



GOVERNMENT OF  
WESTERN AUSTRALIA



# Real Estate and Business Agents Supervisory Board

## Annual Report 2006-2007

**REBA**  
Real Estate & Business Agents Supervisory Board

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## Statement of compliance

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HON SHEILA MCHALE MLA  
MINISTER FOR CONSUMER PROTECTION

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 Real Estate and Business Agents Supervisory Board for the year ending 30 June 2007.

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

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Mark Cuomo  
Chairman

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Michael Hoad  
Member

Dated: 29 August 2007

## Executive summary - Report from the Chair

I am pleased to present the Annual Report of the Real Estate and Business Agents Supervisory Board for the year ending 30 June 2007.

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

Throughout the year, the Board continued to monitor the real estate and business broking industries to ensure that they operate within the regulatory requirements. This year was not without its difficulties and challenges. The real estate market continued for half the year in the same manner as last year: rapid price increases; a low numbers of listings available; and high demand for property placing pressure on many agents. The Board is pleased with the level of industry performance generally, with a significant decrease in consumer complaints.

There were, however, 14 matters considered sufficiently serious to warrant the Board commencing proceedings in the State Administrative Tribunal. In particular, within a matter of weeks the Board obtained orders from the State Administrative Tribunal suspending the licences of four agents, and appointed supervisors to temporarily assume control of the agency businesses. The reason behind each was varied:

- The alleged misappropriation of approximately \$400,000 from the trust accounts of Charles Parrella & Associates;
- Allegations of irregular trust accounting practices at the agency of Moylan Real Estate;
- The appointment of a liquidator to Westpoint Realty meant that the agency business could no longer be properly conducted in accordance with legislation; and
- The apparent lack of a licensed individual in bona fide control to oversee the business of Megawin Property.

A significant portion of the Board's attention was devoted to its education function this year. After several years of development, January saw the Board's Compulsory Professional Development ("CPD") initiative implemented. The three mandatory seminars covered the topics of *'Conflicts of Interest and Required Disclosures'*, *'Valid Appointments to Act'* and *'Reconciliation of Trust Accounts'*. Seminar feedback indicates that the course content and material is assisting industry members. More than 95% of participants agree that the material is relevant to their current role and more than 85% indicating that the training provided them with new knowledge and skills. The Board is confident that the CPD program will continue to develop the knowledge and skills of the industry and in turn increase consumer confidence in the real estate and business broking industry.

This year also saw the Board involved in a national review into training course content by the Construction and Property Services Industry Skills Council ("CPSISC"). The CPSISC revised the *Property Development and Management Training Package* ("Training Package") in order to achieve greater consistency in training course content for property managers and sales representatives on a national basis. The Training Package is

designed to deliver consistency by prescribing the course structures for sales representatives and property managers, a consistency that is lacking in the structure of courses currently in place.

In Western Australia, the registered training providers currently offering courses that are prerequisites to entry into the industry as a property manager or sales representative collectively agreed to adopt certain courses from the CPSISC Training Package. This means that in the future registrants in any of the prerequisite courses, regardless of training provider, will study the agreed courses and receive comparable training.

In line with the government's regional focus, all Board Members and its senior officers travelled to Albany and Kalgoorlie. During these visits the Board held an industry seminar followed by an informal function to meet with local industry members, conducted proactive compliance visits, and held its end of month meeting. Travelling to the regional centres proved rewarding for both the Board and industry members, and the Board hopes to continue this initiative next year.

The rapid increase in real estate market prices proved difficult for first home buyers. The result for the Board was a low demand for grants from the Home Buyers Assistance Scheme due to less and less homes being available within the price threshold. The Board reviewed the eligibility criteria for a grant, which resulted in the maximum purchase price threshold being increased from \$250,000 to \$400,000. A further proposal to increase the price threshold again, and also increase the grant amount from \$2000 to \$4000, is currently with the Minister for consideration.

In closing, I would like to express my appreciation to my fellow members of the Board and their deputies for their efforts and dedication. Also, on behalf of the Board I wish to pay tribute to all the Board staff and officers of the Real Estate Branch of Consumer Protection. The Board could not function without their cooperation, dedication and commitment, and I congratulate each member, deputy member, staff member and officer for their professionalism and individual effort shown in facing up to the challenges presented in 2006-07.

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Mark Cuomo  
Chairman

Dated: 29 August 2007

# **SECTION ONE**

## **About the Board**

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

## Our organisation

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### Who we are

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

The functions of the Board include:

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

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

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

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

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

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

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

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

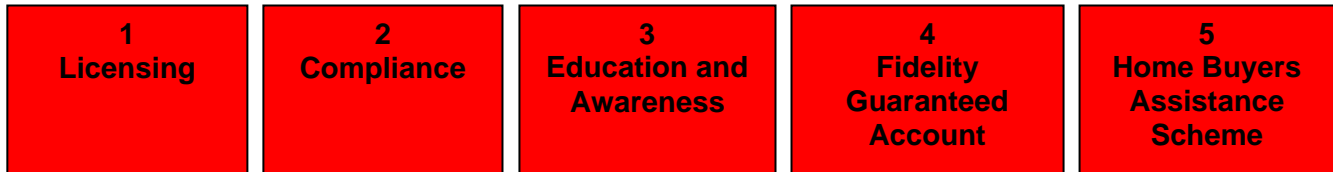
*Accountability:* the Board serves the needs of the public through the government in a professional, responsible and accountable manner.

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

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

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

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



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

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

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

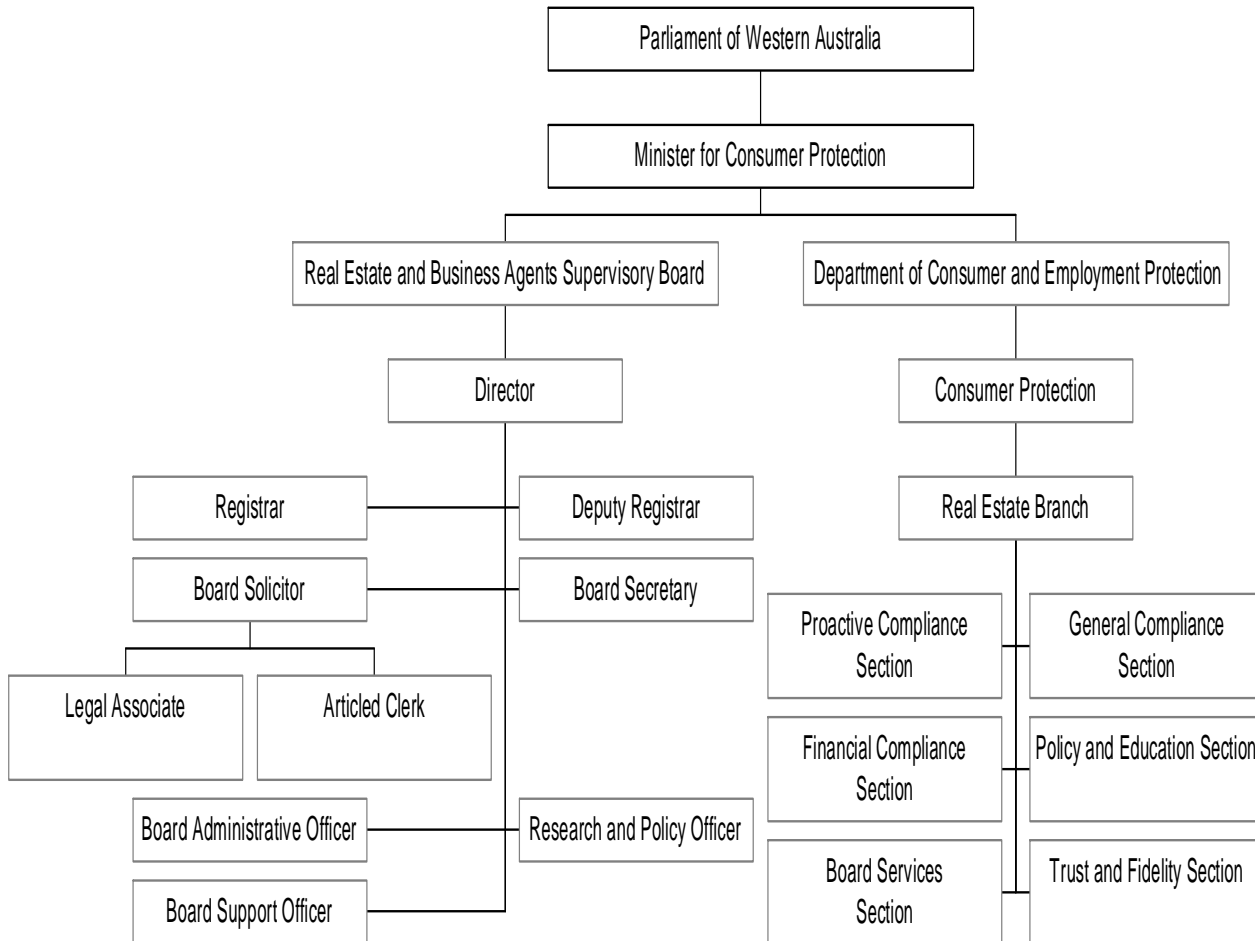
*Fidelity Guarantee Account:* centres on the assessment of claims for reimbursement from consumers who have suffered financial loss during a real estate transaction due to the criminal or fraudulent conduct of a licensed real estate and business agent or their sales representative.

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

## **Service Delivery Agreement**

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

## Board organisational chart



## Board structure

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

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

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

## Members

### Mr Mark Cuomo (Chairperson)



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

### Ken Bradley (Commercial Practice Member)



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

**Deputy: Dr Diana Newman**

### Ms Karen Lang (Legal Practitioner Member)



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

**Deputy: Mr Chris Stevenson**

**Mr Michael Hoad (REIWA Nominated Member)**



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

**Deputy: Ms Renate Brown**

**Mr William Goddard (Elective Member)**



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

**Deputy: Mr Oscar D'Souza**

## **Our people**

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

## **Role of key staff**

### **Director**

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

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

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

### **Board Solicitor**

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

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

### **Registrar**

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

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

## Corporate governance

### Legislation and statutory reporting compliance

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

- Real Estate and Business Agents Act 1978;
- State Records Act 2000;
- Public Sector Management Act 1994;
- State Supply Commission Act 1991;
- Occupational Safety and Health Act 1984;
- Equal Opportunity Act 1984;
- Disabilities Services Act 1993;
- Financial Management Act 2006;
- Freedom of Information Act 1992;
- Public Interest Disclosure Act 2003; and the
- Electoral Act 1907.

### 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 2006-2007 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 2006-2007, the Board received no applications for breaches of the standards.

In addition, the Board:

- received no workers compensation claims;
- did not re-deploy any of its staff;
- has not terminated any positions; and
- was not involved in any industrial disputes.

Board members and staff are required to comply with the Board's *Code of Conduct for Board Members and Officers 2007*. This was reviewed and updated during the year. The Code of Conduct sets standards concerning the Board's operational requirements and expected behaviour of its members and staff as they carry out their day-to-day work. It also provides guidance and practical assistance on what to do when faced with an ethical issue.

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

## **Freedom of Information requests**

The *Freedom of Information Act 1992* allows members of the public to lodge requests for copies of documents relating to the Board and its operations. The Board endeavours to make its operations transparent and accessible. In the year 2006-2007, the Board received three requests for information under the freedom of information legislation.

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

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

## Summary of 2006-2007

### Board and other proceedings

- the Board convened for 29 hearings into claims against the Fidelity Guarantee Account;
- 82 licensing applications interviews were conducted;
- the Board convened for 21 board meetings and one special meeting;
- the Board commenced 14 disciplinary proceedings against agents in the SAT;
- the Board appeared before the SAT on 33 occasions; and
- the Board appeared before the District Court on two occasions.

### Achievements

In 2006-2007 the Board was able to achieve the following outcomes:

- 317 new licence applications processed;
- 1433 applications for new sales representative registrations processed;
- 156 conciliations conducted;
- 425 new investigations commenced;
- 336 new qualified audit investigations conducted;
- 61 new trust fund investigations commenced;
- 1543 Home Buyer's Assistance Account grants approved;
- 271 proactive compliance visits of real estate agencies conducted;
- 13 education seminars for agents conducted;
- four Homebuyer Seminars conducted for the general public (a joint initiative with the Settlement Agents Supervisory Board);
- 134 claims lodged against the Fidelity Guarantee Account; and
- 38 claims finalised against the Fidelity Guarantee Account.

## Industry seminars

The Board conducted 13 education seminars for real estate and business agents, which focused on legislation and compliance issues. Feedback from these seminars was overwhelmingly positive, with participants commenting on the value of the information presented. The seminars were conducted across the State in Perth, Albany, Bunbury, Busselton, Kalgoorlie, Karratha, Port Hedland and Geraldton.

Topics covered by the seminars include:

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

## Homebuyer seminars

In a joint initiative with the Settlement Agents Supervisory Board, the Board delivered four homebuyer seminars free of charge to members of the public. The seminars were conducted in Perth, Kalgoorlie and Geraldton, with a total of 60 people attending. The topics covered at the seminars included: property valuation, obtaining finance, types of grants available, and offer and acceptance contracts.

## Significant compliance issues

Of the matters investigated by the Board during the year, four consumed a significant proportion of its resources. All four matters are continuing.

### Charles Parrella & Associates

In March 2007 the Board closed the real estate business of Charmello Charles Parrella, formerly trading as Charles Parrella & Associates in Morley. The Board obtained orders from the State Administrative Tribunal suspending Mr Parrella's licence, and authorising the appointment of a supervisor to the agency business. This was necessary following the alleged misappropriation of approximately \$400,000 from the agent's trust account. The Board acted swiftly in this matter to obtain appropriate orders and appoint a supervisor to protect the interests of consumers.

The Fidelity Guarantee Account administered by the Board may provide reimbursement for consumers who have suffered a loss of money or property as a result of their dealings with Charles Parrella & Associates. The Board is receiving notification of claims against the Fidelity Guarantee Account, and these are being dealt with as quickly as possible. The Board has appointed a forensic auditor to assist.

### **Westpoint Realty Pty Ltd**

In April 2007 the Board appointed a supervisor to the real estate business of Westpoint Realty Pty Ltd (in liquidation) trading as Westpoint Realty in West Perth. The Board obtained orders in the State Administrative Tribunal suspending Westpoint Realty's licence, and authorising the appointment of a supervisor to the business. This was necessary because there was reasonable grounds for believing that Westpoint Realty (in liquidation) was incapable of properly conducting its business due to the appointment of a liquidator.

### **T.M. Moylan Nominees Pty Ltd**

In May 2007 the Board closed the real estate business of T.M. Moylan Nominees Pty Ltd, formerly trading as Moylan Real Estate. The business, whose offices were previously located at Riverton Shopping Centre, was at the time trading from residential premises in Shelley. The Board obtained orders in the State Administrative Tribunal suspending both Moylan Real Estate and Mr Paul William Moylan from conducting a real estate business, and authorising the appointment of a supervisor to the business. This was necessary following alleged irregularities with the agent's trust accounting practices, and because neither Moylan Real Estate nor Mr Moylan held current triennial certificates. The Board again acted swiftly to obtain appropriate orders and appoint a supervisor to protect the interests of consumers.

The Board's Fidelity Guarantee Account may provide reimbursement for consumers who have suffered a loss of money or property as a result of their dealings with Moylan Real Estate. The Board is receiving notification of claims against the Fidelity Guarantee Account, and these are being dealt with as quickly as possible. The Board has appointed a forensic auditor to assist.

### **Late audit reports**

During the year the Board placed significant emphasis on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001-2002 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the State Administrative Tribunal alleging that there is proper cause for disciplinary action regarding an agent's conduct. Where it is found that there is proper cause for disciplinary action against the agent, sanctions may be imposed which include a reprimand, a fine, or the suspension or cancellation of the agent's licence.

### **Advertising practices**

The Board received complaints about improper advertising practices of some industry members during the reporting period. The Board was concerned about two types of advertising that it considered misleading.

The first involved agents advertising properties without authorisation from the seller. In particular, there were occasions where agents advertised properties as having been 'SOLD', implying they had sold them, when the properties had not been listed with that agency. During the year the Board held a series of seminars to educate agents against this style of marketing, which it considered to be misleading. The Registrar reminded agents that to advertise a property they must obtain a valid authority from the owner of the property. Failure to obtain a valid authority is a breach of Article 4(1) and (3) of the Code of Conduct.

The second type of advertising of concern to the Board was the practice of advertising a property as being located in a sought-after suburb, when it is located a nearby less desirable suburb. The Board believes that incorrectly describing the location of a property in an advertisement is a breach of Article 5(1) or 5(2) of the Code of Conduct. In addition, the Board considers that it may also amount to misleading or deceptive conduct under the *Fair Trading Act 1987*. The Board regards this type of advertising to be unacceptable and published an article in its newsletter to the industry to that effect.

## Other issues

### Compulsory Professional Development

A major initiative of the Board in 2006-2007 was to implement the Compulsory Professional Development (“CPD”) program for the real estate and business broking industries. The CPD program commenced for real estate agents and business brokers who hold current triennial certificates in January 2007. The Board will extend the program to include sales representatives and property managers at a later date. Between January and 30 June 2007 the Board conducted 27 CPD seminars in metropolitan and regional locations.

The CPD program is designed to increase the knowledge, skills and professionalism of those licensed to work in the real estate and business broking industries. All real estate and business broking agents will receive ongoing training related to their legislative obligations under the *Real Estate and Business Agents Act 1978* and the *Code of Conduct for Agents and Sales Representatives*.

The Board has developed a section on its website for agents, which is dedicated to the CPD program. It contains an overview of the CPD program, details of mandatory seminars and approved elective activities, a frequently asked questions section and a Guide to the CPD program.

The Board believes CPD will increase consumer protection and promote consumer confidence in the real estate industry. The Board’s expectation is that, by raising participants’ level of understanding of their legislative obligations, CPD will result in fewer breaches of the Act and Code of Conduct by agents and less matters needing to be investigated by the Board.

### Staff training on real estate agency practices

To ensure that staff providing advice on behalf of the Board to industry members and the public provide accurate advice, a series of training sessions on real estate agency practice and procedure were conducted. With the assistance of the proactive compliance section, the Board held six sessions during the year and covered the topics of:

- Basic real estate transactions;
- Understanding settlements;
- Conflict of interest and required disclosures;
- Advertising;
- New REIWA offer and acceptance document (changes to the finance clause), and
- Settlement procedure.

# **SECTION TWO**

## **Report on services**

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

## Service 1 Licensing

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### Strategic objectives

The Board's 2006-2007 reporting period objectives are:

- assist people seeking to obtain or renew a licence, triennial certificate or certificate of registration, and to process applications in accordance with the Act;
- assess the fitness<sup>1</sup> of people entering the industry, and of those remaining in the industry; and
- audit the computer databases to ensure the information recorded is accurate.

### Performance

In 2006-2007, the Board was able to achieve the following outcomes:

- 317 applications for new real estate licences processed;
- 1274 applications for real estate licence renewal processed;
- 98.6 per cent of new real estate licence applications acknowledged within eight days;
- 99.7 per cent of new real estate licence applicants advised of the outcome of their application within eight days of the Board's decision;
- 99.6 per cent of renewal real estate licence applications finalised within ten days;
- 1433 new applications for a sales representative's certificate of registration processed;
- 1349 renewal applications for a sales representative's certificate of registration processed; and
- 99.2 per cent of applications for a sales representative's certificate of registration finalised within eight days.

### Overview

In 2006-2007, the Board received 317 applications for real estate licences. This figure represents an increase of 7.82 per cent over that reported for 2005-2006. The Board dealt with 1433 applications from people seeking registration as sales representatives. This represented a decrease of 15.21 per cent above that in 2005-2006.

During the reporting period the Board conducted 79 recorded licensing interviews.

### Current fees – Real estate and business agent

The fees charged for new applications are as follows:

- |   |          |
|---|----------|
| ➤ individual licence                          | \$580.00 |
| ➤ firm / partnership / body corporate licence | \$760.00 |

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

The fee for a new licence application includes a once only contribution of \$150 to the Fidelity Guarantee Account. There are no licence renewal fees, however, the fee for renewal of a triennial certificate is \$375 for individuals, partnerships and corporate bodies.

### **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 \$170. This puts their licence on hold for a period of three years. At the end of the reporting period, 428 agents had their licence on hold.

### **Current fees – sales representative**

New licence fees for agents and sales representatives came into effect from 1 July 2007. The fee for a new registration application for sales representatives is \$195 and includes a once only contribution of \$45 to the Fidelity Guarantee Account. Renewing a certificate of registration is \$132, and is payable once every three years.

### **Licensing kit**

The Board produces a licensing kit that provides information for new licence holders. The kit contains information on setting up a trust account, auditing processes, the CPD program and an agent's obligation to notify the Board when changing their details. The licensing kit also provides information for agents in other states and territories of Australia who are seeking a Western Australian licence under the *Mutual Recognition (Western Australia) Act 2001* and the *Mutual Recognition Act 1992 (Cth)*.

## Service 2 Compliance

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### Strategic objectives

In 2006-2007, the Board strived to meet the following objectives:

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

### Performance

In 2006-2007, the Board was able to achieve the following outcomes:

#### General compliance

- 425 investigations initiated;
- 405 investigations completed (on average 18.8 weeks);
- 183 investigations continuing;
- 97.9 per cent of written complaints acknowledged within eight days (on average 2.1 days); and
- 89.4 per cent of investigations commenced within 14 days (on average 9.2 days).

#### Financial compliance

- 336 qualified audit investigations initiated;
- 279 qualified audit investigations completed (on average 77.1 days);
- 149 qualified audit investigations continuing;
- 100 per cent of investigations into qualified audit reports commencing within 14 days of lodgement (on average 1.5 days);
- 61 trust account investigations initiated;
- 70 trust account investigations completed (on average 132.3 days);
- 25 trust account investigations continuing; and
- 100 per cent of trust account investigations commencing within 14 days (on average 1 day).

## Conciliation

- 156 conciliations initiated;
- 156 conciliations completed;
- 18 conciliations continuing;
- 96.8 per cent conciliations acknowledged within eight days (on average 2.3 days)
- 94.2 per cent of conciliations commencing within 14 days (on average 6.9 days); and
- 87 per cent of conciliations completed within three months (on average 53.4 days).

## General Compliance

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

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

The total number of new investigations commenced into the conduct of agents in 2006-2007 was 425 compared to 525 in the previous reporting period. This is a significant decrease, which is particularly pleasing to the Board as it occurred during a time of high market activity.

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

Where an investigation or inquiry reveals evidence of non-compliance with the Act or Code of Conduct, the result will not always be disciplinary proceedings. Depending on the circumstances, the Registrar may decide to issue an educational letter or an administrative warning. In 2006-2007, the Board issued 35 warning letters and 89 educational letters.

If there is sufficient evidence of a breach, and it is in the public interest, the Registrar will recommend that the Board commence proceedings against the agent in the SAT or Magistrates Court. Factors such as, the nature of the conduct, prior history of compliance with the Act, and the strength of the evidence available will be taken into consideration. In this reporting period, 14 proceedings commenced in the SAT with one in the Magistrates Court.

Of the proceedings commenced by the Board, eight remain outstanding. Two remain on hold from the previous reporting period while the Board waits for the outcome of proceedings in other jurisdictions before it can bring the matters on for hearing before the SAT. Four relate to agencies under supervision. And the other two matters will be finalised during the next reporting period.

## Financial compliance

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

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

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

During 2006-2007, the Board initiated 336 investigations into qualified audit reports compared to 296 from the previous reporting period. While the increase in qualified audits is of concern to the Board, it believes that to some extent this is a consequence of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts. This has resulted in more audits being qualified for matters that are not considered significant. This increased awareness can be attributed to the education program and industry seminars run by the Board, its independence of audit policy, and the publication of the Trust Account Manual for Auditors. In addition, 61 trust account investigations were initiated in 2006-2007 compared to 64 from the previous reporting period.

## Conciliation

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

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

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

- dishonesty on the part of the agent or sales representative;
- significant financial loss to the other party; or
- a serious breach of the Act or Code.

The conciliation service has proven to be an effective method of resolving minor complaints.

Of the 156 cases conciliated in 2006-2007, 82 conciliations resulted in the parties reaching agreement, and 42 resulted in no agreement. In 11 cases no action was required other than clarifying the facts for the parties, and the complaint was withdrawn in a further seven matters. Fourteen of the complaints turned out to be outside of the Board's powers to deal with and the parties were referred elsewhere. The average time taken to complete a conciliation matter was 51.2 days.

## Service 3 Education and awareness

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### Strategic objectives

The Board endeavoured to meet the following education and awareness objectives in 2006-2007:

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

### Performance

In 2006-2007 the Board was able to achieve the following outcomes:

- 271 proactive compliance visits to agencies, which includes 32 visits to agencies outside of the metropolitan area;
- 13 training seminars for agents and sales representatives on various topics covering the requirements of the Act and the Code of Conduct; and
- Four homebuyer seminars conducted jointly with the Settlement Agents Supervisory Board.

### Overview

#### Information services

Under the SDA the Board obtains advice line services through DOCEP. In 2006-2007, the Advice Line received 24,005 telephone enquiries from the public seeking information on real estate matters. Of the telephone enquiries received, 66.75 per cent were answered within 40 seconds.

In addition, the Board's counter service in 2006-2007 received 136 enquiries on real estate matters. Of these enquiries, 92.93 per cent were handled within six minutes.

#### Proactive compliance

The Board conducts a Proactive Compliance Program that is unique in Australia. The purpose of the program is to promote and improve the level of compliance and ethical standards in real estate and business broking industries. The Board's proactive compliance officers visit agencies to provide advice and examine the level of adherence to legislative requirements. Participation by agents is voluntary. This financial year, the Board conducted 271 proactive visits to agencies. Of those visits, 12 per cent were carried out in regional areas.

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

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

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

### **Education funding**

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

Under the resulting contract successful tender(s) are required to provide courses that reinforce the compliance requirements of the Act and improve and update the knowledge and skills of industry participants. Courses may only be provided to people who are registered or licensed under the Act. Successful tenders for this reporting period were the Real Estate Institute of Western Australia and Central TAFE.

### **REBA News**

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

### **Complaint handling guidelines**

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

The publication presents general recommendations that are considered essential for 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.

## Fact Sheets

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

- Real estate auctions;
- Sale by offer and acceptance;
- Buying vacant land;
- Fidelity guarantee account;
- Real estate fees – negotiating with an agent;
- Buying a home through an agent;
- Timber pest inspections and reports;
- You and your property manager;
- Home buyers assistance account;
- Obligations of property developers; and
- Information for complainants – Real estate and business broking industries.

## Website

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

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

The website is integral to the Board's commitment to conduct and promote education and provide advisory service for industry members, and the public.

## Service 4 Fidelity Guarantee Account

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### 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 agent or business broker in the course of a real estate transaction. This also applies to the actions of an agent’s employees.

### Performance

In 2006-2007 the Board was able to achieve the following outcomes:

- 134 new claims lodged against the Fidelity Account;
- 38 claims finalised;
- 131 claims being assessed;
- 100 per cent of claims acknowledged within eight days; and
- 100 per cent of claim assessments commenced within 14 days.

### 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 Treasury, forming part of the Trust Fund constituted under section 10 of the *Financial Management Act 2006*. Money standing to the credit of the Fidelity Account is invested with 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 licensed real estate and business agents or their employees;
- the agent is licensed; and
- the loss occurred in relation to a real estate or business broking transaction.

The Board publishes an information bulletin/guide to assist claimants to lodge a claim against the Fidelity Account. The information bulletin was updated in April 2007 and is available on the website ([www.reba.wa.gov.au](http://www.reba.wa.gov.au)). It contains information about the Fidelity Account, eligibility for making a claim and the claim process.

## **Service 5 Home Buyers Assistance Account**

### **Strategic objectives**

The Home Buyers Assistance Account was established to provide financial assistance to first home buyers toward meeting the incidental expenses associated with purchasing a property through a licensed real estate agent.

In 2006-2007, the Board endeavoured to meet the following objectives by:

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

### **Performance**

In 2006-2007 the Board was able to achieve the following outcomes:

- \$3.049 million paid out of the fund;
- 1812 applications received;
- 1543 grants approved; and
- 99.94 per cent of cheques issued within eight days of approval.

### **Overview**

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

Grants will only be given if:

- the applicant is buying their first home, which is established or partially built (not vacant land, a plan, or a “house and land” package);
- the applicant must not own or previously have owned a home in the State of Western Australia. If the applicant’s partner in buying the home owns or has owned a home before in Western Australia, then the applicant can apply for a partial grant based on the percentage of the applicants ownership of the home;
- the applicant lives in the home for the first 12 months;
- the applicant purchases the home through a licensed real estate agent;
- the application is lodged with the Registrar of the Board no more than 90 days after the date that the offer to buy the home is accepted;
- the home loan is financed through an authorised lending institution (such as bank, building society or credit union); and
- the purchase price of the property is no greater than \$400,000.

## Number of applications and grants

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

	2002/03	2003/04	2004/05	2005/06	2006/07
<b>No of Applications</b>	1,194	856	699	966	1,812
<b>No of Approvals</b>	1,193	772	721	902	1,543
<b>Total Amount Paid</b>	\$2,148,147	\$1,410,636	\$1,346,500	\$1,719,119	\$3,048,698

## Home Buyers Assistance Account Advisory Committee

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

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

In the 2006-2007 reporting period, the Advisory Committee met four times to consider raising the eligibility criteria.

On 22 September 2006, the maximum purchase price criteria for the Home Buyers Assistance Account was increased to \$400,000 in response to the rising costs of housing in Western Australia.

The Committee has put forward a second recommendation to further increase the price threshold and also the grant amount. At the end of the reporting period, the Board had approved the recommendation and forwarded it to the Minister for Consumer Protection for her consideration.

## **Auditor General's opinion**

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To be inserted when available



# **SECTION THREE**

## **Performance indicators**

## **Certification of performance indicators**

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### **CERTIFICATION**

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Real Estate and Business Agents Supervisory Board's performance, and fairly represent the performance of the Real Estate and Business Agents Supervisory Board for the financial year ended 30 June 2007.

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Mark Cuomo  
Chairman

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Ken Bradley  
Member

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Carolyn Allanson  
Chief Finance Officer

Dated: 16 August 2007

# Performance indicators 2006-07

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## Statutory role of the Board

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

## Outcome

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

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

## Effectiveness indicator

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

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

The Board's experience is that the extent of compliance in respect to trust accounts is the best single test providing a reliable indication of the extent to which agents are generally complying with the requirements of the 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 an audit opinion. An unqualified opinion is issued when the auditor considers the agent's trust accounts are, and have been during the period of the audit, kept in order. One aim of independent scrutiny is to provide a level of confidence regarding the management of the trust accounts. Therefore, the extent to which real estate and business agents submit unqualified audit opinions is an indication of the degree of confidence that can be held in the industry.

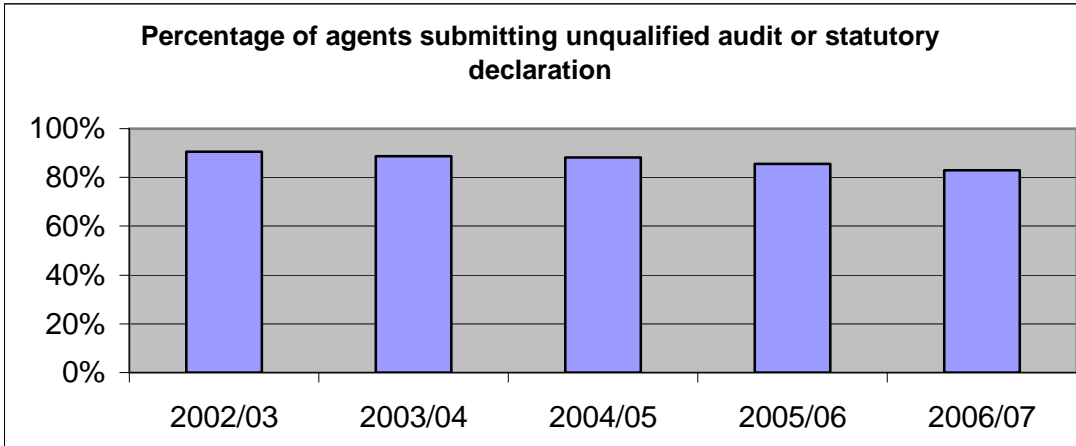
## Measure

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

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

**Data**

	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Unqualified Audit Reports</b>	897	829	832	804	773
<b>Qualified Audit Reports</b>	175	228	239	286	313
<b>Statutory Declarations</b>	935	996	983	1,012	1,028
<b>No Audit report</b>	15	5	4	22	56
<b>Total agents</b>	2,022	2,058	2,058	2,124	2,170
<b>% of agents submitting an unqualified audit or statutory declaration</b>	90.6%	88.7%	88.2%	85.5%	83%



**Notes to the indicator**

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

The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001-2002 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the State Administrative Tribunal alleging that there is proper cause for disciplinary action regarding an agent’s conduct. Where it is found that there is proper cause for disciplinary action against the agent then sanctions may be imposed, which include a reprimand, a fine, suspension or cancellation of the agent’s licence.

This year the number of active agents has increased by 46. There are 31 less unqualified audits, and an increase of 27 qualified audits. The proportion of real estate agents submitting unqualified audits or statutory declarations has decreased marginally this year, from 85.5% to 83%.

Although the Board is concerned about the number of audits that are qualified, it believes that to some extent this is a consequence of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts. This has resulted in more audits being qualified for matters that are not considered significant. This increased awareness can be attributed to the education program and industry seminars run by the

Board, its independence of auditor policy, and the publication of the Trust Account Manual for Auditors. This manual is regularly revised for best practice. This outcome is also consistent with the previous year as the auditors focus has been on a compliance-based audit as opposed to a materiality based audit.

The qualifications raised by the auditors have been investigated, and most of them related to insignificant matters. These have related to such matters as: clerical or titling errors so that the agent's triennial certificate number or trading name have not been included; reconciliations completed but done a few days late or not signed and dated; and trust accounts overdrawn by very small amounts from a few cents to a few dollars. Those of a significant nature related to: month end reconciliation problems, particularly timing; failure to reconcile the primary trust accounts; reconciliation of bonds with the Bond Administrator; and two cases of theft /misappropriation.

There has also been an increase in agents who failed to submit an audit report or statutory declaration this year by 34. There are four reasons for the increase:

- the change to a compliance based audit, from a materiality based one has caused agents to take more time to prepare their trust account records for the auditor;
- agents not lodging a statutory declaration when they have ceased as bona fide control of a body corporate or a partnership agency during the year;
- an increase in the number of agents licensed; and
- those agents who persistently fail to comply with the Act.

Late audit returns have been followed up, and ten have now been received. The Board may bring disciplinary proceedings against those agents who fail to comply with the Act.

The Board will consider introducing Infringement Notices for the next financial year as a means to encourage compliance, and reduce the number of outstanding audits.

## Efficiency indicator

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

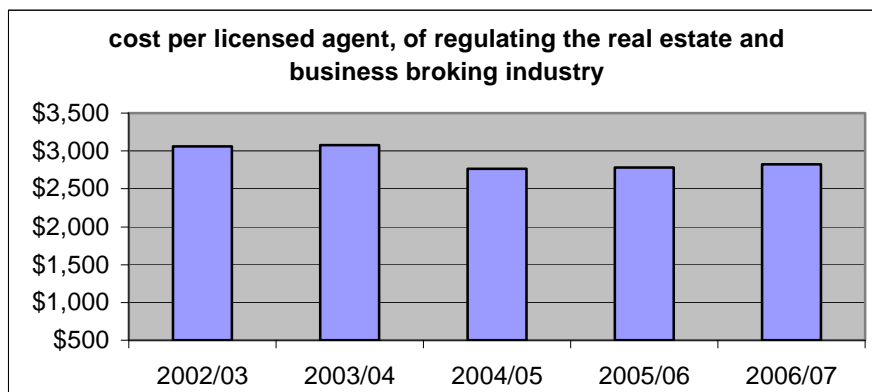
The Board provides a range of services aimed to ensure that real estate agents comply with the requirements of the Act. This indicator measures the efficiency with which the Board achieves this.

### Measure

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

### Data

	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Annual Cost*</b>	\$6,189,136	\$6,325,716	\$5,692,093	\$5,910,171	\$6,132,312
<b>Active Licensed Agents</b>	2,022	2,058	2,058	2,124	2,170
	\$3,060.89	\$3,073.72	\$2,765.84	\$2,782.57	\$2,913.39



\* Note: The annual cost of regulating the real estate and business broking industry has been calculated using the total annual expenditure of the Board less Fidelity Guarantee payments and Home Buyers Assistance Grants 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 real estate agent in previous financial years and therefore do not reflect on the true annual cost of regulating the real estate and business broking industry. Home Buyers Assistance Grants have been excluded as they do not impact on the cost of regulating the real estate and business broking industry.

## **Notes to the indicator**

The efficiency indicator is based on the cost of delivering the service for each active licensed agent. In the 2006-2007 financial year a total of \$6,132,312 was expended on regulating an industry with 2170 active licensed agents.

This year has again seen the average cost of regulating the real estate and business broking industry for each licensed agent increase marginally. Although the annual cost of services has increased, attributable to the whole of government increase in salaries impacting on the cost of the service delivery agreement, the cost per licensed agent has increased only marginally. The cost is, however, less than in 2002-2003 and 2003-2004.

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

# **SECTION FOUR**

## **Financial statements**

## Certification of financial statements

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The accompanying financial statements of the Real Estate and Business 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 2007 and the financial position at 30 June 2007.

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.

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Mark Cuomo  
Chairman

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Ken Bradley  
Member

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Carolyn Allanson  
Chief Finance Officer

Dated: 16 August 2007

# Financial statements

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
<b>INCOME</b>			
<b>Revenue</b>			
Agents trust account interest		15,911,547	12,176,799
Licence revenue	4.	916,188	889,231
Contributions to the Fidelity Guarantee Account		111,570	118,083
Fines and costs		57,119	82,566
Interest revenue		4,083,451	3,138,258
Other revenues	5.	51,486	58,092
<b>Gains</b>			
Gains on disposal of non-current assets	6.	0	550
<b>Total Income</b>		<u>21,131,361</u>	<u>16,463,579</u>
<b>EXPENSES</b>			
<b>Expenses</b>			
Employee benefits expense	7.	679,268	522,169
Board fees and expenses		158,400	144,126
Supplies and services	8.	5,126,206	4,923,731
Depreciation and amortisation expense	9.	22,520	77,028
Accommodation expenses	10.	8,366	8,402
Grants	11.	3,147,523	1,844,947
Fidelity payments		158,758	120,045
Other expenses	12.	38,725	108,887
<b>Total Expenses</b>		<u>9,339,766</u>	<u>7,749,335</u>
<b>Profit for the period</b>		<u>11,791,595</u>	<u>8,714,244</u>

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

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$	2006 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	20.	21,788,312	16,366,395
Restricted cash and cash equivalents	20.	50,792,716	44,459,554
Accrued agents trust account interest		1,382,329	1,182,067
Accrued investment interest		1,081,051	799,204
Receivables	13.	17,826	9,952
<b>Total Current Assets</b>		<u>75,062,234</u>	<u>62,817,172</u>
<b>Non Current Assets</b>			
Property, plant and equipment	14.	58,714	36,283
Intangible Assets	15.	0	0
<b>Total Non-Current Assets</b>		<u>58,714</u>	<u>36,283</u>
<b>TOTAL ASSETS</b>		<u>75,120,948</u>	<u>62,853,455</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	17.	444,784	73,948
Provisions	18.	113,704	68,393
Licence revenue received in advance	4.	825,751	732,369
Other current liabilities	19.	30,198	97,759
<b>Total Current Liabilities</b>		<u>1,414,437</u>	<u>972,469</u>
<b>Non Current Liabilities</b>			
Licence revenue received in advance	4.	669,362	647,425
Provisions	18.	32,972	20,979
<b>Total Non Current Liabilities</b>		<u>702,334</u>	<u>668,404</u>
<b>Total Liabilities</b>		<u>2,116,771</u>	<u>1,640,873</u>
<b>NET ASSETS</b>		<u>73,004,177</u>	<u>61,212,582</u>
<b>EQUITY</b>			
Retained earnings		73,004,177	61,212,582
<b>TOTAL EQUITY</b>		<u>73,004,177</u>	<u>61,212,582</u>

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

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
<b>Balance of equity at start of period</b>		<u>61,212,582</u>	<u>52,498,338</u>
<b>RETAINED EARNINGS</b>			
Balance at start of period		61,212,582	52,498,338
Profit for the period		11,791,595	8,714,244
Balance at end of period		<u>73,004,177</u>	<u>61,212,582</u>
<b>Balance of equity at end of period</b>		<u><u>73,004,177</u></u>	<u><u>61,212,582</u></u>
Total income and expense for the period <sup>(a)</sup>		11,791,595	8,714,244

(a) The aggregate net amount attributed to each category of equity is: surplus \$11,791,595 (2006: surplus \$8,714,244).

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

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Agents trust account interest received		15,711,283	11,891,100
Bank and investment interest received		3,801,604	2,566,017
Licence receipts		1,031,506	1,088,483
Contributions paid into the Fidelity Guarantee Account		111,570	118,083
GST receipts on sales		805	362
GST receipts from ATO		71,244	69,490
Other receipts		108,605	192,091
<b>Payments</b>			
Employee benefits		(621,964)	(575,893)
Supplies and services		(5,173,663)	(5,236,718)
GST payments on purchases		(93,439)	(65,310)
Grants		(3,147,523)	(1,844,947)
<b>Net cash provided by operating activities</b>	<b>20.</b>	<u>11,800,028</u>	<u>8,202,758</u>
		<b>2007 \$</b>	<b>2006 \$</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non current physical assets		0	550
Purchase of non current physical assets		(44,949)	(24,963)
<b>Net cash (used in) investing activities</b>		<u>(44,949)</u>	<u>(24,413)</u>
<b>Net increase in cash and cash equivalents</b>		11,755,079	8,178,345
Cash and cash equivalents at the beginning of period		60,825,949	52,647,604
<b>CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD</b>	<b>20.</b>	<u><u>72,581,028</u></u>	<u><u>60,825,949</u></u>

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

# REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

#### General

The Board's financial statements for the year ending 30 June 2007 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 2007.

### 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.

# REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### **(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	3 years
Office equipment	5 to 10 years
Furniture and fittings	10 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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

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

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

REMIS software	5 years
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#### *Computer Software*

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

#### *Web site costs*

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

#### **(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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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.

#### **(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 vehicles.

#### **(i) Financial instruments**

The Board has two categories of financial instrument:

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

Initial recognition and measurement 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. 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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### ***(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 end of 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 end of 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 are 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 (GESB'S). 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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

#### *(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

The Board has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

- 1 AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Board does not currently undertake

these types of transactions, resulting in no financial impact in applying the Standard.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

- 2 UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Board has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
- 3 UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Board has not entered into any contracts as specified in the Interpretation, resulting in no impact in applying the Interpretation.

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

AASB Amendment	Affected Standards
2005-1	Amendments to Australian Accounting Standard' (AASB 139 - <i>Cash flow hedge accounting of forecast intragroup transactions</i> )
2005-5	Amendments to Australian Accounting Standards [AASB 1 & AASB 139]
2006-1	Amendments to Australian Accounting Standard [AASB 121]
2006-3	Amendments to Australian Accounting Standard [AASB 1045]
2006-4	Amendments to Australian Accounting Standard [AASB 134]
2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation as [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139] - paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	Scope of AASB 2

#### Future impact of Australian Accounting Standards not yet operative

The Board cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Board has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Board's exposure to risks, enhanced disclosure regarding components of the Board's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Board does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Board does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
3. AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Board is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
5. AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Authority does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### FOR THE YEAR ENDED 30 JUNE 2007

6. AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]'. The revision of AASB 123 necessitates consequential amendments to the following pronouncements:
- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards,
  - AASB 101 Presentation of Financial Statements;
  - AASB 107 Cash Flow Statements;
  - AASB 111 Construction Contracts;
  - AASB 116 Property, Plant and Equipment;
  - AASB 138 Intangible Assets;
- Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities; and  
-Interpretation 12 Service Concession Arrangements.

The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised. The Board does not expect any financial impact when the Standards is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009.

7. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Board has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
8. AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Board if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Board has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods
9. AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Board has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The following Australian Accounting Standards and Interpretations are not applicable to the Board as they will have no impact or do not apply to not-for-profit entities:

#### AASB Standards and Interpretations

AASB 8	Operating Segments
AASB 1049	Financial Reporting of General Government Sectors by Governments
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139] – paragraphs 1 to 8
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]
AASB 2007-7	Amendments to Australian Accounting Standards following the issuance, in April 2007, of AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128]
Interpretation 10	Financial Reporting and Impairment
Interpretation 11	AASB 2 – Group and Treasury Share Transactions

#### 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:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Revenue received in advance 1 July balance (current)	732,369	691,913
Revenue received in advance 1 July balance (non current)	647,425	488,629
Cash received during the year	<u>1,031,507</u>	<u>1,088,483</u>
<b>Total receipts received</b>	<b>2,411,301</b>	<b>2,269,025</b>
Revenue recognised during the year	916,188	889,231
<b>Revenue received in advance</b>	<b>1,495,113</b>	<b>1,379,794</b>
<b>Held in</b>		
Revenue received in advance account (current)	825,751	732,369

Revenue received in advance account (non current)	<u>669,362</u>	<u>647,425</u>
<b>Total</b>	<u><u>1,495,113</u></u>	<u><u>1,379,794</u></u>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 5. Other revenues

Other revenues consists of:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Advertisement fees	17,070	15,005
Contribution to vehicle use	3,939	3,598
Recovery of funds	1,785	4,782
Late Fees	14,856	26,657
Miscellaneous revenue	<u>13,836</u>	<u>8,050</u>
<b>Total</b>	<u><u>51,486</u></u>	<u><u>58,092</u></u>

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

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Costs of Disposal of Non-Current Assets		
Office equipment	0	0
Proceeds from Disposal of Non-Current Assets		
Office equipment	0	0
Computers	0	550
Net gain/(loss)	<u><u>0</u></u>	<u><u>550</u></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.

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries	468,053	434,371
Annual leave	31,143	(25,488)
Long service leave	29,567	(16,310)
Superannuation	<u>59,628</u>	<u>50,402</u>
Other related expenses	90,877	79,194
<b>Total Staff costs</b>	<u><u>679,268</u></u>	<u><u>522,169</u></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'.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 8. Supplies and services

	2007	2006
	\$	\$
Advertising	184	576
Bank charges	3,454	2,619
Communications	18,818	18,136
Consultants and contractors fees	26,910	9,712
Consumables	24,831	15,714
Hire charges	14,204	6,293
Insurance	14,288	14,856
Legal	292,236	256,129
Miscellaneous	313	399
Printing	60,684	55,074
Professional services	126,325	26,769
Repair and maintenance	0	2,634
Service Delivery Agreement	4,527,633	4,509,348
Stationery	8,122	4,392
Sundry assets costing under \$1000	6,175	410
Website subscription	2,029	670
	<u>5,126,206</u>	<u>4,923,731</u>
Total	<u>5,126,206</u>	<u>4,923,731</u>

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

#### 9. Depreciation and amortisation expense

	2007	2006
	\$	\$
Depreciation		
Computers	16,078	10,664
Office equipment	5,761	8,336
Furniture and fittings	681	485
	<u>22,520</u>	<u>19,485</u>
Total depreciation	<u>22,520</u>	<u>19,485</u>
Amortisation		
Intangible assets (REMIS software)	0	57,543
	<u>0</u>	<u>57,543</u>
Total amortisation	<u>0</u>	<u>57,543</u>
	<u>22,520</u>	<u>77,028</u>
Total depreciation and amortisation	<u>22,520</u>	<u>77,028</u>

**10. Accommodation expenses**

	2007	2006
	\$	\$
Occupancy costs and parking	8,366	8,402

**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007****11. Grants**

	2007	2006
	\$	\$
Education grants		
REIWA	98,825	125,828
Total	<u>98,825</u>	<u>125,828</u>
First Home Buyers grants	3,048,698	1,719,119
Total grants	<u><u>3,147,523</u></u>	<u><u>1,844,947</u></u>

A total of 1,546 First Home Buyers grants totalling \$3,048,698 at an average of \$1,972 were made during the year. In 2005/06 902 grants totalling \$1,719,119 at an average of \$1,906 were made.

**12. Other expenses**

	2007	2006
	\$	\$
Audit fees	25,000	23,500
Employment on costs <sup>(a)</sup>	13,725	6,936
Refund of previous years agents trust interest	<u>0</u>	<u>78,451</u>
	<u><u>38,725</u></u>	<u><u>108,887</u></u>

<sup>(a)</sup> 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**

	2007	2006
	\$	\$
Current		
Fines and Hearing Costs	0	700
GST Recoverable	17,826	9,252
Total	<u><u>17,826</u></u>	<u><u>9,952</u></u>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

14. Property, plant and equipment	2007	2006
	\$	\$
Computers at cost	184,648	186,565
Accumulated Depreciation	<u>(133,383)</u>	<u>(162,580)</u>
	51,265	23,985
Office Equipment at cost	39,016	47,080
Accumulated Depreciation	<u>(34,036)</u>	<u>(36,339)</u>
	4,980	10,741
Furniture and Fittings at cost	6,440	4,848
Accumulated Depreciation	<u>(3,971)</u>	<u>(3,290)</u>
	2,469	1,558
Total Property Plant & Equipment	<u><u>58,714</u></u>	<u><u>36,283</u></u>

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

	2007	2006
	\$	\$
Computers		
Carrying amount at start of year	23,985	9,686
Additions	43,358	24,963
Disposals	(45,275)	(35,601)
Accumulated depreciation on disposals	45,275	35,601
Depreciation expense	<u>(16,078)</u>	<u>(10,664)</u>
Carrying amount at end of year	51,265	23,985
Office Equipment		
Carrying amount at start of year	10,740	19,076
Additions	0	0
Disposals	(8,064)	0
Accumulated depreciation on disposals	8,064	0
Depreciation expense	<u>(5,761)</u>	<u>(8,336)</u>
Carrying amount at end of year	4,979	10,740
Furniture and Fittings		
Carrying amount at start of year	1,558	2,043
Additions	1,593	0
Disposals	0	0
Accumulated depreciation on disposals	0	0
Depreciation expense	<u>(681)</u>	<u>(485)</u>
Carrying amount at end of year	<u>2,470</u>	<u>1,558</u>

**Total Property, plant and equipment**58,71436,283**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007****15. Intangible  
assets**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
REMIS Software at cost	334,448	334,448
Accumulated amortisation	<u>(334,448)</u>	<u>(334,448)</u>
	0	0
REMIS Software		
Carrying amount at start of year	0	57,544
Additions	0	0
Disposals	0	0
Accumulated amortisation on disposals	0	0
Amortisation expense	<u>0</u>	<u>(57,544)</u>
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 2007.

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 2007 held for sale or write off.

**17. Payables**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Current		
Legal fees	0	880
GST Payable	0	79
Dept of Consumer & Employment Protection	431,356	72,323
Fidelity claims	8,536	0
Miscellaneous creditors	4,892	666
	<u>444,784</u>	<u>73,948</u>
Total	444,784	73,948

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 18. Provisions

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Current		
Employee Benefits Provisions		
Annual leave <sup>(a)</sup>	47,081	24,858
Long service leave <sup>(b)</sup>	52,654	34,216
Superannuation	<u>7,037</u>	<u>4,981</u>
	106,772	64,055
Other provisions		
Employment on costs <sup>(c)</sup>	6,932	4,338
	<u>6,932</u>	<u>4,338</u>
Total	<u>113,704</u>	<u>68,393</u>
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Non Current		
Employee Benefits Provisions		
Long service leave <sup>(b)</sup>	30,733	19,604
Superannuation	<u>2,039</u>	<u>1,293</u>
	32,772	20,897
Other provisions		
Employment on costs <sup>(c)</sup>	200	82
	<u>200</u>	<u>82</u>
Total	<u>32,972</u>	<u>20,979</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

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Within 12 months of balance sheet date	28,484	15,188
More than 12 months after balance sheet date	<u>18,597</u>	<u>9,670</u>
	<u>47,081</u>	<u>24,858</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:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Within 12 months of balance sheet date	28,685	18,783
More than 12 months after balance sheet date	<u>54,702</u>	<u>35,037</u>
	<u>83,387</u>	<u>53,820</u>

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

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Movements in Other Provisions

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

	2007	2006
	\$	\$
Employment on-cost provision	4,420	9,343
Additional provisions recognised	2,712	(4,923)
Carrying amount at end of year	<u>7,132</u>	<u>4,420</u>

#### 19. Other liabilities

	2007	2006
	\$	\$
Current		
Accrued expenses		
Audit fees	25,000	23,500
Salaries and superannuation	1,826	7,488
DOCEP (SDA escalation claims for pay and rent rise)	0	61,908
DOCEP (Outside SDA costs)	1,012	2,935
Unclaimed monies	2,360	1,928
Total	<u>30,198</u>	<u>97,759</u>

#### 20. Notes to the Cash Flow Statement

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

##### Reconciliation of cash

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

	2007	2006
	\$	\$
<b>Cash and cash equivalents at bank</b>		
Education and General Purpose Account	332,504	310,588
Fidelity Guarantee Account (Restricted cash)	180,613	118,108
Home Buyers Assistance Account (Restricted cash)	271,528	300,870
Board Interest Account	500	500
Petty Cash	300	300
	<u>785,445</u>	<u>730,366</u>
<b>Cash and cash equivalents held with Treasury</b>		
Education and General Purpose Account	21,455,008	16,055,008
Fidelity Guarantee Account (Restricted cash)	31,555,575	29,255,575
Home Buyers Assistance Account (Restricted cash)	18,785,000	14,785,000
	<u>71,795,583</u>	<u>60,095,583</u>
	<u>72,581,028</u>	<u>60,825,949</u>

Cash and cash equivalents	21,788,312	16,366,395
Restricted cash and cash equivalents	50,792,716	44,459,554
<b>Total cash and cash equivalents</b>	<b>72,581,028</b>	<b>60,825,949</b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

<u>Reconciliation of profit to net cash flows provided by/(used in) operating activities</u>		
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Profit	11,791,595	8,714,244
Non-cash items:		
Depreciation and amortisation expense	22,520	77,028
Net (gain)/loss on sale of property, plant & equipment	0	(550)
(Increase)/decrease in assets:		
Current receivables	(7,874)	44,113
Accrued interest/income	(482,111)	(857,939)
Increase/(decrease) in liabilities		
Current Payables	370,836	3,163
Current Provisions	45,311	(47,971)
Revenue received in advance, current liabilities	93,383	40,456
Other current liabilities	(67,561)	77,171
Non current provisions	11,993	(5,753)
Revenue received in advance, non current liabilities	21,936	158,796
Net cash provided by/(used in) operating activities	<u>11,800,028</u>	<u>8,202,758</u>

#### 21. **Contingent Liabilities and Contingent Assets**

##### Contingent Liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of 108 claims (32 as at 30/6/2006) against the Fidelity Guarantee Account totalling \$6.158m (\$5.073m as at 30/6/2006) 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:

	<b>2007</b>	<b>2006</b>
\$0 - \$10,000	2	3
\$10,001 - \$20,000	2	1
\$20,001 - \$30,000	3	3
\$30,001 - \$40,001	0	0
\$50,001 - \$60,000	1	1
Total remuneration of members of the Board is:	168,520	157,065

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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 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:

	<b>2007</b>	<b>2006</b>
\$70,001 - \$80,000	1	1
Total remuneration of senior officers is:	76,293	79,698

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;

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Auditing the accounts, financial statements and performance indicators	25,000	23,500

#### **24. Special purpose accounts**

##### Special Purpose Account [section 16(1)(c)] of FMA

The Real Estate and Business Agents Supervisory Board Treasury Trust Account

The purpose of the trust account is to hold moneys:

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

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

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Opening balance	21,201	23,454

Receipts		0
Payments	<u>(3,290)</u>	<u>(2,253)</u>
Closing Balance	<u>17,911</u>	<u>21,201</u>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 25. Supplementary financial information

##### Write-offs

A new schedule of license fees became applicable from 1 July 2006. Some fees for sales representatives were received and processed prior to this date but had an effective date post 1 July 2006. The Board agreed to write-off the fee increase in these cases. This write-off amounted to \$2,808.

#### 26. Segment (service) information

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

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

#### 27. Commitments

##### 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:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Within 1 year	7,036	9,336
Later than 1 year and not later than 5 years	9,627	791
Later than 5 years	<u>0</u>	<u>0</u>
	<u>16,663</u>	<u>10,127</u>
Representing:		
Non-cancellable operating leases	<u>16,663</u>	<u>10,127</u>

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

#### 28. 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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 29. Explanatory statement

This statement provides detail of any significant variations between estimates and actual results for 2007 and between the actual results for 2006 and 2007.

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

#### Significant variations between estimate and actual results for the financial year

	2007 Estimate \$	2007 Actual \$	Variation \$
<b>Income</b>			
Agents trust account interest	13,253,000	15,911,547	2,658,547
Fines and costs	0	57,119	57,119
Interest revenue	3,478,200	4,083,451	605,251
<b>Expenses</b>			
Grants	7,644,000	3,147,523	(4,496,477)

#### Agents trust account interest

Higher levels of activity and prices in the industry combined with higher than anticipated interest rates resulted in a better than budget result.

#### Fines and costs

The issue of fines and awarding of costs is now within the jurisdiction of the State Administrative Tribunal. As such the quantum of revenue from this source is dependent on factors outside the control of the Board and not included in the budget.

#### Interest revenue

Higher than expected interest rates combined with higher levels of deposits from a better than anticipated profit has resulted in actual revenue from this source being higher than anticipated.

#### Grants

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

The budget allowed for an increase in the first home buyers purchase price threshold to be effective from the commencement of the financial year. However, the change in the threshold did not take effect until later in the year with the result that few grants were made than anticipated.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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

	2007	2006	Variation
	\$	\$	\$
<b>Income</b>			
Agents trust account interest	15,911,547	12,176,799	3,734,749
Interest revenue	4,083,451	3,138,258	945,193
<b>Expenses</b>			
Employee benefits expense	679,268	522,169	157,099
Grants	3,147,523	1,844,947	1,302,576
Other expenses	38,725	108,887	(70,162)

#### Agents trust account interest

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

#### Interest revenue

Higher interest rates and a higher levels of deposits held by the Board compared with last year has resulted in a significant increase in this source of income over the previous year.

#### Employee benefits expense

Expenditure under this item is higher than the previous year due to the combination of:

- increased leave liability,
- costs associated with conducting regional meetings

#### Grants

An increase in the threshold on property prices where first home buyers grants can be claimed resulted in an increase in the level of these grants being paid compared with the previous year.

#### Other expenses

Other expenses for the 2005/06 financial year were abnormally high due to a repayment of an overpaid by a financial institution of agents trust account interest. The current year is within normal expenditure levels for this category of expenditure.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 30. Financial instruments

##### (a) Financial Risk Management Objectives and Policies

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

##### *Credit risk*

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

##### *Liquidity risk*

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

##### *Cash flow interest rate risk*

The 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.

##### (b) Financial instrument disclosure

##### (a) Interest rate exposure

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

Financial Assets	Weighted average effective interest rate		Floating interest		Non interest bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash assets	6.15%	5.52%	21,788	16,366			21,788	16,366
Restricted cash assets	6.15%	5.52%	50,793	44,460			50,793	44,460
Accrued income					1,382	1,182	1,382	1,182
Accrued interest					1,081	799	1,081	799
Receivables					18	10	18	10
<b>Total</b>			<b>72,581</b>	<b>60,826</b>	<b>2,481</b>	<b>1,991</b>	<b>75,062</b>	<b>62,817</b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Financial Liabilities	Weighted average effective interest rate		Floating interest		Non interest bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables					445	74	445	74
Other liabilities					30	98	30	98
Provisions					147	89	147	89
Revenue received in advance					1,495	1,380	1,495	1,380
<b>Total</b>			0	0	2,117	1,641	2,117	1,641

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.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 31. Income Statement for the year ended 30 June 2007 separated under Accounts operated by the Board

	Education and General Purpose	Fidelity Guarantee Account	Home Buyers Assist Account	Board Interest Account	Total
	\$	\$	\$	\$	\$
<b>INCOME</b>					
<i>Revenue</i>					
Agents trust account interest	9,078,987	716,762	6,132,298	(16,500)	15,911,547
Licence income	916,188				916,188
Contributions to the Fidelity Guarantee Account		111,570			111,570
Fines and costs	54,119	3,000			57,119
Interest revenue	1,163,536	1,847,008	1,056,188	16,719	4,083,451
Other revenues	51,486				51,486
<i>Gains</i>					
Gains on disposal of non-current assets					0
<b>Total Income</b>	<b>11,264,316</b>	<b>2,678,340</b>	<b>7,188,486</b>	<b>219</b>	<b>21,131,361</b>
<b>EXPENSES</b>					
<i>Expenses</i>					
Employee benefits expense	679,268				679,268
Board fees and expenses	157,696		704		158,400
Supplies and services	5,053,774	71,688	525	219	5,126,206
Depreciation and amortisation expense	22,520				22,520
Accommodation expenses	8,366				8,366
Grants	98,825	158,758	3,048,698		3,306,281
Other expenses	38,725				38,725
<b>Total Expenses</b>	<b>6,059,174</b>	<b>230,446</b>	<b>3,049,927</b>	<b>219</b>	<b>9,339,766</b>
<b>Profit/(loss) for the period</b>	<b>5,205,142</b>	<b>2,447,894</b>	<b>4,138,559</b>	<b>0</b>	<b>11,791,595</b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### 32. Balance Sheet as at 30 June 2007 separated under the Accounts operated by the Board

	Education and General Purpose	Fidelity Guarantee Account	Home Buyers Assist Account	Board Interest Account	Total
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	21,787,812			500	21,788,312
Restricted cash and cash equivalents		31,736,188	19,056,528		50,792,716
Accrued agents trust account interest	787,926	62,205	532,198		1,382,329
Accrued investment interest	318,462	480,036	282,553		1,081,051
Receivables	15,595	2,231			17,826
<b>Total Current Assets</b>	<b>22,909,795</b>	<b>32,280,660</b>	<b>19,871,279</b>	<b>500</b>	<b>75,062,234</b>
<b>Non Current Assets</b>					
Property, plant and equipment	58,714				58,714
Intangible Assets	0				0
<b>Total Non-Current Assets</b>	<b>58,714</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,714</b>
<b>TOTAL ASSETS</b>	<b>22,968,509</b>	<b>32,280,660</b>	<b>19,871,279</b>	<b>500</b>	<b>75,120,948</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	436,248	8,536			444,784
Provisions	113,704				113,704
Licence revenue received in advance	825,751				825,751
Other current liabilities	28,744	1,454			30,198
<b>Total Current Liabilities</b>	<b>1,404,447</b>	<b>9,990</b>	<b>0</b>	<b>0</b>	<b>1,414,437</b>
<b>Non Current Liabilities</b>					
Licence revenue received in advance	669,362				669,362
Provisions	32,972				32,972
<b>Total Non Current Liabilities</b>	<b>702,334</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>702,334</b>
<b>Total Liabilities</b>	<b>2,106,781</b>	<b>9,990</b>	<b>0</b>	<b>0</b>	<b>2,116,771</b>
<b>NET ASSETS</b>	<b>20,861,728</b>	<b>32,270,670</b>	<b>19,871,279</b>	<b>500</b>	<b>73,004,177</b>
<b>EQUITY</b>					
Retained earnings	20,861,728	32,270,670	19,871,279	500	73,004,177
<b>TOTAL EQUITY</b>	<b>20,861,728</b>	<b>32,270,670</b>	<b>19,871,279</b>	<b>500</b>	<b>73,004,177</b>

## Appendix

The following table provides details and results of disciplinary matters finalised during 2006-2007 by the Board.

Concluded Magistrate Court Disciplinary Matters (1 July 2006 – 30 June 2007)

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>Magistrate Court No. 59603/06 Registrar v Alexander March Forsythe Brown</b>	9 March 2006	Criminal Code (S 169(2))	Making a false statutory declaration; threatening words or behaviour; resist arrest; disorderly conduct; assault public officer	\$1,200	\$300

Concluded State Administrative Tribunal Disciplinary Matters (1 July 2006 – 30 June 2007)

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 96 of 2006</b> <b>Board v Carmelo Charles Parrella t/as Charles Parrella &amp; Associates</b>	25 July 2006	Real Estate and Business Agents Act 1978 (s 103(2)(c)(iii)); Code of Conduct (Article 7)	Acting contrary to agents code of conduct	\$5,000 in clear funds by 7 September 2006, failing which licence be suspended until payment is made	\$1,000 by 7 September 2006, failing which licence be suspended until payment is made
<b>VR 5 of 2006</b> <b>Board v Vivian Simpson</b>	17 July 2006	Real Estate and Business Agents Act 1978 (s 103(2)(c)(iii)); Code of Conduct (Article 5(1))	Failure to act fairly and honestly	Reprimand given undertaking not to apply for registration as a sales representative for a period of two years	Parties pay their own costs
<b>VR 147 of 2006</b> <b>Board v Espanol Holdings Pty Ltd (in liquidation) and Maria and Michelle Ortin</b>	26 October 2006	Real Estate and Business Agents Act 1978 (s 23)	Reviewable decision	Referred back to the Board for a re-hearing before a differently constituted Board	Parties reached agreement

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 148 of 2006</b> <b>Board v Eloise Elizabeth Carrigan</b>	19 October 2006	Real Estate and Business Agents Act 1978 (s 103(4)(c)(iii)); Code of Conduct (Article 5(1))	Failed to act fairly and honestly	Permanently disqualified being registered as a Real Estate and Business Sales Representative	Nil
<b>VR 157 of 2006</b> <b>Board v</b> <b>1<sup>st</sup> Respondent</b> <b>Pagal Pty Ltd</b> <b>t/as ABPS</b> <b>International</b>	13 November 2006	Real Estate and Business Agents Act 1978 (s 68(1) & (6)(d))	Misappropriation of trust accounts	Reprimand	\$500
<b>2<sup>nd</sup> Respondent</b> <b>Marek Stanislaw</b> <b>Srokowski</b>		Code of Conduct (Article 6(2))	Person in bona fide control not supervising properly	Reprimand	Nil
<b>3<sup>rd</sup> Respondent</b> <b>Jodie Marie Lynch</b>		Code of Conduct (Article 5(1))	Not acting fairly and honestly	Permanent disqualification from being registered as a Real Estate and Business Sales Representative	\$1,000

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 66 of 2006</b> <b>Board v Tommy Fung</b>	18 September 2006	Real Estate and Business Agents Act 1978 (s101); Code of Conduct (Article 7)	Failure to act with skill, care and diligence in failing to advise its principal as to its rights	\$1,500 within 28 days. Certificate of registration to be suspended if a Real Estate Law course is not followed and fine and costs paid	\$1,000
<b>VR 73 of 2006</b> <b>Board v Mark Simonsen</b>	15 December 2006	Real Estate and Business Agents Act 1978 (s23)	Reviewable decision	Nil	Parties to bear own costs
<b>VR 192 of 2006</b> <b>Board v Rachel Heather Mary Thompson</b>	12 January 2007	Real Estate and Business Agents Act 1978 (s 103(4)(c)(iii)); Code of Conduct (Article 5(1))	Misappropriating monies from trust and general accounts	Permanently disqualified from being registered as a Real Estate and Business Sales Representative	\$500

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 171 of 2006</b> <b>Board v Alexander March Forsythe Brown</b>	23 January 2007	Real Estate and Business Agents Act 1978 (s 103(2)(c)(ii))	Respondent not of good character and repute, a fit and proper person to hold a licence	Licence cancelled and disqualified from obtaining a licence and triennial certificate	\$1,000
<b>VR 43 of 2007</b> <b>Board v Carmelo Charles Parrella</b> <b>t/as Charles Parrella &amp; Associates</b>	22 March 2007	Real Estate and Business Agents Act 1978 (s 93(1))	Trust account deficiency	Licence suspended until further order by the Tribunal	Agent to pay costs of the application
<b>VR 112 of 2006</b> <b>Board v Westpoint Realty Pty Ltd (in liquidation)</b>	16 April 2007	Real Estate and Business Agents Act 1978 (s 93(1))	Incapable of properly conducting business due to the appointment of a liquidator to its property	Licence suspended until further order by the Tribunal	Agent to pay costs of the application

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 25 of 2007 Board v 1<sup>st</sup> Respondent Estate West Pty Ltd ABN 97 184 539 817</b> and	4 May 2007	1 <sup>st</sup> Respondent Real Estate and Business Agents Act 1978 (s 64(4)); Code of Conduct (Article 10(1))	Demanding a reward; conflict of interest with the principal; demanding, retaining or receiving a commission; not exercising skill, care and diligence in negotiations; interest in transaction the First Respondent acted; interested in the purchase of real estate listed for sale with the First Respondent without the prior written consent ; person in bona fide control failing to properly supervise the agency business.	1st Respondent - \$1,000	1 <sup>st</sup> Respondent - \$500
<b>2<sup>nd</sup> Respondent John Gardner</b> and		Code of Conduct (Articles 7, 10(1) & (3))		2 <sup>nd</sup> -5 <sup>th</sup> Respondents - \$500 each	2 <sup>nd</sup> – 5 <sup>th</sup> Respondents – Total costs of \$500
<b>3<sup>rd</sup> Respondent Peter Robinson</b> and		Real Estate and Business Agents Act 1978 (s 64(2)); Code of Conduct (Article 10(2) & (3))			
<b>4<sup>th</sup> Respondent Angela Robinson</b> and		Real Estate and Business Agents Act 1978 (s 64(2))			
<b>5<sup>th</sup> Respondent Jeffery Crabb</b>		Code of Conduct (Article 6 (2))			

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 77 of 2007</b> <b>Board v</b> <b>1<sup>st</sup> Respondent</b> <b>T.M. Moylan Nominees Pty</b> <b>Ltd t/as Moylan Real Estate</b> <b>And 2<sup>nd</sup> Respondent</b> <b>Paul Moylan</b>	4 May 2007	Real Estate and Business Agents Act 1978 (s 93(1))	Not conducting business as a licensed Real Estate Agent in accordance with the Act ; Not holding a current triennial certificate	Licence suspended until further notice.	Respondents to pay the applicant's reasonable costs
<b>VR 12 of 2007</b> <b>Board v</b> <b>1<sup>st</sup> Respondent</b> <b>Chasecorp Pty Ltd</b> <b>t/as Citicorp Business</b> <b>Brokers</b> <b>and</b> <b>2<sup>nd</sup> Respondent</b> <b>Peter Shorter</b>	11 April 2007	Real Estate and Business Agents Act 1978 (s 16)	Not licensed as a Business Agent	\$4,500	#1,000
<b>2<sup>nd</sup> Respondent</b> <b>Peter Shorter</b>		Real Estate and Business Agents Act 1978 (s 45 (2))	Not registered as Business sales Representative	\$1,200	\$500

Name of Respondent	Date of Outcome	Legislation	Contravention of Act and/or code	Fine	Costs
<b>VR 90 of 2007</b> <b>Board v</b> <b>Alpha Mega</b> <b>Australia Pty Ltd</b> <b>t/as</b> <b>Megawin Property</b>	23 May 2007	Real Estate and Business Agents Act 1978 (s 93(1))	Not conducting business as a licensed Real Estate Agent in accordance with the Act	Licence suspended	\$1,000
<b>VR 161 of 2006</b> <b>Board v Samantha</b> <b>Marshall</b>	4 April 2007	Code of Conduct (Article 5(1))	Not acting fairly and honestly	Certificate of registration suspended for two months	Order awaiting
<b>VR 50 of 2007</b> <b>Board v</b> <b>1<sup>st</sup> Respondent</b> <b>Kable Agencies Pty</b> <b>Ltd Formerly t/as</b> <b>Ray White Shark</b> <b>Bay</b>  <b>2<sup>nd</sup> Respondent</b> <b>Ski At Denham Pty</b> <b>Ltd t/as Ray White</b> <b>Shark Bay</b>	10 May 2007	Real Estate and Business Agents Act 1978 (s 39(3))  Real Estate and Business Agents Act 1978 (s 26)	First respondent permitting the second respondent to use his licence and triennial certificate  Conducting business as a Real Estate Agent whilst not holding a licence or a triennial certificate	\$4,500  \$4,500	\$500  \$500

# REBA 2006-2007 Annual Report - Questionnaire

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

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

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

**2. Did the report meet your needs?**

- Yes
- No
- Unsure

**3. What is your overall impression of this report?**

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

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

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**5. What was your reason for reading this report?**

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

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

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**Your completed questionnaire can be either posted, faxed or hand delivered to REBA.**

**Its contact details are:**

**Fax: 9282 0869**

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## Contact details

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

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