statements presented on pages 24 to 33 for issue.



President
9 April 2018



Chief Executive Officer
9 April 2018

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

Consolidated statement of cash flows

For the year ended 31 December 2017

	Note	2017 \$	2016 \$
Cash Flows from Operating Activities			
Cash Receipts from Subscriptions & Joining Fees		3,316,781	3,522,046
Cash Receipts from Commercial, Branch Activities & Other		8,829,406	9,232,785
Cash Receipts from Interest		177,389	120,834
Cash Paid to Suppliers		(7,475,129)	(5,402,278)
Cash Paid to Employees		(4,484,280)	(4,210,678)
Net GST (Paid)/Received		(11,714)	(29,602)
Net Cash Flows from Operating Activities	18	352,453	3,233,107
Cash Flows from Investing Activities			
Net Proceeds from Cash Deposits		1,119,568	(1,163,437)
Acquisition of Fixed Assets		(73,968)	(57,585)
Net Cash Flows used in Investing Activities		1,045,600	(1,221,022)
Net increase in Cash and Cash Equivalents		1,398,053	2,012,085
Cash and Cash Equivalents at beginning of the year		3,725,390	1,713,305
Cash and Cash Equivalents at end of the year		5,123,443	3,725,390
ANZ Current Account		755,885	265,181
Term Deposits and Cash Equivalents		4,367,558	3,460,209
Cash and Cash Equivalents at end of the year		5,123,443	3,725,390

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 2017

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 9 April 2018.

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 2017 incorporate the financial statements of its subsidiary IoD Limited (previously known as IODX Limited) which was incorporated on 11 November 2013.

These statements are prepared on the historical cost basis, except for financial assets and liabilities which are measured at fair value.

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 recognized 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 recognized:

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 the course is delivered.

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*Income tax expense*

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.

Deferred tax asset

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets are measured at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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. Financial liabilities

Financial liabilities include payables under exchange transactions and taxes. Financial liabilities with duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised within surplus or deficit. Financial liabilities with duration of less than 12 months are recognised at their nominal value.

On disposal any gains or losses are recognised within surplus or deficit.

p. 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).

q. 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. We have introduced two reserves this year to separately identify amounts set aside for our future identified Technology and Building / Premises requirements.

3. Revenue and expenses from services, include, inter alia

	Note	2017 \$	2016 \$
Revenue from exchange transactions:			
Subscriptions		3,324,803	3,036,684
Director Development Income		7,910,952	6,063,586
Board Services		510,741	510,415
Branch Activities		631,170	511,650
Other		983,349	745,443
		13,361,015	10,867,778
Costs of services			
Employee Remuneration	13	4,455,461	4,331,786
Cost of delivery Director Development Courses (excl. Salaries)		3,904,484	3,261,256
Cost of Commercial Operations development		287,415	55,749
Cost of delivery Branches, Membership, Governance Leadership Centre, Conferences (excl. Salaries)		1,853,425	1,293,955
		10,500,785	8,942,746

4. Revenue from exchange transactions

	Note	2017 \$	2016 \$
Audit fees		12,000	12,000
Amortisation	6	39,323	59,745
Bank and Credit card charges		102,103	95,288
Depreciation	5	89,603	99,775
Insurance		27,925	19,549
IT Support and Maintenance		398,322	234,739
Office expenses		102,460	79,604
Printing, Photocopying and Stationery		64,196	84,853
Professional fees		288,041	292,849
Rent		193,617	195,766
Telephone, Tolls and Fax		45,373	51,416
Training		21,798	31,678
Travel		147,897	161,976
Other		78,471	71,861
		1,611,129	1,491,099

5. Property, Plant and Equipment

		2017 \$	2016 \$
Computers and Cabling	Cost	366,846	305,045
	Accumulated depreciation	(279,973)	(225,817)
	Book Value	86,873	79,228
Furniture and Fixtures	Cost	366,799	366,799
	Accumulated depreciation	(272,638)	(242,814)
	Book Value	94,161	123,985
Office Equipment	Cost	115,108	112,597
	Accumulated depreciation	(105,412)	(99,790)
	Book Value	9,696	12,807
Total	Cost	848,753	784,441
	Accumulated depreciation	(658,023)	(568,421)
	Book Value	190,730	216,020

6. Intangible Assets

		2017 \$	2016 \$
Computer Software	Cost	283,015	273,359
	Accumulated amortisation	(231,524)	(192,201)
	Book Value	51,491	81,158

7. Operating Leases

		2017 \$	2016 \$
The aggregate operating lease commitments are as follows:			
Current		168,577	203,791
1 – 5 years		9,215	143,480
Total		177,792	347,271

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.

8. Trade and Other Receivables

		2017 \$	2016 \$
From exchange transactions			
Trade Receivables		937,912	775,638
Prepayments		146,775	118,588
Total		1,084,687	894,226

The IoD has not recognised any loss or provision in respect of bad and doubtful trade receivables during the year ended 31 December 2017 (2016 Nil).

9. Trade and Other Payables

	2017 \$	2016 \$
From exchange transactions		
Trade Payables	536,055	464,531
Income Received in Advance	3,400,159	4,498,466
Accruals	428,680	419,621
Employee Entitlements	391,722	420,540
Other Payables	109,948	75,907
Total	4,866,564	5,879,065

10. Professional Indemnity Insurance

The IoD has paid a professional indemnity insurance premium on behalf of its directors, executives, and employees of \$14,500 (2016 \$6,250).

11. Taxation

	2017 \$	2016 \$
Surplus/(Deficit) before Tax expense	1,433,926	567,553
Tax at 28%	401,499	158,915
Tax effect of adjustments:		
Non assessable income	(1,016,930)	(924,722)
Non deductible expenses	935,950	908,356
Tax losses utilised	(139,943)	(142,549)
Income tax expense reported in the Statement of Comprehensive Revenue and Expense	180,576	-

12. Contingent liabilities

The IoD has no contingent liabilities at 31 December 2017 (2016 Nil).

13. Employee Remuneration

	2017 \$	2016 \$
Salaries and Wages including Discretionary Payments	4,351,770	4,228,280
Kiwisaver Contributions	103,691	103,506
Total	4,455,461	4,331,786

14. Related parties disclosures

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

Compensation of key management personnel

Key management personnel of the IoD includes the Chief Executive Officer (CEO) and Leadership Team.

There were seven members of the Leadership Team in 2017 (including the CEO) and they received a total remuneration of \$1,283,628 (2016 seven members \$1,377,965).

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2016 Nil).

Key management personnel remuneration consists of fixed remuneration, discretionary payments and Kiwisaver contributions and is reviewed annually by the HR Committee and the Council.

The IoD did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2016 Nil).

Related party transactions other than remuneration of key management personnel

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:

	2017 \$	2016 \$
Director Development	966,227	973,898
Chartered Member	17,963	7,129
Course Review	110,781	52,593
Director fees – IoD Limited	65,000	60,000

Council members

There were no payments for services from Council members in their capacity as directors of IoD Limited in the totals above. (2016, nil)

All Council members are members of the IoD and pay full subscriptions as per ordinary members and do not receive any payments for their roles.

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 \$77,659 (2016 \$80,246).

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

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

All branch committee members are members of the IoD and pay full subscriptions as per ordinary members and do not receive any payments for their roles.

15. Capital commitments

The IoD has no capital commitments as at 31 December 2017 (2016 Nil).

16. Events after balance date

There are no significant events which have occurred subsequent to balance date (2016 Nil).

17. Financial Instruments

	Loans and Receivables at amortised cost \$	Financial Liabilities at amortised cost \$	Total \$
2017			
Cash and Cash equivalents	5,123,443		5,123,443
Cash on Deposit	1,487,621		1,487,621
Trade Receivables (excl. Prepayments)	937,912		937,912
Other Accounts Receivable	36,525		36,525
	7,585,501		7,585,501
Trade Payables		536,055	536,055
Income Received in Advance		3,400,159	3,400,159
Accruals		428,680	428,680
Employee Entitlements		391,722	391,722
Other Payables		109,948	109,948
		4,866,564	4,866,564
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
Income Received in Advance		4,498,466	4,498,466
Accruals		419,621	419,621
Employee Entitlements		420,540	420,540
Other Payables		75,907	75,907
		5,879,065	5,879,065

18. Reconciliation of Net Surplus with Net Cash Flow from Operating Activities

	2017 \$	2016 \$
Net Surplus as per Statement of Comprehensive Revenue and Expense	1,253,350	567,553
Adjustments for: Non-Cash Depreciation and Amortisation	128,925	159,520
Movements in Working Capital: (Decrease)/Increase in Trade and Other Payables	(831,925)	2,765,132
Increase in Trade and Other Receivables	(197,897)	(259,098)
Net Cash Flow from Operating Activities	352,453	3,233,107

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