



GOVERNMENT OF
WESTERN AUSTRALIA



Real Estate and Business Agents Supervisory Board

Annual Report 2005 - 2006



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Statement of compliance

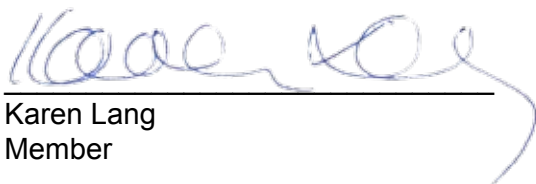
HON MICHELLE ROBERTS MLA
MINISTER FOR CONSUMER PROTECTION

In accordance with section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament the Annual Report of the Real Estate and Business Agents Supervisory Board for the year ending 30 June 2006.

The Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.



Mark Cuomo
Chair



Karen Lang
Member

Dated: 25 August 2006

Executive summary - Report from the Chair

I am pleased to present the Annual Report of the Real Estate and Business Agents Supervisory Board for the year ending 30 June 2006.

The Board is an independent statutory authority established under the *Real Estate and Business Agents Act 1978*, and is responsible to the Minister for Consumer Protection. The Board provides advice to the Minister, including making recommendations and submitting proposals regarding the Act and Regulations; administers the licensing and registration schemes; and conducts and promotes education and provides advisory services for industry participants and members of the public. The Board also performs compliance activities; administers the Fidelity Guarantee Fund and the Home Buyers Assistance Fund.

Throughout the year the Board has continued to monitor the real estate and business broking industries to ensure that they operate within regulatory requirements. The Board has assisted members of the industry and the public by improving the quality and quantity of information available, including updating the content and function of its website.

A significant event for the real estate industry during the year was the review of the licensing fees for real estate agents and the registration fees for sales representatives. The review was necessary as the fee structure was last examined in 1996. The review was a comprehensive process and in line with State Government policy that any fee increase is to be made on a full cost recovery basis. The new fee structure will apply from 1 July 2006.

The implementation of the *Workplace Relations Amendment (Work Choices) Act 2005 (Cth)* created difficulties for commission and the employment arrangements used in the real estate and business broking industries. The Board considers that under the *Real Estate and Business Agents Act 1978* sales representatives can only be engaged as employees and not as independent contractors. A letter was issued on 27 April 2006 informing agents and sales representatives of the Board's view.

Throughout 2005-2006, the Board continued developing the Compulsory Professional Development ("CPD") program for the real estate and business broking industries. Stakeholders were updated on developments through the Board's industry newsletter.



In developing a model of the CPD program, the Board consulted with industry stakeholders in Western Australia and regulators in other states and territories. The consultation proved useful as it led to the development of a CPD model that is designed to deliver maximum benefit to participants. The Board is working towards the CPD program commencing on 1 January 2007 for real estate agents and business brokers. The program may be extended to sales representatives after it becomes fully operational for real estate agents and business brokers.

The Board produces a range of publications for the public and members of the industry. These publications are updated on a regular basis and available from the Board's website.

The Board continues to run educational seminars for the public and members of industry. During the year the Board conducted 29 industry seminars. It also conducted four homebuyer seminars jointly with the Settlement Agents Supervisory Board. Feedback from the seminars has been positive. The Board appreciates the efforts of the elective member, Mr Bill Goddard, its Registrar, Mr Bob Rossi, and the A/Principal Proactive Compliance Officer, Ms Sharon Officer and her team in ensuring that the seminars met their objectives.

As part of its role in providing education and training to the industry, the Board conducted 276 proactive visits across regional and metropolitan Western Australia. These visits are designed to assist agents comply with their legislative obligations. Given the success of the proactive compliance program, the Board will continue to undertake proactive visits in 2006-2007.

This has been an unusual year for the real estate industry. In particular, rapidly increasing prices, the low number of listings available, and an almost insatiable demand for property has placed pressure on many agents and made trading difficult. The Board is pleased with the level of industry performance generally, with no real increase in consumer complaints, and only three matters considered sufficiently serious to commence disciplinary proceedings before the State Administrative Tribunal. From the Board's perspective, the industry has met this difficult market by working hard and ethically. The industry has been well represented by the Real Estate Institute of WA and the Business Brokers Association of WA, and the Board has benefited from their advice.

In closing, I would like to thank my fellow members of the Board and their deputies for their efforts and dedication. I also take this opportunity to acknowledge the enduring dedication and valuable contribution of member, Mr Ross Ledger, who retired during the year. Ross served as a deputy member for 12 years. His significant contribution to the Board over the years was always greatly valued. The Board welcomed Dr Diana Newman as his replacement.

Finally, on behalf of the Board I would like to acknowledge and congratulate all the Board staff, and officers of the Real Estate Branch of Consumer Protection, for their dedication and professionalism. Without their support and tireless enthusiasm the Board could not function, and I thank each for their individual effort shown in facing up to the many challenges presented in 2005-06.



Mark Cuomo
Chair

Date: 29 August 2006

Section One

About the Board

Our goal is that the people of Western Australia have confidence in the real estate and business broking industry.

Our organisation

Who we are

The Real Estate and Business Agents Supervisory Board is an independent statutory authority established under the Act to regulate the real estate and business broking industries. The Board administers the Act, its Regulations and the Code of Conduct.

The functions of the Board include:

- provision of advice to the Minister, including making recommendations and submitting proposals regarding the Act and Regulations;
- administration of the applicable licensing and registration schemes; and
- conducting and promoting education and providing advisory services for industry participants and members of the public.

Additionally, the Board can perform other functions conferred upon it by the Act, such as:

- compliance activities;
- administration of the Fidelity Guarantee Fund; and
- administration of the Home Buyers Assistance Fund.

The Board is fully funded by industry and the community, in the form of:

- licensing revenue;
- interest earned on money held in trust accounts; and
- interest earned on retained funds.

This funding is used to deliver the statutory functions of the Board to the real estate industry and the community of Western Australia. The effective delivery of these statutory functions underpin the Board's aim to achieve the outcome that:

The people of Western Australia have confidence in the real estate and business broking industry.

Core values and conduct that will help the Board achieve its desired outcome are:

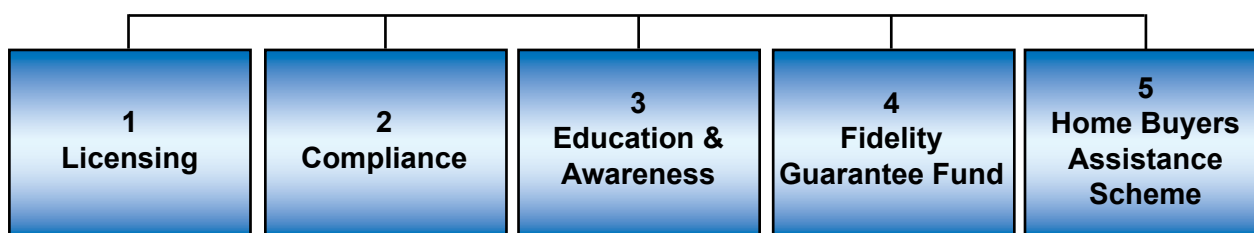
Accountability: the Board serves the needs of the public through the government in a professional, responsible and accountable manner.

Integrity: the Board deals with its members and staff, with the industry and the public on the basis of trust, understanding and respect for differing views and interests. The Board undertakes to perform its functions in a fair and open manner.

Professionalism: the Board performs its services to the best of its ability with optimum use of resources and with a focus on continuously improving quality, productivity, and professional development.

Responsiveness: The Board endeavours to provide high quality information and services to the government, industry, and the public.

The statutory functions are provided by means of the following services.



Licensing: involves the quality control of people seeking to enter the real estate and business broking industries and those already registered or licensed in those industries.

Compliance: ensures that licensed real estate and business agents and their representatives comply with the relevant legislation and financial reporting requirements.

Education and Awareness: aims to encourage awareness of real estate 'best practice' through activities such as proactive visits, seminars and publications.

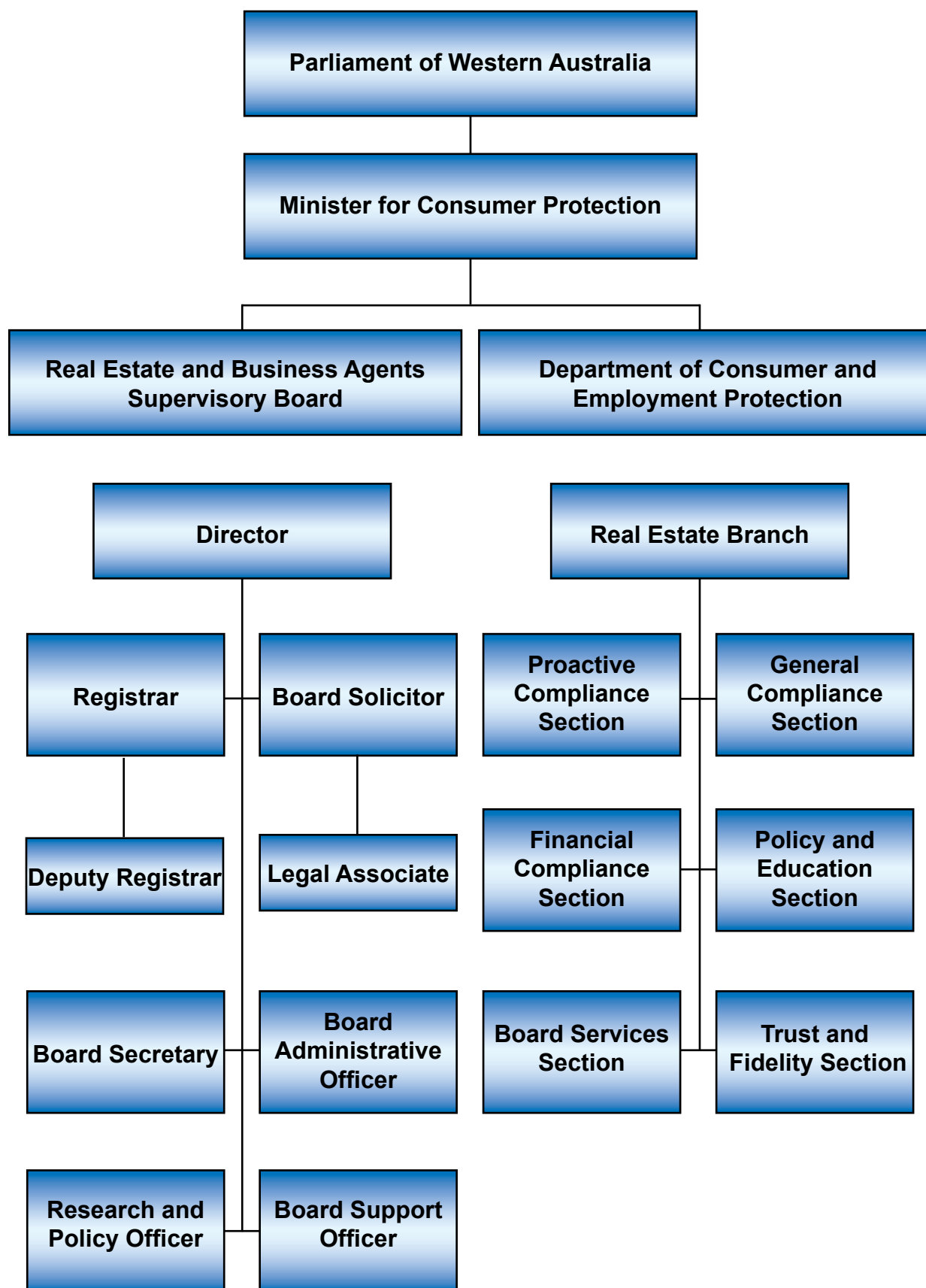
Fidelity Guarantee Fund: centres on the assessment of claims for reimbursement from consumers who have suffered financial loss during a real estate transaction due to the criminal or fraudulent conduct of a licensed real estate and business agent or their sales representative.

Home Buyers Assistance Fund: works to ensure that people who lodge a claim against the Fund satisfy the necessary requirements and receive funding in a timely manner.

Service Delivery Agreement

The Board contracts the Department of Consumer and Employment Protection ("DOCEP") to provide services under a Service Delivery Agreement ("SDA"). The services obtained from DOCEP enable the Board to carry out its functions. The SDA sets out the services and performance measures, in accordance with government output based management requirements.

Board organisational chart



Board Structure

The composition of the Board is set out in section 7 of the Act. There are five members of the Board appointed by the Governor of Western Australia:

- one must be a person who is not a licensed agent who is also appointed Chairman;
- one must be a person experienced in commercial practice and not a licensed agent;
- one must be a person who is a legal practitioner and not a licensed agent;
- one must be a licensed real estate agent who is nominated by the Real Estate Institute of Western Australia; and
- one must be a licensed agent who is elected by licensed agents.

Members may hold office for up to four years and are eligible for re-election or reappointment. The Governor may appoint a deputy of a member.

Members

Mr Mark Cuomo



Mr Ken Bradley



Ms Karen Lang



Mr Mark Cuomo (Chairperson)

Mr Mark Cuomo is a legal practitioner practising as a barrister. Mr Cuomo has been Chair of the Board since January 2005. He is also the Chair of the Builder's Registration Board, the Building Disputes Tribunal, and the Painter's Registration Board.

Mr Ken Bradley (Commercial Practice Member)

Mr Ken Bradley is a fellow of the Australian Society of Certified Practising Accountants (FCPA). He has been a member of the Board since August 2004. He is also a member of the Volunteers WA Board, treasurer of the Stop the Toad Foundation, and a senior sessional member of the State Administrative Tribunal.

Deputy: Dr Diana Newman

Ms Karen Lang (Legal Practitioner Member)

Ms Karen Lang is a legal practitioner. She has been a member of the Board since November 2003. Ms Lang is a member of the Zoological Parks Authority Board, the Building Disputes Tribunal, and a sessional member of the State Administrative Tribunal.

Deputy: Mr Chris Stevenson

Mr Michael Hoad



Mr William Goddard



Mr Michael Hoad

(REIWA Nominated Member)

Mr Michael Hoad is the member nominated for appointment by the Real Estate Institute of WA. He is a licensed real estate agent with 30 years experience in the industry, and has operated his own agency for 24 years. Mr Hoad has been a member of the Board since January 2003.

Deputy: Ms Renate Brown

Mr William Goddard

(Elective Member)

Mr William Goddard is the member elected for appointment by licensed agents. He is a licensed real estate agent, and a certified practising business broker, auctioneer and property manager. Mr Goddard has over 40 years experience in the industry, and operates his own agency in Nedlands. He was first elected to the Board as the deputy elective member in 1985, and has been the elective member since 1989.

Deputy: Mr Oscar D'Souza

Retired members

Ross Ledger



Mr Ross Ledger

(Retired Deputy Commercial Practice Member 2005 - 2006)

Mr Ledger retired from the Board on 16 August 2005. He was the deputy commercial practice member, and at times the commercial member, of the Board for 12 years.

Our People

The Board engages nine staff. The Director, Board Solicitor, Legal Associate, Board Administrative Officer and Board Support Officer are employed in a joint funding arrangement with the Settlement Agents Supervisory Board. The Registrar, Deputy Registrar, Research and Policy Officer and Board Secretary are employed directly by the Board.

Role of key staff

Director

The Director is the Chief Officer of the Board and is responsible for providing advice and assistance to the Board in its day-to-day operations. The Director is also responsible for ensuring that Board's policies and strategies for regulating the real estate and business broking industries are implemented and monitored.

The Director manages the financial and human resources; oversees legal services, assists with planning and strategic issues, represents the Board in negotiating, monitoring, and reporting on contracts with external providers, including the SDA with DOCEP.

The Director also assists the Board to comply with all legislation relevant to its statutory obligations.

Board Solicitor

The Board Solicitor has responsibility for managing legal services for the Board. This includes providing advice to the Board, and its investigators, on the interpretation and application of legislation administered by the Board and relevant to Board matters, the conduct of proceedings before the Board, the SAT and the courts.

The Board Solicitor also briefs external counsel to provide advice or legal representation where necessary.

Registrar

The Registrar may of his own motion, or at the direction of the Board, make any investigation or inquiry considered necessary or expedient for the purpose of determining any application or other matter before the Board.

The Registrar also conducts and promotes education, and provides an advisory service to industry members and the general public on behalf of the Board.

Corporate governance

Legislation and statutory reporting compliance

In performing its functions, the Board complies with the following statutes:

- *Real Estate and Business Agents Act 1978*;
- *State Records Act 2000*;
- *Public Sector Management Act 1994*;
- *State Supply Commission Act 1991*;
- *Occupational Safety and Health Act 1984*;
- *Equal Opportunity Act 1984*;
- *Disabilities Services Act 1993*;
- *Financial Administration and Audit Act 1985*;
- *Freedom of Information Act 1992*;
- *Public Interest Disclosure Act 2003*; and the
- *Electoral Act 1907*.

Better Planning: Better Services

Better Planning: Better Services is a Western Australian Government initiative intended to improve the quality of life of all Western Australians. DOCEP provides the Board with a range of services, some of which come under the obligatory reporting requirements. Please refer to these activities in DOCEP's 2005-2006 annual report for information relating to people and communities, the environment, and governance.

The Board acknowledges and supports the principles applicable to people with disabilities stated in Schedule One of the *Disability Services Act 1993*. The Board has a Disability Services Plan to ensure that people with disabilities, their families and carers can readily access its services.

Reporting requirements of section 175ZE of the Electoral Act 1907

Under section 175ZE of the *Electoral Act 1907*, the Board is required to report on expenditure incurred using the following types of bodies to promote or market its services:

- advertising agencies;
- market research organisations;
- polling organisations;
- direct mail organisations; and
- media organisations.

The Board did not incur any such expenditure in the reporting period.

Public sector standards in human resource management

The Board is required to comply with the *Public Sector Standards in Human Resource Management* and the *Western Australian Public Sector Code of Ethics* in its dealings with staff. During 2005-2006, the Board received no applications for breaches of the standards. In addition, the Board:

- received one workers compensation claim;
- did not re-deploy any of its staff;
- has not terminated any positions; and
- was not involved in any industrial disputes.

Board members and staff are required to comply with the Board's *Code of Conduct for Board Members and Officers 2004*. The Code of Conduct sets standards concerning the Board's operational requirements and expected behaviour of its members and staff as they carry out their day-to-day work. It also provides guidance and practical assistance on what to do when faced with an ethical issue.

When the Board is in session, members are required to act in accordance with their own independent views and experiences, in light of the role and purpose of the Board. Members should not perform their duties in a manner that represents or protects the interests of any particular organisation with which they are associated.

Freedom of Information requests

The *Freedom of Information Act 1992* allows members of the public to lodge requests for copies of documents relating to the Board and its operations. The Board endeavours to make its operations transparent and accessible. In the year 2005-2006, the Board received four requests for information under the freedom of information legislation.

DOCEP provides an administrative function to the Board in relation to Freedom of Information matters. People wishing to lodge a Freedom of Information application with the Board are advised to contact the Freedom of Information Coordinator on 9282 0777. All requests for information under the *Freedom of Information Act 1992* must be submitted in writing and addressed to:

Freedom of Information Coordinator
Department of Consumer and Employment Protection
Locked Bag 14
Cloisters Square
Perth WA 6850

Summary of 2005 - 2006

Board and other proceedings

- the Board convened for five Fidelity Guarantee Fund claim hearings;
- 81 interviews were conducted for licensing applications between 1 July 2005 and 30 June 2006;
- the Board convened for 21 board meetings;
- the Board commenced three disciplinary proceedings against agents in the SAT;
- the Board appeared before the SAT on 31 occasions;
- the Board appeared before the Magistrates Court on two occasions; and
- the Board appeared before the District Court on six occasions.

Achievements

In 2005-2006 the Board was able to achieve the following outcomes:

- 294 new licence applications processed;
- 1,689 applications for new sales representative registrations processed;
- 164 conciliations conducted;
- 525 general investigations commenced;
- 296 new qualified audit investigations initiated;
- 64 new trust fund investigations commenced;
- 902 Home Buyer's Assistance Fund grants approved;
- 274 proactive compliance visits of real estate agencies conducted;
- 29 industry seminars for agents conducted;
- four Homebuyer Seminars conducted for the general public (jointly produced with the Settlement Agents Supervisory Board);
- 23 claims lodged against the Fidelity Guarantee Fund; and
- 93 claims finalised against the Fidelity Guarantee Fund.

Industry seminars

The Board conducted 29 industry seminars for real estate and business agents focusing on legislation and compliance issues. Feedback from these seminars was positive, with participants commenting on the usefulness of the information presented. The seminars were conducted across the State in Perth, Albany, Broome, Bunbury, Busselton, Kalgoorlie, Karratha, Margaret River, Port Hedland and Geraldton.

Topics covered by the seminars include:

- real estate contracts;
- appointment to act;
- risk management;
- developing a compliance system;
- property management;
- trust account reconciliation;
- conjunctional dealings;
- conflicts of interest;
- obligations under the Code of Conduct;
- compliance strategies for managing trust accounts;
- personal assistance;
- offer and acceptance; and
- transition from sale to settlement.

Homebuyer seminars

In a joint initiative with the Settlement Agents Supervisory Board, the Board delivered four homebuyer seminars free of charge to members of the public. The seminars were conducted in Perth, Geraldton and Albany, with a total of 379 people attending. The topics covered at the seminars included: property valuation, obtaining finance, types of grants available, and offer and acceptance contracts.

Significant compliance issues

Advertising practices

During the year two issues arising out of advertising practices of some industry members came to the attention of the Board. The first was agents advertising properties that are listed by another agent without the authorisation of the seller. Real estate agents cannot advertise properties unless they hold a valid authority from the owner of the property. Unauthorised advertising of a property is a breach of Article 4(1) and (3) of the Code of Conduct. The listing agent must obtain the seller's consent before advertising the property through another agency. When an agent advertises a property under their company logo, trading banner or business letterhead without the sellers authority, there is the risk that members of the public may incorrectly believe that agent has the listing for the property.

The second issue relates to advertising by sales representatives that may cause members of the public to believe they were licensed agents. Agents are responsible for properly supervising the content of advertisements placed in connection with their agency business. Advertisements should not promote sales representatives in a manner suggesting the person named is a licensed agent. The Board noticed a developing trend where advertisements were potentially in breach of section 26 of the Act. Some examples of wording in advertisements that concerned the Board, in circumstances where the person referred to was a sales representative, included:

- the local and expert **agent**;
- the specialist **agent** for ...;
- the local **agent** living and working in the area;
- the top selling and listing **agent**; and
- advertisements inviting members of the public to choose them personally as **agents**.

The Board decided that an article should be placed in the *REBA News* advising agent in *bona fide* control that they are responsible for any advertising in connection with their agency business. This includes all advertising carried out by sales representatives within the agency.

Display sites used as defacto branch offices

A concerning trend emerging has been the increased number of agents conducting business in one location and at the same time setting up a site in another, which is then attended by an unlicensed person. Section 37(2) of the Act requires all real estate offices to be supervised by a licenced person. The Board became aware of sales representatives maintaining space in a local business and displaying information on properties for sale in the area. The Board advised the industry it would take action in circumstances where the sales representative also undertakes the normal business of conducting real estate transactions, and not merely maintaining a display site.

Other issues

Compulsory Profession Development

A major initiative of the Board in 2005-2006 was progressing Compulsory Professional Development ("CPD") for the real estate and business broking industries. Given the level of industry support for such a program, the Board convened a working party to develop a CPD model to be circulated to industry for comment. This is to take place in the second half of 2006.

The Board is working toward commencing the CPD program on 1 January 2007 for real estate agents and business brokers. Once the program is operating it will be extended to include sales representatives and property managers.

The CPD model outlines:

- the activities the participants need to undertake;
- the number of points in each cycle each participant must acquire;
- a set of requirements for training providers;
- an exemption policy; and
- a means of monitoring compliance.

The Board considers that the CPD program will raise participants' level of understanding of their legislative obligations. This in turn should translate into fewer matters being investigated by the Board arising from breaches to the Act and Code of Conduct.

Work Choices legislation and employment arrangements

One of the most significant issues for the real estate and business broking industries during the year was the *Workplace Relations Amendment (Work Choices) Act 2005 (Cth)* coming into the operation. This federal government legislation caused concern in the industry as it provides for a minimum wage for employees. It has been usual for sales representatives to be paid commission only. Some industry members have been approached and told that they may engage sales representatives as independent contractors.

The Board wrote to all agents on 27 April 2006 advising that under the *Real Estate and Business Agents Act 1978*, sales representatives can only be engaged as employees and not as independent contractors. Agents were asked to ensure that they make the necessary arrangements for sales representatives to be employed in accordance with the requirements of the Act. The Board gave time for agents to rectify any changes that had occurred that were contrary to those requirements.

Section Two

Report on services

The Board outlines yearly objectives and aims to deliver on all its services effectively and consistently.

Service 1 Licensing

Strategic objectives

The Board's 2005-2006 reporting period objectives are:

- assist people seeking to obtain or renew a licence, triennial certificate or certificate of registration, and to process applications in accordance with the Act;
- assess the fitness¹ of people entering the industry, and of those remaining in the industry; and
- audit the computer databases to ensure the information recorded is accurate.

Performance

In 2005-2006, the Board was able to achieve the following outcomes:

- 294 applications for new real estate licences processed;
- 937 applications for real estate licence renewal processed;
- 99 per cent of new real estate licence applications acknowledged within eight days;
- 100 per cent of new real estate licence applicants advised of the outcome of their application within eight days of the Board's decision;
- 98.7 per cent of renewal real estate licence applications finalised within ten days;
- 1,689 new applications for a sales representative's certificate of registration processed;
- 3,224 renewal applications for a sales representative's certificate of registration processed; and
- 97.8 per cent of applications for a sales representative's certificate of registration finalised within eight days.

Overview

In 2005-2006, the Board received 294 applications for real estate licences. This figure represents an increase of 26.8 per cent over that reported for 2004-2005. The Board dealt with 1,689 applications from people seeking registration as sales representatives. This represented an increase of 6.3 per cent above that in 2004-2005.

During the reporting period the Board conducted 81 recorded licensing interviews.

¹ The Act stipulates that to hold an agents licence (section 27(1)(b)) or certificate of registration (section 47(1)(b)) the successful applicant must be "...a person of good character and repute and a fit and proper person" to be involved with the business of any agency. The Board takes into account a number of factors when considering the character, repute and suitability of an applicant.

Current fees – Real estate and business agent

The fees charged for new applications are as follows:

- individual licence \$538.00
- partnership licence \$705.00
- body corporate licence \$705.00

The fee for a new licence application includes a once only contribution of \$150 to the Fidelity Guarantee Fund. There are no licence renewal fees, however, the fee for renewal of a triennial certificate is \$333 for individuals, partnerships and corporate bodies. The above fees are only valid until 30 June 2006, after which new fees apply (see Review of current fees for more details, pg 23).

Holding fee

Agents who wish to continue to hold a licence, but do not want to carry on business may do so by paying a holding fee of \$150. This puts their licence on hold for a period of three years. At the end of the reporting period, 374 agents had their licence on hold.

Current fees – sales representative

The fee for a new registration application for sales representatives is \$177 and includes a once only contribution of \$45 to the Fidelity Guarantee Fund. Renewing a certificate of registration is \$132, and is payable once every three years.

Review of current fees

The Board conducted a fee review in 2005-2006, in line with the State Government policy that any increase in fees is to be made on a full cost recovery basis. The new set of licence fees for agents and sales representatives will apply from 1 July 2006. A once only contribution to the Fidelity Guarantee Fund of \$150 is to be made by agents when applying for a licence. A once only contribution to the Fidelity Guarantee Fund of \$45 is to be made by sales representatives when applying for a licence. The table below lists the new fee schedule.

Fee structure	Old (\$)	New (\$)
<i>Real estate agents and business brokers</i>		
Licence application fee	55	55
Grant of licence to natural person	333	580
Grant of licence to firm	500	760
Grant of licence to body corporate	500	760
Renewal of triennial certificate	333	375
For the purpose of section 30(2a) (the holding fee)	150	170
<i>Sales representatives</i>		
Grant of certificate of registration	132	150
Renewal of certificate of registration	132	132
Late fee for sales representatives renewal	33	33
<i>Other</i>		
Inspection of a register	10	10
Copy (certified or uncertified) or an extract of an individual registration:		
➤ first page	10	20
➤ each subsequent page	2	2
Copy (certified or uncertified) or an extract of all registrations in a register.	278	278

Licensing kit

The Board produces a licensing kit that provides information for new licence holders. The kit contains information on setting up a trust account, auditing processes and an agent's obligation to notify the Board when changing their details. The licensing kit provides information for agents in other states and territories of Australia who are seeking a Western Australian licence under the *Mutual Recognition (Western Australia) Act 2001*.

Service 2 Compliance

Strategic objectives

In 2005-2006, the Board strived to meet the following objectives:

- real estate agents and business agents and sales representatives comply with the requirements of the Act and the Code of Conduct;
- in appropriate cases, where there is sufficient evidence, the Board commence proceedings before the SAT (alleging that there is a proper cause and it is in the public interest to do so) for disciplining action against an agent or sales representative;
- complaints investigated promptly and dealt with by the Board in a timely manner;
- prompt accurate advice is given to industry members and the public; and
- audit reports are received on time and all qualified reports are investigated.

Performance

In 2005-2006, the Board was able to achieved the following outcomes:

General compliance

- 525 investigations initiated;
- 521 investigations completed (on average 134.1 days);
- 93 per cent of complaints acknowledged within eight days (on average 3.4 days); and
- 82.9 per cent of investigations commenced within 14 days (on average 12.8 days).

Financial compliance

- 296 qualified audit investigations initiated;
- 318 qualified audit investigations completed (on average 94.4 days);
- 99.3 per cent of investigations into qualified audit reports commencing within 14 days of lodgement (on average 2.5 days);
- 64 trust account investigations initiated;
- 57 trust account investigations completed (on average 128.1 days); and
- 93.8 per cent of trust account investigations commencing within 14 days (on average 4.5 days).

Conciliation

- 164 conciliations initiated;
- 156 conciliations completed;
- 96.9 per cent conciliations acknowledged within eight days (on average 2.2 days)
- 92.7 per cent of conciliations commencing within 14 days (on average 7.1 days); and
- 87 per cent of conciliations completed within three months (on average 52 days).

General compliance

The Board's inspectors have powers of investigation, which they may exercise for the purpose of determining whether an agent is complying with the requirements of the Act, the Code of Conduct and any conditions of their licence. These powers of investigation may also be used to determine whether any other cause exists to render an agent unfit to hold a licence.

When the Board receives a complaint, or the matter is otherwise brought to its attention, the Registrar will determine whether it requires investigation. If the preliminary assessment identifies sufficient cause for concern, then the Registrar may issue a direction for a formal investigation to proceed.

Where the Registrar directs a formal investigation into a complaint, an inspector will seek further information from the agent concerned, and any other relevant person. At the conclusion of an investigation the Board may take one or more of a range of actions.

Where an investigation or inquiry reveals evidence of non-compliance with the Act or Code of Conduct, the result will not always be disciplinary proceedings. Depending on the circumstances, the Registrar may decide to issue an educational letter or an administrative warning. In 2005-2006, 42 warning letters and 290 educational letters were issued by the Registrar.

If there is sufficient evidence of a breach, and it is in the public interest, the Registrar will recommend that the Board commence proceedings against the agent or sales representative in the SAT or Magistrates Court. Factors such as, the nature of the conduct, prior history of compliance with the Act, and the strength of the evidence available will be taken into consideration. In this reporting period, three proceedings were commenced in the SAT and two in the Magistrates Court. There were also six proceedings completed in the SAT in 2005-2006 (see Appendix on page 78).

The total number of new investigations commenced into the conduct of agents in 2005-2006 was 525 compared to 532 in the previous reporting period.

Financial compliance

The Act sets out how agents are to maintain their trust account records. Agents are required to appoint an auditor of their trust accounts at the time of obtaining their licence. The Act requires the auditor to submit to the Board, by 31 March each year, an audit report of the agent's trust accounts. The Board treats all qualified audit reports as a priority issue.

Apart from qualified audit reports being received from auditors, there are four main ways that non-compliance with the trust account provisions can come to the attention of the Board:

- during an investigation into general compliance issues the investigator may identify potential breaches relating to the trust accounts;
- complaints may be received directly relating to an agent's operation of their trust account;
- during a proactive visit; and
- when financial institutions notify the Board that a trust account has been overdrawn.

During 2005-2006, the Board initiated 296 investigations into qualified audit reports compared to 250 from the previous reporting period. In addition, 64 trust account investigations were initiated in 2005-2006 compared to 78 from the previous reporting period.

Conciliation

The Board may assist parties to resolve a dispute by arranging informal discussions between them, helping in the conduct of those discussions, and, if possible, assisting the parties to reach an agreement. Generally, conciliation of a dispute may be offered where:

- no serious breach of the Act or Code of Conduct is identified;
- the dispute is about fees charged by an agent;
- the complaint is lodged by an agent against another agent regarding conjunctural dealings or agency practice of a minor nature;
- the complaint is from a property owner about the conduct of their agents as a property manager; or
- the breach is of a minor nature and the main concern of the complainant is to receive reimbursement.

The Board will not offer conciliation if the issues raised involve allegations of:

- dishonesty on the part of the agent or sales representative;
- significant financial loss to the other party; or
- a serious breach of the Act or Code of Conduct. The conciliation service has proven to be an effective method of resolving minor complaints.

In the cases conciliated in 2005-2006, 63 cases resulted in the parties reaching agreement. In 43 cases referred to conciliation, no action was required other than clarifying the facts for the parties. Parties were unable to resolve the issue in 27 of cases. Of cases referred to conciliation, three were outside of the jurisdiction of the Board and the parties had to seek assistance elsewhere. Finally, there were no cases where complaints were not justified. The average time taken to complete a conciliation matter was 52 days.

Service 3 Education and awareness

Strategic objectives

The Board endeavoured to meet the following education and awareness objectives in 2005-2006:

- conduct visits to agencies;
- provide education seminars to assist agents to comply with the Act and the Code of Conduct;
- conduct seminars for home buyers;
- provide a counter information service to members of the public and industry;
- provide a telephone information service to members of the public and industry;
- support and fund education programs for the professional development of agents and sales representatives; and
- develop educational material, including brochures and guides, for distribution to members of the public and industry.

Performance

In 2005-2006 the Board was able to achieve the following outcome:

- 274 proactive compliance visits to agencies, which includes 50 visits to agencies outside of the metropolitan area;
- 29 training seminars for agents and sales representatives on various topics covering the requirements of the Act and the Code of Conduct;
- four homebuyer seminars conducted jointly with the Settlement Agents Supervisory Board; and
- renewed and updated the Board's website.

Overview

Information services

Under the SDA the Board obtains advice line services through DOCEP. In 2005-2006, the Advice Line received 20,927 telephone enquiries from the public seeking information on real estate matters. Of the telephone enquiries received, 75 per cent were answered within 40 seconds.

In addition, the Board's counter service in 2005-2006 received 192 enquiries on real estate matters. Of these enquiries, 90.1 per cent were handled within six minutes.

Proactive compliance

The Board conducts a Proactive Compliance Program that is unique in Australia. The purpose of the program is to promote and improve the level of compliance and ethical standards in real estate and business broking industries. The Board's proactive compliance officers visit agencies to provide advice and examine the level of adherence to legislative requirements. Participation by agents is voluntary. This financial year, the Board conducted 274 proactive visits to agencies. Of those visits, 18 per cent were carried out in regional areas.

Proactive compliance visits are carried out in accordance with a standard process, which includes looking at:

- trust account reconciliation;
- strata company management;
- correspondence and documents including trust account receipts conform to the Act;
- potential conflict of interest;
- appointment to act;
- settled sale files; and
- property management files.

Where non-compliance is identified, practical advice and guidance is given on how the agency may correct the problem, and comply with the requirements of the Act. The majority of feedback obtained from agents, who have participated in the program, indicates that the proactive compliance visits were helpful and informative.

Education funding

The Board provides financial support to promote its education objectives through a tender contract. The Board uses a prescribed proportion of the interest earned from real estate and business agents trust accounts for this purpose. This contract was expected to provide a total of \$249,000 funding to support the delivery of necessary and appropriate training courses to assist in the professional development of industry participants.

The successful tender(s) are required to provide necessary and appropriate training courses to assist in the professional development of participants in the real estate and business broking industries (ie. courses that reinforce the compliance requirements of the Act and improve and update the knowledge and skills of industry participants). Courses may only be provided to people who are registered or licensed under the Act. Successful tenders were the Real Estate Institute of WA and Central TAFE.

REBA News

To provide information to industry members and stakeholders, the Board produces a quarterly newsletter, the *REBA News*. The newsletter includes information on industry practice issues, case studies from the Board's disciplinary proceedings and legislative amendments. It is mailed to all licensees, sales representatives and stakeholders, and can also be downloaded from the Board's website.

Complaint handling guidelines

As part of a proactive strategy to improve the awareness of effective complaint handling procedures, the Board produces a publication titled *Complaint Handling Guidelines for the Settlement and Real Estate Industries*. This publication is produced jointly with the Settlement Agents Supervisory Board.

The publication presents general recommendations that are considered essential for the internal management of complaints. The publication provides guidance to agencies developing or reviewing their internal complaint handling procedures. It sets out the steps required to implement a complaint handling procedure that ensures complainants are dealt with fairly and courteously.

Auditing trust accounts

The Board's publication titled, *Auditing Real Estate and Business Agent Trust Accounts*, is intended for auditors who audit real estate agents or business agents' trust accounts. The publication was reviewed and updated in 2005-2006 to ensure the information is current. This publication is to be used in conjunction with the *Australian Auditing Standards*.

Trust account reference manual

The Board's publication *Real Estate Trust Accounting - A Reference Manual*, is designed to guide agents in the administration of their trust accounts and ensure compliance with the Act. The manual is not designed to be a comprehensive trust accounting text, however, it is a useful resource, which has been well received by agents.

Facts Sheets

The Board considers that it is important to improve the knowledge and ability of members of the public to protect their own interests in real estate transactions. The Board produces various fact sheets, which provide important information to both industry and members of the public on topical issues relevant to real estate. These publications are:

- *Real Estate Auctions;*
- *Sale by Offer and Acceptance;*
- *Buying Vacant Land;*
- *Fidelity Guarantee Fund;*
- *Real Estate Fees – Negotiating with an Agent;*
- *Buying a Home Through an Agent;*
- *Timber Pest Inspections and Reports;*
- *You and Your Property Manager;*
- *Home Buyers Assistance Fund;*
- *Obligations of Property Developers;*
- *Information for complainants – Real Estate and Business Broking Industries;*
and
- *Renting a Home in Western Australia – the Essential Guide.*

Website

The Board's website at www.reba.wa.gov.au is a significant resource, and assists it to carry out its statutory functions. The website contains a range of information for industry and members of the public. It provides downloadable copies of all the Board's publications, decisions arising out of disciplinary proceedings, information on services available through the Board, and access to electronic copies of real estate legislation.

New material continues to be added to the website on a regular basis. The website has a searchable index of articles from the *REBA News*, which lists topics, descriptions, references to Acts, and links to published articles. The index has proved to be a useful resource for anyone seeking information on a particular topic.

The website was upgraded in 2005-2006 to improve its information content, speed and ease of use. The website is integral to the Board's commitment to conduct and promote education and provide advisory service for industry members, and the public.

Service 4 Fidelity Guarantee Fund

Strategic objectives

The purpose of the Fidelity Guarantee Fund ("Fidelity Fund") is to provide financial reimbursement to people who suffer pecuniary loss or loss of property through the criminal or fraudulent actions of a licensed real estate agent or business broker in the course of a real estate transaction. This also applies to the actions of an agent's employees.

Performance

In 2005-2006 the Board was able to achieve the following outcomes:

- 23 claims lodged against the Fidelity Fund;
- 93 Fidelity Fund claims finalised;
- 91.7 per cent of claims acknowledged within eight days; and
- 95.5 per cent of claim assessments commenced within fourteen days.

Overview

The Fidelity Fund is financed through contributions from agents, interest on agents' trust accounts, and interest generated on the Fidelity Fund. The Fidelity Fund is kept at Treasury, forming part of the Trust Fund constituted under section 9 of the *Financial and Administration Audit Act 1985*. Money standing to the credit of the Fidelity Fund is invested with Treasury, and income derived from this is credited to the Fidelity Fund.

The criteria for making a claim are:

- the applicant has suffered financial loss or loss of property;
- the loss was due to the defalcation (which includes criminal or fraudulent conduct) of licensed real estate and business agents or their employees;
- the agent is licensed; and
- the loss occurred in relation to a real estate or business broking transaction.

In 2005-2006, the Board reviewed the claim form used in lodging a claim against the Fidelity Fund. It also updated the guide designed to assist claimants in completing the form. This information bulletin is available on the website (www.reba.wa.gov.au) and contains information about the Fidelity Fund, who is eligible to make a claim, and what the claim process is.

Service 5 Home Buyers Assistance Fund

Strategic objectives

The Home Buyers Assistance Fund was established to assist first home buyers financially toward meeting the incidental expenses incurred when purchasing an established or partially built home through a licensed real estate agent.

In 2005-2006, the Board endeavoured to meet the following objectives by:

- ensuring first home buyers are made aware of the Assistance Fund; and
- providing a grant of up to \$2,000 for the incidental expenses of first home buyers such as registration fees, solicitor and/or conveyancing fees, valuation fees, inspection fees, establishment fees, mortgage insurance premiums and lending institution fees associated with lodging the application.

Performance

In 2005-2006 the Board was able to achieve the following outcomes:

- \$1,719,119.06 paid out of the fund;
- 966 applications received;
- 902 grants approved; and
- 100 per cent of cheques issued within eight days of approval.

Overview

The Home Buyers Assistance Fund is an initiative of the Western Australian Government with grant money coming from the interest earned on money held in on trust accounts of real estate agents and interest earned on retained funds

Grants will only be given if:

- the applicant is buying their first home, which is established or partially built (not vacant land, a plan, or a “house and land” package);
- the applicant lives in the home for the first 12 months;
- the applicant purchases the home through a licensed real estate agent;
- the application is lodged with the Registrar of the Board no more than 90 days after the date that the offer to buy the home is accepted;
- the home loan is financed through an authorised lending institution (such as bank, building society or credit union);
- the purchase price of the property is no greater than \$200,000; and
- the applicant does not own or has not previously owned a home in Western Australia. A partial grant may be given where an applicant’s partner owns, or has previously owned, property in this state based on the percentage of the applicants ownership.

Number of applications and grants

The table below provides a comparison of the number of Home Buyers Assistant Fund applications and approvals processed by the Board between the current and previous financial years.

	2002/03	2003/04	2004/05	2005/06
No of Applications	1,194	856	699	966
No of Approvals	1,193	772	721	902
Total Amount Paid	\$2,148,147	\$1,410,636	\$1,346,500	\$1,719,119.06

Home Buyers Assistance Fund Advisory Committee

Section 131H of the Act establishes the Home Buyers Assistance Advisory Committee. The functions of the Advisory Committee are to:

- issue guidelines to the Registrar under section 131M(1a);
- consider applications referred to the Advisory Committee under section 131M(1)(b) and to make recommendations to the Board thereon;
- make recommendations to the Board on the formulation of criteria under section 131O(2); and
- consider any proposals, matters or questions concerned with this Part that may be referred to the Advisory Committee by the Board and to advise the Board thereon.

In the 2005-2006 reporting period, the Advisory Committee met three times to consider raising the eligibility criteria. The Committee put forward the recommendation to increase the maximum purchase price criteria from \$200,000 to \$300,000. At the end of the reporting period, the Board had approved the recommendation and forwarded it to the Minister for Consumer Protection for her consideration.

Auditor General's opinion



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Real Estate and Business Agents Supervisory Board at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of the Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended 30 June 2006.

Scope

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, for preparing the financial statements and performance indicators, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and the Notes to the Financial Statements.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and performance indicators.

JOHN DOYLE
ACTING AUDITOR GENERAL
31 August 2006

Section Three

Performance indicators

Performance indicators

Section Four

Financial statements

Certification of financial statements

The accompanying financial statements of the Real Estate and Business Agents Supervisory Board have been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2006 and the financial position at 30 June 2006.

At the date of signing, we are not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.



Mark Cuomo
Chair



Diana Newman
Deputy Member



Carolyn Allanson
Principal Accounting Officer

Dated: 25 August 2006

Financial statements

To be inserted when available

Appendix

The following table provides details and results of disciplinary matters finalised during 2005-2006 by the Board in the State Administrative Tribunal, Magistrates Court and District Court (1 July 2005 – 30 June 2006)

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
VR 295 of 2005 Maung Zarni Tun	10 November 2005	Real Estate & Business Agents Act 1978 (s.47(1)(b)) Code of Conduct for Real Estate and Business Sales Representatives (article 5)	Failed to act fairly and honestly; knowingly misled or deceived parties in negotiations and a real estate transaction; engaged in harsh or unconscionable conduct	Certificate of Registration suspended for 2 years. Fined \$250	\$250
[2005] WADC 241 Brown v Rossi	9 December 2005	Real Estate & Business Agents Act 1978	On appeal from the Board, Inquiry 6 of 2003	Appeal Partly allowed	
PE25243/05 Registrar v King & I Pty Ltd t/as L.J. Hooker York	23 December 2005	s.54(1) of the Real Estate and Business Agents Act 1978	Employment of a person as a sales representative who was not a registered sales representative	Fine of \$1000	\$163.20

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
PE25242/05 Registrar v Brian Phillip Wheeler	23 December 2005	Ss.44(1) & 44(2) of the Real Estate and Business Agents Act 1978	Acting as, or carrying out the functions of, a real estate sales representative whilst in the employ of an Agency when he was not the holder of a current certificate of registration. Holding himself out as a real estate sales representative an agency when he was not the holder of a current certificate of registration and whilst not holding a current triennial certificate	Fine of \$1,500	\$163.20
VR 33 of 2004 Inquiry 4 of 2004 Alastair James Edward Cornish	10 January 2006	Real Estate and Business Agents Act 1978 (s101) and Code of Conduct (article 5(1))	Misappropriation of money	Certificate suspended for 12 months; \$2000	\$3000

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
VR 416 of 2006 ACE (WA) Pty Ltd t/as Jennings Hopkins Realty and Eloise Kathleen Jennings	5 April 2006	Real Estate & Business Agents Act 1978 (s64(4)) & Code of Conduct for Agents and Sales Representatives (articles 10(2); 7; & 10(3))	Interest in purchase and sale of real estate without prior written consent; did not exercise skill, care and diligence in negotiations; demanded, retained or received a commission in respect of the purchase, without prior written consent; directly or indirectly received a reward or other valuable consideration	\$13,000 (Repay sellers) \$1,000 fine	\$1,000
VR 116 of 2005 Glenn William Low & Glenn Low Properties Pty Ltd t/as Tangibar Pty Ltd	12 April 2006	Real Estate and Business Agents Act 1978 (s.68(1) & 68(4)) Code of Conduct for Agents and Sales Representatives (article 6(2))	Misappropriation of money	Licence and triennial certificate suspended Permanently disqualified from holding licence. Fine \$10,000.	\$65,000
VR 36 of 2006 A & M Wilkins Pty Ltd t/as Wilkins Estates, and Michael Louis Patrick Wilkins	5 May 2006	Real Estate & Business Agents Act 1978 (s68 (4)) & Code of Conduct for Agents and Sales Representatives (article 4(2))	Withdrew \$3,253.52 from Trust Account without authority; failed to act in accordance with instructions	\$1,000	\$500

REBA 2005-2006 Annual Report - Questionnaire

The Board invites readers to provide feedback on the quality and usefulness of this annual report. The information obtained will be used when drafting the annual report for the next reporting year. Thank you for your time.

1: Overall, how informative did you find the annual report?

- ☐ Very informative
☐ Fairly informative
☐ Not very informative
☐ Not informative at all
☐ Unsure

2: Did the report meet your needs?

- ☐ Yes
☐ No
☐ Unsure

3: What is your overall impression of this report?

<i>Language</i>	<i>Volume of information</i>	<i>Design/Layout</i>	<i>Range of Information</i>
<input type="checkbox"/> Easy to understand	<input type="checkbox"/> Too much	<input type="checkbox"/> Good	<input type="checkbox"/> Good
<input type="checkbox"/> Average	<input type="checkbox"/> Suitable	<input type="checkbox"/> Average	<input type="checkbox"/> Average
<input type="checkbox"/> Difficult to understand	<input type="checkbox"/> Too little	<input type="checkbox"/> Poor	<input type="checkbox"/> Poor
<input type="checkbox"/> Unsure	<input type="checkbox"/> Unsure	<input type="checkbox"/> Unsure	<input type="checkbox"/> Unsure

4: Are there any other types of information you would like to see included in future annual reports?

5: What was your reason for reading this report?

6: Are there any areas you think need to be covered more thoroughly?

7: Please give us your overall opinion of the report. Include any changes you believe need to be made or any suggestions you have.

Your completed questionnaire can be either posted, faxed or hand delivered to REBA. Its contact details are:

Fax: 9282 0850

Street Address: 6th Floor, 219 St Georges Tce, Perth

Postal Address: Locked Bag 14, Cloisters Square, Perth WA 6850

Contact details

The Board can be contacted at its office located in Perth.

Telephone: 1300 30 40 54 Fax: 9282 0850

Office Address: Level 6, 219 St Georges Tce, Perth

Postal Address: Locked Bag 14, Cloisters Square PERTH WA 6850

contactus@sasb.wa.gov.au

It may also be contacted through the DOCEP offices in Albany, Bunbury, Geraldton, Kalgoorlie, Karratha or Kununurra.

GREAT SOUTHERN REGION

ALBANY

Telephone: 9842 8366 Fax: 9842 8377

Office Address: Unit 2/129 Aberdeen Street ALBANY WA 6330

Postal Address: PO Box 832 ALBANY WA 6330

SOUTH WEST REGION

BUNBURY

Telephone: 9722 2888 Fax: 9791 8047

Office Address: 8th Floor 61 Victoria St BUNBURY WA 6230

Postal Address: PO Box 1747 BUNBURY WA 6231

MID WEST REGION

GERALDTON

Telephone: 9964 5644 Fax: 9964 5678

Office Address: Post Office Plaza 50-52 Durlacher Street GERALDTON WA 6531

Postal Address: PO Box 1447 GERALDTON WA 6531

GOLDFIELDS/ESPERANCE REGION

KALGOORLIE

Telephone: 9021 5966 Fax: 9021 5977

Office Address: Viskovich House 377 Hannan Street KALGOORLIE WA 6430

Postal Address: PO Box 10154 KALGOORLIE WA 6433

NORTH WEST REGION

KARRATHA

Telephone: 9185 0900 Fax: 9185 1234

Office Address: U/9 Karratha Village Shopping Centre Sharpe Avenue
KARRATHA WA 6714

Postal Address: PO Box 5 KARRATHA WA 6714

KIMBERLEY

KUNUNURRA

Telephone: 9169 2811 Fax: 08 9169 2844

Office Address: Kununurra Shopping Centre Shop 24, 64 Konkerberry Drive
KUNUNURRA WA 6743

Postal Address: PO Box 1104 KUNUNURRA WA 6743

PERFORMANCE INDICATORS 2005-06

CERTIFICATION

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Real Estate and Business Agents Supervisory Board's performance, and fairly represent the performance of the Real Estate and Business Agents Supervisory Board for the financial year ended 30 June 2006.



Mark Cuomo
Chairman



Karen Lang
Member

Dated: 25 August 2006

PERFORMANCE INDICATORS 2005-06

STATUTORY ROLE OF THE BOARD

The Board acts in the public interest as the supervisory authority for real estate and business agents and real estate and business sales representatives in Western Australia. The statutory function of the Board is to regulate the conduct of agents and sales representatives in the way they carry out real estate and business transactions.

OUTCOME

At the highest level, the outcome of the Board is that:

The people of Western Australia have confidence in the real estate and business broking industry.

EFFECTIVENESS INDICATOR

The extent to which real estate and business agents comply with the requirements of the Real Estate and Business Agents Act 1978 in relation to the management of their trust accounts.

The Board aims to positively influence the behaviour of industry participants through effective compliance activities. The extent to which the people of Western Australia can be confident that the real estate and business broking industry operates in accordance with regulatory requirements is assessed by the level of compliance relating to the management of trust accounts.

The Board's experience is that the extent of compliance in respect to trust accounts is the best single test providing a reliable indication of the extent to which agents are generally complying with the requirements of the *Real Estate and Business Agents Act 1978*. Breaches in relation to the management of trust accounts usually indicate other problems or breaches that may be occurring within an agency.

An independent auditor, who has conducted an examination of an agents trust account management, provides an audit opinion. An unqualified opinion is issued when the auditor considers the agent's trust accounts are, and have been during the period of the audit, kept in order. One aim of independent scrutiny is to provide a level of confidence regarding the management of the trust accounts. Therefore, the extent to which real estate and business agents submit unqualified audit opinions is an indication of the degree of confidence that can be held in the industry.

Measure

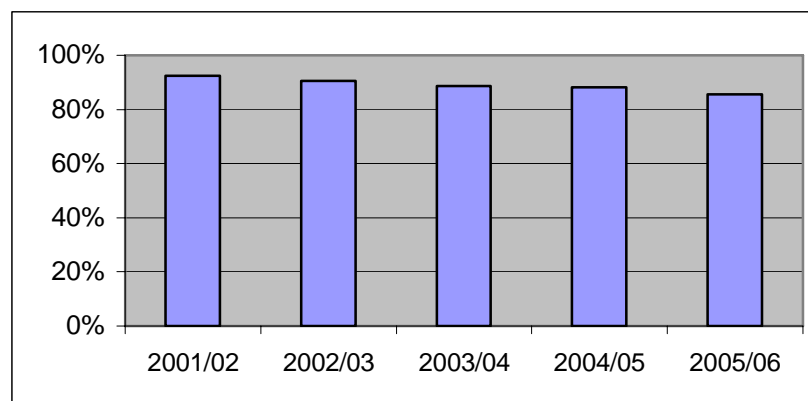
The proportion of real estate and business agents that submit an unqualified audit report or a statutory declaration.

$$\frac{\text{No. of agents submitting an unqualified audit report} + \text{No. of agents submitting a statutory declaration}}{\text{Total No. of agents}}$$

Data

	2001/02	2002/03	2003/04	2004/05	2005/06
Unqualified Audit Reports	876	897	829	832	804
Qualified Audit Reports	140	175	228	239	286
Statutory Declarations	980	935	996	983	1012
No Audit report	10	15	5	4	22
Total agents	2006	2022	2058	2058	2124
% of agents submitting an unqualified audit or statutory declaration	92.5%	90.6%	88.7%	88.2%	85.5%

% of agents submitting an unqualified audit or statutory declaration



Notes to the indicator

Agents are required by the Act to conduct financial transactions on behalf of their principals (clients) through a trust account. If a licensed agent (individual) conducts no transactions then the agent must submit a statutory declaration confirming this. A licensed agent (individual) may work for a company and it is then the company's trust accounts that are audited.

The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001/02 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the State Administrative Tribunal alleging that there is proper cause for disciplinary action regarding an agent's conduct. Where it is found that there is proper cause for disciplinary action against the agent then sanctions may be imposed, which include a reprimand, a fine, suspension or cancellation of the agent's licence.

This year the number of active agents has increased by 66. There are 28 less unqualified audits, and an increase of 47 qualified audits. The proportion of real estate agents submitting unqualified audits or statutory declarations has decreased marginally this year, from 88.2% to 85.5%.

Although the Board is concerned about the number of audits that are qualified, it believes that to some extent this is a consequence of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts. This

has resulted in more audits being qualified for matters that are not considered significant. This increased awareness can be attributed to the education program and industry seminars run by the Board, its independence of auditor policy, and the publication of the Trust Account Manual for Auditors. The higher than usual increase this year can be attributed to the audit seminar held in November 2005, at which auditors were directed to perform compliance based audits rather than materiality based audits. The qualifications raised by the auditors, which have been investigated, have been of an insignificant nature only, such as: clerical or titling errors so that the agent's triennial certificate number or trading name have not been included; reconciliations completed but done a few days late or not signed and dated; trust accounts overdrawn by very small amounts from a few cents to a few dollars.

There has also been an increase in agents who failed to submit an audit report or statutory declaration this year. The change to a compliance based audit, from a materiality based one, contributed to this increase due to agents taking longer to prepare their trust account records for the auditor. Another cause has been agents not lodging a statutory declaration when they have ceased as bona fide control of a body corporate or a partnership agency during the year. Of the outstanding audits four have now been received, three relate to termination audits, and action is being taken regarding the others.

EFFICIENCY INDICATOR

The average cost per licensed agent, of regulating the real estate and business broking industry.

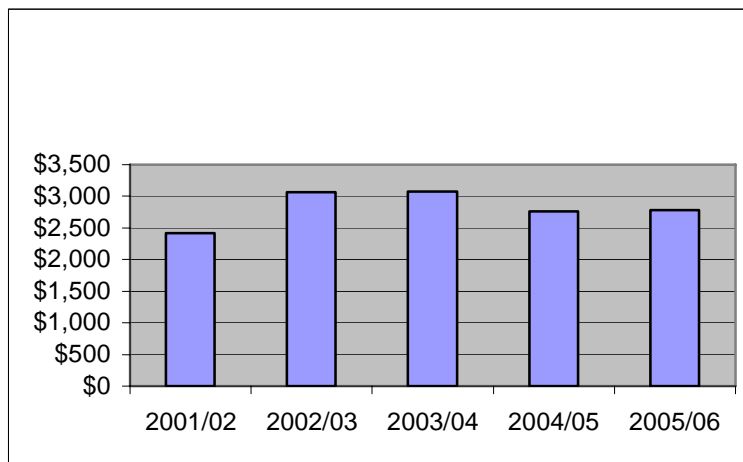
The Board provides a range of services aimed to ensure that real estate agents comply with the requirements of the Act. This indicator measures the efficiency with which the Board achieves this.

Measure

The total cost of regulating the industry divided by the number of active licensed agents in Western Australia.

Data

	2001/02	2002/03	2003/04	2004/05	2005/06
Annual Cost*	\$4 844 535	\$6 189 136	\$6 325 716	\$5 692 093	\$5 910 171
Active Licensed Agents	2006	2022	2058	2058	2124
	\$2415.02	\$3060.89	\$3073.72	\$2765.84	\$2782.57



* Note: The annual cost of regulating the real estate and business broking industry has been calculated using the total annual expenditure of the Board less Fidelity Guarantee Fund payments and First Home Buyers Grants made in that financial year. Fidelity Guarantee Fund payments have been excluded as these payments relate to the reimbursement of losses that were incurred by the defalcation of a licensed real estate agent in previous financial years and therefore do not reflect on the true annual cost of regulating the real estate and business broking industry. First Home Buyers Grants have been excluded as they do not impact on the cost of regulating the real estate and business broking industry.

Notes to the indicator

The efficiency indicator is based on the cost of delivering the service for each active licensed agent. In the 2005/06 financial year a total of \$5 910 171 was expended on regulating an industry with 2124 active licensed agents.

This year has again seen the average cost of regulating the real estate and business broking industry for each licensed agent increase marginally. Although the annual cost of services has increased, attributable to the whole of government increase in salaries impacting on the cost of the service delivery agreement, the cost per licensed agent has increased only marginally. The cost is, however, less than in 2002-03 and 2003-04.

The Board remains committed to ensuring the community of Western Australia has confidence in the real estate and business broking industry, and will allocate sufficient resources to meet the expectations and demands of the community.

Section Four

Financial statements

Certification of financial statements

The accompanying financial statements of the Real Estate and Business Agents Supervisory Board have been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2006 and the financial position at 30 June 2006.

At the date of signing, we are not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.



Mark Cuomo
Chair



Diana Newman
Deputy Member



Carolyn Allanson
Principal Accounting Officer

Dated: 25 August 2006

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
INCOME			
<i>Revenue</i>			
Agents trust account interest		12,176,799	9,474,148
Licence revenue	4.	889,231	862,961
Contributions to the Fidelity Guarantee Fund		118,083	116,466
Fines and costs		82,566	70,734
Interest revenue		3,138,258	2,656,222
Other revenues	5.	58,092	105,762
<i>Gains</i>			
Gains on disposal of non-current assets	6.	550	0
Total Income		<u>16,463,579</u>	<u>13,286,293</u>
EXPENSES			
<i>Expenses</i>			
Employee benefits expense	7.	522,169	507,931
Board fees and expenses		144,126	161,476
Supplies and services	8.	4,923,731	4,764,375
Depreciation and amortisation expense	9.	77,028	91,852
Accommodation expenses	10.	8,402	35,013
Grants	11.	1,844,947	1,440,289
Fidelity payments		120,045	30,305
Loss on disposal of non-current assets	6.	0	4,170
Other expenses	12.	108,887	36,869
Total Expenses		<u>7,749,335</u>	<u>7,072,280</u>
Profit/(loss) for the period		<u>8,714,244</u>	<u>6,214,013</u>

The Income Statement should be read in conjunction with the accompanying notes.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
ASSETS			
Current Assets			
Cash and cash equivalents	20.	16,366,395	13,393,823
Restricted cash and cash equivalents	20.	44,459,554	39,253,781
Accrued agents trust account interest		1,182,067	896,368
Accrued investment interest		799,204	226,963
Receivables	13.	9,952	54,065
Total Current Assets		<u>62,817,172</u>	<u>53,825,000</u>
Non Current Assets			
Property, plant and equipment	14.	36,283	30,805
Intangible Assets	15.	0	57,544
Total Non-Current Assets		<u>36,283</u>	<u>88,349</u>
TOTAL ASSETS		<u>62,853,455</u>	<u>53,913,349</u>
LIABILITIES			
Current Liabilities			
Payables	17.	73,948	70,785
Provisions	18.	68,393	116,364
Licence revenue received in advance	4.	732,369	691,913
Other current liabilities	19.	97,759	20,588
Total Current Liabilities		<u>972,469</u>	<u>899,650</u>
Non Current Liabilities			
Licence revenue received in advance	4.	647,425	488,629
Provisions	18.	20,979	26,732
Total Non Current Liabilities		<u>668,404</u>	<u>515,361</u>
Total Liabilities		<u>1,640,873</u>	<u>1,415,011</u>
NET ASSETS		<u>61,212,582</u>	<u>52,498,338</u>
EQUITY			
Retained earnings		61,212,582	52,498,338
TOTAL EQUITY		<u>61,212,582</u>	<u>52,498,338</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Balance of equity at start of period		52,498,338	46,284,325
RETAINED EARNINGS			
Balance at start of period		52,498,338	46,284,325
Profit/(loss) for the period		8,714,244	6,214,013
Balance at end of period		61,212,582	52,498,338
Balance of equity at end of period		<u>61,212,582</u>	<u>52,498,338</u>
Total income and expense for the period		8,714,244	6,214,013

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Agents trust account interest received		11,891,100	9,354,043
Bank and investment interest received		2,566,017	2,634,274
Licence receipts		1,088,483	736,034
Contributions paid into the Fidelity Guarantee Fund		118,083	116,466
GST receipts on sales		362	0
GST receipts from ATO		69,490	53,476
Other receipts		192,091	111,578
Payments			
Employee benefits		(575,893)	(520,897)
Supplies and services		(5,236,718)	(5,600,436)
GST payments on purchases		(65,310)	(50,077)
Grants		(1,844,947)	(1,440,289)
Net cash provided by/(used in) operating activities	20.	<u>8,202,758</u>	<u>5,394,172</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of non current physical assets		550	172
Purchase of non current physical assets		(24,963)	(6,435)
Net cash provided by/(used in) investing activities		<u>(24,413)</u>	<u>(6,263)</u>
Net increase/(decrease) in cash and cash equivalents		8,178,345	5,387,909
Cash and cash equivalents at the beginning of period		52,647,604	47,259,695
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	20.	<u>60,825,949</u>	<u>52,647,604</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. First time adoption of Australian equivalents to International Financial Reporting Standards

General

This is the Board's first published financial statements prepared under Australian equivalents to International Financial reporting Standards (AIFRS).

Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements of the Board had been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the preparation and Presentation of Financial Statements, Accounting Standards and the Urgent Issue Group (UIG) Interpretations.

In accordance with the option provided by AASB 1.36A and exercised by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information is prepared under the AIFRS basis.

Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards', AASB 2005-3 'Amendments to Australian Accounting Standards [AASB 119], AASB 2005-4 'Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to the annual reporting period beginning 1 July 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are provided at note 30. 'Reconciliation explaining the transition to AIFRS'.

2. Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (unless otherwise stated).

There have been no judgements made in the process of applying the Board's accounting policies that have significant effect on the amounts recognised in the financial statements.

(c) Income

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for major business activities as follows:

Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt. The portion of licensing fees which are related to the current year are recognised as revenue. The remainder of the proceeds is recognised as Revenue received in advance.

Interest revenue is recognised as the interest accrues.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non current assets.

(d) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing over \$1,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$1,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset the Board uses the cost model with all items of property, plant and equipment carried at cost less accumulated depreciation and accumulated impairment losses.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Computers	3 years
Office equipment	5 to 10 years
Furniture and fittings	10 years

(e) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing over \$1,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$1,000 are immediately expensed directly to the Income Statement.

All intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Board have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

REMIS software	5 years
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Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$1,000 is expensed in the year of acquisition.

Web site costs

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(f) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As the Board is a not for profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each reporting date.

See note 16. 'Impairment of assets' for the outcome of impairment reviews and testing.

(g) Leases

The Board has entered into a number of operating lease arrangements for the rent of vehicles where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the use of these vehicles.

(h) Financial instruments

The Board has two categories of financial instrument:

- Receivables (cash and cash equivalents, receivables); and
- Non-trading financial liabilities (payables).

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value.

The fair value of receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(i) Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(j) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Board will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(k) Payables

Payables are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(l) Provisions

Provisions are liabilities of uncertain timing and amount. The Board only recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance date and adjusted to reflect the current best estimate.

(i) Provisions - Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation (GSS) Scheme, a defined benefit lump sum scheme also closed to new members. Employees who are not members of either of these schemes become non contributory members of the West State Superannuation (WSS) Scheme, an accumulation scheme. The Board contributes to this accumulation scheme in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at reporting date. The liabilities under these schemes have been calculated separately for each scheme annually by Price Waterhouse Coopers using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS Scheme and the WSS Scheme, where the current service superannuation charge is paid by the Board to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme and WSS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

(ii) Provisions - Other

Employment On Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Board's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(m) Superannuation Expense

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the income statement.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(n) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to the net fair value.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(o) Comparative Figures

Comparative figures have been restated on the AIFRS basis except for financial instruments information which has been prepared under the previous AGAAP Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments was 1 July 2005 in accordance with AASB 1 paragraph 36A and Treasurer's Instruction 1101.

3. Disclosure of changes in accounting policy and estimates

Future impact of Australian Accounting Standards not yet operative

The Board cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. As referred to in Note 1, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Board has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- a. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of a financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.
- b. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Board does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.
- c. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At reporting date, the Board has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

The following amendments are not applicable to the Board as they will have no impact:

AASB Amendment	Affected Standards
2005-1	AASB 139 (<i>Cash flow hedge accounting of forecast intragroup transactions</i>)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	AASB 121 (<i>Net investment in foreign operations</i>)
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	Scope of AASB 2
UIG 9	Reassessment of Embedded Derivatives

4. Licence income

Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt. Fees relating to the current financial year are recognised as revenue. The balance of the fees are credited into the Revenue received in advance accounts. Analysis of the fees is as follows:

	2006 \$	2005 \$
Revenue received in advance 1 July balance (current)	691,913	736,704
Revenue received in advance 1 July balance (non current)	488,629	570,765
Cash received during the year	1,088,483	736,034
Total receipts received	2,269,025	2,043,503
 Revenue recognised during the year	 889,231	 862,961
 Revenue received in advance	 1,379,794	 1,180,542
 Held in		
Revenue received in advance account (current)	732,369	691,913
Revenue received in advance account (non current)	647,425	488,629
Total	1,379,794	1,180,542

5. Other revenues

Other revenues consists of:

	2006 \$	2005 \$
Advertisement fees	15,005	10,890
Contribution to vehicle use	3,598	0
Recovery of funds	4,782	75,432
Late Fees	26,657	13,878
Miscellaneous revenue	8,050	5,562
Total	58,092	105,762

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

6. Net gain/(loss) on disposal of non current assets

	2006 \$	2005 \$
Costs of Disposal of Non-Current Assets		
Office equipment	0	4,342
Proceeds from Disposal of Non-Current Assets		
Office equipment	0	172
Computers	550	0
Net gain/(loss)	<u>550</u>	<u>(4,170)</u>

7. Employee benefits expense

The Board procures services from the Dept of Consumer & Employment Protection under a service delivery agreement. The current arrangement which started in the 1999/2000 financial year is for an all inclusive fixed fee. The salary figure below represents only the salary of employees directly employed by the Board.

	2006 \$	2005 \$
Salary	434,371	437,678
Change in annual leave	(25,488)	6,970
Change in long service leave	(16,310)	(19,951)
Superannuation	50,402	59,238
Total staff salary costs	<u>442,975</u>	<u>483,935</u>
Staff related expenses	79,194	23,996
Total Staff costs	<u>522,169</u>	<u>507,931</u>

Staff related expenses include training & conferences, travel, vehicles and FBT.

Employment on-costs such as workers' compensation insurance are included at note 12. 'Other expenses'. The employment on costs liability is included at note 18. 'Provisions'.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

8. Supplies and services

	2006	2005
	\$	\$
Advertising	576	6,487
Bank charges	2,619	3,495
Communications	18,136	4,485
Consultants and contractors fees	9,712	189
Consumables	15,714	11,091
Hire charges	6,293	8,113
Insurance	14,856	14,856
Legal	256,129	380,079
Miscellaneous	399	986
Printing	55,074	34,636
Professional services	26,769	105,985
Repair and maintenance	2,634	1,980
Service Delivery Agreement	4,509,348	4,186,384
Stationery	4,392	3,301
Sundry assets costing under \$1000	410	1,940
Website subscription	670	368
Total	<u>4,923,731</u>	<u>4,764,375</u>

The Service delivery agreement costs cover the procurement of services from the Department of Consumer & Employment Protection. The current agreement is for a fixed fee which is reviewed annually.

9. Depreciation and amortisation expense

	2006	2005
	\$	\$
Depreciation		
Computers	10,664	12,257
Office equipment	8,336	12,221
Furniture and fittings	485	484
Total depreciation	<u>19,485</u>	<u>24,962</u>
Amortisation		
Intangible assets (REMIS software)	57,543	66,890
Total amortisation	<u>57,543</u>	<u>66,890</u>
Total depreciation and amortisation	<u>77,028</u>	<u>91,852</u>

10. Accommodation expenses

	2006	2005
	\$	\$
Lease rental and parking	8,402	35,013

The Board occupies accommodation leased by the Department of Consumer & Employment Protection. During the 2004/05 financial year the cost of this was changed from a recoup by the Department to being included in the Service Delivery Agreement with the Department.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

11. Grants

	2006 \$	2005 \$
Education grants		
REIWA	125,828	90,236
WA Business Brokers Assn	0	3,553
Total	<u>125,828</u>	<u>93,789</u>
First Home Buyers grants	1,719,119	1,346,500
Total grants	<u><u>1,844,947</u></u>	<u><u>1,440,289</u></u>

A total of 902 First Home Buyers grants totalling \$1,719,119 at an average of \$1,906 were made during the year. In 2004/05 721 grants totalling \$1,346,500 at an average of \$1,868 were made.

12. Other expenses

	2006 \$	2005 \$
Audit fees	23,500	18,000
Employment on costs ^(a)	6,936	18,869
Refund of previous years agents trust interest	78,451	0
	<u><u>108,887</u></u>	<u><u>36,869</u></u>

^(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 18. 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

13. Receivables

	2006 \$	2005 \$
Current		
Fines and Hearing Costs	700	45,640
GST Recoverable	9,252	8,425
Total	<u><u>9,952</u></u>	<u><u>54,065</u></u>

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

14. Property, plant and equipment

	2006	2005
	\$	\$
Computers at cost	186,565	197,203
Accumulated Depreciation	<u>(162,580)</u>	<u>(187,517)</u>
	23,985	9,686
Office Equipment at cost	47,080	47,080
Accumulated Depreciation	<u>(36,339)</u>	<u>(28,004)</u>
	10,741	19,076
Furniture and Fittings at cost	4,848	4,848
Accumulated Depreciation	<u>(3,290)</u>	<u>(2,805)</u>
	1,558	2,043
Total Property Plant & Equipment	<u>36,283</u>	<u>30,805</u>

Reconciliations of the carrying amount of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	2006	2005
	\$	\$
Computers		
Carrying amount at start of year	9,686	15,509
Additions	24,963	6,435
Disposals	(35,601)	0
Accumulated depreciation on disposals	35,601	0
Depreciation expense	<u>(10,664)</u>	<u>(12,258)</u>
Carrying amount at end of year	23,985	9,686
Office Equipment		
Carrying amount at start of year	19,076	35,641
Additions	0	0
Disposals	0	(28,162)
Accumulated depreciation on disposals	0	23,820
Depreciation expense	<u>(8,336)</u>	<u>(12,223)</u>
Carrying amount at end of year	10,740	19,076
Furniture and Fittings		
Carrying amount at start of year	2,043	2,526
Additions	0	0
Disposals	0	0
Accumulated depreciation on disposals	0	0
Depreciation expense	<u>(485)</u>	<u>(483)</u>
Carrying amount at end of year	1,558	2,043
Total Property, plant and equipment	<u>36,283</u>	<u>30,805</u>

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

15. Intangible assets

	2006	2005
	\$	\$
REMIS Software at cost	334,448	334,448
Accumulated amortisation	(334,448)	(276,904)
	<u>0</u>	<u>57,544</u>
REMIS Software		
Carrying amount at start of year	57,544	124,432
Additions	0	0
Disposals	0	0
Accumulated amortisation on disposals	0	0
Amortisation expense	(57,544)	(66,888)
Carrying amount at end of year	<u>0</u>	<u>57,544</u>

16. Impairment of assets

There were no indications of impairment of Property, plant and equipment and Intangible assets at 30 June 2006.

The Board held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

There were no surplus assets at 30 June 2006 held for sale or write off.

17. Payables

	2006	2005
	\$	\$
<u>Current</u>		
Legal fees	880	1,503
GST Payable	79	0
Reimbursement to Dept of Consumer & Employment Protection	72,323	69,282
Miscellaneous creditors	666	0
Total	<u>73,948</u>	<u>70,785</u>

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

18. Provisions

	2006 \$	2005 \$
<u>Current</u>		
Employee Benefits Provisions		
Annual leave ^(a)	24,858	51,003
Long service leave ^(b)	34,216	47,366
Superannuation	4,981	8,755
	<u>64,055</u>	<u>107,124</u>
Other provisions		
Employment on costs ^(c)	4,338	9,240
Total	<u>68,393</u>	<u>116,364</u>
	2006 \$	2005 \$
<u>Non Current</u>		
Employee Benefits Provisions		
Long service leave ^(b)	19,604	24,982
Superannuation	1,293	1,647
	<u>20,897</u>	<u>26,629</u>
Other provisions		
Employment on costs ^(c)	82	103
Total	<u>20,979</u>	<u>26,732</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows

	2006 \$	2005 \$
Within 12 months of reporting date	15,188	31,163
More than 12 months after reporting date	9,670	19,840
	<u>24,858</u>	<u>51,003</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2006 \$	2005 \$
Within 12 months of reporting date	18,783	25,249
More than 12 months after reporting date	35,037	47,099
	<u>53,820</u>	<u>72,348</u>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 12. 'Other expenses'.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Movements in Other Provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

	2006	2005
	\$	\$
Employment on-cost provision	9,343	8,842
Additional provisions recognised	(4,923)	501
Carrying amount at end of year	<u>4,420</u>	<u>9,343</u>

19. Other liabilities

	2006	2005
	\$	\$
<u>Current</u>		
Accrued expenses		
Audit fees	23,500	18,000
Salaries	7,488	0
DOCEP (SDA escalation claims for pay and rent rise)	61,908	0
DOCEP (Outside SDA costs)	2,935	0
Unclaimed monies	1,928	2,588
Total	<u>97,759</u>	<u>20,588</u>

20. Notes to the Cash Flow Statement

Cash resources are held exclusively for use by the Real Estate and Business Agents Supervisory Board under the provisions of the Real Estate and Business Agents Act 1978.

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2006	2005
	\$	\$
Cash and cash equivalents at bank		
Education and General Purpose Fund	310,588	238,041
Fidelity Guarantee Fund (Restricted cash)	118,108	337,029
Home Buyers Assistance Fund (Restricted cash)	300,870	76,177
Board Interest Account	500	474
Petty Cash	300	300
	<u>730,366</u>	<u>652,021</u>
Cash and cash equivalents held with Treasury		
Education and General Purpose Fund	16,055,008	13,155,008
Fidelity Guarantee Fund (Restricted cash)	29,255,575	27,255,575
Home Buyers Assistance Fund (Restricted cash)	14,785,000	11,585,000
	<u>60,095,583</u>	<u>51,995,583</u>
	<u>60,825,949</u>	<u>52,647,604</u>
Cash and cash equivalents	16,366,395	13,393,823
Restricted cash and cash equivalents	44,459,554	39,253,781
Total cash and cash equivalents	<u>60,825,949</u>	<u>52,647,604</u>

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of profit to net cash flows provided by/(used in) operating activities

	2006 \$	2005 \$
Profit	8,714,244	6,214,013
Non-cash items:		
Depreciation and amortisation expense	77,028	91,852
Net (gain)/loss on sale of property, plant & equipment	(550)	4,170
(Increase)/decrease in assets:		
Current receivables	44,113	(23,090)
Accrued interest/income	(857,940)	(142,053)
Increase/(decrease) in liabilities		
Current Payables	3,163	(622,475)
Current Provisions	(47,971)	32,786
Revenue received in advance, current liabilities	40,456	(44,791)
Other current liabilities	77,171	11,648
Non current provisions	(5,753)	(45,752)
Revenue received in advance, non current liabilities	158,796	(82,136)
Net cash provided by/(used in) operating activities	<u>8,202,758</u>	<u>5,394,172</u>

21. Contingent Liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of 32 claims (107 as at 30/6/2005) against the Fidelity Guarantee Fund totalling \$5.073m (\$5.1m as at 30/6/2005) for which no liability has been admitted by the Board.

22. Remuneration of members of the Board and senior officers

Remuneration of members of the Board

The number of members of the Board whose total of fees, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

	2006	2005
\$0 - \$10,000	3	5
\$10,001 - \$20,000	1	2
\$20,001 - \$30,000	3	3
\$30,001 - \$40,001	0	1
\$50,001 - \$60,000	1	0
Total remuneration of members of the Board is:	157,065	169,927

No members of the Board are members of the Pension Scheme.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Remuneration of Senior Officers

The number of senior officers other than senior officers reported as members of the Board whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, falls within the following bands are:

	2006	2005
\$60,001 - \$70,000	0	1
\$70,001 - \$80,000	1	0
Total remuneration of senior officers is:	79,698	69,797

The superannuation included here represents the superannuation expense incurred by the Board in respect of senior officers other than senior officers reported as members of the Board.

No senior officers are members of the Pension Scheme.

The Board procures services from the Dept of Consumer & Employment Protection. The number of senior officers providing these services are included in the annual report of the Department.

23. Remuneration of auditor

Remuneration to the Auditor General for the financial year is as follows;

	2006	2005
	\$	\$
Auditing the accounts, financial statements and performance indicators	23,500	18,000

24. Trust accounts

The Real Estate and Business Agents Supervisory Board Treasury Trust Account

The purpose of the trust account is to hold moneys:

- 1) from Real Estate Agencies, Real Estate Agents, Business Agencies and Business Agents;
- 2) as a result of legal proceedings;
- 3) from a liquidator appointed to an agency
- 4) from a supervisory appointed to an agency following the end of that appointment; or
- 5) otherwise pending a direction from the Real Estate and Business Agents Supervisory Board.

The monies detailed below are not included in the Board's financial statements as they are being held in trust pending distribution and form no part of the financial operations of the Board.

	2006	2005
	\$	\$
Opening balance	23,454	0
Receipts	0	23,455
Payments	(2,253)	(1)
Closing Balance	<u>21,201</u>	<u>23,454</u>

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

25. Supplementary financial information

Write-offs

During the year the Board undertook to not seek recover of a late fee due of \$33 and subsequently wrote this amount off.

26. Segment (service) information

The service provided by the Board is '**Regulation**' or '**regulatory services**'.

As there is only one service for the Board there is no separate reporting under services.

27. Commitments

The Board does not have any capital, lease commitments or other expenditure commitments contracted for at the reporting date not recognised as liabilities.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

28. Explanatory statement

This statement provides detail of any significant variations between estimates and actual results for 2006 and between the actual results for 2005 and 2006.

Significant variations are considered to be those greater than 10% and \$50,000

Significant variations between estimate and actual results for the financial year

	2006 Estimate \$	2006 Actual \$	Variation \$
Income			
Agents trust account interest	10,362,000	12,176,799	1,814,799
Fines and costs	0	82,566	82,566
Expenses			
Employee benefits expense	592,472	522,169	(70,303)
Grants	8,311,000	1,844,947	(6,466,053)
Other expenses	30,000	108,887	78,887

Agents trust account interest

Higher levels of activity and prices in the industry than anticipated in the budget resulted in a higher than budget result.

Fines and costs

No allowance was made in the budget for these items as it was expected that this source of income would fall under the ownership of the State Administrative Tribunal (SAT). However, the SAT can and has allocated costs to the Board.

Employee benefits expense

Employee costs were below budget due to the non filling of all staff positions allowed for in the budget.

Grants

The Board allowed in the budget full payment of contingent liabilities for fidelity claims. Some of these claims were not allowed or have yet to be finalised.

Payment of first home buyers grants were also below anticipated due to the affect of increased housing prices and the ceiling set on the purchase prices for which grants could be provided.

Other expenses

Other expenses are higher than budget due to the repayment of overpaid trust account interest received in the previous financial year.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Significant variations between actual results and prior year - revenues and expenditure

	2006 \$	2005 \$	Variation \$
Income			
Agents trust account interest	12,176,799	9,474,148	2,702,651
Interest revenue	3,138,258	2,656,222	482,036
Expenses			
Grants	1,844,947	1,440,289	404,658
Other expenses	108,887	36,869	72,018

Agents trust account interest

Higher levels of activity and prices in the industry than the preceding year resulted in increased income from this source compared with the previous year.

Interest revenue

Higher levels of deposits held by the Board as a result of increased income, particularly from agents trust account interest, has resulted in higher income from this source compared to the previous year.

Grants

An increase in the threshold on property prices where first home buyers grants can be claimed resulted in an increase in the level of these grants being paid compared with the previous year.
Payments of fidelity guarantee payments also increased over last year however, due to the nature of these payments they can vary significantly from year to year.

Other expenses

Other expenses increased over last year due to a large repayment of agents trust account interest incorrectly paid by one bank last financial year.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

29. Financial instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Board are cash and cash equivalents, receivables and payables. The Board has limited exposure to financial risks. The Board's overall risk management program focuses on managing the risks identified below.

Credit risk

The Board trades only with recognised, creditworthy third parties. The Board has policies in place to ensure that services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Board's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk

The Board has appropriate procedures to manage cash flows by monitoring cash flows to ensure that sufficient funds are available to meet its commitments.

Cash flow interest rate risk

The Boards exposure to market risk for changes in interest rates relate primarily to cash and cash equivalent holdings. Variations in interest rates have a direct impact on the Boards earnings however, movements in interest rates are beyond the Boards control.

(b) Financial instrument disclosure

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. Financial Instrument information from 1 July 2005 for the year ended 2006 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'.

(a) Interest rate exposure

The following table details the Board's exposure to interest rate risk as at the reporting date:

	Weighted average effective interest rate		Floating interest		Non interest bearing		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Cash assets	5.52%	5.48%	16,366	13,394			16,366	13,394
Restricted cash assets	5.52%	5.48%	44,460	39,254			44,460	39,254
Accrued income					1,182	896	1,182	896
Accrued interest					799	227	799	227
Receivables					1	46	1	46
GST Recoverable					9	8	9	8
Total			60,826	52,648	1,991	1,177	62,817	53,825

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Weighted average effective interest rate		Floating interest		Non interest bearing		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities								
Payables					74	71	74	71
Other liabilities					98	21	98	21
Provisions					89	143	89	143
Revenue received in advance					1,380	1,180	1,380	1,180
Total			0	0	1,641	1,415	1,641	1,415

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

30. Reconciliation explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

Reconciliation of equity at 1 July 2004 (AASB 1.39(a)(i))

Note	Previous GAAP 1-Jul-2004	Adjustments		Total Adjustments	AIFRS 1-Jul-2004
ASSETS					
Current Assets					
Cash and cash equivalents	12,713,078			0	12,713,078
Restricted cash and cash equivalents	34,546,617			0	34,546,617
Accrued agents trust account interest income	776,263			0	776,263
Accrued investment interest	205,015			0	205,015
Receivables	30,975			0	30,975
Total Current Assets	48,271,948	0	0	0	48,271,948
Non Current Assets					
30.1(a) Property Plant & Equipment	178,108	(124,432)		(124,432)	53,676
Intangible Assets		124,432		124,432	124,432
Total Non-Current Assets	178,108	0	0	0	178,108
TOTAL ASSETS	48,450,056	0	0	0	48,450,056
LIABILITIES					
Current Liabilities					
Payables	676,260			0	676,260
Provisions	83,578			0	83,578
Revenue received in advance	736,704			0	736,704
Other current liabilities	25,940			0	25,940
Total Current Liabilities	1,522,482	0	0	0	1,522,482
Non Current Liabilities					
Revenue received in advance	570,765			0	570,765
30.2(a) Provisions	72,484		(661)	(661)	71,823
Total Non Current Liabilities	643,249	0	(661)	(661)	642,588
Total Liabilities	2,165,731	0	(661)	(661)	2,165,070
Net Assets	46,284,325	0	661	661	46,284,986
Equity					
Retained earnings	46,284,325	0	661	661	46,284,986
Total Equity	46,284,325	0	661	661	46,284,986

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of equity at 30 June 2005 (AASB 1.39(a)(ii))

Note	GAAP 30-Jun-2005	Adjustments AASB 138	AASB 119	Total Adjustments	AIFRS 30-Jun-2005
ASSETS					
Current Assets					
Cash and cash equivalents	13,393,823			0	13,393,823
Restricted cash and cash equivalents	39,253,781			0	39,253,781
Accrued agents trust account interest income	896,368			0	896,368
Accrued investment interest	226,963			0	226,963
Receivables	54,065			0	54,065
Total Current Assets	53,825,000	0	0	0	53,825,000
Non Current Assets					
30.1(b) Property Plant & Equipment	88,349	(57,544)	0	(57,544)	30,805
Intangible Assets		57,544		57,544	57,544
Total Non-Current Assets	88,349	0	0	0	88,349
TOTAL ASSETS	53,913,349	0	0	0	53,913,349
LIABILITIES					
Current Liabilities					
Payables	70,785			0	70,785
30.2(b) Provisions	69,815		46,549	46,549	116,364
Revenue received in advance	691,913			0	691,913
Other current liabilities	20,588			0	20,588
Total Current Liabilities	853,101	0	46,549	46,549	899,650
Non Current Liabilities					
Revenue received in advance	488,629			0	488,629
Provisions	69,727		(42,995)	(42,995)	26,732
Total Non Current Liabilities	558,356	0	(42,995)	(42,995)	515,361
Total Liabilities	1,411,457	0	3,554	3,554	1,415,011
Net Assets	52,501,892	0	(3,554)	(3,554)	52,498,338
Equity					
Retained earnings	52,501,892	0	(3,554)	(3,554)	52,498,338
Total Equity	52,501,892	0	(3,554)	(3,554)	52,498,338

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of Income Statement (Profit or Loss) at 30 June 2005 (AASB 1.39(b))

Note	GAAP 30-Jun-2005	Adjustments AASB 119	Total Adjustments	AIFRS 30-Jun-2005
INCOME				
Revenue				
Agents trust account interest income	9,474,148		0	9,474,148
Licence income	862,961		0	862,961
Contributions to the Fidelity Guarantee Fund	116,466		0	116,466
Fines and costs	70,734		0	70,734
Interest revenue	2,656,222		0	2,656,222
Other revenues	105,762		0	105,762
Total Revenue	13,286,293	0	0	13,286,293
Gains				
Gains on disposal of non-current assets	172	(172)	(172)	0
Total Gains	172	(172)	0	0
Total Income	13,286,465	(172)	0	13,286,293
EXPENSES				
Expenses				
30.2(c) Employee benefits expense	504,392	3,539	3,539	507,931
Board fees and expenses	161,476		0	161,476
Supplies and services	4,764,375		0	4,764,375
Depreciation and amortisation expense	91,852		0	91,852
Accommodation expenses	35,013		0	35,013
Grants	1,440,289		0	1,440,289
Fidelity payments	30,305		0	30,305
Loss on disposal of non-current assets	4,342	(172)	(172)	4,170
30.2(c) Other expenses	36,854	15	15	36,869
Total Expenses	7,068,898	(172)	3,382	7,072,280
Profit/(loss) for the period	6,217,567	0	(3,554)	6,214,013

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of Cash Flow Statement at 30 June 2005 (AASB 1.40)

Note	GAAP 30-Jun-2005	Adjustments	Total Adjustments	AIFRS 30-Jun-2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Agents trust account interest received	9,354,043		0	9,354,043
Bank and investment interest received	2,634,274		0	2,634,274
Licence receipts	736,034		0	736,034
Contributions paid into the Fidelity Guarantee Fund	116,466		0	116,466
GST receipts from ATO	53,476		0	53,476
Other receipts	111,578		0	111,578
Payments				
Employee benefits	(520,897)		0	(520,897)
Supplies and services	(5,600,436)		0	(5,600,436)
GST payments on purchases	(50,077)		0	(50,077)
Grants	(1,440,289)		0	(1,440,289)
Net cash provided by/(used in) operating activities	5,394,172	0	0	5,394,172
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of non current physical assets	172		0	172
Purchase of non current physical assets	(6,435)		0	(6,435)
Net cash provided by/(used in) investing activities	(6,263)	0	0	(6,263)
Net increase/(decrease) in cash and cash equivalents	5,387,909	0	0	5,387,909
Cash and cash equivalents at the beginning of period	47,259,695			47,259,695
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	52,647,604	0	0	52,647,604

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

30.1 Intangible assets (AASB 138)

AASB 138 requires that software not integral to the operation of a computer must be disclosed as intangible assets. Intangible assets must be disclosed on the balance sheet. The REMIS software has previously been classified as a non current asset.

(a) Adjustments to opening Balance Sheet (1 July 2004)

The Board has transferred \$124,432 in software from computers and equipment to intangible assets.

(b) Adjustments to 30 June 2005 Balance Sheet

The Board has transferred \$57,544 in software from computers and equipment to intangible assets.

30.2 Employee benefits (AASB 119 and AASB 101)

AASB 101 requires that a liability must be classified as current where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months beyond the reporting date. Consequently, all annual leave and long service leave entitlements (unconditional long service leave) must now be classified as current. Non-vested long service leave liability will be non current to the extent that it does not become unconditional within 12 months from reporting date.

Employment on-costs are not included in employee benefits under AIFRS. However, under AGAAP employee benefits and on-costs are disclosed together on the face of the Income Statement as Employee expenses. Under AIFRS employee benefits will be the equivalent item disclosed on the face. On-costs are transferred to other expenses.

All annual leave is now classified as a current liability under AASB 101, some leave may be classed as other long term employee benefits under AASB 119 and be measured on a discounted basis. Under AGAAP all annual leave was measured on the nominal basis. Some adjustments to the opening and closing leave provisions to incorporate discounting of annual leave that is classed as other long term employee benefits under AASB 119 have been made.

(a) Adjustments to opening Balance Sheet (1 July 2004)

There was no unconditional long service leave previously reported as a non-current liability.

An adjustment of \$661 to non current provisions resulted from the discounting of long term annual leave benefits.

(b) Adjustments to 30 June 2005 Balance Sheet

All unconditional long service leave previously reported as non-current liability has been reclassified to current liability (\$42,995).

The annual leave provision has been increased by \$3,554 as a result of discounting cash flows to their present value.

(c) Adjustments to the Income Statement for the period ended 30 June 2005

As a result of the annual leave provision increasing Employee benefits expenses increase by \$3,539 and Other expenses by \$15.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

31. Income Statement for the year ended 30 June 2006 separated under Funds operated by the Board

	Education and General Purpose	Fidelity Guarantee Fund	Home Buyers Assist Fund	Board Interest Account	Total
	\$	\$	\$	\$	\$
INCOME					
<i>Revenue</i>					
Agents trust account interest	6,909,523	545,489	4,666,957	54,830	12,176,799
Licence income	889,231				889,231
Contributions to the Fidelity Guarantee Fund		118,083			118,083
Fines and costs	50,426	32,140			82,566
Interest revenue	824,337	1,560,360	729,672	23,889	3,138,258
Other revenues	53,310	4,782			58,092
 <i>Gains</i>					
Gains on disposal of non-current assets	550				550
 Total Income	8,727,377	2,260,854	5,396,629	78,719	16,463,579
 EXPENSES					
<i>Expenses</i>					
Employee benefits expense	522,169				522,169
Board fees and expenses	143,774		352		144,126
Supplies and services	4,852,263	70,882	344	242	4,923,731
Depreciation and amortisation expense	77,028				77,028
Accommodation expenses	8,402				8,402
Grants	125,828	120,045	1,719,119		1,964,992
Other expenses	30,436			78,451	108,887
 Total Expenses	5,759,900	190,927	1,719,815	78,693	7,749,335
 Profit/(loss) for the period	2,967,477	2,069,927	3,676,814	26	8,714,244

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

31. Balance Sheet as at 30 June 2006 separated under the Funds operated by the Board

	Education and General Purpose	Fidelity Guarantee Fund	Home Buyers Assist Fund	Board Interest Account	Total
	\$	\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	16,365,895			500	16,366,395
Restricted cash and cash equivalents		29,373,684	15,085,870		44,459,554
Accrued agents trust account interest	673,779	53,193	455,096		1,182,068
Accrued investment interest	210,496	396,953	191,754		799,203
Receivables	9,952				9,952
Total Current Assets	17,260,122	29,823,830	15,732,720	500	62,817,172
Non Current Assets					
Property, plant and equipment	36,283				36,283
Intangible Assets	0				0
Total Non-Current Assets	36,283	0	0	0	36,283
TOTAL ASSETS	17,296,405	29,823,830	15,732,720	500	62,853,455
LIABILITIES					
Current Liabilities					
Payables	73,948				73,948
Provisions	68,393				68,393
Licence revenue received in advance	732,369				732,369
Other current liabilities	96,705	1,054			97,759
Total Current Liabilities	971,415	1,054	0	0	972,469
Non Current Liabilities					
Licence revenue received in advance	647,425				647,425
Provisions	20,979				20,979
Total Non Current Liabilities	668,404	0	0	0	668,404
Total Liabilities	1,639,819	1,054	0	0	1,640,873
NET ASSETS	15,656,586	29,822,776	15,732,720	500	61,212,582
EQUITY					
Retained earnings	15,656,586	29,822,776	15,732,720	500	61,212,582
TOTAL EQUITY	15,656,586	29,822,776	15,732,720	500	61,212,582

Appendix

The following table provides details and results of disciplinary matters finalised during 2005-2006 by the Board in the State Administrative Tribunal, Magistrates Court and District Court (1 July 2005 – 30 June 2006)

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
VR 295 of 2005 Maung Zarni Tun	10 November 2005	Real Estate & Business Agents Act 1978 (s.47(1)(b)) Code of Conduct for Real Estate and Business Sales Representatives (article 5)	Failed to act fairly and honestly; knowingly misled or deceived parties in negotiations and a real estate transaction; engaged in harsh or unconscionable conduct	Certificate of Registration suspended for 2 years. Fined \$250	\$250
[2005] WADC 241 Brown v Rossi	9 December 2005	Real Estate & Business Agents Act 1978	On appeal from the Board, Inquiry 6 of 2003	Appeal Partly allowed	
PE25243/05 Registrar v King & I Pty Ltd t/as L.J. Hooker York	23 December 2005	s.54(1) of the Real Estate and Business Agents Act 1978	Employment of a person as a sales representative who was not a registered sales representative	Fine of \$1000	\$163.20

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
PE25242/05 Registrar v Brian Phillip Wheeler	23 December 2005	Ss.44(1) & 44(2) of the Real Estate and Business Agents Act 1978	Acting as, or carrying out the functions of, a real estate sales representative whilst in the employ of an Agency when he was not the holder of a current certificate of registration. Holding himself out as a real estate sales representative an agency when he was not the holder of a current certificate of registration and whilst not holding a current triennial certificate	Fine of \$1,500	\$163.20
VR 33 of 2004 Inquiry 4 of 2004 Alastair James Edward Cornish	10 January 2006	Real Estate and Business Agents Act 1978 (s101) and Code of Conduct (article 5(1))	Misappropriation of money	Certificate suspended for 12 months; \$2000	\$3000

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
VR 416 of 2006 ACE (WA) Pty Ltd t/as Jennings Hopkins Realty and Eloise Kathleen Jennings	5 April 2006	Real Estate & Business Agents Act 1978 (s64(4)) & Code of Conduct for Agents and Sales Representatives (articles 10(2); 7; & 10(3))	Interest in purchase and sale of real estate without prior written consent; did not exercise skill, care and diligence in negotiations; demanded, retained or received a commission in respect of the purchase, without prior written consent; directly or indirectly received a reward or other valuable consideration	\$13,000 (Repay sellers) \$1,000 fine	\$1,000
VR 116 of 2005 Glenn William Low & Glenn Low Properties Pty Ltd t/as Tangibar Pty Ltd	12 April 2006	Real Estate and Business Agents Act 1978 (s.68(1) & 68(4)) Code of Conduct for Agents and Sales Representatives (article 6(2))	Misappropriation of money	Licence and triennial certificate suspended Permanently disqualified from holding licence. Fine \$10,000.	\$65,000
VR 36 of 2006 A & M Wilkins Pty Ltd t/as Wilkins Estates, and Michael Louis Patrick Wilkins	5 May 2006	Real Estate & Business Agents Act 1978 (s68 (4)) & Code of Conduct for Agents and Sales Representatives (article 4(2))	Withdrew \$3,253.52 from Trust Account without authority; failed to act in accordance with instructions	\$1,000	\$500

REBA 2005-2006 Annual Report - Questionnaire

The Board invites readers to provide feedback on the quality and usefulness of this annual report. The information obtained will be used when drafting the annual report for the next reporting year. Thank you for your time.

1: Overall, how informative did you find the annual report?

- ☐ Very informative
☐ Fairly informative
☐ Not very informative
☐ Not informative at all
☐ Unsure

2: Did the report meet your needs?

- ☐ Yes
☐ No
☐ Unsure

3: What is your overall impression of this report?

<i>Language</i>	<i>Volume of information</i>	<i>Design/Layout</i>	<i>Range of Information</i>
<input type="checkbox"/> Easy to understand	<input type="checkbox"/> Too much	<input type="checkbox"/> Good	<input type="checkbox"/> Good
<input type="checkbox"/> Average	<input type="checkbox"/> Suitable	<input type="checkbox"/> Average	<input type="checkbox"/> Average
<input type="checkbox"/> Difficult to understand	<input type="checkbox"/> Too little	<input type="checkbox"/> Poor	<input type="checkbox"/> Poor
<input type="checkbox"/> Unsure	<input type="checkbox"/> Unsure	<input type="checkbox"/> Unsure	<input type="checkbox"/> Unsure

4: Are there any other types of information you would like to see included in future annual reports?

5: What was your reason for reading this report?

6: Are there any areas you think need to be covered more thoroughly?

7: Please give us your overall opinion of the report. Include any changes you believe need to be made or any suggestions you have.

Your completed questionnaire can be either posted, faxed or hand delivered to REBA. Its contact details are:

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MID WEST REGION

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