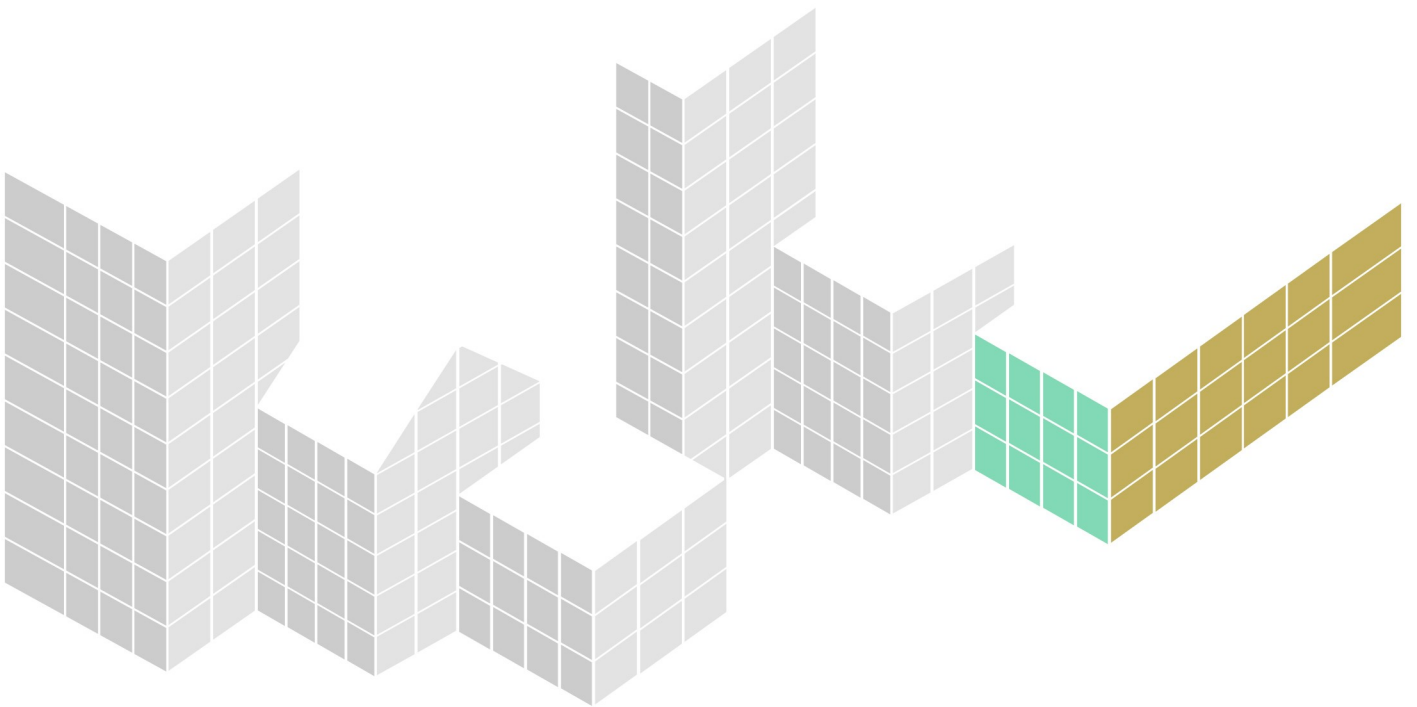
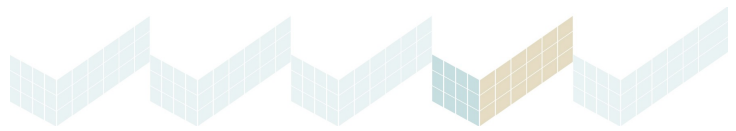


Interim Statement of Intent

November 2009 – June 2010





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Important note

The Real Estate Agents Authority's interim Statement of Intent sets out the organisation's strategic and operational priorities for the immediate short term, until June 2010. A more comprehensive Statement of Intent will be produced for May 2010 which will cover the next three financial years as required under the Crown Entities Act 2004.



Foreword: Chair of the Real Estate Agents Authority

The Real Estate Agents Act 2008 provides the Authority with its strategic direction. The main focus of the Act is to provide consumer protection and this is achieved through direct provisions for consumers as well as measures to raise real estate industry standards.

The Register of licensees is readily available on the Authority's website www.reaa.govt.nz, giving consumers the opportunity to check that the person they are considering dealing with is licensed, and allowing them to check the licensees' disciplinary record.

The Authority has published a range of information to assist consumers when they are buying or selling property. Licensees must provide consumers with the Authority's Approved Guides before they sign a contractual agreement, to help consumers assess their options and make informed decisions.

The Act creates an independent, transparent process for complaints about real estate licensees. Consumers can be assured that when something does go wrong there is an effective and timely process that is easy to access. New sanctions are available that focus on putting things right for the consumer and re-educating the licensee.

A range of measures have been introduced to raise industry standards and enhance professionalism. Educational requirements have been increased for those entering the industry or wishing to progress to a branch manager or agent's licence. Licensing provisions have been strengthened and the independent complaints process will expose unsatisfactory or serious misconduct.

The Authority has developed a Code of Professional Conduct and Client Care, which is a compulsory code with the force of law. It will become the benchmark by which standards of conduct will be measured and the licensee and the consumer will have clear guidelines on what is expected.

Looking ahead, the Authority Board will be considering the issue of continuing education to build the level of professionalism in the industry and improve standards of practice.

The real estate industry has just experienced a major change to the way it operates. Industry members have moved from a self-regulating environment to one of independent oversight. Feedback thus far has been positive and there appears to be a willingness to work with the Authority to raise professional standards and improve public confidence in the industry which can only result in benefits to consumers throughout New Zealand.

Kristy McDonald QC
Chair
Real Estate Agents Authority Board

Authority Board's Statement of Responsibility

This Statement of Intent represents the intentions and objectives of the Real Estate Agents Authority for the period to 30 June 2010. It is presented in accordance with sections 138 to 148 of the Crown Entities Act 2004.

Kristy McDonald QC
Chair
Date

Board member
Date



From the Chief Executive/Registrar

This is the start of a new era for the real estate industry and for everyone who buys or sells property. The Real Estate Agents Authority was established by the Real Estate Agent's Act 2008 (the Act) and brings with it changes to the way the industry does business and a fresh focus on consumer interests.

The Act and associated regulations and rules provide the essential framework within which the Authority must operate. Underpinning the framework are the people, process, procedures and systems to support the day to day work of the organisation. This includes the core work of providing consumer information, supporting a licensing regime and providing a complaints and disciplinary process.

Robust operational processes have been developed and the Authority has been resourced to an appropriate level to manage expected work volumes. Technology solutions have been put in place which provide an ability to effectively manage fluctuations in workload and ensure a flexible and scalable response to industry needs.

The Authority is funded by fees and levies charged to licensees to cover operational costs and the complaints and disciplinary process, including the work of the Real Estate Agents Disciplinary Tribunal. In this way the Authority is able to meet the Act's requirements to provide consumers with valuable information on real estate transactions, along with access to an independent complaints process free of charge.

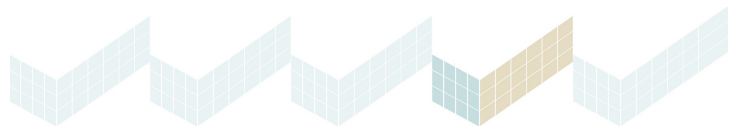
The establishment of the Authority has been carried out in a cost effective manner using initial establishment funding received from the Government. Once the payback of establishment funding to the government has ceased in 2014, the Authority will be solely funded by industry fees and levies. There is no requirement for public funding beyond the establishment funding.

As the Authority is newly established and operating under new legislation, much of the information which would form the baseline for reporting is unknown – aspects such as the number of people actively working in the industry at the moment, and the forecasted volume of enquiries and complaints the Authority can expect to deal with in a year. While some domestic and international comparative research has been carried out, there are no equivalent standards or historical data by which the Authority can benchmark targets and measures. Without that benchmarking, numbers and measurements relating to enquiries, complaints and investigations are difficult to forecast and may change from those predicted at this point in time.

It also difficult to predict the level of attitudinal change that will occur as a result of the new Act and operations of the Authority. With the real estate industry operating within the framework of the new Code of Professional Conduct and Client Care, and with consumers in receipt of more information to assist their decision making process, there should be less reason for the consumer to make a complaint to the Authority. On the other hand, the introduction of a transparent and open complaints process could encourage consumers to more readily seek redress when a problem arises.

The Authority has opened its doors for business and has already experienced higher than expected volumes of enquiries and complaints. Staff are motivated and embracing their role as the regulator of the real estate industry. We look forward to providing excellent service to consumers and licensees as we 'bed in' the new regime.

Janet Mazenier
Chief Executive/Registrar
Real Estate Agents Authority



Nature and scope of functions

The role of the Real Estate Agents Authority (the Authority) is defined by the Real Estate Agents Act 2008 (the Act) which came into force on 17 November 2009.

The purpose of the Act 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.

The functions of the Authority 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 kept and maintained
- 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 how to make a complaint about a licensee
- setting professional standards for licensees, including the provision of a Professional Code of Conduct and Client Care that sets a benchmark for professional behaviour and discipline
- operating a complaints and disciplinary regime including investigations into unsatisfactory conduct or misconduct on the part of a licensee

The Real Estate Agents Authority is a Crown agent type of entity for the purposes of section 7 of the Crown Entities Act 2004.



Operating environment

Background to the establishment of the Authority

Consultation and research undertaken by the Ministry of Justice (the Ministry) before the Real Estate Agents Act 2008 was introduced indicated that there was a need for independent oversight of the real estate industry. At that time the Real Estate Institute of New Zealand (REINZ) operated a self-regulatory regime, established under the 1976 Act.

In particular it was felt that consumers needed more information to enable them to make informed decisions when buying or selling property, along with an independent and transparent complaints process that was accessible to all.

Public perception of 'real estate agents' generally included a level of distrust and therefore there was also an identified need to raise standards to promote confidence in the industry.

As a Crown Agent type of Crown Entity the Authority provides a licensing and regulatory regime that is independent of the real estate industry. The focus is on raising industry standards and providing enhanced consumer protection in real estate transactions.

Funding

The Authority Real Estate Agents Disciplinary Tribunal are fully funded by the real estate industry through fees and levies paid to the Authority annually. Levies can be adjusted each year to reflect the cost of the operations. For example, if the number of complaints about licensees increase over a year, the disciplinary levy can be increased to fund the higher cost of operating the complaints and disciplinary process.

The Authority, through the Ministry of Justice, received establishment money from the Government to cover the cost of setting up the Authority and Tribunal. This funding assistance will be paid back to the Government over a five year period by way of a levy on the industry.

Statistics

The provisions of the 2008 Act and the operations of the Real Estate Agents Authority are new for the real estate industry and it is expected that it will take some time before any meaningful baseline operating statistics are established. The following statistics provide an initial assessment of the business of the new Authority.

- As at 17 November 2009 there were just over 17,000 licensees, the majority of these holding a salesperson's licence. All existing licenses expire on 31 March 2010 and the number of renewal applications received will provide a firm fix on the number of people currently working in the real estate industry
- Approximately 3,600 people enter the industry each year, with around the same amount leaving the industry annually
- Around 120,000 real estate transactions are completed each year. This figure can be subject to significant fluctuation dependent on the economic situation

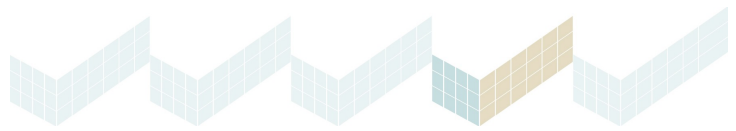


Strategic direction

The Authority's strategic direction is established by the purpose of the 2008 Act – 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.

This direction will be refined as the Authority develops over the coming years. It will be influenced by factors such as common causes of complaints, identified gaps in information for consumers, and enhanced educational requirements for the industry.

The Authority will continue to work with industry and consumer groups to ensure it understands the needs of both as it works to implement the requirements and intentions of the Act.



Operating intentions

Outcomes

The Authority has identified four key outcomes for the initial period of operation. They relate directly to the purpose of the Real Estate Agents Act 2008 and speak to the reasons why the Authority was established.

The Authority's outcomes are to achieve

- increased consumer protection in real estate transactions
- increased public confidence in the real estate industry
- enhanced practice and culture of the real estate industry
- trusted and transparent oversight of the real estate industry

It is acknowledged that these outcomes are broad as the Authority is in its inaugural year of operation. The Authority's 2010/2011 Statement of Intent will refine what is needed to achieve these outcomes, and how the Authority's activities will contribute to the achievement of these, with meaningful performance measures.

Outputs

The Authority's outputs have been divided into sections relating to consumers, the industry and the Authority.

Consumer outputs are designed to measure the Authority's efficiency and effectiveness around the enquiry, complaints and investigation process to protect the interests of the consumer. There are also performance indicators to promote public confidence through education by providing the most up to date and accurate published information, both on the Authority's website www.reaa.govt.nz and in published guidelines.

Industry outputs are designed to measure efficiency in the licensing process. The licensing regime aims to promote accountability and assist in raising industry standards.

Industry outputs also include performance indicators to measure efficiencies and effectiveness for those licensees involved in the complaints and investigations process, promoting an accountable, transparent and fair Authority.

Authority outputs are designed to measure the Authority's accountability and transparency through its relationships with the media, Minister and Government.

Authority outputs also measure public confidence in the performance of the Authority through an annual consumer survey.



Risks and mitigations

The risk involved in setting performance indicators without previous data or accurate comparison, is not being able to meet performance standards. This may negatively affect the Authority's reputation with the public, the industry and the Government.

The Authority has estimated output measures on the basis of recorded assumptions. Any variation in the estimated levels of activity will be discussed with the Minister and used to inform the 2010/2011 Statement of Intent.

Output 1: Consumer

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

This output 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 (*Real Estate Agents Act 2008 Section 3(1)*).

Under this output the Authority will:

- develop consumer information on matters relating to real estate transactions, including approved guides on agency agreements and sale and purchase agreements
- 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
- investigate and initiate proceedings in relation to offences under the Real Estate Agents Act 2008 and other enactments
- investigate matters relating to unsatisfactory conduct or misconduct on the part of a licensee
- provide procedures for the lodging of complaints
- receive complaints relating to the conduct of licensees

Performance information

Performance indicator	Forecast	Timeliness	Quality
1.1 Consumer enquiries	21,600 per year (or 86 per day) <i>(Assumption that 30% of average annual real estate transactions could result in enquiry)</i>	80% of phone calls from consumers to be responded ¹ to within one business day. The remainder of phone calls from consumers to be	All information provided to be accurate and comply with provisions of the Real Estate Agents Act 2008 and Authority policies and procedures

¹ Responded to includes calls answered directly and followed up from phone messages.

		<p>responded to within three business days.</p> <p>80% of enquiries from consumers to be actioned within five working days².</p>	
1.2 Complaints and investigations	<p>1100 complaints per year <i>(Assumption that 5% of average annual real estate transactions will result in complaints)</i></p> <p>1100 investigations per year <i>(Combination of complaints to be investigated, licensee investigations and pro active work)</i></p>	100% of complaints to be acknowledged within five working days.	<p>All complaints to be dealt with by the Complaints Assessment Committees (CAC) 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>
1.3 Providing information		To manage inventory of Approved Guides to ensure access by consumers via licensees as per requirements of the Act.	<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, be accurate and current.</p>

Notes:

The measurable targets that have been placed on response times are desired targets. Assumptions have been made that current staff levels will be able to deal with calls in appropriate time frames.

Investigation numbers are based on the assumption that 60% of complaints will result in an investigation (648), with the remainder made up of licensee investigations and pro active investigations triggered by the Authority.

² This includes any instant information and more complicated enquires which require legal or policy input.



The level of complaints and enquiries could increase or decrease before becoming more stable over the longer term. For that reason it is expected that these performance measures will be more accurate in the next reporting period.

Because the final framework for the operation of the CACs, including how often they may meet and the nature and volume of complaints, will not be known for some time, it is difficult to estimate the expected and therefore the fair process timelines. For that reason they have not been included in this first reporting period.

Measures:

The current core information technology system has the capability to measure timeliness targets.

Quality of CAC and investigation procedures are measured by the number and validity of complaints or comments received about the nature and accessibility of Authority processes for the consumer.

An annual survey will be designed and conducted to measure all aspects of Authority service to consumers, including information received, complaints and investigations procedures.

Appeals to the Real Estate Agents Disciplinary Tribunal will be able to be measured in the future once that process has commenced.

Accuracy of published information is measured by internal and external feedback and timeliness of updating information via guidelines and the Authority's website as needed.

Availability of the Register of licensees is measured by the performance of the website where any outages and service levels to restore availability are recorded, and the number of hits to that section of the website from 17 November 2009.

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) and (c)*).

Under this output the Authority will:

- administer a licensing regime for agents, branch managers and salespersons, including the granting and renewal of licensing applications
- ensure the Register of licensees is established, kept and maintained
- develop and maintain practice rules for licensees, including ethical responsibilities
- set professional standards for licensees



Performance information

Performance indicator	Forecast	Timeliness	Quality
2.1 Licensing	<p>3600 new applications per year (<i>With 3600 also departing the industry</i>)</p> <p>17,055 renewals of deemed licences by 31 March 2010</p>	<p>90% of all applications to be processed³ within three months.</p> <p>The remainder of all applications to be processed within six months.</p>	<p>All applications to be processed to comply with the provisions of the Real Estate Agents Act and Authority agreed policies and procedures</p>
2.2 Complaints and investigations	<p>1100 complaints per year (<i>Assumption that 5% of average annual real estate transactions will result in complaint</i>)</p> <p>1100 investigations per year (<i>Assumption that 60% of complaints result in an investigation, 2.75% of licensees are investigated and additional pro active investigations</i>)</p>	<p>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 (CAC).</p> <p>100% of licensees subject to a complaint to be notified of any CAC decision within ten working days.</p>	<p>All licensees subject to a complaint to be dealt with in a fair and reasonable manner having regard to all relevant legislation and Authority polices and procedures.</p> <p>All investigations to be conducted in a fair and timely manner having regard to all relevant statutes and Authority polices and procedures.</p>
2.3 Licensee enquiries		<p>80% of phone calls from licensees to be responded⁴ to within one business day.</p> <p>The remainder of phone calls from licensees to be responded to within three business days.</p> <p>80% of enquiries from licensees to be actioned⁵ within five working days.</p>	

³ This includes the licence being issued

⁴ Responded to includes calls answered directly and followed up from phone messages

⁵ This includes any instant advice and more complicated enquires which require legal or policy input



Notes:

Licensing targets have been set taking into consideration the Authority has no ability to directly control timeliness of Police checks which can take up to 45 days for each application. Some applications will need investigation in addition to normal processing to ensure applicants meet expectations of a fit and proper person.

Licence applications are based on the assumption that current levels of licensees will continue from 31 March 2010.

A working day period of ten days has been allowed for notification of CAC determinations to licensees to allow for volume, and to ensure more complex decisions which need to be recorded in full are accurate and comprehensive.

Measures:

The current core systems have the capability to measure timeliness targets.

Quality of licensing, complaints and investigations procedures are measured by the number and validity of complaints or comments received about the nature and accessibility of Authority processes. An annual survey of licensees involved in the complaints and investigation process will be conducted randomly, seeking levels of satisfaction and feedback.

Output 3: Authority

Provide an 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 2003 section 3(2)(c)*).

Performance information

Performance indicator	Timeliness	Quality
3.1 Accountability	To meet all set deadlines for all reporting to the Ministry of Justice, Minister and Treasury	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.
3.2 Transparency	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 work on a no surprises approach with the Authority Board, Ministry of Justice, Minister of Justice and Associate Minister of Justice.

	To publish all Complaints Assessment Committee (CAC) decisions within 20 working days of the decision being made.	
3.3 Trust and confidence	Conduct an annual consumer survey on the Authority's response to all interactions.	85% positive response to the annual consumer survey.
3.4 Quality of Registrar decisions		Less than 10% of licensee applications appealed to the Disciplinary Tribunal are successful.

Notes:

Licensee decisions appealed relate to those applications rejected by the Registrar on the grounds of the applicant not being deemed a fit and proper person.

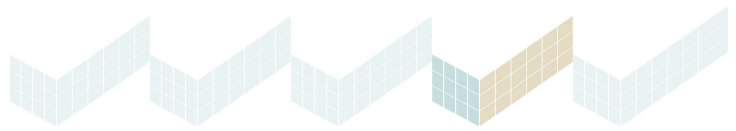
Measures:

Media and ministerial enquires will be recorded, including response times.

All Official Information Act requests will be logged and policies will be in place to record response times.

The annual consumer survey will be designed to cover all aspects of the Authority service to the consumer, including operation of the website, response to enquiries and the complaints, and investigation procedures.

Licensee challenges to the Disciplinary Tribunal will be monitored.



Assessing organisational health and capability

As a new organisation without established work levels, the Authority has been set up with the capability to deliver core services of licensing and complaints along with the ability to provide information to consumers and the industry, and support policy development.

As at 30 November the Authority employed 17 full time permanent staff. It is expected the staff levels will not increase beyond 25.

Processes and procedures have been established with supporting technology which has the ability to be flexible, and can rapidly flex and scale thereby increasing capacity if required.

The Authority is committed to being a good employer with good and safe working conditions, and equal employment opportunities in recruitment, appointment, development and remuneration of staff. The Authority promotes a productive and positive work environment and aims to ensure that transparency, openness, consultation and co-operation are the basis for all relationships within the organisation

The Authority is conscious that it is funded by fees and levies paid by the real estate industry and operates its business as cost-efficiently as possible.

The Authority is not a capital-intensive organisation and has only minimal office-related assets.



Forecast statement of financial performance

The forecast statement of financial performance was prepared pre 17 November 2009, prior to the Authority becoming operational. Because assumptions had to be made about numbers of enquires, complaints and investigations (which directly affect resource planning), it is likely that actual figures may vary. Future financial statements will be based on actual figures and are therefore expected to be more accurate.

FORECAST STATEMENT OF FINANCIAL PERFORMANCE

Forecast Statement of Comprehensive Income for year ended 30 June 2010 (GST excl.)

<i>Income</i>	\$	\$
Government grants:		
For general business	3,483,000	
Licensing fees	1,848,225	
Levies	2,645,324	
Fines	-	
Costs Recoveries	80,625	
Total Income		8,057,174
<i>Expenditure</i>		
Tribunal Transfer	390,118	
Operating costs	4,005,131	
Audit fee	20,000	
Depreciation	200,000	
Capital Charge	103,937	
Rent	29,718	
Leasing	-	
Personnel	1,320,872	
Total Expenditure		6,069,776
Net surplus / (Deficit)		\$1,987,398



Forecast statement of financial position as at 30 June 2010 (GST excl.)

	\$
CURRENT ASSETS	
Cash and bank accounts	5,077,768
FIXED ASSETS	
Assets less Depreciation	<u>1,878,000</u>
Total assets	<u>6,955,768</u>
CURRENT LIABILITIES	
Accounts payable and Accruals	-
Disciplinary Levies In Advance	419,909
Operating Levies in Advance	3,731,862
Total Liabilities	4,151,771
EQUITY	2,803,998
TOTAL FUNDS EMPLOYED	<u><u>6,955,768</u></u>



Forecast cash flows for the year ended 30 June 2010

	\$	\$
Cash flows from operating activities		
Cash will be provided from:		
Government Grant - Operating	3,483,000	
Operating Revenues	8,725,944	
Interest	0	
Net GST	-	
Total Income	<u>12,208,944</u>	
Cash will be applied to:		
Payments to and employees	1,710,990	
Repayment to Crown	1,261,400	
Payments to suppliers	4,158,786	
Net GST paid	-	
Subtotal	<u>7,131,176</u>	
Net cash flows from operating activities		<u><u>5,077,768</u></u>
Cash flows from investing activities		
Government Grant - Capital	2,078,000	
Purchase of fixed assets	-2,078,000	
Net Cash Flows from Investing Activities		0
Net increase / (decrease) in cash held		5,077,768
Plus opening cash balance		<u>0</u>
Closing cash balance		<u><u>5,077,768</u></u>

(Note: Estimates are based on anticipated unaudited results for 2008/2009 by the Ministry of Justice in preparing for the establishment of the Real Estate Agents Authority).



Forecast Statement of Movements in Equity for the year ended 30 June 2010 (GST excl.)

	\$
Equity at start of financial year	0
Capital Funding from Crown	2,078,000
Operating surplus (deficit for the year)	<u>1,987,398</u>
Less annual repayment to Crown	1,261,400
Total recognised revenues and expenses for the year	2,803,998
Crown Equity at the end of the financial year	<u><u>2,803,998</u></u>

Statement of Underlying Assumptions, for the year ended 30 June 2010

Significant assumption

As the Real Estate Agents Authority is a new Crown entity, there are no previous results to base the draft budget upon.

Other assumptions

These forecast financial statements comply with generally accepted accounting practice. The measurement base applied is historical cost.

The accrual basis of accounting has been used in the preparation of these forecast financial statements.

Crown operating funding applied to the establishment of the Authority and Tribunal is required to be repaid to the Crown out of surpluses. The level of funds applied is budgeted to be \$6.307m. The Authority, with the agreement of the Ministers of Finance and Justice is making repayment of this amount over 5 years, to be paid in June of each year. The first payment is due in June 2010.

Nature of Forecasted Financial Statements, for the year ended 30 June 2010

The forecasted financial statements have been prepared as a best efforts indication of Real Estate Agent Authority's future financial performance. Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.



Statement of Accounting Policies, for the year ended 30 June 2010

Reporting entity

These are the forecast financial statements of the Real Estate Agent Authority, a Crown entity in terms of the Public Finance Act 1989.

These forecast financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

Measurement system

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

Accounting policies

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

Revenue

The Real Estate Agents Authority derives revenue through the provision of outputs to the Crown, from cost recovery for the provision of services to third parties and from investment income. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Fixed assets

The initial cost of a fixed asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use. All fixed assets are recorded at historical cost less depreciation.

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
Intangibles (Software)	3 years	20%	straight line

Investments

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the statement of financial performance in the period in which they occur.



Employee entitlements

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

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 Real Estate Agents Authority is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

Leases

The Real Estate Agents Authority leases office premises, a photocopier, and a telephone system. As all the risks and ownership are retained by the lessor these leases are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

Financial Instruments

The Real Estate Agents Authority is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits and creditors. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the statement of cash flows are:

“Cash” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the entity as part of its day to day cash management.

“Investing activities” are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

“Financing activities” are those activities relating to changes in equity of the entity.

“Operating activities” include all transactions and other events that are not investing or financing activities.

Changes in accounting policy

This is the first year of operation for the Authority. The accounting policies are as noted above.