Annual Report

For the year ended 30 June 2019

We deliver property intelligence to help government, business and the public make better decisions. This is essential for New Zealand's prosperity and wellbeing.

Quotable Value Limited Group (QV) is at the heart of nearly every property transaction in New Zealand. We have been trusted property valuers for more than 100 years, first as New Zealand's Government Valuation Department through to the commercial state-owned entity we are today.

We connect people to accurate property data, analysed by our skilled professionals across New Zealand. We provide property intelligence to help business, central and local government and the public make better decisions.

Property intelligence is essential for a well-functioning economy, contributing to taxation, construction and infrastructure planning, through to disaster planning and environmental protection, all for New Zealand's prosperity and wellbeing. We have built on our core capabilities by providing rating valuations to the Australian market since 2000.

Today we are operating in a rapidly changing environment where our customers are expecting more for less. Traditional ways are making way for new approaches and technology is changing the way services are delivered and experienced. We need to keep up with customer expectations and evolve our offerings to create a sustainable future.

We are engaging with our customers and the wider market to facilitate greater and more accessible property intelligence. We are committed to pushing boundaries to develop customer solutions and connect property platforms which provide predictive modelling, data analytics and deep insights in real time.

We are dedicated to delivering greater value from our existing operations and organically diversifying our revenue base to continue to be commercially successful. This will require ongoing investment in new technologies, capabilities and approaches.

We are proud to be owned by New Zealand. We deliver property intelligence to help government, business and the public make better-informed decisions. This is essential for New Zealand's prosperity and wellbeing.

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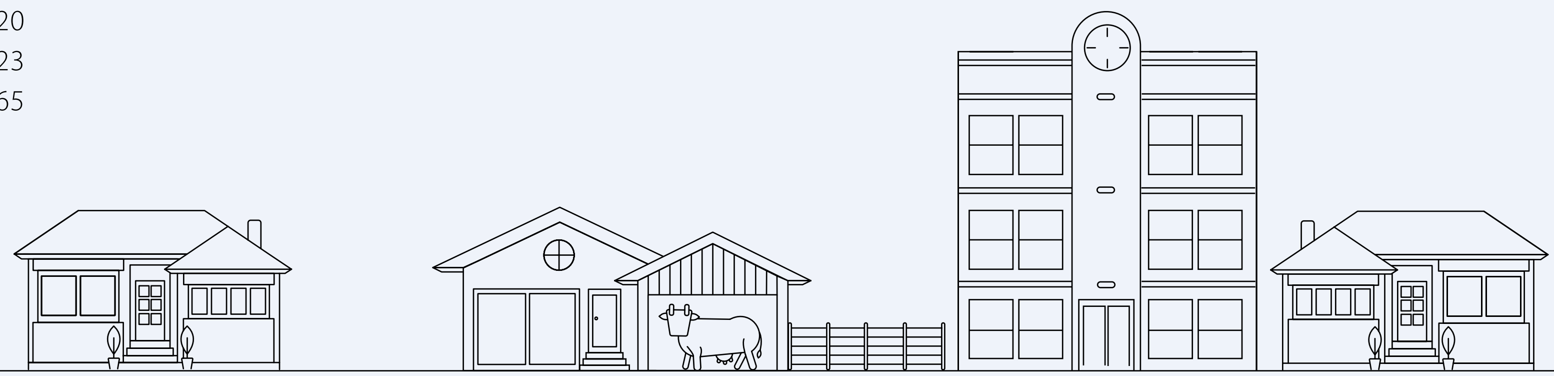
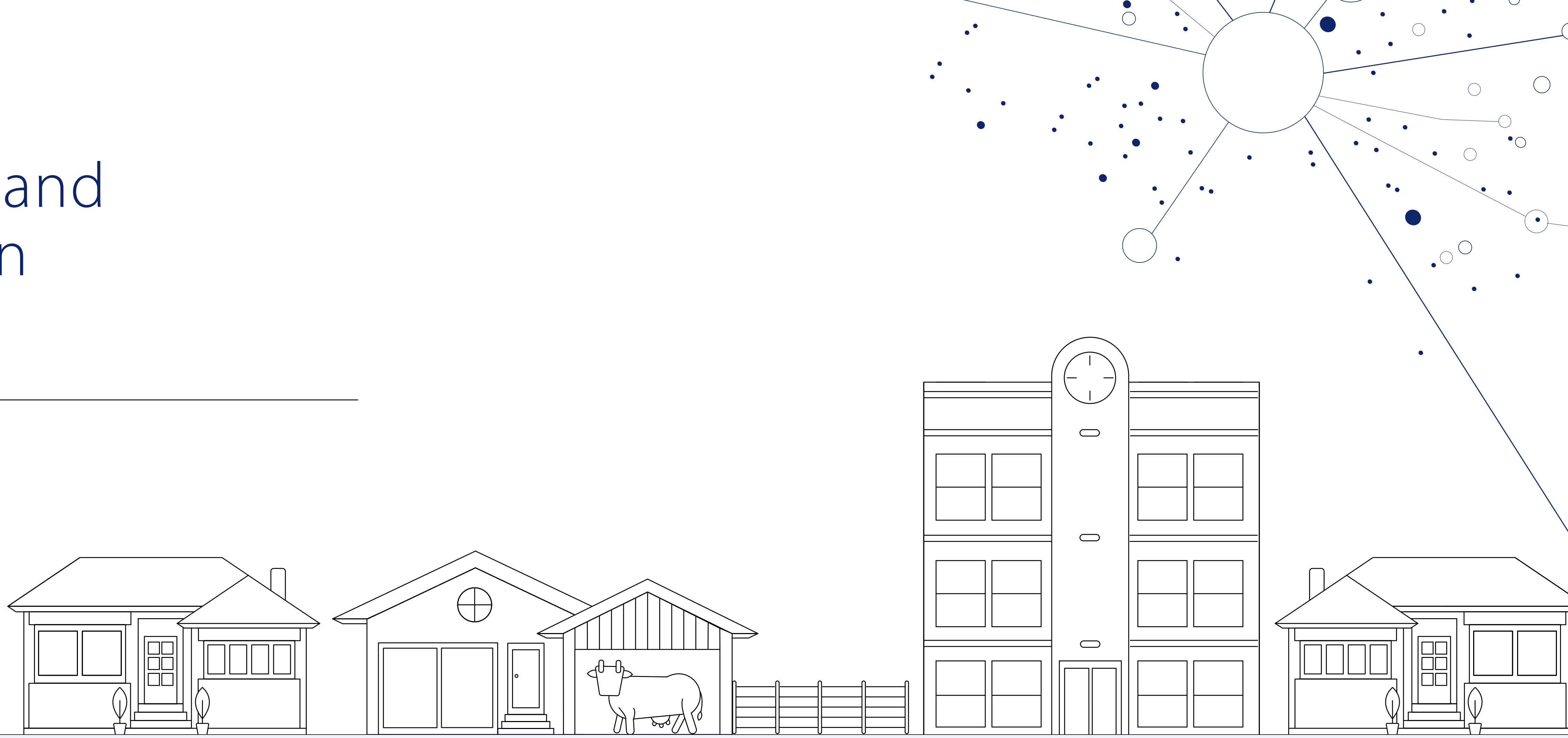


QV heritage and timeline

Leaders in New Zealand property information and technology

We have been trusted property experts for more than 100 years. We have grown organically, and through acquisition, to be leaders in New Zealand and New South Wales (NSW), Australia.



1896

The origins of QV are formed

Government Valuation Department established providing valuation of properties for government purposes

1998

Contestible market for rating valuations established

- New Zealand rating valuation market deregulated
- Quotable Value Limited founded as a Crown entity

2000

QV enters Australian market

Quotable Value Australia Pty Limited (QVA) established with first rating contract

QV's technologial innovation begins

New Zealand's first District Valuation Roll electronic platform launched

2005

Commercial acquisitions in New Zealand and Australia

- Darroch & Associates acquired
- Egan Australasia acquired
- QV becomes an SOE
- SalesDirect, New Zealand's first digital sales notice platform, wins New Zealand property award

2009

New Zealand acquisition

DTZ acquired in New Zealand

2011

QV uses technology to simplify rating valuation processes

Online objection portal goes live with prepopulating information

2015

QV digital innovation with two new products

- QV CostBuilder launched
- QV Homeguide property app launched

2016

QV focus on core business

QV sells its stake in CoreLogic NZ

QV technology allows crowdsourced data

QV launches homeowner portal where homeowners can lodge property changes online

2018

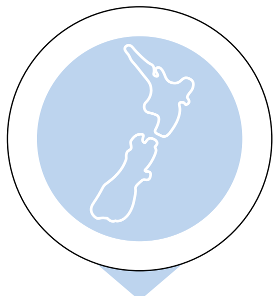
QV technology provides best-in-class platform allowing data insights in real time

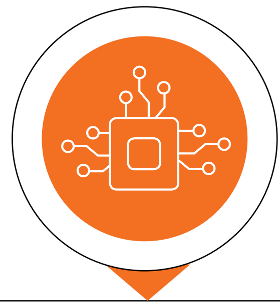
QV launches its next generation property and analytics platform

2019

Leveraging leading professional property services business to be more successful

Decision to merge Darroch and QV





2018-2019 Highlights

EBITDA $2.3 million, against a budget of $2.1 million
Pre IFRS adjustment

9,150 full residential market valuations completed

Improved efficiency and resilience with our core technology services now fully migrated to the cloud

76,000 building consents and **33,000** subdivisions processed

60 large scale portfolio asset valuation projects completed

Strategic review of Darroch resulting in decision to **merge Darroch into QV**, enabling greater leverage of skills and resources

11 rating valuation contracts 100% of contracts retained that expired

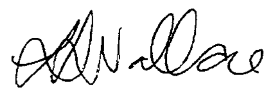
Completed our Monarch technology programme, delivering next generation technology to the business and our customers

Supporting our team, with eight graduates gaining registered valuer status

Our gender mix is 42% female and 58% male. Females in leadership and Board level positions exceed 50%

Acting Chair's statement

Welcome to QV's consolidated annual report for the 2019 year. QV is focused on delivering property intelligence to help government, business and the public make better decisions.



Kim Wallace Acting Chair

We have had a sound year, where we have made noteworthy progress against our strategy. We are pleased to report a total revenue of $35.1m and pre-tax profit of $0.8 million (before impairment of goodwill of $0.5 million and NZ IFRS 15 adjustments to revenue of $0.9 million). Revenue reflects the triennial nature of rating contracts, which has resulted in lower revenue recognised in the current year. Pleasingly the financial performance and outlook supported payment of a dividend of $240,000 to our shareholder subsequent to balance date.

This is a good achievement, particularly given the highly competitive and changing market environment we are operating in. Today we face more competition and disruption than ever before both from within our sector and from the technology sector. As a result, we are focused on adding value to our existing customers, products and services, as well as exploring opportunities to leverage off the core business and diversify our revenue base in order to deliver growth. Our strategy is straightforward – to continue to focus on our core business, operating efficiently and responsibly, while also looking for opportunities to partner with our customers and others to push the boundaries of property intelligence. The Board considers the business is making steady progress against these objectives.

Our core valuation services are strong and have continued to perform well. However, the Darroch business has been a challenge, performing well below expectations. Darroch faces ongoing costs and resourcing pressure with aggressive competitors. We have undertaken a full review of the business and our options. This process showed that Darroch has solid business potential that is aligned with QV business objectives. As a result, the Board has decided to amalgamate the Darroch business into QV subsequent to year end, to enable the two businesses to share resources, reduce overhead, and have a more unified workforce. We look forward to leveraging the resultant larger and stronger QV business to deliver revenue growth, and to be more successful and competitive through this amalgamation.

QV is committed to good governance. Our strategic objectives have been realigned and refreshed including strengthening our understanding of our customer needs and partnering opportunities. This also ensures our rich data sets are central to supporting the government, business and the public to make sound property decisions. Additionally, our financial oversight of the business performance, processes and compliance continues to be a key focus. We have significantly strengthened our key policies, reporting and controls to ensure they are consistent with public sector best practice. Policies such as sensitive expenditure, travel and delegated authority have all been reviewed alongside technology, fraud, anti-bribery, procurement and code of conduct policies. We have also implemented a new Financial Management Information System, delivering more automated processes and providing a better control environment. To support our new technology systems and platforms we have instituted a new technology governance group. This group reviews all projects with significant technology components. The Board is pleased with these developments.

2019 was a year of change for the Board. Raewyn Lovett retired during the year after leading the company as Chair for four years and having been on the Board for eight years. David Cameron-Brown, Neil Barr and Bennett Medary also ended their terms with the QV Board in 2019. Our sincere thanks go to all four for their outstanding service to QV. We warmly welcome Gregory Fortuin as new Board Chair and Hon Mark Burton as Director from August 2019.

On behalf of the Board, I would also like to thank Jacquie and the QV team for their hard work over the year. QV and its predecessors have been trusted to deliver property intelligence for over 100 years. The QV Board are pleased to present this updated 2019 Annual Report including comprehensive insights into our business strategy and performance. QV's Board and management are proud of our heritage and New Zealand ownership. We look forward to continuing to support our government and business customers to make better property decisions. Decisions which are essential for New Zealand's prosperity and wellbeing.

Our core strengths

QV is at the heart of nearly every property transaction in New Zealand. We have been trusted property experts for more than 100 years. We strive to provide property information to help government and business customers make better decisions for New Zealand's prosperity and wellbeing.

We are New Zealand owned and operated, and invested in New Zealand's wellbeing

- We have been trusted by New Zealand to value properties for more than **100 years**
- Total dividend of $38m paid over the last 5 years, including special dividends of $29m

We are New Zealand's largest property valuation information business, employing more than 250 people, across all New Zealand regions and NSW, Australia

- Our property experts serve New Zealand from **17 locations**
- We employ and **train more graduate valuers** than anyone in New Zealand
- We hold the rating valuation contracts for **17% of NSW** including the Sydney CBD

We have strong market presence and wide reach, working with central and local government and a broad range of business customers

- We are the market leader in New Zealand, serving **87%** of New Zealand councils and all major residential lending banks
- **70%** of all property sales transactions are recorded via QV's SalesDirect – a free digital sales notification platform

We have invested in sector leading and next generation technology platforms

- Our QV CostBuilder platform pulls residential cost data from more than **100 data sources** and is used by businesses and tertiary organisations across New Zealand
- Updatemyproperty.co.nz crowdsourcing application is being promoted to property owners to **update data** held on their property

Trusted reputation and strong brand recognition with customers and the public

- **77%** brand awareness amongst all New Zealanders
- We are trusted by **64%** of customers and ratepayers and viewed as independent by **77%**

QV: delivering property intelligence to help government, business and the public make better decisions

Our market environment

Customers expect more

- We are operating in a rapidly changing market
- Customers are expecting more for less
- Collaboration creates new possibilities

Technology provides new opportunities

- Enabling real-time data intelligence
- Achieving efficiency gains through automation

Meeting shareholder and societal expectations

- Driving for commercial success
- Delivering greater societal value

Our scope of activities

Market valuations

Specialist property valuations for the residential, commercial and rural sectors

Rating valuations

Rating valuations provided for 87% of the New Zealand councils and 17% in NSW, Australia

Asset valuations

Independent, specialist asset valuations for financial reporting purposes

Property management

Property portfolio management for private and public sector organisations

Property intelligence and tools

Providing market intelligence, data analytics, tools and customised solutions

- QV CostBuilder
- SalesDirect
- QV Homeguide
- Database management

Our core customers

While most New Zealanders benefit from our property data and intelligence, our core customers are:

- Central government, including departments and other SOEs and Crown entities
- Local government, including city, district and regional councils across New Zealand and NSW, Australia
- Business, including banking/insurance, property, construction and education

Our strategy

Partnering

We are trusted by our customers and the wider sector to facilitate accessible and comprehensive property data and intelligence

Pushing boundaries

We are continually pushing boundaries to deliver more across our existing operations and to solve customer challenges

Operating responsibly

We are committed to being commercially successful, enabling ongoing investment in our technology and people, while delivering sustainable returns to our shareholder and New Zealand

Our core strengths

- We are New Zealand owned and operated, and invested in New Zealand's wellbeing
- We employ 250 property experts, who are on the ground across all New Zealand regions and NSW, Australia
- We have strong market presence and wide reach, working with central and local government and a broad range of business customers
- We have a trusted reputation and strong brand recognition with customers and the public
- We have invested in sector leading and next generation technology platforms

Chief Executive's statement

QV's operational results are in line with expectations, and reflect our continued investment in our business.

Jacquie Barker CEO

Earnings before interest, tax, depreciation and amortisation (EBITDA), impairment and NZ IFRS 15 adjustments were $2.3 million against a budget of $2.1 million. This result reflects the success of our core business, offsetting a disappointing result for Darroch. The ongoing challenges in the Darroch business have resulted in the impairment of goodwill for that business this financial year of $0.5 million. As expected, Group revenue (before NZ IFRS 15 adjustments) was $35.1 million, which was less than the previous year due to the cyclical nature of our core valuation business over a three-year period and reduced activity in Darroch.

In the current year, the Group has also applied a number of amendments to NZ IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Adoption of NZ IFRS 15 Revenue from Contracts with Customers has resulted in an adjustment of $0.9 million to revenue related to the triennial nature of contracts with our council customers for rating services.

The table below compares the current financial year with last year on a like for like basis.

	30 June 2019 (post NZ IFRS 15)	Adjustment (NZ IFRS 15)	30 June 2019 (pre NZ IFRS 15)	30 June 2018
Revenue	$34.2m	-$0.9m	$35.1m	$38.2m
EBITDA	$1.4m	-$0.9m	$2.3m	$2.5m
Impairment	$0.5m	-	$0.5m	-
PBT	-$0.6m	-$0.9m	$0.3m	$1.1m
Net assets	$8.2m	-$0.4m	$8.6m	$8.4m

A key focus for the business this year has been to refresh our strategy. Our operating environment continues to evolve, providing both challenges and opportunities. We recognise that we need to do what we currently do more effectively, while also investing in opportunities which may diversify our revenue base to enable growth. We are going about this organically, which minimises risk and costs, but means it will take time to realise the full benefit of our initiatives.

Our strategy has three parts. First and foremost, we must continue to focus on our core business. We are committed to operating responsibly and being commercially successful. We are investing in our people and technology to ensure we deliver more for our customers, more efficiently.

Furthermore, we are exploring opportunities to deliver more across our existing operations and to develop solutions to solve customer challenges. These concepts are not new. They reflect what we have done successfully over many years, and what we need to do more of to continue to deliver for our shareholder.

Alongside these initiatives we are focused on leveraging our trusted position with customers and the wider sector to facilitate accessible and comprehensive property data and intelligence.

We have achieved a solid result in 2019 and progressed well on our strategic initiatives. Our people continue to deliver for our customers with energy and enthusiasm, embracing change and building the foundations for our future. I would like to personally thank all the QV family for their loyalty, commitment and passion for property.

"First and foremost, we must continue to focus on our core business. We are committed to operating responsibly and being commercially successful. We are investing in our people and technology to ensure we deliver more for our customers, more efficiently."

Successful year for rating valuations

A core part of our business is rating valuations, where we continue to be the market leader. In New Zealand we hold a market share of 87%. This means there is little room for further rating growth in a finite market. We are in a good position but are also facing strong competition. We are required to constantly retender or renegotiate for work. We are pleased to report that this year the New Zealand rating team has retained all 11 contracts which expired. Tendering is standard practice in our sector, with even more contracts expiring next year.

The rating valuation business is cyclical, with workflow dependent on the number of our council customers requiring revaluations in a given year. This was our lowest year for revaluation work, and we successfully completed all of our revaluations on time and have met or exceeded all quality standards. This year included two large contracts – Wellington City and Hamilton City.

In the first half of the year we also completed revaluation objection work from the previous year for Auckland Council. There was an issue reported in the media around this process. We worked closely with our customer throughout the programme of work to complete all objections. We are delighted to have been awarded a new contract from Auckland Council for their next revaluation due out in 2020. This is a great result, reflecting the ongoing relationship with Auckland Council over many years and professionalism of our team.

The revaluation process is a big part of the rating contracts. But just as important is the roll maintenance we carry out for our council customers every year. We are in an active property market and this is reflected in the substantial maintenance work have we carried out. This year we processed more than 76,000 building consents and more than 33,000 subdivision updates.

Asset and market valuations

Asset and market valuations are also highly competitive markets, in which QV has performed well. We have successfully delivered in excess of 60 large asset valuation projects, of which 10 are across New Zealand-wide portfolios. Our clients in this sector range from Housing New Zealand and large councils with substantial property portfolios, through to smaller councils and individual investors. We have carved a niche position in this market due to our ability to value mass volumes of properties nationwide at one date.

> "We have carved out a niche position in nationwide portfolio valuations due to our ability to value mass volumes of properties nationwide at one date."

We also provide market valuation work, predominately to the banking sector for lending purposes. We sit on panels providing services to all the main banks. We also have a close relationship with Heartland Bank, supporting them with valuations for reverse mortgages for their client base across New Zealand.

Darroch to join QV

Darroch's results have been below expectations in recent years. This year Darroch delivered a loss before tax of $0.6m. This included an impairment of goodwill of $0.5m. This is the result of a tight and highly competitive market. Darroch has lost scale, making it difficult to compete with large international firms across the sector. As a result, we have conducted a thorough review of the business to assess our options. This process has confirmed that Darroch is a good business, with strategic alignment with QV, and we have therefore decided to amalgamate the business into QV after year end. All Darroch people will be brought across to QV and the Darroch brand will be retained. We believe this will help both businesses to be stronger and more successful, by leveraging our relationships across both business units and our customer base. The amalgamation will enable a more appropriate cost base, integration of technology and tools and a deeper collaboration for our people, driving greater revenue opportunities.

We are focused on working closely with the Darroch team and turning the business around in terms of both profitability and people engagement. The decision is aligned with our strategy of focusing on our core business to be as efficient as possible and leveraging our relationships and customer base.

Providing trusted rating valuations across New Zealand and Australia

UPDATED THE DVR WITH
76,000
new building consents

PROCESSED
33,000
subdivision valuations

REVALUED MORE THAN
330,000
properties for 17 councils

PROCESSED
4,660
revaluation objections

Rating valuation services are a foundation of our business. For more than 100 years, local government organisations have relied on our services for their most important income stream, rates. We take this responsibility very seriously, ensuring a reliable, consistent and transparent process.

Rating valuations and data management

We carry out the property valuations for councils, every three years. We are also the custodian of their property data, maintaining the district valuation roll (DVR) on behalf of our customers. This means updating property information as a result of building consents, subdivisions and property sales. Our Monarch technology platform accurately and securely captures the data and connects effectively with the DVR. It is flexible and can be adapted to meet specific customer needs.

Established market leaders

In New Zealand we have an 87% market share, working with 60 councils, and providing rating valuations for more than 1.8 million properties. We also work with councils in New South Wales, where we hold 17% market share. We employ more valuers than anyone else in New Zealand – with a team of 170 valuers, of whom 92 are registered.

Professional consultancy services that give New Zealand property owners peace of mind

In the last financial year, QV professional consultants completed in excess of 11,000 property valuation reports including:

9,150
Residential reports

1,485
Rural reports

130
Commercial reports

Our expertise crosses the full property spectrum. Whether it's a rural property in need of a farm valuation, a residential property requiring a full market valuation, or a renovation project in need of a construction valuation, QV's independent, registered property valuers are market leaders. Our professional consultancy services provide insights into a property's true value, based on in-depth market analysis. We also provide insights into how a property's value can be maximised.

Residential

Residential valuations include new builds, apartments, multi-unit properties, vacant land and high value property. These valuations are used for a wide range of purposes including sale and purchase decisions, mortgage security, financial planning, compensation and financial reporting purposes.

Rural

Lifestyle holdings through to large scale dairy and pastoral units require valuations for a wide range of purposes including tax apportionments, sale and purchase, mortgage security, financial planning, compensation and financial reporting purposes. QV's rural division also provides advice and support to Land Information New Zealand for the management of the Crown's pastoral lease portfolio and associated land.

Commercial

Our commercial client base includes central government departments, tertiary institutions, local government, corporate companies through to private individuals and trusts. The focus of these valuations includes financial reporting compliance, sum insured asset protection, portfolio sell down advice, rental feasibility options, land compensation and market security.

Quotable Value Australia (QVA) realignment

Quotable Value Australia (QVA) is a natural extension of our New Zealand rating valuation business. We have been in NSW since 2000, and have held the prestigious Sydney CBD contract for the past 19 years. We have had a challenging year where we retendered for all our government work. All rating and taxation contracts have been aligned in New South Wales with the purpose of reducing the number of contract areas. While we were successful in retaining contracts for a five-year term, and as a result of the tender process we have lost 10% of our previous revenue. Management acted quickly to the outcome and as a result the business was only slightly below budgeted expectations. On the back of the restructuring of the business, our Sydney team moved into a managed shared office space. This is the first time a team within our business has adopted this style of accommodation. We have also shifted the core supporting technology system from an internal, bespoke system to a licensed platform supplied within the Australian market to reduce complexity and overheads of the business.

Growth opportunities

Our environment continues to evolve. Our customers are also expecting more for less. New approaches and technology are changing how services are delivered and experienced. We understand these developments and the need to keep up with customer expectations. We are taking a cautious approach, looking to partner more with our customers and to evolve our products and services. In 2019 we have worked hard to get closer to our customers, better understanding their pain points so that we can support them with their business goals. We have held workshops with some key customers, which has resulted in our finding ways to improve our services and, in some cases, in new revenue opportunities. We are looking forward to extending this collaborative approach with more of our customers in the future.

> "We have worked hard to get closer to our customers, better understanding their pain points so that we can support them with their business goals."

This year we have also further developed our CostBuilder platform. This product provides up-to-date construction cost data. It combines more than 100 different data feeds from inside and outside our business to provide elemental cost breakdowns for residential building costs. This year we have automated the platform. This project has been delivered on time and budget and has already begun delivering benefits. The new approach not only provides faster and more accurate data, which is more accessible for our customers, but it has also delivered cost savings to QV. This is a good example of our strategy in action, taking a considered approach to developing an existing product.

Upgrading our technology

This year we completed our Monarch technology programme. We started this project in July 2016 as it was identified to be a critical requirement to protect our core business and enable future growth opportunities. While the Monarch programme is now complete, we recognise that there is more work to do and our platforms will need to be continually updated to ensure we deliver to our customers' expectations. This is acknowledged as part of doing business today.

As a result of the Monarch programme, we can now provide our core customers with confidence and certainty that QV is reducing its technology risk profile and is investing in its future and leading the industry with technology, tools and interfaces that no other provider in the market has delivered. The programme has also provided significant process improvements, allowing us to deliver these services more efficiently than before.

The Monarch programme has also delivered a robust foundation to support us to continually evolve our core products as well as enable new products and services. Today data in itself is not enough; our customers want predictive modelling, data analytics and deep insights – and they want them in real time. We now have a platform that will enable us to develop products that meet our customers' future needs.

Digital innovation for the property sector

MORE THAN

2,500

active users of the CostBuilder platform

70%

of all property sales updated via QV SalesDirect

QV's homeowner portal is available to property owners to update data held on their property

We are integrating our technology platforms to enable automated updates and deeper property insights

QV provides a range of digital products which provide an extension of our traditional valuation services and support our broader property information base.

Supporting the construction sector

CostBuilder powered by QV provides building and construction cost data. It draws information from more than 100 data sources. Elements include earthworks type, labour rates and specific material costs by location across New Zealand. CostBuilder works on a subscription model. The platform is widely used by the building sector and academics across New Zealand.

Supporting up-to-date property information

Our SalesDirect platform allows solicitors to electronically lodge property sales notices. This is a free, digital platform, which saves solicitors time, while also ensuring councils, businesses and the public have fast and accurate information. Approximately 70% of all property sales use QV SalesDirect, reducing the sale notification time from 6-12 weeks to just three days.

Crowdsourcing homeowner information

QV's homeowner portal provides a platform where homeowners can update their property information and improve the accuracy of rating valuations. Homeowners use the portal to tell us about the improvements they have completed on their property for inclusion on the rating valuation roll. This portal is being rolled out by our council clients as they undertake rating revaluations. The platform is helping increase the data quality, while also providing us with greater efficiencies during the revaluation process.

Moving to the cloud

During the year we completed our migration of all core software applications and desktop systems to the cloud. This has enabled us to implement a range of new, sophisticated tools for management, monitoring, security and capacity planning. We also have access to new tools developed internationally that support our analytics platforms.

A key benefit is that our technology is now fully scalable, and largely consumption based, delivering considerable cost savings. The other benefit is the new approach provides improved resilience, and disaster recovery. This has been a major project for the technology team, and we are pleased to report that all services were successfully transferred without disruption of services.

Supporting our people

Our people are a core strength and a differentiator compared with our competitors. Our property expertise is unrivalled, and we continue to nurture our core skill sets. Over 65% of our people are property valuers and we recruit new graduates every year. We are committed to ensuring our valuers attain registration by mentoring and coaching them through a three-year programme of work. This year eight of our graduates gained registration status. This is a substantial achievement.

We want to ensure our people feel valued and well rewarded, and we strive to provide clear and rewarding career paths. We have reinvigorated our on-boarding process for new members of the team and have upgraded our internal communications, with our intranet now being actively and effectively used by our people. We implemented a new employee Net Promoter Score survey, which has been supplemented with quick polls to provide real-time feedback.

We recognise that there are new skill sets which we also require to deliver on our strategy. Technology and data expertise are now a key part of our requirement, and we have established a new technology team to manage our technology platform as well as to help develop products.

> "Our property expertise is unrivalled, and we continue to nurture our core skill sets."

A diverse team

We are proud to be a diverse business. We have 250 people working across all regions of New Zealand and in New South Wales, Australia. Our people range in years of service to QV from newly joined to those with over 40 years' experience with us. The average service tenure of our people is 10 years across the whole business. Our gender mix is 42% female and 58% male. Females in leadership and Board-level positions exceed 50%, and 30% of our valuers are female – which is higher than the industry average. We believe diversity is important – it ensures our people closely represent the customers they serve. It also provides us with diversity of thought, ensuring we can be more innovative in how we work and what we do.

Our market and strategy

Our purpose: delivering property intelligence to help government, business and the public make better decisions.

Our market environment

Customers expect more

We are operating in a rapidly changing market: Our valuation business is facing more competition than ever before both from within our sector and from the technology sector. On the information side the barriers to entry have reduced and professional services compliance costs have increased. We must add value to existing products and services and diversify our revenue base.

Customers are expecting more for less: Our customers are looking for new and unique experiences and solutions, but do not want to pay more. They are open to looking at alternative approaches and ways of finding the information they need.

Collaboration creates new possibilities: Existing property information is fragmented and held by multiple agencies, making it inefficient for users. In the new sharing economy, our customers and partners are more open to secure data collaboration with trusted partners. We are ideally placed to provide access to more property information. We are exploring solutions to help solve this pain point for our customers.

Technology provides new opportunities

Enabling real-time property intelligence: Rapid technological advancement and widespread technology adoption create opportunities to develop new and improved products and services. Today data in itself is not enough; our customers want predictive modelling, data analytics and deep insights – and they want it in real time. This requires ongoing investment of resources and capital.

Achieving efficiency gains through automation: Automation is providing opportunities for greater efficiency gains, saving us time and money. This also allows us to better use the expertise of our people to deliver more specialised property intelligence.

Meeting shareholder and societal expectations

Driving for commercial success: Our market is changing, requiring new technology and capability investments which will take time to deliver a return. We therefore need to be even more efficient to deliver greater value from our existing operations to ensure ongoing shareholder returns.

Delivering greater societal value: As an SOE we understand the importance of the Government's Living Standards Framework. Property is New Zealand's biggest asset class. There is an opportunity to provide greater property intelligence, helping to drive our economy and contributing to areas of taxation, construction and infrastructure planning, as well as disaster planning and environmental protection.

Our strategy

Partnering

Using our trusted position with customers and the wider sector to facilitate accessible, comprehensive property data and intelligence.

Pushing boundaries

We are continually pushing boundaries to deliver more across our existing operations to solve customer challenges.

Operating responsibly

We are committed to being commercially successful, enabling ongoing investment in our technology and people, while delivering sustainable returns to our shareholder and New Zealand.

Our strategic priorities

- Establishing formal collaboration frameworks
- Delivering profitable customer-led solutions
- Ongoing investment in technology and capabilities to support existing and new business opportunities
- Increasing customer loyalty and satisfaction by lifting the customer experience
- Improving efficiency across existing operations
- Improving financial systems and governance framework
- Engagement and wellbeing
- Being a force for good

Directors' Responsibility Statement

For the year ended 30 June 2019

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the consolidated financial statements which give a true and fair view of the consolidated statement of financial position of Quotable Value Limited and its subsidiaries ('the Group') as at 30 June 2019 and the results of their consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year ended 30 June 2019. The Group comprises Quotable Value Limited, Darroch Limited, and Quotable Value Australia Pty Limited.

The Directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances that have been consistently applied and are supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the consolidated financial statements of the Group for the year ended 30 June 2019.

This annual report is dated 30 August 2019 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Kim Wallace Director

Paula Jackson Director

Dated: 30 August 2019

Financial statements

For the year ended 30 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $NZ'000	2018 $NZ'000
Revenue			
Trading revenue	2 (a)	34,168	38,172
Investment revenue	2 (b)	16	27
Total revenue		**34,184**	**38,199**
Expenses			
Administration expenses		923	983
Consulting expense		1,134	584
Depreciation and amortisation expense	3 (a)	1,418	1,385
Finance costs		82	62
Impairment expense		489	-
Marketing expenses		204	271
Occupancy expenses		1,584	1,759
Operating expenses	3 (b)	4,967	5,771
Other expenses	3 (c)	2,061	2,147
Personnel expenses	3 (d)	21,897	24,137
Total expenses		**34,759**	**37,099**
Profit/(Loss) before taxation		(575)	1,100
Income tax expense/(benefit)	4	(19)	308
Profit/(Loss) for the year net of tax, attributable to owners of the Group		**(556)**	**792**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Translation of foreign operations	19	(16)	(5)
Other comprehensive income for the year net of tax		**(16)**	**(5)**
Total comprehensive income for the year, attributable to owners of the Group		**(572)**	**787**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 $NZ'000	2018 $NZ'000
Current assets			
Cash and cash equivalents	6	1,249	1,827
Trade and other receivables	7	5,373	6,184
Contract assets	8	1,820	-
Total current assets		**8,442**	**8,011**
Non-current assets			
Property and equipment assets	9	201	217
Goodwill	10	659	1,148
Intangible assets	11	7,074	6,791
Deferred taxation	4 (c)	477	412
Taxation receivable		-	220
Total non-current assets		8,411	8,788
Total assets		**16,853**	**16,799**
Current liabilities			
Contract liabilities	8	2,200	-
Trade and other payables	16	2,079	2,465
Borrowings	14	1,780	2,572
Employment entitlements	17	2,027	2,682
Provisions	18	49	71
Taxation payable		28	103
Total current liabilities		**8,163**	**7,893**
Non-current liabilities			
Employment entitlements	17	236	240
Provisions	18	259	297
Total non-current liabilities		495	537
Total liabilities		**8,658**	**8,430**
Net assets		**8,195**	**8,369**
Equity			
Issued capital	5	**4,600**	**4,600**
Foreign currency translation reserve	19	**225**	**241**
Retained earnings	20	3,370	3,528
Total Equity		**8,195**	**8,369**

For and on behalf of the Board, who authorised the issue of these financial statements on 30 August 2019.

Kim Wallace Director

Paula Jackson Director

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Issued Capital $NZ'000	Retained Earnings $NZ'000	Foreign Currency Translation Reserve $NZ'000	Total $NZ'000
Balance as at 1 July 2017		**4,600**	**4,392**	**246**	**9,238**
Profit/(Loss) for the year, net of tax		-	792	-	792
Other comprehensive income, net of tax		-	-	(5)	(5)
Total comprehensive income for the year		**-**	**792**	**(5)**	**787**
Payment of dividends	20	-	(1,656)	-	(1,656)
Balance as at 30 June 2018 (as previously reported)		**4,600**	**3,528**	**241**	**8,369**
NZ IFRS 15 adjustment	1 (f)	-	398	-	398
Balance as at 1 July 2018		4,600	3,926	241	8,767
Profit/(Loss) for the year, net of tax		-	(556)	-	(556)
Other comprehensive income, net of tax		-	-	(16)	(16)
Total comprehensive income for the year		**-**	**(556)**	**(16)**	**(572)**
Payment of dividends	20	-	-	-	-
Dividends declared		-	-	-	-
Balance as at 30 June 2019		**4,600**	**3,370**	**225**	**8,195**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 $NZ'000	2018 $NZ'000
Cash flows from operating activities			
Cash was provided from:			
Revenues from operations		35,955	37,527
Interest received		16	27
Net GST (paid)/received		(81)	3
		35,890	37,557
Cash was applied to:			
Payments to employees and suppliers		33,154	35,736
Interest paid		82	62
Income tax paid (received)		56	958
		33,292	36,756
Net cash flows from operating activities	21	**2,598**	**801**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property and equipment assets		16	10
		16	10
Cash was applied to:			
Purchase of property and equipment assets and intangible assets		(2,400)	(3,799)
		(2,400)	(3,799)
Net cash flows from investing activities		**(2,384)**	**(3,789)**
Cash flows from financing activities			
Cash was provided from:			
Loan advance		-	2,009
Dividends received		-	-
		-	2,009
Cash was applied to:			
Repayment of loan advance		(792)	-
Dividends paid		-	1,656
		(792)	1,656
Net Cash flows from financing activities		**(792)**	**353**
Net increase (decrease) in cash and cash equivalents		(578)	(2,636)
Cash and cash equivalents as at 1 July		1,827	4,463
Cash and cash equivalents as at 30 June	6	**1,249**	**1,827**

The accompanying notes form part of these consolidated financial statements.

Consolidated notes to and forming part of the consolidated Financial statements

For the year ended 30 June 2019

1. Statement of Accounting Policies

a) Reporting Entity

The consolidated financial statements incorporate the assets and liabilities of Quotable Value Limited ('the Company' or 'the Parent') and its subsidiaries as at 30 June 2019 and the results of all subsidiaries for the year then ended. Quotable Value Limited and its subsidiaries together are referred to in these financial statements as the Group. The Group comprises of Quotable Value Limited and Darroch Limited, which are registered under the Companies Act 1993 and Quotable Value Australia Pty Limited which is registered in Australia under the Corporations Act 2001.

Quotable Value Limited is a State-Owned Enterprise in terms of the State-Owned Enterprises Act 1986 and became a State-Owned Enterprise on 25 January 2005. The Parent is incorporated and domiciled in New Zealand and is wholly owned by the Crown. The ultimate shareholder of the Group is the Minister of Finance and Minister of State-Owned Enterprises on behalf of the Crown. Its principal activity is the provision of property valuations and data. All the Companies in the Group are designated as for profit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and complying with GAAP.

The consolidated financial statements were authorised for issue by the Directors on the date stated in the Consolidated Statement of Financial Position.

The entity's owners or others do not have the power to amend the financial statements after issue.

b) Statement of Compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the requirements of the State-Owned Enterprises Act 1986.

They comply with NZ IFRS and other applicable Financial Reporting Standards. Compliance with NZ IFRS ensures that the consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

c) Basis of Preparation

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

d) Functional and Presentation Currency

These financial statements are presented in New Zealand dollars ($), which is the Parent's functional currency. All financial information presented in New Zealand dollars has been shown in thousands and is rounded to the nearest thousand dollar.

e) Changes in Accounting Policies

The Group has updated the accounting policies consistent with the requirements of the new and revised NZ IFRS requirements as discussed below.

f) Application of new and revised International NZ Financial Reporting Standards (NZ IFRSs)

In the current year, the Group has applied a number of amendments to NZ IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

1. Statement of Accounting Policies (continued)

Impact of application of NZ IFRS 9 Financial instruments

In the current year, the Group has applied NZ IFRS 9 Financial instruments (as revised in July 2014) and the related consequential amendments to other NZ IFRSs in advance of their effective dates. NZ IFRS 9 introduced new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements are described in note 15. There was no impact on the balances recognised.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied NZ IFRS 15 Revenue from Contracts with Customers (as amended in April 2016). NZ IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in NZ IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied NZ IFRS 15 in accordance with the modified retrospective transitional approach. The Group has elected to apply this Standard retrospectively only to contracts that are not completed contracts as the date of initial application of the entity, being 1 July 2018. As a result, comparatives have not been restated.

NZ IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue'. However, the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in NZ IFRS 15 to describe such balances. The Group's accounting policies for its revenue streams are disclosed in detail in note 2 below. As well as providing more extensive disclosures on the Group's revenue transactions, the application of NZ IFRS 15 has had a significant impact on the financial position and financial performance of the Group. The amount of adjustment for each financial statement line item affected by the application of NZ IFRS 15 for the current year is illustrated below.

Impact on assets, liabilities and equity as at 1 July 2018	
Contract assets (1)	2,289
Deferred tax liabilities (2)	(155)
Contract liabilities (current) (1)	(1,736)
Retained earnings	(398)

(1) For the triennial general valuations, there is a timing difference between payment for the service and when the service is delivered to the customer. An adjustment to revenue has therefore been made to reflect the change in accounting. The Council contracts entitle the Group to bill for services on a monthly basis. When delivery of the service is completed before the Group has been entitled to full bill, a contract asset is recognised in respect to that contract. When the Group has billed under the contract and the service has not been delivered, a contract liability is recognised in respect to that contract.

(2) To recognise the impact on deferred income tax of the other adjustments recognised.

Standards and Interpretation in issue not yet adopted:

NZ IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires that when an entity has not applied a new Standard or Interpretation that has been issued but is not yet effective, it shall make disclosures of the possible impact on its financial statements in the period of initial application.

The following are the new revised Standards or interpretations that are not yet required to be adopted by entities preparing financial statements for periods ending 30 June 2019:

CONSOLIDATED NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. Statement of Accounting Policies (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 16 "Leases"	1 January 2019	30 June 2020
Annual improvements to NZ IFRSs 2015-2017 Cycle	1 January 2019	30 June 2020

These NZ IFRSs will be adopted when they first become mandatory. Significant changes are discussed below:

NZ IFRS 16 Leases

NZ IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. NZ IFRS 16 will supersede the current lease guidance including NZ IAS 17 leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of NZ IFRS 16 for the Group will be 1 January 2019.

The new standard will change how the Group accounts for leases previously classified as operating leases under NZ IAS 17, which were off balance sheet. On initial application of NZ IFRS 16, for all leases (except as noted below), the Group will:

- Recognise right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right of use assets and interest on lease liabilities in the consolidated statement of comprehensive income;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent free period) will be recognised as part of the measurement of the right of use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight line basis. Under NZ IFRS 16, right of use assets will be tested for impairment in accordance with NZ IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as car parks, personal computers and office furniture), the Group will opt to recognise a lease expense on a straight line basis as permitted by NZ IFRS 16.

The distinction between operating and finance leases has been removed – assets and liabilities will now be recognised in respect of all leases, with the exception of certain short-term leases and leases of low value assets.

The Group is currently finalising the impact of the new standard and has yet to quantify the impact.

Annual Improvements to NZ IFRSs 2015-2017

The Annual Improvements to NZ IFRSs 2015-2017 Cycle include a number of amendments to various NZ IFRSs, which are summarised below.

The amendments to NZ IFRS 3: Business Combinations clarifies that when an entity obtained control of a business that is a joint operation, then it remeasures interests previously held in that business.

The amendments to NZ IFRS 11: Joint Arrangements clarifies that when an entity obtains joint control of a business that is a joint operation, then it does not remeasure interests previously held in that business.

The amendments to NZ IFRS 12: Income Taxes clarifies that all income tax consequences of dividends should be recognised in profit and loss, regardless of how the tax arises.

The amendments to NZ IAS 23: Borrowing costs clarifies that when calculating the capitalisation rate on general borrowings, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, then that borrowing becomes part of the funds that the entity borrows generally.

The full impact of these new standards on the financial statements is under consideration and currently has not been fully assessed.

1. Statement of Accounting Policies (continued)

(g) Critical accounting estimates

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed within the notes referred to below:

Property and equipment assets useful lives and residual value – Note 9

Intangible assets useful lives and residual value – Note 11

Retirement and long service leave – Note 17 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Goodwill impairment

A review of goodwill is undertaken annually to determine that the carrying amount shown in the Consolidated Statement of Financial Position exceeds the recoverable amount based on the cash generating units of the Group. Note 10 provides an analysis of the carrying amount of goodwill.

(h) Critical judgements in applying the Group's accounting policies

Management has exercised the following critical judgements in applying the Group's accounting policies for the period ended 30 June 2019:

Capitalisation and impairment of intangible assets

Internally generated intangible assets can only be capitalised to the extent they meet the criteria outlined in our research and development accounting policy. Any expense not meeting the capitalisation criteria is recognised as research and development expense in profit or loss. Judgement is required in determining whether all the capitalisation criteria have been met and at what point and this consideration is undertaken on a case by case basis for significant projects. Research and development expenditure is disclosed in Note 3 (c) and capitalised intangible assets in Note 11.

(i) Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Consolidated Statement of Financial Position.

(j) Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit/(loss) within the Consolidated Statement of Comprehensive Income.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018.

2. Revenue

Trading Revenue

The Group derives revenue through the provision of services to third parties which include triennial valuation services, other valuation services - council contracts, database management services and income from investments.

Revenue is measured based on the consideration specified in a contract with a customer. Payment is typically due on a monthly basis, and pricing is determined on the cost plus margin approach.

Triennial general valuation

The triennial general valuation is identified as a separate performance obligation from the day to day services because there is a significant amount of time and resource required to undertake the general valuation and its timeframe is clearly identified in the contracts. Therefore a Council would expect the Group to deliver the general valuation independent to any other valuation related services.

As the valuation is performed every three years and the fee is set annually, a portion of the contract fee has been allocated to the triennial general valuation performance obligation and is recognised over time of delivering the services.

Other valuation services – Council contracts

The Group is essentially at a stand ready position to undertake the various services for the Councils. The Councils will receive the benefits as the services are being performed over time, therefore a portion of the contract fee has been allocated to the other valuation service performance obligation and is recognised annually when the service is performed.

Property services

The following have been identified as separate performance obligations as these are clearly identified in the contracts:
Lease management, Facilities Management and Portfolio Management.

Revenue for the performance obligations are recognised as follows, when the service has been delivered to the customer:

- Lease management – Darroch is required to be at a 'stand-ready' position which means it needs to be ready to deliver the necessary services for managing the leases. This meets the first criteria for recognising the performance obligation over time.
- Facilities management – Darroch is required to be at a 'stand-ready' position which means it needs to be ready to deliver the necessary services for managing the facilities and being available for the property help desk services. This meets the first criteria for recognising the performance obligation over time.
- Portfolio management – Darroch is at a 'stand-ready' position which means it needs to be ready to deliver the necessary services in accordance with its responsibilities under the contract. This meets the first criteria for recognising the performance obligation over time.

Database management services

The database management services requires the Group to maintain the data securely so that Councils can access the valuation data.

Revenue for database management services has been recognised over the time of performing the service.
The service is continuous over each year of the contract therefore the fee determined within the contract is recognised each year and revenue is recognised in equal instalments each month.

Disbursements

The disbursement revenue requires the Group to perform services on behalf of customers for which they are reimbursed.

Revenue for disbursements has been recognised at the point in time of performing the service.

2. Revenue (continued)

Interest revenue

Interest revenue is recognised at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

	2019 $NZ'000	2018 $NZ'000
Revenue and expenses from continuing operations includes:		
(a) Trading revenue		
Revenue from rendering services	-	38,172
Triennial general valuations	18,858	-
Other valuation services – Council contracts	8,305	-
Database management services	1,470	-
Property management services	1,859	-
Property valuations	3,303	-
Disbursements	373	-
	34,167	**38,172**
b) Investment revenue		
Interest income	16	27
	16	27

3. Expenses

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 Group 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 Group, 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.

3. Expenses (continued)

	Notes	2019 $NZ'000	2018 $NZ'000
Expenditure from continuing operations includes:			
(a) Depreciation and amortisation expense			
Amortisation of intangible assets		1,294	1,147
Depreciation		124	238
		1,418	**1,385**
(b) Operating expenses			
Communication expenses		388	458
Computer operating expenses		3,852	4,447
Travel expenses		313	451
Vehicle expenses		414	415
		4,967	**5,771**
(c) Other expenses			
Audit fees	3 (e)	142	141
Bad debts recovered		(3)	(3)
Bad debts written off		22	12
Movement in provision for bad debts		(15)	(9)
Board expenses		245	281
Direct valuation costs		911	657
Insurance		663	643
Loss on disposal of assets		9	18
Other costs		5	10
Research & development		83	397
		2,062	**2,147**
(d) Personnel expenses			
Personnel expenses		21,282	23,475
Superannuation contributions		615	662
		21,897	**24,137**
(e) Auditors' remuneration			
Amounts paid or payable to the auditors for:			
The audit of the Group's consolidated financial statements – Audit New Zealand on behalf of the Office of the Auditor-General		127	124
The audit of the real estate trust accounts – RSM Hayes		15	17
		142	**141**

4. Income Tax

a) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The prima facie income tax expenses on pre-tax accounting profit from operations reconciles to the income tax expenses in the financial statements as follows:

	2019 $NZ'000	2018 $NZ'000
Relationship between tax expense and accounting profit		
Profit/(Loss) from operations	(575)	1,100
Income tax expense at 28% (2018: 28%)	(161)	308
Plus/(less) tax effect of:		
Non deductible expenditure	146	10
Prior period adjustment	-	(6)
Impact of tax rates in different jurisdictions	(4)	(6)
Other	-	2
	(19)	308
Components of tax expense		
Current tax expense	201	313
Deferred tax	(65)	(134)
Tax on NZ IFRS 15 adjustment	(155)	-
Prior period adjustment	-	129
Tax expense/(benefit)	(19)	308

b) Imputation credit account

	2019 $NZ'000	2018 $NZ'000
Imputation credits available for use in subsequent periods	480	480
Franking credits – Quotable Value Australia Pty Limited ('QVA')	1,459	1,437

c) Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

4. Income Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The following table shows the deferred tax liability for the year:

	2019 $NZ'000	2018 $NZ'000
Balance as at 1 July	412	278
Movements during the year:		
Temporary differences	65	134
Balance as at 30 June	477	412

The following table shows a breakdown of movements in deferred tax assets and liabilities for the year:

Deferred tax assets/(liabilities)	2018 Opening balance $NZ'000	2019 Charged to income $NZ'000	2019 Charged to equity $NZ'000	2019 Closing balance $NZ'000
Gross deferred tax liabilities:				
Property and equipment assets	(266)	(419)	-	(685)
Work in progress	(195)	155	-	(40)
	(461)	(264)	-	(725)
Gross deferred tax assets:				
Employee entitlements	440	(163)	-	277
Doubtful debt and impairment losses	9	(9)	-	-
Imputation credits converted to losses	-	-	-	-
Tax losses carried forward	303	427	-	730
Provisions	121	74	-	195
	873	329	-	1,202
Total	412	65	-	477

Deferred tax assets/(liabilities)	2017 Opening balance $NZ'000	2018 Charged to income $NZ'000	2018 Charged to equity $NZ'000	2018 Closing balance $NZ'000
Gross deferred tax liabilities:				
Property and equipment assets	(25)	(241)	-	(266)
Work in progress	(210)	15	-	(195)
	(235)	(226)	-	(461)
Gross deferred tax assets:				
Employee entitlements	393	47	-	440
Doubtful debt and impairment losses	9	-	-	9
Tax losses carried forward	-	303	-	303
Provisions	111	10	-	121
	513	360	-	873
Total	278	134	-	412

5. Share Capital

	2019 $NZ'000	2018 $NZ'000
Balance at 1 July	4,600	4,600
Balance as at 30 June	4,600	4,600

At 30 June 2019 the Group has authorised and issued 4,600,000 shares fully paid (2018: 4,600,000). The shares have no par value. All shares carry equal voting rights and the right to share in any surplus on winding up of the Group. None of the shares carry fixed dividend rights. There is no right of redemption attached to these shares.

6. Cash and Cash Equivalents

Cash comprises cash on hand and on-demand deposits. Cash equivalents are short-term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown with borrowings in current liabilities in the Consolidated Statement of Financial Position.

	2019 $NZ'000	2018 $NZ'000
Cash at bank	1,246	1,824
Petty cash	3	3
Balance as at 30 June	**1,249**	**1,827**

The carrying value of short-term deposits in cash at bank with maturity dates of three months or less approximates their fair value.

7. Trade and Other Receivables

Accounts receivable are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Work in progress is work undertaken but not invoiced at month end.

	2019 $NZ'000	2018 $NZ'000
Trade Receivables from contracts with customers	4,661	4,723
Allowance for doubtful debts	-	(34)
Allowance for expected credit losses	-	-
	4,661	4,689
Related party receivables – trade	11	11
Prepayments	278	273
Work in progress	423	1,211
Balance as at 30 June	**5,373**	**6,184**

The average credit period on sales of services is 30 days. No interest is charged on the trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trace receivables are estimated using a provision matrix by reference to past default experience of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised an expected credit loss allowance of nil against all receivables because historical experience has indicated that receivables are generally recoverable and therefore the risk profile is considered low.

7. Trade and Other Receivables (continued)

2019

Not past due	84%
Past due 1-30 days	9%
Past due 31-60 days	1%
Past due 61+ days	6%

2018

Not past due	90%
Past due 1-30 days	7%
Past due 31-60 days	1%
Past due 61+ days	2%

Aged debtors schedule for the Group

	2019 $NZ'000			2018 $NZ'000		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	3,911	-	3,911	4,228	-	4,228
Past due 1-30 days	431	-	431	316	-	316
Past due 31-60 days	68	-	68	35	-	35
Past due 61+ days	251	-	251	144	(34)	110
Total trade receivables for the Group	**4,661**	**-**	**4,661**	**4,723**	**(34)**	**4,689**

Movement in provision for doubtful debts

	2019 $NZ'000	2018 $NZ'000
Balance at 1 July	34	34
Additional provisions made / (released) during the year	(15)	9
Bad Debts recovered	**3**	**3**
Receivables written off during the period	**(22)**	**(12)**
Balance as at 30 June	**-**	**34**

8. Contract Assets / Liabilities

These amounts relate to contracts with customers for triennial general valuation services that arise when the Group receives payments from customers in line with the performance obligations. The Group will previously have recognised revenue on a monthly basis for any work performed. Any amount previously recognised as a contract asset is reclassified to revenue at the point at which control has been transferred to the customer.

Payment for triennial general valuation services is due from the customer on a monthly basis and therefore a contract asset / (liability) is recognised over the period in which triennial general valuation services are performed to represent the entity's right to consideration for the services transferred to date.

	2019 $NZ'000	2018 $NZ'000
Triennial general valuation services		
Balance at 1 July	-	-
NZ IFRS 15 adjustment - 1 July 2018		
Recognition of contract asset	2,289	-
Recognition of contract liability	(1,736)	-
Opening equity adjustment (before tax)	553	-
Revenue recognised during the year	(933)	-
Balance as at 30 June	**(380)**	**-**
Current asset	1,820	-
Current liability	(2,200)	-
Balance as at 30 June	**(380)**	**-**

9. Property and Equipment Assets

Property and equipment asset classes consist of leasehold improvements, motor vehicles, office equipment, furniture and fittings, general and core application hardware.

Property and equipment assets are stated at cost less depreciation and impairment losses.

Additions

The cost of an item of property and equipment assets is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost of the property or equipment assets can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Any gains and losses on disposals are included in the profit or loss.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the property and equipment assets can be measured reliably.

The day-to-day servicing costs of property and equipment assets are recognised in the profit/loss within the Consolidated Statement of Comprehensive Income when they are incurred.

Depreciation

Property and equipment assets 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.

9. Property and Equipment Assets (continued)

Impairment of Assets

The Group reviews the carrying amounts of its finite life tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In that case the recoverable amount of the asset is estimated in order to determine the extent of impairment loss if any.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less the cost to sell and value in use.

An impairment loss is recognised in the profit/loss in the Consolidated Statement of Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Asset	Depreciation Rate
Furniture and fittings	15%
Motor vehicles	20%
Office equipment	33%
General hardware	25%
Core application hardware	25%
Leasehold improvements	33%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

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.

In the year ended 30 June 2019 there were no:

- items of property or equipment assets which were not in current use
- impairment losses recognised or reversed in the current period
- borrowing costs capitalised
- restrictions on title relating to property and equipment assets or items pledged as security for liabilities.

9. Property and Equipment Assets (continued)

The following schedule shows the movements of property and equipment assets for the years ended 30 June 2018 and 2019:

	Leasehold improvements $NZ'000	Motor vehicles $NZ'000	Office equipment $NZ'000	Furniture & fittings $NZ'000	General hardware $NZ'000	Core application hardware $NZ'000	Total $NZ'000
Cost							
Balance as at 1 July 2017	1,322	232	125	558	234	77	2,548
Additions	13	-	5	5	-	-	23
Effect of foreign exchange	-	-	-	(5)	(2)	-	(7)
Disposals	(73)	(40)	(12)	(68)	(24)	-	(217)
Balance as at 30 June 2018 / 1 July 2018	1,262	192	118	490	208	77	2,347
Additions	5	-	3	1	107	-	116
Disposals	-	-	(10)	(26)	(48)	-	(84)
Balance as at 30 June 2019	1,267	192	111	465	267	77	2,379
Accumulated depreciation and impairment losses							
Balance as at 1 July 2017	(1,115)	(195)	(112)	(373)	(209)	(77)	(2,081)
Disposals	71	40	11	44	23	-	189
Depreciation expense	(158)	(21)	(7)	(49)	(3)	-	(238)
Balance as at 30 June 2018 / 1 July 2018	(1,202)	(176)	(108)	(378)	(189)	(77)	(2,130)
Disposals	-	-	10	18	48	-	76
Depreciation expense	(52)	(11)	(4)	(39)	(18)	-	(124)
Balance as at 30 June 2019	(1,254)	(187)	(102)	(399)	(159)	(77)	(2,178)
Net book value							
As at 1 July 2017	207	37	13	185	25	-	467
As at 30 June 2018	60	16	10	112	19	-	217
As at 30 June 2019	13	5	9	66	108	-	201

Property and equipment assets useful lives and residual value

At each balance date the Group reviews the useful lives and residual values of its property and equipment assets. Assessing the appropriateness of useful life and residual value estimates of property and equipment assets requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Consolidated Statement of Comprehensive Income, and carrying amount of the asset in the Consolidated Statement of Financial Position.

The Group minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values.

10. Goodwill

Goodwill

Goodwill on acquisition of subsidiaries is recognised as an asset and separately identified.

Impairment

Goodwill is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the profit/loss within the Consolidated Statement of Comprehensive Income and is not subsequently reversed.

	2019 $NZ'000	2018 $NZ'000
Gross carrying amount		
Balance as at 1 July	10,007	10,007
Balance as at 30 June	10,007	10,007
Accumulated impairment losses		
Balance as at 1 July	(8,859)	(8,859)
Impairment loss for year	(489)	-
Balance as at 30 June	(9,348)	(8,859)
Net book value as at 1 July	1,148	1,148
Net book value as at 30 June	659	1,148
Allocated to the following Cash Generating Units (CGUs):		
Quotable Value Limited	659	659
Quotable Value Australia Pty Limited	-	-
Darroch Limited	-	489
Balance as at 30 June	659	1,148

Impairment testing for CGUs containing goodwill:

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Quotable Value Limited CGU

The recoverable value of the Quotable Value Limited CGU was based on a Value in Use (VIU) calculation using the Discounted Cash Flow (DCF) methodology. The recoverable value was in excess of the carrying value of the CGU and therefore no impairment has been recognised (2018: Nil). The key assumptions in the VIU calculation were:

- Cash Flows were projected based on a 3 year business plan as approved by the Board of Directors. Revenue (less interest) is forecasted to decrease by 8.6% over the 3 year period relative to FY19 actual revenue (less interest) (2018: 1.3% decrease relative to FY18 revenue (less interest)).
- Cash Flows beyond a three year period have been extrapolated using a growth rate of 3% (2018: 2%) which reflects long term inflation expectations.
- A discount rate of 11.6% (2018: 11.6%) per annum has been applied to the cash flows.

10. Goodwill (continued)

Darroch Limited CGU

The recoverable value of the Darroch Limited CGU was based on a Value in Use calculation. The recoverable value was less than the carrying value of the CGU and therefore an impairment has been recognised. The key assumptions in the VIU calculation were:

- Cash Flows were projected based on a 3 year business plan as approved by the Board of Directors. Revenue (less interest) is forecast to decrease by 9.4% over the 3 year period relative to FY19 actual revenue (less interest) (2018: 1.5% increase relative to FY18 revenue (less interest)).
- Cash Flows beyond a three year period have been extrapolated using a growth rate of 2% (2018: 2%) which reflects long term inflation expectations.
- A discount rate of 20% (2018: 20%) per annum has been applied to the cash flows.

11. Intangible Assets (Finite)

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset.

Staff training costs are recognised as an expense when incurred.

Costs of maintaining computer software are recognised as an expense when incurred.

Costs of developing and maintaining the Group website are recognised as an expense when incurred.

Database and software

The Quotable Integrated Valuation System II Database ('QIVS'), Monarch Project, other projects and software are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Impairment of assets

The Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In that case the recoverable amount of the asset is estimated in order to determine the extent of impairment loss if any.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less the cost to sell and value in use.

An impairment loss is recognised in the profit/loss in the Consolidated Statement of Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

Asset	Amortisation Rate
QIVS II Database	33%
Software	33%
Monarch Project & Other projects	15%

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases the date the asset is derecognised. The amortisation charge for each financial year is recognised in the profit/loss.

The Monarch Project has a remaining amortisation period of 6 years.

11. Intangible Assets (Finite) (continued)

The Group owns and operates its own proprietary software supporting the operations of the business. An example of this type of software is the QIVS platform which is integral to many of its operational processes. The QIVS platform is being replaced by Monarch which was completed during the current financial year.

The fair value of the intangible assets is approximately equal to their carrying amount. In the year ended 30 June 2019 for the Group there were no:

- impairment losses recognised or reversed in the current period;
- borrowing costs capitalised; and
- restrictions on title relating to intangible assets or items pledged as security for liabilities.

The following schedule shows the movements of intangible assets for the years ended 30 June 2018 and 2019:

a) Movements in intangible assets

	Computer software $NZ'000	QIVS $NZ'000	Work–in–Progress $NZ'000	Monarch $NZ'000	Total $NZ'000
Gross carrying amount					
Balance as at 1 July 2017	6,087	6,422	71	2,822	15,402
Additions	16	-	1,508	2,558	4,082
Transfers	-	-	(71)	71	-
Disposals	(13)	(45)	-	-	(58)
Balance as at 30 June 2018 / 1 July 2018	6,090	6,377	1,508	5,451	19,426
Additions	49	-	1,546	-	1,595
Transfers	352	-	(2,815)	2,463	-
Disposals	(799)	(406)	(17)	-	(1,222)
Balance as at 30 June 2019	5,692	5,971	222	7,914	19,799
Accumulated amortisation and impairment losses					
Balance as at 1 July 2017	(5,059)	(6,305)	-	(180)	(11,544)
Disposals / Adjustments	13	45	-	-	58
Effect of foreign exchange	(2)	-	-	-	(2)
Amortisation	(450)	(60)	-	(637)	(1,147)
Balance as at 30 June 2018 / 1 July 2018	(5,498)	(6,320)	-	(817)	(12,635)
Disposals	799	406	-	-	1,205
Effect of foreign exchange	(2)	-	-	-	(2)
Amortisation	(192)	(35)	-	(1,066)	(1,293)
Balance as at 30 June 2019	(4,893)	(5,949)	-	(1,883)	(12,725)
Net book value					
As at 1 July 2017	1,028	117	71	2,642	3,858
As at 30 June 2018	592	57	1,508	4,634	6,791
As at 30 June 2019	799	22	222	6,031	7,074

The Group has reviewed the value of the QIVS database and Monarch project in accordance with the impairment test and, as the databases support operational business processes, their value is estimated to be greater than the carrying value. The Group believes that the databases hold their value on a going concern basis as revenue generating capacity continues.

WIP in the table above relates to significant items purchased at balance date for projects being undertaken. They will be allocated to specific capital items in Monarch or software on completion.

12. Subsidiaries

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NZ IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The Group's goodwill accounting policy is set out in note 10.

The consolidated financial statements incorporate the financial statements of the Company (Quotable Value Limited) and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Quotable Value Limited has two subsidiary companies (2018: two subsidiaries).

	Percentage of holding at balance date				
Name of company	2019	2018	Principal activities	Country of domicile and incorporation	Balance date
Subsidiaries					
Darroch Limited	100	100	Property Valuation and Management	New Zealand	30 June
Quotable Value Australia Pty Limited (unaudited and incorporated)	100	100	Property Valuation	Australia	30 June

13. Related Party Information

Quotable Value Limited is a State-Owned Enterprise in terms of the State-Owned Enterprises Act 1986.

a) Related party transactions with entities related to key management personnel and Directors

		2019 $NZ'000	2018 $NZ'000
Duncan Cotterill Limited	Sales	9	10
Duncan Cotterill Limited	Accounts receivable	10	-
Duncan Cotterill Limited	Director's fees	54	-
Marcon Limited	Director's fees	25	-
Port Nelson Limited	Director's fees	-	19
Stratus Limited	Director's fees	12	5

All transactions between entities and directors within the group were at normal market prices and on normal commercial terms. There are no guarantees to or from any related parties.

(b) Balances arising from sales/purchases of goods and services

	2019 $NZ'000	2018 $NZ'000
Receivables from related parties (note 7)		
Darroch Limited (100% owned subsidiary)	1	11
Payables to related parties		
Darroch Limited (100% owned subsidiary)	81	85
Sale of services		
Darroch Limited (100% owned subsidiary)	135	206
Purchases of services		
Darroch Limited (100% owned subsidiary)	77	121

Purchases from related parties are made at terms equivalent to those that prevail on commercial terms. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There are no guarantees provided or received for any related party receivable or payable. There is no provision held against receivables from related parties (2018: Nil). In addition Darroch Limited paid Quotable Value Limited $803,098 (2018: $786,176) and Quotable Value Australia Pty Limited paid Quotable Value Limited $224,944 (2018: $219,552) for expenses recharged by Quotable Value Limited.

No related party balances have been written off or impaired during the year (2018: Nil).

c) Compensation of key management personnel

Key management personnel include all board members, the Chief Executive and the four (2018: four) other members of the executive team. Compensation paid to these members is as follows:

	2019 $NZ'000	2018 $NZ'000
Salaries and short term benefits	1,627	1,776
Post-employment benefits (e.g. Kiwisaver)	42	57
Termination benefits	-	89
Total key management personnel compensation	**1,669**	**1,922**

14. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method.

Borrowing costs

Interest expense is accrued on a time basis using the effective interest method. All borrowing costs are recognised as an expense in the period in which the charge relates to.

	2019 $NZ'000	2018 $NZ'000
Current		
Westpac New Zealand money market	1,780	2,572
Balance as at 30 June	**1,780**	**2,572**
Current	1,780	2,572
Non-current	-	-
Balance as at 30 June	**1,780**	**2,572**

The bank overdraft is made available only subject to the terms of an unsecured negative pledge. The facility available totals $1,000,000 (2018: $1,000,000). No overdraft is drawn down at balance date.

The bank money market facility is made available only subject to the terms of an unsecured negative pledge. The facility currently available totals $4,500,000 (2018: $4,500,000). There are no fixed repayment terms. The loan is due to expire on 31 July 2020. Of the available facility $1,780,000 (2018: $2,572,000) has been used at balance date.

At balance date there is a business MasterCard facility of $71,500 (2018: $83,500) of which $3,939 (2018: $5,032) is drawn down.

The transition to NZ IFRS 15 during the period has resulted in differences in timing of revenue recognition. As a result, Quotable Value Limited has technically breached the Interest Cover Ratio covenant condition attached to the Westpac NZ Money Market Loan (balance at 30 June 2019: $1,780,000). Quotable Value Limited is in discussions with Westpac to review the covenant definitions and calculations to align with the new revenue accounting standards.

The carrying value of borrowings approximates their fair value.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash-flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2018	Financing cash flows*	Non-cash changes	2019
Money market – call	2,572	(792)	-	1,780
Total liabilities from financing activities	**2,572**	**(792)**	**-**	**1,780**

*The cash flows from long-term and short-term debt make up the amount of proceeds and repayments presented in the statement of cash flows.

15. Financial Instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group designates cash and cash equivalents and trade and other receivables (excluding prepayments) as financial assets at amortised cost. The Group has not designated financial assets as fair value through profit or loss or fair value through other comprehensive income.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For these financial instruments, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "investment revenue" line item.

15. Financial Instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group has not recognised a loss allowance in the current year.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped based on the nature of the financial instrument, size and nature of the debtor and external credit ratings where available. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

15. Financial Instruments (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group designates its trade and other payables and borrowings as financial liabilities at amortised cost. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates in Australia which requires the entities to enter into transactions denominated in Australian dollars (AUD). The Group holds small balances of AUD on call with international banks. As a result of these activities, exposure to currency risk arises.

Sensitivity analysis

As at 30 June 2019, if the NZD had strengthened by 10% against the AUD with all other variables held constant, the profit for the year would have been $80,188 lower. An identical increase in profit would have been recorded if the NZD had weakened 10% against the AUD.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligation to the Group, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 6), and net trade and other receivables (note 7).

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables. The Group has no significant concentration of credit risk, as its credit customers are relatively small.

The Group only invests funds with registered banks with specified Standard and Poor's credit ratings of AA- and above.

15. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty meeting their short-term commitments as they fall due. The Group manages liquidity risk by maintaining sufficient cash by preparing monthly cash flow reports and budgets. The debtor's collection process and cash position is monitored daily.

The carrying amount of financial assets and liabilities are as follows:

	2019 $NZ'000	2018 $NZ'000
Financial assets at amortised cost		
Cash and cash equivalents	1,249	1,827
Trade and other receivables (excluding prepayments)	5,095	5,911
Total financial assets at amortised cost	6,344	7,738
Financial liabilities at amortised cost		
Creditors and other payables	1,490	1,814
Borrowings – secured loans	1,780	2,572
Total financial liabilities at amortised cost	3,270	4,386

The contractual cash flows for borrowings – secured loans is the same as its carrying amount. This is due to the borrowings being on call therefore can be repaid at any time during the period. As a result, the interest payable on the settlement of the borrowing can vary depending on the repayment date and has been excluded from the estimated contractual cash flows. Historically the Group pays the borrowings – secured loans within 12 months from balance date.

16. Trade and Other Payables

Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

	2019 $NZ'000	2018 $NZ'000
Trade payables	723	1,157
Income in advance	170	151
Accruals	767	657
GST payable	419	500
Balance as at 30 June	2,079	2,465

The average credit period on invoices is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

CONSOLIDATED NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

17. Employment Entitlements

Short-term employee entitlements

Provision is made in respect of the Group's liability for wages and salaries, 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.

Long-term employee entitlements

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 the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the Consolidated Statement of Comprehensive Income as incurred.

Australian schemes

The Group contributed to a number of defined contribution superannuation plans. Contributions to superannuation plans are based on percentages of employee gross salaries. Obligations for contributions are recognised as an expense in the Statement of Comprehensive Income as incurred.

	2019 $NZ'000	2018 $NZ'000
Employment entitlements consists of:		
Holiday pay	803	1,045
Accrued salaries and wages	1,239	1,639
Other employee entitlements	222	238
Balance as at 30 June	2,263	2,922
Current	2,027	2,682
Non-current	236	240
Balance as at 30 June	2,263	2,922

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using discount rates prescribed by Treasury and calculated as at 30 June 2019. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A salary inflation factor of 2.5% (2018: 2.5%) was used.

18. Provisions

Provisions

Provisions are recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

18. Provisions (continued)

Make good provision

The Group has an obligation to return lease premises to the same condition as at the commencement of the lease. The amount recognised is the best estimate of the consideration required to settle this obligation. In many cases, the Group has the option to renew leases, which impacts on the timing of expected cash outflows to make good the premises. Assuming this is not exercised the first cash-flows associated with this would occur in 2020.

The Group is subject to professional indemnity claims in the course of its business. The Group reassesses the likelihood of successful claims at least annually. The Group's current assessment is that the likelihood of an outflow is remote. Accordingly, the Group has reversed its previous provisions. Determination of any provision is subjective, with the settlement of claims being dependent on a number of factors including whether or not the claimant suffered loss.

	Make good $NZ'000	Total $NZ'000
Movements in provisions		
Gross carrying amount		
Balance as at 1 July 2017	**354**	**354**
Amount reversed	(32)	(32)
Amount provided	46	46
Amount utilised	-	-
Balance as at 30 June 2018 / 1 July 2018	**368**	**368**
Amount reversed	(60)	(60)
Amount provided	-	-
Amount utilised	-	-
Balance as at 30 June 2019	**308**	**308**
Current	49	71
Non-current	259	297
Balance as at 30 June	**308**	**368**

19. Foreign Currency Translation Reserve

Foreign currency translation differences of foreign operations are recognised through other comprehensive income and accumulated in equity in a foreign currency translation reserve.

Assets and liabilities of foreign operations are translated at the closing rate. Revenue and expense items are translated at Treasury mid month exchange rates over the year, as a surrogate for the spot rates at transaction dates. Exchange differences are taken through other comprehensive income and then accumulated to a foreign currency translation reserve in equity.

	2019 $NZ'000	2018 $NZ'000
Balance as at 1 July	241	246
Arising on translation of foreign operations	(16)	(5)
Balance as at 30 June	**225**	**241**

Exchange differences relating to the translation of AUD being the functional currency of Quotable Value Australia Limited into NZD are brought to account by entries made directly to the foreign currency translation reserve.

CONSOLIDATED NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

20. Retained Earnings and Dividends

	2019 $NZ'000	2018 $NZ'000
Balance as at 1 July	3,528	4,392
NZ IFRS 15 adjustment (refer note 1 (f))	398	-
Balance as at 1 July 2018	**3,926**	**-**
Profit/(loss) for the year and attributable to the equity holders	(556)	792
Dividends paid during the year – normal	-	(1,656)
Balance as at 30 June	**3,370**	**3,528**

During the year no dividend was declared or paid to holders of fully paid ordinary shares (2018: 36 cents per share). Subsequent to year end a dividend of $0.5 cents per ordinary share was declared and paid.

21. Reconciliation of Profit/Loss for the Period to Net Cash Flows from Operating Activities

Operating activities include cash received from all income sources of the 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.

	2019 $NZ'000	2018 $NZ'000
Profit/(Loss) for the period	(556)	792
Depreciation	124	238
Amortisation of intangible assets	1,294	1,147
Impairment expense	489	-
Foreign exchange movement	(16)	-
Movement in provision for doubtful debts	(34)	-
Loss/(gain) on sale of property and equipment assets	9	18
Deferred tax	(65)	(134)
Recognition of revenue (non-cash adjustment of NZ IFRS 15)	933	-
Changes in net assets and liabilities:		
Decrease/(increase) in receivables	846	(144)
Increase/(decrease) in payables	384	(369)
Increase/(decrease) in provisions	(60)	-
Increase/(decrease) in employee entitlements	(659)	(250)
Increase/(decrease) in GST payable/receivable	(81)	19
Increase/(decrease) in tax payable	(10)	(516)
Net cash from operating activities	**2,598**	**801**

22. Contingent Liabilities

Bonds

The Group has performance bonds for contracts undertaken in Australia together with rental bonds on properties occupied. The table below details the values associated with the Group for these bonds:

	2019 $NZ'000	2018 $NZ'000
Rental bonds	156	183
Contract performance bonds	1,140	938
Total bond value	1,296	1,121

Professional indemnity claims

The Group is not currently subject to any quantified or unquantified professional indemnity claims.

Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003 (the Act). During the year the Group instructed its payroll service provider to assess its compliance with the Act. The assessment identified some instances of non-compliance with the calculation methods prescribed by the Act.

The Group instructed Deloitte to estimate the amount of the consequential shortfall in holiday pay. Deloitte calculated a benchmark range gained from experience on over 20 payroll recalculations at an individual employee level, performed at both public and private sector entities. The benchmark range was applied to 6 years of Group payroll data.

The advice the Group received estimates the potential liability could be in the range of $0.5m to $1.5m for the Group, comprising $0.4m to $1.1m for Quotable Value and $0.1m to $0.4m for Darroch. Given the high level of uncertainty the final outcome could fall outside this range.

The Group is committed to become compliant and to remediate historic payroll liabilities for current and former employees. The remediation project is a significant undertaking and will commence in the new financial year. The final outcome of the remediation project cannot be determined with any certainty at this time and therefore no provision has been recognised at 30 June 2019.

Legal costs

Two valuers are awaiting the outcome of separate inquiries by the Valuers Registration Board (VRB). One valuer is awaiting direction from the VRB and the other is scheduled to have a formal VRB hearing in the next financial year.

A provision has not been recognised as final decisions are yet to be made in both cases. The majority of the exposure would be in legal fees, with the remaining costs being VRB costs and fines.

23. Contingent Assets

The Group has received a credit from a supplier to be applied to services purchased from 1 July 2020. The directors believe it is probable that the Group will receive a credit on purchases made in the next financial year of $18,466 (2018: $100,000).

CONSOLIDATED NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

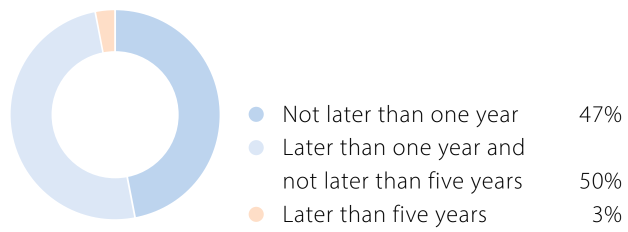
24. Commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

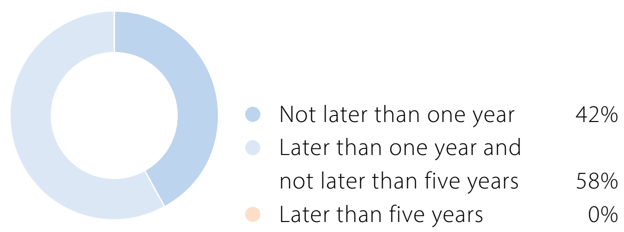
Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Consolidated Statement of Comprehensive Income.

2019



2018



	2019 $NZ'000	2018 $NZ'000
Leases payable		
Non-cancellable operating lease commitments, payable:		
Not later than one year	903	1,168
Later than one year and not later than five years	960	1,616
Later than five years	47	-
Total commitments	**1,910**	**2,784**

The Group has lease commitments primarily in relation to office rents, car parks and IT hardware.

Most properties have the option of extending leases although these are reviewed at the time of renewal for necessity and continuation.

There are no restrictions placed on the Group by its leasing arrangements.

During the year the Group made minimum lease payments of $1,312,548 (2018: $1,666,052).

25. Capital Management

The Group's capital is equity and borrowings. Equity comprises accumulated funds and other reserves and is represented by net assets. Borrowings are held with the bank as outlined in note 14.

The Group is subject to the financial management and accountability provisions of the State Owned Enterprises Act 1986.

The Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Group achieves its objectives and purpose whilst remaining a going concern.

The Group manages its borrowings through a target gearing ratio as determined by its Statement of Corporate Intent. Refer to the Statement of Key Performance Indicators for the current year achievement against target.

26. Subsequent Events

Darroch Limited

At its meeting on 22 July 2019, the Board of Directors of Quotable Value Limited (the Board) resolved to fold Darroch Limited into Quotable Value Limited. A number of options for giving effect to this resolution were considered by the Board at its meeting on 26 August 2019 and the decision was made to amalgamate Darroch Limited and Quotable Value Limited using the short form amalgamation provisions under the Companies Act 1993 on a date that is yet to be determined. Quotable Value Limited will be the amalgamated (continuing) company and Darroch Limited will be disestablished.

Dividends declared

On 22 July 2019, the directors declared a dividend of $0.05 cents per ordinary share (refer note 20). The dividend was paid on 24 July 2019.

There were no other significant subsequent events.

Statement of Key Performance Indicators

For the year ended 30 June 2019

Financial performance indicators

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

Specified financial performance	Group Achievement 2019	Group Achievement 2018	SCI Target* 2019
Gross margin	33.25%	46.00%	46.23%
Surplus after tax, impairment and amortisation before dividends ($'000)	(556)	792	405
Surplus after taxation and impairment/revenue	(1.63%)	2.07%	1.14%
EBIT/tangible assets	(5.89%)	13.44%	8.81%
Interest cover (EBITDA/interest)	11.09	41.08	10.10
Shareholder return	(1.31%)	5.28%	2.24%
Dividend yield	0.00%	11.11%	3.87%
Dividend payout	0.00%	75.77%	24.66%
Operating margin (EBITDA)	2.66%	(2.52%)	6.01%
Current ratio	103.42%	101.49%	105.27%
Net debt/net debt + equity ratio (maximum 30%) gearing ratio	6.08%	8.17%	7.93%
Return on equity	(6.91%)	8.94%	5.10%
Return on capital employed (EBIT/ave debt + equity)	(4.60%)	11.42%	6.44%

* The SCI targets for 2019-2021 did not include the impact of adoption of NZ IFRS 15 from 1 July 2018.

Statement of Key Performance Indicators (continued)

For the year ended 30 June 2019

Non-financial performance indicators

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

	Group Achievement 2019	Group Achievement 2018	SCI Target 2019
Customer			
Rolling 12-month Net Promotor Score[1]	*48%*	Not Improved	*64%*
Data and insights freely available on a quarterly basis	Achieved	New Target	Meet
Valuation Education available during revaluation period	Achieved	New Target	Meet
Brand credibility			
QV provides independent information	*77%*	New Target	*72%*
Trust QV's information	*64%*	New target	*68%*
People			
Scholarships[2]	Achieved	New Target	Maintain
Flexibility available to at least 20% of QV people[3]	Achieved	New Target	Meet
Environmental			
Air travel, fuel, electricity and paper (per FTE)	$3,165	New Target	$3,370

Notes

1 Rolling 12-month Net Promotor Score (NPS)

In the full year to 30 June 2019 QV has moved to conducting the survey frequency to coincide with the cyclical nature of QV and our customers' businesses. Survey frequency and methodology has been revised. 2019 now reflects a new benchmark for NPS due to this change.

2 Scholarships

As part of our on-going commitment helping New Zealand to grow property professionals, we have created entry-level opportunities to enable students and graduates to gain experience. We have hired 3 employees who are studying at university, contributing financially towards the completion of their studies and providing them with the opportunity to learn from experienced members of the team.

3 Flexibility

Approximately 22% of our people are on work arrangements outside of a permanent 40 hour week. Across the organisation flexibility comes in many forms such as working from home or for personal commitments when balancing our busy work and home life. These additional arrangements are not covered within the 22%.

Statutory Information

For the year ended 30 June 2019

1. Directors' remuneration

Directors of the Group during the year, and remuneration and other benefits paid to the Directors by the companies were $196,654 (Parent) (2018: $217,574) and subsidiaries $29,533 (2018: $37,333).

Director	Period	Board	2019 $NZ'000	2018 $NZ'000
Raewyn Lovett Appointed Chair 1 May 2015, term ended 30 April 2019	Partial year	Quotable Value Limited	39	46
	Partial year	Quotable Value Australia Pty Limited	4	5
	Partial year	Darroch Limited	8	10
Roger Bridge Appointed Deputy Chair 1 May 2016, term ended 30 April 2018	N/A	Quotable Value Limited	-	21
	N/A	Darroch Limited	-	8
Kim Wallace Appointed 1 May 2012 Appointed Deputy Chair 1 June 2018 Appointed Acting Chair 1 May 2019	Full year	Quotable Value Limited	29	27
Stephen Panckhurst Appointed 11 March 2013 term ended 31 October 2018	Partial year	Quotable Value Limited	7	24
David Cameron–Brown Appointed 1 May 2016, term ended 30 April 2019	Partial year	Quotable Value Limited	20	23
Neil Barr Appointed 1 May 2016, term ended 30 April 2019	Partial year	Quotable Value Limited	20	23
	Partial year	Darroch Limited	8	10
Paula Jackson Appointed 1 November 2016	Full year	Quotable Value Limited	23	23
Bennett Medary Appointed 1 January 2017, term ended 30 April 2019	Partial year	Quotable Value Limited	20	23
Conor English Appointed 1 May 2018	Full year	Quotable Value Limited	23	4
Jacquie Barker Appointed 1 May 2011 – QVA Appointed 17 December 2015 – Darroch	Full year	Quotable Value Australia Pty Limited	-	-
	Full year	Darroch Limited	-	-
Greg Cate Appointed 18 December 2014	Full year	Darroch Limited	-	-
Ben Driller Appointed 1 July 2013	Full year	Quotable Value Australia Pty Limited	4	4
Joanne Conroy Appointed 1 November 2018 – QV, December 2018 – Darroch	Partial year	Quotable Value Limited	16	-
	Partial year	Darroch Limited	5	-

2. Employees' remuneration

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

	Group 2019	Group 2018
$100,000 - $109,999	8	12
$110,000 - $119,999	13	13
$120,000 - $129,999	7	7
$130,000 - $139,999	3	1
$140,000 - $149,999	3	6
$150,000 - $159,999	1	1
$160,000 - $169,999	-	3
$170,000 - $179,999	3	3
$180,000 - $189,999	2	4
$190,000 - $199,999	4	2
$200,000 - $209,999	3	3
$210,000 - $219,999	2	2
$220,000 - $229,999	3	-
$230,000 - $239,999	1	1
$240,000 - $249,999	-	1
$270,000 - $279,999	-	2
$290,000 - $299,999	1	-
$320,000 - $329,999	1	1
$350,000 - $359,999	-	1
$470,000 - $479,999	1	1

STATUTORY INFORMATION
For the year ended 30 June 2019

3. Interests register

A directors' interests register is maintained by the Board as listed below:

Raewyn Lovett Chair Term ended 30 April 2019	Partner, Duncan Cotterill, Lawyers Chair, Auckland Sport Trustee, Christian Healthcare Trust Chair, Dunedin Venues Management Limited Trustee, Sir Ray Avery Foundation Director, Sport NZ (resigned 24 July 2018) Director, Duncan Cotterill Limited
Kim Wallace Deputy Chair until 30 April 2019, Acting Chair from 1 May 2019	Director, Port Nelson Limited Director, AgResearch Limited (appointed 6 July 2018) Owner/Director, Kim Wallace Limited Independent Governance Advisor NZTA/KiwiRail – NCTIR Alliance (appointed 8 February 2019) Independent Committee Chair, Christchurch City Council's Audit & Risk Management Committee (appointed 1 July 2018)
Stephen Panckhurst Term ended 31 October 2018	Director, Thode Knife & Saw Limited Shareholder, Lewis Road Creamery Limited Director, Ringa Matau Limited (resigned 12 August 2018) Director, Tahumatua Limited (resigned 12 August 2018)
Neil Barr Term ended 30 April 2019	Director, Ignite Architects Limited Director, Stratus Limited Trustee, Kilmour Properties 2014 Limited Trustee, Queen Street Trust
David Cameron-Brown Term ended 30 April 2019	Trustee, Zolander Family Trust Director & Principal, Cameron-Brown Corporate Advisory Observer, Yellow Pages Group Director, Ringa Matau Limited (resigned 18 September 2018) Director, Tahumatua Limited (resigned 18 September 2018)
Paula Jackson Appointed 1 November 2016	Trustee, Wellington Culinary Events Trust Non-Executive Director, Collect Rewards Limited Chair, WhosOnLocation Limited Owner/Director, Paula Jackson Consulting Limited Owner/Director, Providore Food & Catering Limited (resigned 19 December 2018) Shareholder, Martinborough Properties Limited
Bennett Medary Term ended 30 April 2019	Chair, MBBO Holdings Limited Trustee, New Zealand High Tech Trust Chair, Preno Limited Director, Airways Corporation of New Zealand Limited Board Member, Coastguard Northern Region New Zealand Chair, New Zealand and Australia Leadership Forum Innovation Sector Group Chair, New Zealand TechWeek Governance Group

Conor English Appointed 1 May 2018	Chairman, Agribusiness New Zealand Limited Director, GMP Pharmaceuticals Limited Chairman, QEX Logistics Limited Director, Silvereye Communications Limited Director, ESports New Zealand Director, Cannasouth Limited
Joanne Conroy Appointed 1 November 2018 – QV December 2018 – Darroch	Director, Dunedin Venues Management Limited Director, Queenstown Housing Bonds Limited Director, Queenstown Lakes Community Housing Trust Developments Limited Director, Queenstown Lakes Community Housing Property Portfolio Limited Director, Otago Southland Employers Association Director and Shareholder – QDC Services Limited Director and Shareholder – Marcon Holdings Limited Director, Westlands Holdings Chair, South Island Trust Board of St John (resigned 30 June 2019)

The Board of Directors acknowledges that the Group holds Directors' and Officers' liability insurance arranged through Marsh Limited (2018: Jardine Lloyd Thompson) for up to NZ$20 million limit of liability through Berkshire Hathaway.

4. Donations

Donations made by the Company and Group during the year ended 30 June 2019 were $Nil (2018: $Nil).

5. Actual Achievements

Ratio of consolidated shareholder's funds (equity) to total assets

The table below shows the ratio of consolidated shareholder's funds (equity) to total assets for the planning period:

Group position	2019 NZ$ 000's Actual	2020 NZ$ 000's SCI	2021 NZ$ 000's SCI	2022 NZ$ 000's SCI
Consolidated shareholder's funds (equity)	8,195	8,584	11,686	9,668
Total assets	16,853	18,913	21,965	18,751
Ratio	48.63%	45.39%	53.20%	51.56%

6. Changes in Business of Company

During the year ended 30 June 2019 there were no changes in the nature of the business of the Group.

Statement of Corporate Governance

Financial statements

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

The consolidated 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 Group, monitors executive management and ensures that decisions on material matters are in the hands of the Board. The Chair of the Board of Directors was Raewyn Lovett until 30 April 2019 with Kim Wallace as Acting Chair from 1 May 2019. Gregory Fortuin was appointed as Chair from 21 August 2019.

The Group had 8 full Board meetings during the year. Most full Board meetings take place in Auckland. In conjunction with these meetings, the Board and executive management team usually meet once a year to review the Group's strategy and progress.

Subsidiary companies

Quotable Value Limited ('QV') has a 100%-owned operating subsidiary, Quotable Value Australia Pty Limited ('QVA') incorporated in New South Wales, Australia. The Directors of QVA are Raewyn Lovett (Chair of QV (term ended 30 April 2019)), Jacquie Barker (CEO of QV) and Australian resident company Director, Ben Driller.

QV has a 100%-owned operating subsidiary, Darroch Limited incorporated in New Zealand. The Directors of Darroch Limited are Raewyn Lovett (term ended 30 April 2019), Neil Barr (term ended 30 April 2019), Joanne Conroy (appointed 17 December 2018), Jacquie Barker (CEO of QV) and Managing Director Greg Cate (CFO 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.

The 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 consolidated financial statements.

Committees of the Board

The Company had four standing committees during the year. They were:

1. The finance, audit and risk committee

The finance, audit and risk committee comprised Kim Wallace (Chair), David Cameron-Brown (term ended 30 April 2019), Stephen Panckhurst (term ended 31 October 2018) and Conor English (appointed 11 June 2019). The purpose of this committee is to oversee the financial management, external and internal audit functions and the overall risk management of the Group. The committee usually meets at least four times per year.

2. The people committee

The people committee comprised David Cameron-Brown (Chair from 1 May 2018, (term ended 30 April 2019)), Neil Barr (term ended 30 April 2019) and Raewyn Lovett (term ended 30 April 2019). It takes responsibility for the remuneration policy, executive remuneration and in consultation with the Board, the CEO's performance review. From 1 May 2019 the Board has assumed this responsibility.

Statement of Corporate Governance (continued)

3. The technology committee

The technology committee comprised Bennett Medary (Chair, term ended 30 April 2019) and Paula Jackson. It takes responsibility for reviewing and, where appropriate, recommending QV Group's Technology and Data strategies as well as overseeing their implementation. From 1 May 2019 the Board has assumed this responsibility.

4. The growth committee

The growth committee comprised Paula Jackson (Chair) and Conor English. It takes responsibility for reviewing and, where appropriate, recommending QV Group's business strategies that provide ongoing viability and growth. From 1 May 2019 the Board has assumed this responsibility.

Director development

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Quotable Value Limited's group financial statements for the year ended 30 June 2019

The Auditor-General is the auditor of Quotable Value Limited and its New Zealand domiciled subsidiaries and other controlled entities (collectively referred to as "the Group"). The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 23 to 56, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2019; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 30 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the contingency for entitlements under the Holidays Act 2003. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Contingency for entitlements under the Holidays Act 2003

Without modifying our opinion, we draw your attention to the disclosures in note 22 on page 54 relating to the Group's contingent liability to remediate issues associated with the calculation of entitlements under the Holidays Act 2003, which could be significant. The range of $0.5m to $1.5m is indicative, with a high level of uncertainty, and the final outcome could fall outside of this range.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the State Owned Enterprises Act 1986.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 7, 12 to 14, 17, 19, 22, 57 to 64 and 67, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1 (revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Group.

Karen MacKenzie
Audit New Zealand
On behalf of the Auditor-General, Auckland, New Zealand

Directory

For the year ended 30 June 2019

Raewyn Lovett	Director (Chair) (term ended 30 April 2019)
Bennett Medary	Director (term ended 30 April 2019)
Conor English	Director
David Cameron-Brown	Director (term ended 30 April 2019)
Joanne Conroy	Director
Kim Wallace	Director (Acting Chair – appointed 1 May 2019)
Neil Barr	Director (term ended 30 April 2019)
Paula Jackson	Director
Gregory Fortuin	Director (Chair) (appointed 21 August 2019)
Mark Burton	Director (appointed 21 August 2019)
Jacquie Barker	Chief Executive Officer
Greg Cate	Chief Financial Officer
Brendon Bodger	General Manager, Operational Transformation
Kirti Suman	Chief Growth Officer
Rochelle Clancy	Chief People Officer
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Facsimile	+64 4 576 4485
Website	qvgroup.qv.co.nz
Auditor	Audit New Zealand, on behalf of the Controller and Auditor-General
Banker	Westpac Banking Corporation
Solicitor	DLA Piper NZ
Insurance Broker	Marsh Limited (formerly known as Jardine Lloyd Thompson)

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