Australian Government
Registered Organisations Commission

20 November 2019

Peter Salveson
President
Master Builders Association of South Australia Incorporated
Sent via email: psalveson@hansenyuncken.com.au
CC: scamilleri@nexiaem.com.au

Dear Peter Salveson,

Master Builders Association of South Australia Incorporated
Financial Report for the year ended 30 June 2019 – (FR2019/151)

I acknowledge receipt of the financial report for the year ended 30 June 2019 for the Master Builders Association of South Australia Incorporated. The documents were lodged with the Registered Organisations Commission (**the ROC**) on 31 October 2019.

The financial report has now been filed.

The financial report was filed based on a primary review. This involved confirming that the financial reporting timelines required under s.253, s.265, s.266 and s.268 of the *Fair Work (Registered Organisations) Act 2009* (**RO Act**) have been satisfied, all documents required under s.268 of the RO Act were lodged and that various disclosure requirements under the Australian Accounting Standards, RO Act and reporting guidelines (**RGs**) have been complied with. A primary review does not examine all disclosure requirements.

Please note that the financial report for the year ending 30 June 2020 may be subject to an advanced compliance review.

You are not required to take any further action in respect of the report lodged. I make the following comments to assist you when you next prepare a financial report. The ROC will confirm these concerns have been addressed prior to filing next year's report.

Nil activity disclosures

Item 21 of the RGs states that if any of the activities identified within items 10-20 of the RGs have not occurred in the reporting period, a statement to this effect must be included either in the financial statements, the notes or in the officer's declaration statement. The notes contained nil activity information for all prescribed RG categories except the following:

- Receive any other revenue from another reporting unit (RG 13(b));
- Have a liability for other employment provisions for holders of office (RG 16(c)(iv))'
- Have a liability for other employment provisions for employees (other than holders of offices) (RG 16(d)(iv));
- Have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch (RG 17(a));

- Transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity (RG 17(b));
- Provide cash flows to another reporting unit and/or controlled entity (RG18);
- Receive cash flows from another reporting units and/or controlled entity (RG 18); and
- Have another entity administer the financial affairs of the reporting unit (RG 19).

Please ensure in future years that the above mentioned items are disclosed in either the financial statements, the notes or in the officer's declaration statement as per the RGs.

Reporting Requirements

The ROC website provides a number of factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 RGs and a model set of financial statements.

The ROC recommends that reporting units use these model financial statements to assist in complying with the RO Act, the s.253 RGs and Australian Accounting Standards. Access to this information is available via this link.

If you have any queries regarding this letter, please contact me on (03) 9603 0764 or via email at kylie.ngo@roc.gov.au.

Yours sincerely,

Kylie Ngo
Registered Organisations Commission

Designated Officer's Certificate

S268 Fair Work (Registered Organisations) Act 2009

I, Andrew Marshall, being the President of the Master Builders Association of South Australia Inc. certify:

- that the documents lodged herewith are copies of the full report for the Master Builders Association SA Inc for the period ended 30 June 2019, referred to in s.268 of the Fair Work (Registered Organisations) Act 2009;
- that the full report was provided to members of the reporting unit on 2nd October 2019;
- that the full report was presented to the Council and Management and approved on 27th September 2019; and
- that the full report was presented to the Annual General Meeting of the reporting unit on 23rd October 2019 in accordance with section 266 of the Fair Work (Registered Organisations) Act 2009.

President: ....
Andrew Marshall

Date: 25th October 2019

Master Builders Association of SA

ABN 61 183 783 305

Consolidated Financial Statements
For the Year Ended 30 June 2019

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OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2019

In accordance with *Fair Work (Registered Organisations) Act 2009*, the Council of Management submit the financial report of Master Builders Association of SA Inc (the Association) for the financial year ended 30 June 2019.

Review of principal activities, the results of those activities and any changes in the nature of those activities during the year

The principal activities of the Association are to represent the interests of members and to provide a range of services to members. The members are from the building and construction industry within South Australia, and comprise builders, contractors, subcontractors and suppliers within this industry. The result of providing these services was to further enhance the reputation of the members in providing quality services to their customers.

Significant changes in financial affairs

The ATO has conducted an internal review of its previous formal advice to the Association, concerning two trainers who the ATO originally determined were not employees for the purpose of superannuation. The ATO has now reversed that decision. The ATO did not inform the Association that they were undertaking the internal review. The Association was informed of this change by the ATO after twelve months since the original decision was made. The Association is seeking legal advice on this matter and has recognized a provision for the superannuation matter of $347,978. If this expense has not been recognised, the net current year would be a profit of $175,681, instead of a loss of $172,297.

Management is not aware of any other significant change in the nature of these activities that occurred during the year. The Association was able to fulfil its principal activities.

Right of members to resign

All Members of the Association have the right to resign from the Association in accordance with Rule 9 of the Association's Rules; namely, by providing written notice addressed and delivered to the Chief Administrative Officer of the Association, being the Chief Executive Officer.

Officers and employees who are a superannuation fund trustee or a director of a company that is a superannuation fund trustee

No officer or member of the Association holds a position as trustee or director of a superannuation entity or exempt public sector superannuation scheme where the criterion for holding such position is that they are an officer or member of an organisation.

Number of members of the Association

The Association had 1,952 members at 30 June 2019 (2018: 1,728)

Number of employees of the Association

The Association had 133 full time equivalent employees (staff and apprentices) at 30 June 2019 (2018:132).

OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2019

Declaration by responsible persons of the Association

During the financial year to 30 June 2019:

(i) no officer of the Association;

(ii) no firm of which an officer is a member; or

(iii) no body corporate in which any officer has a substantial financial interest,

has received, or become entitled to receive, a benefit as a result of a contract between the officer, firm or body corporate and the Association, or has received, directly or indirectly from the Association, any payment or other benefit of a pecuniary value, other than remuneration under an employment contract and items disclosed in Note 20 Related Parties.

Names of Council of Management members during the financial year

The names of Council of Management members throughout the year and at the date of this report unless otherwise stated are:

P Salveson
R Bryant
E Zito
N Abley
W Chapman (Resigned 7 May 2019)
J Goetze
T Klemm
N Mossop
F Pascale
C Samaras (Appointed 30 April 2019)
A Marshall
C Leopold
M Beatton (Resigned 28 November 2018)
M Canala
T Emmett
P Innes
J Merrigan
H Papas
J Piotto

Signed in accordance with a resolution of the members of the Council of Management:

President: ....

Peter Salveson

27 September 2019

REPORT REQUIRED UNDER SUBSECTION 255(2A)
FOR THE YEAR ENDED 30 JUNE 2019

The Council of Management presents the expenditure report as required under subsection 255(2A) on the Reporting Unit for the year ended 30 June 2019.

Descriptive form

	2019 $	2018 $
Remuneration and other employment-related costs and expenses - employees	7,287,924	6,890,737
Advertising	-	-
Operating costs	3,424,833	3,565,982
Donations to political parties	-	-
Legal costs	10,776	83,851
Total	**10,723,533**	**10,540,570**

President: ....

Peter Salveson

27 September 2019

STATEMENT BY MEMBERS OF THE COUNCIL FOR THE YEAR ENDED 30 JUNE 2019

On 27 September 2019 the Council of Management of Master Builders Association SA Inc (the Association) passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 30 June 2019.

In the opinion of the Council of Management:

(a) the financial statements and notes comply with Australian Accounting Standards;

(b) the financial statements and notes comply with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (the RO Act);

(c) the financial statements and notes give a true and fair view of the financial performance, financial position, and cash flows of the Association and its controlled entities for the year ended 30 June 2019;

(d) at the date of this statement, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable;

(e) during the financial year to which the general purpose financial report relates and since the end of that year:

  (i) meetings of the Council of Management 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 of the Association and controlled entities have been kept and maintained in accordance with the *Fair Work (Registered Organisations) Act 2009* and the *Fair Work (Registered Organisations) Regulations 2009*;

  (iv) the financial records of the Association have been kept, as far as practicable, in a consistent manner with each of the other reporting units of the organisation;

  (v) where information has been sought in any request by a member of the Association or Commissioner duly made under section 272 of the *Fair Work (Registered Organisations) Act 2009*, this has been provided to the member or Commissioner; and

  (vi) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the *Fair Work (Registered Organisations) Act 2009*, there has been compliance; and

This statement is made in accordance with a resolution of the Council of Management passed on 27 September 2019 and is signed for and on behalf of the Council of Management by:

President: ....
Peter Salveson

Deputy President: ....
Andrew Marshall

27 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
Revenue	3a	9,364,624	9,222,487
Other Income	3b	1,186,610	647,553
Total Income		10,551,234	9,870,040
Employee benefits expense – office holders	25	(1,010,720)	(568,983)
Employee benefits expense – other	25	(6,630,820)	(6,772,872)
Depreciation and amortisation expense		(405,094)	(409,907)
Supplies and services	4	(2,676,897)	(2,788,808)
Current year surplus before income tax		(172,297)	(670,530)
Income tax expense		-	-
Net current year deficit		(172,297)	(670,530)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Fair value adjustment losses on available-for-sale financial assets, net of tax		-	379,530
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		-	-
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		(172,297)	(291,000)
Net current year deficit attributable to members of the entity		(172,297)	(291,000)
Total comprehensive income attributable to members of the entity		(172,297)	(291,000)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019	2018
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	2,685,330	5,803,241
Trade and other receivables	7	1,067,680	946,767
Inventories	8	9,553	5,990
Other assets	9	405,928	368,652
TOTAL CURRENT ASSETS		4,168,491	7,124,650
NON-CURRENT ASSETS			
Financial assets designated through profit or loss	10	120,000	120,000
Financial assets mandatorily through profit or loss	11	5,903,558	3,660,319
Property, plant and equipment	12	12,699,059	12,856,484
Intangible assets	13	803,833	733,248
TOTAL NON-CURRENT ASSETS		19,526,450	17,370,051
TOTAL ASSETS		23,694,941	24,494,701
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,714,965	1,781,159
Employee provisions	15	505,772	547,452
TOTAL CURRENT LIABILITIES		2,220,737	2,328,611
NON-CURRENT LIABILITIES			
Employee provisions	15	45,135	42,272
TOTAL NON-CURRENT LIABILITIES		45,135	42,272
TOTAL LIABILITIES		2,265,872	2,370,883
NET ASSETS		21,429,069	22,123,818
EQUITY			
Reserves		6,066,048	7,391,314
Retained earnings		15,363,201	14,732,504
TOTAL EQUITY		21,429,069	22,123,818

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Retained earnings	Fair value adjustment assets – available for sale reserve	Asset revaluation reserve	Total
		$	$	$	$
Balance at 1 July 2017		15,403,034	945,736	6,066,048	22,414,818
Net current year surplus		(670,530)	-	-	(670,530)
Transfers from reserves to retained earnings		-	-	-	-
Other comprehensive income for the year		-	379,530	-	379,530
Total comprehensive income attributable to members of the entity		(670,530)	379,530	-	(291,000)
Balance at 30 June 2018		14,732,504	1,325,266	6,066,048	22,123,818
Balance at 1 July 2018		14,732,504	1,325,266	6,066,048	22,123,818
Retrospective adjustment upon change in accounting policy (AASB 9)		900,005	(900,005)	-	-
Adjustment of BIRST income		(97,191)	-	-	(97,191)
Net current year surplus		(172,297)	-	-	(172,297)
Gain / (loss) on fair value movements		-	(425,261)	-	(425,261)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income attributable to members of the entity		(269,488)	-	-	(694,749)
Balance at 30 June 2019		15,363,021	-	6,066,048	21,429,069

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,354,906	10,752,685
Receipts from National Association		59,744	-
Payments to suppliers and employees		(10,345,044)	(10,019,567)
Payments to National Association		(257,256)	(257,256)
Dividends received		168,163	153,143
Interest received		67,428	73,030
Finance costs		(29,202)	(39,824)
Income tax/GST paid		(713,745)	(588,247)
Net cash provided by / (used in) operating activities	21	(695,006)	73,964
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(104,002)	(48,873)
Purchase of intangible assets		(236,846)	(305,592)
Proceeds from sale of PPE		22,593	-
Proceeds from sale of investments		366,516	-
Net (purchase)/sale of shares		(2,104,651)	9,506
Investment in MBTS Joint Venture		-	2,000
Net cash provided by / (used in) investing activities		(2,422,905)	(342,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by / (used in) financing activities		-	-
Net increase/ (decrease) in cash held		(3,117,911)	(268,995)
Cash and cash equivalents at beginning of financial year		5,803,241	6,072,236
Cash and cash equivalents at end of financial year	6	2,685,330	5,803,241

The accompanying notes form part of these financial statements.

The consolidated financial statements cover Master Builders Association of SA Inc and controlled entities. The Association is a not-for-profit association incorporated in South Australia under the *Associations Incorporation Act (SA) 1985*.

Each entity within the Association prepares its financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency and have been rounded to the nearest dollar.

The separate financial statements and notes of the parent entity have not been presented within this financial report. A parent entity summary is included in Note 24.

The financial statements were authorised for issue on 27 September 2019 by the members of the committee.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Associations Incorporation Act (SA) 1985*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the *Fair Work (Registered Organisations) Act 2009*. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 16.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Association from the date on which control is obtained by the Association. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Association.

b. **Income Tax**

The Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997.*

Non-member income of the Association is only assessable for tax, as member income is excluded under the principle of mutuality.

Master Builders Training Foundation Pty Ltd (and MBA SA Legal Practice Pty Ltd (MBA SA Legal) cannot be considered as tax exempt entities under the current conditions. Accordingly, they are subject to income tax. Master Builders Training Foundation Pty Ltd was wound up in November 2018.

Deferred tax assets relating to temporary differences and unused tax losses are not recognised as it is not probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

c. **Inventories**

Inventories held for sale are measured at the lower of cost and net realisable value. Costs are assigned on the basis of costs less rebates and discounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

d. **Fair Value of Assets and Liabilities**

The Association measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Association would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

e. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Land and buildings

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment is measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

The cost of fixed assets constructed by the Association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	5% - 33%
Furniture and equipment	5% - 25%
Motor vehicles	13% - 25%
Computer hardware	20% - 33%
Computer software	20% - 33%
Building improvements	2.5% -33%
Leasehold improvements	2% - 5%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These gains and losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

f. **Financial Instruments**

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Association's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Association initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Association's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in five categories:

– financial assets at amortised cost
– financial assets at fair value through other comprehensive income
– Investments in equity instruments designated at fair value through other comprehensive income
– financial assets at fair value through profit or loss
– financial assets designated at fair value through profit or loss

Financial assets at amortised cost

The Association measures financial assets at amortised cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Association's financial assets at amortised cost includes trade receivables and loans to related parties.

Investments in equity instruments designated at fair value through other comprehensive income

Upon initial recognition, the Association can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Association benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss (including designated)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition

A financial asset is derecognised when:

– The rights to receive cash flows from the asset have expired or

– The Association has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

  (a) the Association has transferred substantially all the risks and rewards of the asset, or

  (b) the Association has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

When the Association has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Association continues to recognise the transferred asset to the extent of its continuing involvement together with associated liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Impairment

For trade receivables that do not have a significant financing component, the Association applies a simplified approach in calculating expected credit losses (ECLs) which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Therefore, the Association does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Association has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ECLs are recognised in two stages:

– Where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses from possible default events within the next 12-months (a 12-month ECL).

– Where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the debt, irrespective of the timing of the default (a lifetime ECL).

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost unless or at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Association’s financial liabilities include trade and other payables.

Financial liabilities at amortised cost

After initial recognition, trade payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

g. **Impairment of Assets**

At the end of each reporting period, the Association assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs of disposal and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

h. **Employee Provisions**

Short-term employee benefits

Provision is made for the Association's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, annual leave, long service leave and rostered days off. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Association's obligations for short-term employee benefits such as wages and salaries and are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave entitlements not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates approximating the terms of the obligations. Any remeasurements of other long-term employee benefit obligations due to changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Association's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Association does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

i. **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.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Derecognition

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.

j. **Cash on Hand**

Cash on hand includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

k. **Trade Receivables and Other Debtors**

Trade receivables and other debtors include amounts due from members as well as amounts receivable from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are initially recognised at fair value and subsequently at fair value less impairment. The collectability of debts is assessed annually and a provision is made for any doubtful debts.

l. **Revenue and Other Income**

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity, and the specific criteria as noted below has been satisfied.

Revenue from the television programme “Building Ideas” is recognised using the percentage of completion method. Revenue is recognised on a pro-rata basis according to the number of episodes aired during the financial year, funds received but are unexpensed are transferred to income received in advance under trade and other payables.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Revenue from subscriptions is accounted for on an accruals basis.

Government grants are recognised when the Association will comply with the conditions attached to the grant and the grant will be received.

Dividends are recognised when the Association’s right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.

m. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other 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 ATO are presented as operating

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

cash flows included in receipts from customers or payments to suppliers.

n. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Association retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period is presented in addition to the minimum comparative financial statements.

o. **Accounts Payable and Other Payables**

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Association during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

p. **Provisions**

Provisions are recognised when the Association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

q. **Holders of Office**

Holders of office are employees of the Association that fulfil the function of the management of the affairs of the Association, determine policies for the Association, are responsible for the making, alteration or rescission of the rules of the Association, or the performance of functions in relation to the enforcement of such rules.

r. **Critical Accounting Estimates and Judgements**

The Council of Management evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Association.

Key estimates

(i) *Impairment – general*

The Association assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Association that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) *Fair value of land and buildings*

The Association carries its land and buildings at fair value with any revaluation recognised in the revaluation reserve. Independent valuations are obtained regularly and at the end of each reporting period the Council of Management update their assessment of the fair value of each property, taking into account the most recent valuations and movements in the market.

Key judgements

(i) *Provision for impairment of receivables*

Included in accounts receivable and other debtors at the end of the reporting period are amounts receivable from members in relation to unpaid subscriptions, and other individual debtors. The Council of Management has recorded a provision for impairment of receivables at 30 June 2019 of $110,374 (2018: $110,310).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

s. **New and Amended Accounting Standards Adopted by the Association**

AASB 9 Financial Instruments (AASB 9) replaces AASB139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Association has applied AASB 9 retrospectively, with an initial application date of 1 July 2018. The Association has not restated the comparative information, which continues to be reported under AASB 139. Differences arising from the adoption of AASB 9 have been recognised directly in opening retained earnings and other components of equity as at 1 July 2018. The nature and effect of the changes as a result of adoption of AASB 9 are as follows:

Impact on the financial statements is as follows:

Equity	**1 July 2018**
	$
Total adjustments on equity	
Retained Earnings	900,005
Fair value adjustment assets – available for sale reserve	(900,005)
	-

Classification and measurement

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Association's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Association's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 had the following impact on the financial report:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Balance sheet category	Financial instrument category		Carrying amount		
	AASB 139 original	**AASB 9 new**	**AASB 139 original**	**AASB 9 recognition of additional loss allowance**	**AASB 9 new**
Cash and cash equivalents	Loans and receivables (amortised cost)	Financial assets at amortised cost	5,803,241	-	5,803,241
Trade and other receivables	Loans and receivables (amortised cost)	Financial assets at amortised cost	946,767	-	946,767
Investments	Financial assets at cost	Financial assets designated at fair value through profit or loss	120,000	-	120,000
Financial assets	Available-for-sale assets at fair value through OCI	Financial assets at fair value through profit or loss	3,660,319	-	3,660,319
Financial liabilities					
Trade and other payables	Amortised cost	Financial liabilities at amortised cost	1,781,159	-	1,781,159

Impairment loss

The adoption of AASB 9 has fundamentally changed the Association's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking ECL approach. AASB 9 requires the Association to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets, i.e. those held at amortised cost and at FVTOCI.

Upon adoption of AASB 9 the Association made an assessment and determined that no additional impairment on trade receivables and loan receivables was required.

t. **New Accounting Standards for Application in Future Periods**

An assessment of Accounting Standards issued by the AASB that are not yet mandatorily applicable and their potential impact on the Association when adopted in future periods is discussed below:

– AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation-115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

For NFP entities, AASB 16 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 16. The Association plans to adopt AASB 16 on the required effective date 1 July 2019 of using the modified retrospective method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

During the financial year ended 30 June 2019, the Association performed a preliminary assessment of AASB 16 and it is not expected to have a significant impact on the financial statements of MBASA.

– AASB 1058 Income of Not-for-Profit Entitles and AASB 15 Revenue from Contracts with Customers.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities in conjunction with AASB 15. AASB 1058 and AASB 15 supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

For NFP entities, both AASB 1058 and 15 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 15. The Association plans to adopt AASB 15 on the required effective date of 1 July 2019 using the modified retrospective method.

NOTE 2: ADDITIONAL INFORMATION

a. **Section 272 information to be provided to Members or Commissioner**

In accordance with the requirements of the Fair Work (Registered Organisations) Act 2009, the attention of members is drawn to the provisions of Sections 272 (1), (2) and (3) regarding the reporting unit (the Association) requirements, which details are set out below:

(1) A member of a reporting unit, or a Commissioner, 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.

(2) The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.

(3) A reporting unit must comply with an application made under subsection (1).

Note: This subsection is a civil penalty provision (see section 305).

b. **Section 265 copies of full report or concise report to be provided to members**

(1) The Association must provide free of charge to its members either:

(a) a full report consisting of: copy of the report of the auditor in relation to the inspection and audit of the financial records of the Association in relation to a financial year; and a copy of the general purpose financial report to which the report relates; and a copy of the operating report to which the report relates; or

(b) a concise report for the financial year that complies with subsection (3).

(2) A concise report may only be provided if, under the rules of the Association, the committee of management of the Association resolves that a concise report is to be provided.

(3) A concise report for a financial year consists of:

(a) a concise financial report for the year drawn up in accordance with the regulations; and

(b) the operating report for the year; and

(c) a statement by the auditor:

(i) that the concise financial report has been audited; and

(ii) whether, in the auditor's opinion, the concise financial report complies with the relevant Australian Accounting Standards; and

(d) a copy of anything included under subsection 257(5), (6) or (7) in the auditor's report on the full report; and

(e) a statement that the report is a concise report and that a copy of the full report and auditor's report will be sent to the member free of charge if the member asks for them.

(4) If a member requests a copy of the full report and auditor's report, as mentioned in paragraph (3)(e), the Association must send those reports to the person within 28 days of the request being made.

(5) The copies referred to in subsection (1) must be provided within:

(a) if a general meeting of members of the Association to consider the reports is held within 6 months after the end of the financial year—the period starting at the end of the financial year and ending 21 days before that meeting; or

(b) in any other case—the period of 5 months starting at the end of the financial year.

A Registrar may, upon application by the Association, extend the period during which the meeting referred to in paragraph (a) may be held, or the period set out in paragraph (b), by no more than one month.

NOTE 2: ADDITIONAL INFORMATION (CONT)

(6) Where the Association publishes a journal that is available to the members of the Association free of charge, the Association may comply with subsection (1):

(a) by publishing in the journal the full report; or

(b) by preparing a concise report as described in subsection (3) and publishing the concise report in the journal.

NOTE 3: REVENUE AND OTHER INCOME

		2019	2018
		$	$
a.	**Revenue**		
	Member subscriptions	2,221,484	2,262,763
	Training	568,942	261,024
	Document sales	24,553	41,696
	TV programme – Building Ideas	182,200	186,745
	Building awards	214,109	292,063
	Interest received	67,428	73,030
	Dividends received	168,163	153,143
	Property rental	453,429	369,389
	Apprentice hiring fees	4,580,625	4,503,120
	BIRST income	-	40,940
	Payroll tax reimbursement	203,544	248,927
	Other revenue	680,147	789,647
	Total Revenue	9,364,624	9,222,487
b.	**Other Income**		
	Insurance commissions	141,105	114,288
	Construction Industry Training Board funding	288,236	318,100
	Government grants	193,420	216,698
	Gain/(loss) on disposal of assets/investments	563,849	(1,533)
	Total Other Income	1,186,610	647,553
	Total Income	10,551,234	9,870,040

NOTE 4: SURPLUS FOR THE YEAR

	2019	2018
	$	$
Supplies and services		
TV programme – Building Ideas	133,347	179,017
Building awards	277,490	230,870
Training	233,328	155,387
Remuneration of auditor	26,600	24,900
Electricity	110,222	96,689
Rates and taxes	140,495	136,884
Maintenance	69,760	74,615
Other property expenses	83,632	93,607
Subscriptions	15,368	20,462
Subscriptions – National Association Affiliation	257,256	257,256
Legal expenses	17,000	83,851
Insurance	99,106	91,891
Communication expenses	74,046	52,485
Travel and accommodation	10,316	13,331
Consultants	267,482	196,509
Personal Protective Equipment	29,626	27,490
Payroll tax	231,545	218,718
Other expenses	600,278	834,846
Total supplies and services	2,676,897	2,788,808

NOTE 5: AUDITOR'S FEES

Remuneration of the auditor of the Association for:		
– auditing or reviewing the financial report	26,600	24,900
– accounting fee	-	-
Total remuneration of auditor	26,600	24,900

NOTE 6: CASH AND CASH EQUIVALENTS

	Note		
Cash on hand		1,035	1,051
Cash at bank		1,292,061	1,759,824
Short-term bank deposits		1,300,000	3,068,891
Cash with funds manager		64,392	957,652
Arbitration trust fund		27,842	15,823
Total cash and cash equivalents	22	2,685,330	5,803,241

NOTE 6: CASH AND CASH EQUIVALENTS (CONT)	Note	2019	2018
		$	$
The effective interest rate on short-term bank deposits was 2.52% (2018: 2.40%); these deposits have an average maturity of 90 days.			
Reconciliation of cash			
Cash on hand at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		2,685,330	5,803,241
Balance per consolidated statement of cash flows	22	2,685,330	5,803,241

NOTE 7: TRADE AND OTHER RECEIVABLES

	Note	2019	2018
CURRENT			
Trade receivables		803,467	663,721
Trade receivables – Host employers		330,689	252,792
Other receivables		1,509	6,755
Provision for impairment		(110,374)	(110,310)
BIRST trust distributions receivable		-	97,193
Amounts owed by Construction Industry Training Board		23,389	23,616
Amounts owed by Commonwealth and DFEEST joint policy funding		19,000	13,000
Total trade and other receivables	22	1,067,680	946,767

Provision for impairment of trade and other receivables required at 30 June 2019 was $110,374 (2018: $110,310).

Movement in BIRST receivable

	2019	2018
Opening balance	97,193	56,252
Adjustment of BIRST receivable opening balance	(97,193)	-
Net increase in receivables	-	40,941
Amounts received	-	-
Closing balance	-	97,193

Credit risk

The Association has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Association is considered to relate to the class of assets described as trade receivables.

The balances of receivables that remain within initial terms are considered to be of high credit quality.

Collateral held as security

No collateral is held as security for any of the accounts receivable or other debtor balances.

NOTE 8: INVENTORIES

	2019	2018
	$	$
CURRENT		
Stock of publications	8,464	4,791
Employee uniforms	1,089	1,199
Total inventories	9,553	5,990

NOTE 9: OTHER ASSETS

	2019	2018
CURRENT		
Prepayments	252,379	253,338
Revenue accruals	153,549	115,314
Total other assets	405,928	368,652

NOTE 10: FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS

	2019	2018
NON-CURRENT		
Financial assets designated as at fair value through profit or loss comprise MBA Insurance Services Pty Ltd	120,000	120,000
Total financial assets through profit or loss	120,000	120,000

NOTE 11: FINANCIAL ASSETS MANDATORILY THROUGH PROFIT OR LOSS

	Note	2019	2018
NON-CURRENT			
Financial assets mandatorily designated as at fair value through profit or loss comprise Managed investments in listed corporations	22,23	5,903,558	3,660,319
Total financial assets through profit or loss		5,903,558	3,660,319

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	$	$
NON-CURRENT		
Land and Buildings:		
At fair value	12,600,000	12,600,000
Accumulated depreciation	(329,415)	(219,611)
	12,270,585	12,380,389
Plant and equipment:		
At cost	602,818	602,818
Accumulated depreciation	(529,832)	(508,710)
	72,986	94,108
Furniture and equipment:		
At cost	468,271	467,304
Accumulated depreciation	(432,797)	(418,018)
	35,474	49,286
Motor Vehicles:		
At cost	154,692	148,274
Accumulated depreciation	(108,118)	(126,651)
	46,574	21,623
Computer hardware:		
At cost	730,254	752,881
Accumulated depreciation	(719,184)	(723,044)
	11,070	29,837
Computer software:		
At cost	467,982	466,455
Accumulated depreciation	(431,991)	(430,639)
	35,991	35,816
Building improvements:		
At cost	287,435	276,467
Accumulated depreciation	(61,056)	(31,042)
	226,379	245,425
Total property, plant and equipment	12,699,059	12,856,484

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONT)

Valuation of land and buildings by independent valuer

The Association's land and buildings were revalued at 30 June 2016 by an independent valuer. Valuations were made on the basis of market value of the property using the market approach of observable market data for similar properties and the income approach using discounted cash flows. The valuation amount adopted by Council of Management as at 30 June 2019 remains at $12,600,000.

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings	Plant and Equipment	Furniture and Equipment	Motor Vehicles	Computer Hardware	Computer Software	Building Improvements	Total
	$	$	$	$	$	$	$	$
Balance at 1 July 2017	12,490,194	127,194	68,398	58,692	58,433	53,625	226,825	13,083,361
Additions	-	3,860	-	-	-	-	45,013	48,873
Disposals	-	-	-	-	-	-	-	-
Transfer to land and buildings on revaluation	-	-	-	-	-	-	-	-
Revaluation of land and buildings	-	-	-	-	-	-	-	-
Depreciation expense	(109,805)	(36,946)	(19,112)	(37,069)	(28,596)	(17,809)	(26,413)	(275,750)
Carrying amount at 30 June 2018	12,380,389	94,108	49,286	21,623	29,837	35,816	245,425	12,856,484
Additions	-	-	967	46,574	1,870	22,982	10,968	83,361
Disposals	-	-	-	(1,952)	-	-	-	(1,952)
Transfer to land and buildings on revaluation	-	-	-	-	-	-	-	-
Revaluation of land and buildings	-	-	-	-	-	-	-	-
Depreciation expense	(109,804)	(21,122)	(14,779)	(19,671)	(20,637)	(22,807)	(30,014)	(238,834)
Carrying amount at 30 June 2019	12,270,585	72,986	35,474	46,574	11,070	35,991	226,379	12,699,059

NOTE 13: INTANGIBLE ASSETS

	Note	2019	2018
		$	$
NON-CURRENT			
Trademarks		1,920	1,920
Website formulation		43,400	72,135
Work in progress		758,513	659,193
Total intangibles		803,833	733,248

Movement in carrying amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year:

	Trademarks	Website Formulation	Work in Progress	Total
	$	$	$	$
Balance at 1 July 2017	1,920	98,817	461,076	561,813
Additions	-	-	305,592	305,592
Disposals	-	-	-	-
Amortisation expense	-	(26,682)	(107,475)	(134,157)
Carrying amount at 30 June 2018	1,920	72,135	659,193	733,248
Additions	-	-	236,846	236,846
Disposals	-	-	-	-
Amortisation expense	0	(28,735)	(137,526)	(166,261)
Carrying amount at 30 June 2019	1,920	43,400	758,513	803,833

NOTE14: TRADE AND OTHER PAYABLE

	Note	2019	2018
		$	$
CURRENT			
Trade payables		75,309	58,453
Legal cost payables			
- Litigation		-	-
- Other legal matters		11,000	41,500
GST payable		196,818	169,949
Accrued employee benefits:			
- Wages and salaries		91,247	94,982
- Superannuation		46,418	43,620
- Other		39,291	58,444
Sundry accruals		105,459	89,599
Accrued superannuation matter		428,581	397,804
	22	994,123	954,351
Income received in advance		712,660	818,263
Arbitration accounts	22	8,182	8,545
Total trade and other payables		1,714,965	1,781,159

NOTE 15: EMPLOYEE PROVISIONS

	Note	2019	2018
		$	$
CURRENT			
Annual leave – office holders		98,556	87,187
Annual leave – other		294,156	335,440
Rostered days off (apprentice)		48,886	67,031
Long service leave – other		64,174	57,794
Provision for redundancies – office holders		-	-
Provision for redundancies - other		-	-
Total current employee provisions		505,772	547,452
NON-CURRENT			
Long service leave – office holders		29,777	22,933
Long service leave – other		15,358	19,339
Total non-current employee provisions		45,135	42,272
Total employee provisions		550,907	589,724

Employee provisions – annual leave entitlements

The provision for employee benefits includes amounts accrued for annual leave.

Based on past experience, the Association does not expect the full amount of annual leave to be settled wholly within the next 12 months. However, the amount must be classified as a current liability because the Association does not have an unconditional right to defer the settlement of the amount in the event employees wish to use their leave entitlements.

Employee provisions – long service leave entitlements

The provision for employee benefits includes amounts accrued for long service leave.

Based on past experience, the Association does not expect the full amount of long service leave to be settled wholly within the next 12 months. Therefore the client records the value of long service leave at the present value of future cash flows expected to settle the obligation. However, an amount of this must be classified as a current liability because the Association does not have an unconditional right to defer the settlement of the amount in the event employees wish to use their leave entitlements.

Employee provisions – rostered days off

The provision for employee benefits includes amounts accrued for apprentice rostered days off.

The Association expects the full amount of rostered days off to be settled wholly within the next 12 months, therefore the amount must be classified as a current liability.

NOTE 16: INTERESTS IN SUBSIDIARIES

The consolidated financial statements of the reporting unit include:

Subsidiary	Country of Incorporation	2019 Percentage Owned %	2018 Percentage Owned %
Master Builders Training Foundation Pty Ltd	Australia	-	100
MBA SA Legal	Australia	100	100

MBA SA Legal was established to provide a full suite of legal services for the Association's members. MBA SA Legal is an independent legal practice that is fully owned by the Association. MBA SA Legal's operations were transferred to the Association in October 2016.

The Master Builders Training Foundation Pty Ltd ("the Foundation") was wound up in November 2018.

NOTE 17: COMMITMENTS

There were no commitments present at 30 June 2019.

NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Council of Management, there were no contingent liabilities or contingent assets present at 30 June 2019.

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

The consolidated financial statements were authorised for issue on 27 September 2019 by the Council of Management.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future financial years.

NOTE 20: RELATED PARTY TRANSACTIONS

	2019	2018
	$	$
a. **Key Management Personnel**		
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Association, directly or indirectly, including its committee members, is considered key management personnel.		
Key management personnel compensation:		
– short-term benefits	895,463	529,306
– Post-employment benefits	77,034	40,274
– long-term benefits	29,777	22,933
– termination expenses	27,094	-
	1,029,368	592,513

NOTE 20: RELATED PARTY TRANSACTIONS (CONT)

There are no other transactions with key management personnel or their close family members.

Council Members

The Council members who each held office as a Council member of the Association during the year ended 30 June 2019 were as follows: P Salveson, A Marshall, R Bryant, C Leopold, E Zito, M Beatton (resigned 28 November 2018), N Abley, M Canala, W Chapman (resigned 7 May 2019), T Emmett , J Goetze, P Innes, T Klemm, J Merrigan, N Mossop, H Papas, F Pascale, J Piotto, C Samaras (appointed 30 April 2019)

	2019	2018
	$	**$**
b. **Other Related Parties**		
Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.		
Seasonair Pty Ltd for whom M Beatton, a former Council member of the Association (resigned 28 November 2018), is the owner:		
– Air conditioner and electrical services	21,463	31,789
Amounts distributed by the Foundation to the Association after the Foundation wound up		
– Dividend distribution	23,070	-

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 21: CASH FLOW INFORMATION

	2019	2018
	$	$
Reconciliation of cash flows from operating activities with net current year surplus		
Net current year surplus	(172,297)	(670,530)
Cash flows excluded from current year surplus		
Non-cash flows in current year surplus:		
– Depreciation and amortisation expense	405,094	409,907
– net (gain) / loss on sale of financial assets and PPE	(563,849)	-
Changes in assets and liabilities:		
– (increase)/decrease in trade and other receivables	(218,104)	1,137,072
– (increase)/decrease in other assets	(37,276)	(37,702)
– (increase)/decrease in inventories	(3,563)	(1,183)
– increase/(decrease) in trade and other payables	(66,194)	(768,784)
– Increase/(decrease) in employee benefits	(38,817)	5,184
	(695,006)	73,964

NOTE 22: FINANCIAL RISK MANAGEMENT

The Association's financial instruments consist mainly of deposits with banks, local money market instruments, managed investments in listed corporations, and receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments*, as detailed in the accounting policies to these financial statements, are as follows:

Financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	6	2,685,330	5,803,241
Trade and other receivables	7	1,067,680	946,767
Financial assets at fair value through profit or loss			
– Managed investments in listed corporations	11	5,903,558	3,660,319
Total financial assets		9,656,568	10,410,327
Financial liabilities			
Financial liabilities at amortised cost:			
– Trade and other payables	14	994,123	954,351
– Arbitration accounts	14	8,182	8,545
Total financial liabilities		1,002,305	962,896

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT)

Financial Risk Management Policies

The Association's treasurer is responsible for, among other issues, monitoring and managing financial risk exposures of the Association. The treasurer monitors the Association's transactions and reviews the effectiveness of controls relating to credit risk, liquidity risk and market risk. Discussions on monitoring and managing financial risk exposures are held bi-monthly and minuted by the committee of management.

The treasurer's overall risk management strategy seeks to ensure that the Association meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

Specific Financial Risk Exposures and Management

The main risks the Association is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the Association is exposed to, how these risks arise, or the committee's objectives, policies and processes for managing or measuring the risks from the previous period.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Association.

Credit risk is managed through maintaining procedures (such as the utilisation of systems for the approval, granting and removal of credit limits, regular monitoring of exposure against such limits and monitoring of the financial stability of significant customers and counterparties) ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Council of Management has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

There is no collateral held by the Association securing trade and other receivables.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 7.

The Association has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 7.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Association might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Association manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- only investing surplus cash with major financial institutions; and
- proactively monitoring the recovery of unpaid subscriptions.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The Association does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT)

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Accounts payable and other payables (excluding annual leave and grants receivable in advance)	1,002,305	962,896	-	-	-	-	1,002,305	962,896
Total expected outflows	1,002,305	962,896	-	-	-	-	1,002,305	962,896
Financial assets – cash flows realisable								
Cash and cash equivalents	2,685,330	5,803,241	-	-	-	-	2,685,330	5,803,241
Trade and other receivables	1,067,680	946,767	-	-	-	-	1,067,680	946,767
Financial assets at fair value	5,903,558	3,660,319	-	-	-	-	5,903,558	3,660,319
Total anticipated inflows	9,656,568	10,410,327	-	-	-	-	9,656,568	10,410,327
Net (outflow)/inflow on financial instruments	8,654,263	9,447,431	-	-	-	-	8,654,263	9,447,431

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT)

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Association is exposed to earnings volatility on floating rate instruments. The financial instruments that expose the Association to interest rate risk are limited to listed shares, and cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2019, approximately 100% of the Association's debt is fixed. It is the policy of the Association to keep between 65% and 100% of debt on fixed interest rates.

The Association also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

(ii) *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held.

The Association is exposed to other price risk on financial assets at fair value through profit or loss comprise. Such risk is managed through diversification of investments across industries and geographic locations.

The Association's investments are held in diversified management fund portfolios.

Sensitivity analysis

The following table illustrates sensitivities to the Association's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Current Surplus	**Equity**
Year ended 30 June 2019	**$**	**$**
+/– 2% in interest rates	53,707	53,707
+/– 10% in financial assets at fair value	590,356	-
Year ended 30 June 2018		
+/– 2% in interest rates	116,065	116,065
+/– 10% in available-for-sale investments	-	366,032

No sensitivity analysis has been performed on foreign exchange risk as the Association has no significant exposure to currency risk.

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

NOTE 23: FAIR VALUE MEASUREMENTS

The Association measures and recognises the following assets at fair value on a recurring basis after initial recognition:

– Property, plant and equipment – land and buildings

– Financial assets at fair value through profit or loss comprise.

The Association does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

a. **Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Association selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Association are consistent with one or more of the following valuation approaches:

– *Market approach:* uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.

– *Income approach:* converts estimated future cash flows or income and expenses into a single current (ie discounted) value.

– *Cost approach:* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Association gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTE 23: FAIR VALUE MEASUREMENTS (CONT)

The following tables provide the fair values of the Association's assets measured and recognised on a recurring basis after initial recognition, categorised within the fair value hierarchy:

	Note	Level 1	Level 2	Level 3	Total
		$	$	$	$
2019					
Recurring fair value measurements					
Property, plant and equipment					
– Land and buildings	12	-	12,270,585	-	12,270,585
Financial assets					
Financial assets at fair value:					
– shares in listed companies	11	5,903,558	-	-	5,903,558
Total financial assets recognised at fair value		5,903,558	12,270,585	-	18,174,143
2018					
Recurring fair value measurements					
Property, plant and equipment					
– Land and buildings	12	-	12,380,389	-	12,380,389
Financial assets					
Financial assets at fair value:					
– shares in listed companies	11	3,660,319	-	-	3,660,319
Total financial assets recognised at fair value		3,660,319	12,380,389	-	16,040,708

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.

NOTE 24: PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent, Master Builders Association of SA Inc and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Master Builders Association of SA Inc has been prepared on the same basis as the consolidated financial statements.

	2019	2018
	$	$
Statement of Comprehensive Income		
Total current year surplus	(153,886)	(690,782)
Total other comprehensive income	-	379,530
Total comprehensive income	(153,886)	(311,252)

NOTE 24: PARENT ENTITY INFORMATION (CONT)

	2019	2018
	$	$
Statement of Financial Position		
ASSETS		
Current assets	10,438,344	11,173,838
Non-current assets	13,622,891	13,709,730
TOTAL ASSETS	24,091,235	24,883,568
LIABILITIES		
Current liabilities	2,295,736	2,414,593
Non-current liabilities	45,135	42,272
TOTAL LIABILITIES	2,340,871	2,456,865
NET ASSETS	21,750,364	22,426,703
EQUITY		
Retained Earnings	15,684,316	15,035,389
Asset Revaluation Reserve	6,066,048	7,391,314
TOTAL EQUITY	21,750,364	22,426,703

NOTE 25: PRESCRIBED INFORMATION

(a) **Recovery of wages activity**

There was no recovery of wages activity undertaken by the Association for the financial year ended 30 June 2019.

(b) **Items required to be disclosed by Section 253 Reporting Guidelines for which there was no activity**

The following activities are required to be disclosed by section 253 of the Reporting Guidelines included in the *Fair Work (Registered Organisations) Act 2009* even though no such activities occurred during the financial year. During the financial year ended 30 June 2019, there were no:

(i) Going concern financial support received from or provided to another reporting unit;

(ii) Capitation fees received or paid;

(iii) Compulsory levies raised or imposed;

(iv) Donations received;

(v) Fees incurred as consideration for employers making payroll deductions of membership subscriptions;

(vi) Penalties imposed under the RO Act or RO Regulations;

(vii) Receivables from or payables to another reporting unit;

(viii) Payables to employers as consideration for the employers making payroll deductions of membership subscriptions.

(ix) Fees and/or allowances paid to persons in respect of their attendances as representatives of the reporting unit at conferences or other meetings.

(x) Receivables or other rights to receive cash or payables or other financial liabilities where the item or a part of the item has been derived as a result of one or more transactions and / or other past events with another reporting unit of the organisation and therefore provision on receivables with another reporting unit.

NOTE 25: PRESCRIBED INFORMATION (CONT)

(xi) Acquisition of an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission

(xii) Agreement to provide financial support to ensure another reporting unit has the ability to continue as a going concern

(c) **Items required to be disclosed by the Section 253 Reporting Guidelines for which there was some activity**

		2019	2018
		$	$
(i)	Grants and donations		
	Donations:		
	Total paid that were $1000 or less	45	50
	Total paid that exceeded $1000	-	-
		45	50
	Grants:		
	Total paid that were $1000 or less	-	-
	Total paid that exceeded $1000	-	-
		-	-
(ii)	Administration expenses		
	Conference and meeting expenses	8,843	5,896
		8,843	5,896
(iii)	Legal cost expenses		
	Litigation	-	-
	Other legal matters	17,000	83,851
		17,000	83,851
(iv)	Employee expenses		
	Office holders:		
	Wages and salaries	781,831	453,558
	Superannuation	77,034	40,274
	Leave and other entitlements	75,621	47,491
	Separation and redundancies	27,094	-
	Other employee expense	49,139	27,660
		1,010,719	568,983

NOTE 25: PRESCRIBED INFORMATION (CONT)

Employees other than office holders:		
Wages and salaries	5,191,998	5,044,139
Superannuation	508,567	534,514
Leave and other entitlements	478,996	637,478
Separation and redundancies	16,999	15,799
Other employee expense	80,642	92,824
Superannuation matter costs	353,618	451,118
	6,630,820	6,772,872

NOTE 26: ASSOCIATION DETAILS

The registered office and principal place of business of the Association is:

Master Builders Association of SA Inc

Level 1/47 South Terrace

Adelaide SA 5000

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MASTER BUILDERS ASSOCIATION OF SA INC

Opinion

We have audited the financial report of Master Builders Association of SA Inc and its controlled entities (the Association) which comprises the consolidated Statement of Financial Position as at 30 June 2019, the consolidated Statement of Profit or Loss and Other Comprehensive Income, the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, Notes to the Financial Statements, including a summary of significant accounting policies, the Statement by Members of the Council and the Report Required Under Subsection 255(2A).

In our opinion, the accompanying financial report presents fairly, in all material respects, financial position of the Association as at 30 June 2019 and of its financial performance and its cash flows for the year ended on that date is in accordance with:

(i) the Australian Accounting Standards; and
(ii) any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the *RO Act*).

We declare that management's use of the going concern basis in the preparation of the financial statements of the Association is appropriate.

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 independence 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. 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.

Information Other than the Financial Report and the Auditor's Report thereon

The Council of Management of the Association is responsible for the other information. The other information comprises the Operating Report for the year ended 30 June 2019.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Level 3
153 Flinders Street
Adelaide SA 5000
GPO Box 2163
Adelaide SA 5001
p +61 8 8139 1111
f +61 8 8139 1100
w nexiaem.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MASTER BUILDERS ASSOCIATION OF SA INC (CONT)

Council of Management' Responsibility for the Financial Report

The Council of Management of the Association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *RO Act*. This responsibility includes such internal control as the Council of Management determine is necessary to enable the preparation of the financial report that gives a true and fair view so that it is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council of 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 the Council of Management either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council of Management.
- Conclude on the appropriateness of the Council of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

Nexia Edwards Marshall

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MASTER BUILDERS ASSOCIATION OF SA INC (CONT)

Auditor's Responsibilities for the Audit of the Financial Report (Cont)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Association and its controlled entities to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with the Council of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I declare that I am an auditor registered under the *RO Act*.

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

Stephen Camilleri
Partner

Adelaide
South Australia

Dated: 27 September 2019

Registration number (as registered by the Registered Organisations Commissioner under the *RO Act*):
AA2017/80

Level 3
153 Flinders Street
Adelaide SA 5000
GPO Box 2163
Adelaide SA 5001
p +61 8 8139 1111
f +61 8 8139 1100
w nexiaem.com.au

Australian Government
Registered Organisations Commission

2 July 2019

Peter Salveson
President
Master Builders Association of South Australia Incorporated
Sent via email: psalveson@hansenyuncken.com.au

Dear Peter Salveson,

Re: Lodgement of Financial Report - FR2019/151
***Fair Work (Registered Organisations) Act 2009* (the RO Act)**

The financial year of the Master Builders Association of South Australia Incorporated (the reporting unit) ended on 30 June 2019. This is a courtesy letter to remind you of the reporting unit's obligations regarding financial reporting.

Loans Grants and Donations Statement

The reporting unit is required to lodge a statement showing the relevant particulars in relation to each loan, grant or donation of an amount exceeding $1,000 for the reporting unit during its financial year. Section 237 of the RO Act requires this statement to be lodged with the Registered Organisations Commission (the ROC) within 90 days of the end of the reporting unit's financial year, that is on or before 28 September 2019.

The attached fact sheet *Loans Grants and Donations* (FS 009) summarises the requirements of the Loans Grants and Donations Statement. A sample statement of loans, grants or donations is available on our website.

It should be noted that s.237 is a civil penalty provision. If a loan, grant or donation over $1000 has been made, failure to lodge a statement of loans, grants and donations (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to $105,000 for each contravention for a body corporate and up to $21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention.

Financial report

The RO Act sets out a particular chronological order in which your financial report must be prepared, audited, provided to members, presented to a meeting and then lodged with the ROC. The attached document *Summary of Financial Reporting timelines* (FS 008) summarises these requirements.

We emphasise that the reporting unit is required to present its audited financial report to a meeting (either of members or of the committee of management, depending on your rules) no later than 31 December 2019 (s.266). The full financial report must be lodged with the ROC within 14 days of that meeting (s.268).

When assessing your financial report, we will continue to focus closely on timelines as well as how loans, grants and donations are reported. The financial report must break down the amounts of grants and donations and these figures will be compared to the loans, grants and donations statement (see attached *Loans Grants and Donations* fact sheet FS 009).

You can visit our website for more information regarding financial reporting, and fact sheets regarding financial reporting processes and requirements. A model set of financial statements developed by the ROC is also available on our website. It is not obligatory to use this model but it is a useful resource to ensure compliance with the RO Act, the Reporting Guidelines and the Australian Accounting Standards.

It should be noted that s.268 of the RO Act is a civil penalty provision. Failure to lodge the full financial report (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to $105,000 for each contravention for a body corporate and up to $21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention (s.268).

Auditor's report

When assessing the financial report we will also focus on the structure and content of the auditor's report to ensure that it complies with the revisions made to the Auditing Standards which came into effect from 15 December 2016. Please find here a link to guidance note *Illustrative Auditor's Report* (GN 004) relating to these requirements (which can also be located on our website).

REMINDER

YOUR AUDITOR MUST BE REGISTERED (s.256)

You must ensure that your auditor is registered by the Registered Organisations Commissioner. A list of registered auditors is available on our website.

Contact

Should you require any clarification in relation to the above, please email regorgs@roc.gov.au.

Yours faithfully,

Kylie Ngo
Registered Organisations Commission

Australian Government
Registered Organisations Commission

Fact sheet

Summary of financial reporting timelines – s.253 financial reports

General Information:

- The ***full report*** consists of the General Purpose Financial Report, Committee of Management Statement, Operating report, s.255(2A) Report and signed Auditors' Report
- For an explanation of each of the steps below see our Fact sheet—financial reporting process.

STEP 1:
Reporting unit must prepare the General Purpose Financial Report, Committee of Management Statement, s.255(2A) Report and Operating Report as soon as practicable after the end of the financial year:

STEP 2:
Committee of Management statement – resolution to be passed by the Committee of Management in relation to the General Purpose Financial Report **(1st meeting)**

STEP 3:
Registered Auditor to prepare and sign the Auditor's Report and provide to the Reporting unit **within a reasonable timeframe**

IF **RULES** PROVIDE FOR PRESENTATION OF FULL REPORT **AT GENERAL MEETING OF MEMBERS**
(this is the default process in the RO Act)

STEP 4:
Provide ***full report*** to members **at least 21 days before the General Meeting**

STEP 5:
Present ***full report*** to a General Meeting of Members within 6 months of the reporting unit's end of financial year (2nd meeting)

STEP 6:
Prepare and sign the designated officer's certificate then lodge ***full report*** and the designated officer's certificate with the ROC within 14 days of the 2nd meeting

IF **RULES** PROVIDE FOR PRESENTATION OF FULL REPORT **AT COMMITTEE OF MANAGEMENT MEETING**
(Special rules must be in the rulebook to use this process)

STEP 4:
Provide ***full report*** to members **within 5 months of the reporting unit's end of financial year**

STEP 5:
Present ***full report*** to Committee of Management Meeting within 6 months of the reporting unit's end of financial year (2nd meeting)

STEP 6:
Prepare and sign the designated officer's certificate then lodge ***full report*** and the designated officer's certificate with the ROC **within 14 days of the 2nd meeting**

Misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Financial Reporting Process. They include:

Misconception		Requirement	
✘	The Committee of Management statement is just copied from the Reporting Guidelines	✔	The Committee of Management statement must have the date of the Committee of Management resolution recorded upon it and it must be signed and dated BEFORE the auditor signs their report Further, if any of the statements within it need to be modified to suit the reporting unit (for instance not holding meetings) these changes must also be made
✘	The Auditor's Report does not need to be signed until just before it is lodged with the ROC	✔	The Auditor's Report must be signed and dated BEFORE the full report (including the Auditor's Report) is sent to members and presented to the second meeting
✘	The Designated Officer's Certificate must be signed before the report is sent to members	✔	The Designated Officer's Certificate declares what the reporting unit HAS ALREADY DONE to provide the report to members and present it to the meeting. It must be signed and dated AFTER sending the report to members and the second meeting
✘	Documents can be dated when they should have been signed or when the events in the document occurred	✔	Documents must always be dated at the date they are actually signed by an officer or auditor
✘	Any auditor can audit a financial report	✔	Only registered auditors can audit the financial report
✘	The Committee of Management statement can be signed at any time	✔	The resolution passing the Committee of Management Statement must occur and the statement signed and dated BEFORE the auditor's report is signed and dated
✘	Any reporting unit can present the Full Report to a second COM meeting	✔	Only reporting units with a 5% rule in their rulebook are able to present their report to a second Committee of Management Meeting. Otherwise, it must be presented to a General Meeting of members
✘	Everything can be done at one Committee of Management meeting	✔	If the rules allow for presenting the report to the Committee of Management, there must still be <u>two meetings</u>. The first meeting resolves the Committee of Management statement (including signing and dating it). Between the two meetings the Auditor's report is signed and dated. Only then can the full report be presented to the second Committee of Management meeting (if the rules allow)
✘	The reporting unit has 6 months and 14 days to lodge their financial report with the ROC	✔	The reporting unit must lodge the financial report within 14 days of the second meeting

This fact sheet is not intended to be comprehensive. It is designed to assist in gaining an understanding of the Registered Organisations Commission and its work. The Registered Organisations Commission does not provide legal advice.

Australian Government
Registered Organisations Commission

FS 009
(14 December 2018)

Fact sheet

Loans, Grants & Donations

The Loans, Grants & Donations Requirements

The *Fair Work (Registered Organisations) Act 2009* (the RO Act) requires an organisation or branch to lodge a loans, grants and donations statement (the statement) within **90 days** of the ending of the financial year.

Under the Commissioner's Reporting Guidelines, a reporting unit's General Purpose Financial Report (the financial report) must break down the amounts of grants and donations (see below). The figures in the financial report will be compared to the loans, grants and donations statement.

The Loans, Grants & Donations Statement

Section 237 of the RO Act applies to every loan, grant and donation made by an organisation or branch during the financial year that exceeds $1000. The following information must be supplied to the Registered Organisations Commission (the ROC) for each relevant loan, grant or donation:

- the amount,
- the purpose,
- the security (if it is a loan),
- the name and address of the person to whom it was made,* and
- the arrangements for repaying the loan.*

*The last two items are not required if the loan, grant or donation was made to relieve a member of the organisation (or their dependent) from severe financial hardship.

The statement must be lodged within 90 days of the end of the financial year and the ROC has a Template Loans, Grants and Donations Statement on its website. The ROC encourages branches and organisations to lodge the statement even if all of the figures are NIL.

Common misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Statement. They include:

Misconception		Requirement	
✘	Only reporting units must lodge the Statement.	✓	All branches and organisations, regardless of whether they lodge a financial report, must lodge the statement within 90 days of the end of the financial year. An organisation cannot lodge a single statement to cover all of its branches.
✘	Employees can sign the Statement.	✓	The statement must be signed by an elected officer of the relevant branch.
✘	Statements can be lodged with the financial report.	✓	The deadline for the statement is much shorter (90 days) and if it is lodged with the financial report it is likely to be late.

Grants & Donations within the Financial Report

Item 14(e) of the Commissioner's Reporting Guidelines requires the reporting unit to separate the line items relating to grants and donations into grants or donations that were $1000 or less and those that exceeded $1000.

As such, the note in the financial report relating to grants and donations will have four lines.

In the ROC's Model Statements the note appears as follows:

Note 4E: Grants or donations*

Grants:	**2017**	2016
Total expensed that were $1,000 or less	**-**	-
Total expensed that exceeded $1,000	**-**	-
Donations:		
Total expensed that were $1,000 or less	**-**	-
Total expensed that exceeded $1,000	**-**	-
Total grants or donations	**-**	-

The Commissioner's Reporting Guidelines requires that these line items appear in the financial statements, the notes or in the officer's declaration statement, even if the figures are NIL.

Implications for filing the Financial Report

During their review of the financial report staff of the ROC may confirm that the figures in the financial report match the disclosures made in the statement. Any inconsistencies in these figures will be raised with the organisation or branch for explanation and action.

This may involve lodging an amended loans, grants or donations statement. Any failure to lodge a loans, grants or donations statement or lodging a statement that is false or misleading can attract civil penalties under the RO Act.

If a reporting unit did not fully comply with these requirements in their last financial report, its filing letter will have included a statement reminding the reporting unit of its obligations.

> It is strongly recommended that all reporting units review their filing letters from the previous financial year to ensure any targeted concerns are addressed in their latest financial report. Failure to address these individual concerns may mean that a financial report cannot be filed.

Previous financial reports and filing letters are available from the website.

Further information

If you have any further questions relating to the loan, grant and donation disclosure requirements in the statement or the financial report, please contact the ROC on regorgs@roc.gov.au