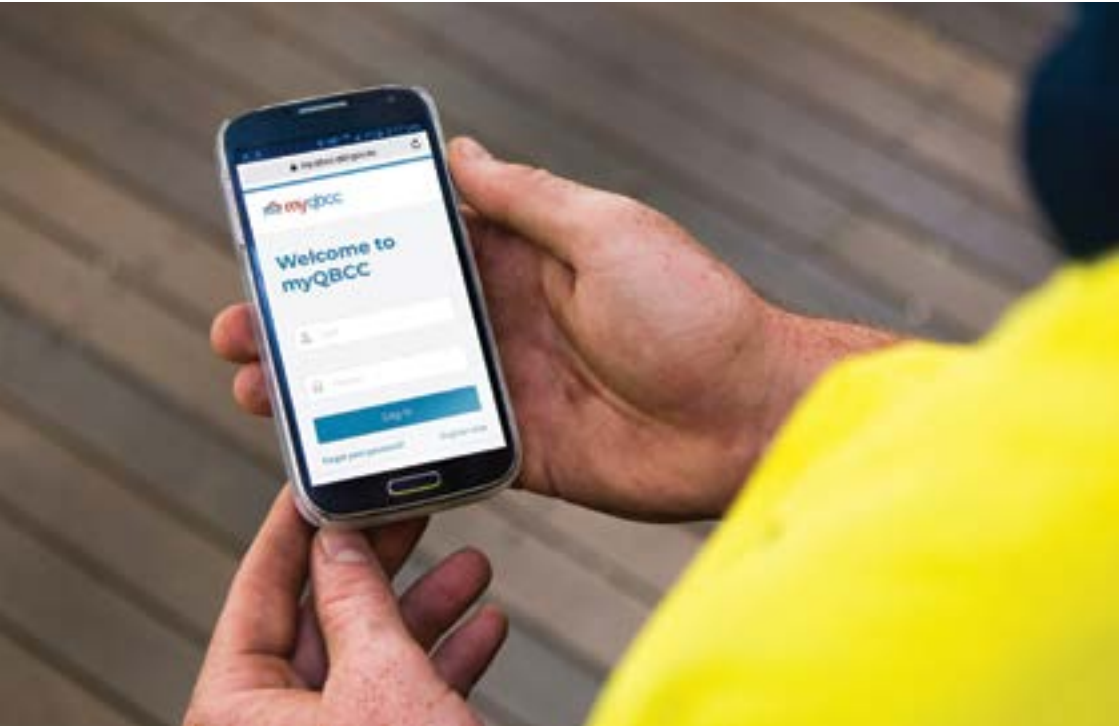


# GUIDE TO ANNUAL FINANCIAL REPORTING



December 2019

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# INTRODUCTION

Queensland has new laws designed to build a stronger, fairer construction industry.

Annual financial reports have been introduced to check the financial strength of contractor-grade licensees in Queensland. Annual reporting is mandatory and you may already have the information needed.

This guide provides information for QBCC licensees to understand annual reporting obligations. Additional information about annual reporting and other building industry fairness reforms can be found at [qbcc.build/annualreporting](http://qbcc.build/annualreporting).

# MINIMUM FINANCIAL REQUIREMENTS (MFR)

## WHAT IS MFR?

MFR stands for 'minimum financial requirements'. This is the minimum net tangible assets and current ratio required to ensure your business is financially sustainable. The QBCC will calculate your ratio based on the information you provide. There are many defined terms and these are set out in this guide.

Contractor-grade licensees are required to submit financial information every year, which can be submitted online at [my.qbcc.qld.gov.au](http://my.qbcc.qld.gov.au). This is known as annual reporting.

## WHAT'S NEW?

On 1 January 2019, the new Minimum Financial Requirements Regulation (MFR Regulation) commenced.

In October 2018, the building and construction industry was asked to provide feedback on proposed changes to financial and reporting requirements of licensees. That feedback has shaped the new MFR laws, which aim to ensure every building contractor in Queensland has a strong and financially sustainable business with an appropriate level of working capital. Since 1 January 2019, \$1.2B in working capital has been injected back into the industry in Queensland through the implementation of new MFR laws.

Under the MFR laws, licensees with a contractor-grade licence need to provide financial information to the QBCC. Reporting was due by 31 December 2019. However, if you did not meet the deadline you must still provide your annual financial information as soon as possible.

## WHY DOES THE QBCC NEED MY FINANCIAL INFORMATION?

The QBCC requires financial information in accordance with the MFR Regulation. The information received will help identify licensees who may not be operating a financially sustainable business. For larger contractors, mostly in categories 4-7, insufficient working capital places subcontractors, suppliers and consumers at financial risk. For contractors in categories SC1, SC2 and categories 1 - 3, annual financial reporting allows the QBCC to work with those licensees to meet the MFR rules.

## WHEN DO I NEED TO LODGE MY FINANCIAL INFORMATION WITH THE QBCC?

Reporting was due by 31 December 2019. However, if you did not meet the deadline you must still provide your annual financial information as soon as possible.



## WHAT WILL THE QBCC DO WITH MY FINANCIAL INFORMATION?

The QBCC will conduct a financial health check of your business. If you are in a category from SC1/SC2 to Category 1- 3, and you don't have the minimum assets or ratio, the QBCC will offer information and advice on how to strengthen your business over the next year. For contractors and builders in these categories, being smaller businesses with lower risk, the QBCC will give you at least a year to strengthen your business to meet the targeted level of working capital.

For licensees in categories 4 to 7, the QBCC will assess your financial information and where appropriate will take action in relation to non-compliant financial information.

## WHICH LICENSEES ARE AFFECTED BY THE ANNUAL REPORTING CHANGES?

Licensees that hold a contractor or builder grade of licence will be required to submit financial information, preferably via myQBCC which is specifically designed to ensure that the reporting requirements are of minimal disruption to the licensee. If you are unable to submit your information through myQBCC, you may submit it manually via the available at [qbcc.qld.gov.au](http://qbcc.qld.gov.au).

## WHO DOES NOT HAVE TO MEET THE ANNUAL REPORTING REQUIREMENTS?

The following licensees and applicants do not have to meet any MFR obligations

- Nominee supervisor
- Site supervisor
- Occupational licensees.

Building Certifiers and Pool Safety Inspectors are also exempt from meeting the minimum financial requirements as these two licences are issued under the *Building Act 1975*.

Licensees and applicants in the following classes, with valid professional indemnity insurance, may not have to meet the minimum financial requirements in certain circumstances unless they hold a licence in another class.

Licence classes:

- Builder Project Management Services
- Building Design – Low Rise
- Building Design – Medium Rise
- Building Design – Open
- Hydraulic Services Design
- Hydraulic Services Design (excluding design of on-site domestic waste water management)
- Site Classifier
- Site Classifier (excluding on-site domestic waste management).

## WHAT IS MY “MOST RECENT REPORTING YEAR”?

You are required to provide financial information for your most recent reporting year. For most licensees now, your most recent reporting year end would be 30 June, in line with the financial year.

## WHAT HAPPENS IF I MISS THE DUE DATE?

Call the QBCC on 139 333 as soon as you become aware.

## WHAT IF I HAVE NO INCOME, OR I AM NOT CURRENTLY TRADING?

If you are not actively using your licence you will still be required to provide your financial information to QBCC annually. You can report that your turnover is \$0, but you still need to hold the required Net Tangible Assets to support your licence category.

If you are not trading under your licence, you may wish to change the grade to a nominee supervisor, which is not required to meet financial requirements.

## HOW DO I CHANGE MY ANNUAL REPORTING DAY?

From 2020, you'll be able to apply to change your annual reporting due date. We'll be in touch in early 2020 with more information on how you can apply.

## WHAT IF I TRADE THROUGH A TRUST STRUCTURE?

To satisfy the annual reporting requirements, the financial information provided would be for the trust as the trading entity. More information is available at [qbcc.qld.gov.au](http://qbcc.qld.gov.au).

## WHAT IF MY FINANCIAL INFORMATION FOR ANNUAL REPORTING SHOWS THAT I DON'T HAVE ENOUGH ASSETS?

For licensees in categories from SC1 to Category 3, the QBCC will make contact with the licensee and talk through options available

For licensees in Categories 4 to 7 it is likely that the QBCC will follow up on non-compliant financial information in these licence categories and may result in a show cause notice as to why the licence should not be suspended.

## PROVIDING ANNUAL FINANCIAL REPORTING VIA MYQBCC

### What do I need to do?

1. We have made it really easy to submit your annual financial reporting. All you need to do is log in or register at [my.qbcc.qld.gov.au](http://my.qbcc.qld.gov.au).
2. Have your most recent financial information open in front of you. You may not need to go to an accountant to have documentation prepared.

3. If you have not already lodged your information, and your financial year ends on 30 June, the most recent reporting year would be from 1 July 2018 to 30 June 2019, so you will need to provide financial information for the period ending 30 June 2019.

4. Enter in the relevant sections depending on your financial category.
5. You might like to have a copy of our online portal user guide on hand if you need more information to help you complete each section.

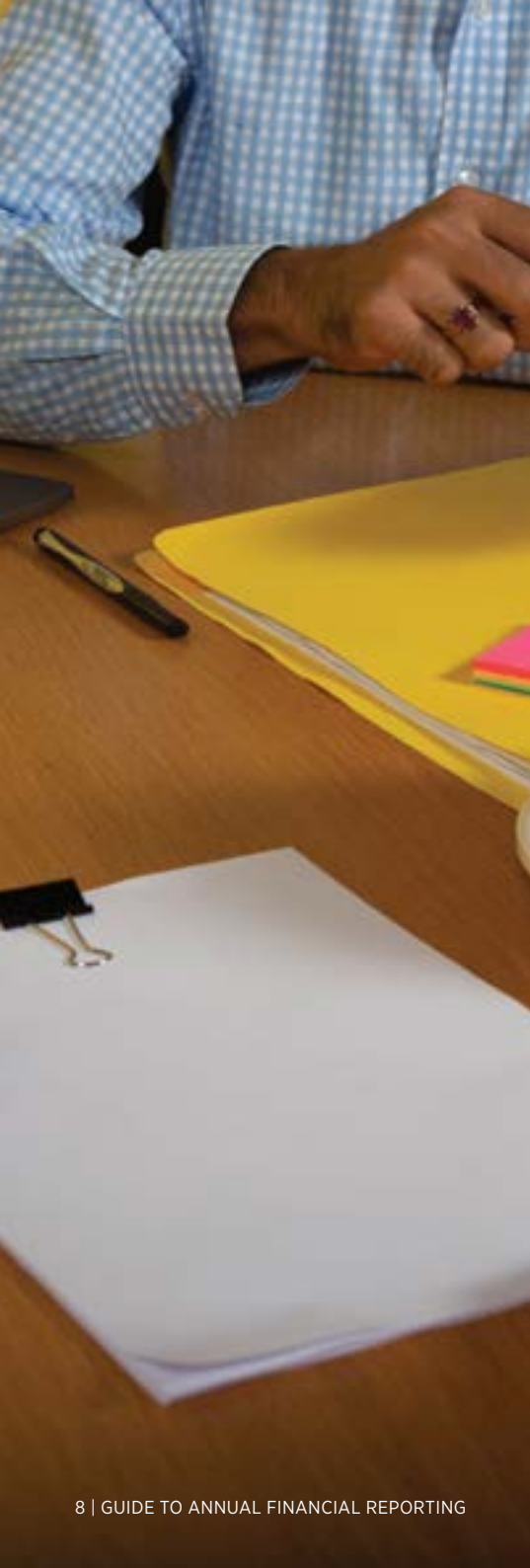
## WHAT IF I DON'T WANT TO USE THE ONLINE PORTAL?

It is preferred that licensees lodge online via the portal however there are PDF forms available on the QBCC website which can be lodged at any QBCC Service Centre. Head to [qbcc.qld.gov.au](http://qbcc.qld.gov.au) and search for 'annual reporting forms' to find them.

## HOW DOES MY ACCOUNTANT GET ACCESS TO THE PORTAL TO SUBMIT MY INFORMATION FOR ME?

The licensee needs to grant the accountant (or any other authorised representative) access to lodge information on their behalf.

Your accountant can create a myQBCC account but will need the licensee to give them permission to lodge a form on your behalf. For step-by-step instructions available at [qbcc.build/annualreporting](http://qbcc.build/annualreporting).



## YOUR INDUSTRY ASSOCIATIONS CAN ASSIST

If you are a member of an industry association, they can also provide you with information and assistance. These industry associations include Master Builders Queensland, Master Plumbers' Association of Queensland, Master Electricians Australia, Housing Industry Association, National Fire Industry Association and the Air Conditioning and Mechanical Contractors' Association.

## MAXIMUM REVENUE AND NET TANGIBLE ASSETS ONLINE CALCULATOR

If you are unsure of the maximum revenue or net tangible assets, search for "NTA calculator" at [qbcc.qld.gov.au](http://qbcc.qld.gov.au) for our handy tool.

If you are unsure of the financial category previously approved with the QBCC you can also enter your licence number into the QBCC's online licence search and your financial category will appear as 'MR Category'.

The calculator is a guide only, and does not apply to SC1 or SC2 licensees, as these licences are not set on a sliding scale – your maximum revenue amounts are set at \$200,000 or \$800,000 respectively.

## KEY TERMS

### NET TANGIBLE ASSETS

Net Tangible Assets (NTA), means the net assets of a business:

- less any intangible assets such as goodwill, borrowing costs, patents, and trademarks;
- less any disallowed assets, such as jet skis, boats, racehorses, personal furniture, collector's items;
- less all liabilities.

### WHAT IS AN ASSET?

Allowable assets are things you own in your own name. If you have a company licence, these assets must be in the company's name to be used for the company licence.

### Allowable assets include:

- Cash;
- Work in progress;
- Money held in a project bank account that you are entitled to;
- Retention money you are entitled to;
- Registered motor vehicles;
- Real estate;
- Tools of trade;
- Plant and Equipment;
- Stock on hand (inventory);
- Some loans you have given out to related entities;
- Some money owing to you from clients;
- Shares in publicly listed (ASX) companies.

### Example:

*Can I use my family home as an individual asset?*

Yes, a home can be used as an asset if it is owned by the licensee, however only your share can be used in the calculation. If you own your house with someone else – a spouse, partner or other – you can only include your share of the home. For example, if you own the house together in equal shares, you can include 50% of the value of the home as an asset.

### WHAT IS NOT AN ALLOWABLE ASSET?

#### Disallowed assets include:

- Racehorses;
- Paintings, stamps or coins;
- Furniture for personal use (i.e. household contents);
- Off road motorbikes;
- Quad bikes;
- Golf buggies;

- Jet skis;
- Boats;
- Aircraft (including drones);
- Money owing to you if it is disputed or subject to legal or court proceedings;
- Money owing to you from a client if it is more than 12 months old after the reporting date;
- Goodwill;
- Franchise fees;
- Deferred Tax Assets;
- Barter dollars;
- Assets held by someone else (held on trust for a beneficiary other than yourself);
- Superannuation if you cannot access it immediately;
- Life insurance policy benefits;
- Cryptocurrency;
- Trademarks or patents;
- Formation expenses;
- Borrowing costs;
- Intellectual Property.

## WHAT IS A LIABILITY?

Liabilities are debts you owe to others.

This includes any debts or obligations you must pay or settle within a certain period of time or pay on demand. All liabilities must be taken into account.

### Examples of liabilities include:

- Mortgage owing on property;
- Credit card debts;
- Vehicle or equipment finance/lease debts;
- Trade creditors;
- Taxation debts;
- Overdraft;

- Any deficiency in a trust for which you are trustee;
- The full amount of any loan you owe if it is in default.

### Example:

*If you don't declare your house as an asset, do you still need to declare the mortgage as a liability?*

Yes, all liabilities have to be taken into account.

## WHAT IS A CURRENT RATIO?

Current ratio is worked out by comparing a licensee's current assets to its current liabilities. This helps to determine the business's financial viability. The current ratio is your current assets divided by your current liabilities and must be at least 1:1.

For every dollar of current liabilities, you must have at least a dollar in current assets.

### Example:

Example Builder has \$52,000 in assets, compared to \$30,000 in liabilities. To figure out the company's current ratio:

**Current assets ÷ Current liabilities = Current Ratio**  
 $= 52,000 \div 30,000 = 1.73:1$

If you have no liabilities, your current ratio would be the total of your current assets to 1 or 0. For example, if your current assets totalled \$5,000 but you have no current liabilities, your current ratio would be 5000:1 or 5000:0.

## WHAT IS A CURRENT ASSET?

A current asset is an amount owing to you by someone else that you expect to receive within the next 12 months.

### Current assets include:

- Cash;
- Debtor amounts which are not disputed or older than 12 months from invoice date;
- Prepaid expenses (such as insurance premiums that have not yet expired);

- Work in progress;
- Retentions due to you within 12 months.

### A current asset is not:

- Goodwill;
- Formation expenses;
- Uncollectible debts;
- Real estate not currently for sale.

## WHAT IS A CURRENT LIABILITY?

A current liability is an amount owing by you to someone else that you expect to pay within the next 12 months.

### Current liabilities include:

- Trade creditors;
- Taxation liabilities;
- Credit card debts;
- The proportion of loans, mortgage repayments, finance leases etc the be paid within the next 12 months.

## WHAT IS MAXIMUM REVENUE?

Maximum revenue (MR) for your reporting year, includes the total income you receive from the building industry and any other source including outside Queensland and overseas, but excludes wages, salary and GST.

Your maximum revenue is determined by your net tangible assets. For example, if your net tangible asset value is \$95,000 your maximum revenue can be up to \$1,779,990. This is the maximum amount you can turn over not the amount you must meet.

Alternatively, you may nominate a lower amount of maximum revenue.

You can increase your maximum revenue by up to 10% without obtaining prior approval from us. If you want to increase your turnover by more than 10%, you must first provide us with a new financial declaration or MFR report that supports the increase.

### Example:

*Do I only include turnover (or income) I earn for building?*

No, it is ALL turnover (or income) that you earn from all sources except for salary or wages that you receive if you are an employee rather than as a contractor.

## HOW DO I KNOW WHAT FINANCIAL CATEGORY I FIT INTO?

Your financial category relates to your maximum revenue. Your maximum revenue will fall within a financial category from self-certifying category 1 at the lowest end to Category 7 at the highest end.

- Maximum revenue of not more than \$200,000: self-certifying category 1 (SC1);
- Maximum revenue of more than \$200,000 but not more than \$800,000: self-certifying category 2 (SC2);
- Maximum revenue of more than \$800,000 but not more than \$30,000,000: Categories 1, 2 and 3;
- Maximum revenue of more than \$30,000,000: Categories 4, 5, 6 and 7.

Applicants or existing licensees for a Builder class of licence are not able to rely upon a SC1 declaration.

# ANNUAL REPORTING VS OTHER QBCC FINANCIAL REQUIREMENTS

Annual reporting is a once a year submission based on the information required for each licensee's financial category. Your category is determined by your allowable turnover.

Annual reporting information does not need to have any accounting standards applied, does not need to be prepared by an accountant, and can be based on your most recent reporting or financial year information. The information provided can be based on your own internal management accounts.

Your 'annual reporting day' is the date by which you must provide your annual financial information to the QBCC to be assessed for compliance with the MFR Regulation. The QBCC will notify you of this date. In 2019, reporting was due by 31 December. However, if you did not meet the deadline you must still provide your annual financial information as soon as possible. You may apply to the QBCC to change the date from 2020.

Other financial reporting may be required at additional stages, including:

- when you apply for a new licence (Category 1 or above);
- if your Net Tangible Asset position decreases by more than 20% for Categories 4-7 licensees and 30% for all other licensees;
- if you no longer meet the minimum Current Ratio of at least 1:1;
- if your Maximum Revenue (MR) needs adjusting (you must not exceed your MR by more than 10% in each financial year);
- a significant change to your business structure;
- if we request it.

**Note:** This other reporting, also known as an 'MFR report', must:

- be signed off by an accountant and be accompanied by signed financial statements;
- have the relevant accounting standards applied;
- not rely on accounts more than four months old from the end of the financial reporting period being relied on, and at the date the accepted independent accountant signed the report;
- not contain negative dollar value in assets;
- for an application or change of your maximum revenue, not be signed more than 30 days before we receive it.

## OTHER FINANCIAL REPORTING IN ADDITION TO ANNUAL REPORTING

	SC1	SC2	Categories 1-3	Categories 4-7
New licence	An MFR report is not required, unless trading through a trust.	An MFR report is not required, unless trading through a trust.	✓	✓
Maximum revenue adjustment			✓	✓
SC2 licensee increase maximum revenue to Category 1	✗	✓	✗	✗
Change of licence grade: nominee supervisor to contractor	✗	✗	✓	✓
Expiry of PI Insurance	✗	✗	✓	✓
Change of ownership of office holders	✗	✗	✓	✓
Restructure of partnership	✗	✗	✓	✓
Change or withdrawal of covenants	✗	✗	✓	✓
Revoking a deed	✗	✗	✓	✓
Annual reporting obligations	✗	✗	✗	✗

# ANNUAL REPORTING

## WHAT IS REQUIRED TO BE SUBMITTED?

SC1 and SC2	Categories 1, 2 and 3	Categories 4-7
<p>In the myQBCC online portal you will only need to enter your:</p> <ul style="list-style-type: none"> <li>Profit and loss figures. This is your revenue and expenses.</li> <li>Assets and liabilities figures.</li> </ul> <p>You don't need to send us any paper work, however you may send us hard copy documents if you are unable to use the online portal. The required forms are available at <a href="http://qbcc.qld.gov.au">qbcc.qld.gov.au</a></p>	<p>In the myQBCC online portal you will need to enter your figures in and provide a copy of relevant paperwork:</p> <ul style="list-style-type: none"> <li>Profit and loss statement.</li> <li>Balance sheet.</li> <li>Aged debtors and creditors listings.</li> <li>Statement of cash flow.</li> </ul> <p>These documents do not have to be prepared by an accountant.</p>	<p>In the myQBCC online portal you will need to enter your figures in and provide a copy of relevant paperwork:</p> <ul style="list-style-type: none"> <li>Profit and loss statement.</li> <li>Balance sheet.</li> <li>Aged debtors and creditors listings.</li> <li>Statement of cashflows.</li> <li>Notes to the financial statements.</li> <li>Written declaration (this will appear in the online portal as a download).</li> <li>Description of the measurement (basis and accounting policies relevant to those statements).</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>If you are an ASIC reporting entity, a copy of the report or documents lodged with ASIC if provided within 30 days of ASIC lodgement.</li> </ul>

**Due date: Reporting was due by 31 December 2019. However, if you did not meet the deadline you must still provide your annual financial information as soon as possible.**

**From 2020 you may request a different date and the QBCC will advise if you have been given a new annual reporting day.**

## EXAMPLE OF ANNUAL REPORTING

### Scenario:

Example Builder is a SC2 licensee. Example Builder is employed solely on wages. Example Builder's financial position at 30 June 2019:

Assets		Liabilities	
Cash	\$30,000	Credit Card	\$9,500
Property (house 1/2 share)	\$400,000	Mortgage	\$200,000

As the licensee does not trade, the year end date should be selected as the last financial year.

As the licensee is an individual and does not trade, "the licensee is a sole trader" should be selected.

As the licensee does not trade, they should enter \$0 into revenue.

### WHAT QBCC IS LOOKING FOR:

Your revenue has not exceeded your Maximum Revenue by more than 10%.

Remember:

For a SC1 licensee – Revenue is below \$220,000

For a SC2 licensee – Revenue is below \$880,000



## EXAMPLE OF ANNUAL REPORTING CONTINUED

**Balance Sheet**

Self-declaration Categories - SC1 and SC2 (\$200,000 - \$600,000)

**Current assets**

Cash and cash equivalents: \$30,000.00

Other assets/liabilities: \$0.00

Total current assets: \$30,000.00

**Non-current assets**

Other non-current assets: \$800,000.00

Total non-current assets: \$800,000.00

**Current liabilities**

Other current liabilities: \$9,500.00

Total current liabilities: \$9,500.00

**Non-current liabilities**

Other non-current liabilities: \$400,000.00

Total non-current liabilities: \$400,000.00

The licensee has \$30,000 in cash, this is a current asset.

The licensee is the ½ owner of a property valued at \$800,000. They would place \$400,000 in other non current assets.

The licensee has a credit card, with a credit limit of \$9,500, which he has completely used. The credit card debt would be a current liability.

The licensee has a \$400,000 mortgage on the property, he would include his ½ share as a non-current liability.

### WHAT QBCC IS LOOKING FOR:

1. Your total current assets exceed (or at least equals) your total current liabilities.
2. Your Net Assets (Total current assets + total non-current assets - total current liabilities - total non-current liabilities) is sufficient for your licence.

SC1 requires at least \$12,000 and SC2 requires at least \$46,000.

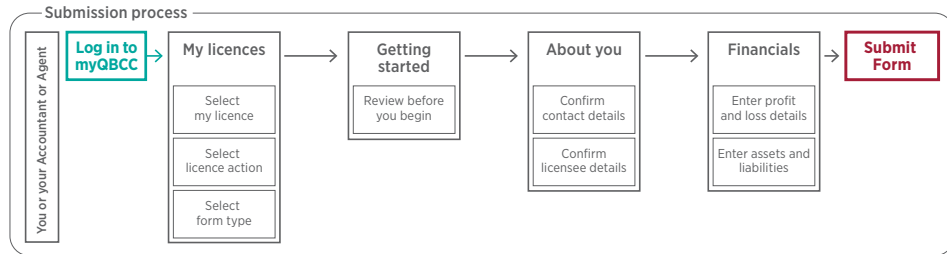


## INFORMATION FOR SELF-CERTIFYING CATEGORY 1 LICENSEES

Self-certifying category 1 (SC1) licensees are NOT required to provide any paper work or documentation if lodging annual reporting through myQBCC.

The QBCC will give you at least a year until 31 December 2020 to meet the targeted NTA of \$12,000.

### ANNUAL TURNOVER OF NOT MORE THAN \$200,000 -SELF-CERTIFYING CATEGORY 1 (SC1)



#### Remember – these important rules still apply:

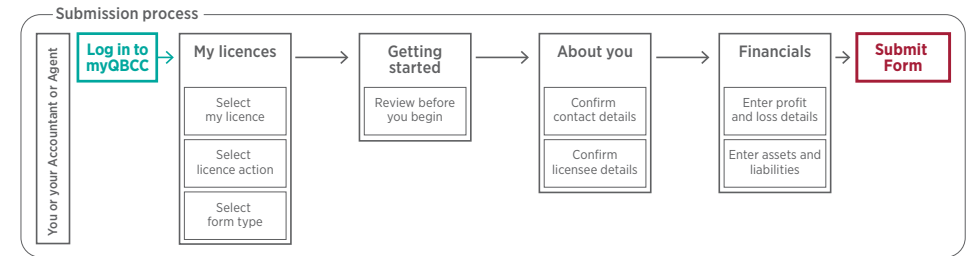
1. Don't go over your maximum revenue amount by more than 10% without informing the QBCC;
2. Your target is to have at least \$12,000 in net tangible assets;
3. Keep your ratio of current assets to current liabilities to at least 1:1;
4. Ensure you continue to pay subcontractors and suppliers by the due date.

## INFORMATION FOR SELF-CERTIFYING CATEGORY 2 LICENSEES

The QBCC will give you at least a year until 31 December 2020 to meet the targeted NTA of \$46,000.

- SC2 licensees are NOT required to provide any paper work or documentation if lodging annual reporting through myQBCC.
- A licensee with a turnover between \$600,00 and \$800,000 was previously considered a Category 1 licensee and is now considered an SC2 licensee. If you have a Deed of Covenant and Assurance in place, please see the next section.

### ANNUAL TURNOVER OF MORE THAN \$200,000 BUT NOT MORE THAN \$800,000 - SELF-CERTIFYING CATEGORY 2 (SC2)



#### Remember – these important rules still apply:

1. Don't go over your maximum revenue amount by more than 10% without informing the QBCC;
2. Your target is to have at least \$46,000 in net tangible assets;
3. Keep your ratio of current assets to current liabilities to at least 1:1;
4. Ensure you continue paying subcontractors and suppliers by the due date.

## INFORMATION FOR CATEGORY 1-3 LICENSEES

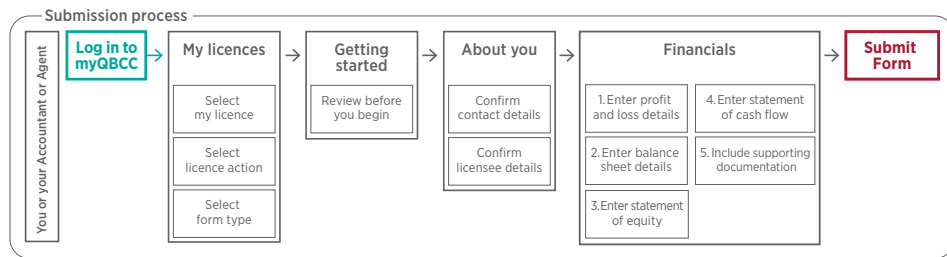
Category 1-3 licensees who rely on Deeds of Covenant and Assurance or related entity loans to meet the NTA will need to provide more information about the collectability of these assets.

The current requirement to report decreases in net tangible assets (NTA) of 30% or more will continue to apply.

The QBCC will give you at least a year until 31 December 2020 to meet your targeted NTA.

A licensee with a turnover between \$600,00 and \$800,000 was previously considered a Category 1 licensee and is now considered an SC2 category. See SC2 section for more information.

## ANNUAL TURNOVER OF MORE THAN \$800,000 BUT NOT MORE THAN \$30,000,000 – CATEGORIES 1, 2 AND 3



### Supporting documentation required:

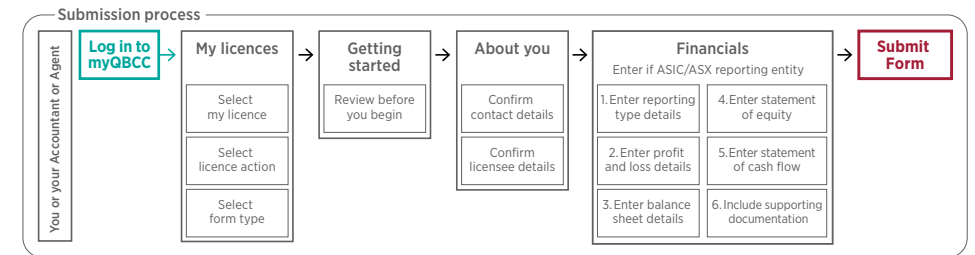
- Profit and loss statement;
- Balance sheet;
- Aged debtors and creditors report;
- Statement of cashflows.

### Remember – these important rules still apply:

1. Don't go over your maximum revenue amount by more than 10% without informing the QBCC;
2. Don't allow your net tangible assets to decrease by more than 30% from the last advised and the QBCC-accepted figure without informing the QBCC.
3. Keep your ratio of current assets to current liabilities to at least 1.1; and
4. Ensure you continue paying your subcontractors and suppliers by the due date.

## INFORMATION FOR CATEGORY 4-7 LICENSEES

### ANNUAL TURNOVER OF MORE THAN \$30,000,000 – CATEGORIES 4 - 7



### Supporting documentation required:

If you are required to prepare annual reports for ASIC or ASX, a copy of these reports may be submitted to satisfy this annual reporting requirement.

If you are a non-reporting entity, you will need to provide the following:

- Profit and loss statement;
- Balance sheet;
- Aged debtors and creditors report, with details of each debtor categorised by age of their debt;
- Statement of cashflows;
- Any accounting note to the documents above;
- Written declaration verifying the information contained in the documents mentioned above;
- Description of the measurement, within the meaning of the Australian Accounting Standards, on which the financial statements mentioned above are based, and the accounting policies or reports relevant to those financial statements.

### Remember – these important rules still apply:

1. Don't go over your maximum revenue amount by more than 10% without informing the QBCC;
2. Don't allow your net tangible assets to decrease by more than 20% from the last advised and the QBCC-accepted figure without informing the QBCC;
3. Make sure you have sufficient Net Tangible Assets to cover the actual revenue you generate;
4. Keep your ratio of current assets to current liabilities to at least 1.1; and
5. Ensure you continue paying your subcontractors and suppliers by the due date.



## Need more information?

Visit [qbcc.qld.gov.au](http://qbcc.qld.gov.au) or call us on 139 333.

