

GUIDE TO ANNUAL FINANCIAL REPORTING

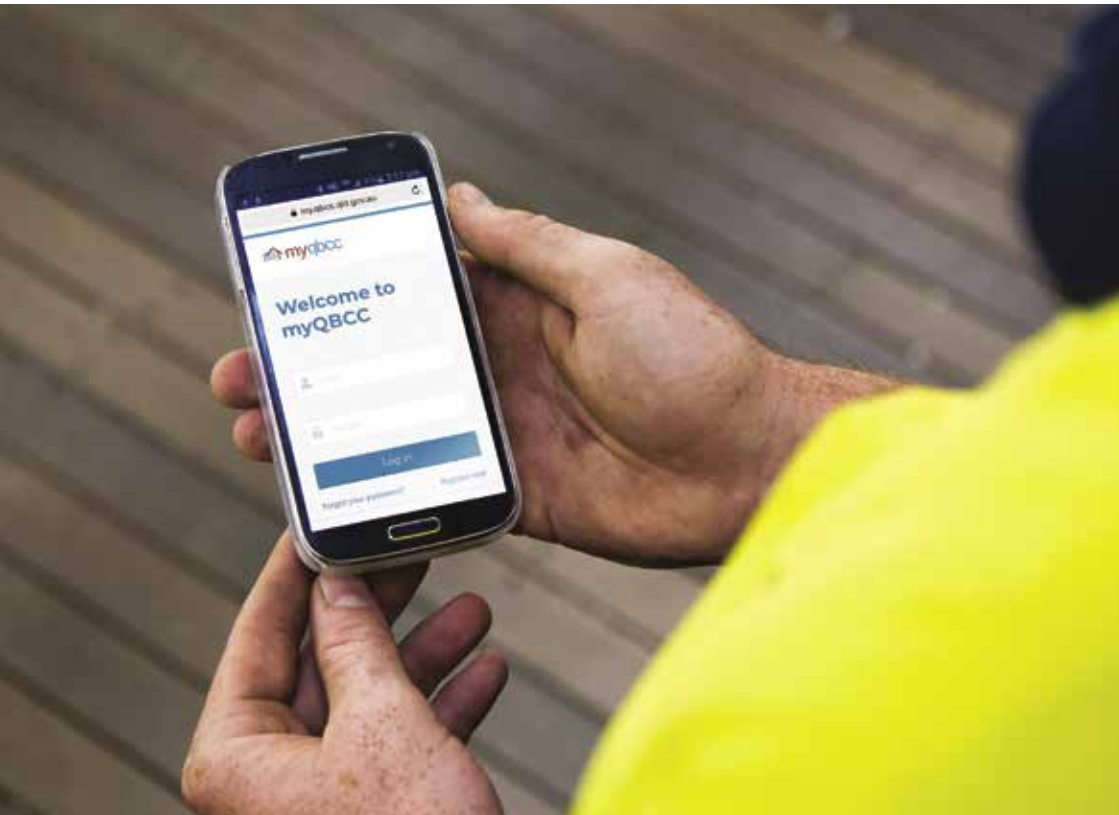


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INTRODUCTION

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 but 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.

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. 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 lodge their annual financial information to the QBCC by the required reporting day.

Why does the QBCC need my financial information?

The QBCC requires financial information in accordance with the MFR Regulation. The information received will help ensure every building contractor who operates in Queensland has a strong business with an appropriate level of working capital.

The goal of these requirements is to reduce financial failure, liquidations and bankruptcy within the industry and ensure that people are paid for their work.

When do I need to lodge my financial information with the QBCC?

You need to lodge your annual financial information to the QBCC by the required reporting day. Each year, we will contact you at least 40 days before the deadline to submit your annual financial report.



What will the QBCC do with my financial information?

The QBCC will conduct a financial health check of your business to ensure you have the minimum assets or ratio. Where appropriate, we may take action in relation to non-compliant financial information.

Which licensees are affected by the annual reporting changes?

Licensees who 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 by completing the appropriate form for your financial category available on the forms, fact sheets and publications page of the website at 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?

You can apply to change your annual reporting due date by submitting a general enquiries and feedback form available on the website at qbcc.qld.gov.au.

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.

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 may take action in relation to non-compliant financial information where appropriate.

For licensees in Categories 4 to 7 it is likely that the QBCC will follow up on non-compliant financial information which 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.
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 your financial year ends on 30 June, the most recent financial information for the year ending 30 June would need to be provided.

4. Enter in the relevant sections depending on your financial category. You might like to have a copy of the 'User guide to myQBCC' 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 myQBCC portal however there are PDF forms available on the website which can be lodged at any Service Centre or mailed to us. Head to qbcc.qld.gov.au and find the forms under the 'Forms, fact sheets and publications' tab.

How does my accountant get access to the portal to submit my information for me?

You need to grant the accountant (or any other authorised representative) access to lodge information on your behalf.

Your accountant can create a myQBCC account but will need you to give them permission to lodge a form on your behalf. Step-by-step instructions are available at 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 for our handy tool.

If you are unsure of the financial category previously approved by the QBCC, you can 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 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 their 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;
- Non-collectable 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 to 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 an SC1 declaration.

ANNUAL REPORTING VS OTHER FINANCIAL REPORTING

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	An MFR report is not required, unless trading through a trust.	An MFR report is not required, unless trading through a trust.	✓	✓
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	✗	✗	✓	✓

The above table shows when an MFR Report is required by licensees in various financial categories. Please note, all contractor grade licensees are required to lodge annual financial reporting each year.

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"> • Profit and loss figures This is your revenue and expenses • Assets and liabilities figures <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 qbcc.qld.gov.au under the Forms, publications and fact sheets tab.</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"> • Profit and loss statement • Balance sheet • Aged debtors and creditors listings • Statement of cash flow. <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"> • Profit and loss statement • Balance sheet • Aged debtors and creditors listings • Statement of cashflows • Notes to the financial statements • Written declaration (this will appear in the online portal as a download) • Description of the measurement (basis and accounting policies relevant to those statements) <p>OR</p> <ul style="list-style-type: none"> • 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.

You can apply to change your annual reporting due date by writing to annualreporting@qbcc.qld.gov.au. Please note, your annual reporting date will only change if the QBCC agrees in writing and notifies you of a changed annual reporting date.

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

Cash	\$30,000
Property (house 1/2 share)	\$400,000

Liabilities

Credit Card	\$9,500
Mortgage	\$200,000

Reference Code: 8884759803

Self-certifying Categories - SC1 and SC2 (\$200,000 - \$800,000) - Fields marked with * are required

Confirm licensee details

Licensee Name: Example Builder Licensee Number: 123456789

ABN: Business Structure: Sole trader

*War and zone: Business Structure: Sole trader

Back Start/Save

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.

Reference Code: 8884759803

Self-certifying Categories - SC1 and SC2 (\$200,000 - \$800,000) - Fields marked with * are required

Profit and Loss

REVENUE: \$0.00

Note: If you are not currently trading and do not receive revenue from any other sources, this section can be left blank.

Construction revenue: \$0.00

Other revenue: \$0.00

Total revenue: \$0.00

Back Continue

Revenue means the total gross income received by the Licensee, derived from all sources. Revenue includes gross proceeds from operating sources (sales), as well as gross proceeds from other income sources (ie, interest), but does not include salary or wage received.

- For partnerships, the Revenue is to be the revenue of the Applicant or Licensee and the partnership's in combination.
- For Trusts, the Revenue is to be the revenue of the Applicant or Licensee and the trust's in combination.

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

CURRENT ASSETS

Cash and cash equivalents: \$30,000.00

Other current assets: \$0.00

Total current assets: \$30,000.00

NON-CURRENT ASSETS

Other non-current assets: \$400,000.00

Total non-current assets: \$400,000.00

CURRENT LIABILITIES

Other current liabilities: \$0.00

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 Tangible Assets (NTA) (Total current assets + total non-current assets – total current liabilities – total non-current liabilities) is sufficient for your licence.

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

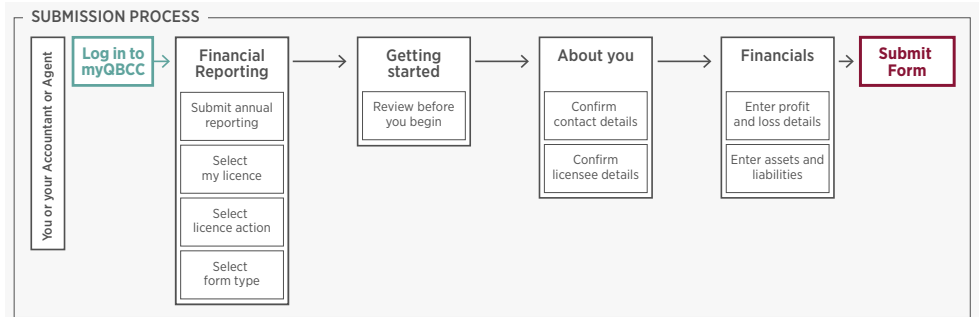


Information for self-certifying category 1 licensees

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

SC1 licensees must have NTA of at least \$12,000.

Annual turnover of not more than \$200,000 -Self-Certifying Category 1 (SC1)



Remember – these important rules still apply:

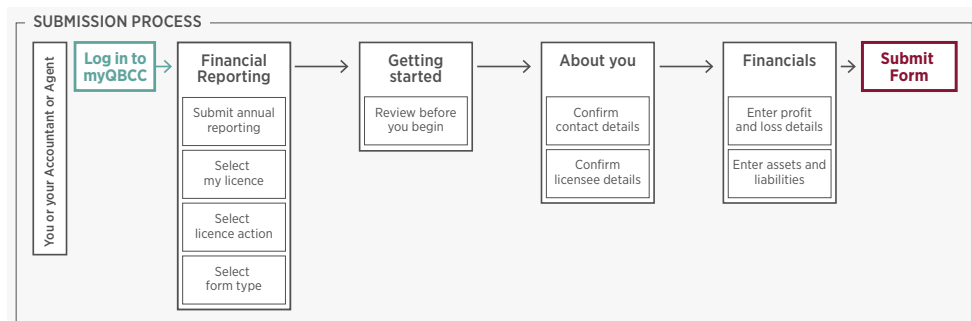
1. Don't go over your maximum revenue amount by more than 10% without informing the QBCC;
2. Your target is to have at least \$12,000 in net tangible assets;
3. Keep your ratio of current assets to current liabilities to at least 1:1;
4. Ensure you continue to pay subcontractors and suppliers by the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

Information for self-certifying category 2 licensees

SC2 licensees must have NTA of at least \$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.

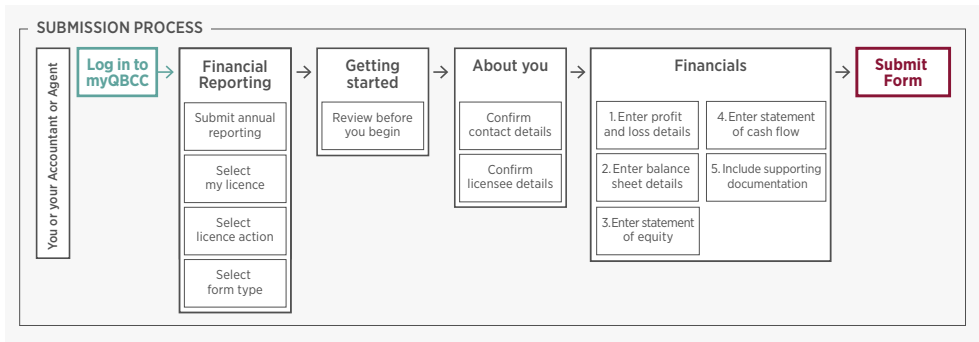
Information for Category 1-3 licensees

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.

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:

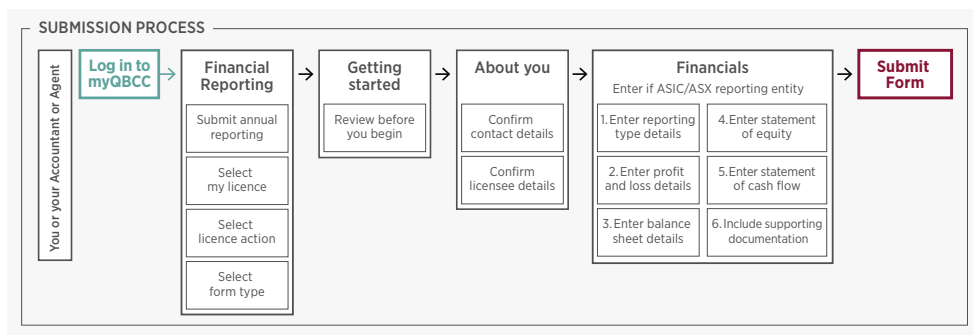
- Profit and loss statement;
- Balance sheet;
- Aged debtors and creditors report;
- Statement of cashflows.

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.

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Need more information?

Visit qbcc.qld.gov.au or call us on 139 333.

