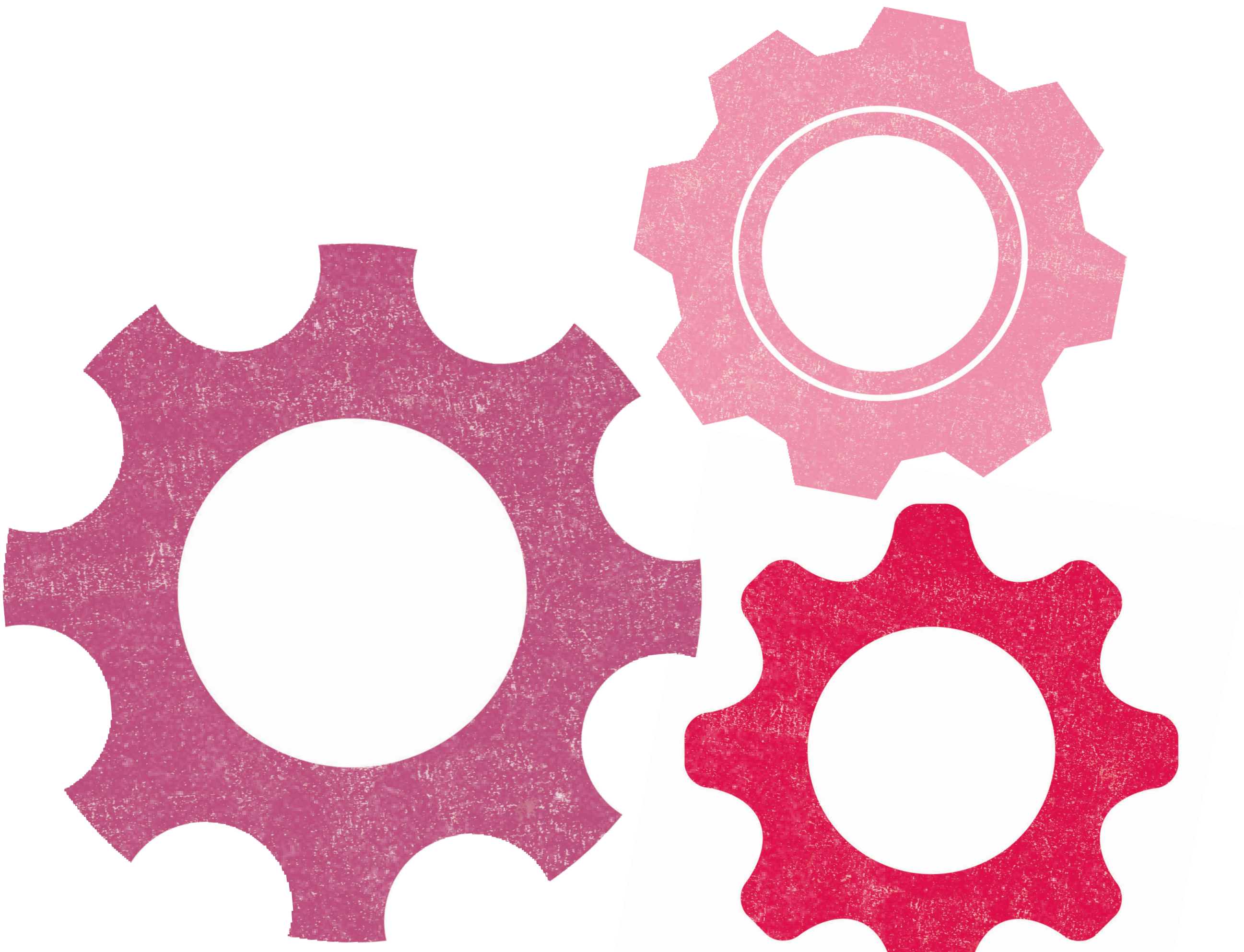
Grant Thornton
An instinct for growth™

FOR THE YEAR ENDED 31 MARCH 2016

Institute of Professionals Inc
Example special purpose financial reporting framework report



Contents

Society information

Nature of business
Professional membership organisation

Registered office
123 Sesame Street
Wellington

Society number
123456

Auditors
Grant Thornton

Bankers
ASB

Consolidated statement of profit or loss

	Note	2016 $	2015 $
Revenue			
Subscriptions		406,058	397,958
Events		287,917	186,953
Sales		174,361	143,944
Other revenue	2	260,191	257,936
Total revenue		**1,128,527**	**986,791**
Expenses			
Expenses	3	1,033,229	1,004,570
Net surplus/(deficit) for the year		**95,298**	**(17,779)**
Taxation expense	**4**	**23,591**	**(16,371)**
Net surplus/(deficit) after tax		**71,707**	**(34,150)**

This statement is to be read in conjunction with the notes to the financial statements on pages 5-10.

Consolidated statement of movements in members funds

	Note	Retained earnings $	Total equity $
Balance at 1 April 2014		6,382	6,382
Net deficit after tax		(34,150)	(34,150)
Balance at 31 March 2015		**(27,768)**	**(27,768)**

	Note	Retained earnings $	Total equity $
Balance at 1 April 2015		**(27,768)**	**(27,768)**
Changes in opening balances for:			
- Changes in accounting policies	1	246,823	246,823
Net surplus after tax		71,707	71,707
Balance at 31 March 2016		**290,762**	**290,762**

This statement is to be read in conjunction with the notes to the financial statements on pages 5-10.

Consolidated balance sheet

	Note	2016 $	2015 $
Members funds	**5**	**290,762**	**(27,768)**
Represented by:			
Current assets			
Cash and bank balance		124,354	77,296
Accounts receivable		159,469	120,939
Bond – premises (123 Sesame Street)		5,417	5,417
Inventory		6,089	8,089
		295,329	**211,741**
Non-current assets			
Property, plant and equipment	6	60,278	44,620
Intangible assets	7	30,331	30,931
Investments – term deposit		50,000	50,000
		140,609	**125,551**
Total Assets		**435,938**	**337,292**
Current liabilities			
Accounts payable and accruals		121,679	214,652
Members fees in advance		-	134,037
Tax liability		23,497	16,371
		145,176	**365,060**
Net Assets		**290,762**	**(27,768)**

This statement is to be read in conjunction with the notes to the financial statements on pages 5-10.

Notes to the financial statements

1 Reporting entity

Institute of Professionals Inc ('the society') is a society registered in New Zealand under the Incorporated Society Act 1908.

Institute of Professionals Inc is a professional body who acts on behalf of its members who are involved in professional roles within New Zealand. The Society provides its members with training and networking opportunities. In addition, it sells a range of corporate merchandise through its wholly owned subsidiary Merchandise NZ Ltd.

The consolidated financial statements are for the society and its wholly owned subsidiary Merchandise NZ Ltd.

The special purpose financial report was authorised for issue in accordance with a resolution dated 8 June 2016.

2 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Special Purpose Framework for use by For-Profit Entities (SPFR for FPEs) referred to as SPFR, published by the New Zealand Institute of Chartered Accountants.

The Society has complied with the SPFR in all material respects except for in respect to revenue, which has been accounted for in accordance with the accounting policy set out below.

Historical cost

These financial statements have been prepared on a historical cost basis, except for certain assets which have been revalued as identified in specific accounting policies below. The financial statements are presented in New Zealand dollars (NZ$) and all values are rounded to the nearest NZ$, except when otherwise indicated.

Changes in accounting policy

The Society transitioned on 1 April 2015 from preparation of general-purpose financial reporting in accordance with New Zealand generally accepted accounting practice ("NZ GAAP") to special purpose financial reporting in accordance with SPFR for FPEs. The transition had some impact on the accounting policies of the society. Significant changes include:

Membership revenue and event revenue is recognised on receipt. Previously membership revenue and event revenue was recognised on an accruals basis. The change in accounting policy was implemented as the Society considered this accounting treatment better reflects the nature of the underlying transactions, as membership and event revenue is not refundable after receipt.

All other accounting policies have been applied consistently during the year.

Business combinations

Business combinations, excluding the acquisition of an equity interest, are accounted for using the purchase method. The cost of a business combination is an aggregate of the fair value of assets purchased, liabilities assumed or incurred and any equity issued in exchange for consideration received.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the institute and revenue can be reliably measured.

Membership revenue and event revenue is recognised in full when invoiced or received (whichever occurs first) (i.e. accrual accounting is not applied).

Merchandise sales are recognised when the goods are dispatched.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

Accounts receivable

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

Notes to the financial statements

Property, plant and equipment and investment property

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Depreciation is calculated on a straight line/diminishing value basis over the estimated useful life of the asset using depreciation rates published by Inland Revenue. Assets estimated useful life is reassessed annually. The following estimated depreciation rates/useful lives have been used:

- Office furniture & equipment	13-48%	diminishing value
- Computer software	33-50%	diminishing value
- Computer hardware	33-48%	diminishing value

An item of property, plant and equipment or investment property is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a systematic basis over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset is reviewed at each financial year-end. Changes in the expected useful life are accounted for by changing the amortisation period for the current and future reporting years. Where no reliable estimate can be determined, the intangible asset will be amortised over 10 years.

The following estimated amortisation rates/useful lives have been used:

- Trademarks	10 years	straight line

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is an intangible asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill is measured at cost less any accumulated impairment losses. Cost is the excess of consideration paid over the acquirer's interest in the net fair value of identifiable assets of the acquired business at the date of acquisition. Goodwill is assessed for impairment at least annually.

Notes to the financial statements

Impairment of non-financial assets

At each balance date, non-financial assets are classified into four categories: assets measured at fair value; assets currently available that the society intends to use to the end of its useful life; assets intended to be sold prior to the end of their useful life; and assets damaged or idle at balance date.

Assets measured at fair value or assets the society intends to use to the end of its useful life, are not reviewed for impairment at balance date.

Assets intended to be sold prior to the end of their useful life or assets damaged or idle at balance date are reviewed to determine if any indicators of impairment exist. If indicators exist the asset is tested for impairment to ensure that the carrying amount of the asset is recoverable.

If the recoverable amount of an asset is determined to exceed its carrying amount then the resulting difference is recognised as an impairment loss in profit or loss for that period.

Financial instruments – financial assets

At initial recognition the society determines the classification of financial assets as either held at fair value, cost or amortised cost. Financial assets are measured initially at fair value, estimated at the transaction price less any associated transaction costs.

Amortised cost

Includes assets where the society intends to earn contractual cash flows in the nature of principal and interest payments. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

Cost

Equity instruments are classified as held at cost. Assets are stated at cost less any accumulated impairment loss. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired.

Fair value

Financial assets not held at amortised cost or cost are held at fair value and include financial derivatives such as forward contracts and interest rate swaps. Assets are subsequently measured at fair value only when the fair value of the instrument can be reliably measured based on a quoted price for an identical asset in an active market. Where no active market price is available the instrument shall be measured at a prior year's fair value less any accumulated impairment loss.

Gains and losses are recognised in profit or loss for movements in the fair value of the assets and when the assets are derecognised.

Financial liabilities

Financial liabilities, including borrowings and bank overdrafts, are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in profit or loss on an effective yield basis

Leases

Operating lease

Operating lease payments, where the lessors effectively retain substantially all the risk and benefits of ownership of the leased items, are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Income tax

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the estimated current obligation payable to Inland Revenue.

Goods and services tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

Notes to the financial statements

3 Other income

	2016 $	2015 $
Subvention Income	(176)	-
Interest Income	3,509	5,336
Miscellaneous	17,784	53,750
Sponsorship Income	239,074	198,850
	260,191	**257,936**

4 Expenses

	2016 $	2015 $
Advertising	28,706	18,664
Amortisation Expense	600	2,000
Audit Fees	9,000	9,000
Consulting Fees	89,184	105,565
Directors Fees	18,400	15,860
Events and Training	216,394	132,224
Other Operating Expenses	206,149	237,745
Staff & Managements Costs	446,516	467,400
Depreciation		
- Office furniture	2,035	2,382
- Office equipment	1,278	109
- Computer equipment	1,336	975
- Computer software	13,601	12,646
Total Depreciation	18,280	16,112
	1,033,229	**1,004,570**

5 Income tax expense

	2016 $	2015 $
Net profit before tax	95,298	(17,779)
- Non-assessable income	(1,023,916)	(912,511)
- Non-deductible expenses	1,012,871	989,904
- Previous losses claimed	-	(1,146)
Taxable Income:	84,253	(58,468)
Total income tax expense (28%)	**23,591**	**(16,371)**

Notes to the financial statements

6 Members funds

	2016 $	2015 $
Retained earnings		
Opening balance at 1 April	(27,768)	6,382
Changes in opening balances due to changes in accounting policies	246,823	-
Net surplus/(deficit) after tax	71,707	(34,150)
Closing balance at 31 March	290,762	(27,768)
Total members funds	**290,762**	**(27,768)**

7 Property, plant and equipment

2016	Cost $	Accumulated depreciation and impairment $	Net book value $
Office Furniture	29,361	16,141	13,220
Office Equipment	11,969	7,242	4,727
Computer Equipment	24,391	21,959	2,432
Computer Software	82,045	42,146	39,898
	147,776	87,488	60,278

2015	Cost $	Accumulated depreciation and impairment $	Net book value $
Office Furniture	23,212	14,106	9,106
Office Equipment	9,653	5,964	3,689
Computer Equipment	22,955	20,593	2,362
Computer Software	58,008	28,545	29,463
	113,828	69,208	44,620

Notes to the financial statements

8 Intangibles

2016	Cost $	Accumulated depreciation and impairment $	Net book value $
Patents/trademarks	3,000	(2,669)	331
Goodwill	40,000	(10,000)	30,000
	43,000	(12,669)	30,331

2015	Cost $	Accumulated depreciation and impairment $	Net book value $
Patents/trademarks	3,000	(2,069)	931
Goodwill	40,000	(10,000)	30,000
	43,000	(10,069)	30,931

9 Financial instruments

All financial instruments are carried at amortised cost. This classification is consistent with the prior year. No assets have been pledged as security.

10 Lease disclosures

	2016 $	2015 $
Operating lease – future minimum lease payments under non-cancellable leases		
Current	40,069	42,729
Non-current	43,870	74,196
	83,939	116,925

11 Subsequent events

No subsequent events occurred after balance date requiring disclosure within the financial statements (2015: nil)

12 Related parties

There were no related party transactions during the year (2015: nil).

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