



**2016/17**  

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**ANNUAL REPORT**

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## Corporate Sponsors



# CONTENTS

<b>01</b>	Introduction
<b>02</b>	Governance Structure
<b>03</b>	National Council
<b>04</b>	From the National President
<b>05</b>	From the Chief Executive
<b>12</b>	Our Achievements
<b>14</b>	Our Membership
<b>15</b>	Branch Executives
<b>15</b>	Audited Financial Statements
<b>32</b>	National Councillors
<b>32</b>	Corporate Members

# 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 around 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

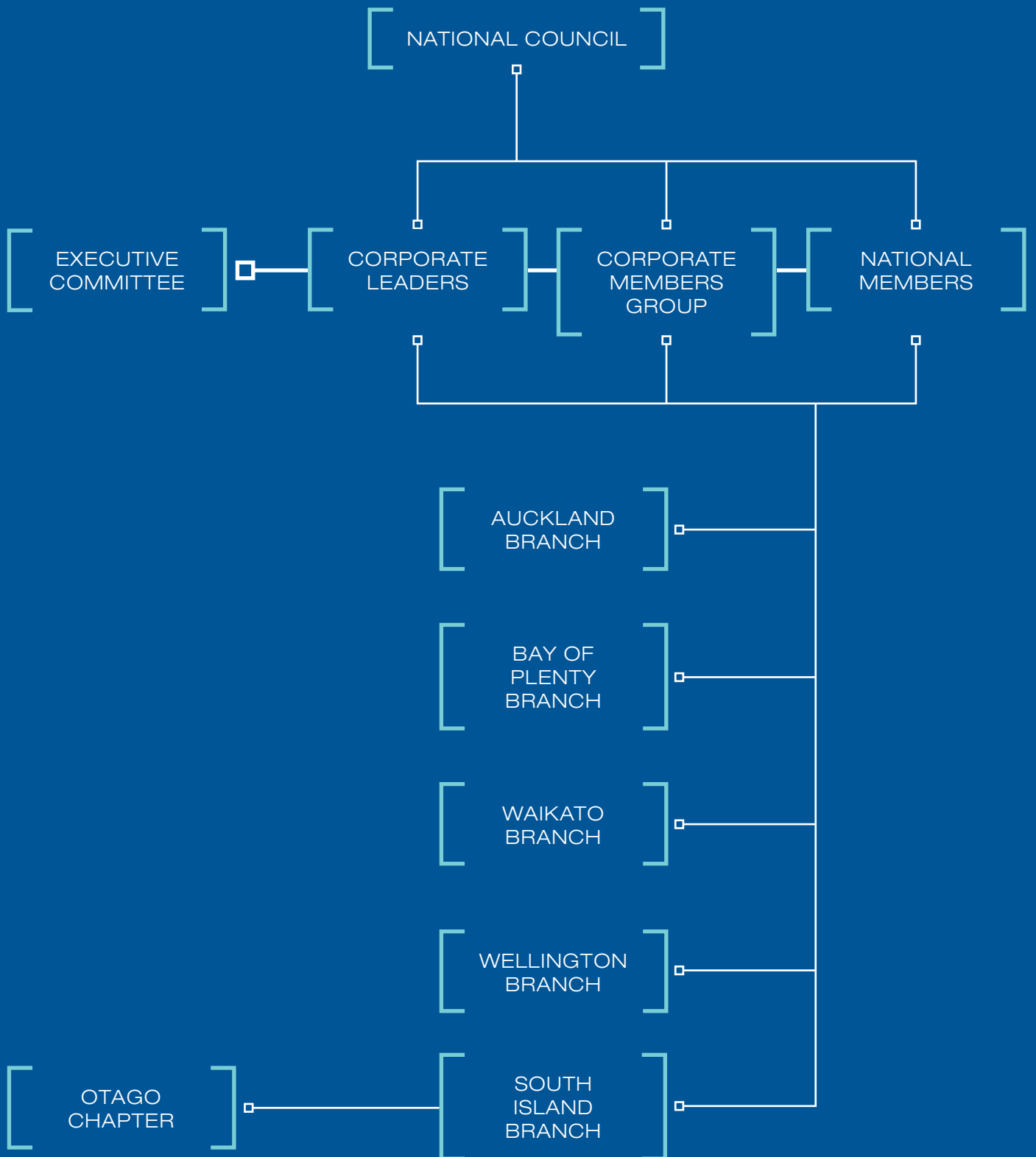
stakeholders in the legislative, regulative and policy settings affecting urban growth.

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.

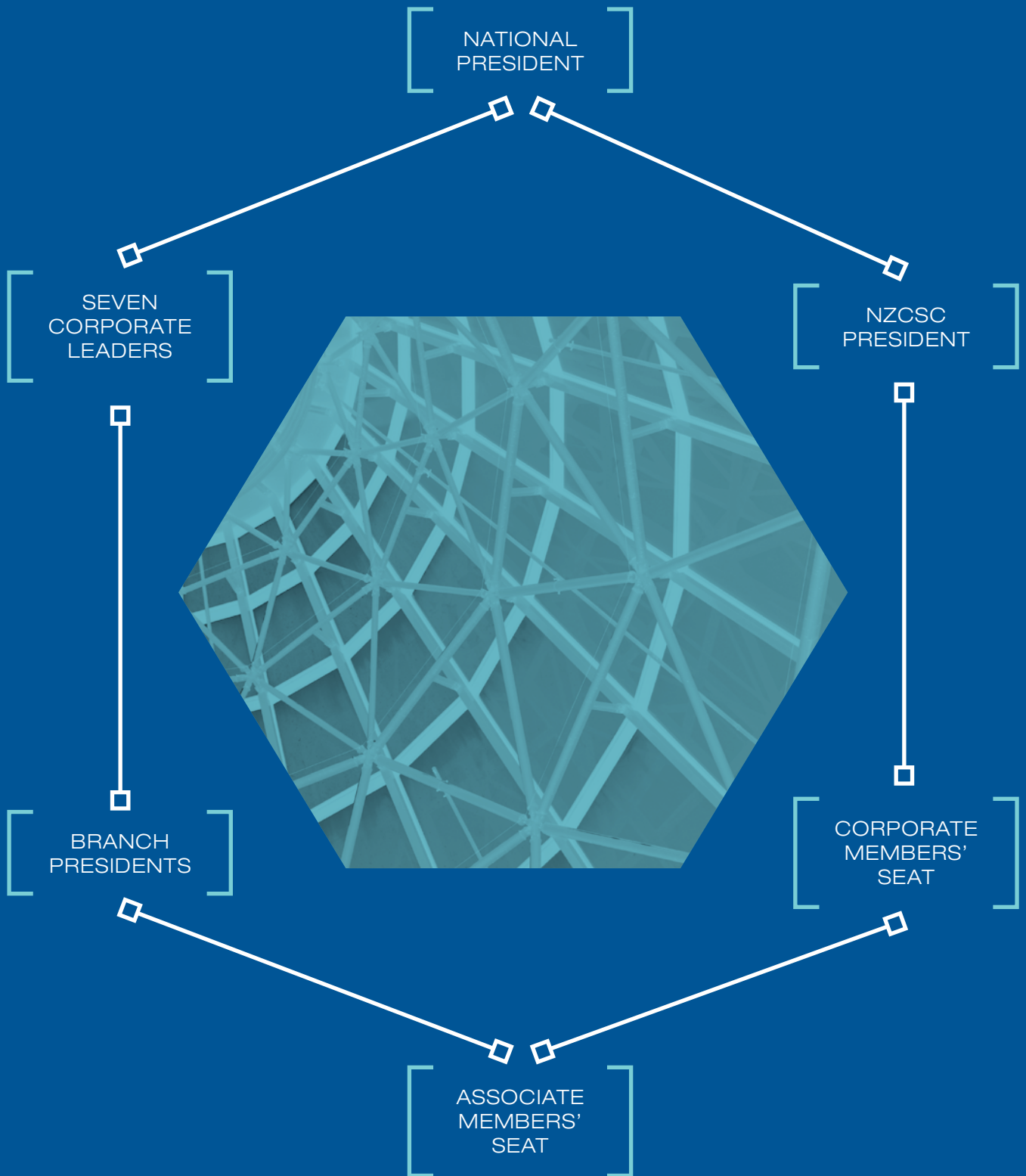
As a not-for-profit membership organisation, we're focused on delivering the best results for our members.



# GOVERNANCE STRUCTURE



# NATIONAL COUNCIL



# FROM THE NATIONAL PRESIDENT



The last year has seen many strategic successes for the Property Council and a continuation of the greater relevance afforded by more informed and better-timed contributions to a more appropriate audience. It is pleasing to see the successes achieved with the establishment of the Government Relations Director's role and I believe this will lead to increased influence.

The period ahead is dominated by some significant issues with which we must take a stronger leadership role. For example, recently the property industry around the world has been found wanting in providing appropriate protection to occupants. We must all learn from these failures and ensure there is a constant drive to improve safety, sustainability, and protection in the accommodation that the industry provides.

Recent research has confirmed what most in the industry have always understood, the property industry as an accommodation provider, is an essential enabler of growth and progress for the economy. It is clear utilising this industry as a source of funding for other initiatives is a constraint on the growth of the economy, often with unintended consequences.

Property owners are targeted for revenue or rectification because there is an ultimate means of collecting revenue with the security of the property title. The property owner is left to fund upgrades, remediation, or as is inescapably the case with fire levies, improvements to the services of others. The idea that property owners should pay for increased

services for other sectors is not a "Robin Hood tax" but a "handbrake" on economic growth.

Seismic upgrades of buildings remains a fundamental issue, particularly with historic buildings and lower growth provincial areas. The resulting expenditure is set to create a significant taxation windfall for the Government at the expense of the property owner, assuming that the upgrades are both affordable and feasible. If they are not, local authorities may well find themselves the reluctant owner of those assets requiring significant but unfeasible expenditure.

The environmental challenge facing everyone in the industry is that of continued improvement in sustainability in operation, design and reuse of buildings. The industry must continue to push standards to higher levels. If, however, sustainability initiatives become strangled by early obsolescence and poorly executed engineering, then the gains will be lost and the sustainability of buildings set back years. New Zealand ought to be at the forefront of the innovation and execution of sustainable initiatives, but bereft of ego focusing on repurposing of existing structures as well as best practice new developments.

The above challenges and of course other issues, make the relevance and benefit of the Property Council more obvious than ever. The value of an educated cohesive and well directed input to the most influential ear, is stronger than it has ever been.

Thanks are due to all members who have contributed to the Property Council over the year, serving with dedication on the many committees, and in assisting and attending national and regional events and functions.

I wish also to thank the dedicated team at the Property Council offices for their work and commitment. They have many critics and few cheerleaders. I wish also to thank those staff who have left the organisation to pursue other activities in the last year. Their efforts have contributed to the increased relevance of the Property Council

Peter Mence

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

# FROM THE CHIEF EXECUTIVE



Our industry is going through significant growth and change. How we plan and build our cities is of greater national importance than ever, and working to remove the obstacles to development is a crucial role for Property Council as an industry champion.

In short, Property Council advocates for better cities, better buildings, and better markets. Our work is to persuade both central and local government to make decisions and set policy in line with our members' advice, expertise and interests.

A key priority this year has been communicating to central and local government the importance of the property industry and the role it plays in shaping not only our cities but our economy and society.

## PROPERTY NEW ZEALAND'S MOST SIGNIFICANT INDUSTRY

It is for this reason Property Council, in collaboration with economists, Urban Economics, produced the report *Economic Significance of the Property Industry to the New Zealand Economy*.

The report found that the property industry is the largest industry in New Zealand. Property's direct contribution to GDP is \$29.8 billion - a staggering 13 per cent of total GDP - and higher than manufacturing, agriculture, and the health industries. The evidence is clear, the property industry has a significant role in the New Zealand economy and is a key driver of economic and social prosperity.

The report is an important advocacy tool in bolstering our ongoing relationships with central and local government, politicians, political advisors, and influencers as well as other stakeholders.



# PROPERTY:

## NEW ZEALAND'S MOST SIGNIFICANT INDUSTRY



PROPERTY  
13%

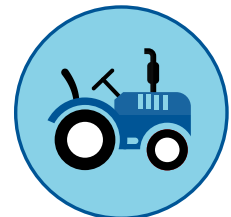
Property is New Zealand's **LARGEST SINGLE INDUSTRY** accounting for 1/8th OF TOTAL GDP



HEALTH  
7%



MANUFACTURING  
11%

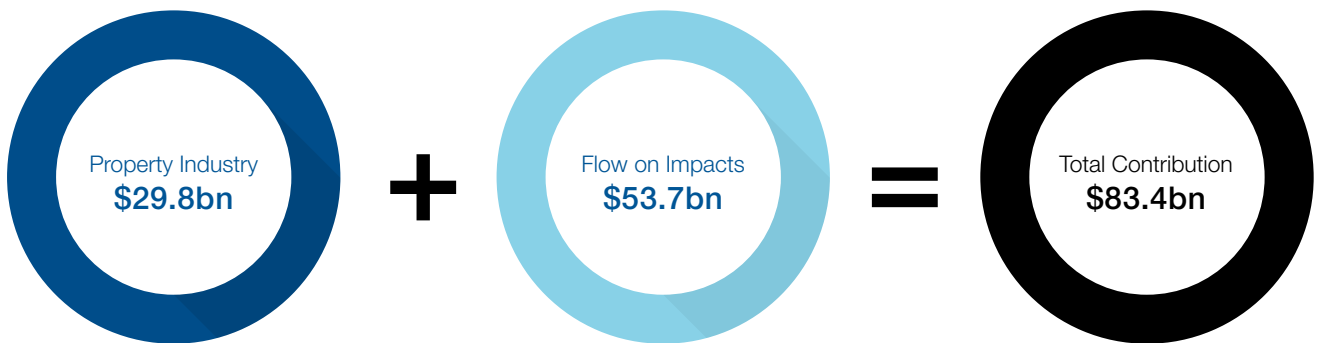


AGRICULTURE  
6%

The Property Industry provides a **HIGHER DIRECT CONTRIBUTION TO GDP** than Manufacturing, Agriculture, and Health



**1 IN 12** people are directly employed in Property



In 2016, the wider economic impact of the Property Industry was **\$83.4 BILLION**

# WORKING FOR OUR MEMBERS

To ensure our industry continues to thrive both now and in the future, this year we have advocated strongly for quality urban growth that supports and enables national and local economies.

Our work to date demonstrates this: Property Council has run over 100 focused and specialised events attracting more than 14,000 members and non-members across New Zealand. Our Policy and Advocacy Team made over 40 submissions and continues to work closely with central and local government on issues affecting our members.

To strengthen our brand and increase our industry presence, this year we launched our new website - [www.propertynz.co.nz](http://www.propertynz.co.nz). It includes membership software designed specifically to enhance the online experience for our members offering online event registration and payments via the website. It also provides a solid platform for Property Council to enhance its digital communications, including through business-related social media.

## YOUR ADVOCATE IN CENTRAL GOVERNMENT

Property Council's influence in Wellington continues to gather momentum. Our Government Relations Director, Matt Paterson, works closely with central government to bring about change on our member's behalf. This involves consistent and ongoing engagement with government ministers, opposition politicians, and key policy advisers in the public service.

## ADDRESSING KEY NATIONAL POLICY ISSUES

A strategic focus for Property Council over 2016/2017 and beyond is the long-term holistic reform to the planning, local government, infrastructure, and funding systems, and how they fit and operate together.

These systems are currently holding back the growth of New Zealand's cities and consequently reducing the opportunities for businesses to grow.

## **OVER 2016/2017 PROPERTY COUNCIL HAS BEEN INSTRUMENTAL IN ACHIEVING THESE KEY STRATEGIC WINS:**

- Changes to the Resource Management Act that became law in April 2017 to improve how the Act is implemented at the coalface
- Working with the Productivity Commission which reflected several of Property Council's key objectives in its future-focused Better Urban Planning report
- Leading the call for a nationwide conversation about the future of the wider planning system. As a result, there is growing recognition within government that broader-scale change is needed rather than continual tinkering with existing legislation.

## **PROPERTY COUNCIL HAS ALSO BEEN WORKING ON THE PRACTICAL ISSUES AFFECTING YOUR BUSINESSES**

We have:

- Made multiple submissions on the changes to the fire service and fire levies and are continuing to engage with government to make the new system fairer for the commercial property sector
- Pushed for more practical implementation of earthquake-prone building regulations and the legislation passed in the wake of the 2016 Kaikoura earthquakes
- Advocated for changes to overseas investment rules hampering listed property companies
- Helped extend the Housing Accords and Special Housing Areas Act.

## **OUR INFLUENCE AND CONTINUED INTERACTION WITH MINISTERS AND OPPOSITION POLITICIANS INCLUDES:**

- Simon Bridges meeting with corporate leaders on infrastructure
- Bill English attending the 2016 National Awards
- Steven Joyce addressing the National Conference
- Nick Smith and Andrew Little appearing at the Residential Development Summit
- A number of individual meetings with ministers and other members of parliament.

# PROVIDING SUPPORT AND INFLUENCE IN THE REGIONS



Our work with the branches continues to focus on improving plans and operational rules at a local level to guide and control development in your cities.

## AUCKLAND

### AUCKLAND COUNCIL 2017-18 ANNUAL PLAN

- Supported the council's focus on city-building infrastructure, planning for and co-ordinating growth, and prudent debt borrowing levels.
- Worked with a range of stakeholders to challenge the proposed Accommodation Rate. Our advocacy work led to Auckland Council reducing the quantum of the proposed rate and the number of providers affected.

### AUCKLAND UNITARY PLAN APPEALS PROCESS

- Engaged Berry Simons Environmental Law to represent Property Council at the High Court hearings on whether the Independent Hearings Panel decisions were out of scope. We successfully argued that their decisions were within the scope of their mandate.

### AUCKLAND COUNCIL TRANSPORT FUTURE URBAN GROWTH NETWORK

- Supported the proposal for a transport network that connects Auckland to the continued growth and development of its communities.



## BAY OF PLENTY

### TAURANGA CITY COUNCIL, ROTORUA DISTRICT COUNCIL AND ENVIRONMENT BAY OF PLENTY 2016-17 ANNUAL PLANS

- Emphasised the need for objective and robust decision-making in the provision of services and capital projects. We supported Tauranga City Council's focus on "well-managed growth" that is economically, environmentally, and financially sustainable for the city.
- Strengthened our relationship with Tauranga City Council and other local stakeholders through our involvement with SmartGrowth Property Developer Forum meetings, Tauranga City Council's Development Community meetings and the City Centre Action Group.

### TAURANGA CITY COUNCIL INITIATIVES

- Supported council projects such as the Civic Campus project to revitalise Tauranga CBD.

## WAIKATO

- Launched the *Waikato Manifesto: Hamilton and Waikato: A Call for Action*. This document outlines recommendations for economic growth and greater collaboration between councils and the private sector so Hamilton and the Waikato can achieve their potential.

### DEVELOPMENT CONTRIBUTIONS

- Ramped up our advocacy work regarding development contributions. The Branch sought a legal opinion and an economist report on the content, legality, and structure of the Hamilton City Council's development contributions policy.

### WAIPA DISTRICT COUNCIL 2016-17 ANNUAL PLAN

- Supported council's objective of balancing the tensions between managing debt, preparing for growth, and controlling rates increases.

### CBD BOARD PAPER

- Developed a research paper that outlined potential administrative, governance and funding arrangements for a CBD Board in Hamilton.



## WELLINGTON

### WELLINGTON AIRPORT RUNWAY EXTENSION

- Supported the runway extension as it will provide for the social, economic, and cultural well-being of the Wellington region.

### RATES RESEARCH

- Championed the JLL commissioned research report calling for commercial property rating policy changes across the Wellington councils to make them more equitable. Our advocacy approach focused on the need to make the region attractive to property development and our industry's role in stimulating economic growth.

### WELLINGTON CITY COUNCIL 2016-17 ANNUAL PLAN

- Argued for council to deliver core services for Wellington in an efficient, consistent, and cost-effective manner. We were critical that the Plan lacks an overall vision of how the proposed projects and services being funded will benefit Wellington, and how these projects relate to the strategic goals of the Council's Long-Term Plan 2015-25.

## SOUTH ISLAND

### DUNEDIN SECOND GENERATION DISTRICT PLAN

- Presented at the hearings on the proposed strategic overview, residential and commercial zones. We continued our advocacy approach that the proposed zoning provisions and rules were detrimental to the city.

### ENVIRONMENT CANTERBURY 2016-17 ANNUAL PLAN

- Supported the general intention of the council and its focus on delivering core services to the Canterbury region.

### CHRISTCHURCH CITY COUNCIL 2016-17 ANNUAL PLAN

- Outlined our concerns about the lack of information made available to make considered decisions. Acknowledged the need to adapt to the changing circumstances of Christchurch's redevelopment.

### CHRISTCHURCH CITY COUNCIL PROPOSED AMENDMENTS TO THE DEVELOPMENT CONTRIBUTIONS POLICY 2015 – 2016

- Supported council's proposal to reduce development contribution charges because of downward changes in interest and inflation rates.

# STRENGTH IN NUMBERS

Our executive committee members around New Zealand play an important role in Property Council's direction, leadership, and ability to foster the built environment.

To champion the industry, we must have a strong team and I am very grateful for the support and dedication of our executive members.

We would also like to acknowledge the role that John Dunn has made to both Property Council and the wider industry.

Mr Dunn, a property professional with 40 years' experience, was awarded the Members' Laureate due to his considerable commitment, leadership and contribution to the growing reputation and profile of Property Council.

We thank him for his hard work, dedication, and support.

Connal Townsend  
*Chief Executive, Property Council New Zealand*

## OUR ACHIEVEMENTS

### OUR EVENTS

#### NATIONAL EVENTS:

- Property Council New Zealand Rider Levett Bucknall Property Awards | 1,522 attendees | 83 submissions
- Retail Conference | 345 attendees
- National Conference | 295 attendees
- Residential Development Summit | 280 attendees

#### TOP REGIONAL EVENTS:

- Auckland Political Breakfast with Phil Goff | 412 attendees
- Auckland Property People Awards | 411 attendees
- We Are Waikato Awards | 350 attendees
- Waikato Market Outlook | 133 attendees
- Bay of Plenty: SmartGrowth - Settlement Pattern Review and Urban Growth with Ken Tremaine | 50 attendees
- Rotorua: Driving Rotorua's Business Direction presentation with John McRae | 39 attendees
- Wellington Golf Day | 144 attendees
- Wellington Property People Awards | 460 attendees
- South Island Annual Market Summit | 311 attendees
- Southern Excellence Awards | 530 attendees
- Queenstown: The new Kawarau Bridge and Jack's Point developments | 52 attendees



## OUR RESEARCH

- Economic Significance of the Property Industry to the New Zealand Economy
- Retail Lease
- Standard Office Lease
- Guide for Measurement of Rentable Area
- OPEX
- Shopping Centre Directory
- Property Council New Zealand/IPD New Zealand Quarterly Property Index Results

## OUR FINANCES

- \$93,030 surplus for the year
- Record revenue of \$4.493M
- Growth of 23% over prior year
- Net assets of \$0.984M
- 8600+ transactions processed



# OUR MEMBERSHIP

NATIONAL MEMBERSHIP	2017	2016	Change
Corporate Leader	16	14	2
Corporate Member	19	19	0
NZCSC*	12	12	0
National Associate	3	3	0
<b>TOTAL</b>	<b>50</b>	<b>48</b>	<b>2</b>

\*Total number of NZCSC members. We have previously reported the total number of NZCSC shopping centres owned by NZCSC members (53).

- Notes: – Stonewood Homes joined Property Council as a Corporate Leader.  
 – AECOM, Jasmax and Harrison Grierson have changed branch memberships to become a Corporate Member.  
 – McConnell Property and Hawkins Group have moved from Corporate Members to Corporate Leaders.  
 – Tainui Group Holdings have resigned as a Corporate Leader, and are now Core A members in the Waikato Branch only.  
 – Regional Facilities Auckland resigned as a Corporate Member of Property Council and are no longer a member.

BRANCH MEMBERSHIP	2017	2016	Change
<b>AUCKLAND</b>	<b>304</b>	<b>292</b>	<b>12</b>
Core	90	87	3
Associate	176	170	6
National Members within Branch	38	35	3
<b>WAIKATO</b>	<b>94</b>	<b>92</b>	<b>2</b>
Core	26	25	1
Associate	47	47	0
National Members within Branch	21	20	1
<b>BAY OF PLENTY</b>	<b>67</b>	<b>60</b>	<b>7</b>
Core	17	16	1
Associate	30	28	2
National Members within Branch	20	16	4
<b>WELLINGTON</b>	<b>114</b>	<b>111</b>	<b>3</b>
Core	35	36	-1
Associate	51	51	0
National Members within Branch	28	24	4
<b>SOUTH ISLAND &amp; OTAGO</b>	<b>195</b>	<b>197</b>	<b>-2</b>
Core	57	58	-1
Associate	106	111	-5
National Members within Branch	32	28	4

# FINANCIAL SUMMARY

As Property Council continues to go from strength to strength, we do so from a financial perspective also. Operating Revenue has grown by 23.6% from last year to \$4.49M and we generated a Before Tax Surplus of \$93,030 from that.

Event revenue is the biggest driver of this increase (2017: \$2.79M vs 2016: \$2.04M) but Membership continues to grow also (2017: \$1.61M vs 2016: \$1.48M). These impressive numbers have allowed us to turn-around from last year's deficit to a surplus and meant we now have over \$980k held in Retained Earnings.

Some notable points for the year were:

- Membership growth was across both the branches and at a Corporate/national level. South Island and Auckland had strong membership gains while nationally new Corporate and National Associate members assisted with the growth.
- Event revenue grew mostly from National Events – with our Awards night, a NZ based Conference and bi-annual Green Property Summit all producing strong returns. Amongst the branches South Island was the standout performer, but the across the board introduction of the 'people in property' type awards within the branches has certainly meant another step up for most of them. This growing events programme has also meant an increase in costs associated with running these events but we have maintained a similar overall margin.

- Operational and Staff costs have grown also in line with the overall growth of the organisation. There were various factors contributing to the increase in Operational costs but no single area is notable. Staff wise we had both an increasing head count along with two part-time staff moving to full-time which contributed to the increase.
- The Balance Sheet also continues to remain strong with significant cash held and minimal Liabilities. Total Assets has grown from \$1.64M to \$1.70M. Balance date adjustments relating to Income in Advance and Prepayments can have a significant impact on the overall figures and this year again movements in these areas are some of the biggest variances.
- The Income Tax Deferred Asset has been reversed into these accounts. There was deemed to be inadequate reason to retain it based on likelihood of utilising it in future years.
- While Cashflows show an overall net decrease in cash held, this does need to be reviewed in conjunction with cash held in short-term deposits which have increased year on year.

Simon Thorne  
*Director of Finance and Research*

## PROPERTY COUNCIL OF NEW ZEALAND INCORPORATED

### Nature of Business

An incorporated body representing New Zealand's Commercial Industrial, Retail, Property Funds and Multi Unit Residential Property owners, managers and investors.

### Registered Office

Level 4  
51 Shortland Street  
Auckland

### Chief Executive

Connal Townsend

### National Councillors

Peter Mence	National President
Phil Eaton	Auckland Branch President
Thomas Gibbons	Waikato Branch President
Brooke Courtney	Bay of Plenty Branch President
Mike Cole	Wellington Branch President
Roger Davidson	South Island Branch President
Campbell Barbour	NZCSC Chairman
Kate Healy	Corporate Leader Representative
Simon Woodhams	Corporate Leader Representative
Scott Pritchard	Corporate Leader Representative
Warwick Issacs	Corporate Leader Representative
Andrew Hay	Corporate Leader Representative
David Kennedy	Corporate Leader Representative
John Dakin	Corporate Leader Representative
Rod Sheridan	Corporate Member Representative
Steve Gracey	Representative of Associates

## Independent Auditor's Report

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

#### Opinion

We have audited the financial statements of Property Council of New Zealand Incorporated, which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial statements on pages 18 to 31 present fairly, in all material respects, the financial position of Property Council of New Zealand Incorporated as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the society in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

#### Other information

The national council is responsible for the other information. The other information comprises the 2016/2017 Annual Report on pages 1 to 17 and page 32 to 33, (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the national council for the financial statements

The national council is responsible, on behalf of Property Council of New Zealand Incorporated, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the national council is responsible, on behalf of the Property Council of New Zealand Incorporated, for assessing the Property Council of New Zealand Incorporated's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the national council either intend to liquidate Property Council of New Zealand Incorporated or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page8.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx)

## Who we report to

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.



**RSM Hayes Audit**  
Auckland

29 August 2017

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	Note	\$	\$
<b>Revenue from exchange transactions</b>			
Operating revenue	3	4,493,612	3,635,382
<b>Less: Cost of sales</b>			
Cost of sales	4	(2,061,325)	(1,600,990)
Gross profit		2,432,287	2,034,392
<b>Other revenue and income from exchange transactions</b>			
Interest income	3	34,188	42,919
Other income	3	100,194	69,779
		134,382	112,698
Total Revenue		2,566,669	2,147,090
<b>Less: expenses</b>			
Operational expenses		(735,737)	(673,326)
Depreciation and amortisation expense	4	(61,810)	(44,629)
Employee benefits expense	4	(1,562,028)	(1,375,436)
Occupancy expense	4	(114,064)	(106,675)
Total Expenses		(2,473,639)	(2,200,066)
<b>Surplus / (deficit) before income tax expense</b>		<b>(93,030)</b>	<b>(52,976)</b>
Income tax (expense) / benefit	5	(42,563)	33,779
<b>Surplus / (deficit) from continuing operations</b>		<b>50,467</b>	<b>(19,197)</b>
Other comprehensive revenue and expense		-	-
<b>Total comprehensive revenue and expense for the year</b>		<b>50,467</b>	<b>(19,197)</b>

## STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Retained earnings	Total equity
	\$	\$
Balance as at 1 April 2015	952,424	952,424
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>
Balance as at 1 April 2016	933,227	933,227
Surplus for the year	50,467	50,467
<b>Total comprehensive revenue and expense for the year</b>	<b>50,467</b>	<b>50,467</b>
<b>Balance as at 31 March 2017</b>	<b>983,694</b>	<b>983,694</b>

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	Note	2017	2016
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	6	276,488	351,326
Receivables from exchange transactions	7	264,938	342,157
Inventories	8	17,780	18,156
Current tax assets		-	12,387
Other financial assets	9	821,403	660,461
Other assets	11	123,710	63,690
<b>Total current assets</b>		<b>1,504,319</b>	<b>1,448,677</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	96,626	107,720
Deferred tax assets	5	-	42,563
Intangible assets	11	99,376	46,372
<b>Total non-current assets</b>		<b>196,002</b>	<b>196,655</b>
<b>Total assets</b>		<b>1,700,321</b>	<b>1,645,332</b>
<b>Current liabilities</b>			
Payables from exchange transactions	13	565,383	370,641
Income in advance		151,244	341,464
<b>Total current liabilities</b>		<b>716,627</b>	<b>712,105</b>
<b>Total liabilities</b>		<b>716,627</b>	<b>712,105</b>
<b>Net assets</b>		<b>983,694</b>	<b>933,227</b>
<b>Equity</b>			
Retained earnings		983,694	933,227
<b>Total equity</b>		<b>983,694</b>	<b>933,227</b>

Approved on behalf of the National Council:



\_\_\_\_\_  
 Connal Townsend, Chief Executive      04/08/2017  
 Date



\_\_\_\_\_  
 Peter Mence, National Councillor      04/08/2017  
 Date

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		\$	\$
<b>Cash flow from operating activities</b>			
Proceeds from members		1,618,304	1,689,843
Proceeds from events		2,693,492	1,626,138
Proceeds from other		165,696	176,013
Interest received		34,888	45,034
Payments to suppliers		(2,809,009)	(2,277,984)
Payments to employees		(1,522,186)	(1,367,457)
Income tax received/(paid)		12,388	(3,685)
<b>Net cash provided by/ (used in) operating activities</b>		<b>193,573</b>	<b>(112,098)</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of intangible assets		-	1,015
Proceeds from sale of investments		1,498	-
Payment for property, plant and equipment		(32,015)	(46,066)
Payment for intangible assets		(77,452)	(36,443)
Payment for short term deposits		(160,442)	(165,061)
<b>Net cash used in investing activities</b>		<b>(268,411)</b>	<b>(246,555)</b>
<b>Reconciliation of cash</b>			
Cash at beginning of the financial year		351,326	709,979
Net increase/ (decrease) in cash held		(74,838)	(358,653)
<b>Cash at end of financial year</b>	<b>14</b>	<b>276,488</b>	<b>351,326</b>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

## 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.

The accounting policies adopted in the financial report are consistent with those of the previous financial year.

#### (b) Revenue

Revenue from ticketing fees is recognised in surplus or deficit in the period in which the event has taken place. Amounts recognised in advance for services

to be provided in future periods are recognised as a liability until such time as the service is provided.

Membership and subscription 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 and subscription 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.

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) Inventories**

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

**(e) 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.

**(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) Borrowing costs**

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset are capitalised until the asset is ready for its intended use or sale.

## **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.

### NOTE 3: REVENUE AND OTHER INCOME

	2017	2016
	\$	\$
<b>Operating revenue (exchange transactions)</b>		
Branch subscriptions	821,562	757,748
Events	2,792,072	2,047,897
National subscriptions	790,863	722,007
Other business services revenue	40,000	35,000
Other membership revenue	5,760	5,440
Research and information products	43,355	67,290
	<b>4,493,612</b>	<b>3,635,382</b>
Interest income (exchange transactions)	34,188	42,919
Other income (exchange transactions)		
Other income	100,194	69,779
	<b>4,627,994</b>	<b>3,748,080</b>

The Council does not have non-exchange revenue

#### NOTE 4: OPERATING PROFIT

Surplus/ (deficit) before income tax has been determined after:

	2017	2016
	\$	\$
Branch costs	529,949	492,315
Event costs	1,486,145	1,068,508
Policy costs	40,129	23,210
Research and information products	5,102	16,957
	<b>2,061,325</b>	<b>1,600,990</b>
<b>Depreciation</b>		
Office equipment	35,127	22,523
Furniture and fittings	7,910	8,307
	<b>43,037</b>	<b>30,830</b>
<b>Amortisation of non-current assets</b>		
Computer software	18,773	13,799
<b>Rental expense on operating leases</b>		
Minimum lease payments	114,064	106,675
<b>Employee benefits:</b>		
Short term benefits	1,562,028	1,387,721
<b>Net loss on disposal of non-current assets</b>		
Loss on sale of plant and equipment	4,248	5,627

## NOTE 5: INCOME TAX

	2017	2016
	\$	\$
<b>(a) Components of tax expense/(benefit)</b>		
Deferred tax	42,563	(33,779)
	<b>42,563</b>	<b>(33,779)</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%	26,048	(14,833)
Non assessable income	(31,142)	(3,100)
Non-deductible expenses	50	127
Tax losses not recognised	42,563	-
Temporary differences not recognised (taxable income)	(1,229)	-
Temporary differences not recognised (non taxable income)	6,273	(15,973)
<b>Income tax expense/(benefit) attributable to surplus/(deficit)</b>	<b>42,563</b>	<b>(33,779)</b>
The Council has not recognised further deferred income tax assets of \$38,556 (2016: nil) in respect of losses amounting to \$137,700 (2016: \$nil) that can be carried forward against future taxable income.		
The Council has not recognised a deferred income tax asset of \$2,658 (2016: nil) in respect of temporary differences that can be carried forward against future taxable income.		
The ability to utilise these losses depends on the generation of sufficient assessable income, and the statutory requirements for shareholder continuity being met.		
<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
<b>Net deferred tax assets / (liabilities)</b>	<b>-</b>	<b>42,563</b>
<b>(d) Deferred income tax (revenue)/expense included in income tax expense comprises</b>		
<b>Increase in deferred tax assets</b>	<b>42,563</b>	<b>(33,779)</b>

**NOTE 6: CASH AND CASH EQUIVALENTS**

	2017	2016
	\$	\$
Cash at bank	276,488	351,326
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	207,420	345,049
Provision for doubtful debts	(12,407)	(12,407)
	195,013	332,642
Other receivables		
GST receivable	29,363	-
Other debtors	40,562	9,515
	<b>69,925</b>	<b>9,515</b>
	<b>264,938</b>	<b>342,157</b>

The Council does not have non-exchange receivables.

**NOTE 8: INVENTORIES**

Current		
At cost		
Publications	17,780	18,156

**NOTE 9: OTHER FINANCIAL ASSETS**

Current		
Loans and receivables		
Short term deposits	821,403	660,961

**NOTE 10: PROPERTY, PLANT AND EQUIPMENT**

	2017	2016
	\$	\$
<b>Plant and equipment</b>		
Office equipment at cost	178,954	148,591
Accumulated depreciation	(135,761)	(100,634)
	43,193	47,957
Furniture, fixtures and fittings at cost	145,020	143,440
Accumulated depreciation	(91,587)	(83,677)
	53,433	59,763
Total property, plant and equipment	<b>96,626</b>	<b>107,720</b>

#### (a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

<i>Office equipment</i>		
Opening carrying amount	47,957	46,563
Additions	30,436	30,559
Disposals	(73)	(6,642)
Depreciation expense	(35,127)	(22,523)
Closing carrying amount	<b>43,193</b>	<b>47,957</b>
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	59,763	52,563
Additions	1,580	15,507
Depreciation expense	(7,910)	(8,307)
Closing carrying amount	<b>53,433</b>	<b>59,763</b>

#### NOTE 11: INTANGIBLE ASSETS

Computer software at cost	215,381	145,928
Accumulated amortisation and impairment	(116,005)	(99,556)
	<b>99,376</b>	<b>46,372</b>

#### (a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

<i>Computer software at cost</i>		
Opening balance	46,372	23,728
Additions	77,452	36,443
Disposals	(5,675)	-
Amortisation expense	(18,773)	(13,799)
<b>Closing balance</b>	<b>99,376</b>	<b>46,372</b>

#### NOTE 12: OTHER ASSETS

Current		
Prepayments	123,710	63,690

#### NOTE 13: PAYABLES FROM EXCHANGE TRANSACTIONS

Current		
Trade creditors	330,164	169,507
Other creditors	235,219	200,477
GST payable	-	657
	<b>565,383</b>	<b>370,641</b>

The Council does not have non-exchange payables.

#### NOTE 14: 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:

	2017	2016
	\$	\$
Cash at bank	276,488	351,326
	<b>276,488</b>	<b>351,326</b>

A portion of the 2016 cash and cash equivalents balance has been reclassified to other financial assets. The comparatives in the statement of cash flow have been updated to reflect this.

#### NOTE 15: 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:

	2017	2016
	\$	\$
- short-term employee benefits	726,819	612,000
- number of FTE's	5.25	5



(c) Transactions with members of the Council		
Staples Rodway Limited - accounting and tax advice	14,588	12,980
Greenwood Roach Chisnall - legal advice (2016: policy advice)	5,000	527
Wintec - hire of facilities	6,733	5,686
Sky City Limited (Hamilton) - hire of facilities and catering	913	1,059
John Dunn Property Consulting - honorarium as Head Judge of Annual Awards	5,000	4,800
Colliers International NZ Limited - reimbursed speaker fees for conference	462	993
Hamilton City Council - hire of facilities	3,130	3,623
BSA Law - legal services	3,977	3,140
Berry Simons - policy advice (2016: legal services utilised by Waikato branch)	10,300	1,030
Regional Facilities Auckland Limited - hire of facilities	17,638	-
Russell McVeagh - legal services	26,392	-
Buddle Findlay - recharge share of practicing certificate	243	-
Rider Levett Bucknall - reimbursed speaker fees for conference	243	-
Arrow International - travel costs	990	-
Nomos One Limited - reimbursed national conference costs	1,600	-
Anderson Lloyd - event costs	413	-
Tattico - policy advisory consultancy work	-	28,250
Simpson Grierson - legal services	-	474
Secure Parking - leases parking spaces	-	2,436
Naylor Love - office building work	-	12,160
JLL - consultancy on research project for a local branch	-	12,500
Minter Ellison - used facilities for an Auckland branch event	-	1,516
Auckland Council - hire of facilities	-	2,578
	<b>97,622</b>	<b>93,752</b>

Payments were made to Jones Lang LaSalle and Colliers as building manager of the tenanted building occupied partly by the Council (management changed during the year from Jones Lang LaSalle to Colliers). 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 16: CAPITAL AND LEASING COMMITMENTS

	2017	2016
	\$	\$
(a) Operating lease commitments		
- not later than one year	88,799	88,608
- later than one year and not later than five years	170,891	206,836
	<b>259,690</b>	<b>295,444</b>

The lease is registered on the Personal Properties Securities Register.

#### NOTE 17: CONTINGENT LIABILITIES

There are no known contingent liabilities at balance date (2016: \$Nil).

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

Bank accounts	16,586	10,568
Term deposits	75,784	89,108
	<b>92,370</b>	<b>99,676</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.

Interest of \$3,299 (2016: \$2,271) and event surplus of \$1,380 (2016: nil) was earned during the year. Expenses for the year were \$10,198 (2016: nil).

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

There has been no matter or circumstance, which has arisen since 31 March 2017 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 March 2017, of the Council, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 31 March 2017, of the Council.

# NATIONAL COUNCILLORS

Including all Branch Presidents (see page 15)

## Peter Mence – National President

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## Campbell Barbour – NZCSC President

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# CORPORATE MEMBERS



PROPERTY COUNCIL NEW ZEALAND  
*New Zealand's Commercial Property Voice*

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