



Settlement 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 Settlement 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*.

A handwritten signature in blue ink, appearing to read 'David Taylor', is positioned above a horizontal line.

David Taylor
Chair

A handwritten signature in blue ink, appearing to read 'Judith Pinczuk', is positioned above a horizontal line.

Judith Pinczuk
Member

Dated: 15 August 2006

Executive Summary - Report from the Chair

As Chair of the Settlement Agents Supervisory Board I am pleased to present its annual report for the year ended 30 June 2006.

The Board is an independent statutory authority established under the Settlement Agents Act 1981, and is responsible to the Minister for Consumer Protection. It provides advice to the Minister, including making recommendations and submitting proposals regarding the Act and Regulations; administers the licensing scheme; and conducts and promotes education and provides advisory services for industry participants and members of the public. The Board also performs compliance activities and administers the Fidelity Guarantee Fund.



This has been another busy and successful year for the Board as it undertook its statutory functions, and adapted to the new procedures of the State Administrative Tribunal.

The Board website is a valuable source of information for industry members and the public. This year the Board undertook a substantial upgrade of its website improving its style, content, and functionality. 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 in hard copy or from the website.

As part of its education and awareness strategy, the Board continues to provide educational seminars for industry members and the public. The seminars presented for the industry covered regulatory and compliance topics, while those for the public related to buying a home. They are consistently well attended and successful, with their success attributable to the substantial time devoted by the industry members, Ms Valerie Haskins and Ms Judith Pinczuk, the Principal Proactive Compliance Officer, Ms Sharon Officer and her team, and guest speakers.

The Board also continued with its very successful proactive compliance program, conducting visits to agents in metropolitan and regional areas. This year it increased the number of visits conducted. Feedback from industry members participating in the program indicates a high level of satisfaction.

During the year the Board continued to develop a model for the compulsory continuing professional development program (CPD). It expects to release a draft model to industry for comment towards the end of 2006. The Board has a dedicated page for updating the industry on CPD on its website, and feedback is sought to ensure that the program meets the needs of the industry.

In administering the Fidelity Guarantee Fund the Board remained occupied with the unlawful withdrawal and misappropriation of clients' stamp duty payments by the licensee of Brulee Pty Ltd (trading as L.J.W. Settlements). The Board committed significant resources to identify and deal with 158 claims lodged. Almost all of the claims have now been dealt with.

There remains some uncertainty about the role and functions of the Board in the coming year. This is due to the expected implementation of the recommendations contained in the Final Report on the Review of Boards and Committees in the Consumer & Employment Protection Portfolio. When the Draft Consultation Report was released the Board expressed concern about the recommended model of advisory Boards and departmental regulation. The Board remains concerned about the effect of some of the recommendations and informed the Minister.

In closing I acknowledge the efforts of my fellow Board Members and their deputies who have again this year shown significant dedication to the Board. I also take this opportunity to acknowledge the valuable contribution made by two members, Ms Eva Skira and Ms Mirina Muir, and a deputy member, Mr Nick Hosking, who retired during the year. Their contribution over the years was always greatly valued. The Board welcomed their replacements, Mr Steven Phillips as the legal member and Mr Francis Landels as his deputy, and Mr Rod Lane as the commercial member and Mr Brian Darling as his deputy.

Finally, on behalf of the Board I would like to acknowledge and thank all Board staff, and officers of the Real Estate Branch of Consumer Protection for their dedication and professionalism. The Board could not function properly without their commitment and enthusiasm. I also acknowledge the valuable contribution made by the Australian Institute of Conveyancers WA Division Inc, and the Independent Settlement Agents Association.

A handwritten signature in dark ink, appearing to read 'D. Taylor', is positioned above a horizontal line.

David Taylor
Chair

Dated: 29 August 2006

Section One

About the Board

Our goal is that the people of Western Australia have confidence in the settlement industry.

Our organisation

Who we are

The Board is the independent statutory authority established under the Act to regulate people who conduct settlement transactions. The Board administers the Act 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 licensing scheme; 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; and
- administration of the Fidelity Guarantee 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 settlement 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 settlement industry.

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

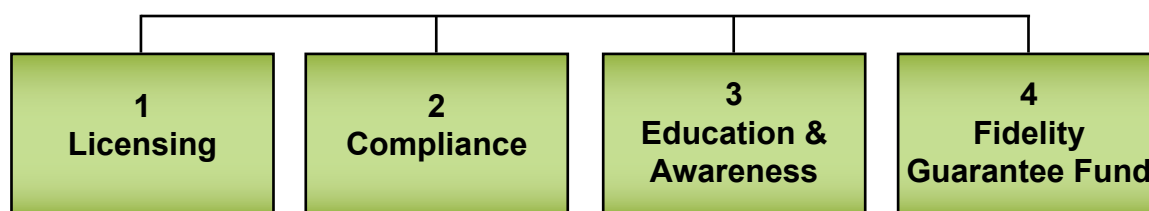
Accountability: the Board serves the needs of the public through the government in a professional, responsible and accountable manner.

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 settlement industry for the first time and of those already licensed in that industry.

Compliance: ensures that licensed settlement agents comply with the relevant legislation and financial reporting requirements.

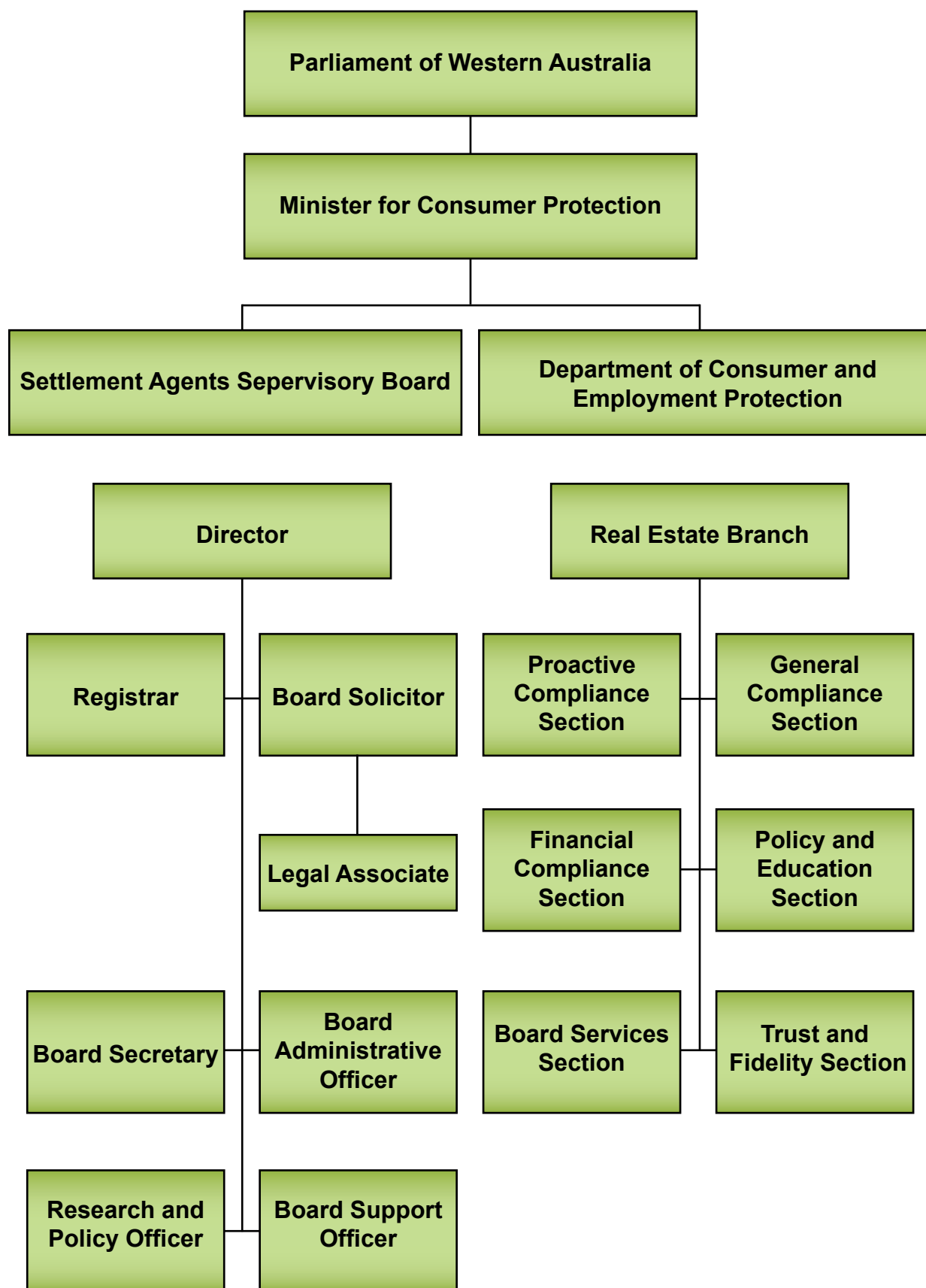
Education and Awareness: aims to encourage awareness of settlement ‘best practice’ through activities such as proactive visits, seminars and publications.

Fidelity Guarantee Fund: centres on the assessment of reimbursement claims from consumers who have suffered financial loss during a settlement transaction due to the criminal or fraudulent conduct of a licensed settlement agent or their staff.

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, which are in accordance with government output based management requirements.

Board organisational chart



Board Structure

The composition of the Board is set out in section 6 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 who is a legal practitioner and not a licensed agent;
- one must be a person who is experienced in commercial practice and not a licensed agent; and
- two must be licensed agents elected by licensed agents to the position.

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 David Taylor
(Chairperson)

Mr Taylor is a legal practitioner and the principal of his own law firm. Mr Taylor has been Chair of the Board since March 2002.

Mr Steven Phillips
(Legal Practitioner Member)



Mr Phillips is a legal practitioner operating his own law firm. Mr Phillips has been the legal member since September 2005. He was previously, since March 2003, the deputy legal member.

Deputy Member: Mr Francis Landels

Mr Rod Lane
(Commercial Member)



Mr Rod Lane is a Fellow of the Australian Society of Practising Accountants, a Fellow of the Institute of Chartered Secretaries Australia, and an Associate Fellow of the Australian Institute of Management. He has been a member of the Board since October 2005. He operates his own private management company.

Deputy Member: Mr Brian Darling

Ms Judith Pinczuk
(Elected Member)



Ms Pinczuk is one of two members elected for appointment by licensed settlement agents. She is a licensed real estate settlement agent with more than 20 years experience in the industry, and has operated her own agency for 9 years. Ms Pinczuk has been a member of the Board since June 2003.

Deputy Member: Ms Janice Urquhart

Ms Valerie Haskins
(Elected Member)



Ms Haskins is one of two members elected for appointment by licensed settlement agents. She is a licensed real estate settlement agent with 29 years experience in the industry, and has operated her own agency for 20 years. Ms Haskins has been a member of the Board since July 1995.

Deputy Member: Mr Dominic Loiacono

Retired members



Ms Mirina Muir

Ms Muir served as the legal practitioner member of the Board up to September 2005.

Ms Eva Skira

Ms Skira was the commercial member of the Board until September 2005.



Mr Nicholas Hosking

Mr Hosking served as the Deputy to Ms Skira up to September 2005.



Our People

The Board engages eight staff. The Director, Board Solicitor, Legal Associate, Board Administrative Officer and Board Support Officer are employed in a joint funding arrangement with the Real Estate and Business Agents Supervisory Board. The Registrar, Board Secretary and Policy Officer 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 it with advice and assistance in its day-to-day operations. The Director is also responsible for ensuring that Board's policies and strategies for regulating the settlement industry 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 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 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:

- *Settlement Agents Act 1981*;
- *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 no workers compensation claims;
- 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 includes details about the Board's operational requirements and expected behaviour of its members and staff as they carry out their day-to-day work. It provides guidance and practical assistance on what to do when faced with an ethical issue.

When performing their duties on the Board, 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 one request 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 seven Fidelity Guarantee Fund claim hearings;
- the Board convened for five licensing hearings;
- six interviews were conducted for licensing applications between 1 January 2006 and 30 June 2006;
- the Board convened for 15 board meetings; and
- the Board commenced three disciplinary proceedings against agents in the SAT.

Achievements

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

- 50 applications for new licences processed;
- 215 applications for triennial certificate renewal processed;
- 51 new investigations assessed and acknowledged;
- 25 trust fund investigations completed;
- 35 investigations into qualified audits completed;
- 19 new claims against the Fidelity Guarantee Fund lodged and acknowledged;
- 162 proactive compliance visits made to settlement agencies across WA;
- 11 education seminars conducted for agents on various topics covering different requirements of the Act and the Code of Conduct; and
- four Homebuyer Seminars conducted for the general public, (jointly produced with the Real Estate and Business Agents Supervisory Board).

Industry seminars

The Board conducted 11 education seminars for settlement 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 in Perth and Geraldton with 365 people attending, and topics covered included:

- risk management;
- trust account reconciliation;
- basic settlement procedures; and
- annual audit reports.

Homebuyers seminars

In a joint initiative with the Real Estate and Business 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 for first home buyers, offer and acceptance contracts, and an explanation of the settlement process.

Issues in 2005-2006

Continuing Professional Development for settlement agents

In June 2005, the Board circulated a discussion paper to settlement agents and key industry stakeholders, seeking feedback on the merits of introducing a program of Continuing Professional Development ("CPD"). All but one of the fourteen submissions received supported the introduction of CPD.

Given the support for CPD for settlement agents, the Board agreed to develop a preliminary CPD model based on the feedback arising from the discussion paper. A draft CPD model has been prepared and referred to the Board's Education Committee for further development. The draft CPD model will be released for industry consultation before the end of 2006.

When the submissions on the draft model have been received and considered, the Committee will make a recommendation to the Board on whether to introduce a CPD program. If introduced, the program would form part of the licensing framework. Agents would be required to undertake approved ongoing training before being able to renew their triennial certificate.

Calculation of disbursements

The Board advised the industry that care was needed when calculating disbursement costs as the auditing of some agents' trust accounts showed overcharging of clients. The Act requires that disbursements of money from a trust account must be associated directly with the settlement of the real estate or business transaction.

Agents can only charge for the actual costs incurred when providing a service, and can not apply surcharges for labour or administration. Agents were informed that labour costs are part of the settlement fee, and they are not to be included in calculating disbursement charges.

Agents operating from residential addresses

The Board saw the need to remind settlement agents about their responsibilities when operating an agency from their residence. It became a concern that some agents were working from private addresses that did not meet the requirements of the Act. Agents are to carry on businesses in proper and adequate premises.

The Board advised agents that when operating from a residential address, they are to ensure permission is obtained from the Local Government Authority. Agents were also advised that any signage must be displayed in a prominent place.

Agents not notifying the Board of changes

Some settlement agents failed to notify the Registrar when changing their employment details or their address, this became an issue for the Board. Settlement agents have a legislative obligation to advise the Board of such changes.

Under the Act, the Registrar has the responsibility to record the prescribed particulars outlined in the *Settlement Agents Regulations 1982*. Agents were informed that failure to advise the Registrar of such changes would result in leaving themselves open to disciplinary action.

New auditor policy

The auditing of agents' trust accounts is a requirement under the Act. The Board noticed that some auditors were not following the guidelines set out in its auditing handbook titled, *Auditing settlement agents trust accounts*. To improve on the quality of the audit reports submitted, the Board approved a policy on the accountability of auditors. The policy sets out what action is to be taken when the Board receives a qualified audit report.

For minor errors, the Board may make the required corrections administratively after consulting with the auditor and the agent. In the case of more serious errors, a letter is sent to the auditor requesting that corrections be made to the audit report. In the event that an auditor refuses, or fails to comply with a request to correct errors in an audit report, the Board may:

- issue a 'show cause' notice to the auditor;
- refer the matter to the Auditor's Disciplinary Board of the Australian Securities and Investment Commission; and/or
- lodge a complaint with the respective professional accounting body.

Agents stamping documents before receiving stamp duty money

Revenue Online is a service offered by the Office of State Revenue ("OSR") that enables settlement agents to perform Online Stamping via an electronic lodgement of monthly returns. This system replaces the previous disk-based Collections By Return service. The Board found that some agents were stamping offer and acceptance and transfer documents before receiving the stamp duty money from the buyer, or before funds had been cleared. This can occur when a lender advances money for stamp duty that is paid to the agent at settlement.

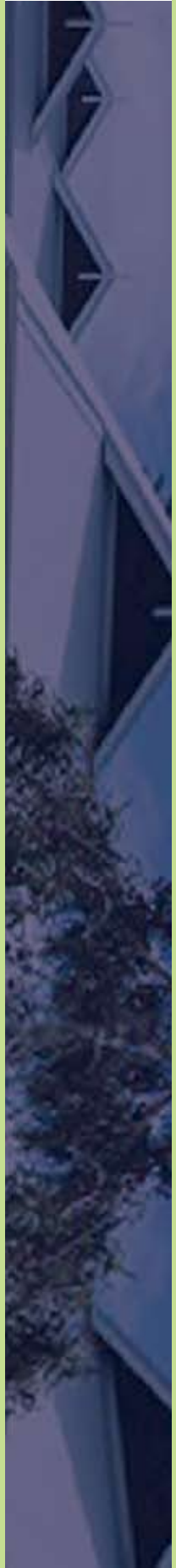
The Board reminded agents that it is a requirement under the terms and conditions of the Online Stamping service that stamp duty money is to be collected from the buyer and deposited into the trust account. Cheques must be cleared before any documents are stamped.

Agents who stamp documents using online before receiving the stamp duty money from the buyer are making a false declaration. They are at risk of action being taken against them by the OSR and could be placing their licence at risk.

Conflict of interest - Agents acting for both parties

The Board reminded the industry that the Act contains provisions for when an agent acts on behalf of both the seller and buyer in a settlement. While the Act allows an agent to carry out a settlement for a buyer and a seller, the agent must obtain the consent of both parties. This consent must be given in writing prior to the agent commencing the settlement.

Although the Act allows an agent to represent both parties in a settlement transaction, conflict of interest may arise when a party seeks to withdraw from the contract, or challenges a condition of the contract. Given the potential for issues arising out of such arrangements, the Board advised agents to consider carefully the level of risk before agreeing to act for both parties.



Section Two

Report on services

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

Service 1 Licensing

Strategic objectives

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

- administer the scheme of licensing established under the Act;
- assess the fitness¹ of people entering the industry and of those applying to renew their triennial certificates; 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:

- 50 applications for new settlement agent licences processed;
- 215 applications for triennial certificate renewal processed;
- 100 per cent of applications acknowledged within eight days of receipt;
- 100 per cent of new licence applicants advised of the outcome of their application within eight days of a Board decision; and
- 100 per cent of agents applying to renew their triennial certificate advised of the outcome of their application within eight days of a Board decision.

Overview

All settlement agents require a licence as well as a current triennial certificate in order to carry out business in Western Australia. The licence issued by the Board is continuous, while the triennial certificate must be renewed every three years.

The Board reviews licence applications to ensure that only suitably qualified people enter the industry as settlement agents. To create high standards of practice and behaviour in the industry, uniform minimum standards of competency apply.

Current settlement agent fees

The fee for a new licence application for an individual, partnership or corporate body, including a \$150 payment to the Fidelity Guarantee Fund, totals \$483. The fee for renewal of a triennial certificate is \$447 for individuals, partnerships and corporate bodies. The above fees are only valid until 30 June 2006, after which new fees are payable (see Review of Fees for more details, pg 22). At the end of the reporting period, there were 376 active real estate settlement agents and 24 active business settlement agents.

¹ The Act stipulates that to hold an agents licence [section 27(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 considers a number of factors in reviewing the character, repute and suitability of an applicant.

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, 130 real estate settlement agents and seven business settlement agents had their licence on hold.

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. Information is also provided on how agents may obtain additional training to update their skills and knowledge. 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*.

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 settlement agents will apply from 1 July 2006. A contribution of \$150 is also to be made to the Fidelity Guarantee Fund by settlement agents when applying for a licence or renewing their triennial certificate. The table below lists the new fee schedule.

	Schedule 1 - Fees	Old (\$)	New (\$)
1.	Grant of licence to natural person (including triennial certificate)	333	580
2.	Grant of licence to firm (including triennial certificate)	333	760
3.	Grant of licence to a body corporate (including a triennial certificate)	333	760
4.	Renewal of triennial certificate	297	375
5.	Inspection of register	10	No change
6.	Certificate as to an individual registration- ➤ First page ➤ Each subsequent page	10 2	20 No change
7.	Certificate as to all registrations in register	122	No change
8.	For the purposes of section 30 (3a) (the holding fee)	150	190
9.	Contribution to the Fidelity Guarantee Fund (when applying for a licence or renewing a triennial certificate)	150	150

Service 2 Compliance

Strategic objectives

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

- agents complying with the requirements of the Act and the Code of Conduct;
- delivery of ethical and professional services by the settlement industry;
- prompt action taken against agents who fail to comply with the requirements of the Act and the Code of Conduct;
- complaints investigated promptly and dealt with by the Board in a timely manner; and
- audit reports received on time and not qualified.

Performance

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

General compliance

- 51 investigations initiated;
- 47 investigations completed (on average 112.3 days);
- 94.3 per cent of investigations acknowledged within eight days (on average 2.8 days);
- 86.3 per cent of investigations commenced within 14 days (on average 8.7 days);

Financial compliance

- 34 qualified audit reports were initiated;
- 35 investigations into qualified audit reports completed (on average 100.5 days);
- 88.2 per cent of qualified audit report investigations commenced within 14 days (on average 5.4 days);
- 23 trust account investigations initiated;
- 25 trust account investigations completed (on average 81.8 days); and
- 95.7 per cent of trust account investigations commenced within 14 days (on average four days).

General compliance

The Board's inspectors have powers of investigation, which they may exercise for the purpose of determining whether a settlement 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, nine warning letters and 48 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 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 commenced in the SAT with none in the Magistrates Court.

The total number of new investigations commenced into the conduct of agents in 2005-2006 was 51, compared to 60 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 30 September 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 three 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;
- financial institutions notifying the Board when a trust account becomes overdrawn.

During 2005-2006, the Board initiated 34 investigations into qualified audit reports compared to 35 from the previous reporting period. In addition, 23 trust account investigations were initiated in 2005-2006 compared to 24 from the previous reporting period.

Service 3 Education and awareness

Strategic objectives

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

- conduct visits to settlement agencies that have not received a visit for three years;
- provide education seminars to assist agents to comply with the Act and the Code of Conduct;
- provide a counter information service to members of the public and industry;
- provide a telephone information service to members of the public and industry;
- conduct four home buyers seminars;
- support and fund education programs for members of the public and for the professional development of agents; 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 outcomes:

- 162 proactive compliance visits of settlement agencies across Western Australia;
- 11 education seminars delivered for agents on various topics covering different requirements of the Act and the Code of Conduct;
- four homebuyer seminars conducted in collaboration with the Real Estate and Business Agents Supervisory Board; and
- reviewed and updated the Board's website.

Overview

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 the settlement industry. 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 162 proactive visits to agencies, a 6.8 per cent increase from the 151 agencies visited in 2004-2005.

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

- employment records and comparing these with the Board Register;
- stamp duty remittance on transactions where an agent undertakes self-assessment of stamp duty;
- whether correspondence and documents conform to the Act;
- whether agents are exercising control over the issue and signing of trust cheques;
- the correct timing of the drawing of the agent's fees;
- the agency has up-to-date copies of legislative requirements; and
- the agent in bona fide control is proficient in performing bank reconciliations.

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.

Changes to education qualifications

In 2004, the Regulations were amended to implement the Board's Education Strategy resulting in a new licensing course structure comprising of seven core competencies. The changes were made to provide a long term approach to the formal education of future settlement agent licensees.

Transitional arrangements were put in place to give people, who have successfully completed certain discontinued courses, until 1 July 2006 to apply to the Board for a settlement agent's licence.

In June 2006, the Board saw the need to extend the transitional period to grant more time to people to apply to the Board. The Regulations were amended on 18 June 2006 extending the transitional period to 1 July 2007.

Applicants must now complete the following seven core competencies, which have been delivered by a registered training provider or public training provider under the *Vocational Education and Training Act 1996*:

(a) FNBCNV01A:	Take instructions in relation to a transaction, or
	FNSCONV501A: Take instructions in relation to a transaction;
(b) FNBCNV02A:	Obtain and analyse all information for the transaction, or
	FNSCONV601A: Obtain and analyse all information for the transaction;
(c) FNBCNV03A:	Liaise with clients, other professionals and third parties, or
	FNSICCUS501A: Develop and nurture relationships, with clients other professionals and third parties;
(d) FNBCNV04A:	Negotiate to achieve goals and manage disputes, or
	FNSICORG603A: Negotiate to achieve goals and manage disputes;
(e) FNBCNV05A:	Prepare and/or analyse and execute documents, or
	FNSCONV502A: Prepare and/or analyse and execute documents;
(f) FNBCNV06A:	Establish, manage and administer trust accounts, or
	FNSCONV503A: Establish, manage and administer trust accounts;
(g) FNBCNV07A:	Finalise transactions, or
	FNSCONV504A: Finalise conveyancing transactions.

Trust account training for new licensees

The Board has a requirement that new settlement agents attend a trust account seminar within six months of their licence being granted.

Information services

Under the SDA the Board obtains advice line services through DOCEP. In 2005-2006, the Advice Line received 6,356 telephone enquiries from the public seeking information on settlement matters. Of the telephone enquiries received, 75.4 per cent were answered within 40 seconds. Main areas of enquiry relate to matters such as settlement delay, fees, disbursements and utilities, and conflict of interest.

In addition, the Board's counter service in 2005-2006 received 34 enquiries on settlement matters. Of these enquiries, 90.1 per cent were handled within six minutes.

Education Advisory Committee

The role of the Board's Education Advisory Committee is to advise it on education initiatives and priorities. The Committee is comprised of the following members:

- Ms Valerie Haskins – Board member;
- Mr Geoff Couper – Board Registrar;
- Ms Koo Lloyd-Kane - Australian Institute of Conveyances (WA Division Inc); and
- Ms Liz Reiss - Independent Settlement Agents Association.

In 2005-2006, the Committee met twice and considered the following matters:

- suitability of a fast track course being offered by a training provider to people seeking a settlement agents licence;
- development of a set of study guides for settlement agents;
- induction and mentoring of lecturers conducting settlement courses;
- qualifications required for a grant of a settlement agent licence; and
- the progressing of a Continuing Professional Development program for all licensed settlement agents.

The committee examined the prescribed qualifications for Settlement Agents and recommended changes. The changes were facilitated by an amendment to the regulations. Transitional arrangements included in the amended Regulations provide that people who have successfully completed certain discontinued courses have until 1 July 2007 to apply to the Board for a settlement agent's licence.

Settlement Agents News

To provide information to settlement industry members and stakeholders, the Board produces a quarterly newsletter, the *Settlement Agents 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 and stakeholders, and can also be downloaded from the Board's website.

Website

The Board's website at www.sasb.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 settlement legislation.

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.

New material continues to be added to the website on a regular basis. The website has a searchable *Index of Articles* from the *Settlement Agent 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.

Settlement Agents Supervisory Board Trust Account Handbook

The Board's publication, *Settlement agents supervisory board trust account handbook*, is designed to guide agents in the administration of their trust accounts and ensure compliance with the Act. The handbook is not designed to be a comprehensive trust accounting text, however, it is a useful resource, and has been well received by agents.

In 2005-2006 the handbook was reviewed and updated to make it coincide with the Board's current auditing trust account policies.

Audit guidelines

The Board's publication *Auditing settlement agents' trust accounts*, is intended for auditors who audit settlement 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*.

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 Real Estate and Business 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.

Conveyancing guide

The Board continues to produce the *Conveyancing guide: A guide for licensed settlement agents in Western Australia*. This is a joint educational initiative with the Australian Institute of Conveyancers (WA Division Inc). The Guide encourages best practice in the settlement industry, and is currently being reviewed and updated.

Publications

The Board produces two fact sheets, which provide important information to both industry and members of the public on topical issues relevant to real estate property settlement transactions. These publications are:

- *Property settlement*; and
- *Choosing a settlement agent*.

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 settlement agent or business settlement agent in the course of a settlement 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:

- 19 claims lodged against the Fidelity Fund;
- 138 Fidelity Fund claims finalised (includes claims lodged in 2004-2005);
- 100 per cent of claims acknowledged within eight days; and
- 100 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 a licensed settlement agent or their employee;
- the agent is licensed; and
- the loss occurred in relation to a settlement transaction.

Fidelity Fund claims lodged

Financial year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Number of claims	1	1	1	155	19

There were 19 claims lodged against the Fidelity Fund in 2005-2006, which is a significant decrease from claims lodged in the previous reporting period. The majority of claims lodged in 2005-2006, as for the previous reporting period, were in relation to the Brulee Pty Ltd matter.

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.sasb.wa.gov.au) and contains information about the Fidelity Fund, who is eligible to make a claim, and what the claim process is.

Auditor General's opinion



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

SETTLEMENT 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 Settlement 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

Certification of Performance Indicators

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 Settlement Agents Supervisory Board's performance, and fairly represent the performance of the Settlement Agents Supervisory Board for the financial year ended 30 June 2006.



David Taylor
Chairman



Brian Darling
Deputy Member

Dated: 15 August 1006

STATUTORY ROLE OF THE BOARD

The Board acts in the public interest as the supervisory authority for settlement agents in Western Australia. The statutory function required of the Board is to regulate the manner in which settlement agents conduct themselves when entering into or assisting in settlement transactions.

OUTCOME

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

The people of Western Australia, both the industry and the public, have confidence in the settlement industry.

EFFECTIVENESS INDICATOR

The extent to which settlement agents comply with the requirements of the Settlement Agents Act 1981 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 settlement 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 *Settlement Agents Act 1981*. 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 settlement agents submit unqualified audit opinions is an indication of the degree of confidence that can be held in the industry.

Measure

The proportion of settlement agents that submit an unqualified audit or a statutory declaration.

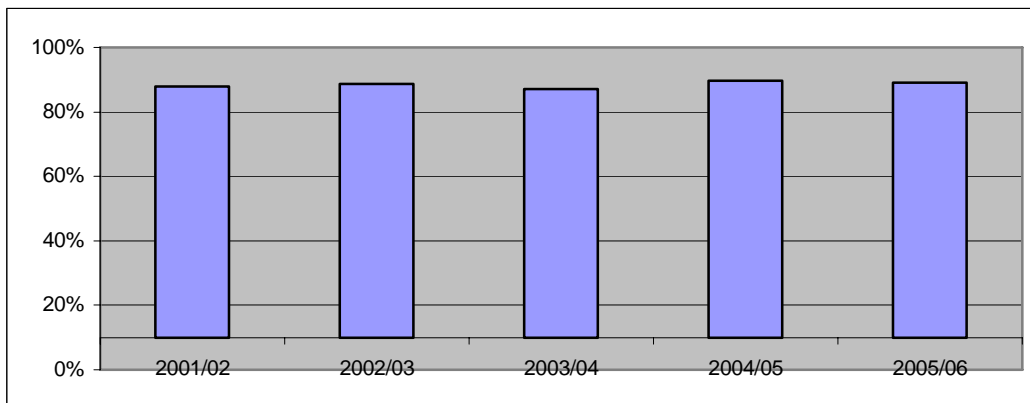
No. of agents submitting an unqualified audit report + No. of agents submitting a statutory declaration

Total no. of agents

Data

	2001/02	2002/03	2003/04	2004/05	2005/06
Audit Reports - Not Qualified	229	231	229	240	256
Audit Reports - Qualified	45	39	45	38	39
Statutory Declarations	114	96	100	90	100
No Report	2	3	4	0	5
Total agents	390	369	378	368	400
% of agents submitting unqualified audit or statutory declaration	87.95%	88.62%	87.04%	89.67%	89%

% 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 there are 32 more active agents than last year, with 16 more unqualified audits and one more qualified audit. The proportion of settlement agents submitting unqualified audits or statutory declarations has decreased marginally this year with a 0.67% shift, from 89.67% to 89%.

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 audits being qualified for matters that are not considered significant, 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 such as a few cents or dollars. This increased awareness can be attributed to the education program and industry seminars run by the Board, and the publication of the Trust Account Manual for Auditors.

KEY SERVICE

The key service provided by the Board is **regulation** of the settlement industry through the discharge of the Board's statutory functions.

The Board undertakes a range of activities to ensure both agents and the public are aware of their rights and responsibilities, licences settlement agents, takes action to ensure compliance with the Act, and administers the Fidelity Guarantee Fund.

EFFICIENCY INDICATOR

The average cost per licensed agent, of regulating the settlement industry.

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

Measure

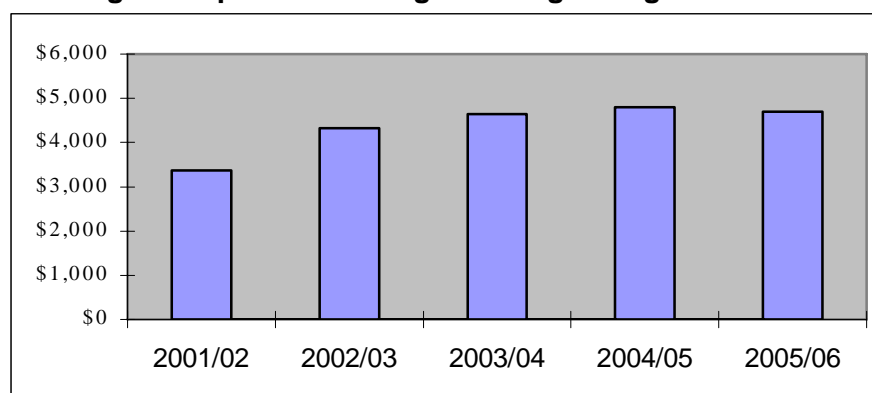
Total cost of regulating the industry divided by the number of active licensed agents in Western Australia.

Data

	2001/02	2002/03	2003/04	2004/05	2005/06
Annual Cost*	\$1 313 865	\$1 593 368	\$1 752 982	\$1 767 611	\$1 879 515
Active Licensed Agents	390	369	378	368	400
	\$3368.88	\$4318.07	\$4637.51	\$4803.29	\$4,698.79

* Note: The annual cost of regulating the settlement industry has been calculated using the total annual expenditure of the Board less Fidelity Guarantee Fund payments 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 settlement agent in previous financial years and therefore do not reflect on the true annual cost of regulating the settlement industry.

Average cost per licensed agent of regulating settlement industry



Notes to the indicator

The efficiency indicator is based on the cost of delivering the service per each active licensed settlement agent. In the 2005/06 financial year a total of \$1 879 515 was expended on regulating an industry with 400 active licensed agents.

The annual cost of regulating the settlement industry has increased, however, the average cost per agent has decreased. This decrease can be attributed to an extra 32 active settlement agents. The Board has continued to introduce initiatives aimed at improving services and meeting the increasing demands and expectations of both consumers and the industry. The defalcation by Brulee Pty Ltd trading as LJW Settlements continued to have an effect, with the Board having to spend additional resources on the supervisor and forensic auditor, and assessment of claims.

Another significant impact on the cost was the whole of government increase in salaries. This had a major impact on the cost of the service delivery agreement with the Department of Consumer and Employment Protection.

Section Four

Financial statements

Certification of financial statements

The accompanying financial statements of the Settlement 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.



David Taylor
Chair



Brian Darling
Deputy Member



Carolyn Allanson
Principal Accounting Officer

Dated: 15 August 2006

SETTLEMENT AGENTS SUPERVISORY BOARD

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
INCOME			
<i>Revenue</i>			
Agents trust account interest		5,727,273	4,347,219
Licence revenue	4.	73,378	68,970
Contributions to the Fidelity Guarantee Fund		31,395	32,600
Fines and costs		22,131	22,442
Interest revenue		1,262,388	1,019,696
Other revenues	5.	2,287	334
 <i>Gains</i>			
Gains on disposal of non-current assets	6.	9	0
 Total Income		 <u>7,118,861</u>	 <u>5,491,261</u>
EXPENSES			
<i>Expenses</i>			
Employee benefits expense	7.	326,088	268,940
Board fees		46,309	34,276
Supplies and services	8.	1,416,717	1,367,860
Depreciation and amortisation expense	9.	29,152	28,392
Accommodation expenses	10.	0	19,008
Grants	11.	35,236	30,371
Fidelity payments		1,063,701	184,700
Other expenses	12.	26,013	27,588
 Total Expenses		 <u>2,943,216</u>	 <u>1,961,135</u>
 Profit/(loss) for the period		 <u>4,175,645</u>	 <u>3,530,126</u>

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

SETTLEMENT AGENTS SUPERVISORY BOARD

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
ASSETS			
Current Assets			
Cash and cash equivalents	20.	11,762,396	8,835,278
Restricted cash and cash equivalents	20.	13,105,236	12,086,211
Accrued agents trust account interest		566,128	427,028
Accrued investment interest		319,298	88,779
Receivables	13.	5,125	2,014
Total Current Assets		<u>25,758,183</u>	<u>21,439,310</u>
Non Current Assets			
Property, plant and equipment	14.	20,883	19,851
Intangible Assets	15.	0	20,963
Total Non-Current Assets		<u>20,883</u>	<u>40,814</u>
TOTAL ASSETS		<u>25,779,066</u>	<u>21,480,124</u>
LIABILITIES			
Current Liabilities			
Payables	17.	37,261	36,189
Provisions	18.	34,432	38,470
Licence revenue received in advance	4.	60,338	59,507
Other current liabilities	19.	134,354	14,000
Total Current Liabilities		<u>266,385</u>	<u>148,166</u>
Non Current Liabilities			
Licence revenue received in advance	4.	48,815	46,221
Provisions	18.	15,675	13,191
Total Non Current Liabilities		<u>64,490</u>	<u>59,412</u>
Total Liabilities		<u>330,875</u>	<u>207,578</u>
NET ASSETS		<u>25,448,191</u>	<u>21,272,546</u>
EQUITY			
Retained earnings		25,448,191	21,272,546
TOTAL EQUITY		<u>25,448,191</u>	<u>21,272,546</u>

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

SETTLEMENT 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		21,272,546	17,742,420
RETAINED EARNINGS			
Balance at start of period		21,272,546	17,742,420
Profit/(loss) for the period		4,175,645	3,530,126
Balance at end of period		25,448,191	21,272,546
Balance of equity at end of period		<u>25,448,191</u>	<u>21,272,546</u>
Total income and expense for the period		4,175,645	3,530,126

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		5,588,173	4,249,866
Bank and investment interest received		1,031,869	1,001,929
Licence receipts		76,803	72,855
Contributions paid into the Fidelity Guarantee Fund		31,395	32,600
GST receipts on sales		158	0
GST receipts from ATO		18,180	29,390
Other receipts		123,323	12,622
Payments			
Employee benefits		(327,642)	(299,461)
Supplies and services		(2,531,480)	(1,676,221)
GST payments on purchases		(20,188)	(19,188)
Grants		(35,236)	(30,371)
Net cash provided by/(used in) operating activities	20.	<u>3,955,355</u>	<u>3,374,021</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of non current physical assets	9	0
Purchase of non current physical assets	(9,220)	(19,095)
Net cash provided by/(used in) investing activities	<u>(9,211)</u>	<u>(19,095)</u>
Net increase/(decrease) in cash and cash equivalents	3,946,144	3,354,926
Cash and cash equivalents at the beginning of period	20,921,489	17,566,563
CASH AND CASH EQUIVALENT ASSETS 20.	<u>24,867,633</u>	<u>20,921,489</u>
AT THE END OF PERIOD		

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

SETTLEMENT 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 28. 'Reconciliations 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.

SETTLEMENT 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.

SETTLEMENT 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 and equipment	3 years
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(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
Software	3 to 5 years

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.

SETTLEMENT 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.

SETTLEMENT 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.

SETTLEMENT 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.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

(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.

(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.

SETTLEMENT 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)	59,507	56,169
Revenue received in advance 1 July balance (non current)	46,221	45,674
Cash received during the year	<u>76,803</u>	<u>72,855</u>
Total receipts received	182,531	174,698
 Revenue recognised during the year	 73,378	 68,970
 Revenue received in advance	 109,153	 105,728
 Held in		
Revenue received in advance account (current)	60,338	59,507
Revenue received in advance account (non current)	<u>48,815</u>	<u>46,221</u>
Total	<u>109,153</u>	<u>105,728</u>

5. Other revenues

Other revenues consists of:

	2006 \$	2005 \$
Copy of licence	70	40
Contribution to vehicle use	1,108	0
Miscellaneous revenue	1,016	213
Contribution to insurance	93	81
 Total	 <u>2,287</u>	 <u>334</u>

SETTLEMENT 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		
Computers and equipment	0	0
Proceeds from Disposal of Non-Current Assets		
Computers and equipment	9	0
Net gain/(loss)	<u>9</u>	<u>0</u>

7. Employee benefits expense

The Board procures services from the Dept of Consumer & Employment Protection under a service delivery agreement. The current arrangements 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	267,778	250,677
Change in annual leave	(3,973)	(2,882)
Change in long service leave	4,778	(14,533)
Superannuation	<u>21,902</u>	<u>17,862</u>
Total staff salary costs	290,485	251,124
Staff related expenses	35,603	17,816
Total Staff costs	<u>326,088</u>	<u>268,940</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'.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

8. Supplies and services

	2006	2005
	\$	\$
Advertising	2,741	2,350
Bank charges	408	952
Communications	6,840	3,920
Consultants and contractors fees	9,529	105
Consumables	3,155	3,163
Hire charges	4,293	3,234
Insurance	10,567	10,567
Legal	56,232	57,810
Miscellaneous	201	1,740
Printing	4,719	3,691
Professional services	17,182	138,191
Repair and maintenance	1,119	849
Service Delivery Agreement	1,298,402	1,138,907
Stationery	782	1,209
Sundry assets costing under \$1000	0	1,172
Website subscription	547	0
Total	<u>1,416,717</u>	<u>1,367,860</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 and equipment	8,189	4,028
Total depreciation	<u>8,189</u>	<u>4,028</u>
Amortisation		
Intangible assets (REMIS software)	20,963	24,364
Total amortisation	<u>20,963</u>	<u>24,364</u>
Total depreciation and amortisation	<u>29,152</u>	<u>28,392</u>

10. Accommodation expenses

	2006	2005
	\$	\$
Lease rental	0	19,008

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.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

11. Grants

	2006 \$	2005 \$
Education grants		
TAFE WA	35,236	30,371
Total	<u>35,236</u>	<u>30,371</u>
 Total grants	 <u><u>35,236</u></u>	 <u><u>30,371</u></u>

12. Other expenses

	2006 \$	2005 \$
Audit fees	19,000	14,000
Employment on costs ^(a)	<u>7,013</u>	<u>13,588</u>
	<u><u>26,013</u></u>	<u><u>27,588</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		
Accounts receivable	0	1,000
GST Recoverable	5,125	1,014
Total	<u><u>5,125</u></u>	<u><u>2,014</u></u>

14. Property, plant and equipment

	2006 \$	2005 \$
Computers and equipment at cost	69,041	62,289
Accumulated Depreciation	<u>(48,158)</u>	<u>(42,438)</u>
	20,883	19,851
 Total Property Plant & Equipment	 <u><u>20,883</u></u>	 <u><u>19,851</u></u>

SETTLEMENT AGENTS SUPERVISORY BOARD

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

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 and Equipment		
Carrying amount at start of year	19,851	4,784
Additions	9,220	19,095
Disposals	(2,469)	0
Accumulated depreciation on disposals	2,469	0
Depreciation expense	(8,189)	(4,028)
Carrying amount at end of year	20,882	19,851
Total Property, plant and equipment	20,882	19,851

15. Intangible assets

	2006 \$	2005 \$
REMIS Software at cost	121,838	121,838
Accumulated amortisation	(121,838)	(100,875)
	0	20,963
REMIS Software		
Carrying amount at start of year	20,963	45,327
Additions	0	0
Disposals	0	0
Accumulated amortisation on disposals	0	0
Amortisation expense	(20,963)	(24,364)
Carrying amount at end of year	0	20,963

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>		
Reimbursement to Dept of Consumer & Employment Protection	37,121	32,113
Miscellaneous creditors	140	4,076
Total	37,261	36,189

SETTLEMENT 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)	6,266	10,520
Long service leave ^(b)	24,768	23,261
Superannuation	2,313	2,698
	<u>33,347</u>	<u>36,479</u>
Other provisions		
Employment on costs ^(c)	1,085	1,991
Total	<u>34,432</u>	<u>38,470</u>
	2006 \$	2005 \$
<u>Non Current</u>		
Employee Benefits Provisions		
Long service leave ^(b)	14,647	12,326
Superannuation	966	813
	<u>15,613</u>	<u>13,139</u>
Other provisions		
Employment on costs ^(c)	62	52
Total	<u>15,675</u>	<u>13,191</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	3,829	6,428
More than 12 months after reporting date	2,437	4,092
	<u>6,266</u>	<u>10,520</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	13,756	12,420
More than 12 months after reporting date	25,659	23,167
	<u>39,415</u>	<u>35,587</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 13. 'Other expenses'.

SETTLEMENT 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		
Carrying amount at start of year	2,043	2,639
Additional provisions recognised	(896)	(596)
Carrying amount at end of year	1,147	2,043

19. Other liabilities

	2006 \$	2005 \$
<u>Current</u>		
Accrued expenses		
Audit fees	19,000	14,000
Salaries	5,424	0
DOCEP (SDA escalation claims for pay and rent rise)	19,487	0
DOCEP (Outside SDA costs)	3,031	0
Fidelity claims	87,262	0
Unclaimed monies	150	0
Total	134,354	14,000

20. Notes to the Cash Flow Statement

Cash resources are held exclusively for use by the Settlement Agents Supervisory Board under the provisions of the Settlement Agents Act 1981.

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	221,896	294,778
Fidelity Guarantee Fund (Restricted cash)	215,236	196,211
Board Interest Account	500	500
	437,632	491,489
Cash and cash equivalents held with Treasury		
Education and General Purpose Fund	11,540,000	8,540,000
Fidelity Guarantee Fund (Restricted cash)	12,890,000	11,890,000
	24,430,000	20,430,000
	24,867,632	20,921,489
Cash and cash equivalents	11,762,396	8,835,278
Restricted cash and cash equivalents	13,105,236	12,086,211
Total cash and cash equivalents	24,867,632	20,921,489

SETTLEMENT 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	4,175,645	3,530,126
Non-cash items:		
Depreciation and amortisation expense	29,152	28,392
Net (gain)/loss on sale of property, plant & equipment	(9)	0
(Increase)/decrease in assets:		
Current receivables	(3,111)	5,236
Accrued interest/income	(369,619)	(115,120)
Increase/(decrease) in liabilities		
Current Payables	1,072	(61,977)
Current Provisions	(4,038)	(5,971)
Revenue received in advance, current liabilities	831	3,338
Other current liabilities	120,354	14,000
Non current provisions	2,484	(24,550)
Revenue received in advance, non current liabilities	2,594	547
Net cash provided by/(used in) operating activities	<u>3,955,355</u>	<u>3,374,021</u>

21. Contingent Liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of 10 claims (150 as at 30/6/2005) against the Fidelity Guarantee Fund totalling \$1.9m (\$2.1m 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	11	9
\$10,001 - \$20,000	1	0
Total remuneration of members of the Board is:	49,780	43,308

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

SETTLEMENT 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
\$20,001 - \$30,000	0	1
\$30,001 - \$40,000	1	0
Total remuneration of senior officers is:	37,037	29,912

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	19,000	14,000

24. 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.

25. Commitments

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

26. 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	4,728,000	5,727,273	999,273
Interest revenue	1,142,550	1,262,388	119,838
Expenses			
Grants	1,250,000	35,236	(1,214,764)

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.

Interest revenue

Greater than anticipated income from agents trust account interest resulted in a higher level of deposits held by the Board and a higher level of income from this source than was budgeted.

Grants

Fidelity payments associated with a large case have been processed at a slower than anticipated rate which has resulted in an under budget situation. Further payments for this case will be processed in 2006/07.

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

	2006 \$	2005 \$	Variation \$
Income			
Agents trust account interest	5,727,273	4,347,219	1,380,054
Interest revenue	1,262,388	1,019,696	242,692
Expenses			
Employee benefits expense	326,088	268,940	57,148
Grants	35,236	30,371	4,865

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.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

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.

Employee benefits expense

Employee benefits expenses are higher than the previous year as a result of a number of causes. These include the previous year years result being affected (downwards) by a large change in leave provisions and a higher level of training/conference expenses incurred in the current year.

Grants

A considerable number of fidelity payments associated with one case were made during the year. Due to the nature of these payments they may vary considerably between years.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

27. 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	5.51%	5.47%	11,762	8,835			11,762	8,835
Restricted cash assets	5.51%	5.47%	13,105	12,086			13,105	12,086
Accrued income							0	0
Accrued interest					885	516	885	516
Receivables					5	2	5	2
Total			24,867	20,921	890	518	25,757	21,439

SETTLEMENT 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					37	36	37	36
Other liabilities					134	14	134	14
Provisions					50	52	50	52
Revenue received in advance					109	106	109	106
Total			0	0	330	208	330	208

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

28. 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	6,904,306			0	6,904,306
Restricted cash and cash equivalents	10,662,257			0	10,662,257
Accrued agents trust account interest income	329,675			0	329,675
Accrued investment interest	71,012			0	71,012
Receivables	7,250			0	7,250
Total Current Assets	17,974,500	0	0	0	17,974,500
Non Current Assets					
28.1a Property , plant and equipment	50,111	(45,327)		(45,327)	4,784
28.1a Intangible Assets		45,327		45,327	45,327
Total Non-Current Assets	50,111	0	0	0	50,111
TOTAL ASSETS	18,024,611	0	0	0	18,024,611
LIABILITIES					
Current Liabilities					
Payables	85,166			0	85,166
Provisions	44,441			0	44,441
Revenue received in advance	56,169			0	56,169
Other current liabilities	13,000			0	13,000
Total Current Liabilities	198,776	0	0	0	198,776
Non Current Liabilities					
Revenue received in advance	45,674			0	45,674
Provisions	37,741			0	37,741
Total Non Current Liabilities	83,415	0	0	0	83,415
Total Liabilities	282,191	0	0	0	282,191
Net Assets	17,742,420	0	0	0	17,742,420
Equity					
Retained earnings	17,742,420	0	0	0	17,742,420
Total Equity	17,742,420	0	0	0	17,742,420

SETTLEMENT 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	8,835,278		0	8,835,278
	Restricted cash and cash equivalents	12,086,211		0	12,086,211
	Accrued agents trust account interest income	427,028		0	427,028
	Accrued investment interest	88,779		0	88,779
	Receivables	2,014		0	2,014
	Total Current Assets	21,439,310	0	0	21,439,310
Non Current Assets					
28.1b	Property , plant and equipment	40,814	(20,963)	(20,963)	19,851
28.1b	Intangible Assets		20,963	20,963	20,963
	Total Non-Current Assets	40,814	0	0	40,814
	TOTAL ASSETS	21,480,124	0	0	21,480,124
LIABILITIES					
Current Liabilities					
	Payables	36,189		0	36,189
28.2b	Provisions	37,604	866	866	38,470
	Revenue received in advance	59,507		0	59,507
	Other current liabilities	14,000		0	14,000
	Total Current Liabilities	147,300	0	866	148,166
Non Current Liabilities					
	Revenue received in advance	46,221		0	46,221
	Provisions	13,191		0	13,191
	Total Non Current Liabilities	59,412	0	0	59,412
	Total Liabilities	206,712	0	866	207,578
	Net Assets	21,273,412	0	(866)	21,272,546
Equity					
	Retained earnings	21,273,412	0	(866)	21,272,546
	Total Equity	21,273,412	0	(866)	21,272,546

SETTLEMENT AGENTS SUPERVISORY BOARD

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

Reconciliation of Income Statement (Profit and 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	4,347,219		0	4,347,219
Licence income	68,970		0	68,970
Contributions to the Fidelity Guarantee Fund	32,600		0	32,600
Fines and costs	22,442		0	22,442
Interest revenue	1,019,696		0	1,019,696
Other revenues	334		0	334
Total Income	5,491,261	0	0	5,491,261
EXPENSES				
Expenses				
28.2c Employee benefits expense	268,078	862	862	268,940
Board fees and expenses	34,276		0	34,276
Supplies and services	1,367,860		0	1,367,860
Depreciation and amortisation expense	28,392		0	28,392
Accommodation expenses	19,008		0	19,008
Grants	30,371		0	30,371
Fidelity payments	184,700		0	184,700
28.2c Other expenses	27,584	4	4	27,588
Total Expenses	1,960,269	0	866	1,961,135
Profit/(loss) for the period	3,530,992	0	(866)	3,530,126

SETTLEMENT 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	4,249,866		0	4,249,866
Bank and investment interest received	1,001,929		0	1,001,929
Licence receipt	72,855		0	72,855
Contributions paid into the Fidelity Guarantee Fund	32,600		0	32,600
GST receipts from ATO	29,390		0	29,390
Other receipts	12,622		0	12,622
Payments				
Employee benefits	(299,461)		0	(299,461)
Suppliers and services	(1,676,221)		0	(1,676,221)
GST payments on purchases	(19,188)		0	(19,188)
Grants	(30,371)		0	(30,371)
Net cash provided by/(used in) operating activities	3,374,021	0	0	3,374,021
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non current physical assets	(19,095)		0	(19,095)
Net cash provided by/(used in) investing activities	(19,095)	0	0	(19,095)
Net increase/(decrease) in cash and cash equivalents	3,354,926	0	0	3,354,926
Cash and cash equivalents at the beginning of period	17,566,563			17,566,563
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	20,921,489	0	0	20,921,489

SETTLEMENT AGENTS SUPERVISORY BOARD

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

28.1 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 \$45,327 in software from computers and equipment to intangible assets.

(b) Adjustments to 30 June 2005 Balance Sheet

The Board has transferred \$20,963 in software from computers and equipment to intangible assets.

28.2 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.

There was no adjustment to annual leave provisions resulting from discounting of long term benefits.

(b) Adjustments to 30 June 2005 Balance Sheet

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

The annual leave provision has been increased by \$866 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 \$862 and Other expenses by \$4.

Appendix

The following table provides details and results of disciplinary matters finalised during 2005-2006 by the Board.

Concluded State Administrative Tribunal Disciplinary Matters (1 July 2005 – 30 June 2006)

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or Code of Conduct	Fine	Costs
VR 309 of 2005 Bank of Western Australia t/as BankWest Conveyancing	8 November 2005	<i>Settlement Agents Code of Conduct</i> 1982 (rules 7, 11 & 14)	Continued to act for the vendor and the purchaser in circumstances where a conflict of interest arose; did not recommend to the vendor that he should seek legal advice; disclosed information without authority	\$8,000	\$2,500
VR 345 of 2005 Crozet Pty Ltd	20 March 2006	<i>Settlement Agents Act 1981</i> (s46(2)(a) & 43) <i>Settlement Agents Code of Conduct</i> 1982 (rules 5, 6A, 9, 15)	Affected the settlement of a real estate transaction concerning land which was not a lot within the meaning of the <i>Town Planning and Development Act 1928</i> (WA); failed to carry out all services relating to the settlement of the property efficiently; acted in relation to the settlement for reward without first obtaining appointment documentation; conflict of interest	\$9,000	\$4,000
VR 334 of 2005 Donald Campbell-Smith t/as Campbell-Smith Settlements	21 December 2005	<i>Settlement Agents Act 1981</i> (s47(3)) <i>Settlement Agents Code of Conduct</i> 1982 (rules 11, 16 & 19)	Unconscionable conduct; re-documentation of transactions to deceive lenders; failed to make proper enquiry as to legitimacy of increase of purchase prices	Licence suspended for six months from 1 January 2006	\$4,000

SASB 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 SASB. Its contact details are:

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

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