



Australian Government
Registered Organisations Commission

27 November 2018

Mr Steve Shenfield
President
Master Builders Association of the Northern Territory

By e-mail: info@mbant.com.au

Dear Mr Shenfield

Master Builders Association of the Northern Territory
Financial Report for the year ended 30 June 2018 - FR2018/42

I acknowledge receipt of the financial report for the year ended 30 June 2018 for the Master Builders Association of the Northern Territory (MBANT). The financial report was lodged with the Registered Organisations Commission (ROC) on 21 November 2018.

I note that the MBANT registration under the *Fair Work (Registered Organisations) Act 2009* was cancelled by the Fair Work Commission on 24 August 2018. Thank you for providing the final financial report under this registration.

I wish you and association all the best for the future.

Kind regards

A handwritten signature in black ink, appearing to read 'K. Morgan'.

KEN MORGAN
Financial Reporting Specialist
Registered Organisations Commission

**MASTER BUILDERS ASSOCIATION NORTHERN
TERRITORY INCORPORATED**

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE 2018**

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CONTENTS

	Page
Operating Report	1
Statement by the Committee of Management	3
Independent Auditor's Report	4
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Recovery of Wages Activity	10
Notes to the Financial Statements	11

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Committee of Management of the Master Builders Association Northern Territory Incorporated for the purposes of the *Fair Work (Registered Organisation) Act 2009*, presents its operating report for the financial year ended 30 June 2018.

Committee of Management

The names of each committee member of the Association during the year from 1 July 2017 to 30 June 2018, unless otherwise stated, were:

Steve Shenfield (President)

Dick Guit

Andrea Moriarty

Russell Lutzke

Cameron King

Peter O'Leary

Adam Twomey

There were no officers or employees who were also directors of the Association or member of the Committee of Management.

Principal Activities

The principal activities of the Association during the relevant financial year were:

- To promote the interests of the building and construction industry in the Northern Territory;
- To safeguard the interests of its members against injustice in their regular business and such activities as are ancillary to the building and construction industry;
- To protect its members against injustice or oppression in the fair and proper execution of such works as they may undertake to carry out from time to time;
- To establish a code of ethics and good business practice amongst members;
- To take an active part in assisting or opposing such public movements as may appear likely to affect its members' interests in the carrying on of their business;
- To secure to its members all the advantages of unity of action in any lawful manner whatsoever; and
- To maintain and improve conditions of contracts, forms of agreement, conditions of tendering and the like and to enter into agreements with the Royal Australian Institute of Architects or similar bodies, public authorities, the Commonwealth and Northern Territory authorities and lending institutions.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**OPERATING REPORT
FOR THE YEAR ENDED
30 JUNE 2018**

Results of Activities

The net surplus of the Association for the financial period was \$16,422 (Surplus of \$78,891 in 2017).

Significant Changes in Nature of Activities or Financial Affairs

No significant changes in the nature of the activity occurred during the year.

Membership of the Association

The number of members of the Association at the end of the financial year was 259 (2017: 300).

Employees of the Association

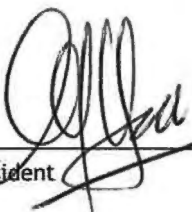
The number of persons employed by the Association during the financial year at one time was 10 (2017: 10).

Rights of Members to Resign


Members retain their right to resign from the Master Builders Association Northern Territory Incorporated in accordance with section 10 of the Federal Rules and Section 174 of Chapter 6 of *Fair Work (Registered Organisations) Act 2009*. In accordance with Section 174 Schedule 1 of the *Fair Work (Registered Organisations) Act*, a member of an organisation may resign from membership by written notice addressed and delivered to a person designated for the purpose in the rules of the organisation or a branch of the organisation.

Superannuation Trustees

No officer or member of the Association is a trustee of a superannuation entity.



President



Treasurer

Date: 16 October 2018

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

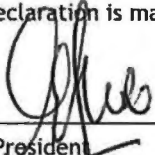
**STATEMENT BY THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED
30 JUNE 2018**

On the 16th October 2018 the Committee of Management of the Master Builders Association of the Northern Territory Incorporated passed the following resolution in relation to the general purpose financial statements (GPFS) for the year ended 30 June 2018 as follows:

In our opinion:-

- a) the financial statements and notes thereof comply with the Australian Accounting Standards;
- b) the financial statements and notes thereof comply with the reporting guidelines of the General Manager of the Fair Work Commission;
- c) the financial statements and notes thereof give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- d) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable;
- e) during the financial year to which the GPFS relates and since the end of that year:
 - i) meetings of the Committee of Management of the Association were held in accordance with the rules of the Association;
 - ii) the financial affairs of the Association have been managed in accordance with the rules of the Association;
 - iii) The financial records have been kept and maintained in accordance with Part 8 (records and Accounts) the Fair Work (Registered Organisation) Act 2009;
 - iv) The Association only consists of one reporting unit therefore the issue of consistency of financial reporting does not arise;
 - v) No information has been sought by a member of the Association or a General Manager of Fair Work Australia under Section 272 of the Fair Work (Registered Organisation) Act 2009; and
 - vi) No orders for inspection of financial statements have been made by the Fair Work Australia under section 273 of Fair Work (Registered Organisation) Act 2009.
- f) there were no recovery of wages activity during the financial year.

This declaration is made in accordance with a resolution of the Committee of Management.



President



Treasurer

Dated 16 October 2018

**DECLARATION OF INDEPENDENCE BY C TAZIWA TO THE DIRECTORS OF
MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED**

As auditor of Master Builders Association Northern Territory Incorporated for the period ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Master Builders Association Northern Territory Incorporated during the period.



C Taziwa

Partner

BDO Audit (NT)

Darwin, 17 October 2018

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenues	2(a)	1,967,978	2,122,191
Share of profits from associate accounted for using the equity method	2(b)	5,518	68,493
Other income	2(c)	82,384	92,593
		<u>2,055,880</u>	<u>2,283,277</u>
Expenses			
Affiliation fees to Master Builders Australia Inc.		91,703	89,981
Accounting and audit fees	3(a)	16,395	28,170
Administration costs		413,770	418,300
Bad debts	5	-	1,950
Capitation fees		-	-
Decrease in value of investment property		110,000	-
Depreciation	7	21,334	16,019
Finance costs	12	14,228	14,929
Financial services		13,433	14,494
Grants or Donations		-	-
Impairment		-	-
Legal costs		-	-
Marketing, functions and events costs		260,929	264,068
Office supplies, postage and other administration costs		29,479	30,301
Penalties - via RO Act or RO Regulations		-	-
Product and services		19,606	39,914
Property costs		114,814	116,187
Sundry expenses		44,651	37,626
Training and projects costs		178,091	220,904
Travel and accommodation		34,848	30,345
Employee expenses - Committee of Management	3(b)	-	-
Employee expenses - Management	3(c)	264,070	389,180
Employee expenses - Other staff	3(d)	412,107	492,018
Total Expenses		<u>2,039,458</u>	<u>2,204,386</u>
Surplus (Deficit) For The Year		16,422	78,891
Other comprehensive income		-	-
Total Comprehensive Income (Loss)		<u><u>16,422</u></u>	<u><u>78,891</u></u>

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,326,584	1,397,722
Trade and other receivables	5	15,176	31,276
Inventory	6	2,874	3,537
Prepayments		95,049	101,831
Total Current Assets		1,439,683	1,534,366
Non-Current Assets			
Property and equipment	7	18,530	26,301
Investments	8	864,699	969,180
Other non-current asset	1 (g)	1,266	2,109
Total Non-Current Assets		884,495	997,590
Total Assets		2,324,178	2,531,956
LIABILITIES			
Current Liabilities			
Trade and other payables	9	224,190	259,095
Grant liabilities	10	208,407	336,338
Borrowings	12	17,666	16,860
Provisions	11	60,615	104,313
Total Current Liabilities		510,878	716,606
Non-Current Liability			
Borrowings	12	293,836	312,308
Total Non-Current Liability		293,836	312,308
Total Liabilities		804,714	1,028,914
NET ASSETS		1,519,464	1,503,042
EQUITY			
Accumulated funds	13	1,519,464	1,503,042
Total Equity		1,519,464	1,503,042

The Statement of Financial Position should be read in conjunction with the accompanying note.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Accumulated Funds \$	Office Building Reserves \$	Total \$
Balance at 30 June 2016	<u>1,199,151</u>	<u>225,000</u>	<u>1,424,151</u>
Total comprehensive income for the year	78,891	-	78,891
Transfer to reserves for the year	<u>-</u>	<u>-</u>	<u>-</u>
	78,891	-	78,891
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2017	<u>1,278,042</u>	<u>225,000</u>	<u>1,503,042</u>
Total comprehensive income for the year	16,422	-	16,422
Balance at 30 June 2018	<u><u>1,294,464</u></u>	<u><u>225,000</u></u>	<u><u>1,519,464</u></u>

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

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		1,883,646	2,099,074
Cash payments in the course of operations		(1,970,992)	(2,165,223)
Interest received		29,223	34,267
Grants received		32,442	46,510
Interest paid		(14,228)	(14,929)
Net cash provided by operating activities	14(b)	<u>(39,909)</u>	<u>(301)</u>
Cash flows from investing activities			
Payment for property and equipment		<u>(13,563)</u>	-
Cash used in investing activities		<u>(13,563)</u>	<u>-</u>
Cash flows from financing activities			
Repayment of borrowing		<u>(17,666)</u>	(16,900)
Cash used in financing activities		<u>(17,666)</u>	<u>(16,900)</u>
Net increase in cash and cash equivalents		(71,138)	(17,201)
Cash and cash equivalents at beginning of the financial year		1,397,722	1,414,923
Cash and cash equivalents at the end of the financial year	14(a)	<u>1,326,584</u>	<u>1,397,722</u>

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

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

RECOVERY OF WAGES ACTIVITY FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
Cash assets in respect of recovered money at beginning of year	<u> </u>	<u> </u>
Receipts		
Cash receipts in the course of operationsAmounts recovered from employers in respect of wages etc.	-	-
Interest received on recovered money	-	-
Total receipts	<u> </u>	<u> </u>
Payments		
Deductions of amounts due in respect of membership for:		
12 months or less	-	-
Greater than 12 months	-	-
Deductions of donations or other contributions to accounts or funds of:		
The reporting unit:		
name of account	-	-
name of fund	-	-
Name of other reporting unit of the organisation:		
name of account	-	-
name of fund	-	-
Name of other entity:		
name of account	-	-
name of fund	-	-
Deductions of fees or reimbursement of expenses	-	-
Payments to workers in respect of recovered money	-	-
Total payments	<u> </u>	<u> </u>
Cash assets in respect of recovered money at end of year	<u> </u>	<u> </u>
Number of workers to which the monies recovered relates	-	-
Aggregate payables to workers attributable to recovered monies but not yet distributed		
Payable balance	-	-
Number of workers the payable relates to	-	-
Fund or account operated for recovery of wages		
Nil	-	-

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements are a general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and complies with the Fair Work (Registered Organisations) Act 2009 and Northern Territory of Australia Associations Act.

For the purposes of preparing the financial statements, the Association is a not-for-profit entity. The financial report was authorised for issue, in accordance with a resolution of committee of management, on 16 October 2018.

The financial statements have been prepared on a historical basis except for investment property that has been measured at fair value. The concept of accrual accounting has been adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements are presented in Australian dollars, which is Master Builders Association of the Northern Territory Incorporated's functional and presentation currency. All amounts have been rounded off to the nearest dollar.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction or other event is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Going Concern Basis

The financial statements are prepared on a going concern basis.

(b) New, revised or amending Accounting Standards and Interpretations adopted

The Association has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Association from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Association.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(b) New, revised or amended Accounting Standards and Interpretations adopted - (continue.)

AASB 2016-2 (issued March 2016) Amendments to Australian Accounting Standards - Disclosure initiative: - Amendments to AASB 107

The amendments to AASB107 *Disclosure initiative* affect presentation and disclosures only. Additional disclosures will be required for the first time during the year ended 30 June 2018 and comparatives will not be required in the first year.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Association will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 60 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distributing the goods.

When the net realisable value of the inventories is lower than the cost, the Association provides for an allowance for the decline in the value of the inventory and recognises the write-down as an expense in the profit and loss statement. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

(f) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after such asset has been put into operation, such as repairs and maintenance and overhaul costs are normally charge to profit or loss in the period they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an addition of property, plant and equipment.

Depreciation on the assets is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Motor vehicles	5 years
Office equipment	3-8 years
Furniture and fittings	3-8 years
Kitchen assets	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(f) Property, Plant and Equipment (Cont.)

An item of property and equipment is derecognised upon disposal, when the item is no longer used in the operations of the Association or when it has no sale value. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(g) Intangibles

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The useful life of the Association's website upgrade is 3 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit and loss when the asset is derecognised.

Website upgrade cost was accounted for as 'Other noncurrent asset' in the statement of financial position.

(h) Investment Property

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Association. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value, based on similar assets, location and market conditions. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

(i) Investment in Associate

An associate is an entity over which the Association has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(i) Investment in Associate (Cont.)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Asset Held for Sale and Discontinued Operations. 'Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the share of the profit or loss and other comprehensive income of the associate. When the share of losses of an associate exceeds the interest in that associate, the Association discontinues recognising its share of further losses. Additional losses are recognised only to the extent that it has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable value.

Recoverable value is the higher of an asset's fair value less cost to sell or value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pretax discount rate specific to the asset or cash-generating unit to which the asset belongs. Asset that do not have independent cash flows are grouped together to form a cash-generating unit.

Any excess of the cost of acquisition over the share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(k) Trade Payables

Trade payables and other accounts payables are recognised when the Association becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised costs using the effective interest method.

When there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the borrowings are classified as non-current.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(m) Employee Benefit Provisions

Wages and Salaries and Annual Leave

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of reporting date are recognised in respect of employees' services rendered up to balance sheet date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries are included as part of 'Trade and other payables' and liabilities for annual leave are included as part of 'Provisions' in the statement of financial position.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of Goods and Service Tax (GST) except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

(o) Income Tax

The Association is exempt from income tax under section 50.1 of the Income Tax Assessment Act 1997 however still has obligation for Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(p) Fair value measurement

The Association measures financial instruments, such as, financial asset as at fair value through the profit and loss, available for sale financial assets, and non-financial assets such as land and buildings and investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 20A. As at 30 June 2018 and 2017, the table below shows financial statement items measured at fair value:

	2018	2017
	\$	\$
Investment property	470,000	580,000

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Association. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

External valuers are involved for valuation of significant assets, such as land and buildings and investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(q) Revenue Recognition

(i) Grants

Grants are not recognised until there is reasonable assurance that the Association will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Association recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Association should purchase, construct otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Association with no future related costs are recognised in profit or loss in the period in which they become receivable.

(ii) Subscriptions

Revenue from subscriptions is accounted for on an accrual basis and is recorded as revenue in the year to which it relates.

(ii) Rent

Rent revenue from investment property is recognised on a straight line basis over the lease of term.

(iii) Management fee

Management fee is recognised when services are rendered.

(iv) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(r) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights and obligations exist. Subsequent to initial recognition these instruments are measured as set out on the next page:

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(r) Financial Instruments (Cont.)

Financial Assets

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial Liabilities

Non-derivative financial liabilities, including loans and borrowings, are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derecognition of financial assets

The Association derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment

At the end of each reporting period the Association assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(s) Leases (Cont.)

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(t) Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for impairment of receivables

The provision for impairment of receivables assessment requires degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection of rates and specific knowledge of the individual debtors financial position. Provision for impaired receivables amounted to \$1,950 as at 30 June 2018 (2017: \$1,950).

Impairment of non-financial assets

The Association assesses impairment at each reporting date by evaluating conditions specific to the Association that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recognised in respect of property and equipment, investment property and investment in associate for the year ended 30 June 2018 (2017: nil).

Estimation of useful lives of assets

The Association determines the estimated useful lives and related depreciation charges for its property and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(t) Critical Accounting Estimates and Judgements (Cont.)

Fair value of investment property

The fair value of completed investment property has been determined on a market value basis by accredited independent valuers. In arriving at the estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

As at 30 June 2018, investment property is valued at \$470,000 (2017: \$580,000).

Evaluation of the Association's significant influence over its investment in MBA Insurance Services Pty Ltd (MBAIS)

Under AASB 128, a holding of 20% or more of the voting power of the investee is presumed to give rise to significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, a holding of less than 20% of the voting power is presumed not to give rise to significant influence, unless it can be clearly demonstrated that there is in fact significant influence. AASB 28 states that the exercise of significant influence will usually be evidenced by way of representation on the board of directors or equivalent governing body of the investee, among others. The Association owns 14% (2017:14%) of MBA Insurance Services Pty Ltd (MBAIS). Although it is below the 20% or more voting power which is presumed to give rise to a significant influence, management believes that the Association exercise significant influence over MBAIS because it has a representation on the board of directors and still influence the operations and management of MBAIS. Through its board representation, the Association believes that it exercises significant influence over the financial and operating policies of MBAIS. Accordingly, the Association accounted for its investment in MBAIS as investment in associate in the financial statements.

(u) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Association for the annual reporting period ended 30 June 2018. The Association's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Association, are set out below.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(u) New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont.)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance.

Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Association will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Association.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

(u) New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont.)

AASB 15 Revenue from Contracts with Customers (Cont.)

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The association will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Association.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Association will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Association.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF ACCOUNTING POLICIES (Cont.)

AASB 1058 Income of Not-for-Profit Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard establishes principles and guidance when accounting for:

- Transactions where the consideration to acquire an asset is significantly less than the fair value, principally to enable a NFP to further its objectives, and
- The receipt of volunteer services.

AASB 1058 supersedes all current income recognition requirements for private sector not-for-profit entities (NFPs), and most of the requirements for public sector NFPs currently contained in AASB 1004 Contributions. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

(v) Required Disclosures Under Section 253 Reporting Guidelines But Not Applicable

The Association did not have activities during the year for the following required disclosures under Section 253 of Fair Work (Registered Organisations) Act of 2009:

- i. Business combinations;
- ii. Fees incurred as consideration for or payables to employers making payroll deductions of membership subscriptions;
- iii. Fees and allowances paid to persons to attend to conferences or other meeting as a representative of the Association;
- iv. Legal costs or other litigation expenses incurred or payables in respect of legal costs and other expenses related to litigation or other legal matters;
- v. Penalties imposed under the RO Act; and,
- vi. Donations received or made to other parties.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
		\$	\$
2	(a) Revenue		
	Administration fee	871,866	871,866
	Capitation fees	-	-
	Commission MBAIS	77,648	78,539
	Government grants	160,373	180,220
	HR/IR income	25,293	25,747
	Levies	-	-
	Membership and subscriptions	298,107	315,039
	Marketing, functions and events	229,226	219,521
	Training and projects	305,465	431,259
		<u>1,967,978</u>	<u>2,122,191</u>
	(b) Share in profit or loss of associate	8	68,493
	(c) Other income		
	Interest and finance	29,223	34,267
	Office rental income	20,291	22,391
	Miscellaneous income	3,786	6,041
	Rental income from investment property	8	29,894
	Donations	-	-
		<u>82,384</u>	<u>92,593</u>
	Total Revenue	<u>2,055,880</u>	<u>2,283,277</u>
3	(a) Auditors' Remuneration		
	Audit services	13,500	27,000
	Accounting services	2,895	1,170
		<u>16,395</u>	<u>28,170</u>
	(b) Employee expenses - Committee of Management		
	Wages and salaries	-	-
	Superannuation	-	-
	Leave and other entitlements	-	-
	Separation and redundancies	-	-
	Other employee expenses	-	-
		<u>-</u>	<u>-</u>

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
3 (c) Employee expenses - Management		
Wages and salaries	207,494	320,569
Superannuation	22,910	52,741
Leave and other entitlements	-	15,870
Separation and redundancies	33,666	-
Other employee expenses	-	-
	<u>264,070</u>	<u>389,180</u>
(d) Employee expenses - Other staff		
Wages and salaries	375,320	444,020
Superannuation	34,170	24,546
Leave and other entitlements	(6,700)	14,621
Separation and redundancies		
Other employee expenses	9,317	8,831
	<u>412,107</u>	<u>492,018</u>
(e) Administration costs		
Consideration to employers for payroll deductions	-	-
Compulsory levies	-	-
Fees/allowances - meetings and conferences	-	-
Conference and meetings expenses	-	-
Total administrative costs	<u>-</u>	<u>-</u>
4 Cash and cash equivalents		
Cash on hand	700	700
Cash deposits with banks	341,981	436,607
Short-term investments	983,903	960,415
Total cash and cash equivalents	<u>1,326,584</u>	<u>1,397,722</u>
5 Trade and other receivables		
Trade receivables	17,126	33,226
Provision for doubtful debts	(1,950)	(1,950)
	<u>15,176</u>	<u>31,276</u>
Goods and services tax	-	-
Total receivables	<u>15,176</u>	<u>31,276</u>
Analysis of allowance account		
Opening Balance	-	-
Provisions for doubtful receivables	1,950	1,950
Receivables written off during the year	-	-
Closing balance	<u>1,950</u>	<u>1,950</u>

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

		2018 \$	2017 \$
6	Inventory		
	Standards and contracts - at cost	2,874	3,537
	Total inventory	<u>2,874</u>	<u>3,537</u>
7	Property and equipment		
	Motor vehicles	40,774	40,774
	Less accumulated depreciation	(37,310)	(36,044)
	Total motor vehicles	<u>3,464</u>	<u>4,730</u>
	 Furniture and fixtures	 35,138	 35,438
	Less accumulated depreciation	(31,379)	(31,102)
	Total furniture and fixtures	<u>3,759</u>	<u>4,336</u>
	 Office machines	 100,545	 86,965
	Less accumulated depreciation	(91,620)	(72,630)
	Total office machines	<u>8,925</u>	<u>14,335</u>
	 Kitchen assets	 4,906	 4,906
	Less accumulated depreciation	(2,524)	(2,006)
	Total kitchen assets	<u>2,382</u>	<u>2,900</u>
	Total property and equipment	<u>18,530</u>	<u>26,301</u>
	Reconciliation		
	Carrying value at beginning of the year	26,301	42,320
	Additions	13,579	-
	Disposals	(16)	-
	Depreciation	(21,334)	(16,019)
	Carrying value at end of year	<u>18,530</u>	<u>26,301</u>
8	Investments		
	<i>Investment in Associate</i>		
	Shares in MBA Insurance Services Pty Ltd	389,181	320,687
	Share in profit or loss	5,518	68,493
		<u>394,699</u>	<u>389,180</u>
	 <i>Investment property</i>		
	Sentinel Investment Unit	679,003	679,003
	Decrease in value	(209,003)	(99,003)
		<u>470,000</u>	<u>580,000</u>
	Total investments	<u>864,699</u>	<u>969,180</u>

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8 Investments (cont.)

The Association owns 14% (2017:14%) and has significant influence to Master Builder Insurance Services Pty Ltd (MBAIS). Summary of the financial information of MBAIS is as follows:

Statement of financial position:

	2018	2017
	\$	\$
Current assets	22,474,598	19,820,735
Non current assets	677,592	537,925
Total Assets	<u>23,152,190</u>	<u>20,358,660</u>
Current liabilities	20,370,803	17,607,483
Non current liabilities	18,494	26,913
Total Liabilities	<u>20,389,297</u>	<u>17,634,396</u>

Statement of profit or loss and other comprehensive income

Income	13,071,945	12,162,979
Expenses	12,639,008	11,646,929
Net surplus	<u>432,937</u>	<u>516,050</u>

Share of associate's net surplus

Share of associate's net surplus before tax	<u>5,518</u>	<u>68,493</u>
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Investment Property

The valuation of The Sentinel Investment Unit, the investment property, was performed by an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The revaluation took place on 8 June 2018.

The fair value of completed investment property has been determined on a market value basis. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

The highest and best use of the investment properties is not considered to be different from its current use.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8 Investments (cont.)

Rental income earned and received from the investment properties during the year was \$29,083 (2017: \$29,894).

Direct expenses incurred in relation to the investment properties that generated rental income during the year was \$27,738 (2017: \$23,798). During the year and as at the year-end, no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal were present. The Association does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Sentinel Investment Unit was purchased in November 2012 and the estimated fair value assumed its cost as at 30 June 2013.

The fair value of investment property is included within Level 2 (see Note 20b).

Minimum lease payments for the investment property is disclosed in Note 17.

	2018	2017
	\$	\$
9 Trade and other payables		
Trade creditors	41,694	30,192
Goods and services tax	15,664	13,166
Rental payable	7,145	7,145
Other payables	159,687	208,592
Trade and other payables	224,190	259,095
10 Grant liabilities		
CAMS Grant Funding Mentoring	16,924	6,924
D.O.B Funding (Cert IV)	-	81,100
Unexpended Grants-Def Projects	116,151	71,302
CAMS Funding - D.O.B	25,428	121,481
D.O.B - MCC Funding	2,102	55,531
Specialist Legal Advice	9,830	-
D.O.B - Test and Tag Funding	37,972	-
Total grant liabilities	208,407	336,338

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11	Provisions	2018	2017
		\$	\$
(a)	Employee expenses - Committee of Management		
	Annual leave	-	-
	Long service leave	-	-
	Separation and redundancies	-	-
	Other	-	-
		<u>-</u>	<u>-</u>
(b)	Employee expenses - Management and Other Staff		
	Annual leave	56,081	70,789
	Long service leave	-	27,801
	Separation and redundancies	-	-
	Other	4,534	5,723
		<u>60,615</u>	<u>104,313</u>
12	Borrowings		
	Current	17,666	16,860
	Non-current	293,836	312,308
		<u>311,502</u>	<u>329,168</u>

The borrowings account pertained to the loan from People's Choice Credit Union with a fixed interest rate of 4.4% per annum for three years, and secured by the Sentinel Investment Unit. The principal and interest of the loan is payable monthly within 30 years. Interest expense paid for the loan amounted to \$14,163 for the year ended 30 June 2018 (2017: \$14,929).

13	Accumulated funds		
	Balance at beginning of the financial year	1,503,042	1,424,151
	Total comprehensive income (loss)	16,422	78,891
	Balance at the end of the financial year	<u>1,519,464</u>	<u>1,503,042</u>

- 14 Reconciliation of cash and cash equivalents**
Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash flows is reconciled to the related items in the Statement of Financial Position as follows:

(a) Reconciliation of cash and cash equivalents

Cash on hand	700	700
Cash deposits with banks	341,981	436,607
Short-term investments	983,903	960,415
Balance at the end of the year	<u>1,326,584</u>	<u>1,397,722</u>

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14	Reconciliation of cash and cash equivalents	2018	2017
		\$	\$
	(b) Reconciliation of surplus (deficit) for the year to net cash provided by operating activities		
	Surplus (deficit) for the year	16,422	78,891
	Add / (less) non-cash items		
	Depreciation	21,334	16,019
	Decrease in value of investment property	110,000	-
	Share in profit in associate	(5,518)	(68,493)
		142,238	26,417
	Change in assets and liabilities		
	(Increase)/ decrease in trade and other receivables	16,100	126,010
	Decrease in inventories	662	240
	Increase in prepayments	6,782	(27,231)
	Decrease in other non-current assets	843	2,993
	Increase/(decrease) in trade and other payables	(34,905)	(6,335)
	Increase/ (decrease) in unexpended grants	(127,931)	(133,710)
	Increase in provisions	(43,698)	11,314
	Net cash provided by operating activities	(39,909)	(301)
	(c) Grant Received		
	Grant received	32,442	46,510

15 Related Party Disclosures

(a) Transactions with Related Parties

The following persons held positions as Committee of Management during the reporting period:

Steve Shenfield (President)
 Dick Guit
 Andrea Moriarty
 Russell Lutzke
 Cameron King
 Peter O'Leary
 Adam Twomey

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15 Related Party Disclosures (Cont.)

2018	2017
\$	\$

(b) Balances with Related Parties

(i) Amounts Payable to Related Parties

Other Branches - Current

Master Builders Australia Ltd	122	-
Master Builders Association of NSW Pty Ltd	-	-
Master Builders Association Victoria	89	-
	<u>211</u>	<u>-</u>

Outstanding payables are non interest bearing and are normally on a 30 day terms.

(ii) Amounts Receivable from Related Parties

Other Branches - Current

Master Builders Australia Inc	1,766	-
Master Builders Fidelity Fund	-	-
MBA Insurance Services Pty Ltd	-	-
Less: Provision for doubtful debts	-	-
	<u>1,766</u>	<u>-</u>

Outstanding receivables are unsecured, interest free, settlement occurs in cash and generally have 30 day terms.

The following revenue transactions took place with related parties during the reporting period:

Master Builders Fidelity Fund - administration fee	880,284	871,866
Master Builders Australia Incorporated - travel reimbursement	4,168	2,305
Master Builders Association of Queensland - travel reimbursement	-	1,174
Master Builders Association of Queensland - sponsorship	10,000	-
MBA Insurance Services Pty Ltd - travel reimbursement	-	3,077
MBA Insurance Services Pty Ltd - commission	80,519	78,539
	<u>974,971</u>	<u>956,961</u>

The following expense transactions took place with related parties during the reporting period:

Master Builders of NSW Pty Ltd	591	471
Master Builders Association of WA	-	629
Master Builders Association of Queensland	-	-
Master Builders Association Victoria	81	151
Master Builders Australia Incorporated	93,568	88,380
Master Builders Fidelity Fund	-	331,225
North Australian Insurance Brokers	-	31,529
	<u>94,240</u>	<u>452,385</u>

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15 Related Party Disclosures (Cont.)

	2018	2017
(c) Net Cash Inflow (Outflow) with Related Parties	\$	\$
Master Builders Association of NSW Pty Ltd	(591)	(471)
Master Builders Association Victoria	(81)	(151)
Master Builders Association of WA	-	(629)
Master Builders Association of Queensland	10,000	1,174
Master Builders Australia Incorporated	(89,400)	(86,075)
Master Builders Fidelity Fund	880,284	548,641
MBA Insurance Services Pty Ltd	80,519	78,573
North Australian Insurance Brokers	-	(18,438)
	<u>880,731</u>	<u>522,624</u>
(d) Key Management Personnel Compensation		
Key Management Compensation Information		
Short term employee benefits	207,494	336,439
Other benefits	-	-
	<u>207,494</u>	<u>336,439</u>

16 Compliance with Fair Work (Registered Organisations) Act 2009

Information to be provided to members or General Manager

The information that is prescribed by the Fair Work (Registered Organisations) Act 2009 is available to members on request. Specifically subsections 272(1), (2) and (3) require the following:

- (1) A member of a reporting unit, or the General Manager, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16 Compliance with Fair Work (Registered Organisations) Act 2009 (Cont.)

- (2) The application must be in writing and must specify the period within which, and the manner in which, the
- (3) A reporting unit must comply with an application made under subsection (1).

17 Commitments and contingencies

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2018 \$	2017 \$
Operating lease commitments - as lessee		
Within one year	123,740	122,808
After one year but not more than five years	346,398	429,332
More than five years	259,799	257,004
	<u>729,937</u>	<u>809,144</u>
Operating lease commitments - as lessor		
Within one year	13,091	14,460
After one year but not more than five years	-	-
More than five years	-	-
	<u>13,091</u>	<u>14,460</u>

18 Events Subsequent the Financial Reporting Date

On 4 July 2018, a Company Limited by Guarantee called Master Builders Northern Territory Limited was set up. The objective of the company was to assume the operating activities and Assets and Liabilities of the Association.

The resolution to transition the Association to the Company Limited by Guarantee was made on 22 June 2018.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2018

19 Financial Risk Management

(a) General objectives, policies and processes

In common with all other businesses, the Association is exposed to risks that arise from its use of financial instruments. This note describes the Association's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Association's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Association hold the following financial instruments:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	1,326,584	1,397,722
Trade and other receivables	15,176	31,276
	<u>1,341,760</u>	<u>1,428,998</u>
Financial liabilities		
Trade and other payables	224,190	259,095
Grant liabilities	208,407	336,338
Borrowings	311,502	329,168
	<u>744,099</u>	<u>924,601</u>

The Committee of Management has overall responsibility for the determination of risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the management team. The Association's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Association where such impacts may be material. The Committee of Management receives monthly reports from management through which they review the effectiveness of the processes put in place and the appropriateness of the objectives and policies set.

The overall objective of the Committee of Management is to set policies that seek to reduce risk as far as possible without unduly affecting the Association's flexibility. Further details regarding these policies are set out below.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Association incurring a financial loss. Credit risk arises from cash assets and deposits with financial institutions, as well as credit exposures to the Association's outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2018

19 Financial Risk Management (cont.)

The maximum exposure to credit risk at the end of the reporting period is as follows:

	2018	2017
	\$	\$
Cash and cash equivalents	1,326,584	1,397,722
Trade and other receivables	15,176	31,276
	<u>1,341,760</u>	<u>1,428,998</u>

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Past due or impaired	Not past due nor impaired	Past due or impaired
	2018	2018	2017	2017
	\$	\$	\$	\$
Cash and cash equivalents	1,326,584	-	1,397,722	-
Trade and other receivables	15,176	-	31,276	-
	<u>1,341,760</u>	<u>-</u>	<u>1,428,998</u>	<u>-</u>

Ageing of financial assets that were past due but not impaired for 2018

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Cash and cash equivalents	1,326,584	-	-	-	1,326,584
Trade and other receivables	15,176	-	-	-	15,176
	<u>1,341,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,341,760</u>

Ageing of financial assets that were past due but not impaired for 2017

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$	\$	\$	\$	\$
Cash and cash equivalents	1,397,722	-	-	-	1,397,722
Trade and other receivables	31,276	-	-	-	31,276
	<u>1,428,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,428,998</u>

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2018

19 Financial Risk Management - (cont.)

(c) Liquidity risk

Vigilant liquidity risk management requires the Association to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as when they become due and payable.

The Association manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity Analysis - 2018

Financial Liabilities	Carrying Amount	Contractual Cash flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	224,190	224,190	224,190	-	-	-
Grant liabilities	208,407	208,407	208,407	-	-	-
Borrowings	311,502	311,502	8,833	8,833	26,499	267,337
TOTAL	744,099	744,099	441,430	8,833	26,499	267,337

Maturity Analysis - 2017

Financial Liabilities	Carrying Amount	Contractual Cash flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	259,095	259,095	259,095	-	-	-
Grant Liabilities	336,338	336,338	336,338	-	-	-
Borrowings	329,168	329,168	8,430	8,430	25,290	287,018
TOTAL	924,601	924,601	603,863	8,430	25,290	287,018

(d) Market risk

The Association is exposed to market risk through its use of financial instruments and specifically to interest rate risk. At 30 June 2018, the Association is not significantly exposed to fair value interest rate risk from its bank borrowing on the period it is issued at fixed interest as its issuance is close to prevailing market rate. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position. On the period that the borrowing is charged at variable rate, a change in interest rates on the variable portion to the debt portfolio impacts the interest incurred and cash flows, but not impact the net financial instrument position.

MASTER BUILDERS ASSOCIATION NORTHERN TERRITORY INCORPORATED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2018

19 Financial Risk Management - (cont.)

The following table illustrates the sensitivity of profit and the funds to a reasonably possible change in interest rates of +/- 2%. The changes are considered to be a reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates.

	Profit for the year/Fund	
	+2%	-2%
2018	6,230	(6,230)
2017	6,583	(6,583)

20 Fair Value Measurement

(a) Financial assets and liabilities

Management of the Association assessed that cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

Fair value of the Association's interest-bearing borrowings and loans are determined by using a discounted cash flow method. The discount rate used reflects the issuer's borrowing rate as at the end of the reporting period. The own performance risk as at 30 June 2018 was assessed to be insignificant.

(b) Fair value hierarchy

No financial assets and liabilities are recognised at fair value.

The fair value of investment property is included within Level 2.

21 Capital Management Policies and Procedures

Management controls the capital of the Association to ensure that adequate cash flows are generated to fund its programs and the returns from investments are maximised. The management and Committee of Management ensure that the overall risk management strategy is in line with this objective.

The Association's capital consists of financial liabilities, supported by financial assets. Management effectively manages the Associations capital by assessing the Association's financial risk and responding to changes in these risk and in the market. These responses may include the consideration of debt level. There have been no changes to the strategy by management to control the capital of the Association since prior year.

INDEPENDENT AUDITOR'S REPORT

To the members of Master Builders Association Northern Territory Incorporated

Opinion

We have audited the financial report of Master Builders Association Northern Territory Incorporated (the Association), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the statement by the committee of management.

In our opinion the accompanying financial report presents fairly, in all material respects, financial position of the Association as at 30 June 2018 and of its financial performance for the year ended on that date in accordance with Australian Accounting Standards, *Northern Territory Associations Act* and *Fair Work (Registered Organisations) Act 2009*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

In our opinion, we conclude that the management's use of going concern basis of accounting in preparation of the Association's financial statements is appropriate as current assets exceed current liabilities by \$928,805 and year-end cash balance of \$1,326,584 is more than enough to cover its total liabilities of \$804,714.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, *Northern Territory Associations Act* and *Fair Work (Registered Organisations) Act 2009* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going



concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'BDO'.

BDO Audit (NT)

A handwritten signature in black ink, appearing to be 'C Taziwa'.

C Taziwa

Chartered Accountant

Registered Company Auditor # 293622

Registered Auditor under the Fair Work (Registered Organisations) Act # AA2018/18

Public Practice Member of Chartered Accountants Australia and New Zealand

Audit Partner

Darwin: 17 October 2018