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**THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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FOR THE YEAR ENDED 30 JUNE 2017

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**DIRECTORY**

<b>Registered office</b>	155 Khyber Pass Road Auckland
<b>Nature of business</b>	A membership organisation representing representing real estate professionals nationwide.
<b>Directors</b>	Dame Rosanne Meo (Chairman) Dr Richard Janes Mr Jim Davis Ms Gail Hudson Mr Stephen Titter Mr Philip Searle Ms Wendy Alexander Mr Bryan Thomson Mr Mark Coffey (since 29 Nov 2016) Mr Euon Murrell (resigned 29 Nov 2016)
<b>Incorporated Society number</b>	222891
<b>Independent auditor</b>	RSM Hayes Audit 1 Broadway Auckland
<b>Bankers</b>	Bank of New Zealand Newmarket Auckland

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**Directors' Report**

The Directors of The Real Estate Institute of New Zealand Incorporated (Institute) present this Annual Report, being the financial statements of the Institute for the financial year ended 30 June 2017, and the independent auditor's report thereon.

**Statement of Responsibility**

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information.

The independent external auditors, RSM Hayes Audit have audited the financial statements and their report appears on pages 3 to 4.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements.

Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Institute will not remain a going concern in the foreseeable future.

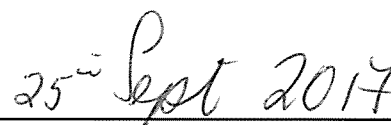
In the opinion of the Directors:

- The Consolidated Statement of Comprehensive Revenue and Expense is drawn up so as to present fairly, in all material respects, the financial result of the Institute for the financial year ended 30 June 2017;
- The Consolidated Statement of Financial Position is drawn up so as to present fairly, in all material respects, the state of affairs of the Institute as at 30 June 2017;
- There are reasonable grounds to believe that the Institute will be able to pay its debts as and when they fall due.


For and on behalf of the Directors:



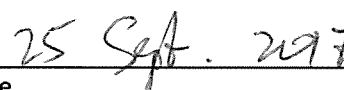
Chairperson



Date



Board Member



Date

## Independent Auditor's Report

### To the Members of The Real Estate Institute of New Zealand Incorporated

RSM Hayes Audit

PO Box 9588  
Newmarket, Auckland 1149  
Level 1, 1 Broadway  
Newmarket, Auckland 1023

T +64 (9) 367 1656  
www.rsmnz.co.nz

#### Opinion

We have audited the consolidated financial statements of The Real Estate Institute of New Zealand and its subsidiaries (the group), which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated statement of comprehensive revenue and expense for the year then ended;
- consolidated statement of changes in net assets/equity;
- consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 5 to 27 present fairly, in all material respects, the financial position of the group as at June 30, 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 consolidated financial statements* section of our report.

We are independent of the group 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, the group or any of its subsidiaries.

#### Other information

The directors are responsible for the other information. The other information comprises the directory on page 1 and statement of responsibility on page 2 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the consolidated 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 consolidated 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 consolidated 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 directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible, on behalf of the group, for assessing the group'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 those charged with governance either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole is 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 consolidated financial statements. A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the XRB's website at:

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page7.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx)

## Who we report to

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

A handwritten signature in black ink, appearing to read 'RSM', is positioned above the printed name of the audit firm.

**RSM Hayes Audit**  
Auckland

3 October 2017

THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

Statement of comprehensive revenue and expense

	Notes	2017	2016
Revenue from exchange transactions	5	5,087,999	5,102,609
<b>Total revenue (excluding gains)</b>		<b>5,087,999</b>	<b>5,102,609</b>
Direct Costs of Services		735,454	1,007,401
Depreciation and amortisation		345,736	294,323
Salaries and wages		2,046,975	2,059,383
Other expenses	8	2,272,072	1,984,560
<b>Total expenses</b>		<b>5,400,237</b>	<b>5,345,668</b>
Finance income	6	619,875	330,174
<b>Net finance costs</b>		<b>619,875</b>	<b>330,174</b>
<b>Operating surplus</b>		<b>307,637</b>	<b>87,115</b>
Other gains and losses	7	135,122	38,078
Profit from equity accounted investees	18	86,953	818,788
<b>Net surplus for the year before income tax</b>		<b>529,712</b>	<b>943,981</b>
Income Tax Expense/(Benefit)	14	-	-
<b>Net surplus after income tax</b>		<b>529,712</b>	<b>943,981</b>
Other comprehensive revenue and expense for the year		-	-
<b>Total comprehensive revenue and expense for the year</b>		<b>529,712</b>	<b>943,981</b>
<b>Surplus for the year is attributable to:</b>			
Owners of the controlling entity		529,712	943,981

THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS  
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Statement of changes in net assets / equity

	Notes	Accumulated comprehensive revenue and expense	Total equity
Balance as at 1 July 2015		11,711,820	11,711,820
Total comprehensive revenue and expense for the year		943,981	943,981
Balance as at 30 June 2016		<u>12,655,801</u>	<u>12,655,801</u>
Total comprehensive revenue and expense for the year		529,712	529,712
Balance as at 30 June 2017		<u>13,185,513</u>	<u>13,185,513</u>

THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2017

Statement of financial position

	Notes	2017	2016
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables from exchange transactions	9	435,941	125,808
Prepayments		29,277	162,588
Cash and cash equivalents	10	592,386	3,459,644
Owed by related parties		23,000	134,950
Inventories		6,134	6,061
Tax receivable		991	6,756
		<u>1,087,729</u>	<u>3,895,807</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	9,076,962	5,171,786
Intangible assets	13	575,077	270,872
Other financial assets	11.iii	2,653,906	2,386,702
Investment in associate	18	1,752,466	1,665,513
		<u>14,058,411</u>	<u>9,494,873</u>
<b>TOTAL ASSETS</b>		<b><u>15,146,140</u></b>	<b><u>13,390,680</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	10	150,000	-
Payables from exchange transactions	15	1,724,745	655,526
Employee benefits	16	85,882	79,353
		<u>1,960,627</u>	<u>734,879</u>
<b>TOTAL LIABILITIES</b>		<b><u>1,960,627</u></b>	<b><u>734,879</u></b>
<b>NET ASSETS/EQUITY</b>			
Accumulated comprehensive revenue and expense		13,185,513	12,655,801
<b>Net assets/equity attributable to owners</b>		<b>13,185,513</b>	<b>12,655,801</b>
<b>TOTAL EQUITY</b>		<b><u>13,185,513</u></b>	<b><u>12,655,801</u></b>
<b>Net assets</b>		<b><u>13,185,513</u></b>	<b><u>12,655,801</u></b>

These financial statements should be read in conjunction with the notes to the financial statements.

THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

Statement of Cash Flows

	Notes	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts		5,644,816	5,158,190
Interest and tax received		102,769	241,378
Dividends received		522,871	90,076
Cash paid to suppliers and employees		(4,712,465)	(9,205,994)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1,557,991</b>	<b>(3,716,350)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(132,082)	(247,250)
Purchase of intangible assets	13	(549,907)	(240,085)
Purchase of property, plant and equipment	12	(4,005,210)	(343,446)
Proceeds from repayment of related party loans		111,950	128,102
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(4,575,249)</b>	<b>(702,679)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		150,000	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>150,000</b>	<b>-</b>
<b>NET ASSETS/EQUITY</b>			
Net increase/(decrease) in cash and cash equivalents		(2,867,258)	(4,419,029)
Cash and cash equivalents at 1 July		3,459,644	7,878,673
<b>Cash and cash equivalents at 30 June</b>	10	<b>592,386</b>	<b>3,459,644</b>

# THE REAL ESTATE INSTITUTE OF NEW ZEALAND INCORPORATED

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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### Notes to the financial statements

#### 1. REPORTING ENTITY

The Real Estate Institute of New Zealand (Institute) is an incorporated society in New Zealand, incorporated under the Incorporated Societies Act 1908 and is a public benefit entity for the purposes of financial reporting in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR).

This is the Group's first set of financial statements presented in accordance with PBE Standards RDR.

These financial statements consist of the Institute and its wholly owned subsidiary, REINZ Member Services Limited, and together are referred to as "the Group".

#### 2. BASIS OF PREPARATION

##### a) Statement of compliance

The financial statements complies with generally accepted accounting practice in New Zealand ("NZ GAAP").

The financial statements comply with the PBE Standards RDR as appropriate for Tier 2 not-for-profit public benefit entities.

The Group qualifies as a Tier 2 reporting entity as it does not have public accountability and it is not defined as large.

All reduced disclosure regime exemptions have been adopted.

These financial statements were authorised for issue by the Directors on the date indicated on page 2.

##### b) Measurement basis

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through surplus or deficit which have been measured at fair value.

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

There has been no change in the functional currency of the Group.

#### 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Notes to the financial statements**

**a) Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*i. Classification of non-financial assets as cash generating assets or non-cash-generating assets*

For the purpose of assessing impairment indicators and impairment testing, the Group classifies non-financial assets as non cash-generating assets as the primary objective of the assets is not to generate commercial return.

**b) Assumptions and estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*i. Useful lives and residual values*

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Group
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

*ii. Impairment of non-financial assets – non-cash-generating assets*

The Group reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the Group undertakes impairment tests, which require the determination of the asset's fair value less cost to sell and its recoverable service amount. The asset's fair value less costs to sell is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of observable market evidence, fair value is measured using depreciated replacement cost (DRC). The value in use of the asset is calculated using DRC. DRC is determined by reference to the estimated cost of reproducing the asset or replacing the asset's service potential. The estimation of these inputs into the calculation relies on the use estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group, except as explained in Note 21, which addresses changes in accounting policies.

**a) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised:

*i. Revenue from non-exchange transactions*

The Group does not have revenue generated from non-exchange transactions.

*ii. Revenue from exchange transactions*

*Membership revenue*

Membership revenue is recognised over the period of the membership as the services of membership are provided.

*Services provided to members*

Revenue from services provided to members is recognised over the period of the service as the service is provided to the members.

*Statistics revenue*

Revenue from statistics is recognised as the statistics are provided.

*Commissions and rebates*

Revenue from commissions and rebates is recognised at the point that the commission or rebate was earned which is the point at which the member incurs qualifying expenditure.

*Interest income*

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of comprehensive revenue and expense.

**Notes to the financial statements**

*Other gains and losses*

Other gains and losses includes realised and unrealised fair value gains and losses on financial instruments at fair value through surplus or deficit.

**b) Income tax**

*i. Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

*ii. Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

*iii. Deferred income tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable surplus will be available against which the temporary differences can be utilised.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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**Notes to the financial statements**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**c) Financial instruments**

The Group initially recognises financial instruments when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's financial assets include: cash and short term deposits, trade and other receivables; and quoted financial instruments.

The Group classifies financial assets into the following categories: fair value through surplus or deficit, and loans and receivables.

The Group's financial liabilities include trade and other payables, and loans and borrowings.

The Group classifies financial liabilities into the following categories: amortised cost.

*i. Initial recognition*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through surplus or deficit, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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**Notes to the financial statements**

*ii. Subsequent measurement*

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

*Fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in the statement of surplus or deficit.

*Loans and receivables*

This category generally applies to trade and other receivables and cash and cash equivalents. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. This category of financial assets is the most relevant to the Group.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The effective interest rate amortisation is included in finance income in the statement of comprehensive revenue and expense.

The losses arising from impairment are recognised in the statement of comprehensive revenue and expense in finance costs for loans and in cost of sales or other operating expenses for receivables.

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of 3 months or less.

*Financial liabilities at amortised cost*

This is the category of financial liabilities that is most relevant to the Group. After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest rate amortisation process. The effective interest rate amortisation is included as finance costs in the statement of comprehensive revenue and expense.

CONSOLIDATED FINANCIAL STATEMENTS  
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**Notes to the financial statements**

Trade and other payables are unsecured and are usually paid within 30 days of recognition. Due to their short-term nature they are not discounted.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

This category generally applies to payables and loans and borrowings.

**d) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*i. Financial assets classified as loans and receivables*

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables or held-to-maturity. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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Notes to the financial statements

**e) Property, plant and equipment**

*i. Initial recognition and subsequent expenditure*

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Group, and if the item's cost or fair value can be measured reliably.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Subsequent costs that meet the recognition criteria above are recognised in the carrying value of the item of property, plant and equipment. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

*ii. Subsequent measurement*

Subsequent to initial recognition, property, plant and equipment are measured at cost, net of accumulated depreciation and impairment losses, if any.

*iii. Depreciation*

Depreciation is charged on a straight line basis.

Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

Buildings and Improvements	50 years
Leasehold alterations	3 years
Furniture and fittings	8-11 years
Office plant	3 years
Computer hardware	2-3 years
Computer software	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Please refer to policy (f) on impairment of non-financial assets below.

**Notes to the financial statements**

*iv. Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in surplus or deficit.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to accumulated comprehensive revenue and expense, transferred to accumulated revenue and expenses as the asset was being used over its useful life, or not transferred at all.

**f) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows (for cash-generating assets) or future remaining service potential are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Exchange differences are recognised as income or expenses in the period in which they arise.

**g) Equity and reserves**

*i. Accumulated comprehensive revenue and expense*

Accumulated comprehensive revenue and expense is the Group's accumulated surplus or deficit since the formation of the Group.

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5. REVENUE FROM EXCHANGE TRANSACTIONS

	2017	2016
Membership fees	3,766,479	3,405,743
Services provided to members	914,679	999,703
Statistics revenue	18,035	331,995
Commissions and rebates	321,540	327,506
Other revenue	67,266	37,662
	<b>5,087,999</b>	<b>5,102,609</b>

6. FINANCE INCOME

*Interest income*

Loans and receivables	12,519	210,917
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*Dividends Income*

Dividends received	500,000	-
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*Financial assets at fair value through surplus or deficit*

PDIF Dividends received	22,871	90,076
PDIF Interest received	84,485	29,181
	<b>619,875</b>	<b>330,174</b>

7. OTHER GAINS AND LOSSES

*i. Other gains from the Professional Development and Integrity Fund (PDIF)*

Fair value movement in financial assets at fair value through surplus or deficit	137,294	47,988
	<b>137,294</b>	<b>47,988</b>

*ii. Other losses from the Professional Development and Integrity Fund (PDIF)*

Net loss on disposal of financial assets at fair value through surplus or deficit	2,172	9,910
	<b>2,172</b>	<b>9,910</b>

Total net gains and losses	<b>135,122</b>	<b>38,078</b>
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8. OTHER EXPENSES

	2017	2016
Computer charges	518,636	244,332
Public relations and marketing	170,313	107,971
Legal Costs	106,306	381,542
Relocation costs	33,509	-
Building costs	383,561	230,562
Directors fees	395,343	403,624
Staff training and recruitment	188,815	164,374
Office and administraton costs	475,589	452,155
	<b>2,272,072</b>	<b>1,984,560</b>

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	435,941	78,504
GST receivable	-	47,304
	<b>435,941</b>	<b>125,808</b>

The movement in the provision for bad debts is as follows:

Provision for doubtful debts as at 1 July 2015	25,000
Movement in provision	-
Provision for doubtful debts as at 1 July 2016	25,000
Movement in provision	(25,000)
Provision for doubtful debts as at 30 June 2017	-

10. CASH AND CASH EQUIVALENTS

Cash at bank	445,972	50,878
PDIF investment cash at bank	44,217	105,925
Term Deposits	65,745	3,266,702
District Funds	36,452	36,139
	<b>592,386</b>	<b>3,459,644</b>

Cash and cash equivalents in the statement of cash flows	592,386	3,459,644
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*Borrowings*

During the year, the Institute entered into a Customised Average Rate Term Loan held with BNZ with a total facility amount of \$3,000,000 and maturity date of 16 March 2022. The loan is secured over the property situated at 155 Khyber Pass Road, Grafton, Auckland. As at balance date, the outstanding balance was \$150,000 (2016: nil). The facility included interest costs at a floating rate of 4.52%

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11. FINANCIAL INSTRUMENTS

*i. Classification and fair values of financial instruments*

The tables below show the carrying amount of the Group's financial assets and financial liabilities:

2017	Carrying amount		
	Financial assets		Financial liabilities
	FVTSD*	Loans and receivables	Amortised cost
<i>Subsequently measured at fair value:</i>			
Financial assets at fair value through surplus or deficit	2,653,906		
<i>Subsequently not measured at fair value</i>			
Cash and cash equivalent (assets)	-	592,386	
Receivables from exchange transactions	-	435,941	
Loan to related party		23,000	
Payables			1,724,745
Borrowings			150,000

\* Fair value through surplus or deficit

2016	Carrying amount		
	Financial assets		Financial liabilities
	FVTSD*	Loans and receivables	Amortised cost
<i>Subsequently measured at fair value:</i>			
Financial assets at fair value through surplus or deficit	2,386,702		
<i>Subsequently not measured at fair value</i>			
Cash and cash equivalent (assets)		3,459,644	
Receivables from exchange transactions		125,808	
Loan to related party		134,950	
Payables			655,526

\* Fair value through surplus or deficit

*ii. Fair values*

Fair values of all financial instruments except for those at fair value through surplus or deficit approximate their carrying values.

Fair values of financial assets at fair value through surplus or deficit are based on the quoted market price in the active market of the security at reporting date.

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11. FINANCIAL INSTRUMENTS (cont'd)

*iii. Other financial assets - Professional Development and Integrity Fund (PDIF)*

The Professional Development and Integrity Fund is the separate fund established by the Board of the Institute utilising the surplus funds provided on the dissolution of the Fidelity Fund. Independent advisors manage this funds' investments under the control of a Board subcommittee chaired by an Independent Chairman. Members of that Committee are Mr Arthur Young (Chair), Dame Rosanne Meo, and Mr Philip Searle.

*Financial assets designated at initial recognition at fair value through surplus or deficit*

	2017	2017 Allocation	2016	2016 Allocation
NZ Fixed Interest	727,849	27%	551,801	23%
New Zealand/Australian Property *	187,591	7%	256,580	11%
New Zealand/Australian equities *	1,073,654	40%	1,057,663	44%
International equities	664,812	25%	520,658	22%
	<u>2,653,906</u>		<u>2,386,702</u>	

\* These items are treated as one portfolio which is managed and evaluated together on a fair value basis. Information regarding these investments is provided internally on that basis. The Group has thus designated this portfolio as at fair value through surplus or deficit.

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Furniture, fittings and alterations	Office & Computer equipment	Leasehold improv	Buildings Work in Progress	Total
<i>Cost</i>							
<b>Balance as at 1 July 2015</b>	2,680,000	1,720,000	120,540	228,109	36,131	297,964	5,082,744
<b>Balance as at 30 June 2016</b>	2,680,000	1,720,000	123,057	247,110	36,131	619,892	5,426,190
Additions	-	3,859,103	109,751	36,356	-	-	4,005,210
Disposals/Transfers	-	619,892	-	-	(36,131)	(619,892)	(36,131)
<b>Balance as at 30 June 2017</b>	2,680,000	6,198,995	232,808	283,466	-	-	9,395,269
<i>Accumulated depreciation and impairment</i>							
<b>Balance as at 1 July 2015</b>	-	-	20,274	126,229	11,668	-	158,171
<b>Balance as at 30 June 2016</b>	-	-	32,103	198,709	23,592	-	254,404
Depreciation	-	30,995	12,070	44,430	11,923	-	99,418
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	(35,515)	-	(35,515)
<b>Balance as at 30 June 2017</b>	-	30,995	44,173	243,139	-	-	318,307
<i>Net book value</i>							
<b>As at 1 July 2015</b>	2,680,000	1,720,000	100,266	101,880	24,463	297,964	4,924,573
<b>As at 30 June 2016</b>	2,680,000	1,720,000	90,954	48,401	12,539	619,892	5,171,786
<b>As at 30 June 2017</b>	2,680,000	6,168,000	188,635	40,327	-	-	9,076,962

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13. INTANGIBLE ASSETS

	Software
<i>Cost</i>	
Balance as at 1 July 2015	701,825
Balance as at 30 June 2016	941,910
Additions	549,907
Disposals	(12,475)
Balance as at 30 June 2017	<u>1,479,342</u>
<i>Accumulated depreciation and impairment</i>	
Balance as at 1 July 2015	472,947
Balance as at 30 June 2016	671,038
Depreciation	245,702
Impairment	-
Disposals	(12,475)
Balance as at 30 June 2017	<u>904,265</u>
<i>Net book value</i>	
As at 1 July 2015	228,878
As at 30 June 2016	270,872
As at 30 June 2017	575,077

14. TAXATION

(a) Taxation Expense

	2017	2016
Surplus before tax	529,712	943,981
Taxable Surplus/(Loss) - Non-Membership	(107,965)	(169,288)
Prima facie taxation at 28% (2016: 28%)	(30,230)	(47,401)
Add / (Less) tax effect of permanent differences	30,621	18,025
Tax losses not recognised / (utilised)	(391)	29,376
Current year tax expense / (benefit)	<u>-</u>	<u>-</u>

There are estimated group tax losses of \$6,540,193 approximately (2016: \$5,632,098) available to be carried forward at balance date. These are subject to statutory requirements continuing to be met and the Group earning sufficient assessable income.

(b) Deferred Tax (Asset)/Liability not recognised

Opening Balance	(21,939)	(24,850)
Current year movement	5,446	2,912
Deferred Tax (Asset)/Liability	<u>(16,493)</u>	<u>(21,939)</u>

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	<u>2017</u>	<u>2016</u>
<b>15. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables	584,634	526,109
Income received in advance	971,367	129,417
GST payable	168,744	-
	<u><u>1,724,745</u></u>	<u><u>655,526</u></u>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

**16. EMPLOYEE BENEFITS**

Annual leave	85,882	79,353
	<u><u>85,882</u></u>	<u><u>79,353</u></u>

**17. RELATED PARTY TRANSACTIONS**

*i. Transactions and balances*

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

**Realestate.co.nz Limited**

The Institute is a shareholder of Realestate.co.nz Limited via an intermediary REINZ Member Services Limited which is a wholly owned subsidiary of the Institute.

	<u>2017</u>	<u>2016</u>
Software Licence Fees	10,000	10,000
Sponsorship Income	21,500	64,000
Dividends Received	500,000	-
Reimbursement for construction works	136,196	-

**REINZ Ventures Limited**

The Institute is a shareholder of REINZ Ventures Limited.

	<u>2017</u>	<u>2016</u>
Input Costs	33,000	-
Shareholder Loan Provided/(Repaid)	(134,950)	134,950

*ii. Terms and conditions of transactions with related parties*

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

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17. RELATED PARTY TRANSACTIONS (Cont'd)

*iii. Compensation of key management personnel*

	<u>2017</u>	<u>2016</u>
Directors fees	395,343	403,624
Salaries and short-term employee benefits	627,327	621,450
Other employee benefits	-	170,000
Number of key management personnel	3.6	3.4

The table below details payments made for the directors' duties during the year.

<b>Name</b>	<u>2017</u>	<u>2016</u>
Meo, Dame R (Chair)	115,700	106,592
Alexander, W	35,350	35,350
Davis, J	35,350	35,350
Hudson, G	35,350	20,621
Janes, Dr R	35,350	35,350
Coffey, M	17,674	-
Murrell, E (retired)	14,519	35,350
Nidd, L (retired)	-	5,892
Searle, P	35,350	35,350
Thomson, B	35,350	35,350
Titter, S	35,350	58,296
<b>Total</b>	<u><b>395,343</b></u>	<u><b>403,501</b></u>

Mr B Thomson, and Mr S Titter are directors of Realestate.co.nz Limited. Mr S Titter has also received a fee for being the Institute's representative on the Board of Realestate.co.nz Limited directly from that Company.

During the year, additional fees were paid to Dame Rosanne Meo for work undertaken on behalf of the Board of \$45,000 (2016: \$30,000).

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18. INVESTMENT IN ASSOCIATES

Investment in associates consist of a equity interests in REINZ Ventures Limited and Realestate.co.nz Limited and share interests in Realestate.co.nz Limited and PT Investments Ltd.

	<u>2017</u>	<u>2016</u>
Shares	44,296	44,296
Net Equity Interest	1,708,170	1,621,217
<b>Total</b>	<u>1,752,466</u>	<u>1,665,513</u>

The Group has a 33.3% equity interest in REINZ Ventures Limited. This is equity accounted for as at its balance date of 30 June.

The Group has a 50% equity interest in Realestate.co.nz Limited. This is equity accounted for at 15 months to 30 June in order to align this with the Group's balance date, due to Realestate.co.nz Limited's balance date being 31 March. The additional 3 months of equity interest included in this financial year is \$143,160 (relates to the period 1/04/2016 - 30/06/2016).

The Group has a 20.4% ownership in PT Investments Limited.

There were no contingent liabilities in relation to the Group's associates as at reporting date (2016: nil).

19. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period. (2016: Nil)

20. COMMITMENTS AND CONTINGENCIES

The Group has lease commitments in relation to office equipment. This is represented as:

	<u>2017</u>	<u>2016</u>
Current	31,357	65,745
Non-Current	37,370	-

The Group has no contingencies at reporting date (2016: Nil).

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21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND PRIOR PERIOD ERROR

*Explanation to the transition to PBE Standards RDR*

This is the first set of financial statements of the Group that is presented in accordance with PBE Standards. The Group has previously reported in accordance with the special purpose framework.

The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE Standard are different to requirements under the previous GAAP as outlined below.

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

**PBE IPSAS 1: Presentation of Financial Statements**

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables figures.

**PBE IPSAS 17 Property, plant and equipment ("PPE")**

Where an item of computer software is integral to the hardware, that software can be considered part of PPE. The software of the Group however is not considered to be an integral part of the hardware and as such should be classified and accounted for as an Intangible asset. The following adjustment has been made:

	As per previous GAAP	Adjustment	As per PBE Standard
<b>30 June 2016</b>			
Property, plant and equipment	5,442,657	(270,872)	5,171,786
Intangible asset	-	270,872	270,872
<b>30 June 2017</b>			
Property, plant and equipment	9,652,039	(575,077)	9,076,962
Intangible asset	0	575,077	575,077