

# 2012

## ANNUAL REPORT

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THE PROPERTY INSTITUTE OF NEW ZEALAND

wishes to thank the following sponsors :





# JOINT PRESIDENTS' REPORT

It's an exciting time to be involved in the leadership of the Institutes we represent. Since 2008, when David Clark joined us as Chief Executive, the Property Institute and the Institute of Valuers have been in a time of transition and groundwork-laying.

To reinforce how closely our Institutes align, for the first time we have written this annual report jointly - our views and goals are joint, and it is appropriate we produce this column together.

The achievements which our Institutes have made in this time have been significant. Our finances have been overhauled, we launched major new initiatives with the Quality Assurance Scheme and Property Education & Training, and have finally begun to gain traction in our relationships with media and the Government.

As long serving Institute members, it is clear that our Institutes have been rebuilt as modern, forward looking organisations, ready for the challenges of a modern environment. The transition period is finishing. The overarching goal we are all working to now is ensuring that registered members are seen as the go-to people for property advice and services.

The widespread recovery of a strong property market is inevitable, and when this occurs - and there are signs it is already starting - New Zealand will need strong valuers, property managers, and property advisors more than ever. The Institutes stand beside you in this, and are ready and able to support you.

## GOVERNMENT & LEGISLATION

The next twelve months have the potential to completely transform the regulatory environment that we are all working in.

On the Property Institute side, we are working on securing an exemptions for our registered membership from the Real Estate Agents' Act 2008. The Act was clearly a response to issues in the residential real estate market, and we believe that on the whole, it has performed well in this sector.

However, it is clearly woefully inappropriate for the commercial, rural, and forestry sectors. We don't see any public good in requiring experienced members of the Institute to gain licensing in order to do jobs which have nothing to do with residential real estate sales.

The new Associate Minister of Justice, Chester Borrows, has been highly open and responsive in listening to our concerns with this legislation, and we will be working closely with him and the Ministry with the aim of securing this exemption.

We've also secured a long overdue review of the regulatory regime governing valuers. It can't be overstated how important this is to our Institutes. The valuation profession needs a strong regulatory regime which works for both the public and valuers. It needs to allow for the prompt addressing of complaints and strict disciplinary action in order to protect the public from those who do not live up to our profession's standards. At the same time it needs to allow valuers to distinguish themselves and take pride in their registration, while providing a clear pathway for new graduates entering the profession.

The coming months will see us front up to you about where we think things could go, and give you a chance to comment on this and give your ideas for the future of this profession.



### PHIL HINTON

Phil is an Executive Director at KCL Property with offices in New Plymouth and Auckland. KCL specialises in property investment, syndication and property management, having a management portfolio of \$800m. Phil was previously in private practice as a valuer for 20 years and is Registered as a Valuer, Property Manager and Property Consultant. He is a Fellow of the Property Institute and The Institute of Valuers and has been President of The Property Institute since June 2011.



### 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, and as Chair since mid 2012.

## EDUCATION

The need to provide pathways for new entrants to the industry will be a key theme in our activities next year. The professional communities within the Institute have been putting effort into updating the professional pathways program, and the coming years will see a much stronger emphasis on registration within the non-valuer communities, in keeping with our overarching goal around the promotion of registered members.

Registration must be seen as a sign of quality, both within the Institute and by the public, and the professional pathways scheme supports this.

The infrastructure we've developed over the past few years for education delivery will begin to pay dividends, as our subsidiary, Property Education & Training develops its reputation as the leading provider of online property education in New Zealand. As well as being a revenue source for the Institute, Property Education & Training also allows us to subsidise the REAA's courses for our membership.

## PROFILE

The natural counterpoint to our education focus is our profile focus: while our efforts in education will raise the bar within the Institute, we will also be focusing on raising our profile. This ensures that the public - your clients - know the value of your services and the advantages of using a registered professional.

An enhanced profile ensures that the voice of our professions is heard. It is absolutely vital that our professions, as the experts in our field, have a voice that is heard within Government. We must be able to have a say in legislation which impacts on property matters, and in the coming years we will be making sure that the Institute is a regular commenter on these issues.

We will also focus on raising our public profile, especially within the media. This will allow us to further promote the professions we represent as authoritative experts. Just as importantly, however, we feel that the Institute has a duty to the public interest to act as a commentator on property issues to ensure a quality level of informed discourse on these matters. This also serves to promote the image of registered professionals as knowledgeable and reliable.

Raising the profile of our industry and our professions has an ongoing benefit - the more media coverage one attracts, the easier it is to gain further media coverage - and it is our hope that this will begin to pay off soon.

## LEADERSHIP

Anyone present at the launch of the Institute's leadership program can attest to the bright future of capabilities within our Institutes. Seven successful applicants to the program, unencumbered by the past, set out a positive and optimistic view of how the Institutes can continue to serve in the future. Their ideas are original and achievable, and it reinforced our view that the leadership program will be a vital part of the Institutes over the years to come.

These young leaders will now be coopted on to a number of Institute boards and councils, ensuring that our younger - and future - members are represented in the decisions we are making.

## QUALITY ASSURANCE

Like many of our other projects, the Quality Assurance Scheme has well and truly taken root. The setup process is complete, a substantial number of firms have gained accreditation, and it is clear that we are making a difference within the firms who have taken part. The coming years will see us entrench and expand upon the gains we have made here.

The Accreditation Committee are now focused on the external marketing of the scheme as much as on the functioning of the scheme itself. It is our goal to ensure that the scheme is recognised across the country as the premier mark of quality for a firm operating in the property industry. Already we are working with a range of parties to ensure this occurs. On the supply side, this is



through expressions of interest we have received from several extremely significant firms, and on the demand side through our ongoing engagement program with banks, Government, and other major consumers of our professional services.

## COHESION

Our agenda for the coming years is certainly busy, but importantly, it is cohesive. Stepping back from the detail, and looking at it as a big picture, it is easy to see how projects interplay with each other, and you begin to gain an appreciation for where we will be in five years time.

Efforts in education give us the credibility we need when dealing with the media. A voice in the media and strong internal standards give us authority when dealing with Government. Progress on our legislative agenda gives us further tools to advance and enforce continuing education. Raising standards amongst individuals gives firms the staffing they need to raise standards through the the Quality Assurance Scheme. All of these factors are addressed in the comprehensive strategy which the Board have developed.

Everything we do influences other aspects of our activities, and seeing the big picture and how all these disparate aspects interact with each other towards a common, overarching goal reinforces that we are headed in the right direction. Together and in isolation, these projects all work towards the overarching goal of ensuring registered members are seen as the go-to people for property advice.

We have laid the groundwork to achieve this, and now it is time for action to reap the rewards.

## APPRECIATION

Of course, none of this would be possible without those who generously give their time in service to our Institutes. 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; Chris Stanley, Adrienne Young, Earl Gordon, Marvin Clough, Stuart Bent, Ian Campbell, and Paul Mautz. Particular thanks as well must go to Nicki Bilbrough, the immediate past NZIV President.

We also have to acknowledge the work done by the management team of Headway Systems. Headway has secured a contract with the Real Estate Institute of NZ to provide database and reporting services and products for sales statistics, providing Headway with a new source of income and enabling them to continue providing their traditional services and products. We are confident that the NZIV's investment in Headway will provide benefits in future years.

Thanks in particular to those who serve on the Property Institute Board and the Valuers Council with us - it is because of your talent and ability that the Institutes are able to achieve what they have.

We look forward to working with all of you over the coming year, as we build our vision for a better Institute.



Phil Hinton  
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

Action-packed would be an accurate description of 2012. This has been my fourth year as Chief Executive of the Property Institute, and looking back, I'm extremely proud of what we have achieved over this time. The Institute today is a radically different organisation to the one I entered in 2008.

At times the work that we've done has required hard decisions and decisive action. As we build the Institute's profile and status, the need for decisions will only increase, and I'm extremely grateful to have the support of the talented people who have served on our committees - in particular our past and current Presidents.

## EDUCATION

The decision made some time ago to develop a codified education program to bring new entrants into our professions through to registration has remained a focus for us. A huge amount of work has been done throughout the year on the Institute's educational resources. The online learning modules which make up the backbone of the Professional Pathways program now number five at Level 1, seven at Level 2, and one at Level 3. Over the next twelve months this will increase further, adding an extra six community-specific modules at Level 2 and a further four at Level 3.

As well as these learning modules, we have continued to expand on our library of webinars. Over the 2012 year, we ran nine different webinars, including on the Real Estate Agents Act, on Risk Management, on Property Finance, and on Insurance Premiums, to name just a few. These resources are extremely valuable, and we've built a mechanism to allow future members and those who missed the webinar to gain access to them retrospectively - you can expect this functionality to appear on the website soon.

## PROPERTY EDUCATION & TRAINING LTD

The Institute is strongly positioned as a world class repository of knowledge relevant to the professions we represent, and this is reflected in the achievements we have made through Property Education & Training Ltd, our subsidiary firm. The successful bid to be the host for the online version of the international valuation standards was a coup for the Institute. As well as proving on a global stage that we are capable of building world-class educational products, the development of this online repository has also allowed the Institute to offer online access to these standards, free of charge, to all valuer members who hold an annual practicing certificate.

We also introduced a large subsidy on access to all students studying towards a valuation qualification, as well as fully subsidised access to those graduates currently working towards registration.

The work that has done with REAA verifiable continuing education has been yet another success, and I'm proud of the credibility which we have managed to build in this area.

## QUALITY ASSURANCE

I'm well aware of the controversies which shook the industry over the past few years, and equally aware of the mixed reaction which met the Institute's Quality Assurance Scheme. Looking back, however, it is now more clear than ever that pursuing this initiative was the correct decision, and I'd like to thank previous NZIV President Nicki Bilbrough for having the courage to back her, and the Council's, beliefs.

The Quality Assurance Scheme has been going from strength to strength following the April 2012 accreditation of our first firm, Crighton Anderson, headquartered in Christchurch. We are nearing

thirty accredited firms at the time of writing, and numerous other firms are currently working through the process. You can find a list of accredited firms near the back of this report, and I encourage you to have a look. These are firms that have been willing to put their own processes under the spotlight, and to take a good look at the way they do business - and I think they would agree that they are the better for it.

## CONFERENCE 2012

The 2012 Conference, "Let's Get On With It", was truly a highlight of the year, running from Thursday the 14th to Friday the 15th June. Speakers included Warwick Isaacs from CERA, Ganesh Nana from BERL, and Adam Feeley from the Serious Fraud Office.

Our conferences are always among the most valuable experiences of the year for me personally, as it allows me and the staff to spend time face to face with a wide cross-section of the people who we are representing. This year, almost 300 professionals joined us in Auckland, and all the feedback we have had was that the experience was an excellent one.

This year's conference will see us going from strength to strength, and I'm looking forward to seeing you there.

I also have to acknowledge the excellent work done within the Infrastructure, Plant and Machinery community, who run their own specialised conference each year - this year hosting a successful conference in New Plymouth.

## STANDARDS

Professional organisations often have their roots in collective standards, and ours is no different. The Institute is intimately involved in the setting and revising of standards and guidance notes, and 2012 has been no exception. As well as the ongoing regular meetings between our standards board and that of the Australian Property Institute, we conducted several reviews on IVS technical papers, including on forestry, investment property, and valuation uncertainty.

I'd like to single out for congratulations Institute Fellow Chris Stanley, who was appointed to the IVSC Standards Board, and attended their meeting in Milan. This is yet another sign of the gravitas which the Institute holds on a world stage, and of the quality of work and excellent reputation Chris carries.

Delivering the standards is a delicate balancing act between international best practice, and New Zealand context. The latter has also required a large amount of work of late, with the switch to sum-insured requiring work to be done on our insurance valuation standards to allow for widespread residential insurance valuations. You can find draft versions of these revisions on our website now to help guide your work in this area.

## INTERNATIONAL PROFILE

It is clear looking back at 2012 that a major theme has been our international profile. In any normal year, the appointment of an Institute Fellow to the IVSC Standards Board, or the selection of an Institute subsidiary to host the IVSC online standards, would have been considered a significant win by themselves. However, 2012 saw not only both of these occurring, but also the furthering of relations between our Institute and our Chinese / Hong Kong equivalents.

Led by Ian Campbell, chair of the International Committee and past President, the Institute's

delegation to Hong Kong and China met with senior officials from the PRC Practice Qualification Center, which licences all property professionals within China. Following from this, a number of delegations from China returned to meet with us - from Guangxi province, from Baixia district, and from Jiangsu province.

### **NATIONAL PROFILE**

Our national profile has been growing in equal measure to our international profile, and we've been working on forging a number of relationships which will be vital to our future. We have worked with reporters from a variety of media, including TV1, TV3, the NBR, Fairfax, and many more, to ensure that the Institute's viewpoint is also heard in areas where we have comment. We've also been forging relationships within Government, both at department level and with several key Ministers.

### **FINANCIAL POSITION - PROPERTY INSTITUTE**

I am disappointed to report a loss for the 2012 year, my first in the job. However, the reason for the loss was because we undertook a number of initiatives that will impact positively in future years. These were the establishment of Property Education & Training Ltd and the introduction of the Quality Assurance Scheme.

Revenue was \$152.6k ahead of 2011, largely because of the service level agreement (SLA) payment from the NZIV being \$80k higher. The SLA provides for the balance of operating profit to be paid to the Property Institute after the deduction of specific operating expenses. Over recent years most costs have been incurred within the Property Institute financial structure and consequently the SLA payment has risen.

Seminar revenue has also risen from 2011, helped by the ethics seminars held in the latter half of the year. JobMail was a good earner during the year which not only helps the finances, but also points to an improved property market. Subscription income dropped through resignations, retirements fewer new recruits in the market. Property Education & Training and Quality Assurance Scheme income was modest but expected in the first years of operation.

Although expenses were \$247.4k ahead of the previous year, I can assure members that costs are well under control. The main increase is in wages where we had two extra staff (QA and PETL) which should be covered by income in future years. The cost of printing and publishing the Property Quarterly magazine is included in publications. This also includes the cost of the joint ANZ journal, which we are not contributing to in 2013.

In the balance sheet, members will note a drop in net assets of \$33.3k as a result of the annual loss. The balance sheet is nevertheless in a healthy state.

### **FINANCIAL POSITION - NZIV**

The NZIV is a 50% shareholder in Headway Systems. During 2012, Headway requested a loan of \$100k to fund a working capital shortage. This loan was converted to capital on 31 December 2012. Other shareholders contributed on an equal basis and following the capital injection NZIV retains its 50% shareholding. Headway's traditional business had been in decline for some time through their main data supplier increasing the cost of the data and Headway's inability or reluctance to pass this on to clients.



The NZIV had an excellent year with an operating profit of \$49.7k. Income in 2012 was up \$69.8k through increases in subscriptions, interest received and rent, while expenses were up on 2012 through the increased SLA payment.

Unfortunately, NZIV's \$56.8k share of the loss incurred by Headway over 2012 turned the NZIV surplus into a deficit of \$7.7k.

Net assets were further reduced through the December 2012 valuation of the office floor at 181 Willis Street, Wellington, which reduced the asset's value by \$86.5k although long awaited improvements to the building should restore \$15k in value.

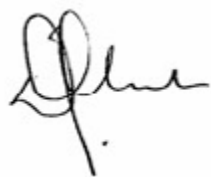
The balance sheet remains in a healthy position, despite the Headway loss and the lower valuation, with net assets of \$759.6k

## REFLECTIONS

Looking back at this year, it's been gratifying to see a lot of the theory we had built over previous years paying off and taking root in reality. This has positioned the Institute well to deliver on the vision set out in Phil and Terry's column, earlier in the report.

Of course, none of this would be possible without the support of those who generously give of their time to help out the Institute and their professions. A directory of who's who on a national level is available at the back of this report, but also important are those who give of their time on a regional level, working on the branch committees that make the machinery of the Institute happen. I've had the opportunity to meet with many of the committees over the country, and the work being done at this level continues to impress me.

Finally, I'd like to thank the staff that work with me in National Office. I appreciate the dedication you have to your jobs and to our membership, and I look forward to continuing to work alongside you.



**David Clark**  
Chief Executive



# PROPERTY INSTITUTE OF NZ

## FINANCIAL REPORT

FOR THE YEAR ENDED  
31 DECEMBER 2012

### STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2012

	Note	Group 2012 \$	Group 2011 \$
<b>Operating Income</b>			
Sales - PETL		45,515	-
Service Level Agreement NZIV	5	700,000	620,000
Subscription Income		284,267	327,088
Sponsorship / Partnerships		80,828	92,987
Seminar Income		92,196	50,493
Publications/JobMail		40,366	22,936
Annual/Property Summit Conference		200,127	209,943
Branch Income		91,001	104,008
Interest Income		12,174	2,465
Quality Assurance Accreditation Scheme		36,110	-
<b>Total Gross Income</b>		<b>1,582,584</b>	<b>1,429,920</b>
<b>Operating Expenses</b>			
Accident Compensation Levy		3,057	1,662
Audit Fees		9,020	9,620
Bank Charges		12,639	13,360
Board Costs		13,149	28,741
Branch Costs		74,229	102,011
Valuers Council Expenses		10,179	15,577
Conference Expenses		142,821	135,792
Computer Expenses		30,452	22,482
Equipment Lease Costs		11,473	10,937
Functions/Awards		3,861	5,239
General Expenses		15,521	21,594
Information Services - Publications		101,343	78,365
Insurance		11,093	15,074
International Costs		19,279	8,602
Legal Fees		38,360	51,183
Marketing Expenses		60,862	43,212
Seminar Expenses		44,481	34,375
National Committees		46,384	49,790
Printing, Stationery & Postage		6,564	10,039
Premises Costs		37,947	20,483
Staff Training		7,408	7,637
Salaries & Wages		752,838	573,984
Communication		24,670	20,974
Travelling Expenses		17,249	12,749
PETL Consulting & Travel		16,969	-
QAAS Expenses		34,388	5,314
		<b>1,546,236</b>	<b>1,298,796</b>

**STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	Group 2012 \$	Group 2011 \$
Depreciation Fixed Assets	2	12,367	18,978
Amortisation Intangible Assets	3	51,532	13,175
<b>Net Depreciation Adjustment</b>		<b>63,899</b>	<b>32,153</b>
Doubtful debts		5,954	(7,028)
Loss on Disposal of Assets		-	6,678
<b>Total Expenses</b>		<b>1,616,089</b>	<b>1,330,599</b>
<b>Net Surplus/(Deficit) before Tax</b>		<b>(33,505)</b>	<b>99,321</b>
<b>Tax Expense/(Refund)</b>	4	-	-
<b>Net Surplus/(Deficit) after Tax</b>		<b>(33,505)</b>	<b>99,321</b>

**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	Group 2012 \$	Group 2011 \$
Accumulated Funds at Start of the Year		575,852	476,531
Equity Introduced Inpv Funds		150	-
Net Surplus/(Deficit) for the year		(33,505)	99,321
<b>Accumulated Funds at End of the Year</b>		<b>542,497</b>	<b>575,852</b>

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**

	Note	Group 2012 \$	Group 2011 \$
<b>Total Accumulated Funds</b>		<b>542,497</b>	<b>575,852</b>
<b>Accumulated Funds is represented by:</b>			
<b>Current Assets</b>			
Cheque Accounts		292,138	225,253
Call and Term Deposit Accounts		140,826	195,029
Accounts Receivable	6	325,828	508,854
Inventory		1,450	4,953
Prepayments		16,173	18,791
Tax Payable/Receivable		6,556	6,556
<b>Total Current Assets</b>		<b>782,971</b>	<b>959,437</b>
<b>Non-Current Assets</b>			
Fixed Assets	2	42,956	44,351
Intangibles Assets	3	55,827	107,360
<b>Total Non-Current Assets</b>		<b>98,783</b>	<b>151,711</b>
<b>Total Assets</b>		<b>881,754</b>	<b>1,111,148</b>
<b>Current Liabilities</b>			
Accounts Payable	7	151,093	359,102
Accrued Expenses		16,300	38,175
Holiday Pay		28,289	15,924
GST Payable		37,306	21,842
PAYE Payable		34,640	21,282
Subs in Advance		57,440	64,782
Copyright Licensing		14,189	14,189
<b>Total Current Liabilities</b>		<b>339,257</b>	<b>535,296</b>
<b>Total Liabilities</b>		<b>339,257</b>	<b>535,296</b>
<b>Net Assets/(Liabilities)</b>		<b>542,497</b>	<b>575,852</b>

For and on behalf of the Board;

President



16 May, 2013

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 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 financial statements have been prepared in accordance with the requirements of the Incorporated Societies Act 1908 and generally accepted accounting practice.

#### 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.

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.

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 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.

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 2012

### 2. Fixed Assets

	2012 \$	2011 \$
<b>Furniture &amp; Fittings</b>		
At cost	43,660	43,660
Less Accumulated Depreciation	(31,648)	(28,949)
	<u>12,012</u>	<u>14,711</u>
<b>Office Equipment</b>		
At cost	38,393	37,585
Less Accumulated Depreciation	(29,835)	(28,027)
	<u>8,558</u>	<u>9,558</u>
<b>Computer Equipment</b>		
At cost	167,047	163,561
Less Accumulated Depreciation	(156,457)	(151,585)
	<u>10,590</u>	<u>11,976</u>
<b>Leasehold Improvements</b>		
At cost	43,170	43,170
Less Accumulated Depreciation	(31,373)	(28,386)
	<u>11,797</u>	<u>14,784</u>
Loss on Disposal	-	(6,678)
<b>Total Fixed Assets</b>	<b>42,956</b>	<b>44,351</b>

### Depreciation Fixed Assets

	2012 \$	2011 \$
Furniture & Fitting	2,699	3,643
Office Equipment	1,808	2,401
Computer Equipment	4,872	8,888
Leasehold Improvements	2,987	4,046
<b>Total Depreciation Fixed Assets</b>	<b>12,366</b>	<b>18,978</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. Intangible Assets

	2012 \$	2011 \$
<b>Website (Cyberglobe)</b>		
Cost	36,543	36,543
Less Accumulated Depreciation	(29,121)	(22,270)
	<u>7,422</u>	<u>14,273</u>
<b>Quality Assurance Accreditation Scheme</b>		
Cost	93,087	93,087
Less Accumulated Depreciation	(44,682)	-
	<u>48,405</u>	<u>93,087</u>
<b>Total Intangible Assets</b>	<b>55,827</b>	<b>107,360</b>

Costs have been capitalised that have incurred in the development of a new tool/program that the Institute plan to sell to Valuers

#### Amortisation Intangible Assets

Website New (Cyberglobe)	6,851	13,175
Quality Assurance Accreditation System	44,681	-
<b>Total Amortisation Intangible Assets</b>	<b>51,532</b>	<b>13,175</b>

### 4. Taxation

Tax losses have been carried forward of \$ 56,983 (2011 \$58,534) 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 2012

### 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 \$700,000 from the New Zealand Institute of Valuers (NZIV) under the Service Level Agreement this year (2011: \$620,000), 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 educational modules for members' continual education.

### 6. Accounts Receivable Group

	2012 \$	2011 \$
Accounts Receivable	38,902	43,567
NZIV Receivable	299,167	471,364
Provision for Doubtful Debts	(12,320)	(6,366)
Accrued Interest	79	289
<b>Total</b>	<b>325,828</b>	<b>508,854</b>

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

### 7. Accounts Payable Group

	2012 \$	2011 \$
Trade Creditors	62,784	61,611
NZIV Payable	88,309	297,491
<b>Total</b>	<b>151,093</b>	<b>359,102</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 8. Lease Commitments

#### Fuji Xerox Photocopier Lease

	2012 \$	2011 \$
Next twelve Months	4,536	4,668
One to two years	9,072	4,668
Two to five years	6,804	-
<b>Total Lease Commitment</b>	<b>20,412</b>	<b>9,336</b>

#### Alleasing – Telephone System & Accessories

	2012 \$	2011 \$
Next twelve Months	1,709	6,838
One to two years	-	1,709
Two to five years	-	-
<b>Total Lease Commitment</b>	<b>1,709</b>	<b>8,547</b>

### 9. Capital Commitments & Contingencies

There are no capital commitment or contingent liabilities at balance date (2011: Nil)

### 10. Subsequent Events Notes

There are no other significant subsequent events after balance date (2011: Nil)

## Independent Auditor's Report

### Audit

Grant Thornton New Zealand Audit  
Partnership  
L15, Grant Thornton House  
215 Lambton Quay  
PO Box 10712  
Wellington 6143  
T +64 (0)4 474 8500  
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www.grantthornton.co.nz

### To the Members of the Property Institute of New Zealand

#### Report on the financial statements of the Parent and Group

We have audited the financial statements of Property Institute of New Zealand and Subsidiary ("the Group") on pages 8 to 15, which comprise the statement of financial position as at 31 December 2012, and the statement of financial performance, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Boards 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.

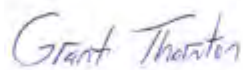
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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 the Property Institute of New Zealand and Subsidiary in the area of taxation advice. The firm has no other interest in the Property Institute of New Zealand and Subsidiary.

#### Opinion

In our opinion, the financial statements on pages 8 to 15 present fairly, in all material respects, the financial position of Property Institute of New Zealand and Subsidiary as at 31 December 2012, 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  
16 May 2013





# NEW ZEALAND INSTITUTE OF VALUERS

## FINANCIAL REPORT

FOR THE YEAR ENDED  
31 DECEMBER 2012

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2012


	Note	2012 \$	2011 \$
<b>Operating Income</b>			
Subscription Income		766,252	702,712
Interest Received		38,357	36,790
VRB Recoveries		7,940	15,215
Rent Income		12,000	-
<b>Total Gross Income</b>		<b>824,549</b>	<b>754,717</b>
<b>Less Expenses</b>			
Audit Fees		7,027	6,620
Bank Charges		340	300
Depreciation		1,300	2,200
General Expenses		3,075	340
Insurance		3,732	9,694
Presidents Honorarium		20,000	20,000
Professional Practices Committee		25,706	26,835
Professional Practices Investigations		8,480	14,593
Service Level Agreement PINZ	9	700,000	620,000
Legal Fees		5,125	26,751
<b>Total Expenses</b>		<b>774,785</b>	<b>727,333</b>
<b>Operating Surplus/(Deficit)</b>		<b>49,764</b>	<b>27,384</b>
Unrealised gain/(loss) on Investment in associates	9	(56,841)	(40,972)
<b>Net Surplus for the year before tax</b>		<b>(7,077)</b>	<b>(13,588)</b>
Tax expense/(refund)	4	-	-
<b>Net surplus/(Deficit) for the year</b>		<b>(7,077)</b>	<b>(13,588)</b>
<b>Statement of Movements in Equity</b>			
<b>Equity at the Beginning of the Year</b>		<b>853,222</b>	<b>866,810</b>
Net Surplus/(Deficit) for the year		(7,077)	(13,588)
Movements in Revaluation Reserves	6	(86,500)	-
<b>Equity at End of the Year</b>		<b>759,645</b>	<b>853,222</b>

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012**

	Note	2012 \$	2011 \$
<b>Representing Members' Funds</b>			
Revaluation Reserve	6	64,764	151,264
Accumulated Funds	5	694,881	701,958
<b>Total Funds</b>		<b>759,645</b>	<b>853,222</b>
<b>Accumulated Funds is represented by:</b>			
<b>Current Assets</b>			
Main Bank Account		245,986	81,456
Short Term Deposit		500,000	707,422
Prepaid Expenses		2,617	2,423
GST Receivable		11,700	47
Accounts Receivable	7	88,309	297,491
Interest Accrued		9,845	4,434
Accrued Income		-	6,615
<b>Total Current Assets</b>		<b>858,457</b>	<b>1,099,888</b>
<b>Non-Current Assets</b>			
Fixed Assets	2	220,000	307,800
Investment in Associates	3	165,527	122,368
<b>Total Non-Current Assets</b>		<b>385,527</b>	<b>430,168</b>
<b>Total Assets</b>		<b>1,243,984</b>	<b>1,530,056</b>
<b>Current Liabilities</b>			
Accounts Payable	8	299,167	480,481
Subscriptions in Advance		168,172	189,353
Accrued Expenses		17,000	7,000
<b>Total Current Liabilities</b>		<b>484,339</b>	<b>676,834</b>
<b>Total Liabilities</b>		<b>484,339</b>	<b>676,834</b>
<b>Net Assets/(Liabilities)</b>		<b>759,645</b>	<b>853,222</b>

For and on behalf of the Council;

President



20 May, 2013

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 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 maximum (1% Straight line) rate permitted by the Income Tax Act 2007.

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.

#### 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 2012

### 2. Fixed Assets

	2012 \$	2011 \$
<b>Land</b>		
At Valuation	90,000	90,000
	<u>90,000</u>	<u>90,000</u>
<b>Buildings</b>		
At Valuation	130,000	220,000
Accumulated Depreciation	-	(2,200)
	<u>130,000</u>	<u>217,800</u>
<b>Total Fixed Assets</b>	<b><u>220,000</u></b>	<b><u>307,800</u></b>

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:

- a. 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
- b. Current outgoings are very high as a proportion of the gross income i.e. Insurance Costs
- c. The valuation was held back due to building maintenance to be carried out in 2013. As building maintenance is completed the floor valuation should be increase by the value of the work carried out.

### 3. Investment in Associates

As of 13th August 2012 the NZ Institute of Valuers has increased their investment in Headway Systems Ltd. by purchasing 117,647 ordinary shares at the issue price of \$0.85 per share.

The shareholding percentage in Headway Systems Ltd. is still the same as in prior periods

### 4. Taxation

Tax losses have been carried forward at \$459,415 (2011: \$491,642) and are available to offset against the current years income tax exposure.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 5. Accumulated Funds

	2012 \$	2011 \$
Opening Balance	701,958	715,546
Net Income Earned this Year	(7,077)	(13,588)
<b>Closing Balance</b>	<b>694,881</b>	<b>701,958</b>

### 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.

	2012 \$	2011 \$
Opening balance	151,264	151,264
Current year movement	(86,500)	-
<b>Closing Balance</b>	<b>64,764</b>	<b>151,264</b>

### 7. Accounts Receivable

	2012 \$	2011 \$
PINZ Receivable	88,309	297,491
Debtors	-	-
<b>Total</b>	<b>88,309</b>	<b>297,491</b>

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

### 8. Accounts Payable

	2012 \$	2011 \$
Accounts Payable	-	9,116
PINZ Payable	299,167	471,365
<b>Total</b>	<b>299,167</b>	<b>480,481</b>

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 (\$56,841) this year (2011: \$40,972 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 \$700,000 (2011: \$620,000) in accordance with the Service Level Agreement between the 2 entities. This payment increase was approved by New Zealand Institute of Valuers Council, and it is due to the improved operation performance of the New Zealand Institute of Valuers in 2012.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**10. Contingencies & Commitments**

There are no capital commitments or contingent liabilities as at balance date (2011: Nil)

**11. Subsequent events notes**

There are no significant subsequent events after balance date (2011: None)

## Independent Auditor's Report

Audit  
Grant Thornton New Zealand Audit  
Partnership  
L15 Grant Thornton House  
215 Lambton Quay  
PO Box 10712  
Wellington 6143  
Telephone +64 (0)4 474 8500  
Fax +64 (0)4 474 8509  
www.grantthornton.co.nz

### To the Members of New Zealand Institute of Valuers

#### Report on the Financial Statements

We have audited the financial statements of the New Zealand Institute of Valuers on pages 17 to 22, which comprise the statement of financial position as at 31 December 2012, and the statement of financial performance, statement of changes 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.

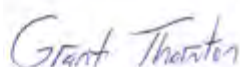
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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 17 to 22 present fairly, in all material respects, the financial position of the New Zealand Institute of Valuers as at 31 December 2012, 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  
20 May 2013

## LIFE MEMBERS

G B Osmond	J N B Wall
O F Baker	<b>P E Tierney</b>
E Eggleston	<b>R L Jefferies</b>
J G Harcourt	<b>G J Horsley MNZM</b>
O Monrad	W K Christiansen
S E Bennett	<b>J S Gillam</b>
N H Mackie	<b>G C Davies</b>
L E Brooker	<b>E F Harris</b>
J W Gellatly	<b>M R Hanna</b>
G C R Green	<b>R V Thompson</b>
S M Jones	<b>J P Larmer</b>
J B Brown	S A Ford
M B Cooke	<b>A J Robertson</b>
R J MacLachlan CBE	<b>M E L Gamby</b>
WA Gordon	I W Gribble
D G Morrison QS	<b>N K Darroch</b>
J D Mahoney	<b>D J Armstrong</b>
<b>E J Babe CVO</b>	<b>R V Hargreaves</b>
<b>M R Mander QSO</b>	
R M McGough	
A L McAlister	
<b>S L Speedy</b>	
<b>R P Young</b>	

## ACCREDITED FIRMS

Real Property Valuation	IPM Valuation
Attwell Valuers	RHAS
bassettcole	
Blackmore Group	
Bower Valuations Ltd	
Boyes James McKay	
Crighton Anderson	
Duke & Cooke	
Edwards Valuations	
Gribble Churton Taylor	
Hobson & Associates	
Jon Nanson Valuations	
Lewis Wright	
Logan Stone	
Lyons & Co	
My Valuer	
North Harbour Valuers	
Ozone Concepts Ltd	
Sheldon & Partners	
Trish Lowe Ltd	
Truss & Keys	
Williams' Harvey	

## MEMBERSHIP NUMBERS

	December 2012	December 2011	December 2010	December 2009	December 2008
Life	19	20	20	20	20
Fellows	196	201	201	202	218
Senior	637	642	674	699	746
Honorary	2	1	4	4	4
Members	631	611	634	668	890
IV only	30	30	32	43	38
Graduates	186	160	145	165	239
Retired	77	85	85	99	15
Affiliates	264	246	248	262	209
Students	483	442	710	666	685
Total	2524	2438	2753	2828	3064

## DIRECTORY

### PROPERTY INSTITUTE OF NEW ZEALAND BOARD

Phil Hinton (President)  
Ian Campbell  
Phillip Merfield  
Blue Hancock  
Greg Ball  
Terry Naylor (Appointed June 2012)  
Tim Dick (Appointed June 2012)  
Mark Dow (Retired June 2012)  
Nicki Bilbrough (Retired June 2012)

### NEW ZEALAND INSTITUTE OF VALUERS COUNCIL

Terry Naylor (President from June 2012)  
Nicki Bilbrough (President until June 2012)  
Blue Hancock  
David Paterson  
Ton Remmerswaal  
Peter Loveridge  
Ken Pawson  
Roger Gordon (Appointed June 2012)  
Nigel Kenny (Appointed June 2012)  
Michael Sprague (Appointed June 2012)  
Neill Sullivan (Valuer General)  
Bob Malone (Retired June 2012)  
Geoff Tizard (Retired June 2012)  
Brian Stafford-Bush (Retired June 2012)

### VALUATION AND PROPERTY STANDARDS BOARD

Chris Stanley (Chair)  
John Schellekens  
Gary Sellars  
Graham Barton  
John Darroch  
Roger Soulsby  
Blue Hancock  
Tony Van Zijl  
Kerry Stewart

### EDUCATION COMMITTEE

Adrienne Young (Chair)  
Rob Hawthorne  
Phillip Merfield  
Peter Loveridge  
Roger Gordon  
Phil Porteus  
Graham Barton  
Marilyn Fitzpatrick (National Office)

### FINANCE AND TECHNOLOGY COMMITTEE

Terry Naylor (Chair)  
Phil Hinton  
Ian Campbell  
David Clark (National Office)  
Carlos Castro (National Office)

### PROFESSIONAL PRACTICES COMMITTEE

Earl Gordon (Chair)  
David Paterson  
Graeme Kirkcaldie  
Iain Gribble (Deceased December 2012)  
Steve Sampson  
Mark Dow

### PLANT AND MACHINERY VALUERS' COUNCIL

Marvin Clough (Chair)  
Graham Barton  
Basil Roberts  
Brett Williams  
Ray Graham  
Mike Morsales

### PROPERTY AND FACILITY MANAGERS COUNCIL

Stuart Bent (Chair)  
Stefan Winstanley  
Saatyesh Bhana  
Ian Campbell  
Farquhar Somerville  
Leighton Toy  
Gareth Fraser  
Joanne McCracken

### INTERNATIONAL COMMITTEE

Ian Campbell (Chair)  
Chris Stanley  
David Clark (National Office)

### PROPERTY ADVISORY

Paul Mautz (Chair)  
Gerard Logan  
Phil Hinton  
James Puketapu  
Roger Soulsby  
Rob Hawthorne  
Phillip Merfield

### BRANCH CHAIRS

Gerard Glynn	Wellington
Andrew Trolove	Nelson/Marlborough
Andrew Hyndman	Central Otago
Aimee Thompson	Gisborne
Luke van den Broek	Waikato
Tony Chadderton	Southland
Helen Brumby	Rotorua/Taupo
Matt Taylor	Auckland
Simon Newberry	Canterbury/Westland
Julian Rattray	Northland
Tom Jones	Manawatu
Chris Boyd	Tauranga
Adam Boon	Taranaki
Guy Hoban	Wanganui
John Aldis	Otago
Andrew White	Hawke's Bay
Alistair Wing	South/Mid Canterbury
Phillip Harcourt	London

### EDITORIAL COMMITTEE

Donn Armstrong  
Peter O'Brien  
David Clark  
Julian Bateson  
Helen Greatrex  
Ah Lek Tay  
Daniel Miles (National Office)

### NATIONAL OFFICE

David Clark  
Chief Executive  
Carlos Castro  
Accountant  
Marilyn Fitzpatrick  
Education Manager  
Jenny Houdalakis  
Events Manager  
Deirdre Moran (on parental leave until mid year)  
Membership Services  
Debbie Coates (until mid year)  
Membership Services  
Joanna Parry  
Quality Assurance Manager  
Tui Hunter  
Board Secretary  
Daniel Miles  
Communications Manager

### PROPERTY EDUCATION & TRAINING

Allan Smee  
Managing Director

