

Queensland Building Services Authority Act 1991
Approved Form 1 – Version 6
Attachment 1 - Financial Requirements for Licensing
INDEPENDENT REVIEW REPORT
(FOR TURNOVER CATEGORIES 1-3 ONLY)¹

TO: Building Services Authority (BSA)

Smith Builders Pty Ltd 000000 (Name and BSA licence number of Client)²

Scope

I, *Edward Arthur Gray* (name)³ of *Grays Accountancy Pty Ltd* (address or firm name)⁴ being an independent qualified person by virtue of *Member of CPA* (qualification)⁵ and being a holder of a public practising certificate state that I have reviewed the financial information of *Smith Builders Pty Ltd* (name of Client)⁶ (“the Client”) for the year ended *31 March 2009* (date)⁷. The Client or where the Client is a company, its directors, are responsible for the financial information⁸ The Client or where the Client is a company, its directors, are responsible for the financial information. I have performed the review of the financial information against the financial criteria set out below in order to state whether, on the basis of the procedures described, anything has come to my attention that would indicate that the financial information in relation to those criteria is not presented fairly, in accordance with all applicable Australian Accounting Standards, other mandatory professional reporting requirements and the Financial Requirements for Licensing of the Building Services Authority.

This Independent Review Report has been prepared for distribution to the Client and the Building Services Authority, for the purpose of reporting on Financial Requirements for Licensing. I disclaim any assumption of responsibility for any reliance on this Independent Review Report or on the financial information to which it relates to any person other than the Client and the Building Services Authority⁹.

My review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the personnel of the Client and analytical procedures applied to the Financial Information. These procedures do not provide all the evidence, which would be required in an audit, thus the level of assurance provided is less than given in an audit. 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 minimum requirements as set out in the Financial Requirements for Licensing Review Control Sheet developed by the Building Services Authority, and that I have applied all relevant Australian Accounting Standards and significant accounting policies in the preparation and presentation of the Financial Information. Where such standards and policies have not been applied, details of these are outlined below (See Note 1)¹⁰.

Qualification Paragraph

The Client has **not** met the following aspects of the Financial Requirements for Licensing:

.....
 (State how the Client did not meet the Financial Requirements for Licensing.) ¹¹

Statement

Based on my review of the Financial Information, which is NOT an audit, except for the effects described in the Qualification Paragraph, nothing has come to my attention that causes me to believe that the Client has not met the Financial Requirements for Licensing, as prescribed by the Building Services Authority, as at and for the year ended date as stated above.

In determining the Financial Information of the Client, I verify I have **NOT** included any Related Entity Loans or Investment assets in the calculations, unless otherwise stated as follows: ¹²

(TICK BOX IF APPROPRIATE)

¹³ In determining Net Tangible Assets of the Client, I HAVE included Related Entity Loan and/or Investment asset amounts within the accounts of the Client, and I have independently verified such assets are collectible by the Client as at and for the year ended date as stated above (See Note 3).

Financial Information:

- Actual Annual Turnover for year of review ¹⁴ \$3,152,480
- Allowable Annual Turnover ¹⁵ \$3,999,976.00
- Current Ratio (please state as a ratio) ¹⁶ 1.13..... : 1..... (min 1:1)
- Net Tangible Assets – excluding the amount of any Deeds (of at least) ¹⁷ \$160,000
- Deed of Assurance provided to Licensee (if applicable) ¹⁸ :

Full and Correct Name(s) of each Covenantor	Amount of Deed 'Defined Amount'	Relationship to Licensee (Refer to Section 2.4.5)	Original Deed Previously Provided (Yes/No)
Wayne John Smith and Judith Ann Smith ¹⁹	\$32,000 ²⁰	Directors ²¹	Yes ²²

I CERTIFY THAT this Independent Review Report has not been altered from the Independent Review Report applicable to Turnover Categories 1–3 contained in the Board’s policies other than by the completion of information in the spaces provided ²³.

In order for me to make the above statement, attached to this Independent Review Report are the details of the calculations performed. (See Note 2). Where Deeds of Assurance have been relied upon, I have attached a verified Statement of Financial Position for each Covenantor.²⁴

.....²⁵
(Name of Appropriately Qualified Person)

.....²⁶
(Signature of Appropriately Qualified Person)

.....²⁷
(Professional Qualifications)

.....²⁸
(Date)

.....²⁹
(Address and Telephone number)

PRIVACY NOTICE

BSA is collecting the information on this form to ascertain whether your client satisfies the financial requirements of the Queensland Building Services Board for a contractor's licence under the *Queensland Building Services Authority Act 1991*. The information you have provided may be disclosed by BSA to another party with your client's consent or as authorised or required by law. In addition, BSA may provide all or some of this information to a financial specialist engaged by BSA to provide expert advice as to financial matters relevant to your client's ability to satisfy the financial requirements for a licence. For further information visit the BSA website at www.bsa.qld.gov.au.³⁰

Notes:

1. List all Australian Accounting Standards and significant accounting policies which apply to the Client, but have NOT been applied in determining the Financial Information. Any variance from the Australian Accounting Standards applicable must be approved by the Authority prior to lodgement of the Report.
2. Individual calculations must be able to be agreed to the financial statement information.
3. If the assessment of the Clients Net Tangible Asset position includes Related Entity Loans and/or Investments, you must indicate this by ticking the appropriate box. If you do not tick the box you are declaring you have not included any Related Entity Loans or Investments in the Clients Net Tangible Asset calculation. Refer to section 2.4.4.

INDEPENDENT REVIEW REPORT (FOR TURNOVER CATEGORIES 1-3 ONLY)

CALCULATION SHEET

This calculation sheet must be completed and returned with the Independent Review Report (Note 2). ³¹

Net Tangible Assets

Total Assets = \$526,000
Total Liabilities = \$316,000
Intangible Assets = \$50,000

NTA = Total Assets – Total Liabilities – Intangible Assets
= \$160,000

Current Ratio

Current Assets = \$268,523
Current Liabilities = \$237,630

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
= $\frac{268,523}{237,630}$
= 1.13 : 1

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ANNOTATIONS TO THE INDEPENDENT REVIEW REPORT

1. Ensure the Independent Review Report is the current version of Attachment 1 to the Financial Requirements for Licensing effective 1 July 2009. The BSA will not accept any old versions of the Reports.
2. Insert the full name and BSA licence number of the Licensee or the full name of the Applicant.

If the Licensee is a trustee of a trust **do not** refer to the Trust. The Report is based on the licensed entity and not on the trust, as the BSA does not license trusts.

3. Insert the full name of the Appropriately Qualified Person who is completing the Report. Do not include the firm name. A natural person's name must be inserted here.
4. Appropriately Qualified Person's firm name or address.
5. State the Appropriately Qualified Person's qualification which entitles that person to complete this Report. Refer to section 2.2 of the Financial Requirements for Licensing effective 1 July 2009.
6. Name of Client, refer no.2 above. If the Client is a trust or partnership structure, you may include reference to that structure in this first paragraph, but not prior this point.

Example:

Jason Smith Pty Ltd as trustee for the Smith Family Trust.

7. The Report must be based on accounts for the 12 month period to the "year end" date stated in the Report (ie Balance Sheet date). Therefore, the report must be based on a "year ended . . .".

The age of the accounts must be no older than the months indicated in the table below at the time of the Appropriately Qualified Person signing the Report. Refer to the Financial Requirements for Licensing - section 3.4.1 where Report is submitted for application purposes, or 4.3.1 for renewal purposes for further discussion.

Category	Accounts to be no older than
1	12 months
2	7 months
3	4 months

8. The "Client" is the person or group of people responsible for the Financial Information provided to the Appropriately Qualified Person. In the case of an Individual licensee, it would be the individual. In the case of a partnership, it would be the partners and in the case of a corporate licensee, it would be the directors.
9. This is the only disclaimer that the BSA will accept on the Report. If the Appropriately Qualified Person inserts any further disclaimers into the document or makes the Report refer to another document with further disclaimers the BSA will reject the Report.
10. The minimum level of tests and checks that the Appropriately Qualified Person is expected to have completed is outlined in the Review Control Sheet – Attachment 10, as per section 2.2.2 *Notice to Appropriately Qualified Persons Completing Independent Review Reports* .

ANNOTATIONS TO THE INDEPENDENT REVIEW REPORT

The applicability of AAS for the preparation and presentation of financial statements by non-reporting entities is a matter on which BSA sought expert opinion from a Professor of Accounting several years ago. As a result, BSA published *Guidelines for the Application of the Financial Requirements for Licensing* late last year. It is set out below for your consideration:

- AASB Framework for the Preparation and Presentation of Financial Statements (know as the Framework);
- AASB 101 Presentation of Financial Statements;
- AASB 102 Inventories;
- AASB 107 Cash Flow Statements;
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors;
- AASB 110 Events after Balance Sheet Date;
- AASB 111 Construction Contracts;
- AASB 136 Impairment of Assets;
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets;
- AASB 1048 Interpretation and Application of Standards
- Any other Australian Accounting Standards which are required to give a true and fair view of an entity's operations for the accounting period and of its financial position as at balance sheet date.
- Where an Australian Accounting Standard is amended in any way the Financial Requirements for Licensing automatically incorporates and adopts those amendments.

As ASIC noted: -

"The accounting standards provide a framework for determining a consistent meaning of 'financial position' and 'profit and loss' in financial reporting across entities. In the absence of such framework, the figure disclosed in the financial statements would lose their meaning and could be determined completely at the whim of the directors of individual entities."

If the Appropriately Qualified Person has NOT applied the relevant Australian Accounting Standards and policies applicable to the Client, attach a list of the standards and policies not applied to the information.

If nothing is inserted here the Appropriately Qualified Person is warranting to the BSA that they have completed the Report in accordance with all relevant Standards.

The Appropriately Qualified Person must use his/her professional judgment on what standards should be used based on the profile of the licensee.

The BSA is entitled at any time to request a copy of the Review Control Sheet or any other working papers used by the Appropriately Qualified Person in determining the Financial Information.

11. If the Licensee does not meet the Financial Requirements for Licensing then state how they are deficient here. If the Licensee meets the Financial Requirements for Licensing insert "N/A" here.
12. By default, Related Entity Loans or Investment Assets are NOT included in determining the licensee's Financial Information (ie NTA and Current Ratio), unless the Statement contained within the Report as to their verification at no. 13 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 this box*.

ANNOTATIONS TO THE INDEPENDENT REVIEW 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.

13. If the Appropriately Qualified Person HAS included Related Entity Loans or Investment Assets in calculating the licensee's Financial Information, and HAS verified that such items are recoverable or collectible by the Licensee, this box MUST be ticked to indicate their inclusion.

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

14. Insert the Actual Annual Turnover of the Licensee or Applicant for the year of review here. The Actual Annual Turnover of the Licensee (and its trusts and/or partnerships) is the total revenue derived from all sources for the 12 months on which the Report is based.

This may include interest received, dividends or distributions, and grants. The Annual Turnover of the Licensee is **not** limited to the Licensee's building turnover. Refer to section 1.3 for the definition of "*Annual Turnover*".

In the example within the Report, the total value of Deeds provided is \$32,000 (jointly and severally). Therefore the total NTA assessed by the BSA in calculating the Allowable Annual turnover of the Licensee will be:

$$\begin{array}{rclcl} \text{NTA} & + & \text{Value of Deeds} & = & \text{Total NTA used to calculate AATO} \\ \$160,000 & + & \$32,000 & = & \$192,000 \end{array}$$

15. The Allowable Annual Turnover is either:
- (a) the Allowable Annual Turnover calculated by using the formula set out in Table 1;
 - or
 - (b) the maximum Allowable Annual Turnover for the Report being completed (in this case \$12 Million),

whichever is the **lesser amount**.

The Licensee is able to cap the level of their Allowable Annual Turnover by stating a level of lesser amount of NTA than that actually held on the "*Net Tangible Assets... (of at least)*" line. This is the minimum amount necessary to sustain the level of Allowable Annual Turnover required by the Licensee. Refer to the Net Tangible Assets FAQ's and [BSA's AATO/NTA online calculator](#) to calculate the necessary level of NTA for a specific level of Allowable Annual Turnover.

To calculate the value of the Licensee's Allowable Annual Turnover, the BSA will combine the Licensee's stated NTA and amounts assured by Deed of Covenant and Assurance.

Refer to section 2.3 of the Financial Requirements for Licensing, effective from 1 July 2009.

ANNOTATIONS TO THE INDEPENDENT REVIEW REPORT

16. The Current Ratio must be at least 1:1, and must be stated as a ratio.

The Current Ratio cannot include the value of the Deed of Covenant and Assurance.

A figure must be placed here. If the Licensee does not have any current liabilities the Current Ratio will be expressed as [x]:1 or [x]:0. A Licensee must have a Current Ratio. A Current Ratio of 0:0 will not be accepted.

The Current Ratio calculations must be included in the Calculation Sheet. 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 must **not** be rounded up where it is less than the required 1:1.

Refer to section 2.5 of the Financial Requirements for Licensing, effective 1 July 2009.

17. Insert the actual NTA of the Licensee here. Do **not** include the value of the Deed of Covenant and Assurance.

The value of the Licensee's NTA can be understated if the Licensee seeks to restrict their Allowable Annual Turnover. However, it cannot be less than zero (0), as this would constitute a Negative NTA which is prohibited.

The Licensee's Allowable Annual Turnover will be calculated in reference to the NTA value stated here *OR* the combined value of NTA as stated *plus* amounts assured by Deed of Covenant and Assurance.

If the Licensee wishes to cap the amount of Allowable Annual Turnover they may do so by stating only the amount required for the level of Allowable Annual Turnover required on the "*Net Tangible Assets... (of at least)*" line.

Example: if the Licensee has \$500,000 NTA, but only requires an AATO of \$600,000 for the forthcoming year then the NTA stated in the Report would be \$36,000 (what is required for an AATO of \$600,000).

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 ie \$2.00 in the company. **Note the NTA calculation cannot take into account trust assets (refer section 1.3 – Definitions – "Assets")**

The NTA calculations must be included on the Calculation Sheet.

Refer to sections 2.4 of the Financial Requirements for Licensing, effective 1 July 2009.

18. For a general discussion as to the Deed of Covenant and Assurance refer to section 2.4.5. Reference to Deed of Covenant and Assurance is in respect to provisions made within this Report only, and does not refer to any other type of "Deed" (ie such as Deeds of Cross Guarantee or Deeds of Company Arrangement)

ANNOTATIONS TO THE INDEPENDENT REVIEW REPORT

19. The **full name** of each Covenantor who is providing a Deed of Covenant and Assurance to this Licensee must be shown in this section. Initials will not be accepted.

The name that appears here should be **exactly** 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 Report may not be accepted.

Only specific entities may provide Deeds of Covenant and Assurance dependent on the Licensee's structure – refer to section 2.4.5 – Table C of the Financial Requirements for Licensing effective 1 July 2009.

If the Covenantors wish to assure an amount of money jointly and severally they may complete one Deed of Covenant and Assurance but must each execute the Deed. They may alternatively provide separate Deeds respectively.

In our example within the Report, Wayne John Smith and Judith Ann Smith, as directors of Smith Builders Pty Ltd, are jointly and severally assuring \$32,000 to Smith Builders Pty Ltd.

If the Covenantors wish to assure separate amounts and therefore do not wish to be jointly and severable liable, each Covenantor must be stated on a separate line within the Report in this section.

The following example shows how they would complete the table in this example:

Full and Correct Name(s) of each Covenantor	Amount of Deed 'Defined Amount'	Relationship to Licensee (Refer to Section 2.4.5)	Original Deed Previously Provided (Yes/No)
<i>Wayne John Smith Judith</i>	<i>\$20,000</i>	<i>Director</i>	<i>Yes</i>
<i>Ann Smith</i>	<i>\$12,000</i>	<i>Director</i>	<i>Yes</i>

In this case Wayne John Smith and Judith Ann Smith will complete separate Deeds of Covenant and Assurance both of which will also be executed by Smith Builders Pty Ltd as Licensee.

20. An amount must be inserted here against the respective Covenantor. The Defined Amount is the amount the Covenantor/s are assuring to the Licensee from their personal assets. In the event of Liquidation or Bankruptcy of the Licensee, this is the amount the Covenantor must pay to the Liquidator for distribution to the Licensee's creditors.

The Amount of the Deed is the "*Defined Amount*" as that expression is defined in the Deed of Covenant and Assurance

The amount should not be greater than the difference between the level of NTA the Licensee requires to sustain the Allowable Annual Turnover and the level of NTA the Licensee has, but is *not more than* the amount the Covenantor has in their own right to assure when their Net Real Unencumbered Assets are determined.

ANNOTATIONS TO THE INDEPENDENT REVIEW REPORT

The Appropriately Qualified Person **must** assess the entire financial position of each and every Covenantor prior to completing each Report for the Licensee, to determine the Covenantors Net Real Unencumbered Asset position and be able to meet the defined amount of the Deed.

The Appropriately Qualified Person **must** complete and sign a **Statement of Financial Position (Attachment 9)** for each and every Covenantor setting out the Covenantors financial position and determining the Net Real Unencumbered Assets, each time a Report is completed.

Refer to section 1.3 for the definition of Defined Amount and Net Real Unencumbered Assets. Also refer to sections 2.4.5 of the Financial Requirements for Licensing.

21. Only specific classes of entities can provide Deeds of Covenant and Assurance to the Licensee. Refer to section 2.4.5 Table C.

The Appropriately Qualified Person must be satisfied that the defined relationship exists. The Appropriately Qualified Person will be required to demonstrate the relationship by documentary evidence (eg ASIC Extracts) where BSA is not satisfied the relationship exists.

If the BSA is not satisfied that the defined relationship exists the BSA will not accept the Deed or the Report.

22. If the original Deed of Covenant has already been provided previously, answer “yes”. If a new Deed of Covenant and Assurance is being relied upon, and has not previously been provided, answer “No”.

An original of the Deed of Covenant and Assurance, properly completed and executed, need only be provided to BSA once for each Licensee, but must be provided to the BSA before the Licensee’s application or renewal can be processed, where the Deed has not already been provided.

The original Deed will remain with BSA until such time as it is revoked or returned by BSA under the terms of the Deed. The BSA cannot rely on copies of the Deed.

The pro-forma of the Deed of Covenant and Assurance can be obtained from www.bsa.qld.gov.au.

23. The certification paragraph must remain unaltered in the Report. In conjunction with the “*Statement*” paragraph the Appropriately Qualified Person is representing to the BSA that the Licensee meets the minimum requirements contained in the Board’s gazetted policy “*Financial Requirements for Licensing*”

If the Appropriately Qualified Person is unsure of what legal obligations they or their firm are under by signing the Report they should consult their industry organisation or seek legal advice.

24. Where Deeds of Covenant and Assurance are being relied upon within the Report to meet NTA requirements, the Appropriately Qualified Person **must** assess the entire financial position of each and every Covenantor prior to completing each Report for the

ANNOTATIONS TO THE INDEPENDENT REVIEW REPORT

Licensee so as to determine the Covenantors Net Real Unencumbered Asset position, and their ability to meet the defined amount of the Deed.

The Appropriately Qualified Person **must** complete and sign a **Statement of Financial Position (Attachment 9)** for each and every Covenantor setting out the Covenantors financial position and determining the Net Real Unencumbered Assets, each time an Report is completed, and must accompany the Report when being submitted to BSA.

Refer to section 1.3 for the definition of Net Real Unencumbered Assets. Also refer to sections 2.4.5 of the Financial Requirements for Licensing.

25. State the full name of the Appropriately Qualified Person signing the Report
26. The Appropriately Qualified Person who completed the Report must personally sign the Report here. Reports that have been signed by a person *other than* the Appropriately Qualified Person stated in the Report will be rejected.
27. Insert the Professional Qualification of the Appropriately Qualified Person and/or the organisation that has issued the Appropriately Qualified Persons public practising certificate.
28. Insert the date the Appropriately Qualified Person signed the Report.
29. Insert the address and contact details of the firm of the Appropriately Qualified Person.
30. The BSA is subject to the *Right to Information Act 2009* and the *Information Privacy Act 2009* (replacing the *Freedom of Information Act 1992*) and therefore the Report may be accessed by other parties. Refer section 11 of the Financial Requirements for Licensing, and the [Right to Information](#) page on BSA's website
31. The Calculation Sheet must accompany the Report, and forms part of the Report. The Calculation Sheet is used to determine how the NTA and Current Ratio have been calculated, and is for verification purposes only.

A Report that does not include the Calculation Sheet will not be accepted. For definitions of the items listed in the calculation sheet refer to section 1.3.

If you have any further queries on how to complete the Independent Review Report please contact your local BSA.