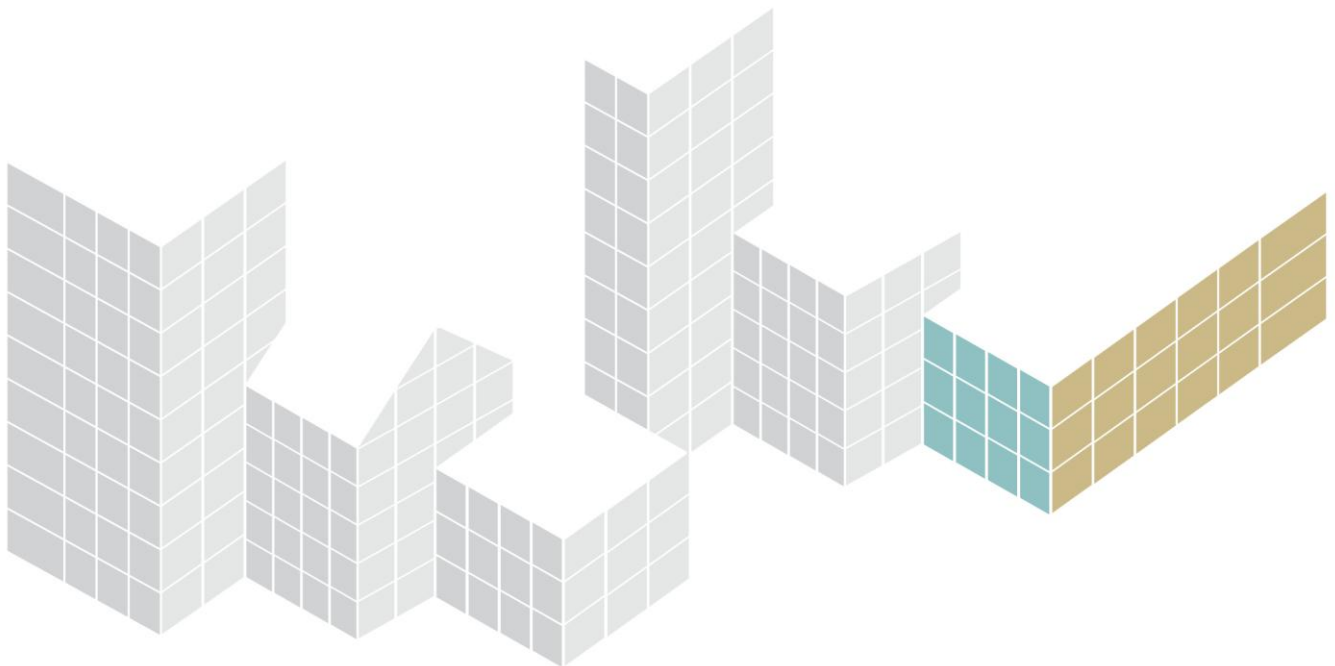
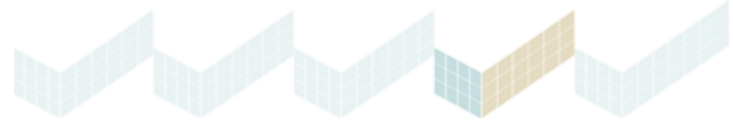


Real Estate Agents Authority Annual Report 2009 – 2010





TO: THE HONOURABLE MINISTER OF JUSTICE

I have the pleasure to present to Parliament the Annual Report of the Real Estate Agents Authority pursuant to the provisions of the Crown Entities Act 2004.

The report covers the period to 30 June 2010.

Kristy McDonald QC
Chair, Real Estate Agents Authority

October 2010

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Foreword from the Chair

The Authority was established under the Real Estate Agents Act (2008) and commenced operation on 17 November 2009. It is clear from the Act that the focus for the Authority is the protection and promotion of consumer interests and the improvement of public confidence in the real estate industry.

The Real Estate Agents Board has sought to establish the Authority as an effective and accountable regulatory body. The Board's focus has been on:

- protecting and promoting the interests of consumers in real estate transactions
- raising professional standards of the real estate industry
- holding licensees to account for their actions.

Before the Authority was established, little was known about how many licensees would renew their licenses under the new regime or how many complaints would be received by the Authority's disciplinary process. Now that the Authority has been operational for almost a year we know that there are approximately 17,000 active licensees and that, on average, there could be approximately 1,000 complaints, allegations and proactive investigations per year.

The Authority also has the task of educating and informing consumers and licensees about their rights and obligations. It has delivered a Code of Professional Conduct and Client Care, it is in the process of developing a framework for Continuing Education, and it continues to support independent Complaints Assessment Committees as they develop rules and guidance about the conduct of licensees.

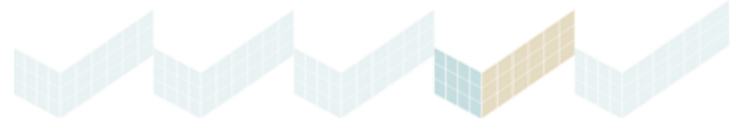
The Authority has experienced a greater volume of work than anticipated during its first year and has responded to a changing environment by adapting its structures and processes. The Authority is now a balanced and effective agency.

I believe the Authority has now developed a solid foundation for the future. It is responsive and adaptive. Its services are delivered by skilled people. Its first year has been effective despite a challenging global and domestic environment.

I am pleased to present this Annual Report for the Real Estate Agents Authority for 2009/10.



Kristy McDonald, QC
Chair



About the Authority

LEGISLATION

The Authority is a regulatory body responsible for providing independent oversight of the real estate industry. For the purpose of the Crown Entities Act 2004, the Authority is a Crown Agent and was established by the Real Estate Agents Act 2008 (the Act).

The purpose of the Act is to promote the interests of consumers in respect of transactions relating to real estate, and to promote public confidence in the work of the real estate industry.

The Act sets out the Authority's functions and related responsibilities, which include:

- administering the licensing regime for real estate agents, branch managers, and salespersons, including the granting and renewal of licence applications
- ensuring that a register of licensees is established, kept and maintained, and available for public viewing
- developing and maintaining practice rules for licensees, including ethical responsibilities
- setting and collecting fees and levies from licensees
- providing consumer information on matters relating to real estate transactions, including Approved Guides on agency agreements and sale and purchase agreements, and information on the provision of real estate services and how to make a complaint about a licensee
- setting professional standards for licensees, including the development of a Professional Code of Conduct and Client Care that sets a benchmark for professional behaviour and discipline
- ensuring agents' trust accounts are audited and irregularities reported
- operating a complaints and disciplinary regime which involves investigations into unsatisfactory conduct or misconduct on the part of a licensee.



THE REAL ESTATE AGENTS AUTHORITY BOARD

The Real Estate Agents Authority Board is comprised of seven members; at least two of whom are required to be licensees, or former licensees.

Kristy McDonald, QC was appointed to the position of Chairperson for the Real Estate Agents Authority in May 2009.

THE REAL ESTATE AGENTS AUTHORITY

Operations at the Real Estate Agents Authority (the Authority) started on 17 November 2009. At that time, the Authority anticipated the receipt of 17,055 renewal applications from licensees wanting to renew their license, and a further 3,600 new applications per year. For the period 17 November – 30 June 2010, the Authority received 24% fewer new applications and 12% fewer renewals than forecast. For the period 17 November 2009 to 30 June 2010, the Authority forecast the receipt per year of about 1,100 complaints, and actually received about 456.

However, what was unanticipated was that the Authority was directed to investigate a considerably higher proportion of complaints than what was forecast.

ROLE AND POWERS

As an independent Crown entity the Authority generates its operating revenue from real estate licences. This funding covers the cost of operating and delivering the functions under the Real Estate Agents Act (2008). The Registrar determines the eligibility of licensee applicants.

The Authority receives complaints from consumers and licensees about licensees. These complaints are required to be forwarded by the Authority for consideration by independent Complaints Assessment Committees (CACs). It is the CACs' role to determine the outcome of a complaint and they may direct the Authority to investigate before making a determination.

In addition, the Authority may carry-out of its own accord investigations into offences under the Act, and allegations of unsatisfactory misconduct, or serious misconduct.

WORKING WITH THE INDUSTRY

A key role in meeting the objectives under the Act (2008) is the improvement of industry standards.

The Authority believes that its Code of Professional Conduct and Client Care for licensees improves standards of professionalism for the real estate industry. For the period 2010 - 2013 the Authority intends to monitor the industry's adherence to the Code and will make improvements if required.

To improve the standards, professionalism and competence of licensees the Authority aims to develop practice rules for continuing education. The Authority has commenced research in this area and plans to consult with key stakeholders on a continuing education framework for licensees.

WORKING WITH CONSUMERS

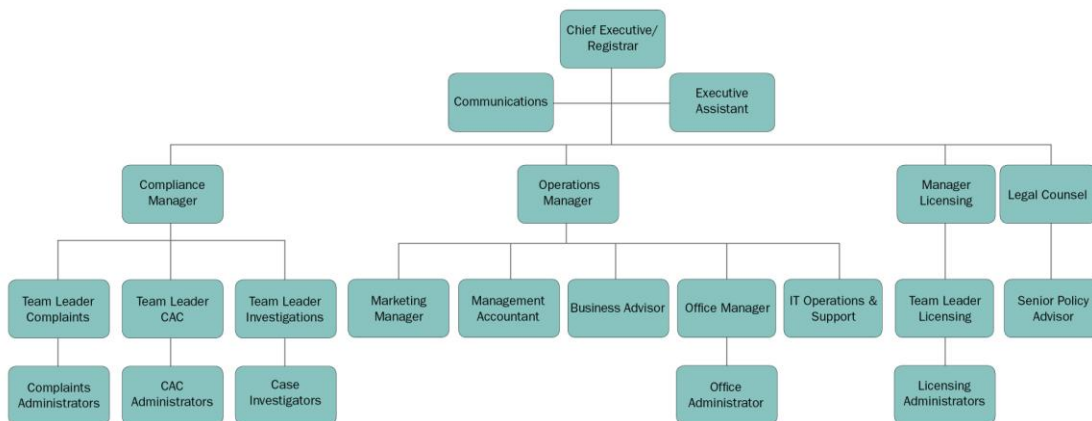
A key function of the Authority is to provide consumer information, written in plain English, on matters related to real estate transactions. The Authority has published a range of consumer information material, including Approved Guides about agency agreements and

sale and purchase agreements relating to residential property, fact sheets on various real estate topics and other general information on its website. Much of this information was published in advance of the Authority's official launch and the Authority will need to review its published information on an on-going basis to ensure it best meets its purpose.

STRUCTURE OF THE REAL ESTATE AGENTS AUTHORITY

At 30 June 2010, the Authority had 32 positions. These were filled by 29 staff in full time equivalent roles with 2 additional contractors working on a part-time basis. One position remained unfilled. The structure of the organisation is outlined below.

Figure 1 the Real Estate Agents Authority Organisation Chart



Within the first financial year the Authority realised that the amount of work required to receive, process and investigate complaints was greater than forecast. As a result, the Authority restructured its operations, adding more investigative resource to its Compliance Unit, reorganising the reporting lines within the Operations Team and the Legal Counsel function and adding a Team Leader position to the Licensing Team.

The Authority is divided into three business areas:

- Compliance
- Licensing
- Operations.

Compliance

The Compliance Unit deals with the receipt of complaints, provides administrative support to CACs and investigates complaints, allegations and offences under the Act.



Licensing

The Licensing Team administers the licensing function and maintains the public register of licensees. This includes applications, suspensions, renewals and surrendering of a license.

Operations

The Operations Team provides corporate support integral to the running of the organisation. This includes key functions such as communications, information technology, finance, human resource management, government reporting, external and internal compliance, office support management and contract management.

- Communications

Throughout the financial year, the Authority focussed on raising public awareness of its role, functions and activities for both licensees and consumers. The Authority made available for distribution:

- 13,200 Agency Agreement Guides
- 29,080 Sale and Purchase Agreement Guides.

Through a national road-show, the Authority communicated to licensees around New Zealand the changes that would affect licensees under the new Real Estate Agents Act (2008).

During the year, the Authority developed its website, providing a resource to the public to access key publications, including Complaints Assessment Committee determinations as well as a register of licensees working in the industry.

- Technology

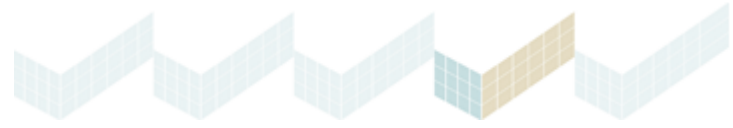
The Authority has continued to 'fine-tune' its Complaints Management System (CMS). On-going work is required to improve reporting functionality of the CMS, including timeliness indicators, as well as to increase the efficiency of processing licensing applications.

EMPLOYMENT POLICIES

The Authority has an equal employment opportunities policy and is an equal opportunities employer in its recruitment and staff development practices. It carries out good employer practices in human resource management. The Authority has documented human resource policies.

The Authority has a personnel policy containing provisions generally accepted as necessary for the fair and proper treatment of employees in all aspects of their employment.

The Authority will consult with staff on issues of concern and conduct and review existing policies, practices, documents and systems in all areas of business to ensure equal opportunities in recruitment, appointment, development, promotion and remuneration.



Operating Environment

Vision Statement

The Authority's purpose is to achieve increased consumer protection and increased confidence in the real estate industry.

Mission Statement

The Authority's mission is to be an effective and accountable Authority.

Outcomes

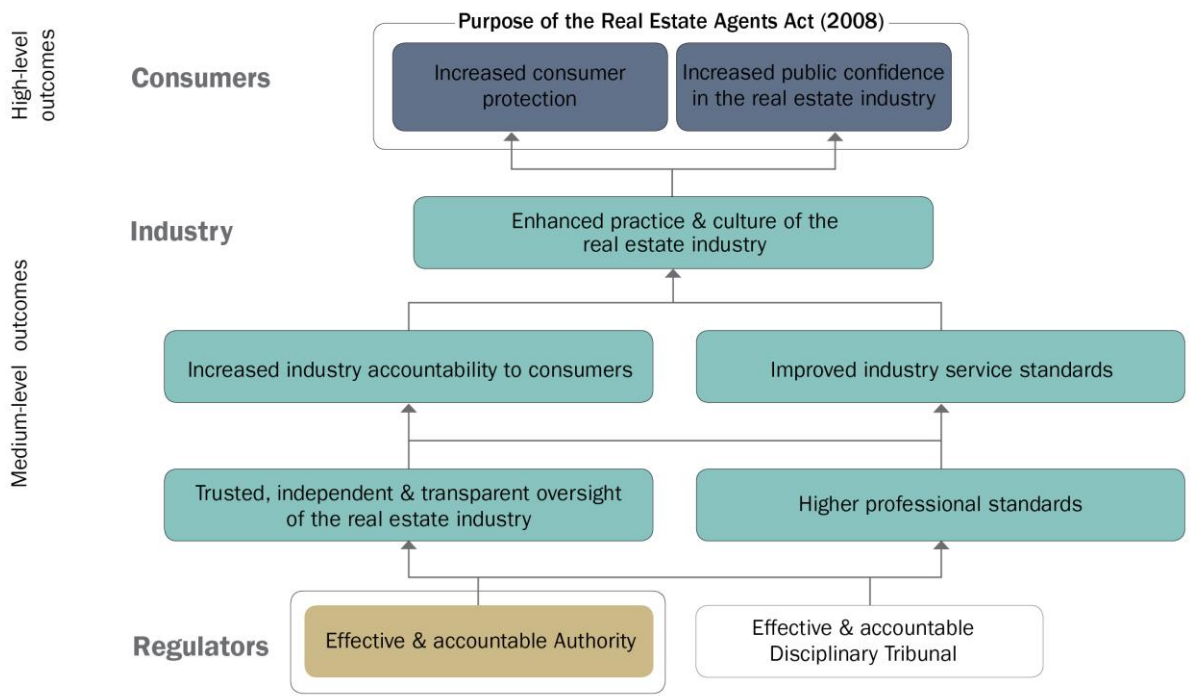
The Authority achieves its purpose through the outputs outlined in the Statement of Service Performance on page 17, which are aligned to the Authority's medium-level outcomes described in the figure below.

The Authority's work also aligns to the wider government objective of a Safe and Just Society.

The figure below provides a high-level overview for how the Authority meets its vision.

Figure 2 Authority's Outcomes

Real Estate Regulatory Regime



Complaints and Investigations Summary

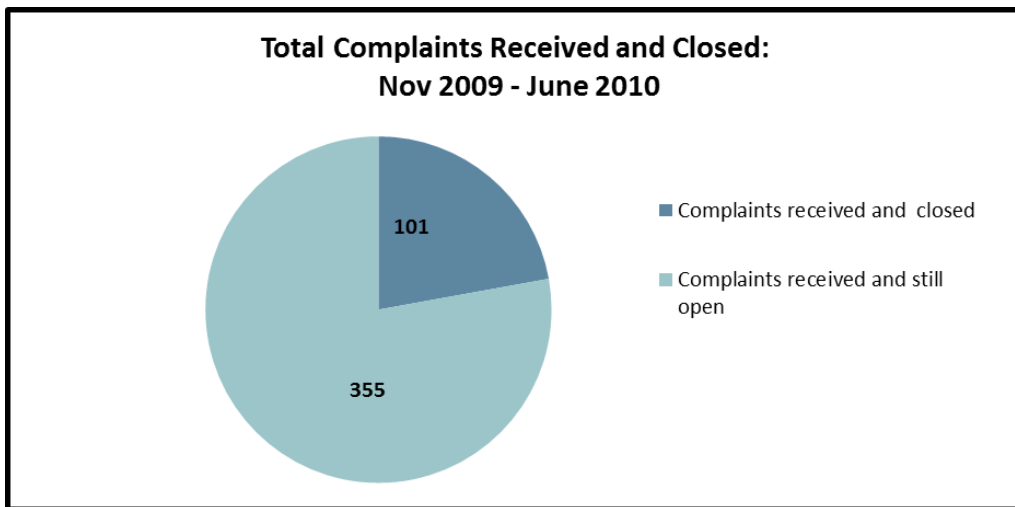
FOR THE PERIOD 17 NOVEMBER 2009 TO 30 JUNE 2010

Complaints Received and Closed

At 30 June 2010, 101 complaints (22% of the 456 received) were closed and 355 complaints (78%) remained open. This included pre-existing complaints forwarded from the Real Estate Institute of New Zealand.

Closed complaints include those withdrawn, and those determined by the Complaints Assessment Committees (CACs). Open complaints include complaints awaiting referral to a CAC, complaints under investigation, and complaints awaiting a CAC determination.

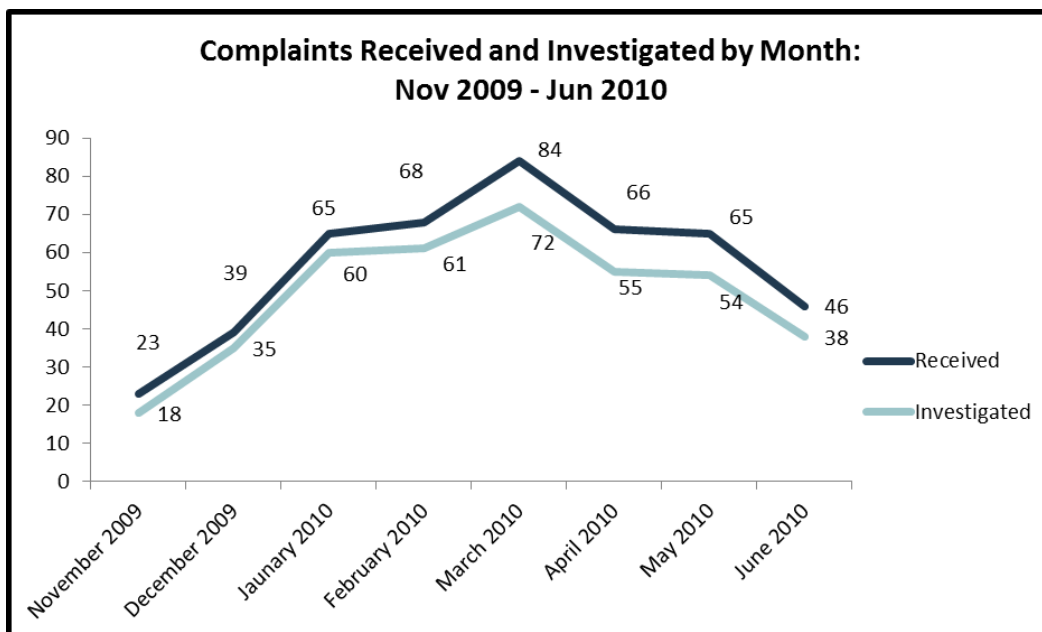
Figure 3 Total Complaints Received and Closed



Complaints Investigated

For the period 17 November 2009 – 30 June 2010, Complaints Assessment Committees directed the Authority to investigate 86% of the complaints received. This percentage was considerably higher than the Ministry of Justice’s original forecast of 60%.

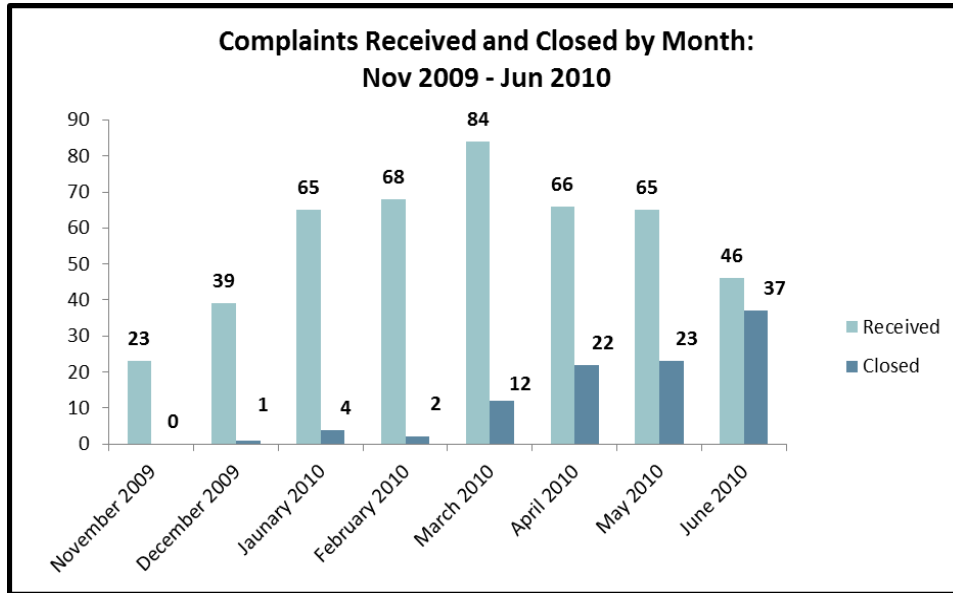
Figure 4 Complaints Received and Investigated



Complaints Closed

For the period 17 November 2009 – 30 June 2010, the number of complaints received per month ranged from 23 in November 2009 to 84 in March 2010. The number of complaints closed generally increased over the period, ranging from 0 in November to 37 in June. This reflects the time taken to process a complaint from receipt through to investigation and closure.

Figure 5 Complaints Received and Closed

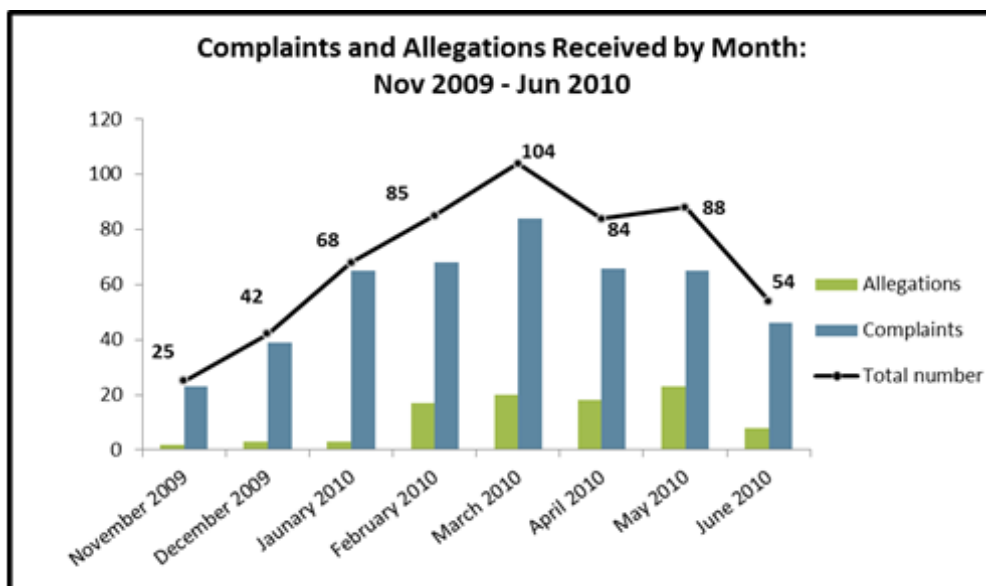


Complaints and Allegations

For the period 17 November 2009 – 30 June 2010, the number of complaints and allegations received per month ranged from 25 in November (23 complaints and 2 allegations) to 104 in March (84 complaints and 20 allegations). The average number of complaints received per month for the period was 57 and the average number of allegations was 12.

Unlike a complaint, an allegation does not meet all the requirements of Regulation 4 of the Real Estate Agents (Complaints and Discipline) Regulations (2009). For instance, an allegation may be about unlicensed trading or the complainant may wish to remain anonymous.

Figure 6 Complaints and Allegations



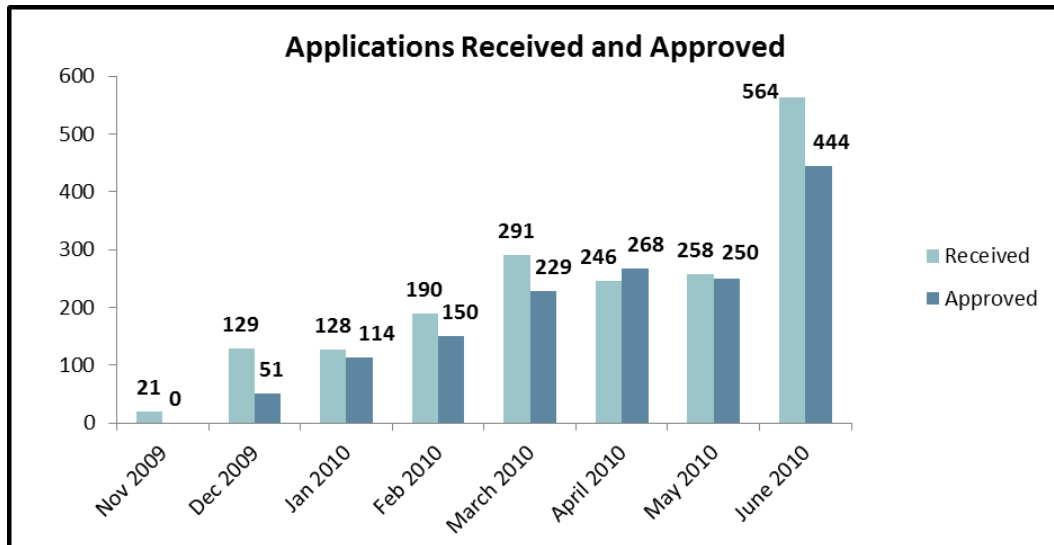
Licensing Summary

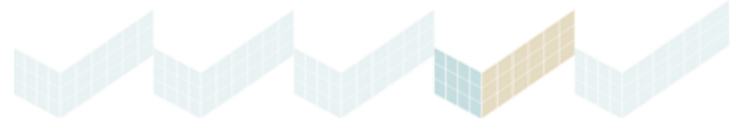
FOR THE PERIOD 17 NOVEMBER 2009 TO 30 JUNE 2010

Licensing Applications Achieved and Approved

During the period 17 November 2009 to 30 June 2010, the Authority renewed 15,030 licences and received 1,827 new applications, of which 1,506 of these applications were approved by 30 June 2010. The graph below presents, by month, the applications received and approved.

Figure 7 Licensing Applications Received and Approved





Complaint Determinations

FOR THE PERIOD 17 NOVEMBER 2009 TO 30 JUNE 2010

A sample of determinations made by Complaints Assessment Committees, between 17 November 2009 and 30 June 2010, are provided below. Further details of these determinations are available on the website.

Unsatisfactory Conduct Decisions (published):

- 1. CA2364483: A licensed Salesperson's conduct was found to be unsatisfactory for applying undue pressure on his vendor to sign a sale and purchase agreement.**

The Complaints Assessment Committee considered that, on top of the circumstances of this case, the threat of potential legal consequences that might result against the vendor if the offer was not signed took the Licensee's conduct beyond an acceptable level of coercion. This was considered a breach of Rule 9.2 of the Real Estate Agents Act (Professional Conduct and Client Care) Rules 2009.

The penalty was censure; an order to refund the vendor \$2,000 plus GST from the vendor's half share of the \$12,000 plus GST commission; an apology to the vendor; and publication of the decision on the Authority website.

- 2. CA3098901: A licensed Salesperson caused the sale of a property when she knew the vendors had a sole agency agreement in place with another agency, placing the vendors in a position requiring them to pay two commissions.**

However, the two agencies subsequently agreed to a 50/50 split of the commission owing, preventing this outcome. The sale was also made without a listing agreement in place by the Licensee. The complainant, the Principal of the listing agency, considered the Licensee breached the Real Estate Institute of New Zealand (REINZ) Code of Ethics.

The Complaints Assessment Committee found unsatisfactory, and "inexcusable", conduct. It considered the Licensee did not discharge her professional obligations in this case. In the Committee's view the Licensee should have taken active steps to contact and communicate with the Licensee who held the sole agency listing. The Licensee should have discussed the fact of the sale she was about to make with the listing Licensee regardless of the information the vendors were providing to her and/or the vendor's own attempts to contact the listing Licensee.

No orders could be made against the salesperson, because this conduct; occurred under the 1976 Act, did not rise to the level of misconduct, and the Licensee had never been a member of REINZ. However, the Committee decided to publish its decision on the Authority website.



3. CA2733987: A licensed Salesperson erected a “For Sale” sign over a private sale sign that the owner had erected to sell her section at a location different from where she lived. This was done without a listing agreement with the section owner.

The owner considered that the Licensee’s actions potentially resulted in a loss of sale while the sign was in place, owing to prospective buyers not being able to contact her, which had adverse financial impacts for the owner.

The Complaints Assessment Committee found unsatisfactory conduct because the Licensee erected the sign without a listing agreement and caused the owner a financial loss.

As a penalty the Licensee was required to pay the owner the amount of \$1,500 inclusive of GST (if any) and to undergo formal training in ethics. The Committee also decided to publish its decision on the Authority website.

No Further Action Determinations (published):

4. CA2655498: This complaint concerns residential property management.

The Licensee was provided access to a rental property by the tenant for valuation purposes. During the visit the tenant considered the Licensee improperly took photos, which included the tenant’s personal items, for the purpose of listing the property for sale. Removal of the published photographs did not happen immediately on request and the Licensee allegedly spoke inappropriately to people present in the house at the time.

The Complaints Assessment Committee found it would be reasonable for the tenant to expect that photos would need to be taken to market the property. It found further that the Licensee acted responsibly in taking another agent with him for the inspection, and that he had been discreet when dealing with the tenant’s child. It recognised that the tenant may have been upset by the potential exposure of private information but considers that the Licensee and the other attending agent did their best to minimise any difficulty arising from this. As soon as the Licensee became aware of the request to remove the photographs he authorised that.

Accordingly the Committee found that the facts did not meet the thresholds of ‘unsatisfactory conduct’ (under s 72 of the Act), or ‘misconduct’ (under s 73 of the Act). This complaint about residential property management needed to meet the high threshold of misconduct in order to be a breach of the 2008 Act. Terms in the Act used to describe ‘misconduct’ include “disgraceful”, “seriously incompetent or seriously negligent”, “wilful or reckless”.



5. CA2633106: This complaint concerns the sale by auction of an avocado orchard.

The Licensee complained about specialised in horticultural business and property sales and the complainants were the vendors. At the auction the reserve price was not met and negotiations post auction resulted in a Sale and Purchase Agreement entered into for \$200k less than the vendors' reserve price, but was nevertheless signed by them. The vendors alleged that the Licensee did not act in their best interests. They maintain he deliberately undermined their confidence in the value of the property by quoting hearsay facts in an unbalanced manner with the express objective of reducing the price expectation and achieving a quick sale.

The Complaints Assessment Committee found the Licensee provided reasonable explanations for all the issues raised in the complaint; acted appropriately in the sale process and kept the vendors informed of market feedback during the course of the marketing campaign; and placed no undue pressure on the complainants to sell the property at the final agreed price (where the vendors had every opportunity to withdraw from the sale had they chosen to do so).

No Further Action Decision (not published)

6. CA3766233: This complaint concerns a commission dispute between licensees.

A Licensee who had left the employment of an agency complained that commission payments she was due were not subsequently made to her.

The Complaints Assessment Committee found that the issue would not be looked into by the Authority, as the complaint concerned contractual issues between the parties. Further, the Committee considered that this was not a disciplinary matter and should be looked into in another setting. The purpose of the Real Estate Agency Act 2008 is to “promote and protect the interests of consumers in respect of transactions that relate to real estate and to promote public confidence in the performance of real estate agency work”.



Licensee Determinations

FOR THE PERIOD 17 NOVEMBER 2009 TO 30 JUNE 2010

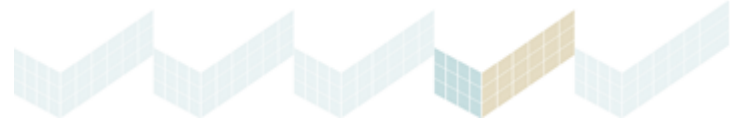
The Authority's Registrar issues licences to the industry and has the power to decline an application. In one instance the Tribunal directed the Registrar to issue a licence.

1. **A and B v Real Estate Agents Authority [2010] NZREADT 1 (18 June 2010)**

Applications for Agent Licences were declined based on the failure of the applicants, neither of whom held licences under the Real Estate Agents Act 1976, to satisfy the Registrar that they had obtained 3 years' experience in real estate agency work within the 10 years preceding the applications to be licensed as an agent as required by the Real Estate Agents Act 2008, s36 (1).

The Tribunal considered that despite the applicants not having held a licence under the Real Estate Agents Act 1976, much, if not all, of the work referred to by the applicants in their appeal fell within the definition of "real estate agency work", being: "*work done or services provided, in trade, on behalf of another person for the purpose bringing about a transaction*".

The Tribunal directed the Registrar to issue the licence.



Statement of Service Performance

FOR THE PERIOD 17 NOVEMBER 2009 TO 30 JUNE 2010

In its first year of operation the Authority structured its activities within the output class: Operate the Real Estate Agency. The outputs within it were:

- Output 1: Consumer
- Output 2: Industry
- Output 3: Authority.

The following section outlines measures the Authority uses to assess its performance. These measures were outlined in the Authority's Interim Statement of Intent for 17 November 2009 – 30 June 2010.

Output Class: Real Estate Agents Authority

Output 1: Consumer

Providing increased consumer protection and public confidence in the real estate industry

This output achieves its purpose by promoting and protecting the interests of consumers in respect of transactions that relate to real estate and to promote public confidence in the performance of real estate agency work. (Real Estate Agents Act 2008 Section 3(1)).

In the Authority's Interim Statement of Intent 17 November – 30 June 2010 a number of key activities were outlined for this output. Performance of these activities as follows:

- **Develop consumer information on matters relating to real estate transactions, including Approved Guides on agency agreements and sale and purchase agreements**

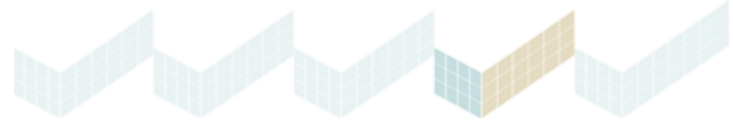
Achieved and on-going.

The Authority produced two Approved Guides that outline to consumers matters they should be aware of when signing an agency agreement and a sale and purchase agreement. These guides have been translated into Maori, Samoan, Tongan, Chinese, Hindi and Korean with these versions available in electronic form.

- **Develop and provide consumer information on matters relating to the provision of real estate services, including providing the public with information on how to make a complaint**

Achieved and on-going.

The Authority produced a brochure for consumers on 'how to make a complaint' and developed nine fact sheets on matters relating to the provision of real estate services.



- **Provide procedures for the lodging of complaints**

Achieved.

Procedures for lodging of complaints were developed before 17 November 2009. The Compliance Unit's Operational Procedures Manual was reviewed in June 2010 to record any of the Authority's procedural changes.

The Complaint Form was revised in June 2010 to make it easier for complainants to ensure their written complaint meets the requirements of Regulation 4 of the Real Estate Agents (Complaints and Discipline) Regulations 2009.

It is anticipated that these changes will improve the efficiency of the complaints management process.

- **Receive complaints relating to the conduct of licensees**

Achieved.

The Authority received 456 complaints against licensees for this reporting period.

- **Investigate matters relating to unsatisfactory conduct or misconduct on the part of a licensee**

Achieved.

At the end of June 2010, the Authority had received 456 complaints. 59 determinations were made by the CAC by the end of this period, 6 of which were determinations of unsatisfactory conduct. Two charges of misconduct were referred to the Real Estate Disciplinary Tribunal by the Complaints Assessment Committees.

- **Investigate and initiate proceedings in relation to offences under the Real Estate Agents Act 2008 and other enactments**

Achieved.

The Authority investigates allegations that could lead to offences. The Authority has initiated investigations into 15 allegations of unlicensed trading during the reporting period. No proceedings have been initiated up to 30 June 2010.



Performance Information

1.1 CONSUMER ENQUIRIES			
Performance Indicator	Notes	Forecast Performance	Actual Performance
Quantity		21,600 per year (86 per day). (Assumption that 30% of average annual real estate transactions could result in enquiry).	Not achieved* 6,731 consumer enquiries ¹ received (an average of 44 per day). *N.B. The number of enquiries received is outside of the Authority's control.
Timeliness		80% of phone calls from consumers to be responded ² to within one business day. The remainder of phone calls from consumers to be responded to within three business days. 80% of enquiries from consumers to be actioned within five working days. ³	80% of calls received via the 0800 line for complaints and general consumer enquiries were not abandoned. Achieved. Monitoring of response timeframes to general enquiries, both telephone and web based, will be considered as part of the Compliance Unit's Quality Management Framework, to be developed in 2010/11. ⁴ A report on this indicator is still being developed.
Quality		All information provided to be accurate and comply with provisions of the Real Estate Agents Act 2008 and Authority policies and procedures.	Achieved. The Authority did not receive any complaints about the accuracy of information provided or whether it met Authority policies and procedures.

¹ This includes telephone calls to the 0800 line for complaints and general enquiries. However, it does not include calls to the Authority's Complaints Team, direct dial lines, or web-based enquiries.

² "Responded to" includes calls answered directly and followed-up from phone messages.

³ This includes any instant information and more complicated enquiries which require legal or policy input.

⁴ The Authority does not currently maintain systems for monitoring response times for voicemail messages or web-based enquiries.



1.2 COMPLAINTS AND INVESTIGATIONS

Performance Indicator	Notes	Forecast Performance	Actual Performance
Quantity		<p>1,100 complaints per year.</p> <p>1,100 investigations per year (Combination of complaints to be investigated, licensee investigations and proactive work).</p>	<p>Not achieved*</p> <p>*N.B. The number of complaints received is outside of the Authority's control.</p> <p>456 complaints received.</p> <p>All complaints are referred to CACs. CACs directed the Authority to investigate 86% of these complaints.</p>
Timeliness	1	100% of complaints to be acknowledged within five working days.	<p>Not achieved.</p> <p>From March to June 2010, 94% of complaints were acknowledged within five working days.</p>
Quality	2	<p>All complaints to be dealt with by the CACs (Complaints Assessment Committees) in a fair, transparent and timely manner.</p> <p>All investigations to be conducted in a fair and timely manner having regard to all relevant statute and Authority policies and procedures.</p>	<p>On-going.</p> <p>During the reporting period the Authority developed a case categorisation framework and target timeframes for processing and investigating complaints.</p>



1.3 PROVIDING INFORMATION

Performance Indicator	Notes	Forecast Performance	Actual Performance
Timeliness		To manage inventory processes of Approved Guides to ensure access by consumers via licensees as per requirements of the Act.	<p>Not Yet Developed.</p> <p>An appropriate timeliness indicator has not yet been developed. A proposed indicator is for orders for Approved Guides or Code of Conduct to be sent within one Business Day.</p> <p>The Authority made available for distribution:</p> <ul style="list-style-type: none"> - 13,200 Agency Agreement Guides - 29,080 Sale and Purchase Agreement Guides. <p>All guides were distributed within one business day of being ordered.</p>
Quality		<p>All current information on the website and in Approved guides to be accurate and comply with the provisions of the Real Estate Agents Act 2008 and Authority policies and procedures.</p> <p>The Register of licensees to be available during business hours is accurate and current.</p>	<p>Achieved.</p> <p>Achieved.</p> <p>The Register of licensees was available 99.99% of the time.</p>



Output 2: Industry

Enhance the practice and culture of the real estate industry

This output achieves its purpose by regulating agents, branch managers and salespersons and raising industry standards. (Real Estate Agents Act 2008 section 3(2) (a) &(c)).

Under this output the Authority intended to:

- **Administer a licensing regime for agents, branch managers and salespeople, including the granting and renewal of licensing applications**

Achieved.

To 30 June 2010, the Authority renewed or newly approved over 15,000 licences.

- **Ensure the register of licensees is established and maintained**

Achieved.

A public register of licensees has been available since 17 November 2009. The public register is updated on an on-going basis. To improve the service, the Authority aims to analyse how often the register is used and by whom.

- **Develop and maintain practice rules for licensees, including ethical responsibilities**

Achieved and on-going.

Prior to 17 November 2009, the Board implemented a Code of Professional Conduct and Client Care that outlines practice rules for licensees, including their ethical responsibilities. The Code is sent to all new licensees. It was also sent to all current “deemed” licensees as at 17 November and again to all licensees at the time of renewal. The Authority aims to review the effectiveness of the Code, based on the nature of complaints and feedback from the CAC panel members.

- **Set professional standards for agents**

On-going.

The Authority is developing professional standards for the industry including a continuing education framework. The Authority has established a Board subcommittee to guide that development. In the last four months of the financial year the Authority had undertaken scoping work for the project including discussions with a number of industry stakeholders to determine the industry’s specific professional development needs and the appropriate mechanisms for delivery.



Performance Information

2.1 LICENSING			
Performance Indicator	Notes	Forecast Performance	Actual Performance
Quantity		<p>3,600 new applications per year (With 3,600 also departing the industry).</p> <p>17,055 renewals of deemed licences by 31 March 2010.</p>	<p>Not achieved*</p> <p>*N.B. The number of new applications received is outside of the Authority's control.</p> <p>The Authority received 1,827 new applications. 1,506 of these applications were approved by 30 June 2010.</p> <p>The Authority renewed 15,030 deemed licences.</p>
Timeliness		<p>90% of all applications to be processed⁵ within three months.</p> <p>The remainder of all applications to be processed within six months.</p>	<p>Achieved.</p> <p>99% of applications processed within three months.</p> <p>Achieved.</p> <p>100% of completed applications were processed within six months.</p>
Quality		<p>All applications to be processed to comply with the provisions of the Real Estate Agents Act and Authority agreed policies and procedures.</p>	<p>Achieved.</p> <p>99% of applications processed comply with the Real Estate Agents Act policies and procedures.</p>

2.2 COMPLAINTS AND INVESTIGATIONS			
Performance Indicator	Notes	Forecast Performance	Actual Performance
Quantity		<p>1,100 complaints per year (Assumption that 5% of average annual real estate transactions will result in complaint).</p> <p>1,100 investigations per year (Assumption that 60% of complaints result in an investigation, 2.75% of licensees are investigated and additional pro-active investigations).</p>	<p>Not achieved*</p> <p>*NB the number of complaints received is outside of the Authority's control</p> <p>The Authority received 456 complaints and 94 allegations.</p> <p>CACs directed the Authority to investigate 86% of the complaints received.</p>

⁵ This includes the licence being issued.



2.2 COMPLAINTS AND INVESTIGATIONS

Timeliness	3	100% of licensees subject to a complaint to be advised of that complaint within five working days of it being referred to a Complaints Assessment Committee.	Achieved. The Authority advised 100% of licensees of complaints against them, within five working days. ⁶
		100% of licensees subject to a complaint advised of CAC meetings within ten working days.	Achieved. The Authority advised 100% of licensees subject to a complaint, of CAC meetings, within ten working days of a CAC meeting.
Quality		All licensees subject to a complaint to be dealt with in a fair and reasonable manner having regard to all relevant legislation and Authority policies and procedures.	Achieved. 70% (out of 66 responses) of surveyed licensees responded positively ⁷ to the statement: 'I was treated fairly'.
		All investigations to be conducted in a fair and timely manner having regard to all relevant statute and Authority policies and procedures.	Achieved. To date the Authority has not received any complaints on its investigation processes.

2.3 LICENSEE ENQUIRIES

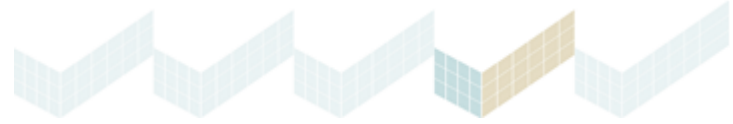
Performance Indicator	Notes	Forecast Performance	Actual Performance
Quantity & Timeliness		80% of phone calls from licensees to be responded ⁸ to within one business day.	Achieved. 89% of phone calls from licensees responded to within one business day.
		The remainder of phone calls from licensees to be responded to within three business days.	Not Yet Developed. The Authority is developing systems to reliably measure this indicator.
		80% of enquiries from licensees to be actioned ⁹ within five working days.	Not Yet Developed. The Authority is developing systems to reliably measure this indicator.

⁶ This percentage is an estimate taken from random sample of 10% of the complaints received for this period, and excludes invalid complaints and allegations.

⁷ A positive response is determined as a rating of three, four or five on a 'one to five' rating scale.

⁸ "Responded to" means calls answered and followed-up from phone messages.

⁹ This includes any instant advice and more complicated enquiries, which require legal or policy input.



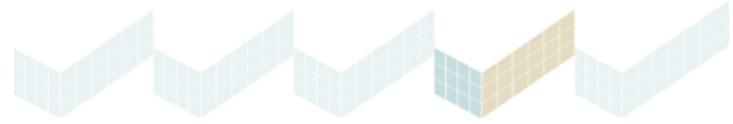
Output 3: Authority

Provide independent transparent and effective oversight of the real estate industry

This output achieves its purpose by providing accountability through a disciplinary process that is independent, transparent and effective. (Real Estate Agents Act 2008 section 3(2) (c)).

Performance Information

3.1 ACCOUNTABILITY			
Performance Indicator	Notes	Forecast Performance	Actual Performance
Timeliness		To meet all set deadlines for reporting to the Ministry of Justice, Associate Minister and Treasury.	Achieved. The interim Statement of Intent 17 November 2009 to 30 June 2010, the Statement of Intent 2010-2013, and the Authority's Four Monthly Reports met review deadlines for all stakeholders.
Quality		To respond to all ad hoc Ministerial enquiries within appropriate time frames guided by Authority policies and procedures. To provide accurate timely and relevant information.	Achieved. The Authority received two Ministerial enquiries in the reporting period and responded to them in the appropriate timeframe.
3.2 TRANSPARENCY			
Performance Indicator	Notes	Forecast Performance	Actual Performance
Timeliness		To respond to all media enquiries within one working day. All public requests for information to be provided in a timely manner, comply with the Official Information Act and Authority policies and procedures. To publish all CAC decisions within 20 working days of the decision being made.	Achieved. 77 media enquiries received and all responded to within one working day. Achieved. The Authority received eight Official Information Act requests and all were responded to in the statutory timeframe. Achieved. As directed by the CACs, the Authority published all determinations of unsatisfactory conduct within 20 working days.
Quality		To work on a no surprises approach with the Authority Board, Ministry of Justice and Minister.	Not Achieved. The Authority continues to improve communication with the Authority Board, Ministry of Justice and the Associate Minister of Justice.



3.3 TRUST AND CONFIDENCE

Performance Indicator	Notes	Forecast Performance	Actual Performance
Quality & Timeliness		Conduct an annual consumer survey on the Authority's response to all interactions with an 85% positive response to the annual consumer survey.	<p>Not achieved.</p> <p>49.5% (out of 92 responses) responded positively¹⁰ to the question: 'Looking back how did the service you got from the Real Estate Agents Authority compare to what you expected?'</p> <p>71.8% (out of 90 responses) responded positively¹⁰ to the statement: 'Staff were competent.'¹¹</p>

3.4 QUALITY OF REGISTRAR DECISIONS

Performance Indicator	Notes	Forecast Performance	Actual Performance
Quality	4	Less than 10% of licensee applications appealed to the Disciplinary Tribunal are successful.	<p>Not achieved.</p> <p>Four applicants requested a review of their case by the Disciplinary Tribunal. By 30 June, the Tribunal had heard one case and directed the Registrar to grant a licence.</p>

¹⁰ A positive response is determined as a rating of three, four or five on a 'one to five' rating scale.

¹¹ The Authority chose to report on questions most relevant to its operations. They are aligned to the State Service Commission's measurement questionnaire.



Notes to the Statement of Service Performance

1. The 100% target for acknowledging a complaint within five days

This target was set early in the Authority's formation and without full knowledge of what was required to process and acknowledge complaints.

2. Responding to CAC direction

The Authority has systems and processes to more effectively respond to CACs' directions to investigate complaints.

3. Licensing Compliance with Real Estate Agents Act Policies and Procedures

The Authority assessed a sample of 20 applications from a total of 1,506 approved before 30 June 2010 to establish whether each application included; all necessary information obtained from Applicant and all checks (Police, Banned Director, Identification, Qualifications, Experience, and Payment) were completed successfully and accurately.

4. Registrar's Determinations

Requests for reviews of applications relate to the Registrar's determinations of applications where the person was not entitled to hold a licence under Section 36 of the Act or was ineligible to hold a licence, as outlined under section 37 of the Real Estate Agents Act (2008).

Financial Statements

Statement of Comprehensive Income

FOR THE PERIOD TO 30 JUNE 2010

	Notes	Actual \$000	Budget \$000
REVENUE			
Government grants received			3,483
Operating levy received		1,477	2,645
Application fees		1,604	1,848
Fair value imputed loan interest	9	1,694	-
Other income	1	134	81
Total Revenue		4,909	8,057
EXPENDITURE			
Operating costs			4,005
Disciplinary Tribunal transfer			390
Audit fee		40	20
Personnel costs	2	2,511	1,321
Finance costs	3	466	104
Depreciation	5	66	200
Amortisation	6	308	
Specialist services	8	4,346	
Miscellaneous expenses		329	
Computer and telecommunications		362	
Printing, stationery and postage		701	
Travel, meetings and entertainment		237	
Occupancy		226	30
Total Expenditure		9,592	6,070
Total Comprehensive Income	20	(4,683)	1,987

Explanations of significant variances against budget are detailed in note 19 on page on 51

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

AS AT 30 JUNE 2010

	Notes	Actual \$000	Budget \$000
CURRENT ASSETS			
Cash and cash equivalents	4	7,105	5,078
GST receivable		155	
Prepayments		68	
Total Current Assets		7,328	5,078
NON-CURRENT ASSETS			
Property, plant & equipment	5	590	
Intangible assets	6	1,077	
Total Non-Current Assets		1,667	1,878
Total Assets		8,995	6,956
CURRENT LIABILITIES			
Trade creditors, accruals and provisions	7	1,964	
Deferred operating levy		4,550	4,152
Annual leave accrued		52	
Establishment funding from Crown at fair value	9	296	
Total Current Liabilities		6,862	4,152
TERM LIABILITIES			
Rent rebate		137	
Establishment funding from Crown at fair value	9	4,601	
Total Term Liabilities		4,738	0
Total Liabilities		11,600	4,152
NET ASSETS			
Net Assets		(2,605)	2,804
PUBLIC EQUITY			
Capital funding from Crown		2,078	2,078
Less annual repayment to the Crown			(1,261)
Current year surplus/(deficit)		(4,683)	1,987
Total Public Equity		(2,605)	2,804

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.



Statement of Changes in Equity

FOR THE PERIOD TO 30 JUNE 2010

	Notes	Actual \$000	Budget \$000
Public Equity at start of the year		0	0
RECOGNISED INCOME AND EXPENSES			
Capital funding from Crown		2,078	2,078
Annual repayment to the Crown			(1,261)
Total comprehensive income		(4,683)	1,987
Total comprehensive income for the period		(2,605)	2,804
Public Equity at end of year		(2,605)	2,804

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.



Statement of Cash Flows

FOR THE PERIOD TO 30 JUNE 2010

	Notes	Actual \$	Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Crown revenue			3,483
Receipts from licensees		8,244	8,725
Receipts from sale of publications		78	
Rent rebate received		182	
Interest income		55	
		8,559	12,209
Cash was applied to:			
Payments to suppliers		(5,866)	(5,870)
Payments to employees		(1,877)	
Repayment to Crown			(1,261)
Net GST paid		(55)	
		(7,798)	(7,131)
Net cash inflows from operating activities	12	761	5,078
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Purchase of property, plant & equipment		(656)	(2,078)
Purchase of intangible assets		(1,385)	
Total cash outflows from investing activities		(2,041)	(2,078)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Capital injections from the Crown		2,078	2,078
Loan advanced from the Crown		6,307	
Total cash inflows from financing activities		8,385	2,078
Net Increase in Cash Held		7,105	5,078
Plus cash at the start of the year		-	-
Cash Held at the End of the Year		7,105	5,078
Represented by:			
Cash and cash equivalents		7,105	5,078
Cash held at the end of the year		7,105	5,078

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these Financial Statements.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.



Statement of Accounting Policies

FOR THE PERIOD 17 NOVEMBER 2009 TO 30 JUNE 2010

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. It is domiciled in New Zealand.

These are the first financial statements prepared by the Authority. Therefore, there are no comparatives to the financial statements.

The Statement of Comprehensive Income includes costs incurred by the Ministry of Justice in the establishment of the Authority in the two financial years preceding the Authority's establishment date of 17 November 2009.

The Authority's functions are defined in the Real Estate Agents Act 2004 and include the administering of the licensing regime for real estate agents, setting professional standards and providing services in relation to complaints' determinations.

The Authority is a public benefit entity for the purposes of New Zealand International Financial Reporting Standards (NZ IFRS).

The financial statements for the Authority are for the period ended 30 June 2010 and were approved on 29 October 2010 by the Board of Directors.

Basis of Preparation

Statement of Compliance

The financial statements of the Authority have been prepared in accordance with requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice.

The financial statements comply with NZ IFRS.

Measurement system

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

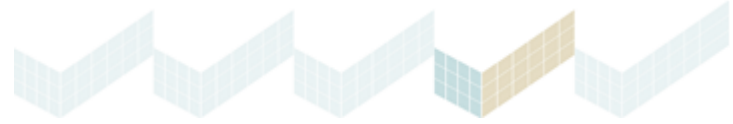
Functional and presentation currency

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

Standards and Interpretations Effective in the Current Period

NZ IFRS 8 on operating segments which became effective for periods commencing on or after 1 January 2009 has had no impact to the disclosures in these financial statements.

NZ IAS 1 on presentation of financial statements, which prescribes the basis for general purpose financial statements and minimum requirements for their structure, became effective during the year to 31 March 2010. The statement of comprehensive income has been prepared to comply with this.



Standards or Interpretations Not Yet Effective

Various standards, amendments and interpretations have been issued by the Accounting Standards Review Board but have not been adopted by the Authority as they are not yet effective and the Authority has not chosen to adopt them early.

New and Amended Financial Reporting Standards (Not Adopted Early by the Authority)

NZ IAS 24: Related Party Disclosures (revised 2009)

NZ IAS 24 was revised in November 2009 and is effective for periods commencing on or after 1 July 2011.

At the date of authorisation of the financial statements of the Authority for the period ended 30 June 2010, the following Standards and Interpretations were in issue but not yet effective:

STANDARD/INTERPRETATION		EFFECTIVE DATE
Minor Amendments to NZ IFRS	<i>Minor Amendments to NZ IFRS (September 2009)</i>	September 2009*
Improvements to NZ IFRS (May 2009)	<i>Improvements to various Standards</i>	Mainly 1 January 2010, some 1 July 2009*
Improvements to NZ IFRS (July 2010)	<i>Improvements to various Standards</i>	Mainly 1 January 2011, some 1 July 2010*
NZ IAS 24	<i>Amendment - Related Party Disclosures</i>	Annual periods commencing on or 1 January 2011*
NZ IFRS 9	<i>Financial Instruments</i>	Annual periods commencing on or 1 January 2013*

* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

NZ IFRS 2, NZ IAS 32, NZ IFRIC 14 and NZ IFRIC 19 are not applicable to the business of the Authority and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Minor Amendments to NZ IFRS and Improvements to NZ IFRS

The Minor Amendments to NZ IFRS and Improvements to NZ IFRS will be adopted by the Authority for the first time for its financial reporting period ending 30 June 2011.

The Minor Amendments to NZ IFRS and Improvements to NZ IFRS are not expected to have a significant impact on the group's accounting policies



NZ IAS 24

The amendments to NZ IAS 24 will be adopted by the Authority for the first time for its financial reporting period ending 30 June 2012. The amendment to NZ IAS 24 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The amendment is not expected to have a significant impact on the group's accounting policies.

NZ IFRS 9

The adoption of NZ IFRS 9 will be adopted by the Authority for the first time for its financial reporting period ended 30 June 2014. The adoption of NZ IFRS 9 will result in certain financial assets currently being accounted for at amortised cost to have to be reclassified as at fair value through profit or loss.

All financial instruments currently classified as available-for-sale will potentially have to be reclassified at fair value through profit or loss except where the Authority is able to designate the financial assets as fair value through other comprehensive income.

Significant Accounting Policies

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

Revenue

The Authority derives revenue through an annual charge to real estate licensees, the sale of publications and interest on investments. The annual charge has two components, an operational levy to cover the on-going service provision of the Authority, and a disciplinary levy which is transferred to the Ministry of Justice to provide funding for the Disciplinary Tribunal. In addition, an application fee is charged on registration to recover the additional costs of registration.

A portion of the operational levy is held to recover the establishment costs of the Authority and the Disciplinary Tribunal which are repayable to the Crown.

As most licenses expire on 31 March and the license renewal is payable at this time, the Authority is only able to recognise 3 months' revenue from renewed licenses in the financial year the operating levy is received. The remaining 9 months' operational levy collected is deferred to the following financial year.

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

Levies:

Operational Levies

Operational Levies are recognised when earned and are reported in the period to which they relate.

Application Fees and Disciplinary Levies

Application fees and Disciplinary Levies are recognised when due and receivable.

Sale of Publications

Revenue from sale of publications is recognised when the sale is made.



Interest

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

Capital Charge

A capital charge of 7.5% is applied to the \$2.078m capital funding received from the Crown and is recognised as an expense in the period to which the charge relates.

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 at call with banks and other short-term, highly liquid investments with maturities of three months or less.

Property, Plant and Equipment

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

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment 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 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

Fixed assets 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:

Furniture and Office Equipment	5 years	20%	straight line
Computer Equipment	3 years	33%	straight line
Leasehold Improvements	4 years	25%	straight line

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 consultant's 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 at the date 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	3 years	33%	straight line
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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 that the carrying amount may not be recoverable.

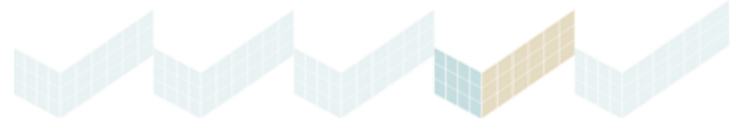
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. The value in use is the depreciated replacement cost.

Investments

At balance date the Authority assesses whether there is any objective evidence that an investment is impaired. Investments in bank deposits are measured at fair value.

Creditors and Other Payables

Creditors and other payables are measured at fair value.



Employee Entitlements

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

Establishment Loan

The Crown has extended the Authority a long term interest free loan. The loan was made to cover the establishment costs of the Authority and is to be repaid over five years.

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.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IRD) is included as a receivable or payable in the statement of financial position.

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.

Non-interest bearing borrowings

Non-interest bearing borrowings are instruments at fair value through profit or loss. Interest is imputed and recognised each year the company has use of the money under these terms.

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 and other transactions relating to changes in equity of the Authority.



Equity

The Equity is the Crown's investment in the Authority plus any surpluses/less any deficits incurred over time through operations.

Changes in Accounting Policy

The accounting policies are consistent with those used in the Budget except that the Authority has adopted the amendments to New Zealand International Financial Reporting Standards that have occurred during the period. None of these amendments have given rise to material changes to the financial statements except the amendments to NZ IAS 1 - Presentation of Financial Statements where the Statement of Financial Performance has been re-titled the Statement of Comprehensive Income. The Authority has elected to use the single statement of comprehensive income approach and there is no impact on the financial performance or position as the changes are of a presentation nature.

Critical Judgements in Applying the Real Estate Agents Authority's Accounting Policies

In the application of NZ IFRS, management is required to make judgments, 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 judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which 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.

Judgments 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.



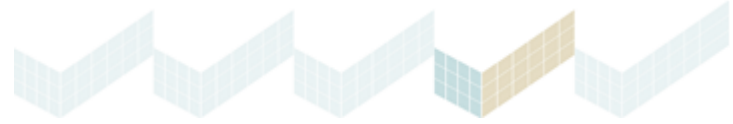
Notes to the Financial Statements

	2010 Actual \$000
1. OTHER INCOME	
Sale of publications	78
Interest income	56
Total other income	134
2. PERSONNEL COSTS	
Salaries and wages	1,778
Other personnel costs	580
Employer contributions to Kiwisaver	18
Termination payments	83
Employee entitlements	52
Total personnel costs	2,511
3. FINANCE COSTS	
Interest on capital funding from Crown	78
Unallocated pre-establishment funding	104
Interest on pre-establishment funding from Crown	284
Total finance costs	466
	2010 Actual \$000
4. CASH AND CASH EQUIVALENTS	
Cash at bank	4,105
Money market call account	3,000
Total cash and cash equivalents	7,105



5. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Furniture & fittings	Leasehold improve- ments	Capital work in progress	2010 Actual \$000
	\$000	\$000	\$000	\$000	\$000
Gross carrying amount					
Balance at 17 November 2009	-	-	-	-	-
Additions	225	115	6	310	656
Sales/transfers	-	-	-	-	-
Balance at 30 June 2010	225	115	6	310	656
Accumulated depreciation and impairment					
Balance at 17 November 2009	-	-	-	-	-
Depreciation expense	50	15	1	-	66
Sales/transfers	-	-	-	-	-
Balance at 30 June 2010	50	15	1	-	66
Net carrying amounts					
At 17 November 2009	-	-	-	-	-
At 30 June 2010	175	100	5	310	590



6. INTANGIBLE ASSETS

	2010 Actual \$000
Gross carrying amount	
Balance at 17 November 2009	-
Additions	1,385
Sales/transfers	
Balance at 30 June 2010	1,385

Accumulated amortisation

Balance at 17 November 2009	-
Amortisation expense	308
Disposals	-
Balance at 30 June 2010	308

Net carrying amount

At 1 July 2009	-
At 30 June 2010	1,077

7. TRADE CREDITORS, ACCRUALS AND PROVISIONS

	2010 Actual \$000
Trade creditors	356
Accrued expenses	803
Provisions for plastic licenses (7.1)	180
Other payables	12
Disciplinary levy payable	613
Total trade creditors, accruals and provisions	1,964

7.1 PROVISIONS FOR PLASTIC LICENSES

	2010 Actual \$000
Opening balance	0
Additions	180
Total provisions	180

Provisions for plastic licenses

The Authority has committed to providing a free plastic license card for each licensee who renewed their license on or before 31st March 2010. The NZ Automobile Association is the outsourced provider for this service with a unit cost for each license of \$13.20. As at balance date 13,600 licensees had not taken up their free license and a provision was made to anticipate the costs of this outstanding liability, which will last until 31 March 2011.

The average credit period on purchases is 30 days and for the majority of trade payables no interest is charged, therefore the carrying value of creditors and other payables approximates their fair value. The Authority has a financial risk management policy in place to ensure that all payables are paid within the credit timeframe.

8. SPECIALIST SERVICES

The Crown has an expectation to recover the costs of establishing the Authority as well as the Disciplinary Tribunal prior to the establishment of the Authority on 17 November 2009. The total cost of the implementation for both of these entities was \$2.824m, which has been recorded in the Statement of Comprehensive Income as an expense. The table below shows the analysis of 'specialist services'.

Type	Pre Establishment Costs	Authority Costs from 17 Nov 2009 to 30 June 2010	Actual \$000
Information communications technology	405	596	1,001
Finance, administration and other contractors	515		515
Legal fees	179	314	493
Implementation programme contractors	472		472
Ministry of Justice		433	433
Other specialist services	11	398	409
Implementation project management	325		325
Advertising	56	174	230
Communications consultants		186	186
Provisions		179	179
HR services		103	103
Total Specialist Services	1,963	2,383	4,346



9. NON-INTEREST BEARING LOANS PROVIDED BY THE CROWN TO ASSIST WITH ESTABLISHMENT

	Actual \$000
Cash value of loan received	6,307
Less: Fair value imputed loan interest	(1,694)
Opening recognised balance	4,613
Current year interest recognised in statement of comprehensive income	284
Total value of the loan	4,897
Represented by:	
Current portion of loan	296
Non-current portion of loan	4,601
Total value of loan	4,897

9.1 CALCULATION OF FAIR VALUE OF IMPUTED LOAN INTEREST

Opening balance	\$6,307,000
Rate at transaction date	7.5%
Term	5.8 years
Net present value of loan interest 2010-2015	\$1,410,108
Imputed interest to 30 June 2010	\$284,259
Total future value of imputed loan interest	\$1,694,367

9.2 ALLOCATION OF PRE-ESTABLISHMENT COSTS

Expenditure incurred by the Ministry of Justice that forms part of the establishment funding loan, has been recognised in the following expense categories in the statement of comprehensive income.

Type	2008/09 FY	2009/10 FY	TOTAL
Personnel costs	199	1	200
Specialist services	1,082	881	1,963
Printing, postage & freight	1	481	482
Other costs	30	149	179
Total pre establishment costs	1,312	1,512	2,824



10. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in the following NZ IAS 39 categories are:

Classification and fair values 2010	Investment loans and receivables	Financial Liabilities and Assets Measured at Amortised Cost	Total carrying amount	Fair value
Current Assets				
Cash and cash equivalents	7,105		7,105	7,105
Total current assets	7,105		7,105	7,105
Total assets	7,105		7,105	7,105
Current Liabilities				
Trade creditors, accruals & provisions		969	969	969
Establishment funding from Crown at fair value	296		296	296
Total current liabilities	296	969	1,265	1,265
Term Liabilities				
Establishment funding from crown at fair value	4,601		4,601	4,601
Total term liabilities	4,601		4,601	4,601
Total liabilities	4,897	969	5,866	5,866
Classification and fair values (Budget)				
Current Assets				
Cash and cash equivalents	5,078		5,078	5,078
Total current assets	5,078		5,078	5,078
Total assets	5,078		5,078	5,078



There are no values to report under the following categories:

- Trading
- Held to maturity
- Available for sale investments.

Non-interest bearing loans

The Crown expects the Authority to repay the full value of its establishment funding over a five year period, the total value of funding advanced was \$6.307m. A portion of the operating levy (\$76.45) for each licensee is set aside to provide for the repayment of the funding over this term.

The Authority has proposed the following repayment terms:

1. The first repayment of the establishment funding is to be deferred from 30th June 2010 to 30 April 2011.
2. The 1st repayment would only apply for the period when the Authority was able to earn its own revenue (1 April to 30 June 2010). This repayment is the total establishment funding from the Crown of \$6.307m, divided by 12 months, and multiplied by 3 months, which is \$315k.
3. Annual repayments of \$1.261m are expected on the 30^t April each successive year.
4. The \$1.261m repayment is calculated with the assumption of annual renewal volumes of 16,500 licensees over a repayment term of 5 years. This equates to \$76.45 per licensee.
5. The final payment of the loan would be made on 30 April 2016 and would be approximately \$951,082.

10. FINANCIAL INSTRUMENTS (CONT.)

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 that 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 fair value and 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 with high credit-rated financial institutions.

The following table details the Authority's exposure to interest rate risk as at 30 June 2010.

	Weighted average effective interest rate %	Variable interest rate bearing \$000	Non- interest bearing \$000	2010 Actual \$000
Interest Rate Risk				
Financial assets:				
Cash and cash equivalents				
- Cash at bank	1.75	4,105	-	4,105
- Call account	2.75	3,000	-	3,000
Debtors and other receivables	-	-	155	155
Total financial assets:		7,105	155	7,260
Financial liabilities:				
Creditors and other payables			1,964	1,964
Non-interest bearing loans	-	-	4,898	4,898
Total financial liabilities:			6,861	6,862

Credit risk management

Credit risk is the risk that a third party will default on its obligation to the Authority, causing the Authority to incur a loss.

Financial instruments which potentially subject the entity to credit risk principally consist of bank balances. The Authority very rarely extends credit and places its cash with Westpac. Westpac is part of the Crown Retail Deposit Guarantee Scheme and all deposits up to \$1 million held with Westpac are guaranteed by the Crown.



10. FINANCIAL INSTRUMENTS (CONT.)

Maximum exposures to credit risk at reporting date are:

	2010 Actual \$000
Cash and cash equivalents	7,105

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

Liquidity risk

Liquidity risk is the risk that 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, provisions 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.

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 Authority is not subject to currency risk as it does not participate in any such financial instruments.

11. CAPITAL MANAGEMENT

The Authority's capital is its equity, which comprises 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 as a by-product of 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.



12. NET CASH FLOW FROM OPERATING ACTIVITIES

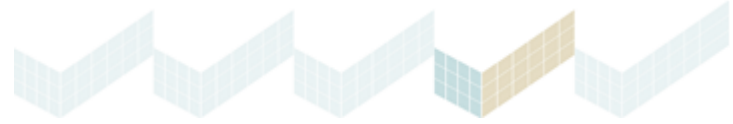
Reconciliation of Statement of Financial Performance surplus with net cash flow from operating activities:

	2010 Actual \$000
Net surplus / (deficit) for the year	(4,683)
Non-cash items:	
Amortisation	308
Depreciation	66
Interest on pre-establishment funding from Crown	284
Fair value imputed loan interest	(1,694)
	(1,036)
Movements in net assets and liabilities	
Trade debtors and other receivables	(68)
GST receivable	(155)
Rent rebate received	137
Trade creditors and other payables	1,964
Unearned income	4,550
Employee entitlements	52
	6,480
Net cash inflow from operating activities	761

13. EMPLOYEE REMUNERATION

Remuneration and other benefits of \$100,000 per annum or more received by employees in their capacity as employees, for the period 17 November to 30 June 2010, were:

	2010 Actual \$000
100,000 - 109,999	2
190,000 - 199,999	1



14. RELATED PARTY TRANSACTIONS

The Authority is a wholly owned entity of the Crown. The Government significantly influences the role of the Authority.

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 their 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 period, the Authority received \$2.078m of capital funding from the Crown, and an interest free loan of \$6.307m. The interest free loan was made up of \$2.824m of pre-establishment funding and \$3.483m of establishment funding. The interest free loan of \$6.307m remains outstanding as at 30 June 2010.

Included in the pre-establishment expenditure is a total payment of \$325.3k to "Grasshopper Consulting", which was an entity owned or managed by Janet Mazenier, who at the time was the project manager for the implementation. Ms Mazenier was later appointed Chief Executive/Registrar (CE/Registrar).

The \$325.3k was paid over a period of two financial years by the Ministry of Justice (MoJ) up to the time Ms Mazenier was appointed to the role of CE/Registrar. These payments were made by the MoJ. No payments were made to Grasshopper Consulting by the Authority.

Ms Mazenier resigned from her position as CE/Registrar effective from 30 June 2010.

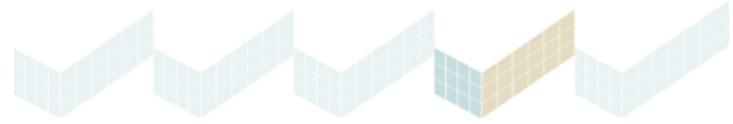
There were no other related party transactions for the period ended 30 June 2010.

15. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Chief Executive/Registrar and the board members, being the key management personnel of the Authority, is set out below:

	2010 Actual \$000
Board fees	192
Payments to employees including termination benefits	198
Total compensation	390

There were no post-employment benefits or other long-term employee benefits paid to key management personnel during the period.



16. COMMITMENTS

(i) Capital commitments

There are no capital commitments at reporting date.

(ii) Operating lease commitments

Commitments existed for non-cancellable operating leases as follows:

	2010 Actual \$000
Less than one year	299
Later than one year and not later than five years	896
Later than five years	1,494
Total operating lease commitments	2,689

Operating lease commitments relate to the lease of level 2 Deloitte House, 10 Brandon Street, Wellington.

The lease term is for a period of six years, with a right of renewal on 1 July 2013, at the same or lesser price. 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:

- i. An agreement with Datacom Ltd to host the financial management information system, payroll system and to maintain and distribute Approved Guides and code of conduct publications. This agreement expires in October 2010 and is charged at \$8,573 per month.
- ii. An agreement with Datacom Ltd to provide support of the Microsoft desktop infrastructure. This agreement expires in June 2013 and is charged at \$9,500 per month.

17. CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date.

18. SUBSEQUENT EVENTS

There are no events subsequent to reporting date, that the Authority is aware of, that would have a material impact on the financial statements for the period ended 30 June 2010.



19. MAJOR BUDGET VARIANCES

Comparative budget values are sourced from the forecast financial statements shown in the Authority's Interim Statement of Intent November 2009 to June 2010 (SOI). The forecast financial statements included in this SOI were originally prepared by the Ministry of Justice.

Explanations of significant budget variances have been provided where the reason for the variance is known to the Authority. These are as follows:

Statement of Comprehensive Income

Revenue

1. Government Grants Received

This was originally shown in the SOI as income from a Government grant. There is an expectation on the Authority to repay this funding and it has therefore been disclosed as a loan on the Statement of Financial Position called 'Establishment Funding from the Crown'.

2. Operating Levy Received

This was originally disclosed in the SOI as "Levies", and included the Disciplinary Tribunal Levies. The Authority no longer recognises Disciplinary Tribunal levies as income and now transfers them directly to the Ministry of Justice. Therefore, the Authority does not show these levies on the Statement of Comprehensive Income.

3. Application fees

This variance is a result of lower than anticipated actual volumes of new license applications and renewals compared to the SOI.

4. Fair Value Imputed Loan Interest

As the establishment funding was originally forecast as a government grant and not a loan. No provision for imputed loan interest was made in the original budget.

5. Other Income

No interest income was anticipated in the SOI.

Expenditure

1. Operating Costs

Since the SOI budget was prepared, the expenditure in this category has been separated out into the different expense lines now shown in the statement of comprehensive income. This separation of categories provides a greater level of detail on what the operating costs of the Authority actually are. The individual components of the original SOI budget are not known to the Authority.



2. Disciplinary Tribunal Transfer

This expense was based on the assumption that only the actual operating costs of the Disciplinary Tribunal for the first 8 months of operation would be payable, instead of the total value of Disciplinary Tribunal Levies received (as is now the case).

3. Personnel Costs

Original personnel costs were based on an estimate of lower staff numbers than are currently engaged. The original personnel costs were based on 17 full time staff, whereas the actual number of employees increased to 32, as at 30 June 2010. The increase in staff is due to the unanticipated amount of resources required to meet the Authority's functions under the Act.

4. Interest Expense

As the establishment funding was originally treated as a government grant and not a loan, no provision for interest expense was made in the original budget.

5. Specialist Services

The Authority assumes that an allowance for specialist services was included in the \$4.005m allocation for "Operating Costs" in the SOI shown in point 1 above. The exact value of the specialist services component of this budget is unknown to the Authority. The value of the variance should be considered in view of the significant level of unanticipated costs that have been allocated to this expense through the recognition of the pre-establishment funding (\$1.9m).

6. Pre Establishment Expenditure

Was not considered an Authority expense at the time the budget was prepared.

Statement of Financial Position

1. Establishment funding from Crown at fair value

As the establishment funding was originally treated as a government grant and not a loan, no provision for the fair value of the current portion of the term loan liability was made in the original budget.

Statement of Changes in Equity

1. Annual repayment to the Crown

As the establishment funding was originally treated as a government grant and not a loan, the provision for repayment from equity was made in the original budget.



20. PRE ESTABLISHMENT COST IMPACT ON COMPREHENSIVE INCOME RESULT

The \$4.683m deficit shown in the statement of comprehensive income is primarily the result of recognising \$2.824m pre establishment costs of the Authority and Disciplinary Tribunal as an expense, and the \$3.483m establishment funding received from the Crown in the period November 2009 to March 2010 as a term liability.

This treatment has been applied due to the expectation that the establishment costs of both the Authority and Disciplinary Tribunal would be fully recovered over a five year term and be fiscally neutral to the Crown.

The \$3.483m establishment funding received from the Crown was provided to cover the operational costs of the Authority until such a time as it was able to earn its own income from the receipt of license renewal payments due on the 31st of March. In this time the Authority actually incurred \$2.535m in both Personnel costs and Operating expenditure, with a further \$948k establishment costs extending into April. This expenditure is detailed in the following table:

	Pre Establishment Expenditure to 17 November 2009	Establishment Expenditure to 31 March 2010	Establishment Expenditure to 30 April 2010	Total Establishment Expenditure \$000
Establishment Expenditure				
Specialist services	1,963	719	474	3,156
Personnel costs	200	1,414	285	1,899
Printing, posting and freight	482	141	110	733
Other costs	179	261	79	519
Total establishment expenditure:	2,824	2,535	948	6,307



Statement of Responsibility

In the period ended on 30 June 2010, the management of the Real Estate Agents Authority was responsible for:

- the preparation of the annual financial statements, the statement of service performance and for the judgements used therein;
- 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.

In the opinion of the management of the Real Estate Agents Authority, the financial statements and the statement of service performance for the financial year fairly reflect the financial position and operations of the Authority.

Kristy McDonald, QC
Chair

Real Estate Agents Authority

1 November 2010

Denise Bovaird
Board Member

Real Estate Agents Authority

1 November 2010

Margaret Steel
Acting Chief Executive /
Registrar
Real Estate Agents Authority

1 November 2010



Audit Report

To the Readers of The Real Estate Agents Authority's Financial Statements and Statement of Service Performance for the period ended 30 June 2010

The Auditor-General is the auditor of the Real Estate Agents Authority (the 'Crown Entity'). The Auditor-General has appointed me, Rhys Barlow, using the staff and resources of BDO Wellington, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Crown Entity for the period ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Crown Entity on pages 17 to 53:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Crown Entity's financial position as at 30 June 2010; and
 - the results of its operations and cash flows for the period ended on that date.
- The statement of service performance of the Crown Entity on pages 17 to 53:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 1 November 2010, and is the date at which our opinion is expressed.

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



Basis of opinion

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

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

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

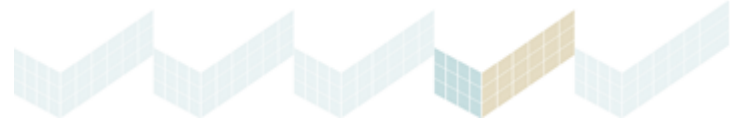
The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

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



Responsibilities of the Board and the Auditor

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Crown Entity as at 30 June 2010 and the results of its operations and cash flows for the period ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Crown Entity's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004.

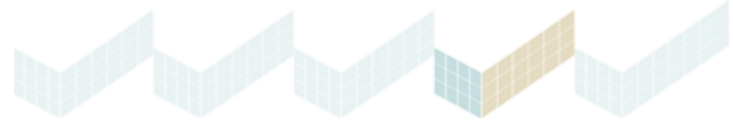
We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

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

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

Rhys Barlow
BDO Wellington
On behalf of the Auditor-General
Wellington, New Zealand



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