

# POTENT PERFORMANCE

# FINANCIAL STATEMENTS 2005

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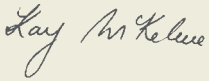
# STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2005


In the financial year ended 30 June 2005 the Board and Management of Quotable Value Limited and Group were responsible for:

- the preparation of the financial statements and the judgements used therein;
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and Management of Quotable Value Limited, the financial statements for the financial year reflect fairly the financial position and operations of the company and group.



**KAY MCKELVIE**  
CHAIR



**BILL OSBORNE**  
CHIEF EXECUTIVE OFFICER

13 SEPTEMBER 2005

# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	NOTES	GROUP			PARENT COMPANY		
		ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL
		2005 \$'000'S	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2005 \$'000'S	2004 \$'000'S
Revenue		33,738	33,993	32,511	27,934	25,849	26,100
Interest income		20	-	32	3	-	20
<b>Total operating revenue</b>		<b>33,758</b>	<b>33,993</b>	<b>32,543</b>	<b>27,937</b>	<b>25,849</b>	<b>26,120</b>
Cost of services		31,399	31,953	31,175	25,097	24,442	24,499
<b>Operating surplus before taxation</b>	<b>1</b>	<b>2,359</b>	<b>2,040</b>	<b>1,368</b>	<b>2,840</b>	<b>1,407</b>	<b>1,621</b>
Current year taxation	<b>4</b>	1,110	931	736	1,053	464	600
<b>Net surplus after taxation</b>		<b>1,249</b>	<b>1,109</b>	<b>632</b>	<b>1,787</b>	<b>943</b>	<b>1,021</b>

# STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 30 June 2005

	NOTES	GROUP			PARENT COMPANY		
		ACTUAL	BUDGET	ACTUAL	ACTUAL	BUDGET	ACTUAL
		2005 \$'000'S	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2005 \$'000'S	2004 \$'000'S
<b>Net surplus after taxation</b>		<b>1,249</b>	<b>1,109</b>	<b>632</b>	<b>1,787</b>	<b>943</b>	<b>1,021</b>
Foreign currency translation reserve	<b>21</b>	(38)	-	(204)	-	-	-
<b>Total recognised revenues and expenses for the year</b>		<b>1,211</b>	<b>1,109</b>	<b>428</b>	<b>1,787</b>	<b>943</b>	<b>1,021</b>
Special dividends	<b>15</b>	-	-	-	-	-	-
Final dividends	<b>15</b>	(606)	(555)	(488)	(606)	(471)	(511)
		605	554	(60)	1,181	472	510
<b>Opening public equity</b>		<b>6,388</b>	<b>6,991</b>	<b>6,448</b>	<b>7,004</b>	<b>7,023</b>	<b>6,494</b>
<b>Closing public equity</b>		<b>6,993</b>	<b>7,545</b>	<b>6,388</b>	<b>8,185</b>	<b>7,495</b>	<b>7,004</b>

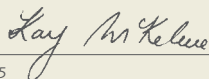
The accompanying accounting policies and notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

NOTES	GROUP			PARENT COMPANY		
	ACTUAL 2005 \$000'S	BUDGET 2005 \$000'S	ACTUAL 2004 \$000'S	ACTUAL 2005 \$000'S	BUDGET 2005 \$000'S	ACTUAL 2004 \$000'S
<b>Public equity</b>						
Paid-up capital	2	4,600	4,600	4,600	4,600	4,600
Reserves	21	2,393	2,945	1,788	3,585	2,404
<b>Total public equity</b>		<b>6,993</b>	<b>7,545</b>	<b>6,388</b>	<b>8,185</b>	<b>7,004</b>
<b>Represented by:</b>						
<b>Assets</b>						
<b>Current assets</b>						
Cash and bank	3	1,034	(329)	981	624	(1,945)
Tax refund due		-	148	88	49	527
Receivables and prepayments	5	4,671	4,553	4,377	3,825	3,349
<b>Total current assets</b>		<b>5,705</b>	<b>4,372</b>	<b>5,446</b>	<b>4,498</b>	<b>3,934</b>
<b>Non-current assets</b>						
Goodwill	6	2,818	2,161	2,796	1,463	648
Property, plant and equipment	7	6,081	6,552	5,972	5,745	5,903
Investment in subsidiary companies	8,10,11	-	-	-	3,108	3,093
Investment in associate company	9,21	-	2,168	-	-	2,372
<b>Total non-current assets</b>		<b>8,899</b>	<b>10,881</b>	<b>8,768</b>	<b>10,316</b>	<b>12,016</b>
<b>Total assets</b>		<b>14,604</b>	<b>15,253</b>	<b>14,214</b>	<b>14,814</b>	<b>13,709</b>
<b>Current liabilities</b>						
Payables	12	2,827	2,645	2,931	2,308	1,958
Employee entitlements	13	1,055	975	975	826	726
Taxation payable		14	-	-	-	-
Restructuring provision	14	-	15	-	-	15
Provision for dividends	15	606	555	488	606	346
<b>Total current liabilities</b>		<b>4,502</b>	<b>4,190</b>	<b>4,394</b>	<b>3,740</b>	<b>3,045</b>
<b>Non-current liabilities</b>						
Term loan	3	2,440	3,000	2,770	2,440	3,000
Deferred taxation	22	300	185	185	300	185
Employee entitlements	13	369	333	477	149	222
<b>Total non-current liabilities</b>		<b>3,109</b>	<b>3,518</b>	<b>3,432</b>	<b>2,889</b>	<b>3,407</b>
<b>Total liabilities</b>		<b>7,611</b>	<b>7,708</b>	<b>7,826</b>	<b>6,629</b>	<b>6,452</b>
<b>NET ASSETS</b>		<b>6,993</b>	<b>7,545</b>	<b>6,388</b>	<b>8,185</b>	<b>7,004</b>

KAY MCKELVIE CHAIR



DATE 13 SEPTEMBER 2005

GEORGE REEDY DIRECTOR



DATE 13 SEPTEMBER 2005

The accompanying accounting policies and notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

NOTES	GROUP			PARENT COMPANY		
	ACTUAL 2005 \$'000'S	BUDGET 2005 \$'000'S	ACTUAL 2004 \$'000'S	ACTUAL 2005 \$'000'S	BUDGET 2005 \$'000'S	ACTUAL 2004 \$'000'S
<b>Cash flows from operating activities</b>						
<i>Cash was provided from:</i>						
Revenues from operations	33,854	33,446	32,230	27,656	25,891	26,004
Interest received	20	-	32	3	-	20
	33,874	33,446	32,262	27,659	25,891	26,024
<i>Cash was applied to:</i>						
Payments to employees and suppliers	28,788	29,079	28,917	22,689	22,392	23,150
Net GST paid	(12)	-	(70)	(19)	16	(30)
Interest paid	164	180	159	164	180	159
Income tax paid	892	931	582	738	750	570
	29,832	30,190	29,588	23,572	23,338	23,849
<b>Net cash flows from operating activities</b>	<b>16</b>	<b>4,042</b>	<b>2,674</b>	<b>4,087</b>	<b>2,553</b>	<b>2,175</b>
<b>Cash flows from investing activities</b>						
<i>Cash was provided from:</i>						
Sale of associate company	9	-	190	-	-	190
Repaid investment in subsidiary	80	-	-	257	-	-
Sale of fixed assets	38	-	317	38	-	317
	118	-	507	295	-	507
<i>Cash was applied to:</i>						
Investment in subsidiary company	8	2,150	-	50	2,150	264
Purchase of other fixed assets	2,543	2,300	2,460	2,428	2,300	2,329
Purchase of goodwill	6	-	-	600	-	2,329
	3,143	4,450	2,460	3,078	4,450	2,593
<b>Net cash flows from investing activities</b>	<b>(3,025)</b>	<b>(4,450)</b>	<b>(1,953)</b>	<b>(2,783)</b>	<b>(4,450)</b>	<b>(2,086)</b>
<b>Cash flows from financing activities</b>						
<i>Cash was provided from:</i>						
Loan advance	-	400	1,070	-	230	1,070
<i>Cash was applied to:</i>						
Loans repaid	330	-	-	330	-	-
Dividends paid	488	589	2,015	488	416	2,015
	818	589	2,015	818	416	2,015
<b>Net cash flows from financing activities</b>	<b>(818)</b>	<b>(189)</b>	<b>(945)</b>	<b>(818)</b>	<b>(186)</b>	<b>(945)</b>
Net increase (decrease) in cash held	199	(1,383)	(224)	486	(2,083)	(856)
Effect of exchange rate on translation of						
independent foreign operations	(146)	-	(145)	-	-	-
Plus opening cash balance	981	1,054	1,350	138	138	994
<b>Closing cash balance</b>	<b>1,034</b>	<b>(329)</b>	<b>981</b>	<b>624</b>	<b>(1,945)</b>	<b>138</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

# STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2005

## REPORTING ENTITY

These are the financial statements of Quotable Value Limited and Group which are state-owned enterprise entities in terms of the State-Owned Enterprises Act 1986. The group comprises of Quotable Value Limited, New Zealand Valuation Limited and Egan National Valuers (NZ) Limited which are registered under the Companies Act 1993 and Quotable Value Australia Pty Limited which is registered in Australia under the Corporations Law.

The group became a state-owned enterprise on 25 January 2005, previously the group was a Crown Entity.

These financial statements have been prepared in accordance with the requirements of the State-Owned Enterprises Act 1986, the Companies Act 1993, and the Financial Reporting Act 1993.

## MEASUREMENT SYSTEM

The financial statements have been prepared on an historical cost basis.

## ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial performance and financial position for the Parent and Group have been applied.

## BUDGET FIGURES

The budget figures are those approved by the Board at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

## CONSOLIDATION OF SUBSIDIARIES

Subsidiaries are those entities that are controlled by the company.

The group financial statements incorporate the financial statements of the company (Quotable Value Limited) and its 100% owned subsidiaries (Quotable Value Australia Pty Limited, Valuations of New Zealand Limited, New Zealand Valuation Limited and Egan National Valuers (NZ) Limited). The subsidiaries are accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. Details are disclosed in notes 8 and 10.

The results of any subsidiaries that become or cease to be part of the group during the year are consolidated from the date the control commenced or until the date the control ceased.

All significant inter-company transactions, balances and unrealised profits are eliminated upon consolidation. In the parent company financial statements, the investments in the subsidiary are stated at cost.

## ACCOUNTING FOR JOINT VENTURES

Joint ventures are joint arrangements between the company and other parties in which there is a contractual agreement to undertake a specific business project in which the venturers share several liability in respect of the costs and liabilities of the project and share in any resulting output. The company's share of the assets, liabilities, revenues and expenses of the joint venture are incorporated into the company and group financial statements on a line-by-line basis using the proportionate method.

## REVENUE

Quotable Value Limited and Group derives revenue through the provision of services to third parties and income from investments.

Revenue is recognised when earned and is reported in the financial period to which it relates.

## PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are recorded at historical cost.

# STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2005

## DEPRECIATION

Property, plant and equipment are depreciated on a straight line basis that will write off the cost of the assets to their estimated residual value over their useful life.

The depreciation rates used in the preparation of these statements are as follows:

Furniture and fittings	15%
Motor vehicles	20%
Software	33%
Office equipment	33%
QIVS II	15%
General hardware	25%
Application hardware	25%

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is the shorter.

## RECEIVABLES

Accounts receivable are stated at their estimated realisable value after providing for doubtful and uncollectible debts.

## INVESTMENTS

Investments are stated at cost in the accounts of the parent company for the first two financial years following purchase; thereafter investments are stated at the lower of cost or net realisable value. Any write-downs are recognised in the statement of financial performance.

## WORK IN PROGRESS

Work in progress is work undertaken but not invoiced at month end. The value of work in progress is stated at the lower of cost or net realisable value.

## EMPLOYEE ENTITLEMENTS

Provision is made in respect of Quotable Value Limited and Group liability for annual leave, long service leave and retirement leave. Annual leave and other entitlements that are expected to be settled within 12 months of reporting date are measured at nominal values on an actual entitlement basis at current rates of pay.

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

## GOODS AND SERVICES TAX (GST)

The financial statements are prepared on a GST-exclusive basis, with the exception of accounts receivable and accounts payable, which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

## TAXATION

Income taxation expense is based on the net surplus for the year after allowance for permanent differences. The company uses the liability method of accounting for deferred taxation and applies this on a comprehensive basis. Deferred taxation assets attributable to taxation losses or timing differences are only recognised when there is virtual certainty of realisation.

## GOODWILL

Goodwill on acquisition of subsidiaries is recognised as an asset and separately identified. Goodwill is amortised on a straight line basis over the period of expected benefit which does not exceed 10 years.

## LEASES OPERATING LEASES

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

# STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2005

## FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into New Zealand dollars using the exchange rate in effect at the transaction date. For transactions covered by short-term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction.

Monetary items receivable or payable in a foreign currency, other than those resulting from short-term transactions covered by forward exchange contracts, are translated at balance date at the closing rate.

Exchange differences on foreign currency balances are recognised in the statement of financial performance.

## TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

Assets and liabilities of independent foreign operations are translated at the closing rate. Revenue and expense items are translated at IRD mid-month exchange rates over the year, as a surrogate for the spot rates at transaction dates. Exchange differences arising from the foregoing are taken to the foreign currency translation reserve and recognised in the statement of movements in equity.

## RESEARCH AND DEVELOPMENT

Development costs are recognised as an asset when all of the following criteria are met:

- the product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the company intends to produce and market, or use, the product or process;
- the existence of a market for the product or process or its usefulness to the company, if it is to be used internally, can be demonstrated; and
- adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Capitalisation is limited to that amount which, taken together with further related costs, is probable of recovery from related future benefits.

Development costs recognised as an asset are amortised on a straight line basis over the period of expected benefits.

All other development costs and all research costs are recognised as expenses in the period in which they are incurred.

## FINANCIAL INSTRUMENTS

Quotable Value Limited and Group is party to financial instruments as part of its normal operations. These financial statements include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

## STATEMENT OF CASH FLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Quotable Value Limited and Group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Quotable Value Limited and Group and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure.

## CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with previous years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 1: STATEMENT OF FINANCIAL PERFORMANCE

	GROUP		PARENT COMPANY	
	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2004 \$'000'S
<i>The net surplus is after charging for:</i>				
Amortisation of goodwill	737	727	251	216
Fees paid to auditors				
- External audit (parent)	69	68	49	68
- External audit (subsidiary and associate)	4	24	-	-
Board members' fees	164	187	150	159
<i>Depreciation</i>				
Leasehold improvements	41	75	39	75
Hardware	470	359	401	308
Furniture and fittings	55	56	44	44
Motor vehicles	-	17	-	17
Office equipment	24	26	5	4
Computer software	464	454	412	421
Core application hardware	151	79	151	79
QIVS II	937	961	937	961
Interest received	(20)	(32)	(3)	(20)
Interest paid	164	159	164	159
Bad debts written off	54	59	53	59
Bad debts recovered	(32)	(21)	(32)	(21)
Donations	5	15	5	15
Write-off of fixed assets	-	352	-	352
Rental expenses	1,281	1,316	924	930
Change in provision for doubtful debts	48	8	(25)	(47)
Loss (gain) on sale of fixed assets	6	(63)	2	(63)
Lease expenses	299	342	294	281
Foreign exchange losses (gains)	5	1	5	1
Research and development	83	65	83	-

## NOTE 2: SHARE CAPITAL

	GROUP		PARENT COMPANY	
	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2004 \$'000'S
Opening balance	4,600	4,600	4,600	4,600
<b>Closing balance</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>

At 30 June 2005 the company has issued 4,600,000 shares fully paid.

All shares carry equal voting rights and the right to share in any surplus on winding-up of the company.

None of the shares carry fixed dividend rights.

## NOTE 3: BANK OVERDRAFT AND TERM LOAN FACILITY

The bank overdraft is made available subject to the terms of an unsecured negative pledge. The facility available totals \$1,000,000.

The interest rate is determined at the time of borrowing. The year-end rate was 8.40% per annum (2004: 7.40% per annum).

The bank term loan is made available subject to the terms of an unsecured negative pledge. The facility currently available totals \$3,000,000 (2004: \$3,000,000).

The interest rate is determined at the time of borrowing. The year-end rate was 7.55% per annum (2004: 6.35% per annum).

A commitment fee of .05% per month is paid on the total facility of \$4,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 4: TAXATION

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
<b>(i) Current year tax expense</b>				
Operating surplus before taxation	2,359	1,368	2,840	1,621
Income taxation at 33% NZ (30% Aust)	778	510	937	535
<b>Adjusted for taxation effect of:</b>				
Amortisation of goodwill	232	181	83	71
Other permanent differences	54	7	12	7
Timing differences recognised	(69)	(98)	(94)	(115)
Tax loss recognised	-	34	-	-
Current taxation	995	634	938	498
Deferred taxation recognised	115	102	115	102
<b>Tax expense</b>	<b>1,110</b>	<b>736</b>	<b>1,053</b>	<b>600</b>
<b>(ii) Prior year taxation adjustment \$Nil (2004: \$Nil)</b>				
There are no prior year taxation adjustments to be made.				
<b>(iii) Imputation Credit Account</b>				
Balance as at 1 July	2,205	2,617	2,158	2,580
Taxation payments during the year	904	760	750	750
Transfers and other credits	-	5	-	5
Refunds and other debits	(83)	(185)	(83)	(185)
Dividends paid	(240)	(992)	(240)	(992)
<b>Balance as at 30 June 2005</b>	<b>2,786</b>	<b>2,205</b>	<b>2,585</b>	<b>2,158</b>

## NOTE 5: RECEIVABLES AND PREPAYMENTS

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
Accounts receivable	3,897	3,262	2,991	2,323
Egan Australasia Pty Limited	-	-	285	399
Sundry assets	312	172	175	71
Work in progress	462	943	374	754
	<b>4,671</b>	<b>4,377</b>	<b>3,825</b>	<b>3,547</b>

## NOTE 6: GOODWILL

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
On acquisition of original business	2,160	2,160	2,160	2,160
Plus translation of independent foreign operations	(110)	(99)	-	-
goodwill on acquisitions in Australia	2,462	2,542	-	-
goodwill on acquisitions in New Zealand	850	-	850	-
	5,362	4,603	3,010	2,160
Accumulated amortisation brought forward	1,807	1,080	1,296	1,080
Plus this year's amortisation	737	727	251	216
Accumulated amortisation carried forward	2,544	1,807	1,547	1,296
	<b>2,818</b>	<b>2,796</b>	<b>1,463</b>	<b>864</b>

On 1 April 2005, the company acquired the trade and assets of Darroch Valuations Ltd. Total consideration was \$935,000, representing goodwill of \$850,000 and other assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	GROUP		PARENT COMPANY	
	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2004 \$'000'S
<b>Property, plant and equipment at cost:</b>				
Leasehold improvements	401	340	381	340
Motor vehicles	414	566	414	566
Office equipment	250	251	176	173
Furniture and fittings	431	398	351	317
EDP equipment	47	47	47	47
Computer software	2,320	2,161	2,140	2,019
QIVS II	7,142	6,304	7,142	6,304
General hardware	3,590	3,078	3,286	2,833
Core application hardware	1,020	634	1,020	634
<b>Total cost</b>	<b>15,615</b>	<b>13,779</b>	<b>14,957</b>	<b>13,233</b>
<b>Less accumulated depreciation:</b>				
Leasehold improvements	(307)	(278)	(305)	(278)
Motor vehicles	(330)	(446)	(330)	(446)
Office equipment	(215)	(204)	(163)	(168)
Furniture and fittings	(274)	(231)	(247)	(217)
EDP equipment	(39)	(39)	(39)	(39)
Computer software	(1,892)	(1,425)	(1,791)	(1,377)
QIVS II	(3,623)	(2,688)	(3,623)	(2,688)
General hardware	(2,349)	(2,153)	(2,209)	(2,081)
Core application hardware	(505)	(343)	(505)	(343)
<b>Total depreciation</b>	<b>(9,534)</b>	<b>(7,807)</b>	<b>(9,212)</b>	<b>(7,637)</b>
<b>Net book value:</b>				
Leasehold improvements	94	62	76	62
Motor vehicles	84	120	84	120
Office equipment	35	47	13	5
Furniture and fittings	157	167	104	100
EDP equipment	8	8	8	8
Computer software	428	736	349	642
QIVS II	3,519	3,616	3,519	3,616
General hardware	1,241	925	1,077	752
Core application hardware	515	291	515	291
<b>Total net book value</b>	<b>6,081</b>	<b>5,972</b>	<b>5,745</b>	<b>5,596</b>

The company has reviewed the value of the QIVS II database in accordance with the "impairment test" and as the database supports operational business processes, its value is estimated to be greater than book value. The company believes that the database holds its value on a going concern basis as revenue-generating capacity continues.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 8: INVESTMENT IN SUBSIDIARIES

No further investments into subsidiary companies have been undertaken this financial year.

Quotable Value Australia Pty Limited has repaid the initial parent company investment. This was repaid on 1 November 2004.

A portion of goodwill paid on Australian acquisitions was repaid on 31 December 2004.

The businesses of Egan National Valuers ACT, NSW and Victoria continue to operate through the subsidiary company Egan National Valuers NZ Limited using its subsidiary company Egan Australasia Pty Limited. The results of operations are included in the consolidated statement of financial performance as from purchase date.

A 45% participating interest in PropertyInsight Joint Venture was entered into by agreement signed on 14 October 2003 through subsidiary company New Zealand Valuation Limited. This unincorporated joint venture included New Zealand Valuation Limited, Geological Surveys (New Zealand) Limited and Niu Pacific Limited. The results of operations are included in the consolidated statement of financial performance as from the signed agreement date.

The company of PropertyInsight Limited was incorporated on 15 November 2002. The results of operations are included in the consolidated statement of financial performance as from that date.

Movements in previously acquired subsidiaries affecting the group statement of financial position and cash flows in the current year are as follows:

	MOVEMENT FROM EXISTING ACQUISITIONS			
	\$000'S			
<b>Assets</b>				
Bank	177			
Receivables	-			
Advances to subsidiary company	(177)			
Goodwill on acquisition	(80)			
<b>Net outflow (inflow) of cash to company</b>	<b>(80)</b>			
	GROUP		PARENT COMPANY	
The balance represents	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
Investment at cost	-	-	3,315	3,051
Plus investment in existing subsidiary	-	-	(127)	222
adjustment of goodwill on acquisition	-	-	(80)	-
translation differences	-	-	-	42
	-	-	<b>3,108</b>	<b>3,315</b>

## NOTE 9: INVESTMENTS IN ASSOCIATE COMPANY

The investment in the associate company was disposed of on 29 April 2003 and completed in 2004. The impact of the disposal is shown in the statement of financial position and cash flows.

There have been no further investments in associate companies this year.

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
The movements during the year are as follows:				
Balance at beginning of year	-	190	-	190
Reversal (accrual) of losses	-	-	-	-
Debenture repaid	-	(190)	-	(190)
Sale of shares	-	-	-	-
<b>Balance at end of year</b>	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 10: SUBSIDIARY COMPANIES

Quotable Value Limited has 4 subsidiary companies (2004: 4 subsidiaries)

Name	Percentage Holding at Balance Date		Principal Activities	Balance Date
	2005	2004		
Valuation New Zealand Limited	100	100	Name protection	30-Jun
New Zealand Valuation Limited	100	100	Name protection & investment company holding share in PropertyInsight Limited and 45% share of PropertyInsight Joint Venture	30-Jun
Egan National Valuers (NZ) Limited formerly Valuations of New Zealand Limited	100	100	Investment company holding share in Egan Australasia Pty Limited	30-Jun
Quotable Value Australia Pty Limited (incorporated and registered in NSW, Australia)	100	100	Property valuation	30-Jun

## NOTE 11: JOINT VENTURE

The group, through subsidiary company New Zealand Valuation Limited, has a 45% participating interest in PropertyInsight Joint Venture, a joint venture set up to develop, market and sell hazard data for properties situated in New Zealand. Under the joint venture agreement revenue and costs are shared in proportion to their interest. The group interest in this joint venture has the following effect on the financial statements:

	GROUP	
	2005 \$'000'S	2004 \$'000'S
<b>Statement of financial performance</b>		
Operating revenue	17	3
Expenses	107	128
<b>Net contribution (deduction) to group's operating surplus (deficit) before taxation</b>	<b>(90)</b>	<b>(125)</b>
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and bank	13	31
Trade receivables	5	1
<b>Total current assets</b>	<b>18</b>	<b>32</b>
<b>Non-current assets</b>		
Property, plant and equipment	68	76
<b>Total non-current assets</b>	<b>68</b>	<b>76</b>
<b>TOTAL ASSETS</b>	<b>86</b>	<b>108</b>
<b>Current liabilities</b>		
Trade creditors	28	11
	28	11
<b>NET ASSETS</b>	<b>58</b>	<b>97</b>

There are no contingent liabilities in the joint venture as at 30 June 2005 (2004: \$Nil).

## NOTE 12: CURRENT LIABILITIES

	GROUP		PARENT COMPANY	
	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2004 \$'000'S
Accounts payable	469	245	353	196
Sundry creditors	2,007	2,348	1,733	1,914
GST	351	338	222	203
	<b>2,827</b>	<b>2,931</b>	<b>2,308</b>	<b>2,313</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 13: EMPLOYEE ENTITLEMENTS

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
Employee entitlements consist of:				
Holiday pay	1,055	975	826	726
Other employee entitlements	369	477	149	223
	<b>1,424</b>	<b>1,452</b>	<b>975</b>	<b>949</b>
Payable in the following period:				
Within one year	1,055	975	826	726
After one year	369	477	149	223
	<b>1,424</b>	<b>1,452</b>	<b>975</b>	<b>949</b>

## NOTE 14: RESTRUCTURING PROVISION

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
<b>Opening balance</b>	-	85	-	85
Increase (utilisation)	-	(85)	-	(85)
<b>Closing balance</b>	-	-	-	-

The restructuring for the company was completed in 2004.

## NOTE 15: DIVIDEND PROVISION

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
<b>Opening balance</b>	488	2,015	488	1,992
Plus this year's provision	606	488	606	511
provision for special dividend	-	-	-	-
Less payments	(488)	(2,015)	(488)	(2,015)
<b>Closing balance</b>	<b>606</b>	<b>488</b>	<b>606</b>	<b>488</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 16: RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		PARENT COMPANY	
	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2004 \$'000'S
Net surplus from operations	1,249	632	1,787	1,021
<i>Add (less) non-cash items:</i>				
Depreciation	2,142	2,027	1,989	1,909
Amortisation of goodwill	737	727	251	216
Movement in provision for doubtful debts	(25)	(47)	(25)	(47)
	2,854	2,707	2,215	2,078
<i>Add (less) items classified as investing activities:</i>				
Loss (gain) on sale of property, plant and equipment	6	(63)	2	(63)
Write-off of property, plant and equipment	-	352	-	352
Total non-cash items	6	289	2	289
<i>Add (less) movements in working capital items:</i>				
Decrease (increase) in receivables	(152)	(230)	(253)	(49)
Increase (decrease) in payables	(171)	(1,036)	(24)	(1,340)
Increase (decrease) in employee entitlements	16	127	26	116
Increase in GST payable	23	37	19	30
Increase (decrease) in tax payable	217	148	315	30
	(67)	(954)	83	(1,213)
<b>Net cash flow from operating activities</b>	<b>4,042</b>	<b>2,674</b>	<b>4,087</b>	<b>2,175</b>

## NOTE 17: RELATED PARTY INFORMATION

Quotable Value Limited and Group is a wholly owned New Zealand state-owned enterprise. The New Zealand Government influences the roles of Quotable Value Limited and Group.

The company has entered into a number of transactions with government departments, Crown agencies and state-owned enterprises on an arm's length basis. These transactions are not considered to be related party transactions.

Transactions between related subsidiaries include loans and advances to and from subsidiaries. These transactions were interest free and on demand.

	GROUP		PARENT COMPANY	
	2005 \$'000'S	2004 \$'000'S	2005 \$'000'S	2004 \$'000'S
Loans and advances outstanding:				
Egan National Valuers (NZ) Limited	-	-	2,836	2,916
Quotable Value Australia Pty Limited	-	-	-	177
New Zealand Valuation Limited	-	-	272	222
	-	-	<b>3,108</b>	<b>3,315</b>

Other trading-related transactions are:

- Use of licensed data from Quotable Value Limited to New Zealand Valuation Limited for nil value.
- 34% of PropertyInsight Joint Venture revenue is charged through Quotable Value Limited; PropertyInsight Joint Venture then invoices Quotable Value Limited the same amount.
- Trade debtors of \$21,231 are owing to Quotable Value Limited, the parent company of New Zealand Valuation Limited from PropertyInsight Joint Venture for services in relation to developing and implementing a Map Web Service. This amount is due to be paid in 90 days.
- Trade creditors of \$1,090 are owing to PropertyInsight Joint Venture from Quotable Value Limited for data sales in June 2005. This amount will be received in 30 days.
- The parent company has issued letters of support to the subsidiary companies.

Other than transactions noted above, all other transactions between entities and directors within the group were not material and were on an arm's length basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 18: FINANCIAL INSTRUMENTS

Quotable Value Limited and Group is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable, accounts payable, loans and foreign currency forward contracts. The carrying value of these items is equivalent to their fair value.

Quotable Value Limited and Group has a series of policies providing risk management for interest rates, operating and capital expenditures denominated in a foreign currency, and the concentration of credit. Quotable Value Limited and Group is risk averse and seeks to minimise its exposure from its treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

### Credit Risk

Credit risk is the risk that a third party will default on its obligation to Quotable Value Limited and Group, causing Quotable Value Limited and Group to incur a loss. Quotable Value Limited and Group has a minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits and accounts receivable.

The Board places its investments with institutions that have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. Quotable Value Limited and Group believes that these policies reduce the risk of any loss which could arise from its investment activities. Quotable Value Limited and Group does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

### Currency Risk and Interest Rate Risk

Interest Rate risk is the risk of future changes in interest rates.

Quotable Value Limited and Group is risk averse and has normal exposure to interest rate risks.

Quotable Value Limited and Group have exposure to foreign exchange risk as a result of offshore funding activities and transactions denominated in foreign currencies, arising from normal trading activities. Quotable Value Limited and Group has an investment in two subsidiary companies operating in Australia. At this stage there is no significant exposure to currency risk.

## NOTE 19: COMMITMENTS STATEMENT

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
<b>Capital commitments approved and not contracted</b>	1,900	2,300	1,900	2,300
Non-cancellable operating lease commitments payable:				
Not later than one year	993	853	690	550
Later than one year and not later than two years	934	685	631	382
Later than two years and not later than five years	1,412	362	1,405	53
<b>Total commitments</b>	<b>5,239</b>	<b>4,200</b>	<b>4,626</b>	<b>3,285</b>

## NOTE 20: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2005 (2004: \$Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 21: RESERVES

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
<b>Foreign currency translation reserve</b>				
<b>Balance at beginning of year</b>	(204)	-	-	-
Arising on translation of independent foreign operations	(38)	(204)	-	-
<b>Balance at end of year</b>	<b>(242)</b>	<b>(204)</b>	-	-
<b>Retained surplus</b>				
<b>Balance at beginning of year</b>	1,992	1,848	2,404	1,894
Net surplus for the year	1,249	632	1,787	1,021
Dividends paid and payable	(606)	(488)	(606)	(511)
<b>Balance at end of year</b>	<b>2,635</b>	<b>1,992</b>	<b>3,585</b>	<b>2,404</b>
<b>TOTAL RESERVES</b>	<b>2,393</b>	<b>1,788</b>	<b>3,585</b>	<b>2,404</b>
<b>Held by:</b>				
<b>Group companies</b>	<b>2,393</b>	<b>1,788</b>	<b>3,585</b>	<b>2,404</b>

## NOTE 22: DEFERRED TAXATION

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
Balance at beginning of year	185	83	185	83
Movements during the year:				
Timing differences (see note 4)	115	102	115	102
	<b>300</b>	<b>185</b>	<b>300</b>	<b>185</b>

## NOTE 23: BUDGET VARIANCE

Strong operational performance in the parent company has offset some variances to budget across the group.

### Statement of Financial Performance

As a result of the downturn in the property market in Australia, budgeted revenues in Egan Australasia Pty Limited have not been achieved although the impact has been reduced due to good trading in the parent company above budget.

### Statement of Financial Position

The impact of reduced revenues in Egan Australasia Pty Limited on the position statement has been negated by the good operational results in the parent.

### Investment in Associate Companies

The Board made the prudent decision not to proceed with certain planned investments in the current business environment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

## NOTE 24: SEGMENTAL INFORMATION

### Industry Segments

Quotable Value Limited and Group operates predominantly in one industry, property valuation, data and information.

### Geographical Segments

	TOTAL		NEW ZEALAND		AUSTRALIA	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
<b>Revenue:</b>						
From customers outside the group	33,738	32,511	27,937	26,103	5,801	6,408
Surplus before taxation and amortisation of goodwill	3,096	2,095	2,928	1,709	168	386
<b>Assets:</b>						
Total assets	14,590	14,214	11,706	10,498	2,884	3,716

All inter-segment pricing is on an arm's length basis.

Balances relating to the Australian part of the group are denominated in Australian Dollars and are converted to New Zealand Dollars for consolidation purposes.

## NOTE 25: SUBSEQUENT EVENTS

After balance date the shareholding of Egan Australasia Pty Limited was to be transferred from Egan National Valuers New Zealand Limited to Quotable Value Limited.

For Australian reporting periods beginning on or after 1 January 2005, the company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

The potential impact on the company's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, has not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Australian subsidiaries' financial reports have been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the company's financial reports in the future.

The key potential implications of the conversion to IFRS on the company are as follows:

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value;
- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and as the tax effect follows the underlying transaction, some tax effects will be recognised in equity;
- impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired;
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with noted disclosure of prior year effects.

# STATEMENT OF KEY PERFORMANCE INDICATORS

For the year ended 30 June 2005

The Board agreed the following targets with the Minister at the beginning of the year:

<b>Specified Financial Performance</b>	SOI TARGET	GROUP ACHIEVEMENT
Surplus after tax and before amortisation of goodwill (\$'000's)	1,844	1,986
Ratio of net surplus after taxation and amortisation and before dividends to average shareholder funds (%)	15.30%	18.67%
Ratio of net surplus before interest, taxation and goodwill amortisation to total tangible assets (%)	28%	28%
Net surplus after taxation and amortisation before dividends to total sales (%)	3.30%	3.70%
Current ratio (excluding restructuring)	93.00%	126.80%
Term debt/equity ratio (maximum 40%)	40.00%	34.89%

## STATUTORY INFORMATION

For the year ended 30 June 2005

### 1. DIRECTORS' REMUNERATION

Directors of the company during the year and remuneration and other benefits paid to the directors by the company were \$150,000 (Parent) AUS\$12,000 (Subsidiaries).

DIRECTOR	PERIOD	BOARD	2005 \$'000'S
Ms S Thomas	Part Year	Quotable Value Limited	NZ\$17
	Part Year	Quotable Value Australia Pty Limited	
	Part Year	Egan Australasia Pty Limited	
Ms K McKelvie (Chair)	Part Year	PropertyInsight Joint Venture	NZ\$42
	Full Year	Quotable Value Limited	
	Full Year	Quotable Value Australia Pty Limited	
	Full Year	Egan Australasia Pty Limited	
Mr G Reedy	Full Year	Egan National Valuers (NZ) Limited	NZ\$21
	Full Year	New Zealand Valuation Limited	
	Full Year	Quotable Value Limited	
	Full Year	Quotable Value Australia Pty Limited	
Ms J Martin (Deputy Chair)	Full Year	Egan Australasia Pty Limited	NZ\$24
	Full Year	Quotable Value Limited	
	Full Year	Quotable Value Australia Pty Limited	
	Full Year	Egan Australasia Pty Limited	

# STATUTORY INFORMATION

For the year ended 30 June 2005

DIRECTOR	PERIOD	BOARD	2005 \$000'S
Ms K Frykberg	Full Year	Quotable Value Limited	NZ\$26
	Full Year	Quotable Value Australia Pty Limited	
	Full Year	Egan Australasia Pty Limited	
Mr M Petrovs	Part Year	PropertyInsight Joint Venture	AUS\$6
	Full Year	Quotable Value Australia Pty Limited	
	Full Year	Egan Australasia Pty Limited	
Mr D Walker	Part Year	Quotable Value Limited	NZ\$10
	Part Year	Quotable Value Australia Pty Limited	
	Part Year	Egan Australasia Pty Limited	
Ms S Piper	Part Year	Quotable Value Limited	NZ\$10
	Part Year	Quotable Value Australia Pty Limited	
	Part Year	Egan Australasia Pty Limited	
Mr B Osborne (CEO)	Part Year	Quotable Value Australia Pty Limited	NZ\$0
	Part Year	Egan Australasia Pty Limited	
	Full Year	Egan National Valuers (NZ) Limited	
	Full Year	PropertyInsight Limited	
Mr F Egan	Full Year	PropertyInsight Joint Venture	AUS\$0
	Part Year	Egan Australasia Pty Limited	

## 2. EMPLOYEES' REMUNERATION

Remuneration and other benefits of \$100,000 per annum or more received by employees in their capacity as employees were:

DIRECTOR	NUMBER OF EMPLOYEES
\$100,000 - \$109,999	7
\$110,000 - \$119,999	5
\$120,000 - \$129,999	6
\$150,000 - \$159,999	1
\$160,000 - \$169,999	2
\$190,000 - \$199,999	1
\$210,000 - \$219,999	1
\$340,000 - \$349,999	1

The chief executive's remuneration and benefits are in the \$340,000 - \$349,999 band. (2004: \$420,000 - \$429,999)

## 3. AUDIT REMUNERATION

	GROUP		PARENT COMPANY	
	2005 \$000'S	2004 \$000'S	2005 \$000'S	2004 \$000'S
Fees paid to auditors for				
audit services of parent	69	68	49	68
audit of subsidiaries and joint venture	4	24	-	-
	<b>73</b>	<b>92</b>	<b>49</b>	<b>68</b>

# STATUTORY INFORMATION

For the year ended 30 June 2005

## 4. INTERESTS REGISTER

A directors' interests register is maintained by the Board. The following entries have been added during the year:

Kay McKelvie	Chair, District Health Boards
George Reedy	West 175 Media (NZ) Limited
	West 175 (NZ) limited
	Mercury Television Limited
	Director Hot Auctions
	Raider Internet Limited
	R U Online Limited
Jocelyn Martin	Pro Chancellor AUT
	Partner, Minter Ellison
Kate Frykberg	Philanthropy NZ
	Director, PropertyInsight Joint Venture
	Director, Thinktank Consulting Limited
	Trustee, Thinktank Charitable Trust
	Technology Committee of the Royal Society
Derek Walker	Director/Chair, Palmerston North Airport Limited
	Director/Chair, NZ Wind Farms Limited
	Director, Palmerston North City Council Holdings Limited
	Chair, The Bio Commerce Centre Limited
	Director, Egan Australasia Pty Limited and Quotable Value Australia Pty Limited
	Director/Shareholder Third Bearing Limited (TBL)
	Director/Shareholder TBL Investments Limited
	Director/Shareholder Elmira Consulting Limited
	Director/Shareholder Elmira 41 Limited
	Trustee, Central Energy Trust
	Trustee, Manawatu Life Education Trust
Trustee, Palmerston North Theatre Trust	
Sue Piper	Employed by Wellington Foundation
	Local Government Commission/Regulatory Body

## 5. DONATIONS

Donations made by the company and group during the year ended 30 June 2005 totalled \$5,000 (2004: \$15,000).

## 6. CHANGES IN BUSINESS OF COMPANY

During the year ended 30 June 2005 there were no changes in the nature of business of the company which includes the provision of property valuations, data and information.

# STATEMENT OF CORPORATE GOVERNANCE

For the year ended 30 June 2005

## FINANCIAL STATEMENTS

The directors of Quotable Value Limited (QV) are responsible for preparing financial statements that give a true and fair view of the financial position of the company as at the end of the financial year and the results of operations and cash flows for the year. The external auditors are responsible for expressing an opinion on the financial statements, based on their review and assessment of the conclusions drawn from evidence obtained in the course of the external audit.

The financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practice. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates.

## BOARD OF DIRECTORS

The Board of Directors retains full and effective control over the company, monitors executive management and ensures that decisions on material matters are in the hands of the Board. The Chair of the Board of Directors is Kay McKelvie, who was appointed 1 June 2004.

During the year, there was one retirement from the Board, being Shelley Thomas, who had been a director since the company's establishment in 1998. She retired on 31 December 2004.

Shareholding Ministers made two new appointments, raising the Board's complement to six:

- Derek Walker joined the Board on 1 January 2005.
- Sue Piper joined the Board on 1 January 2005.

The company usually has ten or eleven full Board meetings during the year. Most Board meetings take place in Wellington, but the Board also travels to other centres to visit the company's operations and to meet major customers. In conjunction with these meetings, the Board and executive management team usually meet twice a year to review the company's strategy and progress.

## SUBSIDIARY AND ASSOCIATE COMPANIES

QV has a 100%-owned operating subsidiary, Quotable Value Australia Pty Limited (QVA) incorporated in New South Wales, Australia. The directors of QVA are Kay McKelvie (Chair QV), George Reedy, Jocelyn Martin, Kate Frykberg, Derek Walker, Sue Piper (Directors of QV), Bill Osborne (CEO of QV) and Australian resident company director Marek Petrows.

QV also has a 100%-owned investment subsidiary, Egan National Valuers (NZ) Limited, which has a 100%-owned operating subsidiary, Egan Australasia Pty Limited (EGAN) incorporated in Victoria, Australia. The directors of EGAN are Kay McKelvie (Chair QV), George Reedy, Jocelyn Martin, Kate Frykberg, Derek Walker, Sue Piper (Directors of QV), Bill Osborne (CEO of QV) and Australian resident company directors Marek Petrows.

QV has a 45% share of PropertyInsight Joint Venture (PIJV) through its subsidiary company New Zealand Valuation Limited (NZVL).

The directors of NZVL are Kay McKelvie (Chair QV) and Bill Osborne (CEO of QV). The Directors of PIJV are Kate Frykberg (Director of QV) and Bill Osborne (CEO of QV).

## INTERNAL CONTROL

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain an appropriate system of internal controls.

- Directors acknowledge that they are responsible for the company's system of internal financial control.
- Internal financial controls implemented by management can provide only reasonable and not absolute assurance against material misstatement or loss.

The directors constantly review the effectiveness of the system of internal financial control. No major breakdowns were identified during the year in the system of internal control.

After reviewing internal management financial reports and budgets the directors believe that the company and the group will continue to be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# STATEMENT OF CORPORATE GOVERNANCE

For the year ended 30 June 2005

## COMMITTEES OF THE BOARD

The company has two standing committees. They are:

### 1. The Finance, Audit and Risk Committee

The Finance, Audit and Risk committee comprises George Reedy (Chair) and Kay McKelvie. The purpose of this committee is to oversee the financial management, external and internal audit functions and the overall risk management of the company. The committee usually meets three times per year.

### 2. The Remuneration Committee

The remuneration sub-committee for this financial year operated as a committee of the whole Board taking responsibility for remuneration policy and executive remuneration. The Chair in consultation with the Board takes responsibility for the chief executive's performance review.

## DIRECTOR AND BOARD APPRAISAL

The Board has a policy of formally evaluating its own performance, and that of the individual directors, annually. In addition, the Board and directors review their own performance through informal discussion and feedback throughout the year.

### 1. Board Appraisal

The full Board collectively reviews the performance of the Board as a whole and the Chair completes the written appraisal on behalf of the other members.

### 2. Director Appraisal

The Chair reviews the performance of each director in individual discussion, to establish particular strengths and areas of special contribution, as well as areas for development and the potential value of appropriate training. This discussion is summarised in a written appraisal signed by both the relevant director and the Chair.

### 3. Chair Appraisal

The rest of the Board collectively reviews the performance of the Chair, under the guidance of the Deputy Chair, who then discusses the appraisal with the Chair. The discussion is summarised in a written appraisal signed by both parties.

## DIRECTOR DEVELOPMENT

The Board believes it is in the best interest of the company to ensure that directors will remain current with best corporate governance practice. The company budgets a small amount each year to support the continued professional development of directors.

# AUDIT REPORT

For the year ended 30 June 2005

To the readers of the financial statements of Quotable Value Limited and Group

The Auditor-General is the auditor of Quotable Value Limited (the company) and group. The Auditor-General has appointed me, Tony Uttley, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group, on his behalf, for the year ended 30 June 2005.

## UNQUALIFIED OPINION

In our opinion:

- The financial statements of the company and group on pages 17 to 32:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2005; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 13 September 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

## BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE AUDITOR

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2005. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

## INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.



**TONY UTTLEY** AUDIT NEW ZEALAND  
ON BEHALF OF THE AUDITOR-GENERAL, WELLINGTON, NEW ZEALAND

# AUDIT REPORT

For the year ended 30 June 2005

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Quotable Value Limited (the Company) and group for the year ended 30 June 2005 included on the Company's website. The Board are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

We have not been engaged to report on any other electronic versions of the Company's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 13 September 2005 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# DIRECTORY

For the year ended 30 June 2005

Kay McKelvie	Director (& Chair)
Jocelyn Martin	Director (& Deputy Chair)
George Reedy	Director
Kate Frykberg	Director
Derek Walker	Director
Sue Piper	Director
Bill Osborne	Chief Executive bill.osborne@qv.co.nz
Bryce Johnson	General Manager Information Technology bryce.johnson@qv.co.nz
Nick McKissack	General Manager QV Valuations General Manager Human Resources, Finance & Administration nick.mckissack@qv.co.nz
Steve Langridge	General Manager QV Online steve.langridge@qv.co.nz
Jacquie Witham	General Manager QV Rating jacquie.witham@qv.co.nz
Richard Swinbourne	General Manager Egan Australasia Pty Ltd. richard.swinbourne@eganvaluers.com.au
Head Office	QV House, 163 Thorndon Quay, Wellington, New Zealand
Postal Address	PO Box 5098, Wellington, New Zealand
Telephone	64 4 473 8555
Facsimile	64 4 473 8552
Website	www.qv.co.nz
Auditor	Audit New Zealand, Wellington, New Zealand On Behalf of the Controller and Auditor-General
Bankers	Westpac Banking Corporation
Solicitors	Simpson Grierson
Insurer	Willis NZ Ltd