

2013

ANNUAL REPORT

THE PROPERTY INSTITUTE OF NEW ZEALAND

wishes to thank the following sponsors :





JOINT PRESIDENTS' REPORT

As the Presidents of our Institutes, the most important qualities we must bring are leadership and vision - to work with our Board, Council, and membership as a whole to shape the future of our professions and our Institute. We are here to reflect the needs of members, and to shape these disparate needs into a coherent vision for the future. Looking forward to the next twelve months and where we are going, we often return to a common theme - that of breaking with the past.

It's very easy to get caught up in the way things are or the way things have been. Time and time again, we've seen people, professions and companies consigned to history by an inability to adapt and an ingrained desire to cling to the past.

National Office has a copy of the minutes from a very early meeting of what would become the NZIV - dating to the 1910's. The primary purpose of the meeting was fee setting - building a table of minimum fee levels which members were obliged to adhere to. It's astonishing how different our world is now - that sort of behaviour would now be totally unacceptable, not to mention outright illegal.

As a profession and as an Institute, we need to continually reassess things even at their most basic level - why are we here? What is the value of our Institute and of our profession? What do we provide which members cannot provide themselves? This is the approach being taken by the Board as we work on what we're colloquially calling Project 23, the review of the Institute's identity. This way of thinking - of breaking with the past - is by no means unique to the Institute - it's a hallmark of the generation we live in. It is hallmark of the work being done on the Valuers Act, both within LINZ and within the Institute. Change is ever-present, and it's exciting that now more than ever before, the Institute is embracing this.

Of course, it isn't just the Institute. Many members are at the forefront of change, and we are constantly impressed by the innovations we see in property coming from members of the Institute - it's for this reason we often present an innovation award at the annual conference to a particularly innovative firm or member.

Breaking with the past is often difficult, but times change and so must we.

PROMOTING OUR PROFESSIONS

It's always a concern when we look at the average age of an Institute member - there simply aren't the numbers coming through to ensure the ongoing viability of our professions and our industry. It's for this reason that the work which our young leaders' program is doing with schools is absolutely vital. These young members of our professions are taking every opportunity to promote property careers, and have spoken at a wide array of secondary school events, career fairs, and career guidance sessions. They're spreading the word about the opportunities involved in a property career, and the importance of this work can't be emphasised enough.

In general, the work of the young leaders' committee is becoming more and more central to the future of the Institute. The committee is able to speak with authority on the needs of the next generation of professionals and respond to those needs. Even considering the array of complicated issues currently confronting the Institute, it is our view that the ideas and priorities that come from this group are arguably the most valuable asset the Institute has.

GOVERNMENT & LEGISLATION

As they say in the Mainland Cheese advertisements, good things take time.

A huge amount of everybody's time at a national level this year has revolved around the review of the Valuers Act. As with any exercise involving Government, doing anything takes a long



J.L. (BLUE) HANCOCK

Blue has nearly 30 years valuation experience encompassing rural and resource interests, specialised rural assets, public sector property (especially forest interests), expert evidence and management. He has been a member of the NZIV since 1986 and the Property Institute since 2000. He is a Fellow of the Property Institute and The Institute of Valuers and has been President of The Property Institute since June 2013.



TERRY NAYLOR

Terry has been in private practice since 1985, and became a shareholder and director of FordBaker Valuation Limited in 1995. He is experienced in a wide range of urban and rural valuation work, with specialist areas including hotels, motels, and other hospitality related properties throughout the South Island. He has served on the NZIV Council and Property Institute Valuers' Council since 2008, as Chair since mid 2012. He also serves on the Board of the Property Institute.

time - even longer if you're trying to do it right. This has meant that the review we'd already had confirmed by last year's annual report is still to reach the discussion document phase at the time of writing.

Every step of the way though brings us closer to a new phase in the life of the Property Institute, of the Institute of Valuers, and of the valuation profession as a whole.

The release of this report should roughly coincide with the release of the discussion document, and we're certainly excited to start the next step in the review process. As David Clark wrote in a recent edition of Property Quarterly, there will be an extensive consultation process in order to develop the Institute's position and submission in response. This will all be done under a very tight timeline in order to get the submission in within the LINZ consultation period, which we expect to be six weeks long.

Several Branches have been especially proactive about this, and Jason Williams in particular of the Auckland Branch deserves credit for ensuring his branch has a strategy in place around consultation and how to ensure Auckland members' voices are heard. Likewise, the young leaders' program members are working on a series of consultation meetings to gain feedback from the younger generation of valuation professionals.

Members will have noted the change in Minister which Land Information New Zealand had earlier this year. The new Minister, the Hon. Michael Woodhouse, has kindly agreed to honour the appointment made by his predecessor to open the Institute's annual conference 2014 in Rotorua, and this will be a great opportunity for us to meet and hear from him.

Finally, progress around the Real Estate Agents' Act has stalled, with the test case (the Institute of Chartered Accountants) hitting problems in their attempt to get an exemption through the Ministry of Justice. We are getting increasingly concerned at the length of time involved in this process, and it's something we intend to put back onto the Government's radar following the coming election.

THE VALUATION MARKET

Members will be aware that the Institute has been forced to respond to developments in the valuation market with regard to ordering systems. Our vision in this area is simple and clear - we support a valuation market where every suitably qualified valuer is able to compete for business in a fair and competitive market. The advent of ordering systems was a change to the market, and some businesses saw this as an opportunity and others as a threat. Those who chose not to join the panel of an ordering system were originally able to compete with them fairly, and consumers retained the ability to choose what best suited them - a valuer they were recommended, a valuer they had history with, an ordering panel, a valuer suggested by a mortgage broker, or any number of other ways of finding a valuer.

We think that it is perfectly reasonable for a bank to hold criteria on who they will and will not accept valuations from, but the exclusion of professionals who do not enter into a commercial arrangement with a particular ordering system goes beyond this.

These developments in the market though have started to undermine the ability of some valuers to compete fairly and of consumers to choose the service which best suits their needs. Any compulsion in a consumer's selection of valuer is something we completely oppose, and for this reason the Institute expressed our view very clearly earlier this year to a number of lending institutions who we saw as undermining the proper functioning of the valuation market.

APPRECIATION

As always, we need to end with appreciation for those individuals and committees who give selflessly of their time for the betterment of their profession and their Institute. At the back of this report is a list of those individuals who serve on committees, Boards and Branches within the Institutes, and we would both like to thank each one of them. We'd also like to highlight the chairs of these committees; Patrick O'Reilly, Marvin Clough, Paul Mautz, Chris Stanley, Earl Gordon, Karen Cooke, and Ian Campbell, and of course all of our Branch chairs

We also need to acknowledge those who serve on the Property Institute Board and the Valuers Council with us, as well as the members of the young leaders' program - the guidance which you provide the Institute is invaluable, and our talk of keeping up with the times and breaking with the past would come to nothing without your guidance as to where we need to go and what we need to do.

Finally, welcome to the new Fellows and Life Members who are joining us this year - congratulations on formally attaining a status that reflects the contribution you have given and the esteem in which our profession holds you. We also need to acknowledge Bob McGough, a life members who unfortunately passed away over the course of 2013.

We look forward to working with all of you again over the coming year, as we build our vision to further advance our industry.



Blue Hancock
President
Property Institute



Terry Naylor
President
Institute of Valuers



DAVID CLARK

David has been Chief Executive of the Property Institute since 2008, and a chartered accountant since 1975.

Before joining the Institute, his career included a variety of high-level property and management positions with some of New Zealand's leading corporates.

CHIEF EXECUTIVE'S REPORT

As much as the Presidents' report sets the agenda for the year coming, my report looks instead at where we've come from and what has been achieved over the course of 2013. It seems that every year I comment with surprise that the scope of the job before us is always increasing, with an end never in sight. However, as the Presidents have quite rightly pointed out in their report, such is the nature of the world in which we are operating in. I am determined that the Institute will not be left behind as the world changes. The Institute has a vital role in ensuring that those professions we represent, each an integral component of the property market, have the resources and support needed to fulfil their purpose.

2013 has been no exception for us, and a lot has been achieved over the year.

ACCREDITATION

The accreditation scheme's expansion is constant, and I'm proud to be involved with it. A significant portion of the New Zealand valuation community is now accredited. The feedback I receive from firms around how the scheme helps improve their processes is universally positive, and there is no doubt in my mind that the scheme is helping raise standards in the profession.

With the scheme firmly established in real property valuation, our focus is on expansion into the other professions which the Institute represents. We already have several firms accredited in property advisory, including Bayleys who have gained accreditation in three different communities, and advisory and management is now our primary focus for expansion. I need to acknowledge the efforts of Paul Mautz, the chair of the Property Advisory Council, for all the assistance he has given to the Institute in ensuring the scheme meets the needs of property advisors and his assistance in spreading it within the community.

Karen Cooke has also been a strong supporter of the scheme since inception, but unfortunately she has chosen to move on from the demands of chairing the Accreditation Committee. The chairmanship now rests with Trish Lowe, another excellent practitioner. I'm pleased to have someone of Trish's ability now leading the Committee as we continue on this second phase of expansion. I also remain extremely grateful to Jo Parry for her constant work in improving and advocating for the scheme amongst the membership.

CONFERENCES

The 2013 Property Institute conference was something of an anomaly, in that while it was undoubtedly the widest in scope and the most impressive conference the Institute has ever run, it was also the first to not turn a profit. This stemmed from one simple factor - overestimating the willingness of members to travel to Queenstown. The difficulty of reaching Queenstown, combined with Jetstar cancelling some of their services to Queenstown shortly before the conference, conspired to dent turnout significantly.

This is not to imply that attendance was low - rather, that it didn't keep pace with projections. Still, there were around 250 delegates who joined us, including around ten Australian and several from Hong Kong. Those who attended heard from another excellent selection of speakers on both property and general business topics, as well as getting to experience the Queenstown tourism industry first hand.

The Infrastructure, Plant and Machinery community also held a conference in May 2013 jointly with the API. This two day conference covered topics ranging from aircraft, standards, and a visit to a water treatment plant.

The work involved in organising a conference can't be overstated, and I congratulate both Marvin Clough, chair of the Infrastructure, Plant and Machinery community, and Jenny Houdalakis from National Office on putting these together successfully.

STANDARDS

As is always the case, the Standards Board had another busy year developing, commenting on, and improving the standards which guide our professions. As of 1 January 2014, the IVSC 2013 standards were formally adopted, and a series of exposure drafts were released specific to the NZ/Australian industries, including drafts for the Property Advisory community. Any members still unsure about the state of our standards should take advantage of the webinar you'll find on the Property Institute website from Chris Stanley, chair of the Standards Board and the Institute's representative on the IVSC. There can't be many in the world with more intimate knowledge of standards than Chris, and I thank him for giving freely of his time to advance our standards.

FINANCIAL POSITION - PROPERTY INSTITUTE

Despite not turning a profit on the conference, we did ensure that the Institute as a whole reversed last year's loss and maintained a solid financial position. In reviewing the financial results again for this commentary, I was surprised about how similar the 2013 results are to the 2012 results (year-end profit excepted!).

Revenue in 2013 was \$1,570,000, set against \$1,583,000 in the previous year. The major difference between these two was the drop in the SLA payment from the NZIV, reducing by \$30,000.

Total expenses were also remarkably similar, \$1,566,000 compared to \$1,616,000 in 2012, a reduction in spending of \$50k. The primary difference in the expenses, as mentioned before, was the scale of the conference in Queenstown, adding an extra \$55,300. The cost of the Board was also up, by \$15,000, mainly as a result of travel for additional meetings and a subsidy for attending the Queenstown conference. Salaries were also \$12,000 higher than 2012 (1.15%).

These increases were offset by a reduction in publications of \$42,500, which stemmed primarily from the Board decision to cease receiving the joint Australia/New Zealand journal. Depreciation was also \$25k less than 2012.

The results of Property Education and Training Ltd are included in the Property Institute results. PETL incurred a loss of \$69,000 in 2013 as sales of the online IVSC standards were low. The costs involved with PETL were largely developmental, and PETL is expected to deliver a profit of \$20,000 in 2014 and build on that in future years.

The outcome of all this change was a small operating surplus of \$3,538.

During my time as Chief Executive, over the past five years, members' accumulated funds have grown by \$236,000 which has resulted in a much improved balance sheet. I'm significantly more confident in the overall state of the organisation now than I was four years ago, and can say with some confidence that our books are now well and truly in order, leaving us a solid financial basis for our continual change program.

FINANCIAL POSITION - NEW ZEALAND INSTITUTE OF VALUERS

As with the Property Institute, the New Zealand Institute of Valuers' results are also remarkably similar to 2012. Revenue was \$14,500 up on the previous year, primarily through cost recoveries from the Valuers Registration Board for the work which the Institute (through the Professional Practices Committee) funds and delivers on their behalf.

Expenses are also the same, although the SLA payment to the Property Institute is \$30,000 less than the previous year, mainly because of the higher PPC investigation costs.

The very strong operating surplus of \$64,000 was reduced by \$39,000 through the NZIV's share of the loss experienced by Headway.

The total balance sheet change over the past five years was adversely impacted by two significant changes - first that revaluation of the office premises in Wellington caused a reduction of \$183,000, and second that continuing losses from Headway over these five years have seen the NZIV's equity reduced by a further \$181,000.

From an operational perspective, things are nowhere near as bad, with operating surpluses from those five years totalling \$215,000. Once the office and Headway losses are deducted, however, this leaves a net reduction in accumulated funds of \$149,700 over the last 5 years.

Total members' funds at the end of 2013 are \$784,800 which still represents a healthy balance sheet.

The sale of the floor in Wellington was a sound financial decision, as the seismic rating of the building was unknown and the costs involved in bringing it up to an acceptable office standard were expected to be somewhere in the vicinity of \$150,000.

APPRECIATION

A professional body is more than just the sum of its membership - after all, that is why we unite into an association, so that we might better further our professions as a group than we could individually.

However, while the sum of our efforts is greater than what we could achieve alone, we can't afford to lose sight of the fact that it is still individuals that do the work, and many of them on a voluntary basis. It is thanks to the Board, Councils and all our respective committees and their Chairs that the Institute is able to do what it does. These people are passionate about their professions, and give generously of their own time for the benefit of us all.

Finally, thanks also to the staff who work in Wellington with me. My work and the work of the Institute wouldn't be possible without your dedication to your jobs and focus on producing the best possible results for members.



David Clark
Chief Executive



2013

FINANCIAL STATEMENTS



PROPERTY INSTITUTE OF NZ

FINANCIAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2013

STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2013

| | Note | Group 2013 \$ | Group 2012 \$ |
|--|------|---------------------|---------------------|
| Operating Income | | | |
| Sales - PETL | | 43,781 | 45,515 |
| Service Level Agreement NZIV | 5 | 670,000 | 700,000 |
| Subscription Income | | 282,959 | 284,267 |
| Sponsorship / Partnerships | | 89,553 | 80,828 |
| Seminar Income | | 90,703 | 92,196 |
| Publications/JobMail | | 38,319 | 40,366 |
| Annual/Property Summit Conference | | 196,362 | 200,127 |
| Branch Income | | 98,815 | 91,001 |
| Interest Income | | 1,532 | 12,174 |
| Quality Assurance Accreditation Scheme | | 57,980 | 36,110 |
| Total Gross Income | | 1,570,004 | 1,582,584 |
| Operating Expenses | | | |
| Accident Compensation Levy | | 2,641 | 3,057 |
| Audit Fees | | 9,795 | 9,020 |
| Bank Charges | | 12,663 | 12,639 |
| Board Costs | | 31,480 | 13,149 |
| Branch Costs | | 71,156 | 74,229 |
| Valuers Council Expenses | | 12,020 | 10,179 |
| Conference Expenses | | 198,123 | 142,821 |
| Computer Expenses | | 27,852 | 30,452 |
| Equipment Lease Costs | | 11,374 | 11,473 |
| Functions/Awards | | 5,782 | 3,861 |
| General Expenses | | 23,880 | 15,521 |
| Information Services - Publications | | 58,833 | 101,343 |
| Insurance | | 13,120 | 11,093 |
| International Costs | | 21,371 | 19,279 |
| Legal Fees | | 13,426 | 38,360 |
| Marketing Expenses | | 64,052 | 60,862 |
| Seminar Expenses | | 38,938 | 44,481 |
| National Committees | | 14,744 | 46,384 |
| Printing, Stationery & Postage | | 2,997 | 6,564 |
| Premises Costs | | 43,502 | 37,947 |
| Staff Training | | 8,477 | 7,408 |
| Salaries & Wages | | 774,169 | 752,838 |
| Communication | | 25,299 | 24,670 |
| Travelling Expenses | | 18,881 | 17,249 |
| PETL Consulting & Travel | | - | 16,969 |
| QAAS Expenses | | 21,059 | 34,388 |
| Membership Subscription | | 8,067 | - |
| | | 1,533,701 | 1,546,236 |

STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | Group 2013 \$ | Group 2012 \$ |
|---|------|---------------------|---------------------|
| Depreciation Fixed Assets | 2 | 12,323 | 12,367 |
| Amortisation Intangible Assets | 3 | 26,797 | 51,532 |
| Net Depreciation Adjustment | | 39,120 | 63,899 |
| Doubtful debts | | (6,130) | (5,954) |
| Loss on Disposal of Assets | | (225) | - |
| Total Expenses | | 1,566,466 | 1,616,089 |
| Net Surplus/(Deficit) before Tax | | 3,538 | (33,505) |
| Net Surplus/(Deficit) after Tax | | 3,538 | (33,505) |

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | Group 2013 \$ | Group 2012 \$ |
|---|------|---------------------|---------------------|
| Accumulated Funds at Start of the Year | | 542,497 | 575,852 |
| Equity Introduced Inpv Funds | | - | 150 |
| Net Surplus/(Deficit) for the year | | 3,538 | (33,505) |
| Accumulated Funds at End of the Year | | 546,035 | 542,497 |

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

| | Note | Group 2013 \$ | Group 2012 \$ |
|---|------|---------------------|---------------------|
| Total Accumulated Funds | | 546,035 | 542,497 |
| Accumulated Funds is represented by: | | | |
| Current Assets | | | |
| Cheque Accounts | | 294,761 | 292,138 |
| Call and Term Deposit Accounts | | 128,360 | 140,826 |
| Accounts Receivable | 6 | 387,007 | 325,828 |
| Inventory | | 440 | 1,450 |
| Prepayments | | 8,799 | 16,173 |
| Tax Payable/Receivable | | 6,556 | 6,556 |
| Total Current Assets | | 825,923 | 782,971 |
| Non-Current Assets | | | |
| Fixed Assets | 2 | 32,277 | 42,956 |
| Intangibles Assets | 3 | 29,030 | 55,827 |
| Casebook Development | 3 | 7,823 | - |
| Total Non-Current Assets | | 69,130 | 98,783 |
| Total Assets | | 895,053 | 881,754 |
| Current Liabilities | | | |
| Accounts Payable | 7 | 179,959 | 151,093 |
| Accrued Expenses | | 9,000 | 16,300 |
| Holiday Pay | | 35,395 | 28,289 |
| GST Payable | | 30,633 | 37,306 |
| PAYE Payable | | 37,621 | 34,640 |
| Subs in Advance | | 56,410 | 57,440 |
| Copyright Licensing | | - | 14,189 |
| Total Current Liabilities | | 349,018 | 339,257 |
| Total Liabilities | | 349,018 | 339,257 |
| Net Assets/(Liabilities) | | 546,035 | 542,497 |

For and on behalf of the Board;

President



30 March, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Statement of Accounting Policies

Reporting Entity

The financial statements presented here are for the PROPERTY INSTITUTE OF NEW ZEALAND (the Institute) and Group. The Group includes the subsidiary, Property Education & Training Ltd (85% ownership). The financial statements have been prepared in accordance with the requirements of the Incorporated Societies Act 1908 and generally accepted accounting practice in New Zealand.

Measurement Base

Unless otherwise stated the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Accounts Receivable are stated at their estimated realisable value. Debts considered uncollectible are written off. There is no other provision for doubtful debts.

Fixed Assets are stated at cost less accumulated depreciation. Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007.

The principle rates used to calculate depreciation are –

| | | |
|------------------------|-----------|----|
| Leasehold Improvements | 21.60% | DV |
| Furniture and Fittings | 40% - 48% | DV |
| Office Equipment | 20% - 48% | DV |
| Computer Equipment | 40% - 48% | DV |
| Intangible Assets | 40% - 48% | DV |

Stock has been valued at the lower of cost and net realisable value.

Goods and Services Tax: The financial statements have been prepared on an exclusive basis except for Accounts Receivable and Accounts Payable.

Revenue Recognition Policy

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Institute and the revenue can be reliably measured.

Subscriptions in Advance: Subscriptions relating to the subsequent year that have been invoiced and receipted in the current accounting period are not recognised as revenue but treated as Subscriptions in Advance.

Differential Reporting: The Institute qualifies for differential reporting as it is not publicly accountable and not defined as large in accordance with the framework for differential reporting. The Institute has therefore taken advantage of all applicable differential reporting exemptions.

Taxation is being provided on the income earned by the Institute on transaction outside of its membership. The Institute is not liable for tax on its dealings with members.

Changes in Accounting Policies

There have been no changes in accounting policies which have been applied on bases consistent with those used in previous years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. Fixed Assets

| | 2013 \$ | 2012 \$ |
|---------------------------------|---------------|---------------|
| Furniture & Fittings | | |
| At cost | 43,660 | 43,660 |
| Less Accumulated Depreciation | (34,050) | (31,648) |
| | <u>9,610</u> | <u>12,012</u> |
| Office Equipment | | |
| At cost | 38,393 | 38,393 |
| Less Accumulated Depreciation | (31,547) | (29,835) |
| | <u>6,846</u> | <u>8,558</u> |
| Computer Equipment | | |
| At cost | 167,857 | 167,047 |
| Less Accumulated Depreciation | (161,284) | (156,457) |
| | <u>6,573</u> | <u>10,590</u> |
| Leasehold Improvements | | |
| At cost | 43,170 | 43,170 |
| Less Accumulated Depreciation | (33,922) | (31,373) |
| | <u>9,248</u> | <u>11,797</u> |
| Total Fixed Assets | 32,277 | 42,956 |

Depreciation Fixed Assets

| | 2013 \$ | 2012 \$ |
|--|---------------|---------------|
| Furniture & Fitting | 2,402 | 2,699 |
| Office Equipment | 1,712 | 1,808 |
| Computer Equipment | 4,872 | 4,872 |
| Leasehold Improvements | 2,549 | 2,987 |
| Depreciation on Disposal | 833 | - |
| Total Depreciation Fixed Assets | 12,323 | 12,366 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Intangible Assets

| | 2013 \$ | 2012 \$ |
|---|---------------|---------------|
| Website (Cyberglue) | | |
| Cost | 36,543 | 36,543 |
| Less Accumulated Depreciation | (32,684) | (29,121) |
| | <u>3,859</u> | <u>7,422</u> |
| Quality Assurance Accreditation Scheme | | |
| Cost | 93,087 | 93,087 |
| Less Accumulated Depreciation | (67,916) | (44,682) |
| | <u>25,171</u> | <u>48,405</u> |
| Total Intangible Assets | 29,030 | 55,827 |
| Amortisation Intangible Assets | | |
| Website New (Cyberglue) | 3,563 | 6,851 |
| Quality Assurance Accreditation System | 23,234 | 44,681 |
| Total Amortisation Intangible Assets | 26,797 | 51,532 |

Casebook Development

The Institute is developing a new version of the Property Casebook, which will be available for sale when completed. The cost incurred to date is \$7,823.

4. Taxation

Tax losses have been carried forward of \$766,631 (2012 \$620,590) and are available to be offset against the current year's income tax exposure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. Related Party Transactions

The Institute has a related party relationship with The New Zealand Institute of Valuers (NZIV), due to the two entities having largely the same members, Governing Boards and a shared management structure. NZIV is a separate legal entity maintained due to the requirements of the Valuers Act 1948, for registered Valuers to be mandatory members of NZIV.

The Institute received a payment of \$670,000 from the New Zealand Institute of Valuers (NZIV) under the Service Level Agreement this year (2012: \$700,000), for shared management services.

The Institute has a related party relationship with Property Education and Training Limited (PETL), The Institute owns 85% of shares in PETL. PETL has been set up to take advantage of property education opportunities in NZ and overseas, in addition The Institute pays PETL for the development of some educational modules for members' continual education.

6. Accounts Receivable Group

| | 2013 \$ | 2012 \$ |
|------------------------------|----------------|----------------|
| Accounts Receivable | 70,123 | 38,902 |
| NZIV Receivable | 321,960 | 299,167 |
| Provision for Doubtful Debts | (6,190) | (12,320) |
| Accrued Interest | 1,114 | 79 |
| Total | 387,007 | 325,828 |

Related party balances are repayable on demand and are interest free.

7. Accounts Payable Group

| | 2013 \$ | 2012 \$ |
|-----------------|----------------|----------------|
| Trade Creditors | 61,461 | 62,784 |
| NZIV Payable | 118,498 | 88,309 |
| Total | 179,959 | 151,093 |

Related party balances are repayable on demand and are interest free.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

8. Lease Commitments

Fuji Xerox Photocopier Lease

| | 2013 \$ | 2012 \$ |
|-------------------------------|---------------|---------------|
| Next twelve Months | 4,536 | 4,536 |
| One to two years | 4,536 | 9,072 |
| Two to five years | 6,804 | 6,804 |
| Total Lease Commitment | 15,876 | 20,412 |

Alleasing – Telephone System & Accessories

| | 2013 \$ | 2012 \$ |
|-------------------------------|------------|--------------|
| Next twelve Months | - | 1,709 |
| One to two years | - | - |
| Two to five years | - | - |
| Total Lease Commitment | - | 1,709 |

9. Capital Commitments & Contingencies

There are no capital commitment or contingent liabilities at balance date (2012: Nil)

10. Subsequent Events Notes

There are no other significant subsequent events after balance date (2012: Nil)

Independent Auditor's Report

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To the Members of Property Institute of New Zealand Inc. and Group

Report on the financial statements

We have audited the financial statements of Property Institute of New Zealand Inc. and Group on pages 6 to 15, which comprise the statement of financial position as at 31 December 2013, the statement of financial performance, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Members' responsibilities

The board members are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm carries out other assignments for Property Institute of New Zealand Inc. and Group in the area of taxation advice and special consultancy projects. The firm has no other interest in the Property Institute of New Zealand Inc. and Group.

Opinion

In our opinion, the financial statements on pages 6 to 15 present fairly, in all material respects, the financial position of Property Institute of New Zealand Inc. as at 31 December 2013, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
30 March 2014



NEW ZEALAND INSTITUTE OF VALUERS

FINANCIAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2013

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2013


| | Note | 2013 \$ | 2012 \$ |
|--|------|----------------|----------------|
| Operating Income | | | |
| Subscription Income | | 771,437 | 766,252 |
| Interest Received | | 13,859 | 38,357 |
| Accrued Interest | | 21,617 | - |
| VRB Recoveries | | 20,113 | 7,940 |
| Rent Income | | 12,000 | 12,000 |
| Total Gross Income | | 839,026 | 824,549 |
| Less Expenses | | | |
| Audit Fees | | 7,817 | 7,027 |
| Bank Charges | | 725 | 340 |
| Depreciation | | 1,429 | 1,300 |
| General Expenses | | 8,567 | 3,075 |
| Insurance | | 4,661 | 3,732 |
| Presidents Honorarium | | 20,000 | 20,000 |
| Professional Practices Committee | | 31,326 | 25,706 |
| Professional Practices Investigations | | 20,113 | 8,480 |
| Service Level Agreement PINZ | 9 | 670,000 | 700,000 |
| Legal Fees | | 5,580 | 5,125 |
| Council Expenses | | 4,675 | - |
| Total Expenses | | 774,893 | 774,785 |
| Operating Surplus/(Deficit) | | 64,133 | 49,764 |
| Unrealised gain/(loss) on Investment in associates | 9 | (38,977) | (56,841) |
| Net Surplus for the year before tax | | 25,126 | (7,077) |
| Tax expense/(refund) | 4 | - | - |
| Net surplus/(Deficit) for the year | | 25,126 | (7,077) |
| Statement of Movements in Equity | | | |
| Equity at the Beginning of the Year | | 759,645 | 853,222 |
| Net Surplus/(Deficit) for the year | | 25,126 | (7,077) |
| Movements in Revaluation Reserves | 6 | - | (86,500) |
| Equity at End of the Year | | 784,801 | 759,645 |

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

| | Note | 2013 \$ | 2012 \$ |
|---|------|------------------|------------------|
| Representing Members' Funds | | | |
| Revaluation Reserve | 6 | 64,764 | 64,764 |
| Accumulated Funds | 5 | 720,037 | 694,881 |
| Total Funds | | 784,801 | 759,645 |
| Accumulated Funds is represented by: | | | |
| Current Assets | | | |
| Main Bank Account | | 302,143 | 245,986 |
| Short Term Deposit | | 521,957 | 500,000 |
| Prepaid Expenses | | 6,519 | 2,617 |
| GST Receivable | | 19,695 | 11,700 |
| Accounts Receivable | 7 | 118,498 | 88,309 |
| Interest Accrued | | 6,435 | 9,845 |
| Total Current Assets | | 975,247 | 858,457 |
| Non-Current Assets | | | |
| Fixed Assets | 2 | 234,095 | 220,000 |
| Investment in Associates | 3 | 126,550 | 165,527 |
| Total Non-Current Assets | | 360,645 | 385,527 |
| Total Assets | | 1,335,892 | 1,243,984 |
| Current Liabilities | | | |
| Accounts Payable | 8 | 325,231 | 299,167 |
| Subscriptions in Advance | | 218,860 | 168,172 |
| Accrued Expenses | | 7,000 | 17,000 |
| Total Current Liabilities | | 551,091 | 484,339 |
| Total Liabilities | | 551,091 | 484,339 |
| Net Assets/(Liabilities) | | 784,801 | 759,645 |

For and on behalf of the Council;

President



20 May, 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Statement of Accounting Policies

Reporting Entity

The financial statements presented here are for NEW ZEALAND INSTITUTE OF VALUERS (The Institute). The financial statements have been prepared in accordance with the requirements Generally Accepted Accounting Practice (GAAP), the Institute Rules and the requirements of the Valuers Act 1948.

Measurement Base

Unless otherwise stated the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Accounts Receivable is stated at their estimated realisable value. Debts considered uncollectible are written off.

ANZAC House Unit Title building and partitions and fixtures are stated at fair value. The Council has a policy of revaluing its interest in ANZAC House every two years. This was performed at 31 December 2012 by Chris Orchard of Bayleys Valuations Limited, an independent Registered Valuer. All other fixed assets are recorded at cost. Depreciation has been calculated using the (1% Straight line) rate.

Investments are valued at cost.

Goods and Services Tax: The financial statements have been prepared on an exclusive basis except for Accounts Receivable and Accounts Payable.

Equity Accounting of Associated Entities: Equity accounting has been applied in respect of the associated company Headway Systems Ltd. Associated entities are those entities in which the Institute holds an interest in the equity and over which the Institute exercises significant influence but not control the entity.

Subscriptions in Advance: Subscriptions relating to the subsequent year that have been invoiced and receipted in the current accounting period are not recognised as revenue but treated as Income in Advance.

Differential Reporting: The Institute qualifies for differential reporting as it is not publicly accountable and is not defined as large. The Institute has therefore taken advantage of all applicable differential reporting exemptions.

Taxation is being provided on the income earned by the Institute on transactions outside of its membership. The Institute is not liable for tax on its dealing with members.

Revenue Recognition Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured.

Changes in Accounting Policies

There have been no changes in accounting policies which have been applied on bases consistent with those used in previous years.

Comparative figures: Certain comparative figures may have been reclassified to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. Fixed Assets

| | 2013 \$ | 2012 \$ |
|------------------------------|----------------|----------------|
| Land | | |
| At Valuation | 90,000 | 90,000 |
| | <u>90,000</u> | <u>90,000</u> |
| Buildings | | |
| At Valuation | 130,000 | 130,000 |
| Accumulated Depreciation | (1,300) | - |
| | <u>128,700</u> | <u>130,000</u> |
| Building Improvements | | |
| At Valuation | 15,524 | - |
| Accumulated Depreciation | (129) | - |
| | <u>15,395</u> | <u>-</u> |
| Total Fixed Assets | 234,095 | 220,000 |

The Valuation was performed by Chris Orchard of Bayleys Valuations Limited Registered Valuer as at 31 December 2012.

There is substantial decrease in the value of Unit 8 ANZAC House, 181 Willis St, Wellington for the period ending 31 December 2012. This is due to the following reasons:

- The deterioration of economic conditions in recent years has had a detrimental impact on the leasing market and outcome on market rental review. Wellington's office market has experience a significant reduction in tenant demand
- Current outgoings are very high as a proportion of the gross income i.e. Insurance Costs
- As building maintenance was completed during 2013, the floor valuation has been increase by the value of the work carried out which amount to \$15,523.70

3. Investment in Associates

The shareholding in Headway Systems Ltd is 267,647 shares, equal to 50 % of the company shares.

4. Taxation

Tax losses have been carried forward at \$320,580 (2012: \$324,687) and are available to offset against the current years income tax exposure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. Accumulated Funds

| | 2013 \$ | 2012 \$ |
|-----------------------------|----------------|----------------|
| Opening Balance | 694,881 | 701,958 |
| Net Income Earned this Year | 25,126 | (7,077) |
| Closing Balance | 720,037 | 694,881 |

6. Revaluation Reserve

The Council has a policy of revaluing its interest in ANZAC House every two years. The last valuation was performed at 31 December 2012 by Chris Orchard of Bayleys Valuations Limited.

| | 2013 \$ | 2012 \$ |
|------------------------|---------------|---------------|
| Opening balance | 64,764 | 151,264 |
| Current year movement | - | (86,500) |
| Closing Balance | 64,764 | 64,764 |

7. Accounts Receivable

| | | |
|-----------------|----------------|---------------|
| PINZ Receivable | 118,498 | 88,309 |
| Debtors | - | - |
| Total | 118,498 | 88,309 |

Related party balances are repayable on demand and are interest free.

8. Accounts Payable

| | | |
|------------------|----------------|----------------|
| Accounts Payable | 3,271 | - |
| PINZ Payable | 321,960 | 299,167 |
| Total | 325,231 | 299,167 |

Related party balances are repayable on demand and are interest free

9. Related Parties

The Institute has a 50% interest in an associated company Headway Systems Ltd. The Institute's share of associated company's loss amounted to \$38,977 this year (2012: \$56,841 loss).

The Institute has a related party relationship with the Property Institute of New Zealand (PINZ) due to the two entities having largely the same governing body and management

During the year the Institute made payments to the Property Institute of New Zealand Inc. (PINZ) of \$670,000 (2012: \$700,000) in accordance with the Service Level Agreement between the 2 entities. This payment increase was approved by New Zealand Institute of Valuers Council.

10. Contingencies & Commitments

There are no capital commitments or contingent liabilities as at balance date (2012: Nil)

11. Subsequent events notes

The NZ Institute of Valuers has accepted an offer of \$250,000 for the sale of level 5, 181 Willis Street with a settlement date of 30 June 2014.

Independent Auditor's Report

Audit

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To the Members of New Zealand Institute of Valuers

Report on the financial statements

We have audited the financial statements of New Zealand Institute of Valuers pages 6 to 12, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council Members' responsibilities

The council members are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm carries out other assignments for New Zealand Institute of Valuers in the area of taxation advice. The firm has no other interest in the New Zealand Institute of Valuers.

Opinion

In our opinion, the financial statements on pages 6 to 12 present fairly, in all material respects, the financial position of New Zealand Institute of Valuers as at 31 December 2013, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
30 March 2014

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Bayleys
• Auckland
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P P Keane

MEMBERSHIP NUMBERS

| | December 2013 | December 2012 | December 2011 | December 2010 | December 2009 |
|------------|------------------|------------------|------------------|------------------|------------------|
| Life | 20 | 19 | 20 | 20 | 20 |
| Fellows | 183 | 196 | 201 | 201 | 202 |
| Senior | 616 | 637 | 642 | 674 | 699 |
| Honorary | 3 | 2 | 1 | 4 | 4 |
| Members | 642 | 631 | 611 | 634 | 668 |
| IV only | 30 | 30 | 30 | 32 | 43 |
| Graduates | 211 | 186 | 160 | 145 | 165 |
| Retired | 84 | 77 | 85 | 85 | 99 |
| Affiliates | 161 | 264 | 246 | 248 | 262 |
| Students | 594 | 483 | 442 | 710 | 666 |
| Total | 2556 | 2524 | 2438 | 2753 | 2828 |

DIRECTORY

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