

MINIMUM FINANCIAL REPORT (MFR) MFR REPORTS

EFFECTIVE MARCH 2021

(Further and more detailed information in relation to the Minimum Financial Requirements can be found on QBCC's website, including in-depth FAQs).

WHEN IS A MFR REPORT REQUIRED?

- Upon application for a new licence
- When Net Tangible Assets (NTA) have decreased by more than 20% (for licence categories 4 – 7) or more than 30% (for licence categories 1 – 3)
- If increasing Maximum Revenue amount
- If a licensee has a significant change to the business (change to trustee, change to directors or shareholders)
- If requested by QBCC
- **Not required for annual reporting purposes**

REQUIRED SUPPORTING DOCUMENTATION

The following supporting documents **must** accompany an MFR Report:

(Please note, financial information provided for an MFR Report must be no more than 4 months old as at the day the report is signed by a qualified accountant)

- Signed financial statements prepared under the prescribed accounting standards, including:
 - » a profit and loss statement
 - » a balance sheet
 - » an aged debtors and creditors report that includes the date each invoice is due to be paid or received
 - » a statement of cashflows
 - » notes to the financial statements
 - » a declaration signed by the licensee, or an executive officer of the licensee, verifying the information contained in the documents
 - » a description of the measurement, within the meaning of the prescribed accounting standards, on which the financial statements are based, and the accounting policies or reports relevant to the financial statements.

- If the licensee is trustee for a trust, the signed financial statements of the trust
- If the licensee is a partner in a partnership, the signed financial statements of the partnership
- If the MFR Report relies upon a Deed of Covenant and Assurance, a completed Covenantor's Statement of Financial Position for each Covenantor
- Copies of evidence sighted to confirm values of assets and liabilities held by Covenantor in calculating their net tangible assets
- If the MFR Report relies upon related entity asset loans, a copy of the evidence sighted to confirm the asset can be included. This should be a balance sheet of the debtor entity, which demonstrates they have a QBCC Net Tangible Asset position of at least \$0 and a Current Ratio of at least 1:1.

NET TANGIBLE ASSETS

In calculating the Net Tangible Assets for a trustee for a trust, the calculation does not include any assets held on trust. However, any asset deficiency in the trust for which the licensee is trustee for, is a liability of the licensee and must be deducted from the trustee's net asset position. In determining the net tangible asset position, the MFR Regulation requirements must be applied and any disallowed or intangible assets and uncollectible related entity asset loan must be excluded from the calculation.

DISALLOWED ASSETS

The following are disallowed assets pursuant to section 17 of the MFR Regulation 2018, and cannot be included in calculations:

- A recreational vehicle
- An unregistered vehicle
- A racehorse
- A collectors item
- Contingent assets (AASB 137)
- Personal furniture
- Unlisted investments or shares
- Non-monetary credits (including cryptocurrency, bartercard etc)

- Investments valued using the equity method under AASB 128 for special purpose financial statements
- Related entity asset loans not independently assessed as collectible
- Units in unlisted trusts
- Superannuation that can not be accessed by the licensee at the period end date
- Life or income protection insurance policy benefits
- 50% of the value of an invoice for debtors over 180 days
- 100% of the value of the invoice for debtors over 365 days
- The defined amount of a Deed of Covenant provided to another entity

CURRENT RATIO

The current ratio must be met from the current assets and current liabilities, as follows:

Structure of Client	Current Assets & Liabilities of
Individual (sole trader)	Individual only
Company (stand-alone)	Company only
Individual or Company as trustee for a trust	Individual or Company, as well as Trust
Individual or Company trading in partnership	Individual or Company, as well as partnership

Current Liabilities means liabilities:

- Which are expected to settle in the normal operating cycle of the business
- Which are due to be settled within twelve months after the reporting period
- Which are held primarily for the purpose of trading
- For which the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period

Current Liabilities include:

- The amount of any non-current liabilities which must be paid by the licensee in the 12 months following the reporting period
- All related entity loans payable by the licensee in the 12 months following the end of the reporting period
- The full amount of all bank loans or finance facilities where the lender or syndicate of lenders has notified the licensee of a breach of bank or lending covenants.

Current Assets do not include:

- Real Property not listed on the market for sale at the period end date

REVENUE

The calculation of Revenue includes the total income received by the licensee for the stated period, derived from all sources (including in all other States, and not just limited to building or construction). In the case of a partnership, the Revenue is to be the revenue of the licensee and the partnership in combination. In the case of a trustee, the Revenue is to be the revenue of the trustee and the trust in combination.

DEED OF COVENANT AND ASSURANCE

In order for a licensee to rely upon a Deed of Covenant and Assurance, the licensee's net tangible asset position without the deed must be at least \$0 (ie the licensee cannot rely upon a deed if the NTA position is negative).

The amount being assured under the deed is only relevant to the net tangible asset position of the licensee, it is NOT included in the current ratio requirement.

The licensee must, if reasonably practicable, ensure the covenantor's statement of financial position is prepared by the accountant who prepares any MFR Report for the licensee that includes the deed of covenant asset for working out the licensee's net tangible assets.

The covenantor's statement of financial position must be accompanied by a copy of each document relied on by the licensee in assessing the covenantor's eligibility to enter the deed including evidence of the net tangible assets of the covenantor.