


# Real Estate Agents Authority Annual Report 2014/2015



We are pleased to present to the House of Representatives the Annual Report of the Real Estate Agents Authority, pursuant to the provisions of the Crown Entities Act 2004. This report covers the period 1 July 2014 to 30 June 2015.



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**John Auld**  
*Board Chair*  
20 October 2015



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**Denese Bates QC**  
*Board Member*  
20 October 2015



**Real Estate Agents Authority**

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## Message from the Chair

I am pleased to present the Real Estate Agents Authority 2014/15 Annual Report. As we reflect on 2014/15, real estate commentary has been dominated by the increase in Auckland property values. Values are up over 20% in the last year, and the rate of increase is the fastest in over 10 years. More recently, we have seen coverage in the media of the 'Auckland effect' where values are increasing outside Auckland in response to the Auckland property market. As the independent agency that regulates New Zealand's real estate industry, our focus on the Auckland market, as with the rest of New Zealand, is to help protect buyers and sellers of real estate and promote a high standard of services and professionalism in the real estate industry.

Over the last year, a core component of our work programme has been to ensure consumers have access to accurate information about the buying and selling process. During 2014/15, we targeted buyers and sellers with the message to "Get Smart" before they buy and sell property and worked to raise awareness about the information the Authority provides about the buying and selling process. Recent survey results show that, of those who had a real estate transaction in the last 12 months, 89% felt empowered and able to participate effectively in their real estate transaction, 83% are aware of the Authority and, of those that had an interaction with the Authority, 92% found the information and/or guidance they received useful. There is still considerable work to be done to ensure vendors and purchasers know what to expect when buying or selling real estate, how the process works and what their rights and obligations are, all of which will form a key component of our 2015/16 work programme.

Improving public confidence in the performance of real estate agency work is a key feature of our work. An important part of this is ensuring only 'fit and proper' licensees enter and remain in the industry. In 2014/15, we saw 1,918 licensees join the industry, bringing the total number of active licensees to over 14,000. Overall ratings of real estate agents continue to be positive, with at least eight out of 10 of those who have engaged in a real estate transaction over the last 12 months rating their agent as good to excellent on the following attributes: being knowledgeable about the market (88%), providing the information needed (85%), clearly explaining the process (85%), being professional (84%), being knowledgeable about the legal requirements (84%) and acting ethically, honestly and openly (84%).

Over the past year, we have focused on improving our core business and processes and achieving greater effectiveness and efficiency in our work. To this end, we have made substantial improvements to our complaints processes and the quality of our

outputs. The time it takes us to manage complaints is important to us. At the same time, complaints can involve complex issues that have significant implications for the parties concerned, and we do put a lot of effort into making sure we get it right. A major milestone in this area has been the results of an external review of our Complaints Assessment Committee decisions, of which 100% of the decisions met the required quality standard.

In our role as regulator, we use a range of compliance approaches to protect the interests of vendors, purchasers and licensees. This year, we worked with the Real Estate Institute of New Zealand to develop voluntary standard clauses for agency agreements. The clauses give sellers of residential and rural property more certainty about when an agency agreement ends and which agent can claim a commission when sellers change real estate agents.

During the year, we have seen considerable progress being made to the upgrade of our Licensee Management System, which, once completed, will enable licensees to undertake transactions online with the Authority as well as allow the Authority to capture and access information more readily.

In June, we repaid the working capital injection of \$2.078 million that had been provided by the Crown to the Authority on its establishment. In April 2016, we will also make the last payment of \$1.113 million to repay the loan from the Ministry of Justice for establishment costs. As a result of these significant financial milestones, over the coming year, we will be reviewing the industry levy.

I would like to take this opportunity to record my thanks to the Chief Executive and his team for their commitment during the year, and a very special note of thanks for our Board members who retired this year – Joan Harnett-Kindley, Denise Bovaird and Barrie Barnes. They were all very much involved in laying the foundation for the Authority on its establishment in 2009 and contributed their expertise both as Board members and as members of the Complaints Assessment Committee panels.



**John Auld**  
Board Chair

# About the Authority

The Real Estate Agents Authority (the Authority) is a Crown entity established to ensure a high standard of service and professionalism in the New Zealand real estate industry and to promote increased protection for people who are buying or selling property.

## Nature of our activities

Our functions are defined by the Real Estate Agents Act 2008 and in summary comprise:

- licensing real estate agents, branch managers and salespersons (referred to collectively as licensees) and maintaining a public register of licensees
- informing and advising consumers so they can participate with confidence in real estate transactions
- establishing, developing and monitoring professional entry requirements for licensees, continuing education programmes and professional Code of Conduct standards for the real estate industry
- responding to enquiries and complaints, investigating problems in the real estate industry and ensuring appropriate action is taken to sanction any unsatisfactory conduct, misconduct or illegal behaviour.

## Governance

We are governed by an independent Board that is appointed by the Minister of Justice. With a diverse membership that reflects experience in law, real estate, risk management, finance and consumer rights, the Board works to:

- set our strategic direction
- ensure our legislative functions are carried out effectively
- monitor our performance.

The Board reports directly to the Associate Minister of Justice.

## Directions

During the period, the Minister of State Services and the Minister of Finance issued directions regarding procurement and property functional leadership. These directions apply to the Authority's approach to procurement and property and were complied with during the reporting period.

### Board as at 30 June 2015

#### Board Chair

John Auld

#### Board members

Aaron Bhatnagar  
Barrie Barnes  
David Russell  
Denese Bates QC  
Denise Bovaird  
Joan Harnett-Kindley

### Authority Senior Leadership Team as at 30 June 2015

#### Kevin Lampen-Smith

Chief Executive

#### Janet Taylor

Manager – Complaint Resolution

#### Kim Weatherley

HR Business Partner

#### Margaret Steel

Manager – Licensing

#### Peter Nicholls

Compliance and Investigations Manager

#### Simon Lloyd-Evans

Corporate Services Manager – Acting

#### Te-Aroha Jennings

Legal Counsel – Acting

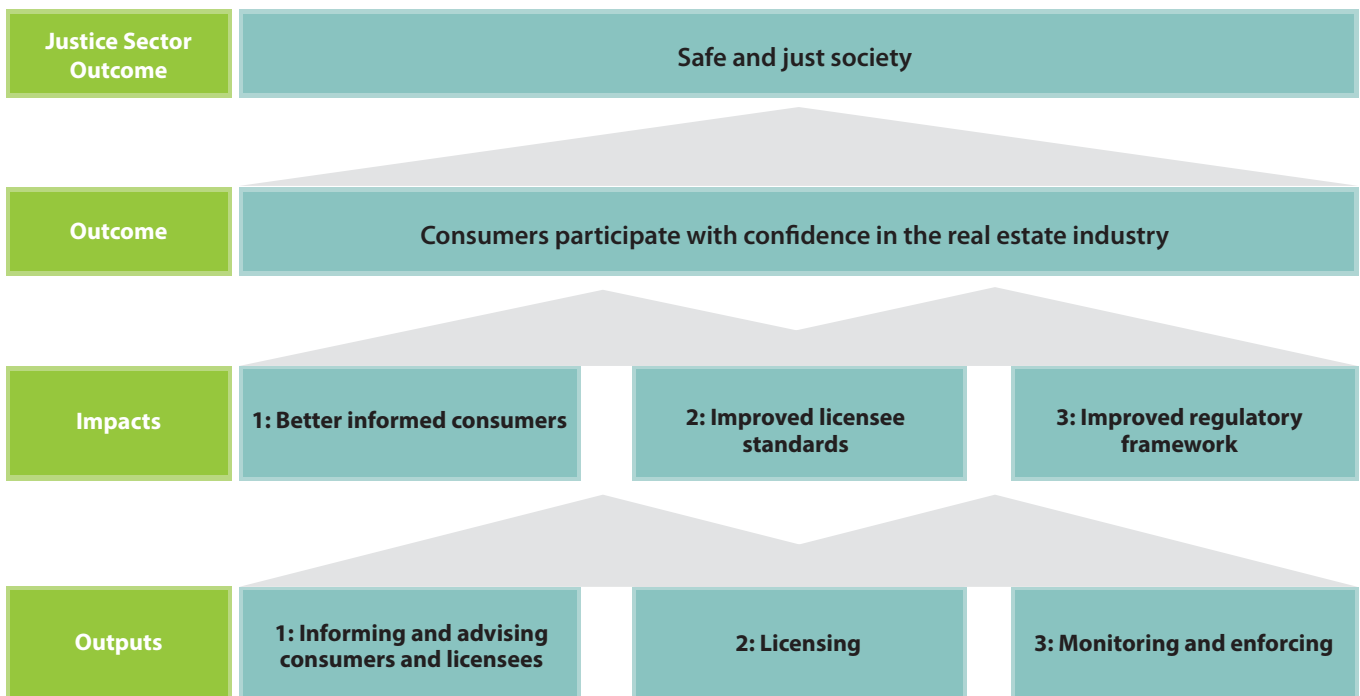


# Measuring progress against our long-term outcome

The Justice Sector has an aspirational outcome that all New Zealanders should expect to live in a safe and just society. The Authority's main contribution towards this outcome is ensuring consumers are able to participate with confidence in the real estate industry.

Our outcomes framework (Figure 1 below) summarises our services, the results and impacts they will deliver and how these contribute towards the outcome we are seeking as well as the outcomes of the Justice Sector.

**Figure 1: Our Outcomes Framework**



We monitor the progress we are making towards our outcome by tracking the percentage of consumers that have confidence in the real estate industry.

**Table 1: Indicator 1**

Indicator 1	Target 2017/18	Actual 2014/15	Actual 2013/14	Actual 2012/13
Percentage of consumers that have confidence in the real estate industry	75% <sup>1</sup>	65% <sup>2</sup>	70%	72%

<sup>1</sup>As specified in the Real Estate Agents Authority's Statement of Intent 2014/15–2017/18, the target has been set to be achieved by 30 June 2018.

<sup>2</sup>Source: Real Estate Agents Authority (2015). Annual Perceptions Research (June 2015). Prepared by Nielsen for the Real Estate Agents Authority. This indicator combines confidence that the real estate industry is professional (74%), well regulated (64%), well monitored (63%) and fair (59%). This result is expressed as a combined percentage of positive responses, i.e. it excludes 'don't know' responses.

# Measuring progress against the impacts we are seeking economy

To advance the outcome *consumers participate with confidence in the real estate industry*, we have been working towards achieving three impacts:

- Better informed consumers: Improving consumers' understanding of the real estate industry and their own rights and responsibilities.
- Improved licensee standards: Improving licensees' skills and knowledge and enhancing the interventions we use when identifying non-compliance.
- Improved regulatory framework: Maintaining a regulatory framework that protects consumers and shapes the real estate industry as a whole.

## Impact 1: Better informed consumers

Ensuring consumers have access to accurate information about the buying and selling process is integral to a positive buying and selling process. During 2014/15, we have continued to target buyers and sellers with the message to "Get Smart" before they buy and sell property and to raise awareness about the information the Authority provides about the buying and selling process. Our main channels for reaching consumers with these messages have been online advertising and our website as well as social media and traditional media.

Results from a recent consumer survey<sup>3</sup> show that, for those who have been involved in a real estate transaction in the last 12 months:

- 83% are aware of the Authority
- 92% of those who had an interaction with the Authority found the information/guidance provided by the Authority (via phone, email or website) useful
- 88% felt somewhat empowered and able to participate effectively in their real estate transaction.

In addition, an annual website survey<sup>4</sup> has shown:

- 94% of visitors found what they were looking for
- 95% rate the quality of information as 'good' or 'excellent'

We measure the overall success of our consumer interventions by tracking the percentage of consumers that consider themselves informed of their rights in relation to real estate transactions. As shown in Table 2, our objective for 2017/18 is for 75% of consumers to consider themselves informed of their rights in relation to real estate transactions.

**Table 2: Impact 1 indicator**

Impact 1 indicator	Target 2017/18	Actual 2014/15	Actual 2013/14	Actual 2012/13
Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions	75% <sup>5</sup>	54% <sup>6</sup>	59%	57% <sup>7</sup>

<sup>3</sup>Source: Real Estate Agents Authority (2015). Annual Perceptions Research (June 2015). Prepared by Nielsen for the Real Estate Agents Authority.

<sup>4</sup>Source: Real Estate Agents Authority (2015). Website Survey (June/July 2015). This result is expressed as a combined percentage of positive responses, i.e. it excludes 'no opinion' responses.

<sup>5</sup>As specified in the Real Estate Agents Authority's Statement of Intent 2014/15–2017/18, the target has been set to be achieved by 30 June 2018.

<sup>6</sup>Source: Real Estate Agents Authority (2015). Annual Perceptions Research (June 2015). Prepared by Nielsen for the Real Estate Agents Authority. At the time of reporting, there was not a clear indication for the declining trend in this measure. A programme of consumer research is being undertaken in 2015/16 that will inform the Authority's understanding in this area.

<sup>7</sup>This figure has been amended to include positive responses only, i.e. it excludes 'don't know' responses.



## Impact 2: Improved licensee standards

The public's confidence in the real estate industry will be enhanced if the industry is made up of professional and competent licensees and there are effective processes for redress when things go wrong. During 2014/15, we have been working to raise the standards and behaviour of licensees by increasing licensee knowledge of the rules and regulations. Key activities in this area have included:

- providing best-practice guidance to licensees via our website, newsletters and social media
- publishing information on upheld complaints
- providing face-to-face presentations to licensees on the key issues the Authority and the industry are facing
- setting the continuing education programme:
  - 2014 continuing education topic: *The legal and physical representation of real estate – part two*
  - 2015 continuing education topic: *The law of agency.*

Results from a recent licensee survey<sup>8</sup> have shown:

- 79% of licensees find the newsletters informative
- 81% of licensees find the Authority's website informative
- 87% of licensees believe the continuing education programme has improved their knowledge and understanding of the topic area
- as a result of continuing education, 72% of licensees plan to make changes to their practice.

We measure the overall success of our interventions by tracking the number of active licensees who, during the financial year, receive decisions of either unsatisfactory conduct or misconduct. Over time, we expect raised awareness of appropriate behaviour will make it easier for licensees to comply and act as a deterrent to engage in the types of behaviour that can lead to disciplinary action.

**Table 3: Impact 2 indicator**

Impact 2 indicator	Target 2017/18	Actual 2014/15	Actual 2013/14	Actual 2012/13
Percentage of active licensees during the financial year who receive decisions of unsatisfactory conduct or misconduct	<1% <sup>9</sup>	1.5%	1.41%	1.30%

<sup>8</sup>Source: Real Estate Agents Authority (2015). *Licensing Services Survey (July 2015)*. This result is expressed as a combined percentage of positive responses, i.e. it excludes 'not applicable' responses.

<sup>9</sup>As specified in the *Real Estate Agents Authority's Statement of Intent 2014/15–2017/18*, the target has been set to be achieved by 30 June 2018.



### Impact 3: Improved regulatory framework

It is important for the Authority to maintain a regulatory framework that protects consumers and drives a high standard of service and professionalism in the real estate industry. During 2014/15, we continued our efforts to improve our risk-based regulatory practices as well as explore opportunities for non-regulatory solutions.

Key activities in this area have included:

- **Introducing standard clauses for agency agreements for the residential and rural sectors**

If a property owner has not managed to sell their property and then decides either to change real estate agents or sell their property privately, it can lead to legal complications. The property owner may still be obliged to pay the agent a fee, even if they have cancelled the contract, and if they engage a new agent, it can lead to a dispute over which agent is owed the commission when the property does eventually sell. To avoid these problems occurring, the Authority worked with the Real Estate Institute of New Zealand to develop a number of standard clauses for the residential and rural sectors to be inserted into the contract that an owner has with their agent. It remains up to real estate agencies whether they wish to take up these standard clauses. However, the Authority recommends that property owners only engage real estate agents that have agreed to include these standard clauses in their contracts.

- **Introducing new advertising requirements for new applicants**

On receipt of a licence application, the details of new applicants are advertised on the Authority's website for 14 days. Previously, applicants had to pay for advertisements in approved newspapers. This online resource provides a transparent and reliable source of information for people wanting to know who in their area is applying to become a real estate agent, while reducing the financial cost for new licensees.

- **Undertaking a programme of research to examine the risks consumers face as buyers and sellers of residential property in New Zealand**

The outcome of this research (which is expected to be completed in October 2015) will quantify the risks consumers face as buyers and sellers of residential property in New Zealand. It will provide insight into whether the measures that the Authority has currently in place to address consumer risk issues are adequate. Where gaps are identified, the research will enable the Authority to target our interventions accordingly. This work will also inform target setting for the Impact 3 indicator (refer Table 4).

**Table 4: Impact 3 indicator**

Impact 3 indicator	Target 2017/18
Consumers have reduced exposure to risk in real estate transactions	To be set



# Report on activities

## Licensing

This year, we issued 1,918 new licences (Table 5), bringing the total number of active licensees on 30 June 2015 to 14,295 (Table 6). Each year, we aim to ensure all licensees are 'fit and proper' and meet the required professional standards at the time their

application is approved. (Professional standards consider any previous criminal convictions, relevant education and character.) Of the new and renewal applications approved during the year, 100% met the required quality standards.

**Table 5: New licences issued 2012–2015**

	2014/15	2013/14	2012/13
Licences issued	1,918	1,901	1,617

**Table 6: Licensee numbers 2014/15**

	As at 30 June 15			As at 30 June 14		
	Active	Suspended	TOTAL	Active	Suspended	TOTAL
Agent	1,842	310	2,152	1,858	320	2,178
Branch manager	413	76	489	435	68	503
Salesperson	11,227	2,724	13,951	10,706	2,688	13,394
<b>Individual total</b>	<b>13,482</b>	<b>3,110</b>	<b>16,592</b>	<b>12,999</b>	<b>3,076</b>	<b>16,075</b>
<b>Company total</b>	<b>813</b>	<b>103</b>	<b>916</b>	<b>799</b>	<b>105</b>	<b>904</b>
<b>TOTAL</b>	<b>14,295</b>	<b>3,213</b>	<b>17,508</b>	<b>13,798</b>	<b>3,181</b>	<b>16,979</b>

As in past years, as at 30 June 2015, the majority of licensees with active licences were from the Auckland region (46%), followed by Canterbury/West Coast (11%) and Wellington/Wairarapa (9%).

## Complaint management

We received 627 complaints during the year. Table 7 shows the incoming complaints received over the last five years. As in past years, the largest proportion of complaints received during the period related to incompetency/negligence (28%), marketing/

advertising (13%) and non-disclosure (12%). The majority of complaints were made by sellers (23%) and buyers (23%), with around 50% of complaints coming from the Auckland region.

**Table 7: Complaints received 2010–2015**

	2014/15	2013/14	2012/13	2011/12	2010/11
Complaints received	627	685	767	750	736

The Authority uses four intervention options to manage complaints:

- Consumer information or referring the matter to another agency – if the complaint is deemed not to be within the Authority's jurisdiction or does not breach the Act or Rules.
- Compliance advice – a reminder is sent to the licensee about obligations. This is used where little or no detriment has resulted from the behaviour.
- Alternative dispute resolution – where the complaint can be resolved between the parties and the parties agree to this process.
- Referral to a Complaints Assessment Committee – for the most serious complaints alleging either unsatisfactory conduct or misconduct.

During 2013/14, our complaint closure times were tracking significantly below target. This prompted a review of our complaints management process. In 2014, we changed the way we manage less serious complaints and implemented an early intervention facilitation programme. Under this approach, we use skilled facilitators to talk with complainants to clarify the issues being complained about. Facilitators work to ensure that complaints that are not within the Authority's jurisdiction or do not allegedly breach the Act or the Rules are dealt with in some other way or are referred

to another appropriate body. When a complaint does need to go to a Complaints Assessment Committee, we are then able to provide them with clear and concise information to help with their decision making.

As shown in Table 8, during 2014/15, we referred 4% fewer complaints to Complaints Assessment Committees than we did during the 2013/14 period.

**Table 8: Intervention type used to manage complaints 2013–2015**

	2014/15	2013/14
Consumer information	23%	19.6%
Compliance advice	21%	19.6%
Alternative dispute resolution	10%	10%
Referral to a Complaints Assessment Committee	47%	51%

To further improve the handling of new complaints and general enquiries, all complaints are now dealt with by one team within the Authority. (Previously, this work had been dealt with by two teams.) We are now able to provide a one-stop shop for handling enquiries from members of the public, and as general enquiries can become complaints, it allows us to provide a smoother and

more efficient process for members of the public and the Authority. In addition, this approach means our Compliance team can concentrate its efforts on improving the resolution time of the more serious complaints received by the Authority, which require the intervention of a Complaints Assessment Committee

## Investigations

In instances when a Complaints Assessment Committee decides to inquire into a complaint, our Investigators carry out an investigation. Each time the Authority investigates a complaint on behalf of a Complaints Assessment Committee, an investigation report is compiled. These reports bring together the facts of the complaint and are used to present the evidence obtained during the Authority's inquiry to the parties to the complaint and the

Complaints Assessment Committee. This year, we contracted an external law firm to review a selection of our investigation reports. The review was undertaken with a focus on presentation of the facts, knowledge of legislation and relevant Rules, identification of issues and lack of bias or personal opinion in the report. The review identified that 96% of investigation reports met the required quality standard.

## Complaints Assessment Committee decisions

Of the complaints referred to a Complaints Assessment Committee during the year:

- 55% resulted in a decision to take no further action
- 35% resulted in a decision of unsatisfactory conduct
- 8% resulted in a decision not to inquire
- 3% resulted in a decision to refer the complaint to the Real Estate Agents Disciplinary Tribunal.

The Real Estate Agents Disciplinary Tribunal is separate to the Authority and is administered by the Ministry of Justice. The Tribunal hears and decides cases against real estate agents where a Complaints Assessment Committee decides to lay a misconduct charge with the Tribunal.

The Tribunal also hears appeals that have been made against Complaints Assessment Committee decisions or the Authority's decision not to give an individual or a company a real estate licence.

During the 2014/15 period, 121 appeals were closed by the Tribunal, of which 17 successfully appealed the Complaints Assessment Committee decision. In the majority of upheld appeals, the Tribunal noted that it had much more evidence before it than the Complaints Assessment Committee. This led to the Tribunal either coming to a different conclusion on the facts of the case or making credibility findings against one of the parties to the complaint.



## Penalties

Table 9 outlines the penalties ordered by Complaints Assessment Committees and the Real Estate Agents Disciplinary Tribunal over the last three years. This covers penalties imposed for both unsatisfactory conduct and misconduct (more than one penalty may be ordered).

**Table 9: Penalties ordered 2012–2015**

	2014/15	2013/14	2012/13
Pay a fine to the Authority	139	94	51
Censure or reprimand	120	109	59
Training or education	32	39	14
Apology	14	16	7
No order	12	8	10
Reduce, cancel or refund fees	9	10	2
Pay costs or expenses incurred to complainant	8	14	13
Orders to be decided	6	0	0
Provide at own expense relief in whole or part	6	1	0
Rectify error or omission at own expense	4	2	6
Cancel licence	3	8	0
Other	2	11	7
Suspend licence	2	2	5
Business available for inspection	1	1	0
Non-publication	1	5	2
Pay compensation	1	4	0
Non-employment or engagement	0	2	1
Not perform supervisory functions	0	1	0
Settlement of some or all agreed terms	0	2	0

## Systems upgrade

During 2014/15, the Authority made a number of improvements to systems and processes. Notably, work on a major upgrade to the Authority's core business systems (Licensee Management System) was undertaken. The objective of the Licensee Management System project is to upgrade the core business application and configure it to reflect the Authority's end-to-end licensing and complaints management processes and to implement a self-service licensee

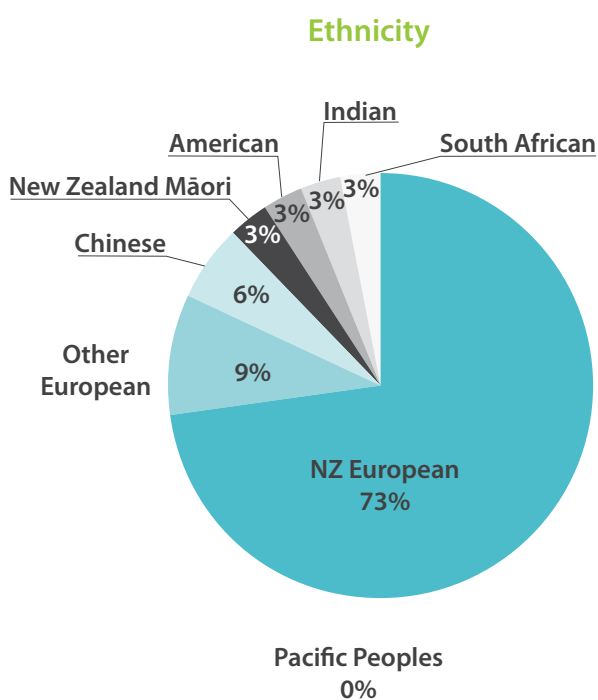
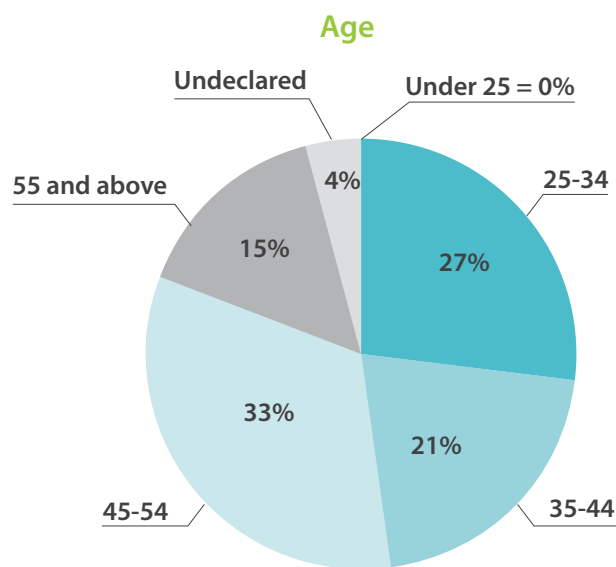
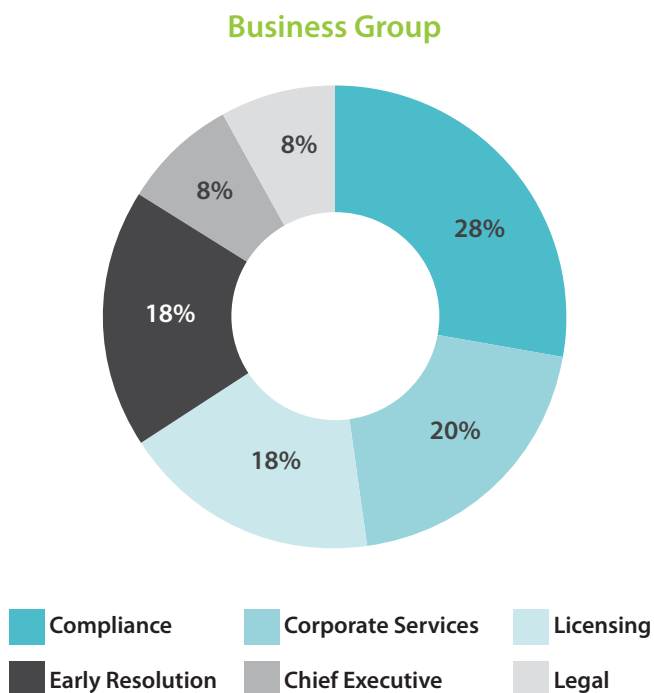
management portal. This will enable our Licensing, Complaints Handling and Legal teams to increase their business capability and achieve better productivity through more efficient use of automated functions. It will also provide licensees with a secure self-service portal to allow them to manage their details and licence status without needing to contact the Authority directly.

# Organisational health and capability

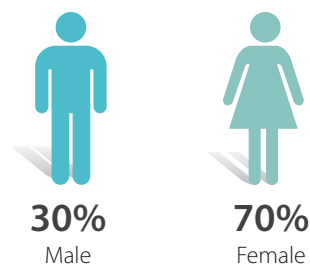
## Our people

As at 30 June 2015, the Authority had 39 staff, all based in Wellington. A breakdown of our workforce by business group is shown in Figure 2 below.

**Figure 2: Our workforce by business group**



## Gender



At the time of reporting, 3% of staff identified as having a disability.



## Equal employment opportunities

The Authority promotes equal employment opportunities to ensure that our people capability practices are in line with our obligations as a good employer. The Authority's activities and initiatives undertaken in 2014/15 that support the seven key good-employer criteria are summarised in Table 10.

**Table 10: Penalties ordered 2012–2015**

Element	In 2014/15, the Authority:
<b>Safe and healthy environment</b>	<ul style="list-style-type: none"> <li>• offered a range of support services to promote health and wellbeing, including an employee assistance programme, workstation assessments, health and safety policies, procedures and training and an active social committee</li> <li>• reviewed our employee assistance programme in order to ensure it fits the needs of our staff</li> <li>• maintained an active floor warden network and ensured that first aid training was up to date</li> <li>• undertook ongoing review and renewal of equal employment opportunity policies</li> </ul>
<b>Leadership, accountability and culture</b>	<ul style="list-style-type: none"> <li>• held regular meetings with all staff, led by the Senior Leadership Team, to facilitate discussion on organisational priorities, changes and developments</li> <li>• enabled staff-led project teams to create and embed organisational values</li> <li>• increased the composition of the Senior Leadership Team to align with our business structure</li> </ul>
<b>Recruitment, selection and induction</b>	<ul style="list-style-type: none"> <li>• conducted open, fair and transparent recruitment and selection processes</li> <li>• created a new job description template to ensure clear communication of expectations</li> <li>• welcomed staff through tailored orientation sessions provided by team managers</li> </ul>
<b>Employee development, promotion and exit</b>	<ul style="list-style-type: none"> <li>• completed personal development plans for staff</li> <li>• ran a people leaders workshop on performance management</li> <li>• provided study assistance and professional development support</li> <li>• undertook exit interviews for departing staff</li> </ul>
<b>Flexibility and work design</b>	<ul style="list-style-type: none"> <li>• maintained a flexible work practices policy, including flexible working hours</li> <li>• provided tailored options and responded to individual requests to support work/life balance</li> </ul>
<b>Remuneration, recognition and conditions</b>	<ul style="list-style-type: none"> <li>• maintained transparent, equitable and gender-neutral job-evaluation practices</li> <li>• recognised individual employee achievements</li> </ul>
<b>Harassment and bullying prevention</b>	<ul style="list-style-type: none"> <li>• continued accessibility, promotion and enforcement of the Code of Conduct</li> <li>• ensured the procedures for the management of workplace harassment and bullying were maintained.</li> </ul>


# Statement of responsibility

In the year ended 30 June 2015, the Board and management of the Real Estate Agents Authority were responsible for:

- the preparation of the annual financial statements and the statement of performance and for the judgements made in them
- establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Authority's financial reporting
- end-of-year performance information provided by the

Crown entity under section 19A of the Public Finance Act 1989.

In the opinion of the Board and management of the Real Estate Agents Authority, the financial statements and the statement of performance for the year ended 30 June 2015 fairly reflect the financial position result of operations and cash flows of the Authority.



**John Auld**  
*Board Chair*  
20 October 2015



**Denese Bates QC**  
*Board Member*  
20 October 2015





# Independent auditor's report

## TO THE READERS OF REAL ESTATE AGENTS AUTHORITY'S FINANCIAL STATEMENTS, AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2015.

The Auditor-General is the auditor of Real Estate Agents Authority (the Authority). The Auditor-General has appointed me, Mark Bewley, using the staff and resources of BDO Wellington, to carry out the audit of the financial statements and the performance information of the Authority on her behalf.

### Opinion on the financial statements and the performance information

#### We have audited:

- the financial statements of the Authority on pages 19 to 37, that comprise the statement of financial position as at 30 June 2015, 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; and
- the performance information of the Authority on pages 16 to 18.

#### In our opinion:

- the financial statements of the Authority:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime
- the performance information:
  - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2015, including for each class of reportable outputs:
    - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 20 October 2015. This is the date at which our opinion is expressed.

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

#### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and performance information 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 Authority's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within the Authority's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.





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

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

#### **Responsibilities of the Board**

The Board is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the Authority's financial position, financial performance and cash flows; and
- present fairly the Authority's performance.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Real Estate Agents Act 2008.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

#### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

#### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

A handwritten signature in black ink that reads 'Mark Bewley'. The signature is written in a cursive, flowing style.

Mark Bewley  
BDO Wellington  
On behalf of the Auditor-General  
Wellington, New Zealand



## Statement of performance

This section summarises our performance against the outcome performance measures set out in the Real Estate Agents Authority Statement of Performance Expectations 2014/15.

The Authority's outputs are grouped into three results areas:

- **Output 1: Informing and advising consumers and licensees**
- **Output 2: Licensing**
- **Output 3: Monitoring and enforcing**

The following pages describe what the Authority achieved against these outputs in 2014/15. Where possible, data from previous years has been included to enable comparisons to be made. However, where there are new performance measures or no data was previously collected, this has been noted.

**Table 11: Output class revenue and expenditure**

Revenue and expenditure	2014/15 Actual (\$000)	2014/15 Budget (\$000)	2013/14 Actual (\$000)
<b>Total revenue</b>	<b>11,200</b>	<b>9,669</b>	<b>10,754</b>
<b>Output expenditure</b>			
Output 1: Informing and advising consumers and licensees	840	878	809
Output 2: Licensing	1,943	2,163	2,045
Output 3: Monitoring and enforcing	6,037	6,458	6,284
<b>Total expenditure</b>	<b>8,820</b>	<b>9,500</b>	<b>9,138</b>
<b>Total comprehensive income</b>	<b>2,380</b>	<b>169</b>	<b>1,616</b>

## Output 1: Informing and advising consumers and licensees

Consumers and licensees need quality, timely and relevant information. This output expense includes the provision of information and advice to consumers and licensees and includes work to:

- inform and advise consumers of their rights
- inform and advise licensees of their responsibilities
- raise awareness of the Authority
- provide best-practice guidance for licensees.

**Table 12: Output 1**

Performance measure	Achievement	2014/15 Actual	2014/15 Target	2013/14 Actual
<b>Quantity</b>				
Percentage of stakeholder communications delivered in accordance with the stakeholder engagement plan	<b>Achieved</b>	100% <sup>10</sup>	100%	92% <sup>11</sup>
<b>Quality</b>				
Percentage of surveyed licensees who consider the newsletters informative	<b>Not achieved</b>	79% <sup>12</sup>	87%	89%
Percentage of surveyed consumers who consider the guides (New Zealand Residential Property Sale and Purchase Agreement Guide and New Zealand Residential Property Agency Agreement Guide) useful	<b>Achieved</b>	85% <sup>13</sup>	85%	93%
Percentage of surveyed visitors who find information on the website informative	<b>Achieved</b>	95% <sup>14</sup>	80%	98%

## Output 2: Licensing

Output 2 includes the management and administration of the licensing regime. During 2014/15, this has included work to:

- manage the licensing scheme to ensure, at the time of approval, all active licensees are 'fit and proper' and meet the required professional standards to work in the industry
- process new applications, renewals and voluntary suspension of licences
- maintain a current register of all approved licensees
- manage the continuing education programme, oversee development of continuing education material and monitor licensee compliance to annual requirements.

**Table 13: Output 2**

Performance measure	Achievement	2014/15 Actual	2014/15 Target	2013/14 Actual
<b>Quantity</b>				
Percentage of new and renewal applications approved where licensees at the time of approval are 'fit and proper' and meet the required professional standards <sup>15</sup>	<b>Achieved</b>	100%	100%	100%
<b>Timeliness</b>				
Minimum percentage of new applications for licences processed within three weeks	<b>Not Achieved</b>	86%	95%	97%
Minimum percentage of renewal applications processed within two weeks	<b>Achieved</b>	98%	96%	98%

## Output 3: Monitoring and enforcing

Output 3 includes the Authority's work to monitor the industry and take action against non-compliance. During 2014/15, activities in this area have included:

- receiving, assessing, managing, investigating and effecting resolution of complaints
- supporting Complaints Assessment Committee, Tribunal and court activities
- auditing real estate agency trust accounts.

**Table 14: Output 3**

Performance measure	Achievement	2014/15 Actual	2014/15 Target	2013/14 Actual
<b>Quantity</b>				
Percentage of surveyed complainants and respondents that consider the complaints process independent, fair and transparent	<b>Achieved</b>	52% <sup>16</sup>	47%	56%
Number of judicial criticisms on the Complaints Assessment Committee decision-making process <sup>17</sup>	<b>Not achieved</b>	1	0	0
Percentage of sampled Complaints Assessment Committee decisions that meet quality standards <sup>18</sup>	<b>Achieved</b>	100%	97%	Not measured <sup>19</sup>
<b>Timeliness</b>				
Minimum percentage of complaints completed within one month	<b>Not Achieved</b>	<b>44%</b> <sup>20</sup>	45%	32%
Minimum percentage of complaints completed within six months	<b>Not Achieved</b>	<b>62%</b> <sup>20</sup>	70%	50%
Minimum percentage of complaints completed within one year	<b>Not Achieved</b>	<b>82%</b> <sup>20</sup>	95%	76%

<sup>10</sup>The Authority published six industry newsletters (target: six) for licensees and undertook 27 presentations at stakeholder events (target: 20) during 2014/15.

<sup>11</sup>The Authority published three compliance information sheets in 2013/14, one short of the 2013/14 target. The Authority now uses other communication channels (e.g. website content, newsletters and Twitter) to provide compliance information to licensees.

<sup>12</sup>Source: Real Estate Agents Authority (2015). Licensing Services Survey (July 2015).

<sup>13</sup>Source: Real Estate Agents Authority (2015). Annual Perceptions Research (June 2015). Prepared by Nielsen for the Real Estate Agents Authority. This result is expressed as a combined percentage of positive responses, i.e. it excludes 'don't know' responses.

<sup>14</sup>Source: Real Estate Agents Authority (2015). Website Survey (June/July 2015). This result is expressed as a combined percentage of positive responses to the statement 'How would you rate the quality of information on the website?' The results exclude 'no opinion' responses.

<sup>15</sup> This result is obtained through an ongoing quality review of all approved applications. Professional standards consider any previous criminal convictions, relevant education and character of licensees.

<sup>16</sup>Source: Real Estate Agents Authority (2015). Complainants and Respondents Surveys (July 2015).

<sup>17</sup>Judicial criticism is assessed through a comprehensive review of each Tribunal decision, most particularly Tribunal decisions that overturn Complaints Assessment Committee decisions. In each case, the reason for the overturn is assessed as to whether there is any judicial criticism of the original Complaints Assessment Committee decision.

<sup>18</sup>This result is obtained through an external review of a sample of Complaints Assessment Committee decisions. Each Complaints Assessment Committee decision is scored against three criteria knowledge of the legislation and Tribunal decisions, analysis and procedural compliance.

<sup>19</sup>In 2014, an external review of a sample of 2012/13 Complaints Assessment Committee decisions was undertaken – 96% of these decisions met the required quality standards.

<sup>20</sup>The percentage of complaints completed within one month, six months and one year is below our annual targets. During 2015/16, we will continue our efforts to improve the timeliness of our complaint management processes.

# Financial statements

Explanations of significant variances against budget are detailed in Note 29 on page 37. The statement of accounting policies and notes to the financial statements form an integral part of these financial statements.

## Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Revenue</b>				
Operating levy received	1	9,352	8,736	9,119
Application and suspension fees	2	908	537	874
Other income	3	940	396	761
<b>Total revenue</b>		<b>11,200</b>	<b>9,669</b>	<b>10,754</b>
<b>Expenditure</b>				
Audit fee		58	55	61
Personnel costs	4	3,672	4,240	3,628
Finance costs	5, 17	300	302	397
Depreciation	13	29	59	40
Amortisation	14	163	364	163
Specialist service	6	1,148	1,041	1,488
Legal fees		1,101	1,306	1,236
Board fees	7, 24	160	160	149
Complaints Assessment Committee fees		393	280	385
Miscellaneous expenses		34	22	46
Computer and telecommunications		1,016	840	868
Printing, stationery and postage		149	197	148
Travel, meetings and entertainment		212	229	180
Occupancy		385	405	349
<b>Total expenditure</b>		<b>8,820</b>	<b>9,500</b>	<b>9,138</b>
<b>Total comprehensive income</b>		<b>2,380</b>	<b>169</b>	<b>1,616</b>



## Statement of Financial Position

As at 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Current Assets</b>				
Cash and cash equivalents	8	2,841	2,874	2,111
Investments	9	6,184	4,068	8,107
Debtors and other receivables	10	140	72	130
Prepayments	11	33	12	44
GST receivable		9	65	39
Approved guide stock	12	35	16	12
<b>Total current assets</b>		<b>9,242</b>	<b>7,107</b>	<b>10,443</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	13	61	193	116
Intangible assets	14	926	1,325	408
<b>Total non-current assets</b>		<b>987</b>	<b>1,518</b>	<b>524</b>
<b>Total assets</b>		<b>10,229</b>	<b>8,625</b>	<b>10,967</b>
<b>Current Liabilities</b>				
Trade creditors and accruals	15	730	525	743
Employee entitlements		156	130	140
Deferred operating levy	16	6,024	5,763	5,940
Establishment funding from Crown	17	1,113	1,248	1,261
<b>Total current liabilities</b>		<b>8,023</b>	<b>7,666</b>	<b>8,084</b>
<b>Term Liabilities</b>				
Establishment funding from Crown	17	0	0	979
<b>Total term liabilities</b>		<b>0</b>	<b>0</b>	<b>979</b>
<b>Total liabilities</b>		<b>8,023</b>	<b>7,666</b>	<b>9,063</b>
<b>Net assets</b>		<b>2,206</b>	<b>959</b>	<b>1,904</b>
<b>Public Equity</b>				
Crown funding		0	2,078	2,078
Retained earnings		1956	(1,369)	(424)
Litigation reserve		250	250	250
<b>Total public equity</b>	18	<b>2,206</b>	<b>959</b>	<b>1,904</b>

## Statement of changes in equity

For the year ended 30 June 2015

	Note	Capital funding from Crown \$000	Retained Earnings \$000	Litigation Reserve \$000	Total Public Equity \$000
<b>Actual 2015</b>					
Public equity at beginning of year		2,078	(424)	250	1,904
Total comprehensive income			2,380	0	2,380
Repayment of capital funding		(2,078)			(2,078)
<b>Public equity at end of year</b>	<b>18</b>	<b>0</b>	<b>1,956</b>	<b>250</b>	<b>2,206</b>
<b>Budget 2015</b>					
Public equity at beginning of year		2,078	(1,182)	250	1,146
Total comprehensive income		0	(187)	0	(187)
<b>Public equity at end of year</b>		<b>2,078</b>	<b>(1,369)</b>	<b>250</b>	<b>959</b>
<b>Actual 2014</b>					
Public equity at beginning of year		2,078	(2,040)	250	288
Total comprehensive income			1,616		1,616
<b>Public equity at end of year</b>		<b>2,078</b>	<b>(424)</b>	<b>250</b>	<b>1,904</b>



## Statement of Cash Flows

For the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Cash flows from operating activities</b>				
<b>Cash was provided from:</b>				
Receipts from licensees		10,000	9,375	9,650
Receipts from sale of publications		269	180	265
Interest income		406	176	272
Suspension fees		322	124	315
Refunded withholding tax		0	0	0
Receipts from fines		256	50	146
<b>Cash was applied to:</b>				
Payments to suppliers		(4,850)	(5,920)	(4,871)
Payments to employers		(3,441)	(4,029)	(3,466)
Interest		(166)	(166)	(166)
Net GST (paid/received)		3	108	(24)
<b>Net cash flows from operating activities</b>	<b>19</b>	<b>2,799</b>	<b>(102)</b>	<b>2,121</b>
<b>Cash flows from investing activities</b>				
<b>Cash was provided from:</b>				
Cash received from investments		6,000	2,000	0
<b>Cash was applied to:</b>				
Purchase of property, plant and equipment		(47)	(215)	(29)
Purchase of intangible assets		(608)	(1,295)	(36)
Investment in term deposits		(4,076)		(5,060)
<b>Total cash flows from investing activities</b>		<b>1,269</b>	<b>490</b>	<b>(5,125)</b>
<b>Cash flows from financing activities</b>				
<b>Cash was applied to:</b>				
Repayment of Crown funding		(2,078)		
Repayment of establishment funding		(1,261)	(1,261)	(1,261)
<b>Total cash flows from financing activities</b>		<b>(3,339)</b>	<b>(1,261)</b>	<b>(1,261)</b>
<b>Net increase in cash and cash equivalents</b>		<b>729</b>	<b>(873)</b>	<b>(4,265)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>8</b>	<b>2,112</b>	<b>3,747</b>	<b>6,376</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>2,841</b>	<b>2,874</b>	<b>2,112</b>



# Statement of Accounting Policies

For the year ended 30 June 2015

## Reporting entity

These are the financial statements of the Real Estate Agents Authority (the Authority), a Crown entity as defined by the Crown Entities Act 2004. The Authority is domiciled in New Zealand. The Authority's functions are defined in the Real Estate Agents Act 2008 and include administering the licensing regime for licensees, setting professional standards and providing services in relation to complaints determinations. The Authority is a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the Authority are for the year ended 30 June 2015 and were approved on 20 October 2015 by the Board.

## Basis of preparation

### Statement of compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards, as appropriate for Tier 2 public sector public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Group qualifies as a Tier 2 reporting entity as, for the two most recent reporting periods, it has had between \$2 million and \$30 million operating expenditure and is not considered publicly accountable as defined by the External Reporting Board.

### Measurement basis

The financial statements have been prepared on a historical cost basis except for the establishment funding from the Crown, which has been measured at fair value on inception.

### Functional and presentation currency

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000) unless otherwise specified. The functional currency of the Authority is New Zealand dollars.

## New and amended financial reporting standards (not adopted early by the Authority)

### New Accounting Standards Framework

This is the first set of financial statements prepared in accordance with PBE IPSAS Reduced Disclosure Regime. There have been no amendments made to these financial statements as a result of adopting the new financial reporting regime.

## Significant accounting policies

The following accounting policies that materially affect the measurement of profit and loss and financial position have been applied.

### Revenue

The Authority derives revenue through an annual charge to real estate licensees, the sale of publications, interest on investments and the receipt of fees and fines. The annual charge to real estate licensees has two components: an operating levy to cover the ongoing service provision of the Authority, which is treated as revenue, and a disciplinary levy that is transferred to the Ministry of Justice to provide funding for the Disciplinary Tribunal, which is not recognised as revenue. In addition, an application fee is charged to recover the additional costs for new licence applications. The Authority also charges a fee for suspending a licence. The suspended licence is valid for 12 months, after which it needs to be reactivated, resuspended or cancelled.

Under PBE IPSAS 23, the Authority considers the revenue generated from operating levies to be exchange in nature as it is consideration for goods and services that the Authority provides to licensed members and approximates the fair value of those transactions.

Most licences expire on 31 March, and the licence renewal is payable at this time, therefore the Authority generally recognises 25% of revenue from renewed licences in the financial year the operating levy is received. On the majority of renewals, the remaining 75% of the operating levy collected is deferred to the following financial year.

Revenue is measured at the fair value of consideration received or receivable.

### Fees

Application fees and suspension fees are recognised when due and received.

### Fines

Fines are recognised when due and receivable.

### Sale of publications

Revenue from the sale of publications goods is recognised when the significant risks and rewards of ownership of the goods have passed to the licensee, usually on receipt of the funds.

### Interest

Interest is recognised using the effective interest rate method and recognised in the period to which it relates.

## Capital charge

A capital charge of 8.0% is applied to the \$2.078 million capital funding received from the Crown and is recognised as an expense in the period to which the charge relates. This funding was repaid in June 2015.



## Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Authority 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 statement of comprehensive income.

## Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks and other short-term, highly liquid investments with maturities of three months or less.

## Investments

Investments include deposits held with banks with original maturities greater than three months but less than one year. Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate method, less any provision for impairment. Impairment is established when there is objective evidence the Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability the bank will enter into receivership or liquidation and default in payments are considered indicators the deposit is impaired.

## Debtors and other receivables

Debtors and other receivables, comprising trade debtors and accrued interest, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Authority will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are considered indicators that the debt is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the impairment allowance account for receivables.

## Inventories

Inventories are valued at the lower of cost (using the first in, first out method) and net realisable value. The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in surplus or deficit in the period of the write-down.

## Property, plant and equipment

Property, plant and equipment consist of leasehold improvements, computer equipment, furniture and office equipment and capital work in progress.

### Additions

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

### Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in the statement of comprehensive income.

### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

### Depreciation

Property, plant and equipment are depreciated at rates that will write off the cost of the assets to their estimated residual value over their useful life. The useful lives and associated depreciation rates used in the preparation of these statements are as follows:

<b>Furniture and office equipment</b>	5 years	20%	straight line
<b>Computer equipment</b>	3 years	33%	straight line
<b>Leasehold improvements</b>	4 years	25%	straight line

## Capital work in progress

Capital work in progress consists of expenditure on assets that has not yet been completed. This expenditure will not be amortised until the asset is in a workable condition.

## Intangible assets

### Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated directly with the development of software for the internal use of the Authority are recognised as an intangible asset. Direct costs include the software development and consultants' costs. Costs associated with maintaining computer software are recognised as an expense when incurred.

### Amortisation

The carrying value of software with a finite life is amortised on a straight-line basis over its useful life. Amortisation commences when the asset is available for use and ceases when the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated rates have been estimated as follows:

**Acquired and developed software** 2–4 years 25–50% straight line

The above treatment has been adopted for all items of acquired and developed software.

### Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value, less costs to sell and value in use. The value in use is the depreciated replacement cost.

### Creditors and other payables

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost.

### Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Employee entitlements

Provision is made in respect of liability for annual leave, which is expected to be settled within 12 months of balance date (or approval is gained to carry forward leave), and measured at undiscounted nominal values based on an actual entitlement basis at current rates of pay.

### Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and recognised as an expense in the statement of comprehensive income as incurred.

### Establishment funding

The Crown has provided establishment funding to be repaid over a period of five years ending April 2016. This is initially recognised at fair value in the statement of financial position and subsequently measured at amortised cost using the effective interest rate method. Any interest expense is recognised in the profit or loss in accordance with the associated effective interest rate. The establishment funding was previously classified as financial liabilities at fair value through profit or loss. The correct classification is financial liabilities measured at amortised cost. This reclassification only has an impact on financial instruments category disclosure in Note 22.

### Goods and services tax

The financial statements are prepared on a GST-exclusive basis, except accounts receivable and accounts payable, which are prepared on a GST-inclusive basis.

### Taxation

The Authority is a public authority in terms of the Income Tax Act 2007 and consequently is exempt from income tax.

### Financial instruments

The Authority is party to a variety of financial instruments as part of its normal operations. A financial instrument is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability of another entity or is any contract that demonstrates residual interest in the assets of an entity after deducting all its liabilities. These financial instruments include bank accounts, short-term deposits, accounts payable and accounts receivable. All financial instruments are recognised in the statement of financial position, and all revenue and expenses in relation to financial instruments are recognised in the statement of comprehensive income.

### Statement of cash flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income.

Cash flows are classified into three activities:

- Operating activities include cash received from all income sources.
- Investing activities include cash received for sale and cash payments made for the purchase of investments and any other non-current assets.
- Financing activities include capital contributions, other transactions relating to changes in borrowings and equity of the Authority.

### Budget figures

The budget figures shown are derived from the 2014–2018 Statement of Intent approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies consistent with those adopted by the Authority for the preparation of the financial statements. The budget figures have not been audited.

### Equity

Equity is the Crown's investment in the Authority plus any surpluses/less any deficits incurred through operations and a litigation reserve for extraordinary unanticipated legal expenses.



## Changes in accounting policies

There have been no changes in accounting policies during the financial year. The accounting policies have been consistently applied throughout the periods in the financial statements.

## Critical judgements in applying the Authority's accounting policies

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised:

- in the period the estimate is revised
- if the revision affects only that period or in the period of the revision and future periods
- if the revision affects both current and future periods.

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

# Notes to the financial statements

For the year ended 30 June 2015

1. Operating levy received	Actual 2015 \$000	Actual 2014 \$000
New applications	1,279	1,125
Renewals	8,073	7,994
<b>Total operating levy received</b>	<b>9,352</b>	<b>9,119</b>

During the year to 30 June 2015, the Authority processed 12,374 licence renewals, along with 1,921 new licence applications. Total active licences were 14,295 (2014: 13,884). This is an overall increase of 411 licences from the previous year.

2. Application and suspension fees	Actual 2015 \$000	Actual 2014 \$000
New application fees	586	560
Suspension fees	322	314
<b>Total application and suspension fees</b>	<b>908</b>	<b>874</b>

During the year to 30 June 2015, the Authority processed 1,921 new licence applications and 3,213 voluntary suspensions.

3. Other income	Actual 2015 \$000	Actual 2014 \$000
Interest	376	311
Sale of publications	269	265
Fines imposed by CACs/Tribunal	295	185
<b>Total other income</b>	<b>940</b>	<b>761</b>

Interest earnings incorporate accrued interest on term deposit investments held with approved institutions, along with the interest received on call account and operating account balances. Section 127 of the Real Estate Agents Act 2008 requires licensees to provide a copy of an approved guide to their clients. These guides are provided to licensees on a cost-recovery basis by the Authority and recorded as sale of publications.

4. Personnel costs	Actual 2015 \$000	Actual 2014 \$000
Salaries and wages	3,278	3,182
Other personnel costs	319	370
Employer contributions to KiwiSaver	49	46
Termination payments	10	19
Employee entitlements	16	11
<b>Total personnel costs</b>	<b>3,672</b>	<b>3,628</b>

Other personnel costs include temporary staff for permanent roles, additional resources for temporary roles, recruitment costs, employer ACC levies, allowances and training. Employee entitlements represent the movement in annual leave balances between 30 June 2014 and 30 June 2015.



<b>5. Finance costs</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Imputed interest expense (refer to Note 17)	134	231
Interest on capital funding from Crown	166	166
<b>Total finance costs</b>	<b>300</b>	<b>397</b>

<b>6. Specialist services</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Investigations support	175	168
ICT and other systems consulting	0	250
Bank, merchant service and payroll processing fees	186	165
Advertising and publicity	52	73
Approved guide management	75	75
Accounting support services	0	8
Media and communications	51	26
Alternative dispute resolution (ADR) services	18	268
Other specialist services	591	455
<b>Total specialist services</b>	<b>1,148</b>	<b>1,488</b>

<b>7. Board remuneration</b>	<b>Actual 2015</b>			<b>Actual 2014</b>		
	<b>Board Fees \$000</b>	<b>CAC Fees \$000</b>	<b>TOTAL \$000</b>	<b>Board Fees \$000</b>	<b>CAC Fees \$000</b>	<b>TOTAL \$000</b>
John Auld (Chair)	40		<b>40</b>	37	5	<b>42</b>
Barrie Barnes	20		<b>20</b>	20	3	<b>23</b>
Aaron Bhavnagar	20		<b>20</b>	20		<b>20</b>
Denise Bovaird	20		<b>20</b>	20	8	<b>28</b>
Joan Harnett-Kindley	20		<b>20</b>	20	13	<b>33</b>
David Russell	20		<b>20</b>	20	3	<b>23</b>
Denese Bates QC	20		<b>20</b>	5		<b>5</b>
Kristy McDonald				7		<b>7</b>
<b>Total Board remuneration</b>	<b>160</b>		<b>160</b>	<b>149</b>	<b>32</b>	<b>181</b>

The table above represents the total value of remuneration paid to Board members during the year. No Board members received compensation or other benefits in relation to cessation. Board members receive a set fee of \$20,000 per year, with the Chair receiving \$40,000.

<b>8. Cash and cash equivalents</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Cash at bank and on hand	721	708
Funds held on call	2,120	1,403
<b>Total cash and cash equivalents</b>	<b>2,841</b>	<b>2,111</b>

The carrying value of cash and cash equivalents approximates their fair value. The weighted average effective interest rate for cash at bank is 1.35% (2014: 1.95%) and funds held on call is 2.45% (2014: 3.15%).

<b>9. Investments</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Term deposits	6,184	8,107
<b>Total investments</b>	<b>6,184</b>	<b>8,107</b>

The Authority has invested \$6.184 million in six separate term deposits of 12 months or less duration. The carrying value of the investments approximates their fair value. The weighted average effective interest rate for term deposits is 4.38% (2014: 4.10%).

<b>10. Debtors and other receivables</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Trade debtors	90	50
Accrued interest	50	80
<b>Total debtors and other receivables</b>	<b>140</b>	<b>130</b>

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2015, all overdue receivables have been assessed for impairment and nil (2014: nil) were assessed as impaired.

<b>11. Prepayments</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Prepaid salaries	18	32
Other prepaid creditors	0	0
Prepaid insurance	15	12
<b>Total prepayments</b>	<b>33</b>	<b>44</b>

## 12. Approved guide stock

The Authority produces three types of guides for licensees:

- Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012
- New Zealand Residential Property Agency Agreement Guide
- New Zealand Residential Property Sale and Purchase Agreement Guide.

The costs of guide production, distribution and management are recovered directly from licensees at the point of sale. Approved guide stock held at year end is recorded on the statement of financial position as a current asset, with the cost of goods sold recognised as an expense in the statement of comprehensive income.

	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Approved guides</b>		
Approved guide stock at beginning of year	12	16
Plus: Guide stock purchased during the year	69	52
Less: Guide stock cost of sales	(46)	(56)
<b>Approved guide stock at end of year</b>	<b>35</b>	<b>12</b>



<b>13. Property, plant and equipment</b>	<b>Computer equipment \$000</b>	<b>Furniture and fittings \$000</b>	<b>Leasehold improvements \$000</b>	<b>Capital work in progress \$000</b>	<b>Total \$000</b>
<b>Cost or valuation</b>					
Balance at 1 July 2013	282	124	14	36	456
Additions	21	7	0	36	64
Sales/transfers	0	0	0	0	0
<b>Balance at 30 June 2014</b>	<b>303</b>	<b>131</b>	<b>14</b>	<b>72</b>	<b>520</b>
Balance at 1 July 2014	303	131	14	72	520
Additions	39	8	0	609	656
Sales/transfers	0	0	0	(681)	(681)
<b>Balance at 30 June 2015</b>	<b>342</b>	<b>139</b>	<b>14</b>	<b>0</b>	<b>495</b>
<b>Accumulated depreciation</b>					
Balance at 1 July 2013	269	88	8	0	365
Depreciation expense	12	26	2	0	40
Sales/transfers	0	0	0	0	0
<b>Balance at 30 June 2014</b>	<b>281</b>	<b>114</b>	<b>10</b>	<b>0</b>	<b>405</b>
Balance at 1 July 2014	281	114	10	0	405
Depreciation expense	16	11	2	0	29
Sales/transfers	0	0	0	0	0
<b>Balance at 30 June 2015</b>	<b>297</b>	<b>125</b>	<b>12</b>	<b>0</b>	<b>434</b>
<b>Net carrying amounts</b>					
At 1 July 2013	13	36	6	36	91
At 1 July 2014	22	17	6	72	116
<b>At 30 June 2015</b>	<b>45</b>	<b>14</b>	<b>2</b>	<b>0</b>	<b>61</b>



<b>14. Intangible assets</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Cost or valuation</b>		
Opening balance	851	2,542
Additions	0	0
Transfer from capital work in progress	681	0
Disposals/sales/transfers	0	(1,691)
<b>Closing balance</b>	<b>1,532</b>	<b>851</b>
<b>Accumulated amortisation</b>		
Opening balance	443	1,971
Amortisation expense	163	163
Disposals		(1,691)
<b>Closing balance</b>	<b>606</b>	<b>443</b>
<b>Net carrying amount</b>		
At 1 July 2013	571	0
At 1 July 2014	408	571
<b>At 30 June 2015</b>	<b>926</b>	<b>408</b>

Included within intangibles is the Authority's core business systems upgrade. As at 30 June 2015, the carrying amount was \$246,000 (2014: \$408,000), and the remaining amortisation period is 1.5 years (2014: 2.5 years). Other intangible assets include software licences and security access software. The Authority has a signed contract with Interger Ltd for the construction and delivery of an online portal that will enable licensees to complete their annual renewal process electronically. The contract for Phase 1 Development is for \$988,740, of which \$664,433 remains unspent at 30 June 2015.

<b>15. Trade creditors and accruals</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
Accrued expenses	442	241
Trade creditors	258	465
Other payables	30	18
Disciplinary levy payable to Ministry of Justice	0	19
<b>Total trade creditors and accruals</b>	<b>730</b>	<b>743</b>

Creditors and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and accruals approximates their fair value.



<b>16. Deferred operating levy</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
For licence renewals	5,396	5,330
For new applications	628	610
<b>Total deferred operating levy</b>	<b>6,024</b>	<b>5,940</b>

Creditors and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and accruals approximates their fair value. In the current year, deferred revenue has been calculated on a monthly basis where, in the 2014 financial year, it was calculated on a daily basis. The difference between the calculation on a daily and monthly basis in 2014 was a \$126,532 decrease in deferred revenue.

<b>17. Establishment funding from Crown</b>	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Opening balance</b>	<b>2,240</b>	<b>3,269</b>
Current year interest recognised	134	231
Less: Repayments to the Crown	<b>(1,261)</b>	<b>(1,261)</b>
Closing balance	1,113	2,240
<b>Represented by:</b>		
Current portion of loan	1,113	1,261
<b>Non-current portion of loan</b>		979
<b>Closing balance</b>	<b>1,113</b>	<b>2,240</b>

The establishment funding is non-interest bearing. The Authority has applied the same interest rate as the Crown capital funding (8%) (2014: 8%) to calculate the imputed interest. The carrying value of the establishment funding approximates the fair value. The key assumptions in determining the fair value on initial recognition and subsequent value at amortised cost is the discount rate and repayment plan. If the discount rate had increased by 1% with all other variables remaining constant, the carrying value would increase by \$16,000 (2014: increase by \$16,000).

The Crown expects the Authority to repay the full value of the Disciplinary Tribunal and the Authority's establishment funding over a five-year period. The total value of funding advanced was \$6.207 million.

The terms of repayment agreed with the Ministry of Justice are as follows:

- A final payment of \$1.113 million will be made in April 2016.
- Payments are subject to the Authority making an annual surplus, having a positive cash position and having the ability to continue as a going concern.

## 18. Public equity

The Authority has an equity balance of \$2,206 million, compared with an equity balance of \$1.904 million in 2014.

## 19. Net cash flows from operating activities

Reconciliation of statement of comprehensive income surplus with net cash flow from operating activities.

	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Net surplus for the period</b>	<b>2,380</b>	<b>1,616</b>
<b>Non-cash items</b>		
Depreciation	29	40
Amortisation	163	163
Imputed loan interest	134	231
	<b>326</b>	<b>434</b>
<b>Movements in working capital items</b>		
Trade debtors, other receivables and prepayments	1	(57)
Movements in inventory	(24)	4
GST receivable	30	(39)
Rent rebate received	0	0
Trade creditors, other payables and provisions	(14)	211
Deferred operating revenue	84	(58)
Employee entitlements	16	11
	<b>93</b>	<b>71</b>
<b>Net cash flows from operating activities</b>	<b>2,799</b>	<b>2,121</b>

## 20. Financial risk management objectives

The Authority does not enter into or trade financial instruments for speculative purposes. The Authority's activities expose it primarily to the financial risks of interest rates.

### Interest rate risk

Fair value interest rate risk is the risk the value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to cash flow interest rate risk as it has cash on call at floating interest rates. The Authority manages its interest risk by investing in on-call and short-term deposits of less than one year with financial organisations in accordance with section 161 of the Crown Entities Act 2004. The Authority's interest rate risk is limited as the interest rate on investments is fixed and investment terms are less than one year.

### Credit risk management

Credit risk is the risk a third party will default on its obligation to the Authority, causing the Authority to incur a loss. Financial instruments that potentially subject the entity to credit risk principally consist of bank balances. The Authority very rarely extends credit, and it deposits its cash with Westpac. Westpac and UDC are both rated as AA institutions under Standard & Poor's investment grading criteria.



Maximum exposures to credit risk at reporting date are:

	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Non-cash items</b>		
Cash and cash equivalents	1,820	2,112
Investments-term deposits	7,205	8,107
Debtors	140	130
<b>Total</b>	<b>9,165</b>	<b>10,349</b>

No collateral is held on the above amount. There is no maturity date on the current bank balances as these represent cash held in transactional and cash management accounts. Term deposits classed as cash and cash equivalents have a maturity date of less than three months.

#### Fair value of financial instruments

The Authority considers the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

#### Liquidity risk

Liquidity risk is the risk the Authority will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Authority aims to maintain flexibility in funding by keeping committed credit lines available.

All of the Authority's commitments owing at balance date, comprising creditors and accruals, have a contractual maturity of less than six months. The Authority has sufficient cash on hand to meet these commitments as they fall due. Refer to Note 15 for the liquidity risk of trade creditors and accruals.

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

#### Contractual cash flows from financial liabilities

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>Later than 1 year</b>
<b>2015</b>					
Creditors and other payables	730	730	730		
Establishment funding	1113	1113		1113	
<b>Total</b>	<b>1,843</b>	<b>1,843</b>	<b>730</b>	<b>113</b>	
<b>2014</b>					
Creditors and other payables	743	743	743		
Establishment funding	2,240	2,240		1,261	979
<b>Total</b>	<b>2,983</b>	<b>2,983</b>	<b>743</b>	<b>1,261</b>	<b>979</b>

#### Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Authority is not subject to currency risk as it does not participate in any such financial instruments.

## 21. Capital management

The Authority's capital is its equity comprised of accumulated funds and other reserves. Equity is represented by net assets. The Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. The Authority manages its equity through prudently managing income, expenses, assets, liabilities, investments and general financial dealings to ensure the Authority effectively achieves its objectives and purpose, whilst remaining a going concern.

## 22. Categories of financial assets and liabilities

	Loans and receivables \$000	Financial liabilities measured at amortised cost \$000	Financial liabilities at fair-value through profit and loss \$000	Total carrying amount \$000	Fair value \$000
<b>2015</b>					
<b>Current financial assets</b>					
Cash and cash equivalents	2,841			1,820	1,820
Investments – term deposits	6,184			7,205	7,205
Debtors and other receivables	140			140	140
<b>Total current financial assets</b>	<b>9,165</b>			<b>9,165</b>	<b>9,165</b>
<b>Total financial assets</b>	<b>9,165</b>			<b>9,165</b>	<b>9,165</b>
<b>Current financial liabilities</b>					
Trade creditors and accruals		730		730	730
<b>Total current financial liabilities</b>		<b>730</b>		<b>730</b>	<b>730</b>
Term financial liabilities					
Establishment funding from Crown			1,113	1,113	1,113
<b>Total term financial liabilities</b>			<b>1,113</b>	<b>1,113</b>	<b>1,113</b>
<b>Total financial liabilities</b>		<b>730</b>	<b>1,113</b>	<b>1,843</b>	<b>1,843</b>
<b>2014</b>					
<b>Current financial assets</b>					
Cash and cash equivalents	2,112			2,112	2,112
Investments – term deposits	8,107			8,107	8,107
Debtors and other receivables	130			130	130
<b>Total current financial assets</b>	<b>10,349</b>			<b>10,349</b>	<b>10,349</b>
<b>Total financial assets</b>	<b>10,349</b>			<b>10,349</b>	<b>10,349</b>
<b>Current financial liabilities</b>					
Trade creditors and accruals		743		743	743
<b>Total current financial liabilities</b>		<b>743</b>		<b>743</b>	<b>743</b>
Term financial liabilities					
Establishment funding from Crown			2,240	2,240	2,240
<b>Total term financial liabilities</b>			<b>2,240</b>	<b>2,983</b>	<b>2,983</b>
<b>Total financial liabilities</b>		<b>743</b>	<b>2,240</b>	<b>2,983</b>	<b>2,983</b>



## 23. Related party transactions

The Authority is a wholly owned Crown entity. The Authority has entered into a number of transactions with government departments, Crown agencies and state-owned entities on an arm's length basis and in the course of its normal dealings. Where those parties are acting in the course of their normal dealings with the Authority and the transactions are at arm's length, related-party disclosures have not been made.

During the year ended 30 June 2010, the Authority received an interest-free loan of \$6.207 million from the Crown. The outstanding balance of this loan as at 30 June 2015 is \$1.113 million, and the details of the loan are included in Note 17.

The Authority paid \$166,000 (2014: \$166,000) of interest on capital funding from the Crown.

During the year, the Authority collected \$475,000 (2014: \$456,000) of Disciplinary Tribunal levies on behalf of the Ministry of Justice. These levies are paid directly to the Ministry in the month following their collection.

The Authority has a contract with InterGen Ltd for IT support and development. The Authority paid InterGen Ltd \$121,000 (2014: \$10,000) this financial year and has committed to spend \$127,000 over the next year. John Auld's son Christopher Auld is the CEO of InterGen North America. In the current year, deferred revenue has been calculated on a monthly basis where, in the 2014 financial year, it was calculated on a daily basis. The difference between the calculation on a daily and monthly basis in 2014 was a \$126,532 decrease in deferred revenue.

## 24. Key management personnel compensation

The compensation of the Chief Executive/Registrar and the Board members is set out below:

	Actual 2015 \$000	Actual 2014 \$000
Fees, salaries and other short-term benefits	390	386
Post-employment benefits		
<b>Total key management personnel compensation</b>	<b>390</b>	<b>386</b>

Fees, salaries and other short-term benefits include Board member fees, salaries and annual leave.

## 25. Employee remuneration

Remuneration and other benefits of \$100,000 per annum or more (excluding payments for compensation or other benefits in respect of employment cessation) received by employees in their capacity as employees were:

	Actual 2015 \$000	Actual 2014 \$000
<b>Remuneration range</b>		
\$100,000–109,999	2	2
\$110,000–119,999	4	3
\$130,000–139,999	2	1
\$170,000–179,999	1	1
\$230,000–239,999	1	1
<b>Total employees</b>	<b>10</b>	<b>8</b>

## 26. Commitments

### (i) Capital commitments

There are no capital commitments at reporting date (2014: nil).

### (ii) Operating lease commitments

Commitments for non-cancellable operating leases are as follows:

	Actual 2015 \$000	Actual 2014 \$000
Less than one year	314	323
Later than one year and not later than five years	925	1,240
Later than five years	0	0
<b>Total operating lease commitments</b>	<b>1,239</b>	<b>1,563</b>

The operating lease commitments are largely for the lease of Level 2 Deloitte House, 10 Brandon Street, Wellington. The Authority renewed its lease commencing 1 July 2013 for a term of six years. The Authority does not have the option to purchase the leased asset at the expiry of the lease period.

### (iii) Other commitments

The Authority has made the following other commitments:

	Actual 2015 \$000	Actual 2014 \$000
Less than one year	345	85
Later than one year and not later than five years	338	163
Later than five years	0	0
<b>Total operating lease commitments</b>	<b>683</b>	<b>248</b>

The Authority has a three-year contract with Interger Ltd for IT support services, with two years still to run.

## 27. Contingent liabilities

There are no contingent liabilities at reporting date (2014: nil).

## 28. Subsequent events

There are no events subsequent to the reporting date the Authority is aware of that would have a material impact on the financial statements for the year ended 30 June 2015.

## 29. Significant budget variances

Budget values are sourced from the forecast financial statements shown in the Authority's 2014–2018 Statement of Intent. Explanations of significant budget variances are provided on page 38.



# Explanation of variances

## Statement of comprehensive income

### Revenue

#### Operating levy received

The main reason for the \$616,000 budget variance is a greater number of new and renewal licence volumes than budgeted.

#### Application and suspension fees

The actual volumes of new applications and suspensions of licences at 30 June 2015 were 1,921 and 3,213 respectively, which is 213 and 2,013 more than budget. Accordingly, fee revenue from new applications and suspensions is \$372,000 more than the \$537,000 budget.

#### Other income

The term deposit investment is over budget by \$3.1 million, which results in the interest income exceeding budget assumptions by \$207,000. Fines have also exceeded budget assumptions by \$245,000.

### Expenditure

#### Specialist services

The overspend in specialist services is mainly due to increased use of external investigation services as a result of vacancies in the investigation team.

#### Legal fees

The 2014/15 budget for legal fees was based on an estimated number of prosecutions, appeals and reviews as well as making an allowance for any unusually complex cases. The actual number of prosecutions, appeals and reviews (and the associated fees) has been less than anticipated, resulting in a variance under budget of \$205,000.

#### Complaints Assessment Committee fees

The Complaints Assessment Committee fees are over budget by \$113,000. A key factor has been the recruitment of nine new panel members, who commenced on the Complaints Assessment Committees before their predecessors had finished, resulting in higher fee payments.

## Statement of financial position

### Cash and cash equivalents, investments

The cash and cash equivalents variance is due to surplus cash (as a result of deferring the Authority's new licensing and compliance system) being invested in bank short-term investments as opposed to leaving the funds on call.

#### GST receivable

Expenditure anticipated on the Authority's new licensing and compliance portal system has been deferred to 2015/16.

#### Property, plant and equipment, intangible assets, trade creditors and accruals

The project to deliver the Authority's new licensing and compliance database was originally expected to be complete by June 2014. This project has been rescheduled, with delivery now taking place in late 2015 and mid-2016. Accordingly, the impact on trade creditors and intangible assets to be created from it have been delayed.

#### Deferred operating levy

Deferred operating levy is \$262,000 over budget.

#### Establishment funding from Crown (current)/(term)

The current portion of the establishment funding is shown as the full amount repayable in April 2016.

## Statement of cash flows

### Cash flows

#### Net cash flows from operating activities

Delayed spending on the Authority's rescheduled licensing and compliance system has resulted in higher than budgeted cash balances.

#### Net cash flows from investing activities

Surplus funds as a result of delayed spending on the Authority's rescheduled licensing and compliance system have been invested in term deposits.





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