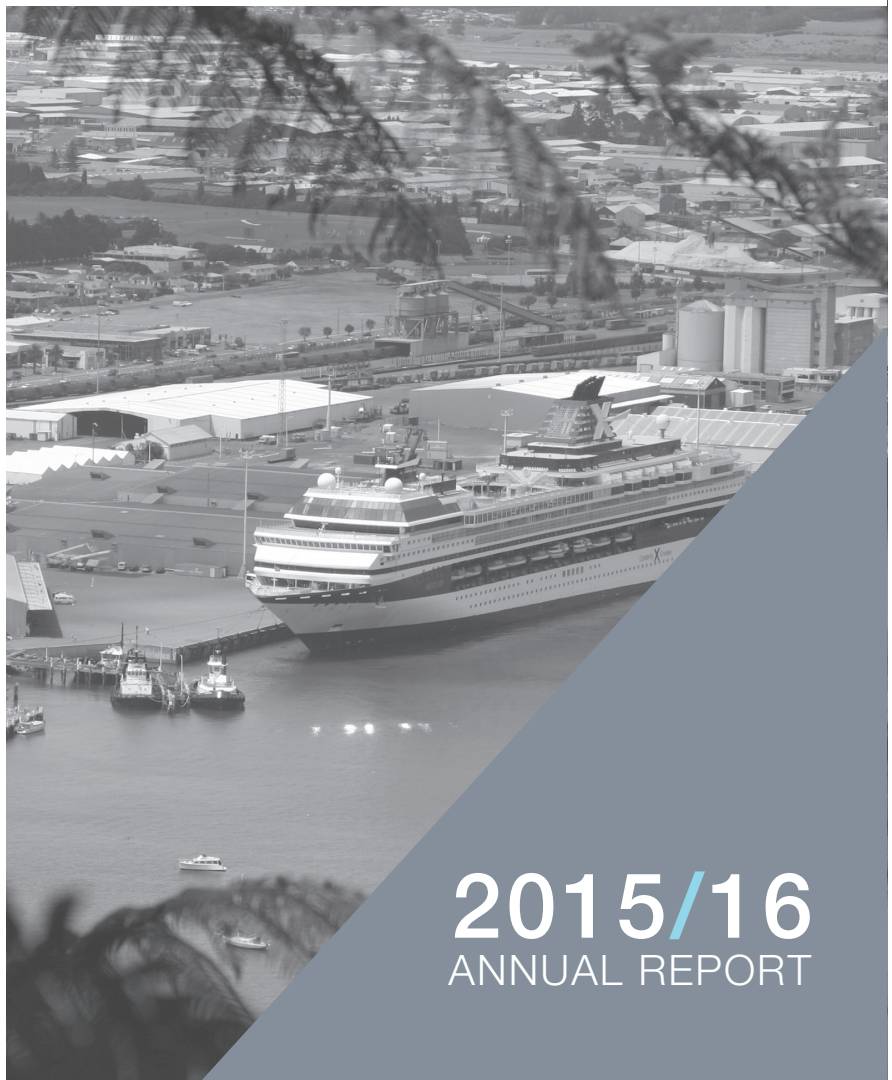




Property Council  
New Zealand



2015/16  
ANNUAL REPORT



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## CORPORATE SPONSORS



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# TOGETHER, WE'RE SHAPING A GROWING NEW ZEALAND

Since 1976, Property Council New Zealand has brought the commercial property industry together with one voice. Our network of more than 700 companies is shaping a growing New Zealand and making a positive contribution to our urban environments. We have a clear message; release the handbrake on growth. We need to create the right environment to attract investment.

Our role is to represent the interests of owners, investors, developers, and professionals in the commercial property industry as professional

stakeholders in the legislative, regulative and policy settings affecting urban growth.

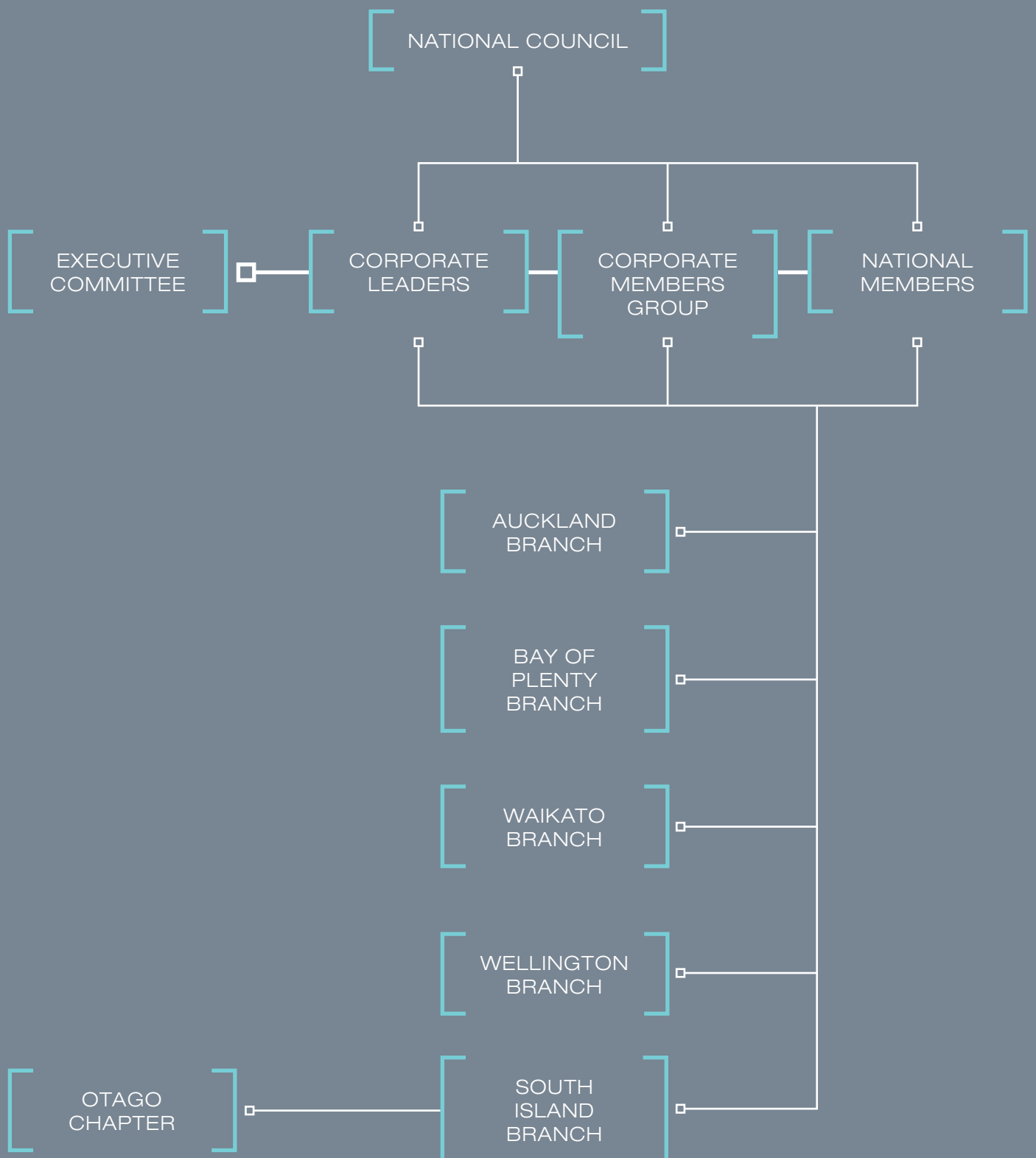
We also bring the industry together by giving people access to an exciting convergence of ideas, information and connection with industry peers. Our popular event programme helps to raise the industry's image, provide knowledge, leadership and opportunities for members to grow their businesses.

As a not-for-profit membership organisation, we're focused on delivering the best results for our members.

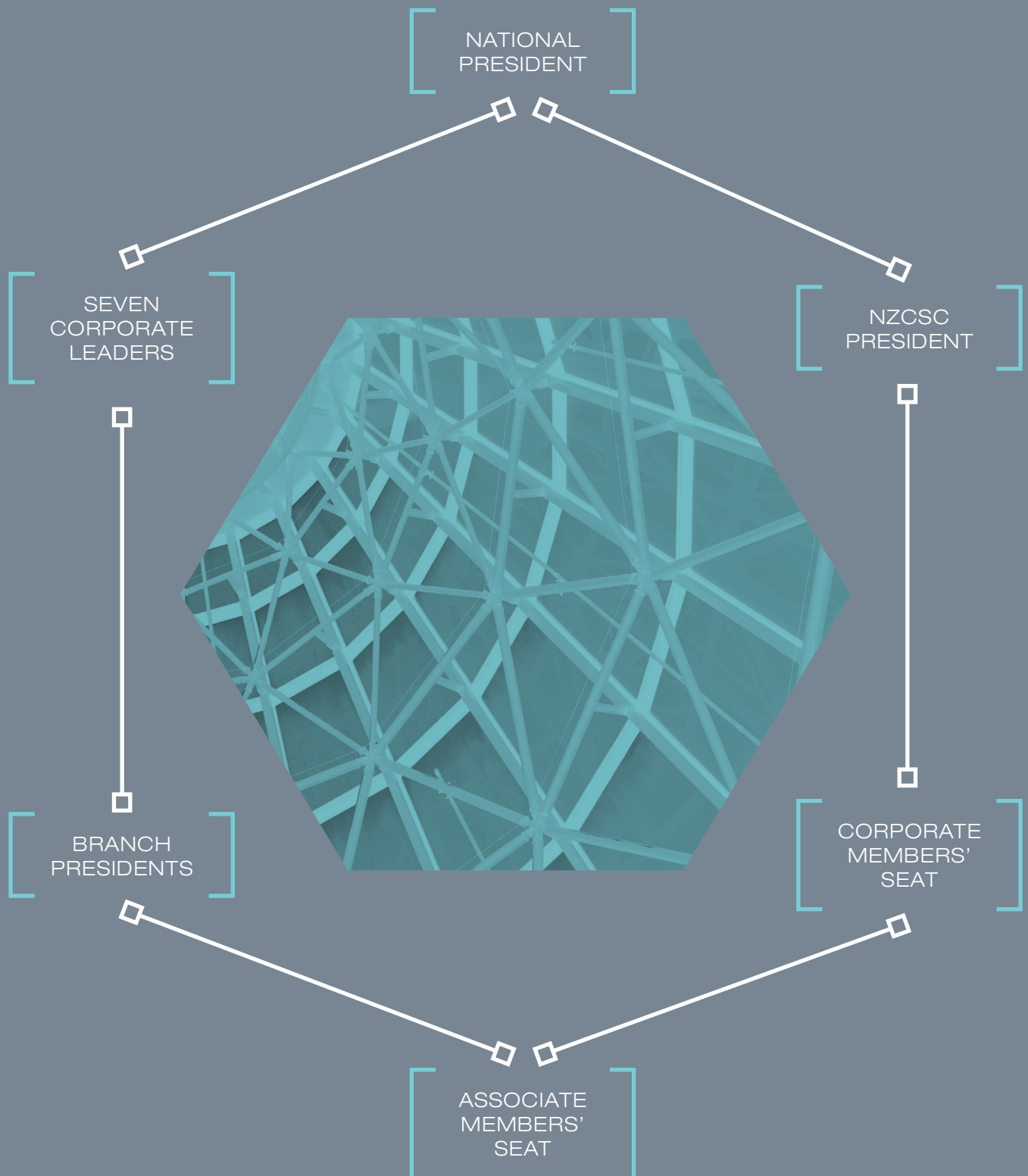




# GOVERNANCE STRUCTURE



# NATIONAL COUNCIL





# FROM THE NATIONAL PRESIDENT



Property Council has had another successful year and has grown in influence and stature with some valuable milestones achieved. It is very pleasing to see the strategy to deliver a deliberate policy shift to a holistic approach providing tangible results. This approach is focussing on property as a growth enabler, an urban place-maker and a community accommodator for the benefit of social and economic prosperity.

The organisation is taken ever more seriously by a range of stakeholders as an intelligent and constructive contributor to central and local government projects.

Some of the more significant milestones are:

- Record growth in membership with over 700 member organisations across the country
- Establishment of the Residential Development Council in a planned move to further our goal of demonstrating the proffered holistic approach to residential property ownership and development
- Establishment of the new Government Relations Director role in the Wellington office to add value to our initiatives and to work more closely with central government organisations.

Activities during the year have seen the Property Council engaging with a range of stakeholders, both related to the industry and from a wider audience, to provide a stronger and better educated voice. We are being perceived increasingly as effector of change rather than a sector lobby group. It is a measure of the success in this area that the organisation is benefiting from unprecedented and immensely valuable engagement, with both central and local government.

It is rewarding to see the organisation continue to develop. We owe a large debt of gratitude to our Branch Executives and staff who have achieved excellent results in a year that was not wholly devoid of operational challenges.

We must also record our gratitude to staff who have left the organisation during the year. Their contributions have helped create and sustain our existing momentum. Further gratitude must be recorded for members who have contributed to the organisation sitting on committees, organising and of course sponsoring events. As an organisation we value the industry leaders from whom we have benefited in wisdom and guidance over the year and in the past. It was a fitting tribute to recognise a Property Council elder, Richard Didsbury, as Member Laureate joining an august list now recorded in our board room.

At a strategy level the year ahead is set to remain focused on demonstrating that closer engagement with policy makers will both add value, and achieve the best results, and on providing an active, engaging, informative, and naturally, fun environment to network with industry peers.

Thank you for your support.

*Peter Mence*

*National President, Property Council New Zealand  
and Chief Executive, Argosy Property Limited*

# FROM THE CHIEF EXECUTIVE



This has been an interesting and productive year for Property Council. Our events calendar continues to grow and we are holding thought provoking and educational events across a range of issues that touch the property industry. Our policy and advocacy also continues to go from strength to strength and we have achieved substantial policy wins over the year. We have well and truly established ourselves as an influential thought leader that is the voice of property in New Zealand.

## POLICY

Policy and advocacy is our core business, and it is more important now than ever before. We are facing a number of critical issues that are impeding our industry and acting as a handbrake in delivering greater economic growth and social prosperity.

Over many years we have advocated for reform of the Resource Management Act. We envisage this reform to reduce compliance costs and red tape that hinders development. In August 2015 we released our White Paper on Resource Management Act Reform, which called for a national policy statement for cities. I am very pleased to announce that we have been working with government officials, in both a formal and informal capacity, in their development of the draft National Policy Statement on Urban Development Capacity. This is a substantial policy victory for Property Council and it reflects the hard work staff have done to make this a reality.

As signalled last year, we have been working with the EMA and NZCID to explore alternative planning systems and what can be done to better align the RMA, Land Transport Management Act and Local Government

Act. This work continues and we are mounting a credible and strong case that reform must occur to the benefit of economic growth but not at the detriment of the environment.

We have also been working closely with government officials to provide better guidance to councils around development contributions. For our Branches, development contributions is a substantial issue, particularly the lack of accountability, transparency and policy direction from councils. It is very pleasing to see a number of our members provide their expertise in inputting into this guidance.

Our Branches have been working on a range of issues that include long term plan, annual plan and district plan submissions. In Christchurch and Hamilton, we led the charge against proposed provisions of the Christchurch Replacement District Plan and the Hamilton District Plan. We have had victories relating to specific provisions and the strategic direction of both Plans. In Auckland we developed a substantial submission on the Proposed Auckland Unitary Plan and were actively involved in the Independent Hearings Panel process.

We have also established the Residential Development Council. This new entity is an opportunity to grow our membership and officially acknowledge our move into the residential policy and advocacy space.

I also completed sitting on the Rules Reduction Task Force. We have completed a comprehensive report and presented it to key ministers. It recommended various reforms to speed up the supply of houses and commercial building developments

## EVENTS

This year we held our National Conference in Adelaide. It was a very well attended event with nearly 300 attendees. We had a range of New Zealand and international speakers led by the Hon Bob Carr, the former Australian Foreign Minister. The calibre of the speakers was fantastic and they represented a cross-section of the property industry.

I would also like to acknowledge the role that Richard Didsbury has had in both Property Council and the wider industry. We celebrated his lifetime of achievements by awarding him a Member Laureate this year.

*Connal Townsend*  
Chief Executive, Property Council New Zealand



# OUR ROLE

We are able to work with legislators and regulators – getting time in front of decision makers to offer our collective expertise and knowledge. We want to ensure their decisions are workable and fair.

## WE HAVE

- Access to government officials and ministers
- The collective force of the industry behind us
- Knowledge and information – we're kept in the loop with regulators
- Access to experts, who we engage in a busy event programme on topical issues

## WE DO

- Protect your assets by encouraging the Government to create fairer tax laws
- Protect your developments by working with the government on development fees and charges so they are fair and not a deterrent
- Encourage a modern planning system that understands commercial reality

## WE ATTRACT

- Media attention to the issues that individual companies find difficult to raise
- Proactive coverage of the industry that builds a positive public image

## WE FACILITATE

- Member networking, giving professional services access to, and assistance to, other members
- Exposure to members through committees, working groups and providing technical expertise
- Opportunities to meet top-level people in member companies



# OUR ACHIEVEMENTS

## OUR EVENTS

### NATIONAL EVENTS:

- Property Industry Awards | 1,344 attendees | 92 submissions
- Retail Conference | 380 attendees
- National Conference | 219 attendees
- Residential Development Summit | 240 attendees

### TOP REGIONAL EVENTS:

- Southern Excellence Awards | 530 attendees
- Auckland Political Breakfast with John Key | 491 attendees
- Auckland Downtown @ Wynyard Quarter Development Breakfast | 426 attendees
- Wellington Property People Awards | 339 attendees
- We are Waikato Awards | 370 attendees
- Christchurch Retail Precinct Seminar | 296 attendees
- Christchurch Annual Market Summit | 276 attendees
- Wellington: Capitalising on a cool reputation | 178 attendees
- University of Otago: A property portfolio overview and plans for the future | 71 attendees
- Quayside Holdings: Driving Commercial Focus Investments in the Bay of Plenty Region | 55 attendees





## OUR RESEARCH

- Retail Lease
- Standard Office Lease
- Guide for Measurement of Rentable Area
- OPEX
- Shopping Centre Directory
- PCNZ/IPD New Zealand Quarterly Property Index results

## OUR FINANCES

- \$67,290 generated through 890 publication sales
- Over 10,000 events tickets sold
- After-tax deficit of \$19,197
- Net 25 new members
- Record turn-over!

# OUR MEMBERSHIP

BRANCH CATEGORY	2016	2015	CHANGE
CORPORATE LEADERS	14	14	-
CORPORATE MEMBERS*	19	16	3
NZCSC	53	53	-
NATIONAL ASSOCIATE <sup>†</sup>	3	0	3
<b>AUCKLAND</b>	<b>257</b>	<b>249</b>	<b>8</b>
Core	87	80	7
Associate	170	169	1
<b>WAIKATO</b>	<b>72</b>	<b>73</b>	<b>-1</b>
Core	25	21	4
Associate	47	52	-5
<b>BAY OF PLENTY</b>	<b>44</b>	<b>49</b>	<b>-5</b>
Core	16	18	-2
Associate	28	31	-3
<b>WELLINGTON</b>	<b>87</b>	<b>94</b>	<b>-7</b>
Core	36	40	-4
Associate	51	54	-3
<b>SOUTH ISLAND</b>	<b>169</b>	<b>162</b>	<b>7</b>
Core	58	61	-3
Associate	111	104	7
<b>TOTAL</b>	<b>718</b>	<b>710</b>	<b>8</b>

\* Arrow International, Development Advisory Services and Holmes Consulting Group each upgraded their individual branch membership into Corporate Membership.

<sup>†</sup> Coffey New Zealand, Opus International and RCP upgraded their individual branch Associate membership into a National Associate Membership – Therefore are no longer counted in branch totals.



# POLICY AND ADVOCACY

## NATIONAL

We established the Residential Development Council to advocate on important development issues specifically relating to the residential property industry. Its focus is on delivering sustainable residential development and investment through better urban planning and infrastructure provision, effective and efficient consenting processes and quality urban design outcomes.

We supported Central Government reforms to the planning system, which included a submission on the draft National Policy Statement on Urban Development Capacity. For a number of years, we have consistently called for a national policy statement with an urban focus. The development of the draft National Policy Statement is a substantial advocacy victory for Property Council. We also supported the Using Land for Housing Inquiry led by the Productivity Commission. We also submitted on Local Government New Zealand's Blue Skies Discussion about New Zealand's Resource Management System. These three submissions focussed on the need for a fit for purpose planning system that is dynamic, objective, robust and responsive to the growth issues facing our urban centres.

We provided substantial input on the draft Guide to Development Contributions, which was developed by the Department of Internal Affairs. This input led to a number of our recommendations regarding fairness, equity, transparency and modelling being incorporated. We had substantial member involvement in the development of our recommendations.

We supported the Department of Internal Affairs review of the fire services structure, particularly regarding the proposed reforms of the funding model. We utilised our commercial property investors, managers and owners in order to provide detailed and specific answers to the key questions the review was asking.

## REGIONAL

Our work for the Branches continues to be varied, reflecting the advocacy needs and aspirations of their members.







## AUCKLAND

Auckland Council 2016-17 Annual Plan: we supported the Council's focus on city-building infrastructure, planning for and coordinating growth, and prudent debt borrowing and levels. We worked with a range of stakeholders to successfully defeat the initiative to change the Interim Transport Levy from a flat fee, to a capital value fee. This change would have added thousands to the levy commercial property owners in Auckland paid.

Auckland Council Open Space Provision Guidelines: we supported the intention of the guidelines. We insisted that a regular stocktake should occur in order to ascertain how Aucklanders are using parks and open spaces. We also emphasised that Council

must undertake regular fine-grain analysis in order to examine the square metres of park and open space to population ratio.

Draft Future Urban Land Supply Strategy: we raised substantial concerns with the strategy. Our particular concerns were the lack of fine grain analysis, a lack of a funding modelling for infrastructure, and the unintended consequences of proposing a staged approach to greenfield development over the next 30 years.

Proposed Auckland Unitary Plan: we continued to utilise Tattico to present on our behalf at the Independent Hearings Panel. We achieved substantial wins with the Panel interim guidance regarding various rules and zoning, including intensified housing, urban design and heritage provisions.



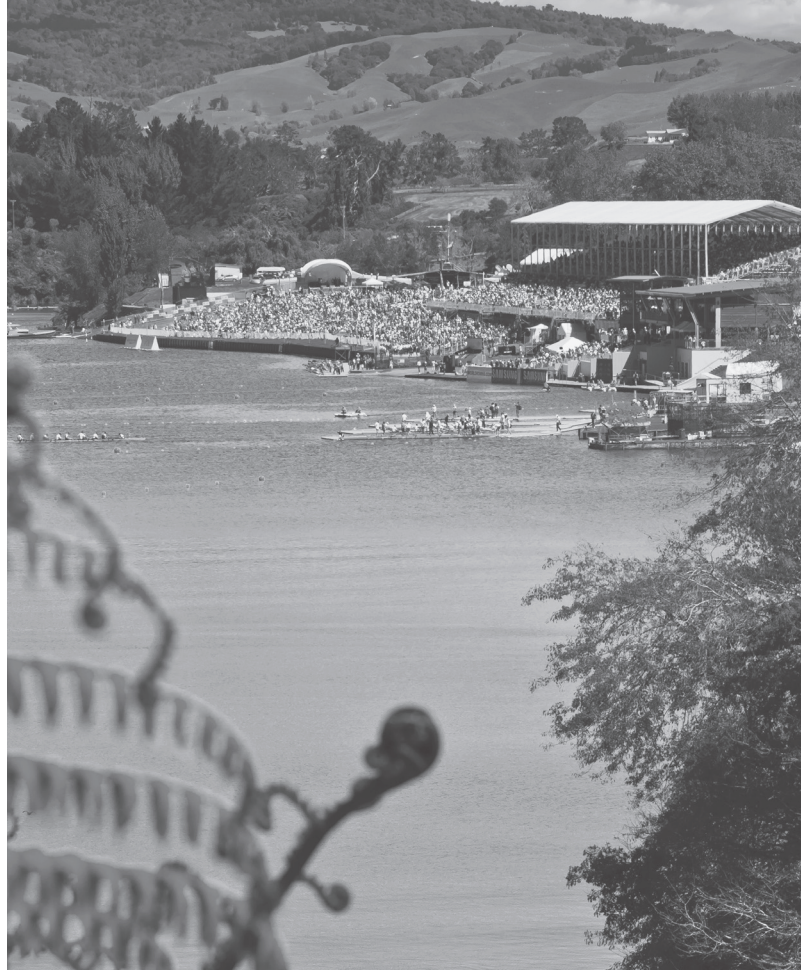


## BAY OF PLENTY

Long Term Plans 2015-2025: we submitted on the Tauranga City Council and Western Bay of Plenty District Council Long Term Plans. We emphasised the need for objective and robust decision-making in the provision of services and capital projects.

Community involvement: we developed a strong new advocacy focus on involvement with key stakeholders such as the SmartGrowth Property Developer Forum, Tauranga City Council's Development Community meetings and the City Centre Action Group. This focus is on building relationships with key stakeholders and providing policy decision-making input through a range of formal and informal channels.

Tauranga City Council initiatives: we supported a number of council projects such as the Civic Campus project. We were also heavily involved as a key stakeholder in CBD spatial planning initiatives.



## WAIKATO

CBD Manifesto: we have developed and published Hamilton: Reviving the CBD. This document outlined recommendations for rejuvenating the CBD in order to achieve better economic and social outcomes for members and the wider community.

Hamilton City Council Long Term Plan 2015-2025: we emphasised the need for the Council to initiate objective and robust decision-making when providing services and capital projects. We outlined our substantial concerns regarding the Council's development contributions policy, which led to the establishment of a working party to review the modelling behind the policy.

Continued appeals to the Environment Court regarding the proposed Hamilton District Plan: our focus was on overhauling the assessment criteria, design guide policies and rules for commercial, industrial and residential property developments. Through the mediation process we are expecting a far better plan that will enable the development and rejuvenation that the city needs.

Hamilton Central City Transformation Plan: we supported the intention of the plan to revitalise the CBD. However, we had concerns about how the Council would implement the plan and the lack of funding earmarked for identified projects.





## WELLINGTON

**Rates research:** We commissioned JLL to investigate the different rating policies of New Zealand urban centres and to compare the financial impost of rates on a range of properties in these centres. We undertook the research to better understand the effects of rates on Wellington property development and their wider economic and social implications.

**Wellington City Council Draft Development Contributions Policy:** we advocated for ensuring charges are allocated in a transparent, fair and justifiable manner. We emphasised that policy outcomes should focus on equitable cost attribution, Council being able to plan for and recoup the costs of relevant investments, and local communities having quality development and infrastructure.

**Wellington City Council Long Term Plan 2015-2025:** We highlighted our concerns regarding the Council's forecasted increase in debt levels, commercial rate increases substantially above the level of inflation and the continuation of the business rate differential. We called for increased funding and future proofing of projects that provide amenity for the wider community.

We continued our advocacy campaigns and support for projects such as Wellington Airport's proposed runway extension and the Wellington Convention Centre. We insist that projects like these will provide long-term business certainty and investment for the region.



## SOUTH ISLAND

**Environment Canterbury (Transitional Governance) Governance) Bill 2015:** We fully endorsed the Bill and the staged shift back to locally elected councillors from the existing commissioner model. We viewed this staged approach as meaning the effectiveness and efficiency governance gains made by Environment Canterbury over the years will not be lost.

**Greater Christchurch Regeneration Bill 2015:** We supported the establishment of Regenerate Christchurch and its joint controlling by the Crown and Christchurch City Council. We argued that it must provide for the timely future development of greater Christchurch, enable an increased role for local leadership, and must ensure the coordinated provision of development opportunities with infrastructure provision.

We continued our engagement with Central and Local Government in advocating for more project certainty, better communications, and greater sector engagement and political leadership in the rejuvenation of the Christchurch CBD.

**Christchurch District Plan Review 2014/2015:** We continued our work in advocating our positions regarding the Strategic Directions chapter. We view our involvement in the review process and subsequent outcomes as a substantial victory for the Branch.

**Dunedin Second Generation District Plan:** We called for a substantial review of proposed zoning provisions and rules that were uneconomical and detrimental to economic and social prosperity of the city. Hearings for this are currently taking place.

# FROM THE GOVERNMENT RELATIONS DIRECTOR



Property Council has seen a significant increase in its policy and advocacy work over the last few years, both in terms of scale and variety. This has resulted in us enjoying a high level of influence with Central Government. We have developed a 'first port of call' relationship with Central Government on the policies that affect you, our members. In order to maintain and grow this influence, we had reached a point where we needed a permanent presence in Wellington.

In October 2015, I was appointed as Property Council's Government Relations Director.

The position was driven by the Corporate Members group and by the CE, Connal Townsend. The position is funded by Corporate Members. I report regularly to the Corporate Members Group and to National Council.

My initial focus has been on getting to know our members and understanding the property industry. I have also made a concerted effort to build and expand Property Council's networks within Central Government, with a focus on increasing the public services understanding of the property industry and presenting our policy positions to relevant advisers, influencers and decision makers.

Some of the specific areas I was involved in during this first part-financial year (the 6 months since I started) included:

- Providing input to the Ministry of Business Innovation and Employment on how draft asbestos regulations would impact Property Council members, and suggesting changes to the regulations.
- Actively participating in a working group, established to review the 2012 changes to the fire code.
- Advocating for better tax treatment for seismic strengthening work undertaken on buildings.
- Using networks throughout Central Government to understand the thinking behind proposed reforms to the RMA and providing suggested improvements. We then provided detailed input on both the Bill that codified the reforms and on the accompanying National Policy Statement on Urban Development Capacity. I also talked to politicians on both sides of Parliament regarding the Bill.

The coming year looks to be even busier and more exciting. There is further work to be done on system-wide issues such as resource management and local government reform, technical issues such as changes to the Building Act and fire regulations to name just some.

I will continue to engage with Ministers and senior decision makers within the public service and aim to provide opportunities for Property Council members to engage with them as well. All of this is so that we can improve Central Government policy on the issues that matter to you.

*Matt Paterson*  
Government Relations Director

# BRANCH EXECUTIVES

## BRANCH PRESIDENTS

### **Auckland – Phil Eaton**

*Greenstone Group*  
PhilE@greenstonegroup.co.nz

### **Wellington – Mike Cole**

*Archaeus Architects*  
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### **Bay Of Plenty – Andrew Collins**

*Harrison Grierson*  
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### **South Island – Jo McDonald**

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### **Waikato – Rob Dol / Thomas Gibbons**

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### **Otago (Chapter) – Kaaren Dooher**

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# FINANCIAL SUMMARY

It was another record year as operating revenues increased to \$3.6M for the 2015/16 financial year. This continues our continual growth in turnover over each of the last four years.

We experienced a small deficit of \$19,197 after tax for the year – being just 0.5% of operating revenue. We are disappointed in this as we aim to operate a small surplus each year to maintain our level of Retained Earnings.

The main factors behind the increase in revenue continues to be the increase in memberships, as well as the growing events programmes across our Branches and Chapters.

The significant changes in outgoings continues to be costs of sales and operational expenses. The increase in the size and number of our events reflects both the increase

in revenue from events as well as the cost of sales from these. The operational expenses increase is mainly driven by the growing employee count and the related costs.

The balance sheet remains in a solid position. While total assets are down from \$2.1M to \$1.6M, this is mostly due to a reduction in the total number of significant prepayments and receivables in the prior year. Correspondingly, the year on year change in income in advance has reduced our total liabilities.

It is also worth noting that there have been important changes to reporting framework which has necessitated a substantial change in our financial reports this year. While the main financial statements are more summarised, the detail is now included via notes, and we have for the first time included a statement of cash flows.

*Simon Thorne*  
*Director of Finance and Research*



## Independent Auditor's Report

### To the Members of Property Council of New Zealand Incorporated

We have audited the financial statements of Property Council of New Zealand Incorporated on pages 17 to 31 which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive revenue and expense, and statement of changes in net assets/equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the members as a body. Our audit has been undertaken so that we might state to members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Property Council New Zealand Incorporated and its members as a body, for our work, for this report, or for the opinions we have formed.

#### National Council's Responsibility for the Financial Statements

The national council is responsible for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime and for such internal control as the national council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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 and fair presentation of the financial statements 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 overall 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.

Other than in our capacity as auditor we have no relationship with, or interests in, Property of Council New Zealand Incorporated.

#### Opinion

In our opinion, the financial statements on pages 17 to 31 present fairly, in all material respects, the financial position of Property Council New Zealand Incorporated as at 31 March 2016, and its financial performance and cash flows, for the year then ended in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime.

A handwritten signature in blue ink that reads 'RSM'.

8 August 2016

**Property Council of New Zealand Incorporated**

<b>Nature of Business</b>	An incorporated body representing New Zealand's Commercial Industrial, Retail, Property Funds and Multi Unit Residential Property owners, managers and investors.	
<b>Registered Office</b>	Level 4 51 Shortland Street Auckland	
<b>Chief Executive</b>	Connal Townsend	
<b>National Councillors</b>	<div>Peter Mence Phil Eaton Thomas Gibbons Andrew Collins Mike Cole Jo McDonald Campbell Barbour Scott Pritchard John Dakin Linda Trainer Mark Thompson Peter Alexander Kerry Watson Chris Gudgeon Phil Bennett Steve Gracey</div>	<div>National President Auckland Branch President Waikato Branch President Bay of Plenty Branch President Wellington Branch President South Island Branch President NZCSC Chairman Corporate Leader Representative Corporate Leader Representative Corporate Leader Representative Corporate Leader Representative Corporate Leader Representative Corporate Leader Representative Corporate Member Representative Representative of Associates</div>
<b>Solicitors</b>	BSA Law - Auckland	
<b>Bankers</b>	Bank of New Zealand	
<b>Accountants</b>	Staples Rodway Limited P O Box 3899 Auckland	
<b>Auditors</b>	RSM Hayes Audit P O Box 9588 Newmarket Auckland	

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR  
ENDED 31 MARCH 2016

		2016	2015
	Note	\$	\$
<b>Revenue from exchange transactions</b>			
Operating revenue	3	3,635,382	3,071,753
<b>Less: Cost of sales</b>			
Cost of sales	3	(1,600,990)	(1,321,587)
Gross profit		2,034,392	1,750,166
<b>Other revenue and income from exchange transactions</b>			
Interest income	3	42,919	38,225
Other income	3	69,779	72,169
		112,698	110,394
		2,147,090	1,860,560
<b>Less: expenses</b>			
Operational expenses		(673,326)	(594,288)
Depreciation and amortisation expense	4	(44,629)	(54,610)
Employee benefits expense	4	(1,375,436)	(1,077,432)
Occupancy expense	4	(106,675)	(102,341)
		(2,200,066)	(1,828,671)
<b>Surplus / (deficit) before income tax expense</b>		<b>(52,976)</b>	<b>31,889</b>
Income tax (expense) / benefit	5	33 779	5 786
<b>Surplus / (deficit) from continuing operations</b>		<b>(19,197)</b>	<b>37,675</b>
Other comprehensive revenue and expense			
<b>Total comprehensive revenue and expense for the year</b>		<b>(19,197)</b>	<b>37,675</b>

STATEMENT OF CHANGES IN NET ASSETS/EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016

	Retained earnings	Total equity
	\$	\$
<b>Balance as at 1 April 2014</b>	<b>914,749</b>	<b>914,749</b>
Surplus for the year	37,675	37,675
<b>Total comprehensive revenue and expense for the year</b>	<b>37,675</b>	<b>37,675</b>
<b>Balance as at 31 March 2015</b>	<b>952,424</b>	<b>952,424</b>
<b>Balance as at 1 April 2015</b>	<b>952,424</b>	<b>952,424</b>
Deficit for the year	(19,197)	(19,197)
<b>Total comprehensive revenue and expense for the year</b>	<b>(19,197)</b>	<b>(19,197)</b>
<b>Balance as at 31 March 2016</b>	<b>933,227</b>	<b>933,227</b>



# STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016	2015
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	6	1,012,287	1,205,879
Receivables from exchange transactions	7	342,157	583,060
Inventories	8	18,156	21,984
Current tax assets		12,387	8,703
Other assets	11	63,690	185,864
<b>Total current assets</b>		<b>1,448,677</b>	<b>2,005,490</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	107,720	99,127
Deferred tax assets		42,563	8,784
Intangible assets	10	46,372	23,728
<b>Total non-current assets</b>		<b>196,655</b>	<b>131,639</b>
<b>Total assets</b>		<b>1,645,332</b>	<b>2,137,129</b>
<b>Current liabilities</b>			
Payables from exchange transactions	12	370,641	392,783
Income in advance		341,464	791,922
<b>Total current liabilities</b>		<b>712,105</b>	<b>1,184,705</b>
<b>Total liabilities</b>		<b>712,105</b>	<b>1,184,705</b>
<b>Net assets</b>		<b>933,227</b>	<b>952,424</b>
<b>Equity</b>			
Retained earnings	15	933,227	952,424
<b>Total equity</b>		<b>933,227</b>	<b>952,424</b>

Approved on behalf of the National Council:



\_\_\_\_\_  
Connal Townsend, Chief Executive  
26/07/2016  
Date



\_\_\_\_\_  
Peter Mence, National Councillor  
26/07/2016  
Date

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016	2015
		\$	\$
<b>Cash flow from operating activities</b>			
Proceeds from members		1,689,843	1,134,679
Proceeds from events		1,626,138	2,058,849
Proceeds from other		176,013	166,937
Interest received		45,034	40,490
Payments to suppliers		(2,277,984)	(1,903,451)
Payments to employees		(1,367,457)	(1,077,432)
Income tax paid		(3,685)	(3,932)
<b>Net cash provided by/ (used in) operating activities</b>	<b>13(b)</b>	<b>(112,098)</b>	<b>416,140</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment		1,015	8,696
Payment for property, plant and equipment		(46,066)	(30,952)
Payment for intangible assets		(36,443)	-
<b>Net cash provided by/ (used in) investing activities</b>		<b>(81,494)</b>	<b>(22,256)</b>
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		1,205,879	811,995
Net increase/ (decrease) in cash held		(193,592)	393,884
<b>Cash at end of financial year</b>	<b>13(a)</b>	<b>1,012,287</b>	<b>1,205,879</b>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for Property Council of New Zealand Incorporated ('the Council').

The Council is an incorporated Society under the Incorporated Societies Act 1908.

The primary objective of the Council is to represent New Zealand's Commercial Industrial, Retail, Property Funds and Multi Unit Residential Property owners, managers and investors.

The following is a summary of the material accounting policies adopted by the Council in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation of the financial report

##### *Statement of Compliance*

The financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). It complies with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 not-for-profit public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Council qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has between \$2m and \$30m operating expenditure.

##### *Measurement Basis*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

##### *Effect of First Time Adoption of PBE Standards on Accounting Policies and Disclosures*

This is the first financial report of the Council presented in accordance with PBE standards. The Council have previously reported in accordance with

Financial Reporting Standards and Statements of Standard Accounting Practice, as appropriate for public benefit entities.

The accounting policies adopted in the financial report are consistent with those of the previous financial year except for instances when the accounting or reporting requirements of a PBE standard are different to the requirements previously reported under.

The changes to accounting policies and disclosures caused by first time adoption of PBE accounting standards are as follows:

- *PBE IPSAS 1: Presentation of Financial Statements*

There are minor presentation differences and they impact on presentation only.

##### *PBE IAS 12: Income Taxes*

Previously the Council accounted for tax using the taxes payable method. Upon transition to PBE standards the Council is required to use the balance sheet method, accordingly the Council has recorded a deferred tax asset in its Statement of Financial Position. An increase of \$1,618 was recorded in accumulated comprehensive revenue and expenses at transition date -1 April 2014 and an increase of \$7,166 was recorded in net surplus in the comparative period -31 March 2015. Total impact on net assets/equity was \$8,784.

#### (b) Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Membership fees are recognised as revenue when no significant uncertainty as to its collectibility exists, if the fee relates only to membership and all other services or products are paid for separately, or if there is a separate annual subscription. Membership



fees are recognised on a basis that reflects the timing, nature and value of the benefit provided if the fee entitles the member to services or publications to be provided during the membership period, or to purchase goods or services at prices lower than those charged to non-members.

Revenue from organising and hosting events is recognised in the period in which the events are held.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Finance and insurance revenue is recognised when the right to receive finance and insurance revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

### **(c) Income tax**

The Council is not subject to income tax on any profits derived within the circle of the Council's membership. Therefore any income received from members, such as subscriptions and events is not taxable. The income tax exemption does not extend to transactions with non members that can be clearly distinguished such as interest income. However as a not-for-profit body, the Council is entitled to a deduction for tax for the lessor of \$1,000 or the amount that would be the amount that would be the net income derived from the Council's non-member transactions.

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

### **(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### **(e) Inventories**

Inventories held for sale are measured at the lower of cost and net realisable value.

### **(f) Financial instruments**

#### *Classification*

The Council classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

#### *Non-derivative financial instruments*

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

#### *Loans and receivables*

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

#### *Financial liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The carrying amount of financial assets is reviewed annually by councillors to assess whether there is any objective evidence that a financial asset is impaired.

Where such objective evidence exists, the Council recognises impairment losses.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of

estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

### (g) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

#### *Plant and equipment*

Plant and equipment is measured on the cost basis.

#### *Depreciation*

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates	Depreciation basis
Office equipment at cost	19.2% - 67%	Diminishing value
Furniture, fixtures and fittings at cost	12% - 26.4%	Diminishing value

### (h) Intangibles

#### *Computer software*

Computer software is recognised at cost. It is amortised over its estimated useful life, which ranges from 50% to 60% diminishing value. Computer software is carried at cost less accumulated amortisation and any impairment losses.

### (i) Provisions

Provisions are recognised when the Council has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic

substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### *Operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### (k) Employee benefits

#### **(i) Short-term employee benefit obligations**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### **(ii) Long-term employee benefit obligations**

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### **(iii) Retirement benefit obligations**

##### *Defined contribution superannuation plan*

The Council makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

### **(l) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition

of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (m) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

#### (n) Adoption of new and amended accounting standards that are first operative

There are a number of other new and amended standards, and interpretations mandatory for first time adoption for the financial year ended 31 March 2016 but not currently relevant to the Council in preparing these financial statements. These other new and amended standards and interpretations are not expected to have an impact on the Council's financial statements.

## 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Council's financial statements requires management to make estimates and

judgements that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and judgements are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Uncertainty about these estimates and judgements could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any other periods affected.

Judgements made by management in the application of PBE IPSAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

#### i) Income tax

The Council has recognised tax losses in the balance sheet. Significant judgment is required in determining that losses are likely to be offset by the taxable profit in the Council in the foreseeable future.

### NOTE 3: REVENUE AND OTHER INCOME

	2016	2015
	\$	\$
<b>Operating revenue (exchange transactions)</b>		
Branch subscriptions	757,748	734,370
Events	2,047,897	1,713,105
National subscriptions	722,007	529,480
Other business services revenue	35,000	29,500
Other membership revenue	5,440	5,917
Research and information products	67,290	59,381
	<b>3,635,382</b>	<b>3,071,753</b>
Interest income (exchange transactions)	42,919	38,225
Other income (exchange transactions)		
South Island Property Council Education Trust	-	5,518
Other income	69,779	66,651
	<b>69,779</b>	<b>72,169</b>
	<b>3,748,080</b>	<b>3,182,147</b>

The Council does not have non-exchange revenue

NOTE 4: OPERATING PROFIT		
Profit / (losses) before income tax has been determined after:		
	2016	2015
	\$	\$
Branch costs	492,315	330,541
Event costs	1,068,508	970,305
Policy costs	23,210	1,482
Research and information products	16,957	19,259
	<b>1,600,990</b>	<b>1,321,587</b>
Depreciation		
Office equipment	22,523	28,112
Furniture and fittings	8,307	8,159
	<b>30,830</b>	<b>36,271</b>
Amortisation of non-current assets		
Computer software	<b>13,799</b>	<b>18,339</b>
Rental expense on operating leases		
Minimum lease payments	<b>106,675</b>	<b>102,341</b>
Employee benefits:		
Short term benefits	1,387,721	1,077,432
Other employee benefits	(12,285)	–
	<b>1,375,436</b>	<b>1,077,432</b>
Net loss on disposal of non-current assets		
Loss on sale of plant and equipment	<b>5,627</b>	–
Remuneration of auditors for:		
RSM Hayes Audit		
Audit and assurance services		
Audit or review of the financial report	<b>19,220</b>	<b>17,800</b>



## NOTE 5: INCOME TAX

	2016	2015
	\$	\$
<b>(a) Components of tax expense/(benefit)</b>		
Current tax	–	1,380
Deferred tax	(33,779)	(7,166)
	<b>(33,779)</b>	<b>(5,786)</b>
<b>(b) Prima facie tax payable</b>		
The prima facie tax payable on surplus/(deficit) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Prima facie income tax payable on surplus/(deficit) before income tax at 28.0%	(14,833)	8,929
Non assessable income	(3,100)	(34,058)
Non-deductible expenses	127	–
Exemption for non-profit organisation	–	280
Tax losses not recognised	(15,973)	19,623
<b>Income tax expense/(benefit) attributable to surplus/(deficit)</b>	<b>(33,779)</b>	<b>(5,786)</b>
<b>(c) Deferred tax</b>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	38,676	–
Provisions	3,887	8,784
<b>Net deferred tax assets / (liabilities)</b>	<b>42,563</b>	<b>8,784</b>
<b>(d) Deferred income tax (revenue)/expense included in income tax expense comprises</b>		
<b>Decrease / (increase) in deferred tax assets</b>	<b>(33,779)</b>	<b>(7,166)</b>

#### NOTE 6: CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at bank	351,326	709,979
Cash on deposit	660,961	495,900
	<b>1,012,287</b>	<b>1,205,879</b>

A guarantee is registered over the term deposits in favour of Datacom Employee Services Limited to the value of \$50,000 (2015: \$50,000). This relates to payroll services.

#### NOTE 7: RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current		
Trade debtors	345,049	586,450
Provision for doubtful debts	(12,407)	(12,407)
	332,642	574,043
Other receivables		
Other debtors	9,515	9,017
	<b>342,157</b>	<b>583,060</b>

*The Council does not have non-exchange receivables.*

#### NOTE 8: INVENTORIES

Current		
At cost		
Publications	18,156	21,984

NOTE 9: PROPERTY, PLANT AND EQUIPMENT		
	2016	2015
	\$	\$
Plant and equipment		
Office equipment at cost	148,591	128,985
Accumulated depreciation	(100,634)	(82,422)
	47,957	46,563
Furniture, fixtures and fittings at cost	143,440	127,934
Accumulated depreciation	(83,677)	(75,370)
	59,763	52,564
Total property, plant and equipment	<b>107,720</b>	<b>99,127</b>

NOTE 10: INTANGIBLE ASSETS		
Computer software at cost	145,928	109,485
Accumulated amortisation and impairment	(99,556)	(85,757)
<b>Total property, plant and equipment</b>	<b>46,372</b>	<b>23,728</b>

NOTE 11: OTHER ASSETS		
Current		
Prepayments	63,690	185,864

NOTE 12: PAYABLES FROM EXCHANGE TRANSACTIONS		
Current		
Trade creditors	169,507	169,027
Other creditors	200,477	183,973
GST payable	657	39,783
	<b>370,641</b>	<b>392,783</b>

The Council does not have non-exchange payables.

#### NOTE 13: CASH FLOW INFORMATION

##### (a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

	2016	2015
	\$	\$
Cash at bank	351,326	709,979
At call deposits with financial institutions	660,961	495,900
	<b>1,012,287</b>	<b>1,205,879</b>

##### (b) Reconciliation of cash flow from operations with profit after income tax

Profit / (loss) from ordinary activities after income tax	(19,197)	37,675
<b>Adjustments and non-cash items</b>		
Depreciation	44,629	54,610
Net (gain) / loss on disposal of property, plant and equipment	5,627	-
Movement in deferred tax asset	(33,779)	(7,166)
Changes in operating assets and liabilities		
<b>Changes in operating assets and liabilities</b>		
(Increase) / decrease in receivables	240,903	(126,906)
(Increase) / decrease in other assets	122,174	(83,104)
(Increase) / decrease in inventories	3,828	2,840
Increase / (decrease) in payables	(22,140)	195,000
Increase / (decrease) in other liabilities	(450,458)	345,743
Increase / (decrease) in income tax payable	(3,685)	(2,552)
Cash flows from operating activities	<b>(112,098)</b>	<b>416,140</b>

#### NOTE 14: RELATED PARTY TRANSACTIONS

##### (a) Related parties

Related party	Nature of relationship
The Councillors	Members of governing body are fully paid members of the Council
Corporate Partners:	Members of the Council and sponsor the Council
Hawkins Limited	
McConnell Property Limited	
RLB Rider Levett Bucknall	
Nomos One	

##### (b) Transactions with key management personnel



Key Management includes the Chief Executive Officer, Director of Finance & Research, Operations & Membership Manager, Director of Government Relations and Director of Policy & Advocacy. During the year Key Management did not receive any other benefits other than what they were entitled to under their employment contracts.

Compensation received by key management personnel of the company disclosed below:

	2016	2015
	\$	\$
- short-term employee benefits	612,000	581,200
- number of FTE's	5	5
<b>(c) Transactions with members of the Council</b>		
Staples Rodway Limited - accounting and tax advice	12,980	11,155
Greenwood Roach Chisnall - policy advisory consultancy work	527	52,412
Tattico - policy advisory consultancy work	28,250	23,450
Regional Facilities Auckland Limited - hire of facilities	-	10,057
Wintec - hire of facilities	5,686	8,854
Sky City Limited (Hamilton) - hire of facilities	1,059	460
John Dunn Property Consulting - honorarium as Head Judge of Annual Awards	4,800	4,000
Simpson Grierson - legal services	474	-
Colliers International NZ Limited - reimbursed speaker fees for conference	993	-
Secure Parking - leases parking spaces	2,436	-
Naylor Love - office building work	12,160	-
Hamilton City Council - hire of facilities	3,623	-
JLL - consultancy on research project for a local branch	12,500	-
Minter Ellison - used facilities for an Auckland branch event	1,516	-
BSA Law - legal services	3,140	-
Berry Simons - legal services utilised by Waikato branch	1,030	-
Auckland Council - hire of facilities	2,578	-
	<b>93,752</b>	<b>110,388</b>

Payments were made to Jones Lang LaSalle as building manager of the tenanted building occupied partly by the Council. AMP Capital Property Portfolio Limited are responsible for the overall management of the building.

During the year there have been other members that have presented at various events held by the organisation for no remuneration or for a token amount.

Transactions of a commercial nature between the Council and its members are independent of any membership relationship and are on an arms length basis.

**NOTE 15: RETAINED EARNINGS**

	2016	2015
	\$	\$
Retained earnings at beginning of year	952,424	914,749
Net profit / (loss)	(19,197)	37,675
	<b>933,227</b>	<b>952,424</b>

**NOTE 16: CAPITAL AND LEASING COMMITMENTS****(a) Operating lease commitments**

- not later than one year	88,608	89,015
- later than one year and not later than five years	206,836	88,581
- later than five years	-	206,838
	<b>295,444</b>	<b>384,434</b>

**NOTE 17: CONTINGENT LIABILITIES**

There are no known contingent liabilities at balance date (2015: \$Nil).

**NOTE 18: SOUTH ISLAND PROPERTY COUNCIL EDUCATION TRUST**

Interest income	3,706	5,518
Bank accounts	10,568	5,650
Term deposits	89,108	89,960
	<b>103,302</b>	<b>101,128</b>

The purpose of the Trust is to promote and support the education of students studying in the property industry and other persons employed in or about the property industry.

**NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2016, of the Council, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2016, of the Council.

# CORPORATE MEMBERS



# NATIONAL COUNCILLORS

Including all Branch Presidents (see page 15)

## Peter Mence – National President

Argosy Property  
pmence@argosy.co.nz

## Campbell Barbour – NZCSC President

NZRPG  
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## Chris Gudgeon

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## Mark Thomson

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## Phil Bennett – Corporate Members Seat

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## John Dakin

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## Kerry Watson

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## Peter Alexander

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## Stephen Gracey – Associate Members Seat

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## Linda Trainer

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## Scott Pritchard

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PROPERTY COUNCIL NEW ZEALAND

*New Zealand's Commercial Property Voice*

[www.propertynz.co.nz](http://www.propertynz.co.nz)