

MASTER BUILDERS ASSOCIATION AUSTRALIA

Prior to the HIH collapse in March 2001, MBA were the dominant providers of Home Warranty in Australia through their brokering arrangement with HIH as they were the cheapest insurer at an average policy of around \$250.00 per house.

The attached balance sheets for MBA Victoria reflect those figures, and note that insurance commissions form 75% of their annual income.

When HIH collapsed Royal & Sun Alliance now named Vero, and their brokering arrangement with the HIA saw them become the dominant provider of warranty in Australia, and the NSW Grellman Inquiry in 2003 stated this duopoly held 92% of the home warranty/indemnity insurance market in Australia.

Warranty at this time was costing an average of \$2,500.00 per house which equates to annual premium income of some \$360 Million.

The Senate inquiry in Brisbane in February 2004 found the Housing Industry Association were in fact receiving direct commissions-kickbacks on every policy sold and this fact is clearly demonstrated in their annual returns.

This Commission-kickback is rumoured to be between 17.5% and 22%.

2002

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MASTER BUILDERS ASSOCIATION OF VICTORIA
ACN 004 255 654**

Scope

We have audited ~~the~~ concise financial report of the Master Builders Association of Victoria for the year ended 30 June 2002, comprising the discussion and analysis of the financial statements, statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements and directors declaration in order to express an opinion on it to the members of ~~the~~ company. The company's directors are responsible for the concise financial report.

Our audit has ~~been~~ conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Master Builders Association of Victoria for the year ended 30 June 2002. Our audit report on the full financial report was signed on 17 September 2002 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in ~~the~~ concise financial report is consistent with the full financial report, and examination on a ~~test~~ basis, of evidence supporting the amounts, discussion and analysis, and other disclosures ~~which~~ were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 : Concise Financial Reports

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

Audit Opinion

In our opinion:

- a) the concise financial report of the Master Builders Association of Victoria complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b) in accordance with section 279 (2)(b) of the Workplace Relation Act 1996, it is a fair and accurate summary of the full financial report of the Master Builders Association of Victoria.

BDO
Chartered Accountants

C M J BRYAN
Partner

Melbourne: 17 September, 2002



MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 854)

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002**

	2002	2001
	\$	\$
Current Assets		
Cash Assets	3,613,281	2,570,483
Receivables	1,146,854	1,363,682
Other Financial Assets	817,302	784,596
Inventories	80,565	56,811
Other	122,020	170,673
Total Current Assets	<u>5,780,022</u>	<u>4,946,245</u>
Non-Current Assets		
Property, Plant and Equipment	5,698,411	5,869,371
Total Non-Current Assets	<u>5,698,411</u>	<u>5,869,371</u>
Total Assets	<u>11,478,433</u>	<u>10,815,616</u>
Current Liabilities		
Payable	5,824,217	4,864,360
Interest Bearing Liabilities	224,474	959,571
Provisions	366,705	277,710
Total Current Liabilities	<u>6,415,396</u>	<u>6,101,641</u>
Non-Current Liabilities		
Interest Bearing Liabilities	23,539	48,020
Provisions	49,813	81,067
Total Non-Current Liabilities	<u>73,352</u>	<u>129,087</u>
Total Liabilities	<u>6,488,748</u>	<u>6,230,728</u>
NET ASSETS	<u>4,989,685</u>	<u>4,584,888</u>
Equity		
Retained Funds	4,441,534	4,036,737
Reserve	548,151	548,151
TOTAL EQUITY FUNDS	<u>4,989,685</u>	<u>4,584,888</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA**(A.C.N. 004 255 654)****STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002**

	2002 \$	2001 \$
Revenue from ordinary activities	13,146,221	14,898,725
Employee benefits expenses	(4,327,434)	(5,663,190)
Depreciation and amortisation expenses	(292,753)	(255,535)
Cost of commissions	(5,009,379)	(5,104,166)
Borrowing costs expenses	(14,351)	(24,705)
Premises expenses	(239,997)	(186,839)
Travel, accommodation & motor vehicles	(508,522)	(520,881)
Telephone & postage	(403,408)	(382,749)
Administration expenses	(1,189,094)	(2,241,168)
Cost of goods sold – document sales	(189,985)	(139,620)
Cost of sale – fixed assets	(22,333)	(13,421)
Promotional activity expenses	(544,168)	(623,581)
Profit (loss) from ordinary activities	<u>404,797</u>	<u>(257,130)</u>
Total changes in equity of the Association	<u>404,797</u>	<u>(257,130)</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002**

	2002 \$	2001 \$
Cash Flow from Operating Activities		
Receipts from members – Subscriptions	3,029,911	2,997,574
Receipts from – Other activities	10,364,557	12,026,424
Payments to suppliers and employees	(11,434,082)	(15,798,523)
Interest paid	(14,351)	(24,705)
Interest received	13,178	20,822
Net cash provided by (used in) operating activities	<u>1,959,213</u>	<u>(78,408)</u>
Cash Flow from Investing Activities		
Proceeds on disposal of fixed assets	19,995	9,937
Capital expenditure on fixed assets	(144,126)	(313,387)
Net cash used in investing activities	<u>(124,131)</u>	<u>(303,450)</u>
Cash Flow from Financing Activities		
Proceeds from new borrowings		300,000
Repayment of lease and hire purchase liabilities	(59,578)	(52,883)
Repayment of borrowings	(700,000)	
Net cash provided by (used in) financing activities	<u>(759,578)</u>	<u>247,117</u>
Net increase/(decrease) in cash held	1,075,504	(834,741)
Opening cash at 1 July 2002	<u>3,355,079</u>	<u>4,189,820</u>
Closing cash at 30 June 2002	<u>4,430,583</u>	<u>3,355,079</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

NOTES TO AND FORMING PART OF THE CONCISE FINANCIAL REPORT YEAR ENDED 30 JUNE 2002

NOTE 1: BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with Accounting Standard AASB1039: Concise Financial Reports and the Corporations Act.

The financial statements, specific disclosures and other information included in the concise financial report is derived from and is consistent with the full financial report of the Master Builders Association of Victoria. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of the Master Builders Association of Victoria as the full financial report.

The accounting policies have been consistently applied and are consistent with those of the previous financial year except where noted.

NOTE 2: OPERATING REVENUE

	2002	2001
	\$	\$
Operating Activities		
Membership Fees	3,029,911	2,997,574
Insurance Commissions	6,294,920	6,441,236
Sale of Forms	345,809	267,745
Sundry Income	753,840	519,135
Premises Income	192,600	202,447
Housing Income	778,216	484,177
Training Income	1,320,001	1,129,641
Commercial Industrial Income	362,751	304,413
Excellence in Construction	35,000	25,000
Group Apprenticeship Scheme	-	2,482,783
Total Revenue from Operating Activities	<u>13,113,048</u>	<u>14,854,151</u>
Non-Operating Activities		
Proceeds on Sale of Assets	19,995	23,752
Interest Received	13,178	20,822
Total Revenue from Non-Operating Activities	<u>33,173</u>	<u>44,574</u>
Total Revenue from all Activities	<u>13,146,221</u>	<u>14,898,725</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

**NOTES TO AND FORMING
PART OF THE CONCISE FINANCIAL REPORT
YEAR ENDED 30 JUNE 2002**

NOTE 3: STATEMENT OF OPERATIONS BY SEGMENTS

The association operates in the building sector providing services to members of the association within Victoria. The MBAV Insurance Brokerage Division contributed the following surplus to the association results for the year ended 30 June 2002.

	2002 \$	2001 \$
Insurance Division		
Commission	6,294,920	6,441,236
Less Cost of Commissions	(5,009,379)	(5,104,166)
	<u>1,285,541</u>	<u>1,337,070</u>
Other Income	132,246	195,979
	<u>1,417,787</u>	<u>1,533,049</u>
Less Direct Expenditure	(906,137)	(1,064,574)
Surplus from Operations	<u>511,650</u>	<u>468,475</u>

NOTE 4: INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR

In accordance with the requirements of the Workplace Relations Act 1996, the attention of the members is drawn to the provisions of the sub-sections (1), (2) and (3) of Section 274 which reads as follows:-

- (1) A member of an organisation, or a Registrar, may apply to the organisation for specified prescribed information in relation to the organisation.
- (2) An organisation shall, on application made under sub-section (1) by a member of the organisation, or a Registrar make the specified information available to the member or the registrar in such manner and within such time, as is prescribed.
- (3) A Registrar may only make an application under sub-section (1) at the request of a member of the organisation concerned and the Registrar shall provide to a member information received because of an application made at the request of the member.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no matters or circumstances since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of these operations, or the state of affairs of the company in future years.

2001

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MASTER BUILDERS ASSOCIATION OF VICTORIA
ACN 004 255 654****Scope**

We have audited the concise financial report of the Master Builders Association of Victoria for the year ended 30 June 2001, being the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the Concise Financial Report in order to express an opinion on it to the members of the company. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Master Builders Association of Victoria for the year ended 30 June 2001. Our audit report on the full financial report was signed on 20 September 2001 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 : Concise Financial Reports

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

Audit Opinion

In our opinion:

- a) the concise financial report of the Master Builders Association of Victoria complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b) in accordance with section 279 (2)(b) of the Workplace Relation Act 1996, it is a fair and accurate summary of the full financial report of the Master Builders Association of Victoria

BDO**BDO**

Chartered Accountants

**C M J BRYAN**

Partner

Registered Company Auditor

Dated at East Melbourne this 20 day of September, 2001

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2001**

	2001	2000
	\$	\$
Current Assets		
Cash assets	2,570,483	3,417,929
Receivables	1,363,682	1,690,167
Other Financial Assets	784,596	771,889
Inventories	56,811	70,632
Other	170,673	42,218
Total Current Assets	<u>4,946,245</u>	<u>5,992,835</u>
Non-Current Assets		
Property, plant and equipment	5,869,371	5,824,532
Total Non Current Assets	<u>5,869,371</u>	<u>5,824,532</u>
Total Assets	<u>10,815,616</u>	<u>11,817,367</u>
Current Liabilities		
Payable	4,864,360	5,943,472
Interest Bearing Liabilities	959,571	643,554
Provisions	277,710	321,491
Total Current Liabilities	<u>6,101,641</u>	<u>6,908,517</u>
Non Current Liabilities		
Interest Bearing Liabilities	48,020	34,338
Provisions	81,067	31,994
Total Non Current Liabilities	<u>129,087</u>	<u>66,332</u>
Total Liabilities	<u>6,230,728</u>	<u>6,975,349</u>
NET ASSETS	<u>4,584,888</u>	<u>4,842,018</u>
Equity		
Retained Funds	4,036,737	4,293,867
Reserve	548,151	548,151
TOTAL EQUITY FUNDS	<u>4,584,888</u>	<u>4,842,018</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001**

	2001 \$	2000 \$
Revenue from ordinary activities	14,898,725	16,363,605
Employee benefits expenses	5,663,190	3,999,459
Depreciation and amortisation expenses	218,463	188,553
Borrowing costs expenses	24,705	20,819
Other expenses from ordinary activities	9,249,513	11,656,412
Profit (Loss) from ordinary activities	(257,130)	498,362
Total cumulative effect on prior years of a change in accounting principle		(225,000)
Total changes in equity of the Association	<u>(257,130)</u>	<u>273,362</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001**

	2001	2000
	\$	\$
Cash Flow from Operating Activities		
Receipts from members - Subscriptions	2,997,574	2,973,699
Other activities	12,047,247	13,369,146
Payments to suppliers and employees	(15,851,406)	(15,410,138)
Interest paid	(24,705)	(20,819)
Net cash provided by (used in) operating activities	<u>(831,290)</u>	<u>911,888</u>
Cash Flow from Investing Activities		
Proceeds on disposal of fixed assets	9,937	20,760
Capital expenditure on fixed assets	(313,387)	(372,790)
Net cash used in investing activities	<u>(303,450)</u>	<u>(352,030)</u>
Cash Flow from Financing Activities		
Proceeds from new borrowings	300,000	-
Repayment of borrowings		(100,000)
Net cash provided by (used in) financing activities	<u>300,000</u>	<u>(100,000)</u>
Net increase\decrease) in cash held	(834,740)	+59,858
Opening Cash at 1 July 2000	<u>+1,89,818</u>	<u>3,729,960</u>
Closing Cash at 30 June 2001	<u>3,355,078</u>	<u>+1,89,818</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

NOTES TO AND FORMING PART OF THE CONCISE FINANCIAL REPORT YEAR ENDED 30 JUNE 2001

NOTE 1: BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with Accounting Standard AASB1039: Concise Financial Reports and the Corporations Act.

The financial statements, specific disclosures and other information included in the concise financial report is derived from and is consistent with the full financial report of The Master Builders Association of Victoria. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of The Master Builders Association of Victoria as the full financial report.

The accounting policies have been consistently applied and are consistent with those of the previous financial year except where noted.

NOTE 2: OPERATING REVENUE

	2001	2000
	\$	\$
Operating Activities		
Membership Fees	2,997,574	2,973,699
Insurance Commissions	6,441,236	9,311,891
Sale of Forms	267,745	324,029
Sundry Income	519,135	372,424
Premises Income	202,447	210,073
Housing Income	484,177	549,668
Training Income	1,129,645	1,252,722
Commercial Industrial Income	304,413	308,039
Excellence in Construction	25,000	25,000
Group Apprenticeship Scheme	2,482,783	991,909
Total revenue from operating activities	<u>8,237,762</u>	<u>6,749,028</u>
Non-Operating Activities		
Proceeds on sale of assets	23,752	20,706
Interest Received	20,822	23,391
Total revenue from non-operating activities	<u>44,574</u>	<u>44,151</u>
Total Revenue from all activities	<u>14,898,725</u>	<u>16,363,605</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

NOTES TO AND FORMING PART OF THE CONCISE FINANCIAL REPORT YEAR ENDED 30 JUNE 2001

NOTE 3: STATEMENT OF OPERATIONS BY SEGMENTS

The association operates in the building sector providing services to members of the association within Victoria. The MBAV Insurance Brokerage Division contributed the following surplus to the association results for the year ended 30 June 2001.

	2001	2000
	\$	\$
Insurance Division		
Commission	6,441,236	9,311,89
Less cost of commissions	(5,104,166)	(7,840,462)
	<u>1,337,070</u>	<u>1,471,429</u>
Other Income	195,979	281,9265
	<u>1,533,049</u>	<u>1,753,3555</u>
Less Expenditure	(1,064,574)	(852,225)
Surplus from operations	<u>468,475</u>	<u>901,131</u>

NOTE 4: INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR

In accordance with the requirements of the Workplace Relations Act 1996, the attention of the members is drawn to the provisions of the sub-sections (1), (2) and (3) of Section 274 which reads as follows:-

- (1) A member of an organisation, or a Registrar, may apply to the organisation for specified prescribed information in relation to the organisation.
- (2) An organisation shall, on application made under sub-section (1) by a member of the organisation, or a Registrar make the specified information available to the member or the registrar in such manner and within such time as is prescribed.
- (3) A Registrar may only make an application under sub-section (1) at the request of a member of the organisation concerned and the Registrar shall provide to a member information received because of an application made at the request of the member.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no matters or circumstances since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of these operations, or the state of affairs of the company in future years