



SETTLEMENT AGENTS SUPERVISORY BOARD ■ ANNUAL REPORT 2007-2008

SETTLEMENT AGENTS ■ SUPERVISORY BOARD ■

A background image of a modern, multi-story building with a glass facade and a prominent entrance, possibly a government or corporate building.

Annual Report 2007 - 2008



Contact Details

PERTH OFFICE

Level 6, 119 St George's Terrace, Perth

Postal: Locked Bag 14, Cloisters Square PERTH WA 6850

Telephone: 1800 30 40 50 Fax: 9282 0850

Email: contactus@sasb.wa.gov.au

SASB may also be contacted through regional DOCEP offices.

GREAT SOUTHERN REGION ALBANY OFFICE

Unit 2/129 Aberdeen Street, Albany

Postal Address: PO Box 832 ALBANY WA 6330

Telephone: 08 9842 8366 Fax: 08 9842 8377

SOUTH WEST REGION BUNBURY OFFICE

8th Floor 61 Victoria Street, Bunbury

Postal Address: PO Box 1747 BUNBURY WA 6231

Telephone: 08 9722 2888 Fax: 08 9791 8047

MID WEST REGION GERALDTON OFFICE

Post Office Plaza 50-52 Durlacher Street, Geraldton

Postal Address: PO Box 1447 GERALDTON WA 6531

Telephone: 08 9964 5644 Fax: 08 9964 5678

GOLDFIELDS/ESPERANCE REGION KALGOORLIE OFFICE

Viskovich House, 377 Hannan Street, Kalgoorlie

Postal Address: PO Box 10154 KALGOORLIE WA 6433

Telephone: 08 9021 5966 Fax: 08 9021 5977

NORTH WEST REGION KARRATHA OFFICE

U9 Karratha Village Shopping Centre, Sharpe Avenue, Karratha

Postal Address: PO Box 5 KARRATHA WA 6714

Telephone: 08 9185 0900 Fax: 08 9185 1234

KIMBERLEY KUNUNURRA OFFICE

Kununurra Shopping Centre Shop 24, 64 Konkerberry Drive, Kununurra

Postal Address: PO Box 1104 KUNUNURRA WA 6743

Telephone: 08 9169 2811 Fax: 08 9169 2844

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Statement of compliance

HON TROY BUSWELL BEc MLA

TREASURER; MINISTER FOR COMMERCE; SCIENCE AND INNOVATION; HOUSING AND WORKS

In accordance with section 61 of the *Financial Management Act 2006*, 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 2008.

The Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Mirina Muir
Chair



Judith Pinczuk
Member

Dated: 19 September 2008

SECTION ONE

Overview

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



Executive summary - Report from the Chair

As the newly appointed Chair of the Settlement Agents Supervisory Board ("the Board"), I am pleased to present the Annual Report of the Board for the year ended on 30 June 2008.

In May 2008, I was appointed as the Chair of the Board and Mr Steven Phillips was re-appointed as the Legal Practitioner Member of the Board.

The 2007-08 financial period heralded another busy and successful year for the Board and the settlement industry. In particular, from 1 January 2008 the Board implemented the Compulsory Professional Development ("CPD") Program for licensed settlement agents and amended the Regulations to support the introduction of CPD to the industry. The Board also introduced a dedicated settlement agent's industry advice line and compliance area providing specialist services. The new settlements industry advice line replaced the previous telephone advice service obtained through DOCEP, which catered jointly for the real estate and settlement industries. The Board believes this new initiative will assist to improve consistency and professionalism in the industry through the identification and analysis of trends and significant industry issues.

The Board ensured it maintained its commitment to working in partnership with the settlement industry and key stakeholders through the dissemination of a discussion paper and engaging in a consultation process with industry regarding the design of the CPD model. The CPD model was implemented on 1 January 2008 and now forms part of the licensing framework.

The Board outsourced the development and delivery of core and elective CPD activities to suitably qualified external training providers, but continued to monitor and approve their activities. The Board is committed to ensuring the delivery of high quality seminars for the industry. The Board believes CPD will enable agents to further develop their industry knowledge and skills whilst also raising professionalism and standards within the settlement industry.

The Board intends to continue the CPD Program using the same model and would like to take this opportunity to extend its appreciation to industry for their comments and support towards the introduction and ongoing development of the CPD initiative.

The Board strived to maintain public confidence in the settlement industry by actively encouraging the review and reform of the legislation to ensure that it is current and has continued relevance to the industry and consumers. The Board undertook a comprehensive review of its policy and associated administrative arrangements for the renewal of a triennial certificate with a view to implementing procedures that better reflect the legislation.

In July 2007, the Board also reviewed and increased the licence fees for new applications for an individual to \$730, and for a partnership, firm or body corporate to \$910, including a \$150 payment to the Fidelity Guarantee Account. The fee for renewal of a triennial certificate was

increased to \$575 for individuals, partnerships and corporate bodies, including a \$150 payment to the Fidelity Guarantee Account.

During the year, the Board also developed and enhanced a number of collaborative work relationships and partnerships with industry and Government agencies, to benefit industry and the general public. These include the Office of State Revenue, the Australian Institute of Conveyancers WA Division Inc. and Landgate.

The Board is also participating on the National Electronic Conveyancing Systems project team and will continue to work jointly with Landgate, industry and key stakeholders in the new financial year, in regards to the transition towards electronic conveyancing.

The Board continued to print and distribute its quarterly newsletter, the *Settlement Agents News*, to provide information to all licensees, auditors and other people who have expressed an interest in receiving it, free of charge. The newsletter includes information on industry practice issues, case studies from the Board's disciplinary proceedings, legislative amendments, and updates on the CPD program. The *Settlement Agents News* can also be downloaded, free of charge, from the Board's website.

During the reporting period, further developments were made to the Board's website, which continued to be a significant resource, and assisted the Board to carry out its statutory functions. The website remains integral in keeping with the Board's commitment to conduct and promote education and provide an advisory service for industry members, and the public. The website has a searchable *Index of Articles* from the *Settlement Agents News*, which lists topics, descriptions, references to the Act, and links to other published articles. The Board developed and dedicated a section of its website to coincide with the introduction of the CPD Program on 1 January 2008. New material continues to be added to the CPD section on a regular basis. It currently provides downloadable copies of the recently updated CPD Guide, frequently asked questions and information on CPD topics and seminars. The Board also publishes on its website a current list of current licensed real estate and business settlement agents.

In closing, I would like to express my appreciation to my fellow members of the Board and their deputies for their efforts and dedication. I extend my thanks to Mr David Taylor, who was the Chairman of the Board from 2002 to May 2008 for his contribution to the Board. Also, on behalf of the Board, I wish to pay tribute to all the Board staff and officers of the Real Estate Branch of the Department of Consumer and Employment Protection ("DOCEP") and other officers of DOCEP. The Board could not function without their dedication, commitment and cooperation, and I congratulate each member, deputy member, staff member and officer for their professionalism and efforts shown in facing up to the challenges presented in 2007-08.



Mirina Muir

Chair

19 September 2008

Highlights for 2007-2008

Board and other proceedings

During the reporting period of 1 July 2007 to 30 June 2008 the Board:

- convened for 21 board meetings;
- convened for eight licensing hearings;
- did not convene for any Fidelity Guarantee Account claims;
- received one new claim against the Fidelity Guarantee Account;
- commenced four prosecutions against persons receiving rewards for referrals;
- commenced eight disciplinary proceedings against agents in the State Administrative Tribunal ("the SAT"); and
- directed the Registrar to prosecute four real estate agents.

Achievements

In 2007–08, the Board achieved the following outcomes:

- 49 applications for new licences were processed;
- 258 applications for triennial certificate renewals were processed;
- 25 trust fund investigations were completed;
- 59 investigations into qualified audits were completed;
- 91 proactive compliance visits were made to settlement agencies, of which 12 were in the regional areas of Western Australia;
- Three education seminars were conducted for agents and auditors on various topics covering different requirements of the *Settlement Agents Act 1981* ("the Act") and the *Settlement Agents' Code of Conduct 1982* ("the Code of Conduct");
- Two Homebuyer Seminars were conducted for the general public (jointly conducted with the Real Estate and Business Agents Supervisory Board);
- 13 educational and 13 administrative letters were issued to industry by the Registrar; and
- Three risk management seminars were conducted in conjunction with Jardine Lloyd Thompson Pty Ltd and Vero Insurance Ltd as a component of the CPD Program for the settlement agents.

Industry Seminars

The Board conducted three education seminars for settlement agents and auditors focusing on trust accounting and trust account reconciliations. Feedback from these seminars were positive, with participants commenting on the usefulness and relevance of the information presented. The seminars were conducted in Perth with a total of 112 people attending.

Home Buyers seminars

In collaboration with the Real Estate and Business Agents Supervisory Board, the Board delivered two home buyers seminars free of charge to members of the public. The seminars were conducted in Perth and Kalgoorlie. The topics covered at the seminars included property valuation, obtaining finance, types of grants available for first home buyers, offer and acceptance contracts, and the settlement process.

Issues in 2007-2008

Significant compliance issues

Conflict of interest - Agents acting for both parties

Complaints lodged with the Board during the year indicated that conflict of interest continues to be an issue for agents. The Board's proactive compliance staff provided advice on managing conflict of interest within agencies during their scheduled visits.

Although the Act contains provisions for when an agent can act on behalf of both a seller and a buyer in a settlement transaction, the agent must obtain the written consent from both parties prior to the agent commencing the settlement. 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 arrangements to act for both parties, the Board advised agents to consider carefully the level of risk before agreeing to act for both parties.

Rule 7 of the Code of Conduct provides that a licensee may sometimes act for both parties. The test to apply is to consider whether in the interest of one party, he should withhold some information or advice from the other. Furthermore, Rule 9 of the Code of Conduct states that no licensee may act or continue to act in the settlement of a transaction if any conflict of interest arises or foreseeably could arise between the licensee and his client. The Board continues to be concerned about this issue and remains on alert for settlement agents who are not complying with this and other rules of the Code of Conduct, which they are obliged to do as part of their settlement duties.

Unlicensed settlement activity

Section 26 of the Act provides that in order to carry on a settlement business, a person must be licensed and hold a current triennial certificate. The Board has continued to monitor, the number of real estate transactions that are being settled by unlicensed people on behalf of other people. The Board has previously asked the industry to report any instances of unlicensed activities. Unlicensed settlement activities that have come to the attention of the Board fall under two categories. The first category is where family members or friends conducting

settlement transactions who are not aware that it is an offence under the Act to conduct a settlement transaction unless it is the person's own property.

The second category is where parties have conducted a number of settlement transactions, but are not licensed or a holder of a current triennial certificate under the Act. The Board highlighted this issue in the Summer 2007 issue of the *Settlement Agents News*.

Reward for referrals

A significant issue the Board addressed during the reporting period was eliminating the practice of settlement agents rewarding real estate agents for referring business to them; what is commonly referred to as a "kickback". Section 44(8) of the Act provides that a licensee shall not, whether directly or indirectly, pay or give any reward to any person referring to the licensee any business involving the performance of the functions of a settlement agent. In simple terms, it prohibits the payment of a reward for referral of settlement transactions to a settlement agent.

The Board has over the years issued warnings to the industry about rewards for referral and will continue to investigate matters and take the appropriate disciplinary action where agent's conduct is of concern to protect the public interest.

In particular in this financial year, the Board brought a disciplinary proceeding in the SAT and was successful on that occasion against Showville Pty Ltd trading as Regent Settlements. In that matter, the SAT considered the conduct to be a serious breach of section 44(8) of the Act and Regent Settlements was fined \$8,000.

The Registrar brought prosecutions in the Magistrates Court against Mullac Holdings Pty Ltd trading as Remax Coastal Realty, who received rewards totaling \$17,051.66 for referring work on six occasions to Regent Settlements. The Magistrate considered the conduct also to be a serious breach and imposed a fine of \$2000 for a breach of section 44(7) of the Act, which provides that a licensee shall not, whether directly or indirectly, demand, receive or hold any reward for referring to a licensee any business involving the performance of the functions of a settlement agent.

The Registrar also brought prosecutions in the magistrate court against Jewelpark Pty Ltd trading as Masotto Realty, Devenish 1897 Pty Ltd trading as Realtymax Professionals, and Patience and Patience Pty Ltd trading as Patience and Patience First National Real Estate for breaching section 44(7) of the Act by receiving rewards for referral of settlement transactions. They were ordered to pay fines \$ 1,500, \$750 and \$3,500 and costs of \$111, \$1,000 and \$111 respectively.

Licensee duties in arranging settlements

During the 2007-08 period, the Board was concerned that a number of licensed settlement agents had failed to carry out the appropriate enquiries and searches, which they are obliged to conduct as part of their settlement duties. Agents who do not carry out the appropriate enquiries and searches are not conforming to Rule 10 of the Code of Conduct. In addition, Rule 16 of the Code of Conduct provides that a licensee shall ascertain and communicate to his client all available pertinent facts concerning any service or transaction he undertakes as a

settlement agent so that in providing the service and handling the transaction he will avoid error, deception or mis-representation.

Recommending Legal Advice

The Board became aware and continues to remain on the alert, about the number of settlement agents who may have failed to advise their clients to seek independent legal advice from a solicitor, where necessary or prudent to do so in settlement transactions. This is contrary to Rule 11 of the Code of Conduct.

Remuneration Notice 2008 for settlement transactions

Following a Board recommendation, the Minister for Consumer Protection has approved a *Remuneration Notice 2008* prescribing the base value threshold in the Scale of Fees for carrying out real estate settlement transactions and business settlement transactions be increased from \$25,000 to \$150,000. The associated maximum remuneration for real estate settlement transactions and business settlement transactions at the new base level was also increased, while all other elements of the Scale remained unchanged.

The new Remuneration Notice was published in the *Government Gazette* on Tuesday 6 May 2008 and came into effect on 20 May 2008, replacing the existing *Remuneration Notice 2004*, which has been operating since April 2004. The Board recently wrote to all licensed settlement agents explaining these changes in the Scale of Fees.

Other issues

Compulsory Professional Development for settlement agents

The Compulsory Professional Development ("CPD") program commenced for all individual licensed settlement agents who hold a current triennial certificate from 1 January 2008. The Board also amended the Settlement Agents Regulations to reflect the introduction of CPD.

The CPD model was developed after feedback was received from settlement agents and key industry stakeholders following the release of a discussion paper in June 2005. The CPD model outlines:

- the number of points each participant must acquire each year;
- a set of requirements of training providers;
- an exemption policy; and
- a means of monitoring compliance.

The CPD program forms part of the licensing framework. Agents are required to undertake approved training before being able to renew their triennial certificate. In 2008, the Board fully subsidised the cost of training for the settlement industry and outsourced the development and delivery of it to suitably qualified training providers. The Board believes the CPD program will increase consumer confidence by improving the professionalism and standard of the industry.

The Board has also developed a section on its website for settlement agents, which is dedicated to the CPD program. It contains an overview of the CPD program, details of approved core and elective seminars, a frequently asked questions section and a Guide to the CPD program. The Board has evaluated the first six months of the CPD Program and believes that it has gone well and been a benefit to the industry and the general public. The Board intends to continue with the same CPD model for settlement agents in the future.

Electronic Conveyancing

During the reporting period, the Board was privileged to be invited as a member of the National Electronic Conveyancing Systems (NECS) project team for Western Australia. This project team was established by Landgate. Currently Board Member Ms Valerie Haskins and the Board Registrar Mr Geoff Couper are members on this project team.

The benefits of electronic conveyancing are as follows:

- enables the subscribers to create and use an Electronic Lodgement File (ELF) to effect a property transaction;
- enables to undertake financial and legal settlements together with electronic lodgement of documents to various data recipients;
- requires each subscriber to be responsible for the provision of their own data into a shared work space;
- enables subscribers to remain fully responsible for the ELF and its data contents until their agreed settlement time;
- prohibits commencement of the settlement process until the ELF is properly executed;
- enables settlement and lodgement in one process;
- is designed to be at least as safe as paper based conveyancing;
- replaces the physical settlement and lodgement process;
- improves the transparency and certainty of conveyancing;
- eliminates paper documents often lost or incorrectly completed which often causes settlements to fail;
- substitutes bank cheques with electronic transfers and multiple disbursement into nominated bank accounts;
- reforms Office of State Revenue duty collection process; and
- improves data quality as all data is validated and certified on-line which will reduce the Land Registry requisitions.

The Board will continue to keep industry up to date on this matter and encourage agents to monitor the Landgate website regarding updating their electronic lodgements of settlement transactions.

Staff training on settlement agency practices

The Board, with the assistance of staff from the Proactive Compliance Section, conducted a series of 11 training sessions for Real Estate Branch staff to ensure the provision of consistent, accurate and high quality advice and service, on behalf of the Board, to industry members and the public.

These training sessions covered the following topics:

- Settlement process;
- Trust accounting and case studies;
- Valid appointments to act;
- Report writing skills;
- Guide to Offer and Acceptance Contract and Joint Form of General Conditions;
- Trust account reconciliation;
- Transition from sale to settlement;
- Proactive case studies; and
- Responsibilities in a real estate and settlement transaction.

SECTION TWO

Organisational structure and profile



Organisational profile

Enabling legislation

The Board is the independent statutory authority established under the *Settlement Agents Act 1981* ("the Act") to regulate people who conduct settlement transactions. The Board administers the Act and the *Settlement Agents' Code of Conduct 1982* ("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 the *Settlement Agents Regulations 1982* ("the 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 performs other functions conferred upon it by the Act, such as:

- compliance activities; and
- administration of the Fidelity Guarantee Account.

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

- licensing revenue;
- interest earned on money held in agents' 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 goal that:

The people of Western Australia have confidence in the settlement industry.

Core values and conduct

The 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 transparent 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 transparent 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.

1 Licensing	2 Compliance	3 Education & Awareness	4 Fidelity Guarantee Account
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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.

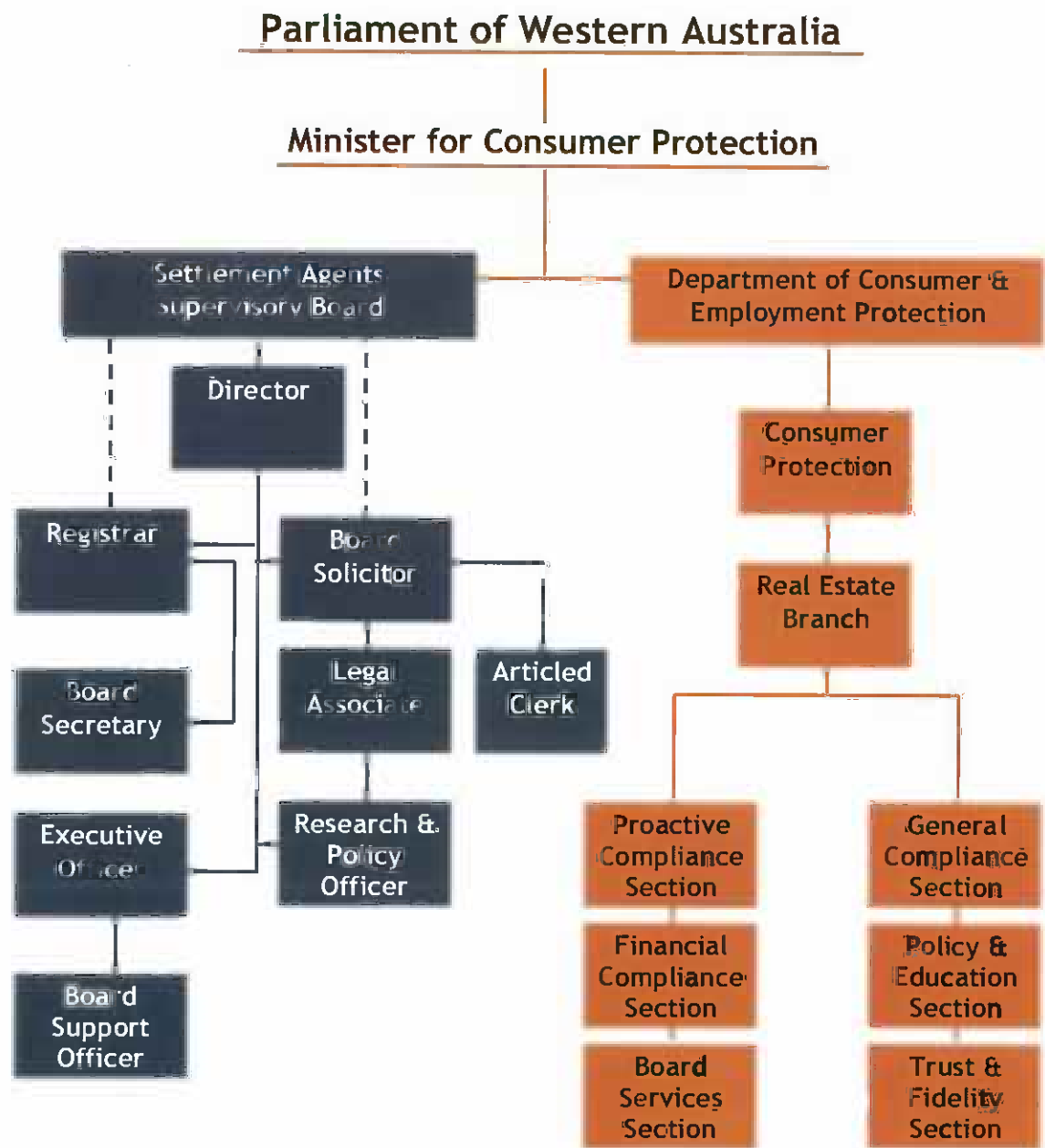
Education and Awareness: Aims to encourage awareness of settlement 'best practice' through activities such as proactive visits, CPD program, seminars and publications and through the Board's website.

Fidelity Guarantee Account: 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 who hold a current triennial certificate 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 between the Board and DOCEP.

Board organisational chart



Board members



MS MIRINA MUIR (CHAIR)

Ms Muir was appointed as the Chair in May 2008. Ms Muir is a legal practitioner and is currently the General Corporate Counsel for RCR Tomlinson Pty Ltd, the Principal Director of Arbitration and Mediation Australia, and a part time Academic at Notre Dame University. Ms Muir previously held the position of Legal Practitioner Member of the Board from 2001 to 2005.



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: VACANT



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: 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 ten years. Ms Pinczuk has been a member of the Board since 1997.

DEPUTY: MR DOMINIC LOIACONO



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 30 years experience in the industry, and has operated her own agency for over 20 years. Ms Haskins has been a member of the Board since July 1995.

DEPUTY: VACANT

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 Chairperson;
- 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 re-appointment. The Governor may appoint a deputy of a member.

Our people

The Board engages nine staff. The Director, Board Solicitor, Legal Associate, Board Executive Officer, Board Support Officer and Articled Clerk are employed in a joint funding arrangement with the Real Estate and Business Agents Supervisory Board. The Registrar, Research and Policy Officer, and Board Secretary are employed directly by the Board.

Role of key staff

Director

The Director is the Chief Officer of the Board and is responsible for providing advice and assistance to the Board in its day-to-day operations. The Director is also responsible for ensuring that Board's policies and strategies, for regulating the 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 its inspectors on the interpretation and application of legislation administered by the Board. The Board Solicitor also provides advice on matters relevant to the Board, such as the conduct of proceedings before the Board, the State Administrative Tribunal ("SAT") and the courts.

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

Registrar

The Registrar ensures the overall efficient operation of the Board and staff in the administration of the Act, the Code of Conduct and the Regulations; assists in overseeing the operations of the Board and provides guidance and leadership to staff and conducts staff training sessions; reports to the Board on policy, legislative and operational issues that may impact on the Boards viability or their ability to meet legislative requirements; contributes as a member of a number of Board sub-committees to assist in the management, development, implementation and evaluation of Board objectives and policies; and manage Board projects as directed.

The Registrar is also responsible for undertaking the statutory functions as Registrar of the Board, briefs and directs the legal officer on operational issues under delegated authority from the Board; determines which investigations are recommended to the Board for the Board to allege to SAT disciplinary action; and authorises the closure of complaints as a result of an investigation.

The Registrar also builds and maintains a cooperative and effective working relationship with the Minister's office, industry and consumer organisations; develops and maintains contacts with similar regulatory authorities throughout Australia; liaises with and represents the Board in dealings with the media as required; represents the Board at conferences, seminars, relevant committees, and working parties; promotes the Board; and advances its objectives.

Corporate governance

Legislation and statutory reporting compliance

The Board complies with the following statutes in performing its functions:

- *Settlement Agents Act 1981;*
- *Real Estate and Business Agents Act 1978;*
- *State Records Act 2000;*
- *Public Sector Management Act 1994;*
- *State Supply Commission Act 1991;*
- *Occupational Safety and Health Act 1984;*
- *Equal Opportunity Act 1984;*
- *Disabilities Services Act 1993;*
- *Financial Administration and Audit Act 1985*
- *Financial Management Act 2006;*
- *Freedom of Information Act 1992;*
- *Public Interest Disclosure Act 2003;*
- *Electoral Act 1907;*
- *Criminal Code Act Compilation Act 1913;*
- *Fair Trading Act 1987;*
- *Mutual Recognition (Western Australia) Act 2001;*
- *Mutual Recognition Act 1992 (Cwlth);*
- *State Administrative Tribunal Act 2004;*
- *Magistrates Court Act 2004; and*
- *Supreme Court Act 1935.*

SECTION THREE

Performance management framework



Performance management framework

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 2007-08 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 reports that it 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 2007-08, the Board did not receive any 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 sets standards concerning the Board's operational requirements and expected behaviour of its members and staff as they conduct their

day-to-day work. It also provides guidance and practical assistance on the procedure to follow when faced with an ethical issue.

When the Board is in session, members are required to act in accordance with their own independent views and experiences, in the 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 2007-08, the Board received one request for information under the freedom of information legislation.

DOCEP provides administrative assistance 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

SECTION FOUR

Performance report on services



Service One: Licensing

Strategic objectives

The Board's objectives for the 2007-08 reporting period were to:

- administer the scheme of licensing in accordance with the *Settlement Agents Act 1981* ("the Act");
- assess the fitness¹ of people entering the industry and of those applying to renew their triennial certificates; and
- audit the computer databases of DOCEP to ensure the information recorded is accurate.

Performance

In 2007-08, the Board achieved the following outcomes:

- 49 applications for new settlement agent licences were processed;
- 258 applications for triennial certificate renewal were processed;
- 100 per cent of applications were acknowledged within five days of receipt;
- 100 per cent of new licence applicants were 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 were advised of the outcome of their application within five days of a Board decision.

Overview

All settlement agents require a licence as well as a current triennial certificate in order to carry on business in Western Australia. The licence issued by the Board is continuous², while the triennial certificate must be renewed every three years.

The Board assesses 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.

¹ The Act stipulates that to hold an agents licence [section 27(1)(b) of the Act] 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.

² Subject to there being a current triennial certificate or a holding fee.

Current settlement agent fees

The fee for a new licence application for an individual, including a \$150 payment to the Fidelity Guarantee Account, totals \$730. The fee for a new licence application for a partnership, firm or body corporate, including a \$150 payment to the Fidelity Guarantee Account, is \$910.

The fee for renewal of a triennial certificate, including a \$150 payment to the Fidelity Guarantee Account, is \$525 for individuals, partnerships and corporate bodies. At the end of the reporting period, there were 552 active real estate settlement agents and 42 active business settlement agents who hold a licence and current triennial certificate.

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 \$190. This places their licence on hold for a period of three years. At the end of the reporting period, 124 real estate settlement agents and three business settlement agents had their licence on hold.

Licensing kit

The Board's website at www.sasb.wa.gov.au presents a licensing kit that provides information for new licence holders. The kit consists of information on setting up a trust account, auditing processes, the CPD Guide 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 also provides a fact sheet on *Licensing of settlement agents* which presents 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* and the *Mutual Recognition Act 1992 (Cwlth)*.

Service Two: Compliance

Strategic objectives

In 2007-08, the Board strived to meet the following objectives:

- that agents comply with the requirements of the Act and the Code of Conduct;
- delivery of ethical and professional services by the settlement industry;
- that complaints are investigated promptly and dealt with by the Board in a timely manner;
- that audit reports are received on time and not qualified;
- prompt action taken against agents and others who fail to comply with the requirements of the Act and the Code of Conduct; and
- that in appropriate cases the Board commences proceedings before the State Administrative Tribunal ("SAT") or other appropriate court.

Performance

In 2007-08, the Board was able to achieve the following outcomes:

In general compliance

- 49 investigations were initiated;
- 52 investigations were completed;
- 98 per cent of investigations acknowledged within eight days; and
- 95.8 per cent of investigations were commenced within 14 days.

In financial compliance

- 64 qualified audit investigations were initiated;
- 59 investigations into qualified audits completed;
- 100 per cent of qualified audit investigations were commenced within 14 days;
- 24 trust account investigations were initiated;
- 25 trust account investigations completed; and
- 95.7 per cent of trust account investigations commenced within 14 days.

General Compliance

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

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.

This year there was a significant decrease in the number of new investigations commenced into the conduct of agents. In 2007-08, the Board commenced 49 investigations, compared to 80 in the previous reporting period.

Where an investigation or inquiry reveals evidence of non-compliance with the Act or the Code of Conduct, the result will not always be proceedings being commenced in SAT or a court. Depending on the circumstances, the Registrar may close the matter without recommending to the Board that it commences disciplinary or other proceedings. In 2007-08, the Registrar closed 26 investigations, and issued 13 administrative letters and 13 education letters.

If there is sufficient evidence of a breach, 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 or the Code of Conduct, and the strength of the evidence available will be taken into consideration. In this reporting period, the Board commenced and completed eight proceedings in the SAT and four in the Magistrates Court.

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. They are:

- 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; and
- financial institutions notifying the Board when a trust account becomes overdrawn.

During 2007-08, the Board initiated 64 investigations into qualified audit reports compared to 52 from the previous reporting period. 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 may not be considered as significant, such as clerical or titling errors where the agent's triennial certificate number or trading name have not been included, reconciliations completed but some undertaken a few days late or not signed and dated, or 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 auditor awareness seminars conducted by the Board.

There were also 24 trust account investigations initiated in 2007-08, compared to 28 from the previous reporting period.

Service Three: Education and awareness

Strategic objectives

In 2007-08, the Board endeavoured to meet the following education and awareness objectives:

- 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 home buyers seminars;
- support and fund education programs for members of the public and for the professional development of agents;
- develop educational material, including publications and guides, for distribution to members of the public and industry;
- conduct training sessions for Branch staff to ensure the provision of consistent, accurate and high quality advice and service to industry members and the public;
- publish the quarterly newsletter, *Settlement Agents News*, for distribution to licensees, sales representatives, auditors and members of the public who wish to receive a copy; and
- Introduce the Compulsory Professional Development program designed to update the knowledge and skills of agents in the areas of industry developments, legislative change and work practices.

Performance

In 2007-08, the Board achieved the following outcomes:

- 91 proactive compliance visits of settlement agencies were made, of which 12 were in the regional areas of Western Australia;
- Three education seminars were delivered for agents on various topics covering different requirements of the Act and the Code of Conduct;
- Two homebuyer seminars were conducted jointly with the Real Estate and Business Agents Supervisory Board; and

- Four issues of *Settlement Agents News* were published and distributed to both settlement and real estate licensees, sales representatives licensed by the Real Estate and Business Agents Supervisory Board, auditors and members of the public who wish to receive a copy.

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 compliance to legislative requirements. Participation by agents is voluntary. This financial year, the Board conducted 91 proactive visits to agencies, a 22 per cent decrease from the 117 agencies visited in 2006-07. This is due to all agents having received multiple proactive visits in the past nine years. Of those visits 11 per cent were carried out in regional areas. Focus is now on new agents and those considered of higher risk (e.g. having received a qualified audit report). The proactive visit checklist was further developed and more files are reviewed at each visit. 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 and the Code of Conduct;
- 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 person 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 and the Code of Conduct. The majority of feedback received from agents, who have participated in the program, indicate that the proactive compliance visits were helpful and informative.

Changes to educational qualification

The new educational qualifications for licensees came in to effect from 1 July 2007. The licensees are required to complete a full Diploma in Financial Services (Conveyancing) and two core competencies - Obtain and analyse all information for the transaction, and Negotiate to achieve goals and manage disputes - which have been extracted from the National Competency based Advanced Diploma of Conveyancing course.

Transitional arrangements are in place until 30 June 2009, to allow those people who had completed the seven core competencies (which have been extracted from the National

Competency based Diploma of Conveyancing and Advanced Diploma of Conveyancing courses), to gain the required two years of practical experience before applying for a licence.

The Board believes that the new educational qualifications for grant of a licence will afford greater confidence to consumers dealing with settlement agents. It will also ensure that settlement agents are better informed about modern business practices.

Trust account training for new licensees

The Board has a requirement that new settlement agents must attend a trust account seminar within six months of their licence being granted. During the reporting period the Board appointed a suitably qualified external training provider to run the seminars. The Board also deemed that new agents had also satisfied this requirement, if they opted to attend the trust account CPD seminars held throughout the calendar year by other suitably qualified external training providers.

Information services

In April 2008, in keeping with the Board's commitment in ensuring that the public can have confidence in the settlement industry of Western Australia, the Board established a specialist settlement agents compliance team and a Settlement Agents Advice Line.

The new settlements agents advisory line replaced the previous telephone advice service obtained through DOCEP, which catered jointly for the real estate and settlement industry. The Board believes this new initiative will assist to improve consistency and professionalism in the industry through the identification and analysis of trends and significant industry issues.

Under the Service Delivery Agreement, the Board obtained advice line services through DOCEP. In 2007-08 the Advice Line received 6,478 telephone enquiries from the public seeking information on settlement matters. Of the telephone enquiries received, 97.3 per cent were answered within 90 seconds. In addition, the dedicated Settlement Agents Advice Line established in April 2008 received 252 telephone enquiries from April to 30 June 2008. The main areas of enquiry relate to matters such as settlement delays, fees, disbursements and utilities, and conflict of interest.

In addition, the Board's counter service received 30 enquiries on settlement matters in 2007-08. Of these enquiries, 98.3 per cent were handled within ten minutes.

Education Advisory Committee

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

- Ms Valerie Haskins, Board member - Chair;
- Mr Geoff Couper – Board Registrar;
- Ms Jill Nelson-Coulon - Australian Institute of Conveyancers (AIC) WA Division Inc; and
- Ms Liz Reiss - Independent Settlement Agents Association.

Educational representatives from Central TAFE (Ms Maree Tabb, Learning Portfolio Manager - Finance and Property Services) and AAMC (Mr Wayne Davey, Director Learning - Property) attended agenda items on education and training of the committee meetings when required.

In 2007-08, the Committee met eight times and considered the following matters:

- the introduction, further development and continuation of the Compulsory Professional Development ("CPD") program for settlement agents in 2009;
- the development of the Memorandum of Understanding ("the MOU") between Central TAFE and the Board for the delivery of training courses in conveyancing;
- educational funding;
- change in qualifications for grant of a licence;
- review of the Australian Institute of Conveyancers of Western Australia ("the AICWA") Conveyancing Guide;
- review of the Joint Form of General Conditions regarding Notices;
- review of the Office of State Revenue ("the OSR") Substituted Purchaser provisions; and
- review of OSR Revenue on line practices and procedures.

The most significant issues for the Education Advisory Committee in 2007-08 were the development of the CPD model, introduction of the CPD program to the settlement industry and the amendments to the Regulations to support the introduction of CPD in 2008. The other significant issue was negotiation to enter into a Memorandum of Understanding between Central TAFE and the Board for the delivery of training courses in conveyancing. The reviews of the Conveyancing Guide (a joint publication of AICWA and the Board), the Joint Form of General Conditions regarding notices, Office of State Revenue substituted purchaser provisions, and OSR Revenue on line practices and procedures are currently progressing and the Committee anticipates they will all be completed in the new financial year.

Settlement Agents News

The Board produces a printed quarterly newsletter, the *Settlement Agents News*, to provide information to settlement industry members and other people who have expressed an interest in receiving information relating to the settlement industry free of charge. 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, auditors and those people who have requested a copy, and can also be downloaded free of charge from the Board's website. The Board particularly thanks member Ms Valerie Haskins for her significant contribution to the articles published in the newsletter.

Website

The Board's website at www.sasb.wa.gov.au is a significant resource, and assists the Board to carry out its statutory functions. The website is integral to the Board's commitment to conduct and promote education and provide advisory service for industry members and the public. The website contains a range of information for industry and members of the public.

It provides downloadable copies of all the Board's publications, information on services available through the Board, access to electronic copies of settlement legislation, and decisions arising out of disciplinary proceedings from 2001 to 2005. The SAT orders from 2005 onwards are available from its website www.sat@justice.wa.gov.au.

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 the Act and the Code of Conduct, and links to published articles. The index has proven to be a useful resource for anyone seeking information on a particular settlement topic.

The Board developed and dedicated a section of its website to coincide with the introduction of the CPD Program on 1 January 2008. New material continues to be added to the CPD section regularly. It currently provides downloadable copies of the CPD Guide and frequently asked questions and information on CPD topics, licensing requirements, industry issues and seminars.

Complaint handling guidelines

As part of a strategy to improve awareness of effective complaint handling procedures, the Board produces a publication entitled *Complaint handling guidelines for the settlement and real estate industries*. This publication is a joint initiative with the Real Estate and Business Agents Supervisory Board.

The publication presents general recommendations that are considered essential for the agencies managing complaints made directly to them about their services. 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 under review. The Board plans to consult with industry and seek their feedback prior to final publication of the Guide.

Publications

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

- *Property settlement;*
- *Choosing a settlement agent;*
- *Licensing of settlement agents;*
- *SASB Trust accounting handbook;*
- *A guide to auditing settlement agents trust accounts;*
- *A guide to investigations and disciplinary inquiries; and*
- *Information for complainants: settlement industry.*

Service Four: Fidelity Guarantee Account

Strategic objectives

The purpose of the Fidelity Guarantee Account ("Fidelity Account") 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 2007-08, one claim was lodged and none finalised by the Board against the Fidelity Account.

Overview

The Fidelity Account is financed through contributions from agents, interest on agents' trust accounts, and interest generated on the Fidelity Account. The Fidelity Account is kept at the Treasury, forming part of the Trust Fund constituted under section 8 of the *Financial Management Act 2006*. Money standing to the credit of the Fidelity Account is invested with the Treasury, and income derived from this is credited to the Fidelity Account.

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 Account claims lodged

	2003-04	2004-05	2005-06	2006-07	2007-08
Number of Claims	1	155	19	9	1

There was one claim lodged against the Fidelity Account in 2007-08, compared to nine claims lodged in the previous reporting period. No claims were finalised in 2007-08.

The Board publishes an information bulletin/guide designed to assist claimants in completing the form. The bulletin is available on the SASB website www.sasb.wa.gov.au and contains information about the Fidelity Account, including eligibility criteria and an overview of the claim process.

Auditor General's opinion



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

SETTLEMENT AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008

I have audited the accounts, financial statements, controls and key performance indicators of the Settlement Agents Supervisory Board.

The financial statements comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. 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 key 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 key performance indicators.

Settlement Agents Supervisory Board
Financial Statements and Key Performance Indicators for the year ended 30 June 2008

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 2008 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key 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 2008.


COLIN MURPHY
AUDITOR GENERAL
17 September 2008

SECTION FIVE

Performance indicators



Certification of performance indicators

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 2008.



Mirina Muir
Chair

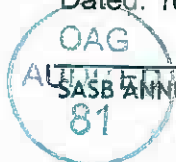


Rod Lane
Member

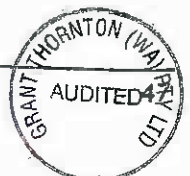


Tim Banfield
A/Director SASB
Chief Finance Officer

Dated: 16 September 2008



SASB ANNUAL REPORT 2007-2008



Performance indicators 2007 - 2008

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 conducting 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 Act. 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 the Board with 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

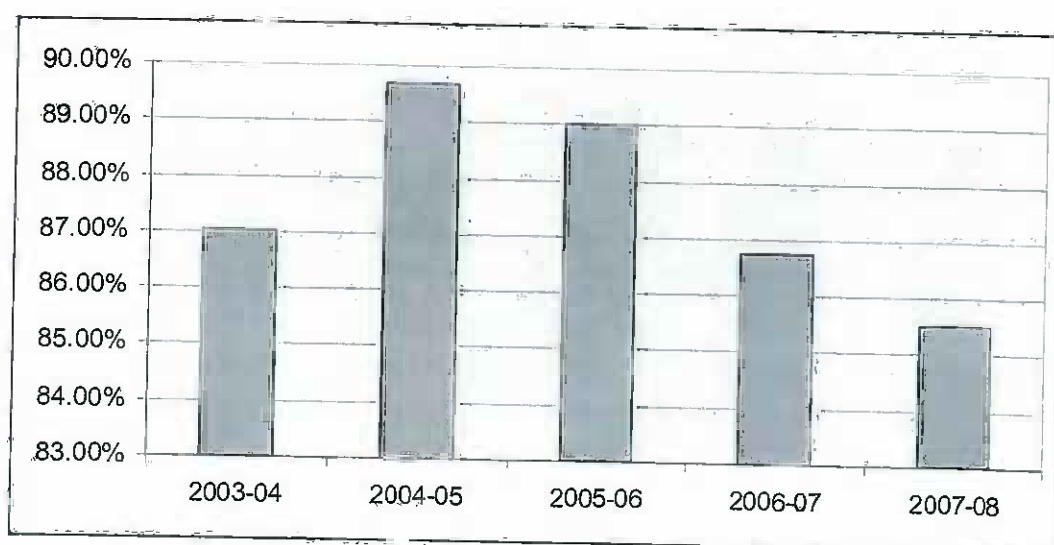
The proportion of settlement agents that submit an unqualified audit report or a statutory declaration.



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

	2003-04	2004-05	2005-06	2006-07	2007-08
Unqualified Audit Reports	229	240	256	242	230
Qualified Audit Reports	45	38	39	54	60
Statutory Declarations	100	90	100	111	124
No Audit Report	4	0	5	0	0
Total Agents	378	368	400	407	414
% of Agents submitting an unqualified audit or statutory declaration	87.04	89.67	89	86.73	85.51

Per cent of agents submitting an unqualified audit or statutory declaration



Notes to the indicator

The Act requires agents 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 SAT 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 were 7 more active agents conducting settlement transactions than last year, with 12 less unqualified audits and 6 more qualified audits. The proportion of settlement agents submitting unqualified audits or statutory declarations has decreased slightly from 86.73 per cent last year to 85.51 per cent this year.

Although the Board remains 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. This increased awareness can be attributed to the education program and industry seminars conducted by the Board and its independence of audit policy.

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 the Code of Conduct, and administers the Fidelity Guarantee Account.

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.

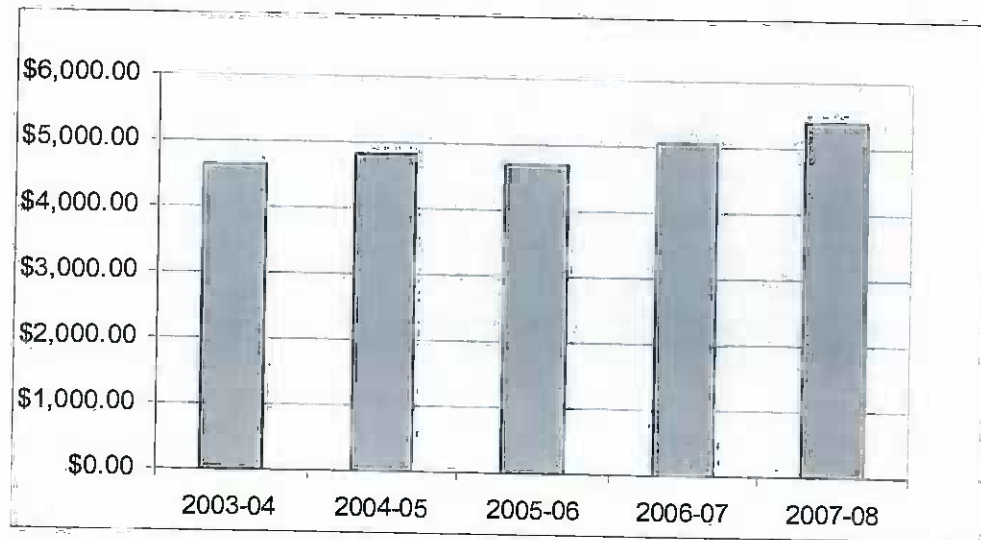
Measure

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

	2003-04	2004-05	2005-06	2006-07	2007-08
Annual Cost*	\$1,752,982	\$1,767,611	\$1,879,515	\$2,060,772	\$2,232,614
Active Licensed Agents	378	368	400	407	414
Cost per Active Licensed Agents	\$4,637.51	\$4,803.29	\$4,698.79	\$5,063.32	\$5,392.79

Note: The annual cost of regulating the settlement industry has been calculated using the total annual expenditure of the Board less Fidelity Guarantee payments made in that financial year. Fidelity Guarantee 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.

Cost per licensed agent of regulating the settlement industry



Notes to the indicator

The efficiency indicator is based on the cost of delivering the service per active licensed settlement agent. In the 2007-08 financial year a total of \$2,232,614 was expended on regulating an industry with 414 active licensed agents.

This year the average cost of regulating the settlement industry for each licensed agent increased from \$5,063.32 in 2006-07 to \$5,392.79 in this financial year. This increase of 6.5 per cent was due to the increase in the Service Delivery cost, and greater funds expended through an education funding tender for education and professional development of industry participants.

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

SECTION SIX

Financial statements



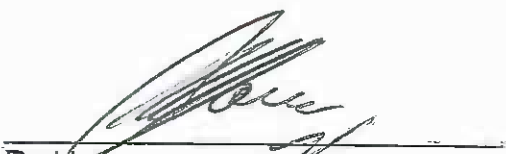
Certification of financial statements

The accompanying financial statements of the Settlement Agents Supervisory Board have been prepared in accordance with the provisions of the *Financial Management Act 2006* from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2008 and the financial position at 30 June 2008.

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.



Mirina Muir
Chair



Rod Lane
Member



Tim Banfield
A/Director SASB
Chief Finance Officer

Dated: 16 September 2008



SASB ANNUAL REPORT 2007-2008



SETTLEMENT AGENTS SUPERVISORY BOARD

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
INCOME			
<i>Revenue</i>			
Agents trust account interest		6,885,849	6,421,651
Licence revenue	4.	98,087	84,262
Contributions to the Fidelity Guarantee Account		34,650	41,100
Fines and costs		28,222	44,609
Interest revenue		2,401,085	1,697,480
Other revenues	5.	67,331	6,786
<i>Gains</i>			
Gains on disposal of non-current assets	6.	27	0
Total Income		<u>9,515,251</u>	<u>8,295,888</u>
EXPENSES			
<i>Expenses</i>			
Employee benefits expense	7.	391,326	386,580
Board fees		31,686	41,813
Supplies and services	8.	1,603,293	1,526,350
Depreciation and amortisation expense	9.	25,372	19,196
Accommodation expenses	10.	1,087	2,272
Grants	11.	148,899	55,283
Fidelity payments		0	22,444
Other expenses	12.	30,951	29,278
Total Expenses		<u>2,232,614</u>	<u>2,083,216</u>
Profit for the period		<u>7,282,637</u>	<u>6,212,672</u>

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



SETTLEMENT AGENTS SUPERVISORY BOARD

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents	20.	17,524,216	15,037,281
Restricted cash and cash equivalents	20.	20,572,805	15,942,765
Receivables	13.	1,246,499	1,045,354
Total Current Assets		<u>39,343,520</u>	<u>32,025,400</u>
Non Current Assets			
Property, plant and equipment	14.	35,481	49,562
Intangible Assets	15.	0	0
Total Non-Current Assets		<u>35,481</u>	<u>49,562</u>
TOTAL ASSETS		<u>39,379,001</u>	<u>32,074,962</u>
LIABILITIES			
Current Liabilities			
Payables	17.	190,742	191,246
Provisions	18.	46,823	45,148
Licence revenue received in advance	4.	90,764	79,445
Other current liabilities	19.	150	150
Total Current Liabilities		<u>328,479</u>	<u>315,989</u>
Non Current Liabilities			
Licence revenue received in advance	4.	73,143	72,527
Provisions	18.	33,879	25,583
Total Non Current Liabilities		<u>107,022</u>	<u>98,110</u>
Total Liabilities		<u>435,501</u>	<u>414,099</u>
NET ASSETS		<u>38,943,500</u>	<u>31,660,863</u>
EQUITY			
Retained earnings		38,943,500	31,660,863
TOTAL EQUITY		<u>38,943,500</u>	<u>31,660,863</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 2008

	Note	2008 \$	2007 \$
Balance of equity at start of period		31,660,863	25,448,191
RETAINED EARNINGS			
Balance at start of period		31,660,863	25,448,191
Profit for the period		7,282,637	6,212,672
Balance at end of period		38,943,500	31,660,863
Balance of equity at end of period		38,943,500	31,660,863
Total income and expense for the period ^(a)		7,282,637	6,212,672

- (a) The aggregate net amount attributed to each category of equity is: surplus \$7,282,637 (2007: surplus \$6,212,672).

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



SETTLEMENT AGENTS SUPERVISORY BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Agents trust account interest received		6,930,103	6,400,046
Bank and investment interest received		2,167,132	1,562,167
Licence receipts		110,022	127,080
Contributions paid into the Fidelity Guarantee Account		34,650	41,100
GST receipts on sales		54	976
GST receipts from ATO		25,642	34,186
Other receipts		58,411	51,395
Payments			
Employee benefits		(381,355)	(365,956)
Supplies and services		(1,636,715)	(1,597,251)
GST payments on purchases		(30,806)	(38,171)
Grants		(148,899)	(55,283)
Net cash provided by operating activities	20.	7,128,239	6,160,289
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of non current physical assets		27	0
Purchase of non current physical assets		(11,291)	(47,876)
Net cash (used in) investing activities:		(11,264)	(47,876)
Net increase in cash and cash equivalents		7,116,975	6,112,413
Cash and cash equivalents at the beginning of period		30,980,046	24,867,633
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	20.	38,097,021	30,980,046

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 2008

1. Australian equivalents to International Financial Reporting Standards

General

The Board's financial statements for the year ending 30 June 2008 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprises a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Interpretations).

In preparing these financial statements the Board has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Board cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Board for the annual reporting period ending 30 June 2008.

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 Management 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.

(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) Reporting Entity

The reporting entity comprises only the Board and there are no related bodies.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(d) Income

Revenue Recognition

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.

(e) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing \$1,000 or more 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.

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
-------------------------	---------

(f) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing \$1,000 or more 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.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

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.

(g) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet 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, where the replacement cost is falling or where there is a significant change in useful life. 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 balance sheet 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-based 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 balance sheet date.

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



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(h) 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

(i) Financial instruments

In addition to cash the Board has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents;
- Receivables

Financial Liabilities

- Payables

Initial recognition and measurement is at fair value. The transaction cost or the face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short term 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.

(j) 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.

(k) 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 against the allowance account. 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.

(l) 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.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(m) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

(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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet date.

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 commencing employment prior to 16 April 2007 who were not members of the Pension or the GSS schemes became non contributory members of the West State Superannuation (WSS) Scheme. Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Board makes concurrent contributions to GESB on behalf of employees in compliance with the with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Schemes.

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 balance sheet 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 balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The GSS Scheme, the WSS Scheme and the GESBS 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, WSS Scheme and the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

The Gold State Superannuation Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from the Boards perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

(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

(n) 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.

(o) 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.

(p) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

3. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Board has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007 that impact on the Board:

- ¹ AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosure in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Boards exposure to risks, including enhanced disclosure regarding components of the Board's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Changes in accounting estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

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:

	2008	2007
	\$	\$
Revenue received in advance 1 July balance (current)	79,445	60,338
Revenue received in advance 1 July balance (non current)	72,527	48,815
Cash received during the year	110,022	127,081
Total receipts received	261,994	236,234
Revenue recognised during the year	98,087	84,262
Revenue received in advance	163,907	151,972
Held in		
Revenue received in advance account (current)	90,764	79,445
Revenue received in advance account (non current)	73,143	72,527
Total	163,907	151,972

5. Other revenues

Other revenues consists of:

	2008	2007
	\$	\$
Copy of licence	248	176
Contribution to vehicle use	989	1,318
Miscellaneous revenue	14,867	5,202
Contribution to insurance	32	90
Refund by DOCEP	51,195	0
Total	67,331	6,786



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

	2008	2007
	\$	\$
Costs of Disposal of Non-Current Assets		
Computers and equipment	0	0
Proceeds from Disposal of Non-Current Assets		
Computers and equipment	27	0
Net gain/(loss)	<u>27</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 arrangement which started in the 1999/2000 financial year is for an all inclusive fixed fee. The wages and salaries figure below represents only that of employees directly employed by the Board.

	2008	2007
	\$	\$
Wages and salaries	317,072	294,230
Annual leave	3,951	10,936
Long service leave	4,632	6,026
Superannuation	25,293	23,267
Other related expenses	40,378	52,121
Total Staff costs	<u>391,326</u>	<u>386,580</u>

Other 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 2008

8. Supplies and services

	2008	2007
	\$	\$
Advertising	3,206	1,521
Bank charges	316	385
Communications	5,515	8,071
Consultants and contractors fees	3,110	119
Consumables	7,501	11,359
Hire charges	3,042	3,888
Insurance	5,905	10,160
Legal	78,330	87,271
Miscellaneous	1,000	27
Printing	9,286	18,517
Professional services	58,656	25,869
Repair and maintenance	22	0
Service Delivery Agreement	1,420,276	1,354,771
Stationery	4,976	2,599
Sundry assets costing under \$1000	1,498	370
Website subscription	654	1,423
Total	<u>1,603,293</u>	<u>1,526,350</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

9. Depreciation and amortisation expense

	2008	2007
	\$	\$
Depreciation		
Computers and equipment	25,372	19,196
Total depreciation	<u>25,372</u>	<u>19,196</u>
Amortisation		
Intangible assets (REMIS software)	0	0
Total amortisation	<u>0</u>	<u>0</u>
Total depreciation and amortisation	<u>25,372</u>	<u>19,196</u>



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. Accommodation expenses

	2008	2007
	\$	\$
Occupancy costs and parking	1,087	2,272

11. Grants

	2008	2007
	\$	\$
Education grants		
West Coast Property Training	29,200	0
AAMC Training Group	48,453	15,663
TAFE WA	71,246	39,620
Total	<u>148,899</u>	<u>55,283</u>
Total grants	<u>148,899</u>	<u>55,283</u>

12. Other expenses

	2008	2007
	\$	\$
Audit fees	22,400	20,200
Employment on costs ^(a)	8,551	9,078
	<u>30,951</u>	<u>29,278</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

	2008	2007
	\$	\$
Current		
Accrued agents trust account interest	543,480	587,734
Accrued investment interest	688,564	454,611
GST Recoverable	14,455	3,009
Total	<u>1,246,499</u>	<u>1,045,354</u>

14. Property, plant and equipment

	2008	2007
	\$	\$
Computers and equipment at cost	99,039	103,367
Accumulated Depreciation	<u>(63,558)</u>	<u>(53,805)</u>
	35,481	49,562
Total Property Plant & Equipment	<u>35,481</u>	<u>49,562</u>



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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.

	2008 \$	2007 \$
Computers and Equipment		
Carrying amount at start of year	49,562	20,882
Additions	11,291	47,876
Disposals	(15,619)	0
Accumulated depreciation on disposals	15,619	0
Depreciation expense	(25,372)	(19,196)
Carrying amount at end of year	35,481	49,562
Total Property, plant and equipment	35,481	49,562

15. Intangible assets

	2008 \$	2007 \$
REMIS Software at cost	0	121,838
Accumulated amortisation	0	(121,838)
	0	0
REMIS Software		
Carrying amount at start of year	0	0
Additions	0	0
Disposals	121,838	0
Accumulated amortisation on disposals	(121,838)	0
Amortisation expense	0	0
Carrying amount at end of year	0	0

16. Impairment of assets

There were no indications of impairment of Property, plant and equipment and Intangible assets at 30 June 2008.

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

There were no surplus assets at 30 June 2008 held for sale or write off.

17. Payables

	2008 \$	2007 \$
Current		
Accrued Expenses		
Audit Fees	22,400	20,200
Board Fees	0	13,330
Salaries	9,186	1,407
Reimbursement to Dept of Consumer & Employment Protection	159,106	143,892
GST Payable	50	0
Miscellaneous creditors	0	12,417
Total	190,742	191,246



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18. Provisions

	2008 \$	2007 \$
Current		
Employee Benefits Provisions		
Annual leave ^(a)	21,153	17,202
Long service leave ^(b)	18,424	21,595
Superannuation	3,513	3,325
	<u>43,090</u>	<u>42,122</u>
Other provisions		
Employment on costs ^(c)	3,733	3,026
Total	<u>46,823</u>	<u>45,148</u>
	2008 \$	2007 \$
Non Current		
Employee Benefits Provisions		
Long service leave ^(b)	31,649	23,846
Superannuation	2,072	1,582
	<u>33,721</u>	<u>25,428</u>
Other provisions		
Employment on costs ^(c)	158	155
Total	<u>33,879</u>	<u>25,583</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 balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows

	2008 \$	2007 \$
Within 12 months of balance sheet date	12,734	10,407
More than 12 months after balance sheet date	8,419	6,795
	<u>21,153</u>	<u>17,202</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 balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2008 \$	2007 \$
Within 12 months of balance sheet date	18,026	15,632
More than 12 months after balance sheet date	32,047	29,809
	<u>50,073</u>	<u>45,441</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 2008

Movements in Other Provisions

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

	2008 \$	2007 \$
Employment on-cost provision		
Carrying amount at start of year	3,181	1,147
Additional provisions recognised	710	2,034
Carrying amount at end of year	<u>3,891</u>	<u>3,181</u>

19. Other liabilities

	2008 \$	2007 \$
Current		
Unclaimed monies	150	150
Total	<u>150</u>	<u>150</u>

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:

	2008 \$	2007 \$
Cash and cash equivalents at bank		
Education and General Purpose Account	383,716	296,781
Fidelity Guarantee Account (Restricted cash)	382,805	452,765
Board Interest Account	500	500
	<u>767,021</u>	<u>750,046</u>
Cash and cash equivalents held with Treasury		
Education and General Purpose Account	17,140,000	14,740,000
Fidelity Guarantee Account (Restricted cash)	20,190,000	15,490,000
	<u>37,330,000</u>	<u>30,230,000</u>
	<u>38,097,021</u>	<u>30,980,046</u>
Cash and cash equivalents	17,524,216	15,037,281
Restricted cash and cash equivalents	20,572,805	15,942,765
Total cash and cash equivalents	<u>38,097,021</u>	<u>30,980,046</u>



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

	2008 \$	2007 \$
Profit	7,282,637	6,212,672
Non-cash items:		
Depreciation and amortisation expense	25,372	19,196
Net (gain)/loss on sale of property, plant & equipment	(27)	0
(Increase)/decrease in assets:		
Current receivables	(201,146)	(154,803)
Increase/(decrease) in liabilities:		
Current Payables	(504)	19,781
Current Provisions	1,675	10,716
Revenue received in advance, current liabilities	11,319	19,107
Other current liabilities	0	0
Non current provisions	8,296	9,908
Revenue received in advance, non current liabilities	617	23,712
Net cash provided by/(used in) operating activities	<u>7,128,239</u>	<u>6,160,289</u>

21. Contingent Liabilities and Contingent Assets

Contingent Liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of x claims (2 as at 30/6/2007) against the Fidelity Guarantee Account totalling \$2.0m (\$1.6m as at 30/6/2007) for which no liability has been admitted by the Board.

Contingent Assets

The Board does not have any contingent assets in addition to the assets included in the financial statements.

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:

	2008	2007
\$0 - \$10,000	8	8
\$10,001 - \$20,000	1	0
Total remuneration of members of the Board is:	49,067	31,169

The total remuneration includes the superannuation expense incurred by the Board in respect of members of the Board.

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 2008

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:

	2008	2007
\$30,001 - \$40,000	1	1
Total remuneration of senior officers is:	33,286	32,697

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:

	2008	2007
	\$	\$
Auditing the accounts, financial statements and performance indicators	22,400	20,200

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

Lease commitments

Include commitments relating to arrangements containing "in-substance" leases under AASB 117 'Leases' for both operating and finance leases as appropriate.

Commitments in relation to leases contracted for at the balance sheet date but not recognised in the financial statements as liabilities are payable as follows:

	2008	2007
	\$	\$
Within 1 year	3,643	339
Later than 1 year and not later than 5 years	1,007	0
Later than 5 years	0	0
	<u>4,650</u>	<u>339</u>
Representing:		
Non-cancellable operating leases	<u>4,650</u>	<u>339</u>

The Board does not have any capital or finance lease commitments contracted for at the balance sheet date not recognised as liabilities.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

26. Events occurring after the balance sheet date

The Board is not aware of any events occurring after the balance sheet date that materially affect these financial statements.

27. Explanatory statement

This statement provides detail of any significant variations between estimates and actual results for 2008 and between the actual results for 2007 and 2008.

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

Significant variations between estimate and actual results for the financial year

	2008 Estimate \$	2008 Actual \$	Variation \$
Income			
Agents trust account interest	5,360,000	6,885,849	1,525,849
Interest revenue	1,641,000	2,401,085	760,085
Other revenues	2,400	67,331	64,931
Expenses			
Grants	75,000	148,899	73,899
Fidelity payments	200,000	0	(200,000)

Agents trust account interest

The over budget position is due primarily to an increase in interest rates that could not be predicted at the time the budget was prepared.

Interest revenue

Income from interest on deposits with Treasury and in the operating accounts are higher than budgeted due to higher than expected levels of deposits and higher interest rates.

Other revenues

Other revenues are higher than expected due to a refund from DOCEP associated with the service delivery agreement for the 2006/07 financial year.

Grants

The over budget on grants is a result of an unfinished contract allowed for in the previous financial year and work associated for continued professional development which was not in place when the budget was prepared.

Fidelity payments

The Board allowed in the budget a contingency for fidelity payments which did not eventuate.



SETTLEMENT AGENTS SUPERVISORY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

	2008	2007	Variation
	\$	\$	\$
Income			
Interest revenue	2,401,085	1,697,480	703,605
Other revenues	67,331	6,786	60,545
Expenses			
Grants	148,899	55,283	93,616

Interest revenue

Higher account balances, especially in the deposits held with Treasury combined with higher interest rates has resulted in a significant increase in revenue from this source.

Other revenues

A one off refund from DOCEP associated with the service delivery agreement for the 2006/07 financial year has resulted in revenue from this source being higher than the previous year.

Grants

Education grants are higher than the previous financial year due to costs associated with a contract associated with the last financial year and the introduction of continued professional development.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

28. 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

Credit risk arises when there is the possibility of the Board's receivables defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of these assets inclusive of any provisions for impairment, as shown in the table at Note 28c.

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.

Provisions for impairment of financial assets is calculated on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 13 'Receivables'.

Liquidity risk

The Board is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Board is unable to meet its financial obligations as they fall due.

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

Market risk

The Board does not trade in foreign currency and is not materially exposed to other price risks.

The Board's 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 Board's earnings however, movements in interest rates are beyond the Board's control.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(b) Categories of Financial Instruments

In addition to cash the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows.

	2008 \$	2007 \$
Financial Assets		
Cash assets	17,524,216	15,037,281
Restricted cash assets	20,572,805	15,942,765
Receivables	1,246,499	1,045,354
Financial Liabilities		
Financial liabilities measured at amortised cost ^(a)	354,800	343,367

(a) the amount of financial liabilities measured at amortised cost excludes GST payable to the ATO (statutory receivable/payable)

(c) Financial Instruments Disclosures

Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date. The Board's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown on the following table.

The table is based on information provided to senior management of the Board. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

The Board does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Board does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.



SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	Weighted Avg Effective Int Rate %	Variable Interest \$	Non Interest \$	Total \$
<u>Financial Assets</u>				
Cash assets	7.6%	17,524,216	0	17,524,216
Restricted cash assets	7.6%	20,572,805	0	20,572,805
		38,097,021	0	38,097,021
<u>Financial Liabilities</u>				
Payables ^(a)		0	190,742	190,742
Licence revenue received in advance		0	163,908	163,908
		0	354,650	354,650
<u>2007</u>				
	Weighted Avg Effective Int Rate %	Variable Interest \$	Non Interest \$	Total \$
<u>Financial Assets</u>				
Cash assets	6.15%	15,037,281	0	15,037,281
Restricted cash assets	6.15%	15,942,765	0	15,942,765
		30,980,046	0	30,980,046
<u>Financial Liabilities</u>				
Payables ^(a)		0	191,246	191,246
Licence revenue received in advance		0	151,971	151,971
		0	343,217	343,217

(a) The amount of financial liabilities measured at amortised cost excludes GST payable to the ATO (statutory receivable/payable).

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

SETTLEMENT AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Interest Rate Sensitivity Analysis

The following table represents a summary of the interest rate sensitivity of the Board's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

		-1% change		+1% change	
2008	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<u>Financial Assets</u>					
Cash assets	17,524,216	(175,242)	(175,242)	175,242	175,242
Restricted cash assets	20,572,805	(205,728)	(205,728)	205,728	205,728

Financial Liabilities

The Board does not have any Financial Liabilities subject to interest rate sensitivity.

Total Increase/(Decrease)

(380,970)	(380,970)	380,970	380,970
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		-1% change		+1% change	
2007	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<u>Financial Assets</u>					
Cash assets	15,037,281	(150,373)	(150,373)	150,373	150,373
Restricted cash assets	15,942,765	(159,428)	(159,428)	159,428	159,428

Financial Liabilities

The Board does not have any Financial Liabilities subject to interest rate sensitivity.

Total Increase/(Decrease)

(309,801)	(309,801)	309,801	309,801
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Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent reasonable approximation of fair value unless otherwise stated in the applicable notes.



SASB 2007 - 2008 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?

- | | |
|-----------------------------------------------|-------------------------------------------------|
| <input type="checkbox"/> Very informative | <input type="checkbox"/> Not informative at all |
| <input type="checkbox"/> Fairly informative | <input type="checkbox"/> Unsure |
| <input type="checkbox"/> Not very informative | |

2. Did the report meet your needs?

- | | | |
|------------------------------|-----------------------------|---------------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Unsure |
|------------------------------|-----------------------------|---------------------------------|

3. What is your overall impression of this report?

Language

- | | | | |
|---------------------------------------------|----------------------------------|--------------------------------------------------|---------------------------------|
| <input type="checkbox"/> Easy to understand | <input type="checkbox"/> Average | <input type="checkbox"/> Difficult to understand | <input type="checkbox"/> Unsure |
|---------------------------------------------|----------------------------------|--------------------------------------------------|---------------------------------|

Volume of information

- | | | | |
|-----------------------------------|-----------------------------------|-------------------------------------|---------------------------------|
| <input type="checkbox"/> Too much | <input type="checkbox"/> Suitable | <input type="checkbox"/> Too little | <input type="checkbox"/> Unsure |
|-----------------------------------|-----------------------------------|-------------------------------------|---------------------------------|

Design/Layout

- | | | | |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|
| <input type="checkbox"/> Good | <input type="checkbox"/> Average | <input type="checkbox"/> Poor | <input type="checkbox"/> Unsure |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|

Range of information

- | | | | |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|
| <input type="checkbox"/> Good | <input type="checkbox"/> Average | <input type="checkbox"/> Poor | <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.

Fax: 9282 0850

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

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