

— ANNUAL REPORT 2018 —

Gearing up
for the
future



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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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 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, ethical, 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, six meetings of the Council were held. Council positions are voluntary and are not remunerated.

2018 Leadership Team

Kirsten Patterson
Chief Executive Officer

Felicity Caird
General Manager,
Governance Leadership Centre

Chris Fox
General Manager, Corporate Services

Nikki Franklin
General Manager, Members

Paul Gardner
Manager, Professional Development
(resigned December)

Robbie McDougall
Delivery Manager

Sophi Rose
General Manager, Brand, Marketing
and Communications

2018 Council



President
Liz Coutts
ONZM, CFInstD



Vice President
Alan Isaac
CNZM, CFInstD



Dr Helen Anderson
QSO, CFInstD



Des Hammond
CFInstD



Julia Hoare
CMIInstD



Jackie Lloyd
CMIInstD



Simon Lockwood
CMIInstD



Vincent Pooch
CFInstD



Geoff Thomas
CFInstD



Clayton Wakefield
CMIInstD



Sarah-Jane Weir
CMIInstD

Committees

Institute of Directors' Sub Committees

Audit and Risk Committee

Julia Hoare (Chair)
Dr Helen Anderson
Clayton Wakefield
Alan Isaac

Digital Project Committee

Clayton Wakefield (Chair)
Alison Harrison (Independent)
Sarah-Jane Weir

Health and Safety Committee

Dr Helen Anderson (Chair)
Julia Hoare
Jackie Lloyd
Clayton Wakefield

Human Resources Committee

Jackie Lloyd (Chair)
Liz Coutts
Alan Isaac

Policy and Practices Committee

Geoff Thomas (Chair)
Liz Coutts
Alan Isaac
Sarah-Jane Weir

Commercial Board

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

The independent director of the Commercial Board is remunerated and Council members are not remunerated.

Kirsten Patterson (Chair)
Liz Coutts
Alison Harrison (independent)
Alan Isaac

Our branch network

8

The IoD has eight branches throughout the country

215

In 2018, the branches hosted 215 events

9,071

total members

65

members are based overseas



Our members

Our membership has grown to

9,071

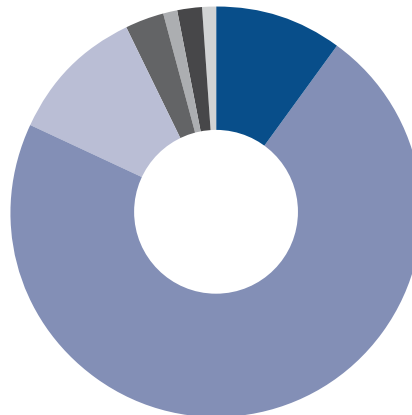
▲ up **4.4%** from the previous year

By age



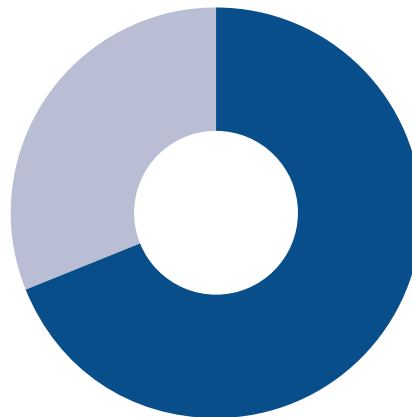
- 18-39 **10%**
- 40-49 **27%**
- 50-59 **35%**
- 60-69 **21%**
- 70+ **7%**

By membership type



- Associate **10%**
- Member **72%**
- Chartered Member **11%**
- Chartered Fellow **3%**
- Distinguished Fellow **1%**
- Retired **2%**
- Retired Fellow **1%**

By gender



- Male **69%**
- Female **31%**



Gearing up for a fast-moving future

It is my pleasure to present to our members and stakeholders our Annual Report for 2018. This is my second report as President of the Institute of Directors.

2018 was a strong year for the IoD as we began to address some of our ambitions for the future as a growing professional body. We are strengthening the IoD so we can support our members in their increasingly complex roles as directors – roles that are vital for building a foundation for sustainable growth and shared prosperity in New Zealand.

Considering global risks

In September, I attended the National Association of Corporate Directors leaders' summit, held in Washington. What stood out for me were the challenges we face as directors from disruptive risks. These risks – whether internally or externally driven – can have a major economic, operational or reputational impact. Geo-political, conduct, cyber and climate-change risk were all at the top of the conversation.

As New Zealand is dependent on exporting, we are very susceptible as a country to geo-political risks. 2018 saw increased tension in US-China relations – New Zealand has close relationships with both superpowers – and this will continue to dominate our attention.

Conduct risk, which springs from organisational culture, was again highlighted in 2018. There was the Australian Royal Commission Inquiry into widespread misconduct in their banking and finance sectors, and a banking review in New Zealand by the Financial Markets Authority and Reserve Bank released in November. Both identified weaknesses and areas of improvement which need to be addressed by boards immediately.

The reports were a timely reminder that all boards have a core role to play in overseeing corporate culture, conduct risk and setting high standards of ethical behaviour. Our *2018 Director Sentiment Survey*, released in November in partnership with ASB Bank, found more work is still needed in assessing ethics risks and discussing whistleblowing provisions. We highlighted ethics and culture as one of our key education themes for directors in 2018.

Overseeing cyber risks pose a continual challenge for boards. The number of online attacks that impact New Zealand organisations are growing – both in volume and complexity. We published the guide *Reporting Cybersecurity to Boards*, in partnership with Aura Information Security, which provides helpful principles, key questions and sample dashboards for directors.

The biggest risk of all disruptive risks is, however, climate change. Our *2018 Director Sentiment Survey* found that while 66% of boards considered environmental and social issues to be very important to their organisation, only 29% said they were engaged and proactive on climate change issues. I expect this figure to increase in light of the release of the 2018 report from the Intergovernmental Panel on Climate Change, the impending introduction of a Zero Carbon Act and initiatives such as the Climate Leaders Coalition. The Coalition has some 70 CEOs representing about half of New Zealand's emissions.

Directors have fiduciary obligations in respect of climate-change risks. Legal action is already being taken against companies and directors in the US, Europe and Australia.

It is important that New Zealand directors and leaders prioritise consideration of climate change risks through mitigation and adaptation. Climate change also creates opportunities for companies that can be pursued while transitioning to a low-emissions economy.

Strengthening the Institute for our members

It has been exciting to see some of IoD's key projects build momentum as we continue to strengthen IoD for members. We have grown again this year although our focus is not specifically growth but on equipping our members to be the best they can be.

We moved forward on several fronts in 2018. We began our digital project which will enhance members' experiences by providing a new website and building our digital offering for the future.

We also began to review and refresh our brand positioning and visual identity to ensure we retain our important heritage but also stay contemporary and move with the times.

Branch events continued to play a prominent part in our activities allowing our members to connect personally. I enjoyed taking part in a number of events.

Our advocacy increased too, to ensure we provided comment on a number of key issues impacting on best-practice governance. The Institute made 17 submissions in 2018, up from 8 in 2017, which also reflects the first year of increased legislative activity of a new government.

With thanks and appreciation

It has been a big year for the IoD and, as my two-year term will be ending in mid-2019, I would like to extend my heartfelt thanks to all those who have helped the IoD support our members. Thank you to Chief Executive Kirsten Patterson (KP) for her leadership and to our staff for their enthusiasm, energy and commitment. My sincere thanks and utmost appreciation to Vice President Alan Isaac and our Council for their time, wisdom and support this year.

I extend warm congratulations to those members who gained Chartered Membership or who were awarded Chartered or Distinguished Fellowship in 2018. Thank you for making a commitment to the profession, and being the role models we need in terms of professionalism and dedication for the governance community.

Finally a big thank you to our branch committees who gave their time and enthusiasm to create a strong network of directors in their communities. We held 215 branch events throughout the country, up 14% on 2017. Event attendance also increased by 71 to 10,013 attendees. This level of activity in 29 different localities positions us at the heart of the governance network in New Zealand. I would also like to thank those of you who have given willingly of your time to speak at these events and undertake mentoring roles.

I am looking forward to watching the growing support for our members as we continue to build a strong, relevant and vibrant Institute of Directors.



Liz Coutts, ONZM
President



A year of investing in the future

2018 was a year of investment by IoD as we began to action promises to our members to provide the services they have told us they want. These services, which include an enhanced digital experience and strong identity, will be delivered in mid-2019, and then we will identify the next services to invest in as we continue to take a prudent long-term approach. The investment in 2018 followed from building up our financial reserves in 2017 to allow us to achieve these goals.

While we focus primarily on quality and good standards, I'm pleased to see another year of growth in our member numbers. Our growth in members in 2018 was 4.4% which was down from the exceptional 8% of growth in 2017. However, a 4.4% growth in membership when many member-based organisations struggle to maintain numbers was a very good result and reflects among other things a greater emphasis on standards. Our growth took us to 9,071 members in 2018. We developed a segmentation model for our membership this year as a foundation to customise the experience that each member receives from us and this will be built into the new digital systems in 2019.

Branch events were central to our activities during 2018. We held more events than ever before and more members attended them. For the first time, we held three national webcasts in front of live audiences of members in Central Auckland, South Auckland and Wellington. The topics supported our three *What Matters* themes for the year. Hundreds took part in the audiences or by watching the live feeds. Further webcasts are planned for 2019. With the Business Leaders Health and Safety Forum, we held health and safety events for members and non-members in 10 locations across New Zealand, and attracted more than 700 attendees.

Several branches took the opportunity to link in with Māori Language Week, running a range of successful events including an Introduction to Te Reo for Directors, through to events focused on implementing digital technologies in Māori businesses and the critical elements of iwi and Māori governance. An event held at Waitangi in December focusing on governance for Māori entities provided a very successful end to this series of initiatives. Working with Te Puni Kōkiri, we provided governance training to 11 iwi boards in 2018 across the country.

We introduced events aimed specifically at the not-for-profit sector and this also proved popular. Held in a variety of formats, these events all attracted significant audiences.

We held another successful annual conference in April. In August we published and planned international communications for an inaugural global survey we had carried out for the Global Network of Director Institutes.

In 2018 we carried out a comprehensive review of the Company Directors' Course focused on attendee experience and currency of content. We have updated the course for 2019 so it continues to reflect current governance challenges and modern education approaches.

2018 also marked a significant increase in the delivery of governance programmes in the Pacific Islands. Four programmes were delivered in the Cook Islands, the Solomon Islands and Vanuatu.

Our board services included a 45% increase in board evaluations on 2017. Advice given on director fees almost doubled from 101 to 194. Our director recruitment service increased from 23 to 26 assignments. There was a 3.7% increase in DirectorVacancies client numbers.

Participants in our courses increased from 4,258 in 2017 to 4,578 in 2018, up 7%.

The IoD's support for the Future Directors programme, which aims to broaden the range of people going into governance earlier in their careers, ensured that 13 Future Directors were appointed to host boards. We also selected 20 mentees for our Mentoring for Diversity programme.

A key focus in 2018 has been consolidation and building up our financial reserves to allow for our digital transformation and growth in the coming years. Our surplus at 31 December 2018 was \$0.6m before income tax expense. Revenue from services for 2018 was \$13.2m, a small decrease of 1.3% over 2017; subscription revenue was up 8.3% and director development training revenue was down 6.5% following a particularly strong 2017. This surplus puts us in a strong financial position for the coming year as we complete our digital transformation project.

Being a director requires a complex set of skills as well as curiosity and a love of learning. The environment for directors is changing. We are in the midst of a fourth industrial revolution – an era of digital disruption that is transforming industries around the world. Other change is resulting from the global risks that our President Liz Coutts outlined earlier in this report.

Our success this year is due in a large part to our people. They have worked hard to serve and represent directors, and have strong engagement with media and other stakeholders.

Sincere thanks to our valued national partners – ASB Bank and Marsh – and our national sponsors KPMG, Aura and MinterEllisonRuddWatts.

Special thanks to President Liz Coutts and Vice President Alan Isaac for their generosity in sharing their knowledge. And a sincere thank you to our members and particularly to our branch volunteers. Without your engagement and support, we would not have the strong organisation we have today.

Finally, to those of you reading this report who are not members but have a high level of interest in taking a strategic view and analysing risk – whether it be in charities, sports organisations, school boards or businesses – I'd like to encourage you to find out more about the Institute and governance, and consider beginning a path with us.

Ngā mihi nui



Kirsten Patterson (KP)
Chief Executive Officer

Snapshot of our year

Good governance is crucial to building a strong and vibrant New Zealand. The IoD is committed to improving governance best-practice and to providing our members with tools and information that will help them succeed in their roles. Some of our key achievements for 2018 included:

\$0.6 million

Our surplus of \$0.6m before income tax expense puts us in a strong position for the coming year as we complete our digital transformation project.

Thought leadership and influence

17 submissions to Government
▲ (8 in 2017)

We made submissions on a wide range of governance issues.

25 media statements
▲ (11 in 2017)

We also began to markedly increase our social media engagement across our social media channels, spreading the influence of good governance.

304,489

Website visits
▲ (246,547 in 2017)

demonstrating the importance of our digital infrastructure.

Raising standards

173

new Chartered Members
▲ (121 in 2017)

We are committed to professionalising governance and in 2018 we continued to see growth of our Chartered Membership pathway.

68

BoardWide Membership
▲ (53 in 2017)

We encourage organisations to demonstrate their commitment to governance best-practice by becoming BoardWide members.

3 webcasts accessed by **1,618** people
(new initiative)

We developed a series of webcasts based around the three *What Matters* themes: Stakeholder Engagement, Culture and Ethics, and A World of Data.

Inspire and equip

13 Future Directors were appointed to host boards ▼ (14 in 2017)

The total number of Future Directors appointed since the programme's inception is now 51.

20 mentees selected from 76 applicants for Mentoring for Diversity.

▼ (24 in 2017)

Build engagement across the governance network

9,071
total
membership

▲
(8,686 in 2017)

215
branch
events

▲
(188 in 2017)

597 attendees at our annual leadership conference ▲ (469 in 2017)

Satisfaction was **95%** ▲ (93% in 2017)

26
assignments for
DirectorSearch

▲
(23 in 2017)

1,306

people
attended
public courses
and webinars
(new measure
since 2017)

3.7%

▲
more
Director
Vacancies
placed than
in 2017

Thought-leadership and influence

We advocate on behalf of our members to promote excellence in governance. Our advocacy is focused on issues, regulation or policy decisions that will affect directors and impact New Zealand society.

In 2018, there were a significant number of policy and legislative reform proposals affecting the role of directors and governance across many sectors. We made 17 submissions to Government in 2018, up from 8 in 2017, on a wide range of issues including:

- to the Tax Working Group and NZX on the review of the listing rules and market structure
- on the Trusts Bill, Privacy Bill and a bill criminalising cartels
- on policy proposals to government departments including on the publication of directors' residential addresses, beneficial ownership, the policy behind the Zero Carbon Bill, whistleblowing and state sector reforms.

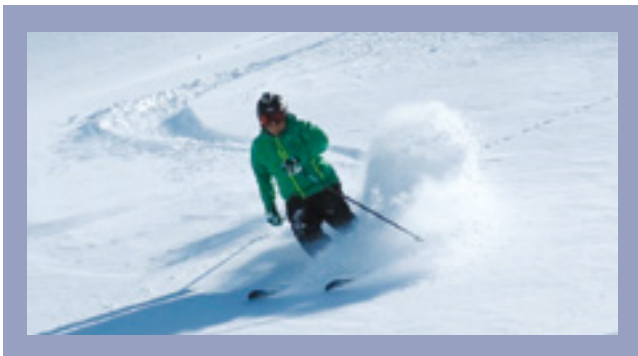
A full list of our submissions can be found on our website www.iod.org.nz

Keeping directors updated on important issues

To keep members informed on emerging issues we published seven *DirectorBriefs* on matters including sexual harassment, whistleblowing and stakeholder engagement. We also issued two *Governance Updates* to keep members up-to-date on legislative and policy developments.

We also published our fifth annual *Director Sentiment Survey* and the third in partnership with ASB Bank. This survey identifies the issues and challenges that are on the radar for directors as they work with their organisations. This year some of the key forces noted by directors were business and economic confidence, workplace culture, environmental and ethical issues and digital leadership and capability. The survey not only provides a good overview for our members but it also created strong media interest. We believe that these insights are key to building understanding of the importance of governance and directors as they work with organisations and businesses to create a strong, sustainable and vibrant future for New Zealand.

In response to a gap in comprehensive cybersecurity reporting we developed a cybersecurity guide, *Reporting Cybersecurity to Boards*, in partnership with Aura Information Security. This guide provides guiding principles for reporting and sample dashboards.



FACES OF GOVERNANCE

Simon Berry

Global perspectives

We initiated and led the inaugural *Global Director Survey*, carried out in partnership with the Global Network of Director Institutes (GNDI). The GNDI represents more than 130,000 directors in 21 countries. The survey provides insights into what is top of mind for directors around the world, focusing on key economic, business, social and governance issues. The survey was responded to by 365 New Zealand directors, out of a total of 2,159 directors from 17 participating countries.

We led the international communications planning and achieved media coverage around the world and in languages including Arabic, Chinese, English and Portuguese.

IoD in the media

We issued a total of 25 media statements during the year, some in response to issues of the day – which helped promote good governance – and others promoting our reports. In November, we began to markedly increase our social media engagement across our social media channels, also spreading the influence of good governance. We use surveys and resources to engage with the media particularly where we feel we can provide good information or guidance for the greater governance community. We also try to engage with media to provide advice and insight into the roles of directors and the importance of best-practice governance in order to build visibility and relevance for the positive work our members do for their communities and for New Zealand as a whole.

We published six issues of our *BoardRoom* magazine for members. *BoardRoom* is designed to inform and stimulate discussion in the director community. It is well-regarded and supported by corporate advertisers. It builds our relationship with our members through inspiring and educating content that has a focus on issues of the day including our three annual *What Matters* themes.



Boardroom
Aug/Sept
2018

Simon Berry CMIInstD is the Managing Director of award-winning and internationally-acclaimed cheese company Whitestone Cheese. A self-confessed skiing addict, Simon left a budding career as a finance analyst and accountant to help run his family's Oamaru-based business. He has since overseen the company's expansion internationally bringing New Zealand's Favourite Cheese Company (2018 NZ Champions of Cheese Awards) to the world and achieving business success.

“Change is constant and the skill to be able to read, adapt and most importantly benefit from the change is critical to successful governance.”

SIMON BERRY

Asked what skills will be important for directors, given the increasingly more complex governance environment, Simon says “Keeping ahead of disruptions is key – a successful director must be well

informed and always willing to learn about new trends, innovations, opportunities and threats”.

Simon values his interaction with fellow members of the Institute. “The ‘we are all in this together’ mentality that shines through enables sharing among fellow directors,” according to Simon. “We all want each other to succeed and with the help of the IoD network this can be achieved,” he adds.

Raising standards

Company Directors' Course refresh

The refresh of our flagship Company Directors' Course was completed in 2018. The review focused on continuing to improve attendee experience and currency of content. The content was updated to make it more aligned with current governance challenges. Additional simulated board meetings were added to expand attendees' hands-on governance practice and help them have more in-depth board experience. New technology has been added to bring the company case study to life and give the participants a more immersive experience. Personal

coaching sessions and discussion of further governance pathways have also been added to the programme to assist attendees to focus on ongoing self-development.

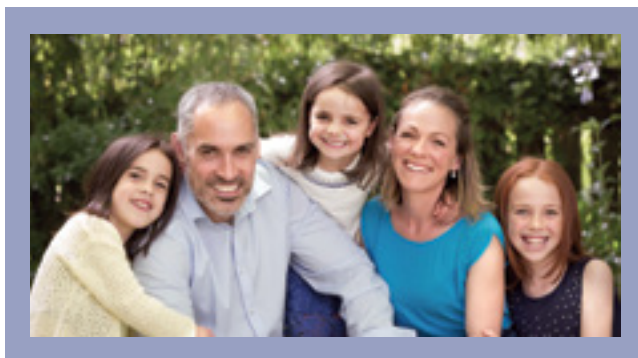
Continuing Professional Development (CPD)

Members continued to show excellent commitment to completing their Continuing Professional Development (CPD) and are taking advantage of the wide range of activities that help develop their skills and ensure they are up-to-date on developments in various governance issues. This includes

training that is related to governance as part of other professional bodies.

During 2018 we developed a series of three webcasts based around the three *What Matters* themes: Shareholder and Stakeholder Engagement, Culture and Ethics, and A World of Data. Members from around the country took advantage of watching the webcasts live or followed up by watching the recorded versions. This has been particularly good for members in remote areas in terms of engagement and providing a learning option that helps them achieve their CPD requirement.

Date of webcast	Topic	Live viewers	Recorded viewers	Total
14 March 2018	Stakeholder Engagement	298	312	610
3 July 2018	Culture and Ethics	345	476	821
14 November 2018	A World of Data	127	60	187



FACES OF GOVERNANCE

Warwick
Tauwhare-George

Creating a more personalised approach

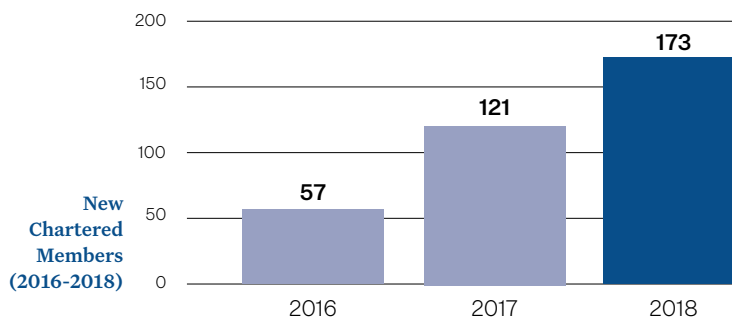
In a world where members are increasingly bombarded by information, it is becoming more and more important that what we offer them is relevant and personalised. We recognise that we have a diverse membership with different needs. With that in mind, we have created a segmentation model to customise the experience that each member receives from us. This will form part of our digital transformation which starts with our new website and will provide our members with a more personalised online experience, as well as help us ensure that all communications are targeted and relevant.

Chartered Membership

The introduction of the Chartered Membership pathway in 2014 has continued each successive year to raise standards and take the professionalism of members to a new level. The pathway introduced a membership structure with seven different categories based on expertise and experience namely:

- Associate
- Member
- Chartered Member
- Chartered Fellow
- Distinguished Fellow
- Retired Fellow
- Retired

Chartered Membership required CPD for all member categories apart from Associate, Distinguished Fellow, Retired Fellow and Retired. The Chartered Membership pathway offers directors who are committed to professionalism meaningful recognition for their experience and expertise.



2018 New Chartered Members

In 2018, there were 173 new Chartered Members.

2018 New Chartered Fellows

Matthew Boyd	Tim Mephram
Des Brennan	Graeme Milne
Sarah Brown	Guy Nelson
Gill Cox	Sue Sheldon
Tony De Farias	Justine Smyth
Charles Finny	Patrick Strange
Jane Freeman	Mark Tume
George Green	Graeme Wong
John Harvey	Peter Young
Chris Laurie	

2018 New Distinguished Fellows

Bill Baylis

If you ask Warwick Tauwhare-George CMIInstD, being comfortable in being vulnerable is a skill directors need given the changing and increasingly more challenging governance landscape. It's also a principle he has lived by throughout his life. Warwick, who recently became a Chartered Member of the Institute of Directors, is an accomplished director and sits on the boards of Port Nicholson Fisheries, Ngāi Tahu Farming and Ngamotu Hotels. He is also the Chief

Executive of Parininihi ki Waitotara, a Taranaki-based Māori company with \$400 million in assets and looking after the interests of over 10,000 shareholders.

While admitting it may sound a bit of a cliché, Warwick confesses his great passion is his family — his wife and three daughters. Extremely busy with his director portfolio and CEO role, he makes sure he spends as much time as possible with his whanau.

Warwick said he pursued being a Chartered Member to continue to grow both as a person and director.

“It’s important to continually strive to improve yourself.”

WARWICK TAUWHARE-GEORGE

For him it shows commitment to shareholders and respect for their interests.

Raising standards

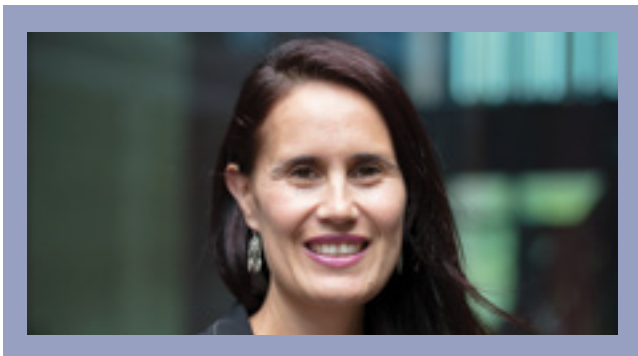
BoardWide membership

We encourage organisations to demonstrate their commitment to governance best-practice by becoming BoardWide members. BoardWide is our corporate membership option. The number of participating organisations rose to 68 in 2018, up from 53 in the previous year.

To qualify, an organisation must have four or more board directors, all of whom commit to be members of the IoD. CEOs and senior managers can also be included in BoardWide membership.

Working with Māori and Pacific organisations

Working with Te Puni Kōkiri, we provided governance training to 11 iwi boards in 2018 across the country. We also delivered four governance programmes in the Pacific Islands and have built strong relationships with clients.



FACES OF GOVERNANCE

Laurissa Cooney

Current BoardWide members

3R Group Limited	Hobson Wealth Partners Limited	Red Badge Group Limited
Abano Healthcare Group Limited	Independent Living Service Trust	Rider Levett Bucknall Auckland Limited
Accordia Asset Management Limited	Mahaanui Kurataiao Limited	Selwyn District Council
Accuro Health Insurance	Manawanui In Charge Limited	Site Safe New Zealand Incorporated
Air New Zealand Limited	Mangere East Family Service Centre Incorporated	Skyline Enterprises Limited
Bay of Plenty Regional Council	Marlborough Grape Producers Co-operative Limited	SmartPay Holdings Limited
BioGro New Zealand Limited	Master Plumbers Gasfitters & Drainlayers NZ Incorporated	South Seas Healthcare Trust
Bluelab Corporation Limited	Morrison Low Holdings Limited	Super Liquor Holdings Limited
Braemar Hospital Limited	New Zealand School Trustees Association Incorporated	Te Hau Ora O Ngāpuhi
BRANZ Limited	Ngāti Rārua Ātiawa Iwi Trust Board	Te Korowai o Ngāruahine Trust
The Building Officials Institute of New Zealand Incorporated	Ngāti Whakaue Assets Trust	Te Rūnanga A Rangitāne O Wairau
Carrfields Limited	New Zealand National Fieldays Society Incorporated	The Learning Wave Limited
Central Primary Health Organisation Limited	NZCU Baywide	The Salvation Army New Zealand, Fiji and Tonga Territory
Christchurch NZ Limited	NZCU Employees	The Selwyn Foundation
CKL Surveys Limited	New Zealand Trade and Enterprise	Theta Systems Limited
Competenz	Online Education Limited	Thomsons Timber Supplies Limited
EBOS Group Limited	Pasifika Futures Limited	Tourism Bay of Plenty
Federated Farmers of New Zealand Incorporated	PBO Group Limited	TSB Community Trust
Fisher & Paykel Healthcare Corporation Limited	Pegasus Health (Charitable) Limited	Vector Limited
Foodstuffs South Island Limited	Pohlen Hospital Trust Board	Vetora Limited
Grassroots Trust Limited	Police & Families Credit Union	Victoria University of Wellington
Hamilton Hardware Retail Limited	Rātā Foundation	Waiotahi Contractors Limited
		Wintec Student Residence Trust
		Youngman Richardson & Co Limited

Māori women and younger voices are few and far between around board tables. Laurissa Cooney is committed to blaze that trail for others to follow. The proud mother of four was the Institute of Directors' Emerging Director recipient for the Bay of Plenty Branch in 2017.

She is an independent director on the Audit & Risk Committee of Ngā Tāngata Tiaki Trust, a post-Treaty settlement entity in Whanganui, and on the Audit &

Risk Committee of Te Āti hau Whanganui Incorporation, a Māori-owned farming company based at the foothills of Matua te Mana, Mt Ruapehu. Laurissa also sits on the boards of Tourism Bay of Plenty and of Ngāi Tai ki Tāmaki, a post-Treaty settlement entity based in Auckland.

For Laurissa, being clear about her values is paramount as a director. Given the changing context of governance, she believes the ability to take both a holistic,

strategic view, and knowing when to seek further information or expertise, will be important as a director.

Laurissa says the cutting-edge professional development support, members' forums, the annual conference and the talented, interesting people she meets are some of the things she enjoys best about being a member of the IoD.

Inspire and equip people

Leading Directors

Part of the IoD's strategy is to ensure good representation of New Zealand's most senior directors. Leading Directors are a group that are generous at giving back, such as by making themselves available to present at events and being mentors on our programmes.

While leading directors are keen to give back to the profession, they also value the opportunity to engage in some peer-to-peer interaction in relation to large board environments. For this reason we have a small number of opportunities for this group to meet each year.

Future Directors

Our Future Directors programme was developed to build a 'pipeline' of talent by encouraging senior executives into governance earlier. Future Directors observe and learn through participation on a board for 12 to 18 months, while giving the host company exposure to talent and the benefits a different perspective can bring.

Founded by Sir Stephen Tindall (The Warehouse/Tindall Foundation), Michael Stiassny (past IoD President) and Des Hunt (NZ Shareholders Association) in 2013, it has since become a key programme for IoD to help increase the number,

quality and diversity of the director pipeline. In 2016, Future Directors was extended to State Sector boards allowing them and committees to benefit from the programme, as well as develop a larger and more diverse pipeline.

In 2018, 13 Future Directors were appointed to the following host boards:

- AgResearch – Natasha Tere
- Chiefs Rugby Club – Sharleen Nathan
- Fisher & Paykel Healthcare – Claudia Wyss
- Lotto NZ – Jessica Smith
- Mercury Energy – Anna Lissaman
- Metservice – Kim Dirks
- National Advisory Council on Employment of Women (NACEW) – Ariana Paul
- Northpower – Rangamarie Price
- Ports of Auckland – Siobhan Mckenna
- Scales Corporation – Teresa Steel-Rika
- Service IQ – Kirikaiahi Mahutariki
- Wellington Museums Trust – John Paul Tocker
- Zealandia – Glen Scanlon



FACES OF GOVERNANCE

Michele Frey

The total number of Future Directors appointed since the programme's inception is now 51. There are currently over 700 applicants who have registered interest in being considered for the programme on the Future Directors database – 44% of these applicants are female, and 50% of them are up to 40 years of age.

In 2018, the IoD hosted a Future Directors' networking event in Auckland attended by host board members, their future directors, search agencies and the founders. One of the founders Sir Stephen Tindall provided the following positive feedback to IoD:

“I find it very satisfying that you and your team at the IoD continue to support our dreams of better, more diverse governance and push this very hard for more future directors. What you are doing is very much appreciated.”

SIR STEPHEN TINDALL



(from left), Future Directors founders Des Hunt, Sir Stephen Tindall and Michael Stiassny, at the Future Directors' networking event 28 November 2018.

For Michele Frey CMInstD, high performance is a mantra both as an athlete and as a director. A triathlete, Michele is heading to Spain in May as part of the New Zealand age group team that will participate in the 2019 Long Distance Triathlon World Championships. The 2017 Emerging Director awardee for the Institute of Directors' Wellington Branch also recently became a Chartered Member of the Institute – a mark of her commitment to be a high performance director. Michele sits on the boards of

the New Zealand Recreation Association and Central Districts Cricket and is a Principal Environmental Consultant with Xyst Limited.

Michele believes the ability to be agile and open minded yet retain focus on the direction of the organisation are important skills for directors to have given the changing context of governance.

According to Michele, she found taking the IoD Company Directors Course really helpful.

“I thought a full week away was a lot but the week flew by, we had a great set of speakers, had plenty of opportunity to put the concepts into practise through some director simulations throughout the week, not to mention the great group I was with for the week.”

MICHELE FREY

Inspire and equip people

Mentoring for Diversity

In 2018, Mentoring for Diversity entered its seventh year. The programme promotes diversity in its wider sense including ethnicity, age, skills and experience in addition to gender. The Mentoring for Diversity programme aims to:

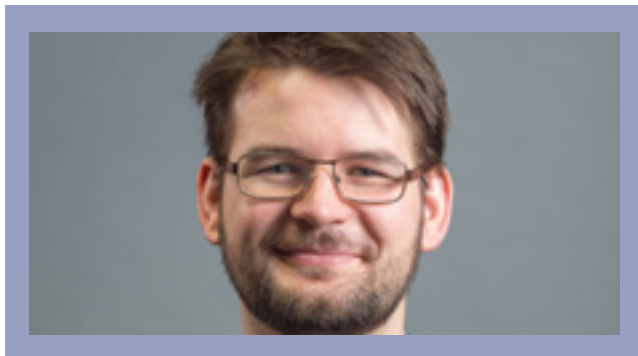
- enhance mentees’ governance knowledge and skills in order to assist them in achieving director appointments, particularly in large company environments
- increase mentees’ understanding of how listed and large company boards work
- enhance the connections between senior directors and chairs, adding to the diversity of the director pool and making board-ready talent more visible.

In 2018, 20 mentees were selected from 76 applicants across New Zealand. They were paired with some of IoD’s top chairs and leading directors who continue to give their time and support to help develop governance capability of their mentees. The programme runs from July to June each year with a ceremony held in June to congratulate outgoing mentees on their completion of the programme and welcome the new cohort.

The 2018-19 cohort is made up of 3 males and 17 females, with ages spanning 37 to 61 years, and across a wide range of industries including construction, innovation, law, finance, health, engineering, agriculture, aviation, digital, technology, communications, property and infrastructure.

Mentees for 2018-19 cohort

Elle Archer	Cathy Parker
Pamela Bell	Jignasha Patel
Tracey Bridges	Hilary Poole
Angela Bull	Jana Rangooni
Joanna Davidson	Amanda Santos
Toni Ferrier	Scott Tambisari
Dean Fraser	Melanie Templeton
Jo Goodhew	Judith Thompson
Michelle Henderson	David Tse
Sarah Park	Louise Ward



FACES OF GOVERNANCE

**Breccan
McLeod-Lundy**

This year we also measured the impact of the programme on previous mentees' governance careers. We invited 110 mentees across 5 cohorts between 2012 and 2017 to respond to a survey and had 70 mentees respond. Key findings were:

- 70% of mentees say the programme strengthens their desire to pursue a governance career
- 74% of mentees that responded were successful in obtaining governance roles following completion of the programme
- 60% of mentees agree the programme meets the objectives of enhancing governance knowledge and adding to the diversity of the director pool
- 47% agree the programme makes board-ready talent more visible, and increases their understanding of how large company and listed boards work.

Other outcomes of the programme include confidence building, providing a 'reality check', helping to advance mentees' executive careers, and connecting with others/ networking.

Emerging Director Award

The IoD is committed to enhancing the governance career of those who have a desire to grow their governance knowledge and skills. Every year, branches present the Emerging Director Award to an individual who is able to demonstrate leadership, integrity and enterprise in their career. Winners each receive mentoring from an experienced director, between \$1,500 and \$4,000 toward professional development, and a one-year membership with the Institute of Directors. The 2018 recipients were:

- Auckland – Nagaja Sanatkumar
- Waikato – Carla Muller
- Waikato Disability Sector award – Sarah Verran
- Bay of Plenty – Jana Rangooni
- Taranaki – Joe Hanita
- Wellington – Shaun Twaddle
- Canterbury – Hannah Doney, Kathryn Ruge
- Nelson Marlborough – Manoli Aerakis
- Otago Southland – Desiree Williams

Course development

As part of the IoD's efforts to further equip directors, we developed nine additional courses under our Director Development programme in 2018.

Breccan McLeod-Lundy is the Founder and CEO of Wellington-based tech company Ackama. Finishing university at 18 with a BA Philosophy (Hons) degree from the University of Canterbury, Breccan had difficulty finding work because of his age so he started his own business. He later landed a job as a developer but after a couple of years, decided to go out again on his own to found what is now Ackama, which is now operating both in New Zealand and Australia.

A technologist, Breccan recently became a Chartered Member of the Institute of Directors. He believes being a Chartered Member is a way to show their organisation takes governance seriously.

In an age of technological disruptions, Breccan believes a broadening of technology skills is important for all directors. "In the same way that everyone should be able to read a balance sheet, everyone should have a basic sense

of what makes sense when it comes technology," he says.

For Breccan, the best part of being a member of IoD is hearing experienced directors share the kind of stories they can't or won't share in public. The best advice he has received as director? Keep asking questions.

Build engagement across the governance network

Build engagement across the governance network

We continued to see member numbers increase during 2018. Total membership reached 9,071, up from 8,686 a year earlier.

At 4.4%, growth in 2018 was lower than 2017 (8%), but it continued a trend of increasing engagement with New Zealand’s directors that has seen our membership more than double over the past 10 years (growth of 104% since 2008).

Membership growth is not an end in itself for the IoD – our focus is on supporting the members we have to practise governance as a profession – but it is a strong indicator that directors see value in what we do. In fact we expect growth to slow as we lift standards through Continuing Professional Development and would view this as a good outcome.

One of the key benefits of membership is the opportunity to engage with, discuss issues with and learn from other leading directors. Our events not only provide formal training and guidance but also opportunities for members to access professional support, refine concepts of best practice and develop their governance skill set through engagement with each other.

Branch network sets new records

Branches and branch events continued to underpin membership activity in 2018 with more events, and more members taking advantage of what was on offer, than ever before. The frequency, breadth and variety of branch-based events grew as did the number of locations in which they were held.

The total number of branch events held in 2018 was 215, compared with 188 a year earlier, an increase of 14%. Total attendance at IoD branch events was up slightly at 10,013, compared with 9,942 a year earlier.

In order to ensure branch events were available to as many of our widely-dispersed membership as possible, events were held in 29 different localities in 2018.

Event highlights

Satisfaction with our flagship *Leading Edge* annual conference was 95%, a small rise from a strong result of 93% in 2017. The conference this year included leading business thinkers from around the world including Blockchain Trust Director Tomicah Tillemann (US), Laboratory for Animate Technologies Director Dr Mark Sagar (NZ) and New Economics Foundation Fellow Ann Pettifor (UK).



FACES OF GOVERNANCE

Mena Antonio

The annual conference continues to be popular with a range of members, attracting attendees from government, SMEs, private, publicly listed and not-for-profit organisations.

Of surveyed attendees, 42% said *Leading Edge* exceeded their expectations.

The 2018 event also saw the conference app increase in popularity, with 87% of attendees downloading it.

Our Chief Executive Kirsten Patterson spoke at a variety of high-profile governance events during the year. These appearances help build IoD's footprint and network.

Among the events she spoke at were a PwC International Women's Day event, the NetZero NZ Emissions Workshop, the Diverse Thinking Governance Summit, the Rugby Women in Governance conference and the Chartered Accountants ANZ's Pathways to Directorship event.

Kirsten also represented the IoD at events including the National Association of Company Directors Global Leaders' Summit, Deloitte Top 200 Awards, Diversity Awards Gala, MinterEllisonRuddWatts Corporate Governance Symposium, and Harnessing the Power of Business: Tackling Modern Slavery and Human Trafficking Forum.

Highlights from our branch event calendar included health and safety forums, which attracted more than 700 attendees. Health and safety is now firmly entrenched as a director responsibility, and we were fortunate enough to have the support of the Business Leaders Health and Safety Forum to deliver the events, led by WorkSafe NZ CEO Nicole Rosie.

Director services

Another strand of our engagement work is helping boards to tap into the pool of talent that is our membership through our DirectorSearch and DirectorVacancies services.

DirectorSearch activity experienced a small uplift in 2018 with 26 assignments, compared with 23 in 2017. In addition, DirectorVacancies client numbers increased by 3.7%.

For Mena Antonio CMIInstD, investing in herself to become a Chartered Member of the Institute of Directors is not just about professional development, it's also about advancing diversity and giving back to her Pasifika community.

Mena is currently the deputy chair of Trust House Foundation and director at Trust House Limited, a community-owned company based in the Wairarapa operating a range of businesses in the community housing, retail, hospitality, and hydro-electric power generation industries.

"I'm a life-long learner and have a real passion for education," says Mena after completing the requirements to become a Chartered Member of the Institute.

"It's also about advancing gender and ethnic diversity and being better able to support my Pasifika community where governance is still a developing area, and regional New Zealand where governance opportunities can be overlooked."

MENA ANTONIO

Asked why she wanted to become a Chartered Member of the Institute, Mena says continuous improvement throughout her professional life has always been important for her.

Given New Zealand's population is becoming increasingly diverse, Mena says it is really important that boards and decision makers who are governing reflect that diversity.

IoD's corporate governance focus

In our 2017 Annual Report we began to provide more information regarding our performance on corporate governance matters that are important to the IoD. In this year's report we continue to report on some key elements that form part of our own organisation's corporate governance.

Ethical behaviour

Ethical behaviour has a key role in setting the tone, standards and values of an organisation and in 2018 IoD had a strong focus on this topic.

- Our *What Matters* ethics theme provided relevant information for IoD members and staff on ethics and culture and was provided via a range of channels including an online course, webinar and events around New Zealand.
- We produced three *DirectorsBriefs*, available to staff and members, relevant to ethical behaviour and corporate culture. These were on the subject of sexual harassment, whistleblowing and stakeholder engagement.
- Our Council Committee and IoD Ltd Board members all adhere to the *Code of Practice for Directors* and employees sign up to the *Staff Code of Conduct*.

Health and safety

We are committed to creating a strong health and safety awareness culture at IoD. We maintain an active approach to risk management, and risks are identified and reported to our Health and Safety Committee, and Council.

- IoD has two separate health and safety committees – a Council subcommittee and a staff committee. The staff committee is responsible for reviewing and managing health and safety risks on a regular basis.

- IoD also has a Wellness Committee run by staff that identifies opportunities for team building and promoting positive wellness in the workplace. Activities in 2018 included winter illness packs, fun-run participation, lunch time walking groups and staff functions.

An external health and safety expert was also engaged to ensure we are compliant with best practice.

Risk management

IoD maintains an active approach to risk management and risks are identified and reported to our Audit and Risk Subcommittee and Council. As an organisation, our leadership team review and manage our own risks on a regular basis.

Sustainability

We have recently begun to focus on sustainability and like many small to medium businesses we are keen to continue building our focus in this area. In 2018 we:

- started to plan our digital transformation to help us build a more sustainable approach to communication and servicing our members. We started an audit to look at the range of materials and information we create with the aim of looking for ways to reduce our footprint
- continued to publish *BoardRoom* on paper that is sustainably sourced and produced, and meets international standards
- utilised video conferencing technology for an increasing number of meetings, reducing our airline travel requirements
- looked to procure products such as copier paper and kitchen supplies from sustainable origins.

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 events, courses, resources and advocacy. Some highlights for 2018 follow.

- We ran our staff survey to gauge the current sentiment of employees at IoD. We also ran our first all-of-staff event which provided our people with the opportunity to share new thinking, plan for the future and get important cross-organisational thinking on a range of important elements for our future.
- REM reporting: it is important that organisations like IoD provide meaningful, fullsome information in their reporting. For the first time this year we have disclosed CEO and Leadership Team REM via approved salary bands. We see this as a positive part of increasing transparency.
- We released our annual *Director Sentiment Survey* in November.
- GNDI Director Survey: the IoD is a founding member of the Global Network of Director Institutes (GNDI), an association of sovereign state director organisations that are recognised for their pre-eminence in board and director development globally. This year IoD New Zealand was the driver of the first global survey of directors and the resulting report.
- Held 215 branch events.
- We developed and maintained key relationships with a number of stakeholders influential in the policy and business sectors and developed a stakeholder engagement strategy to ensure that we have an organisational level approach to keeping our engagement relevant and effective.

Diversity

Diversity of thought and inclusion continues to be an important issue for IoD. In 2018 we continued to champion diversity in the following ways:

- our Mentoring for Diversity and Future Directors programmes helped to create a pipeline that is diverse and representative of a broad range of skills, age, ethnicities, gender and experience
- our Emerging Director Awards also help build diversity and recognise emerging talent.



Core enablers

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

Financial sustainability

2018 was a year for consolidation where we continued to build our reserves to meet members' current and longer-term needs. Our core services remained largely unchanged but more member-centric. Some of our reserves have been identified for our digital development and a refresh of our Wellington premises, after being in the current premises for nine years. 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 before taxation for the year ended 31 December 2018 was \$0.6m which will allow us to invest for the future needs of our members.

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, focusing on a major overhaul of our website, data management and finance system, and will be going live in the second half of 2019.

People

In 2017 we undertook an organisational review and created two new general manager roles – GM Members and GM Brand, Marketing and Communications. These roles enabled us to bring value to our members, build our profile and anticipate future needs.

We are proud of our IoD team and their commitment to serve our members. Our team ensures we can continue to deliver our strategic goals and support a growing membership.

Financial summary



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 2018, 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 32 to 44, present fairly, in all material respects, the financial position of the Institute as at 31 December 2018, 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 or 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 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 responsibilities for the audit of 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 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/auditors-responsibilities/audit-report-8>

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.

Deloitte Limited

Wellington, New Zealand
28 February 2019

Consolidated statement of comprehensive revenue and expense

for the year ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue from Services	2(a)	13,189,545	13,361,015
Cost of Services	2(b)	(11,075,343)	(10,500,785)
Gross Profit		2,114,202	2,860,230
Interest Income		184,408	184,825
Operating Expenses	3(a)	(1,656,687)	(1,611,129)
Surplus before income tax		641,923	1,433,926
Income tax expense	5	(362,960)	(180,576)
Surplus for the year		278,963	1,253,350
Total comprehensive revenue and expense for the year-net of tax attributable to members		278,963	1,253,350
Other comprehensive revenue and expense for the year		–	–
Total comprehensive revenue and expense for the year attributable to members		278,963	1,253,350

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Building Reserve \$	Technology Reserve \$	General Reserve \$	Total \$
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	400,000	1,500,000	(1,900,000)	–
Balance at 31 December 2017	400,000	1,500,000	1,027,357	2,927,357
Balance at 1 January 2018	400,000	1,500,000	1,027,357	2,927,357
Total comprehensive revenue and expense for the year	–	–	278,963	278,963
Balance at 31 December 2018	400,000	1,500,000	1,306,320	3,206,320

Management of liquidity and accumulated funds

The Institute of Directors in New Zealand's (Inc) ("IoD") capital consists of accumulated funds. The IoD's management and Council monitor its liquidity and management of cash on a regular basis. In 2017 we introduced two reserves to separately identify amounts set aside for future identified Technology and Building/Premises requirements.

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 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and Cash Equivalents		2,778,287	5,123,443
Term Deposits		3,429,150	1,487,621
Trade & Other Receivables	8	1,379,811	1,084,687
Interest Receivable		27,816	36,525
Total current assets		7,615,064	7,732,276
Non current assets			
Property, Plant & Equipment	6	303,129	190,730
Intangible Assets	7	588,168	51,491
Total non current assets		891,297	242,221
Total assets		8,506,361	7,974,497
Current liabilities			
Trade & Other Payables	9	4,952,561	4,866,564
Income Tax Payable		347,480	180,576
Total current liabilities		5,300,041	5,047,140
Total liabilities		5,300,041	5,047,140
Net assets		3,206,320	2,927,357
Represented by:			
Building Reserve		400,000	400,000
Technology Reserve		1,500,000	1,500,000
General Reserve		1,306,320	1,027,357
Accumulated Funds		3,206,320	2,927,357

The Council of the Institute of Directors in New Zealand Inc authorised these financial statements presented on pages 32 to 44 for issue.



President

28 February 2019



Chief Executive Officer

28 February 2019

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 2018

	2018 \$	2017 \$
Cash Flows from Operating Activities		
Cash Receipts from Subscriptions & Joining Fees	3,616,265	3,316,781
Cash Receipts from Commercial, Branch Activities & Other	9,714,382	8,829,406
Cash Receipts from Interest	193,118	177,389
Cash Paid to Suppliers	(7,534,351)	(7,475,129)
Cash Paid to Employees	(5,378,905)	(4,484,280)
Income tax paid	(196,056)	–
Net GST Paid	(23,268)	(11,714)
Net Cash Flows from Operating Activities	391,185	352,453
Cash Flows from Investing Activities		
Net (Outflow)/Proceeds from Term Deposits	(1,941,530)	1,119,568
Acquisition of Fixed and Intangible Assets	(794,811)	(73,968)
Net Cash Flows used in Investing Activities	(2,736,341)	1,045,600
Net increase in Cash and Cash Equivalents	(2,345,156)	1,398,053
Cash and Cash Equivalents at beginning of the year	5,123,443	3,725,390
Cash and Cash Equivalents at end of the year	2,778,287	5,123,443
ANZ Current Account	634,491	755,885
Cash Equivalents	2,143,796	4,367,558
Cash and Cash Equivalents at end of the year	2,778,287	5,123,443

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

Consolidated statement of cash flows (continued)

for the year ended 31 December 2018

Reconciliation of Net Surplus with Net Cash Flow from Operating Activities

	2018 \$	2017 \$
Net Surplus as per Statement of Comprehensive Revenue and Expense	278,963	1,253,350
Adjustments for:		
Non-Cash Depreciation and Amortisation	137,457	128,925
Non-Cash Loss on Disposal of Fixed Assets	8,278	–
Movements in Working Capital:		
Increase/(Decrease) in Trade and Other Payables	252,901	(831,925)
(Decrease) in Trade and Other Receivables	(286,414)	(197,897)
Net Cash Flow from Operating Activities	391,185	352,453

Cash and Cash equivalents recognition

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.

Cash on Deposit recognition

Cash on deposit with financial institutions with maturities greater than three months are classified as cash on deposit within the statement of financial position.

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 2018

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 28 February 2019.

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 2018 incorporate the financial statements of its non-trading 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 financial statements have been prepared on a goods and services tax exclusive basis, except for accounts receivable and payable which include GST as invoiced.

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

2. Revenue and expenses from services, include, inter alia:

a. Revenue from exchange transactions

	2018 \$	2017 \$
Subscriptions	3,599,048	3,324,803
Director Development Income	7,239,359	7,910,952
Board Services	634,734	510,741
Branch Activities	561,710	631,170
Other	1,154,694	983,349
Total	13,189,545	13,361,015

2. Revenue and expenses from services, include, inter alia: (continued)

a. Revenue from exchange transactions (continued)

Revenue recognition and measurement

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the IoD, and is measured at the fair value of the consideration received or receivable. The following specific recognition criteria in relation to the IoD's revenue streams must also be met before revenue is recognised:

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.

Sponsorships

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

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.

b. Costs of services

	2018 \$	2017 \$
Employee Remuneration	5,233,319	4,455,461
Cost of delivery Director Development Courses (excl. Salaries)	3,555,449	3,904,484
Cost of Commercial Operations development	284,745	287,415
Cost of delivery Branches, Membership, Governance Leadership Centre, Conferences (excl. Salaries)	2,001,830	1,853,425
Total	11,075,343	10,500,785

3. Operating expenses

a. Operating expenses

	2018 \$	2017 \$
Audit fees	15,000	12,000
Amortisation	25,386	39,323
Bank and Credit card charges	117,379	102,103
Depreciation	112,071	89,603
Insurance	32,858	27,925
IT Support and Maintenance	263,497	398,322
Loss on Disposal	8,278	–
Office expenses	100,927	102,460
Printing, Photocopying and Stationery	73,356	64,196
Professional and Contractor fees	406,563	288,041
Rent	201,562	193,617
Telephone, Tolls and Fax	55,753	45,373
Training	37,728	21,798
Travel	125,478	147,897
Other	80,851	78,471
Total	1,656,687	1,611,129

Professional Indemnity Insurance

The IoD has paid a professional indemnity insurance premium on behalf of its councilors, directors, executives and employees of \$17,400 (2017 \$14,500).

b. Operating Leases

	2018 \$	2017 \$
Current	255,487	168,577
1 – 5 years	1,006,628	9,215
Total operating lease commitments	1,262,115	177,792

Operating leases recognition and measurement

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.

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.

The increase in commitments in 2018 is a consequence of the IoD exercising its right of renewal of the existing lease of the Wellington premises.

4. Employee Remuneration

	2018 \$	2017 \$
Salaries and Wages including Discretionary Payments	5,094,990	4,351,770
KiwiSaver Contributions	138,329	103,691
Total	5,233,319	4,455,461

Employee Entitlements recognition and measurement

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.

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 2018 (including the CEO) and they received a total remuneration of \$1,420,172 (2017 seven members \$1,283,628).

Remuneration Range \$	No. of key management personnel 2018	No. of key management personnel 2017
100,000-199,999	4	6
200,000-299,999	2	–
300,000-399,999	1	1

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2017 Nil).

Key management personnel remuneration consists of fixed remuneration, discretionary payments and KiwiSaver contributions and is reviewed annually by the Human Resources 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 (2017 Nil).

5. Income Taxation Expense

	2018 \$	2017 \$
Surplus before Tax expense	641,923	1,433,926
Tax at 28%	179,738	401,499
Tax effect of adjustments:		
Non assessable income	(1,092,037)	(1,016,930)
Non deductible expenses	1,275,259	935,950
Tax losses utilised	–	(139,943)
Income tax expense reported in the statement of comprehensive revenue and expense	362,960	180,576

Taxation recognition and measurement

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 (2018 Nil, 2017 \$139,943).

6. Property, Plant and Equipment

		2018 \$	2017 \$
Computers and Cabling	Cost	361,700	366,846
	Accumulated depreciation	(232,637)	(279,973)
	Book Value	129,063	86,873
Furniture and Fixtures	Cost	423,209	366,799
	Accumulated depreciation	(277,477)	(272,638)
	Book Value	145,732	94,161
Office Equipment	Cost	95,038	115,108
	Accumulated depreciation	(66,704)	(105,412)
	Book Value	28,334	9,696
Total	Cost	879,947	848,753
	Accumulated depreciation	(576,818)	(658,023)
	Book value	303,129	190,730

6. Property, Plant and Equipment (continued)

Property, Plant and Equipment recognition and measurement

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 straight-line (SL) basis or diminishing value (DV) basis according to the asset's useful life as follows:

Computers and Cabling	40% and 33% SL, 48% and 20% DV
Furniture and Fixtures	10.5% and 8.5% SL, 48% and 20% DV
Office Equipment	21% SL, 48% and 20% DV

Impairment of Non-Financial Assets recognition and measurement

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).

7. Intangible Assets

		2018 \$	2017 \$
Computer Software	Cost	814,532	283,015
	Accumulated amortisation	(226,364)	(231,524)
	Book Value	588,168	51,491

Intangible Assets recognition and measurement

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 loD intends to use or sell the service. The book value of Computer Software for the year ended 31 December 2018 includes \$545,516 (2017 Nil) relating to loD's new membership and finance system, which is currently under development. The cost of this software will be amortised once the project is complete and is available for use.

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

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

Software	40% and 33% SL, 48% DV
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8. Trade and Other Receivables

From exchange transactions

	2018 \$	2017 \$
Trade Receivables	1,004,795	937,912
Prepayments	375,016	146,775
Total	1,379,811	1,084,687

The IoD has not recognised any loss or provision in respect of bad and doubtful trade receivables during the year ended 31 December 2018 (2017 Nil).

Trade Receivables recognition and measurement

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.

9. Trade and Other Payables

From exchange transactions

	2018 \$	2017 \$
Trade Payables	752,765	536,055
Income Received in Advance	3,616,000	3,400,159
Accruals	258,836	428,680
Employee Entitlements	246,136	391,722
Other Payables	78,824	109,948
Total	4,952,561	4,866,564

Trade and Other Payables recognition and measurement

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.

10. Financial Instruments

	Loans and Receivables at amortised cost \$	Financial Liabilities at amortised cost \$	Total \$
2018			
Cash and Cash equivalents	2,778,287		2,778,287
Cash on Deposit	3,429,150		3,429,150
Trade Receivables (excl. Prepayments)	1,004,795		1,004,795
Other Accounts Receivable	27,816		27,816
Total	7,240,048		7,240,048
Trade Payables		752,765	752,765
Income Received in Advance		3,616,000	3,616,000
Accruals		258,836	258,836
Employee Entitlements		246,136	246,136
Other Payables		78,824	78,824
Total		4,952,561	4,952,561
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
Total	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
Total		4,866,564	4,866,564

Financial Assets' recognition and measurement

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.

10. Financial Instruments (continued)

Financial Liabilities' recognition and measurement

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.

11. Related parties' disclosures

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

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:

	2018 \$	2017 \$
Director Development	1,105,216	966,227
Chartered Member Assessments	59,144	17,963
Course Review	194,893	110,781
Director fees – IoD Limited	20,000	65,000

Council members

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

The total amount paid for services from Council members in their capacity as directors of IoD Limited, included in the totals above, was \$0 (2017 \$0).

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 \$42,367 (2017 \$77,659). 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 members and do not receive any payments for their branch committee roles.

12. Contingent liabilities

The IoD has no contingent liabilities at 31 December 2018 (2017 Nil).

13. Capital commitments

The IoD has capital commitments as at 31 December 2018 with respect to the replacement of our membership, finance and website system. The total committed for the new Digital Project beyond 31 December 2018 is \$507,770 (2017 Nil).

14. Events after balance date

There are no significant events which have occurred subsequent to balance date (2017 Nil).



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