

## MFR Report<sup>1</sup>

TO: Queensland Building and Construction Commission (QBCC)

RE: 00000000 (QBCC Licence number)<sup>2</sup>

I, *Edward Arthur Gray* (name)<sup>3</sup> of *Grays Accountancy Pty Ltd* (address or firm name)<sup>4</sup>

being an Accepted Independent Accountant by virtue of *Member of CPA* (professional qualification)<sup>5</sup>

and being a holder of a public practising certificate state the following regarding the financial information of

*Smith Builders Pty Ltd* (name of Client)<sup>6</sup> ('the Client') for the period ended *31 March 2012* (date).<sup>7</sup>

This MFR Report has been prepared for distribution to the Client and the QBCC, for the purpose of reporting on whether the Client meets the Minimum Financial Requirements for Licensing. I acknowledge the QBCC relies on this report to determine the Client's eligibility for a licence and that I may be required to provide evidence of the tests and checks conducted in the preparation of this report to the QBCC. I disclaim any assumption for any reliance on this report or on the financial information to which it relates to any person other than the Client and the QBCC or for any purpose other than that for which it was prepared.<sup>8</sup>

(Tick box if appropriate)<sup>9</sup>

### Review Engagements

I have conducted a review of the Client's financial information.

My review has been conducted in accordance with Australian Accounting and Auditing Standards applicable to review engagements. I have not performed an audit and accordingly, I do not express an audit opinion.

I confirm the tests or checks I have conducted, and the evidence sighted, comply with those set out in the Minimum Financial Requirements and that I have applied the Minimum Financial Requirements Policy and all relevant Australian Accounting Standards and significant accounting policies to the financial information presented below.<sup>10</sup>

Based on my review of the Client's financial Information, which is NOT an audit, and the application of the Minimum Financial Requirements and all relevant Australian Accounting Standards and significant accounting policies I provide the financial information below for the Client as at and for the period ended as stated above.

(Tick box if appropriate)<sup>9</sup>

### Audit Engagements

I have conducted an independent audit of the Client's financial information in order to express an opinion on it to the Client and the QBCC.

The audit has been conducted in accordance with Australian Auditing Standards. The procedures for the audit included examination, on a test basis of evidence supporting the information included in the Client's financial information. These procedures have been undertaken to form an opinion whether, in all material respects, the financial information is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements. The Minimum Financial Requirements of the QBCC have then been applied to the financial statements in order to present the financial information below.

The audit opinion expressed in this report has been formed on the above basis.

**In determining the Financial Information of the Client, I verify I have NOT included any Related Entity Loans or Investment Assets in the Financial Information stated below unless otherwise stated<sup>11</sup>**

(Tick box if appropriate)

<sup>12</sup> I HAVE included Related Entity Loan and/or Investment asset amounts in the Financial Information stated below and I have independently verified such assets are collectible by the client in accordance with the Minimum Financial Requirements policy.

**Financial Information of the Client:**

Assets: <sup>13</sup>	\$ 100
Current Assets: <sup>14</sup>	\$ 1,500,100
Intangible Assets: <sup>15</sup>	\$ 0
Disallowed Assets: <sup>16</sup>	\$ 0
Liabilities: <sup>17</sup>	\$ 0
Current Liabilities: <sup>18</sup>	\$ 1,000,000
Revenue: <sup>19</sup>	\$ 3,000,000
NTA (at least): <sup>20</sup>	\$ 100
Current Ratio: (please state as a ratio) <sup>21</sup>	1.5 : 1
Total of Related Entity Loan or Investment Asset amounts included in NTA <sup>22</sup>	\$ 0

**Deed of Assurance provided to Client** (if applicable): <sup>23</sup>

Full and Correct Name(s) of each Covenantor	Amount Assured 'Defined Amount'	Relationship to Client	Original Deed Previously Provided (Yes/No)
Wayne John Smith and Judith Ann Smith <sup>24</sup>	\$155,900 <sup>25</sup>	Directors of the Licensee <sup>26</sup>	Yes <sup>27</sup>

Pick one of the following: <sup>28</sup>

The Client **meets** the Minimum Financial Requirements. Nothing has come to my attention that causes me to believe that the Client does not meet the Minimum Financial Requirements as at and for the period end date as stated above. Based on the Client's NTA, the Maximum Revenue the client may earn per financial year is <sup>29</sup> \$.....

or

The Client **does not meet** the Minimum Financial Requirements for the following reasons <sup>30</sup> .....

.....

I CERTIFY THAT this MFR Report has not been altered from the MFR Report attached to the Minimum Financial Requirements policy other than by the completion of information in the spaces provided. <sup>31</sup>

In order for me to make the above statement, attached to this MFR Report are the financial statements for the Client as at and for the period end date as stated above which are the financial statements the report is based on. <sup>32</sup> Where Deeds of Assurance have been relied upon, I have attached a verified Statement of Financial Position for each Covenantor. <sup>33</sup>

<u>34</u>	<u>35</u>
_____	_____
(Name of Accepted Independent Accountant)	(Signature of Accepted Independent Accountant)
<u>36</u>	<u>37</u>
_____	_____
(Address and Telephone Number)	(Date)

**Client declaration regarding MFR Report <sup>38</sup>**

I/we have viewed the financial information presented in this report including the Maximum Revenue I/the company may earn per financial year. I/we acknowledge the information contained in this report will be relied upon by the QBCC in determining my/the company's eligibility for a licence.

I/we are responsible for the information given to the Accepted Independent Accountant in order to prepare this report and we are of the opinion it represents a true and fair view of my/the company's financial position. I/we are aware it is an offence to give the QBCC false or misleading information regarding my/the company's financial position.

<u>39</u>	<u>40</u>	<u>41</u>
_____	_____	_____
Client/Director Signature	Client/Director Name (& Position if a Company)	Date
<u>39</u>	<u>40</u>	<u>41</u>
_____	_____	_____
Client/Director Signature	Client/Director Name (& Position if a Company)	Date
<u>39</u>	<u>40</u>	<u>41</u>
_____	_____	_____
Client/Director Signature	Client/Director Name (& Position if a Company)	Date

<b>PRIVACY NOTICE</b>
QBCC is collecting the information on this form to ascertain whether your client satisfies the financial requirements of the Queensland Building and Construction Board for a contractor's licence under the <i>Queensland Building and Construction Commission Act 1991</i> . The information you have provided may be disclosed by QBCC to another party with your client's consent or as authorised or required by law. In addition, QBCC may provide all or some of this information to a financial specialist engaged by QBCC to provide expert advice as to financial matters relevant to your client's ability to satisfy the Minimum Financial Requirements policy. For further information visit the QBCC website at <a href="http://www.qbcc.qld.gov">www.qbcc.qld.gov</a> <sup>42</sup>

## ANNOTATIONS TO THE MFR REPORT

1. Ensure the MFR Report is the current version of Attachment 1 to the Minimum Financial Requirements. The QBCC will not accept any old versions of the Report.
2. Insert the QBCC licence number of the Licensee. If the Applicant does not hold a QBCC licence, leave blank or insert the full name of the Applicant
3. Insert the full name of the Accepted Independent Accountant who is completing the MFR Report. Do not include the firm name. A natural person's name must be inserted here.
4. Insert the Accepted Independent Accountant's firm name or address.
5. State the Accepted Independent Accountant's qualification which entitles that person to complete this Report. Refer to Table 3 of the *Minimum Financial Requirements* (MFR).
6. Insert the full name of the Client under review.

If the Applicant trades through a partnership or is a trustee of a trust do not refer to the partnership or trust.

7. Insert the period end date under Review/Audit which could be any period after the last financial year. The MFR Report can present financial information that is for less than a 12 month period. Period ended accounts are acceptable.

Only if the Licensee is reporting on their financial year end date is the financial information required to be prepared for a full year. (Section 7.4, *Financial Information for Categories 1-7 of the MFR*)

The financial information must be based on accounts no older than four months in age at the time the Accepted Independent Accountant signs the MFR Report. (Section 7.4, *Financial Information for Categories 1-7, of the MFR*)

The MFR Report must be provided to the QBCC within one month of the Accepted Independent Accountant signing the report.

8. This is the only disclaimer the QBCC will accept on the MFR Report. If the Accepted Independent Accountant inserts any further disclaimers into the document or makes the Report refer to another document with further disclaimers, the MFR Report will be unacceptable.
9. The Accepted Independent Accountant must indicate on the MFR Report if a Review or Audit of the financial information has been undertaken
10. The minimum level of tests and checks that the Accepted Independent Accountant is expected to have completed is outlined in the Review Control Sheet – Attachment 6, as per section 6.3 *Notice to Accepted Independent Accountants for Minimum Financial Requirements Reports, of the MFR.*

The QBCC is entitled to request a copy of the Review Control Sheet or any other working papers used by the Accepted Independent Accountant in determining the Financial Information of the Client at any time.

11. By default, Related Entity Loans or Investment Assets are NOT included in determining the licensee's Financial Information (ie Net Tangible Assets and Current Ratio), unless the Statement contained within the MFR Report as to their verification at 12 has been ticked.

If the assets have not been included, or have not been able to be verified, then omit the amounts from the calculations, and do not tick the box at 12.

## ANNOTATIONS TO THE MFR REPORT

This default Statement and the associated calculations are in respect to asset balances only. All liabilities, including those owing to Related Entities, must be included in the calculations. Only assets may be excluded from the calculations.

- 12.** If the Accepted Independent Accountant has included Related Entity Loans or Investment Assets in calculating the licensee's Financial Information, and has verified such items are recoverable or collectible by the Licensee, this box must be ticked to indicate their inclusion.

If only selected Related Entity Loan or Investment Assets have been included in the calculations, the box must be ticked to indicate their inclusion.

- 13.** Insert the total Assets from the signed accounts provided. This only includes the licensee's or applicant's assets and not any assets held on trust for another person or corporation.

- 14.** Insert the Current Assets from the signed accounts provided.

If the Applicant or Licensee is a trustee for a trust, the Current Assets are a combination of the Current Assets of the Licensee or Applicant and the Current Assets of the trust.

If the Applicant or Licensee is trading in a partnership, the Current Assets are a combination of the Current Assets of the Licensee or Applicant and the Current Assets of the partnership.

- 15.** Insert the Intangible Assets that are excluded from the Net Tangible Assets (refer Section 14, *Definitions*, of the MFR).

- 16.** Insert the Disallowed Assets and uncollectable related entity assets that are excluded from the Net Tangible Asset (NTA) calculation (refer Section 2, *Net Tangible Assets* of the MFR).

- 17.** Insert the total Liabilities from the signed accounts provided.

- 18.** Insert the Current Liabilities from the signed accounts provided.

If the Applicant or Licensee is a trustee for a trust, the Current Liabilities are a combination of the Current Liabilities of the Licensee or Applicant and the Current Liabilities of the trust.

If the Applicant or Licensee is trading in a partnership, the Current Liabilities are a combination of the Current Liabilities of the Licensee or Applicant and the Current Liabilities of the partnership.

- 19.** Insert the total Revenue of the Licensee or Applicant. The Revenue is the total income derived from all sources.

If the Applicant or Licensee is a trustee for a trust, the Revenue is a combination of the Revenue of the Licensee or Applicant and the Revenue of the trust.

If the Applicant or Licensee is trading in a partnership, the Revenue is a combination of the Revenue of the Licensee or Applicant and the Revenue of the partnership

This may include interest received, dividends or distributions, and grants. The Revenue of the Client is not limited to the Client's building revenue (refer Section 3, *Maximum Revenue*, of the MFR).

- 20.** Insert the NTA of the Licensee or Applicant only. The calculation for NTA is:  
NTA = Total Assets – Intangible Assets – Disallowed Assets (refer Section 2, *Net Tangible Assets*, of the MFR)

The NTA must be at least \$0. Do not include any amount assured by Deed of Covenant and Assurance, if provided.

## ANNOTATIONS TO THE MFR REPORT

The Licensee's or Applicant's NTA can be understated if the Licensee or Applicant seeks to restrict their Maximum Revenue (MR). The Licensee or Applicant can cap their MR by inserting a limited (*at least*) amount of NTA.

**Example:** If the Licensee has \$500,000 NTA, but only requires an MR of \$3,000,000 for the financial year then the NTA stated in the MFR Report would be \$156,000.

The Licensee's or Applicant's MR will be calculated in reference to the NTA value stated OR the combined value of NTA as stated plus amounts assured by Deed of Covenant and Assurance, if applicable (Total NTA = NTA + Defined Amount of Deed)

### NTA and Trustee Structures

If a Licensee is a corporate trustee then it is expected that the company's NTA will only be a nominal amount being the value of the paid up share capital (eg \$10.00 in the company). Note the NTA calculation cannot take into account trust assets (refer Section 2 – *Definitions – "Assets"*, of the MFR).

21. Insert the Current Ratio, stating it as a ratio. It must be at least 1:1 and cannot be rounded up. The calculation for Current Ratio is: Current Assets – Disallowed Assets – Intangible Current Assets/Current Liabilities (refer Section 4, *Current Ratio*, of the MFR).

If the Licensee or Applicant does not have any current liabilities, the Current Ratio will be expressed as [x]:1 or [x]:0. A Current Ratio of 0:0 will not be accepted.

If Related Entity Loans or Investments assets have been excluded from the NTA calculation, they must also be excluded from the Current Ratio where they are classified as a Current Asset in the accounts being reviewed.

The Current Ratio cannot include the value of any Deed of Covenant and Assurance, if provided.

22. Insert the total Related Entity Asset amounts determined by the Accepted Independent Accountant to be collectable and included in the NTA.
23. Reference to Deed of Covenant and Assurance is in respect to provisions made within the MFR Report only, and does not refer to any other type of "Deed", such as, Deeds of Cross Guarantee or Deeds of Company Arrangement (refer Section 2.7, *Deed of Covenant and Assurance*, of the MFR).
24. The full name of each Covenantor who is providing a Deed of Covenant and Assurance to this Licensee or Applicant must be shown in this section. Initials will not be accepted.

The name in the MFR Report should be the same as the name of the Covenantor(s) as stated in the Deed of Covenant and Assurance. If the names are different, the Deed of Covenant and Assurance and/or the MFR Report may not be accepted.

Only specific entities may provide Deeds of Covenant and Assurance dependent on the Licensee's or Applicant's structure (refer to Section 2.7, *Table 1 – Possible Assurers*, of the MFR).

If Covenantors want to assure an amount of money jointly and severally, they should complete one Deed of Covenant and Assurance and both must execute that Deed. Alternatively, each covenantor will provide a separate Deed.

In our example within the MFR Report, Wayne John Smith and Judith Ann Smith, as directors of Smith Builders Pty Ltd, are jointly and severally assuring \$155,900 to Smith Builders Pty Ltd.

If Covenantors do not want to be jointly and severally liable, each Covenantor must be stated on

## ANNOTATIONS TO THE MFR REPORT

a separate line in this section, showing they are assuring separate amounts:

Full and Correct Name(s) of each	Amount of Deed 'Defined Amount'	Relationship to Licensee (Refer to Section 2.4.5)	Original Deed Previously Provided (Yes/No)
<i>Wayne John Smith</i>	<i>\$100,000</i>	<i>Directors of the Licensee</i>	Yes
<i>Judith Ann Smith</i>	<i>\$55,900</i>	<i>Directors of the Licensee</i>	Yes

In the above case Wayne John Smith and Judith Ann Smith will complete separate Deeds of Covenant and Assurance. Both Deeds will also be executed by Smith Builders Pty Ltd as Licensee/Applicant.

- 25.** Insert a Defined Amount for the relevant Covenantor. The Defined Amount is the amount Covenantor/s are assuring to the Licensee/Applicant from their personal assets.

The Defined Amount must be equal or less than the Net Real Unencumbered Asset position stated on the *Statement of Financial Position (Attachment 5)* of the MFR. In the event of Liquidation or Bankruptcy of the Licensee, this is the amount the Covenantor would pay to the Liquidator for distribution to the Licensee's creditors.

The Accepted Independent Accountant must assess the entire financial position of each and every Covenantor prior to completing the MFR Report for the Licensee or Applicant, to determine the Covenantors' Net Real Unencumbered Asset position and to ensure the Covenantor/s can meet the defined amount of the Deed.

The Accepted Independent Accountant must complete and sign a *Statement of Financial Position (Attachment 5)* of the MFR for each and every Covenantor, setting out the Covenantors' financial position and determining the Net Real Unencumbered Assets, each time an MFR Report is completed.

Refer to Section 14, *Definitions*, of the MFR for the definition of Defined Amount and Net Real Unencumbered Assets.

- 26.** Only specific entities can provide Deeds of Covenant and Assurance to the Licensee or Applicant (refer to Section 2.7, *Table 1 – Possible Assurers*, of the MFR).

The Accepted Independent Accountant must be satisfied the defined relationship exists. The Accepted Independent Accountant may be required to demonstrate the relationship by documentary evidence (eg ASIC Extracts) where QBCC is not satisfied the relationship exists.

If the QBCC is not satisfied the defined relationship exists, the QBCC will not accept the Deed or the MFR Report.

- 27.** If the original Deed of Covenant has been provided previously, answer "Yes". If a new Deed of Covenant and Assurance is being provided, answer "No".

If not previously provided, the original Deed of Covenant and Assurance must be provided to the QBCC before the Licensee's application or change of financial position can be processed. The original Deed will remain with QBCC. The pro-forma of the Deed of Covenant and Assurance is found on the QBCC's website, [www.qbcc.qld.gov.au](http://www.qbcc.qld.gov.au).

## ANNOTATIONS TO THE MFR REPORT

- 28.** The Accepted Independent Accountant must indicate if the Client meets the *Minimum Financial Requirements* eg:
- Current Ratio is at least 1:1
  - NTA is at least \$0
  - NTA and Defined Amount of Deeds are sufficient to cover the required Maximum Revenue and actual Revenue performed.
- 29.** Insert the Maximum Revenue. The Licensee or Applicant can cap the level of their MR by inserting a limited ('at least') amount of NTA. Calculate the MR by using the formula in *Table A – Minimum Financial Requirements* or the QBCC's online MR/NTA Calculator, <http://www.qbcc.qld.gov.au/mr-nta-calculator>.
- 30.** The Accepted Independent Accountant must indicate if the Client does not meet the *Minimum Financial Requirements* and must state the reasons why the Client does not meet those requirements, if applicable.
- 31.** The certification paragraph must remain unaltered in the MFR Report. The Accepted Independent Accountant is representing to the QBCC that the Licensee or Applicant meets the minimum requirements contained in the Board's gazetted policy, *Minimum Financial Requirements*.
- If the Accepted Independent Accountant is unsure of the legal obligations they or their firm are under by signing the MFR Report, they should consult their industry organisation or seek legal advice.
- 32.** The signed financial statements the MFR Report is based on must accompany the MFR Report, and forms part of the MFR Report.
- An MFR Report that does not include the relevant financial statements will not be accepted.
- 33.** Where a Deed of Covenant and Assurance is being relied upon within the MFR Report to meet NTA requirements, the Accepted Independent Accountant must assess the entire financial position of each and every Covenantor prior to completing the MFR Report for the Licensee or Applicant, to determine the Covenantors Net Real Unencumbered Asset position and their ability to meet the defined amount of the Deed.
- The Accepted Independent Accountant must complete and sign a *Statement of Financial Position (Attachment 5)* of the MFR for each and every Covenantor, setting out the Covenantor's financial position and determining the Net Real Unencumbered Assets.
- 34.** State the full name of the Accepted Independent Accountant signing the MFR Report.
- 35.** The Accepted Independent Accountant who completed the MFR Report must personally sign the MFR Report. The MFR Report will be unacceptable if it has been signed by a person, other than the Accepted Independent Accountant stated in the MFR Report.
- 36.** Insert the address and contact details of the Accepted Independent Accountant or Accepted Independent Accountant's firm.
- 37.** Insert the date the Accepted Independent Accountant signed the MFR Report.
- 38.** The Client declaration paragraph must remain unaltered in the MFR Report. The Client is representing to the QBCC that they are responsible for the financial information provided to the Accepted Independent Accountant and that the financial information represents a true and fair view of their financial position.



## ANNOTATIONS TO THE MFR REPORT

If the Client is unsure of the legal obligations they are under by signing the MFR Report, they should seek legal advice.

- 39.** The Client or Company Director must personally sign the MFR Report. The MFR Report will be unacceptable if it has been signed by a person, other than the Client or Company Director.

For a multi-director company, at least two directors must sign and date the MFR Report.

- 40.** Insert the name of the Client or Company Director and position held, where applicable.

- 41.** Insert the date the Client or Company Director signed the MFR Report.

- 42.** The QBCC is subject to the *Right to Information Act 2009* and the *Information Privacy Act 2009* and, therefore, the MFR Report may be accessed by other parties. Refer Section 12, *Confidentiality of the Minimum Financial Requirements*.