

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2006**



**PITCHER PARTNERS**



---

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

TABLE OF CONTENTS  
FOR THE YEAR ENDED 30 JUNE 2006

---

	Page
Report on Operations	3
Contact Details	18
Statement of Compliance with the Financial Administration and Audit Act	19
Certification of Financial Statements	20
Income Statement – The Net Profit or Loss/Commercial Format	21
Balance Sheet	22
Statement of Changes in Equity	23
Cash Flow Statement	24
Index of Notes to the Financial Statements (Policy notes)	25
Index of Notes to the Financial Statements (Disclosure notes)	27
Performance Indicators	52
Certification of Performance Indicators	56
Annual Estimates	57



---

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**CONTENTS – REPORT ON OPERATIONS**

	<b>PAGE</b>
<b>CORPORATE MISSION AND OBJECTIVES</b>	<b>4</b>
<b>REVIEW OF OPERATIONS</b>	<b>5</b>
Introduction, Review of Scheme, Scheme Benefits, Actuarial Review, Promotion of Scheme, Computerisation, Registrations, Financial Operations, Investments, Staffing, Inspections and Prosecutions, Legislative Amendments, Reciprocal Arrangements, Summary.	
 <b>APPENDICES</b>	
A - Overview of Scheme Concept, Legislation, Scheme Commencement, The Board, Powers of the Board, Functions of the Board, Funds of the Board, Operation of the Scheme.	10
B - Organisational Structure	13
C - Prescribed Awards	14



---

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

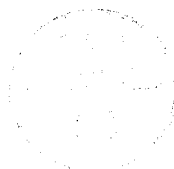
**CORPORATE MISSION**

The primary mission of the Board is to manage in an efficient and effective manner the portable long service leave Scheme for construction industry employees established by the Construction Industry Portable Paid Long Service Leave Act, 1985.

**OBJECTIVES**

The specific objectives of the Board are:

1. To fully implement the Scheme within the Western Australian construction industry:-
  - by ensuring all eligible construction industry employers are registered and that contributions are being paid for eligible employees and
  - by registering all eligible construction industry employees.
2. To minimise the contribution rate payable:-
  - by maximising the rate of return on investment funds and
  - by minimising the administrative cost of the Scheme.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

## **INTRODUCTION**

A welcome major change to the Scheme this financial year was the amendment to the legislation, effective 1 October 2006, providing for long service leave of 8 2/3 rd weeks leave after 10 years of service and a pro rata entitlement after only 7 years.

Previously the Scheme was based on a 15 year service period with a pro rata entitlement available after 10 years.

The change to the minimum period to gain a benefit down from 10 years to 7 years has significantly improved the opportunity for employees to gain a benefit under the Scheme and the number of employees with a benefit has increased immediately from approximately 5,000 to over 9,500.

In addition a change has been made to the definition of the 'ordinary rate of pay' used for the payment of employee entitlements. The ordinary rate of pay is now the rate of pay due to employees when taking paid leave from their employer, averaged over the last 12 months.

This will ensure that employees taking long service leave receive a rate of pay similar to that due to them when taking paid leave from their employer and removes a source of long standing complaint from employees.

Also this past financial year has been another excellent year for the Board, and for the investment community generally, in respect of investment returns with the Board achieving a rate of return of 15.6%.

In order to minimise the contributions payable by employers to fund the Scheme the Board aims to maximise the rate of return on its investments over the long term, which matches the long term nature of the Board's liabilities.

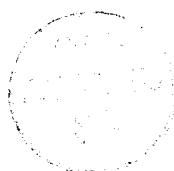
In the last 15 years the Board has averaged an investment return of 10.18% per annum which has added approximately \$97 million to the Board's income compared to contributions from employers of \$44 million over the same period.

## **REVIEW OF SCHEME**

In addition to the significant changes to the Scheme detailed above the Board has for many years been seeking a range of other amendments to the legislation governing the Scheme mainly of an administrative nature to update and improve the operation of the Scheme.

These changes to the Scheme legislation being sought by the Board together with other amendments to the Scheme being considered by the Minister have now been circulated for information to industry bodies as part of the process of providing industry stakeholders the opportunity to comment on the proposed amendments.

The Board is pleased to note that these matters are now under active consideration.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**SCHEME BENEFITS**

The Scheme provides a significant benefit to Construction Industry employees and employers.

For employees the main benefit is in the form of portability of service for long service leave purposes. The Scheme allows registered employees to accrue service towards their long service leave from service to the construction industry rather than to a single employer.

Board statistics indicate that as at 30 June 2006 of the 9,500 employees who currently have an entitlement 7,200 or 75% had more than one employer before becoming eligible for a benefit which means these employees have only achieved a long service leave benefit due to the Scheme providing portability of service across the industry.

In addition to portability within the industry in W.A. the Board has entered into reciprocal arrangements with interstate portable long service leave Board's in which an employee's service interstate is recognised for the purposes of obtaining an entitlement in W.A. thus providing portability of service within the construction industry nationally.

Another important benefit for all employees registered in the Scheme is that their accrued long service leave and any entitlement to date is protected by the Scheme from any financial failure of firms in the industry.

For employers the Scheme relieves them of the responsibility for long service leave entitlements for on site construction industry employees and the Board currently covers \$97 million of industry long service leave liabilities.

In the last five years 4,513 employees have been paid long service leave entitlements totalling approximately \$23.3 million.

**ACTUARIAL REVIEW**

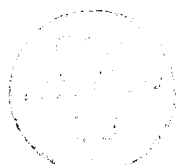
The Board is required by section 19 of the legislative provisions governing the Scheme to have the funds of the Board actuarially reviewed following the end of each financial year. The actuary is required to carry out an investigation and to state whether any reduction or increase is necessary in the rate of contribution.

The actuarial firm of Price Waterhouse Coopers (PWC) has reported on the Board's operations as at the end of the previous financial year 2004/2005. It found that as at 30 June 2005 the Board's funds position was such that no change was required to the contribution rate.

Due to the legislative changes to the benefits available under the Scheme which will have a significant impact on the liabilities of the Scheme a further report from the actuaries (PWC) was commissioned by the Board to specifically review the effect of the changes on the funds position of the Board.

That review has concluded that as a result of the legislative changes the Scheme is under funded and the actuaries have recommended that the contribution rate be increased.

The Board has accepted the recommendation and the contribution rate is to be increased from 1% to 1.25% of the ordinary rate of pay with effect from 1 January 2007.



---

## CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

### REPORT ON OPERATIONS FOR THE YEAR ENDED 30 JUNE 2006

---

#### PROMOTION OF SCHEME

Since the Scheme commenced, over 132,800 employees have been registered in the Scheme with 53,120 currently registered. Also 13,369 firms have been registered at some time with 4,620 currently active. Another 69,350 firms have been contacted by direct mail at some point to advise them about the Scheme and their obligation to contribute to the Scheme if they directly employ workers.

This level of contact has been made possible by the Board's marketing approach of using direct mail to ensure employers and employees in the industry receive specific mailed advice about the Scheme, its requirements and its benefits.

In addition to the ongoing direct mailing campaign, additional promotional advertising is undertaken in industry association magazines to target possible employers and union magazines to reach employees who may be eligible to register in the Scheme.

#### COMPUTERISATION

The aim of the Board's computerisation is to ensure that the Board's clients, employers and employees are provided with the highest standards of service when dealing with the Board. The systems allow staff to ensure the majority of queries they receive from Board clients can be answered immediately.

Internet access, 24 hours 7 days a week (24 x 7) for employers and employees has also been established. Employers can submit and pay for required Quarterly returns on-line and employees can query their service details and update their contact details on-line at their convenience.

These initiatives have been undertaken both to maintain the low cost structure of the Board by allowing the Board's clients to deal with a range of issues over the Internet by themselves without involving Board staff and to provide a 24 x 7 service to Board clients to supplement the Board's normal office hours.

#### REGISTRATIONS

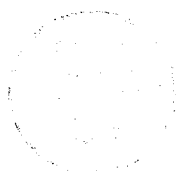
As at 30 June 2006 the Board had 4,620 employers registered, up from 4,052 last year, and 53,120 employees registered in the Scheme, up from 46,268 at the end of the previous financial year. The higher number of registered employees reflects the continuing buoyant state of the construction industry.

#### FINANCIAL OPERATIONS

Total Contribution Income to the Board in 2005/2006 was approximately \$11.49 million. Average Contributions per quarterly Employer Return period were approximately \$2.8 million.

*Administration expenses amounted to \$1.89 million and payments of long service leave benefits totalled \$5.74 million. The Balance of Retained Earnings at 30 June 2006 was \$26.34 million and the total cash and investments of the Board as at 30 June 2006 was \$105 million.*

The Board has incorporated an actuarial estimate of the liability of the Long Service Leave Scheme in the Balance Sheet. The Board's actuaries have estimated the liability of the Scheme at \$74.3 million as at 30 June 2006.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**INVESTMENTS**

The Board is restricted to investments that meet the requirements of the WA Trustees Act. Short-term funds are invested in the money market and in fixed interest deposits with the Banks.

The Board's long-term funds are managed on behalf of the Board by eight funds managers:- Bernstein, Credit Suisse, Morgan Stanley, Maple Brown Abbott, Schroders, Ausbil, Macquarie and UBS in a range of asset classes to provide a balanced investment portfolio.

This financial year the overall return on funds invested by the Board was a healthy 15.6%. As a point of comparison, the average return achieved by pooled growth fund managers for the year ended June 2006 was 15.5%.

Over the past 5 years the Board has averaged 6.76% return on its investments. This compares with the average investment returns of pooled growth fund managers whose average return for the same period was 7.2%.

**STAFFING**

The Board's establishment is 11 full time equivalent staff. This number comprises 2 Executive Staff, 3 Inspectors and 6 full time equivalent Administrative staff. The Board is a respondent to the Government Salaries Allowances and Conditions Award and all staff are covered by the provisions of that Award.

**INSPECTIONS**

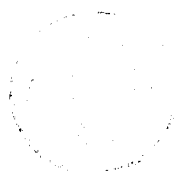
The Board carried out 638 record inspections of firms in the Construction Industry during the financial year; 308 metropolitan and 330 country inspections covering the whole State. 26 notices requesting firms to supply information were issued under Section 45 of the Act.

**LEGISLATIVE AMENDMENTS**

Major changes to the Construction Industry Portable Paid Long Service Leave Act 1985 governing the Scheme were made this year with the amendments coming into effect from 1 October 2006.

The amendments provide for long service leave after 10 years and a pro rata benefit after only 7 years. Previously 15 years service was required before long service leave was due and the pro rata benefit was available after 10 years.

In addition the definition of 'ordinary rate of pay' was amended to that due to an employee when taking paid leave or if the employee has no entitlement to paid leave the rate of pay paid for ordinary hours. When taking leave an employee is paid the average rate of the last 12 months of ordinary pay recorded by the Board.





**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**REPORT ON OPERATIONS  
FOR THE YEAR ENDED 30 JUNE 2006**

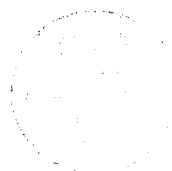
**SUMMARY**

The major changes to the benefits available under the Scheme were most welcome. In addition the Board is pleased that the other changes to the legislation being sought by the Board are being actively progressed.

The Board's finances are in a healthy state although the increased liabilities to the Scheme due to the improved benefits available has meant unfortunately that an increase in the contribution rate is necessary to bring the Board's funds up to a fully funded position.

The excellent investment double digit investment returns achieved in the last financial year are unlikely to be repeated next year and anticipated returns in the near future are expected to be in the single digit range. An environment of single digit rates of investment return, together with annual increases in wages of around 5% will have an effect on the Board's finances but is not expected to have an adverse impact on the contribution rate.

Overall the Scheme is in a healthy funds position, has greatly improved benefits and those benefits are being provided to employees in the construction industry in an effective and cost efficient manner.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**Appendix A -**

**CONSTRUCTION INDUSTRY PORTABLE PAID LONG SERVICE LEAVE SCHEME.**

**OVERVIEW OF SCHEME**

**CONCEPT:**

The Construction Industry Portable Paid Long Service Leave Scheme embodies the concept of providing long service leave based on service to an industry rather than service to a single employer.

Employees in the construction industry become eligible after 10 years of service in the industry rather than after 10 years of service to a single employer.

The construction industry is characterised by the short-term nature of employment contracts and the resultant high mobility of labour means that many employees in the industry are unable to qualify for long service leave.

By providing for a Scheme based on service to the industry many employees who were previously unable to qualify for long service leave will in the future be able to qualify.

The Scheme thus provides a significant benefit in the form of portable long service leave to a substantial section of the workforce.

**LEGISLATION AND SCHEME COMMENCEMENT**

The Construction Industry Long Service Leave Scheme was established by 'The Construction Industry Portable Paid Long Service Leave Act, 1985' which was assented to on 13 December 1985.

The Act and the Regulations prescribing the Awards to be included in the Scheme (see Appendix C) were proclaimed on 19 December 1986. The Scheme commenced by Ministerial Order on the appointed day of 6 January 1987.

The Act comes under the Ministerial responsibility of the Minister for Employment Protection.

The benefits provided by the Act are similar to those applicable under the Long Service Leave Act 1958-2006.

The benefits of the Scheme are 8 2/3 rd weeks long service leave after 10 years of service in the industry with pro rata benefits payable after 7 years of service.

**THE BOARD**

The Act provides for the Scheme to be administered by a Board, a body corporate, of seven members. The members of the Board are appointed by the Minister for Consumer and Employment Protection.

Three members representing employers are selected by the Minister from nominations by the Master Builders Association of WA and the Chamber of Commerce and Industry of WA. To represent employees three members are selected from nominations by Unions WA and the Building Trades Association of Unions of WA.

The Chairman is a separate appointment by the Minister.



## CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

### REPORT ON OPERATIONS FOR THE YEAR ENDED 30 JUNE 2006

#### POWERS OF THE BOARD

The Board is a Statutory Authority established as a corporate body and is self funded. The Board has the power to engage staff and to do all such things as are necessary or convenient in connection with the performance of its functions.

#### FUNCTIONS OF THE BOARD

The functions of the Board are -

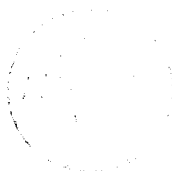
- (a) to maintain the register of employers and register of employees;
- (b) to administer the Scheme of payment to employees during long service leave established under the Act;
- (c) to advise the Minister on the administration of the Act;
- (d) to carry out such other functions as are conferred on the Board under the Act.

#### FUNDS OF THE BOARD

The Board is funded by compulsory contributions from employers in the Construction Industry. These contributions together with investments of the Board meet the costs of the long service Scheme and the administrative expenses of running the Scheme. The Board may invest monies as it sees fit in investments that meet the requirements of the WA Trustees Act.

#### BOARD MEETINGS ATTENDANCE

	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr T Lang (Chairman)	5	5
Mr J Ferguson	5	2
Mr L McLaughlan	5	3
Mr M McLean	5	5
Mr K Reynolds	5	2
Mr R Sputore	5	4
Mr G Thomson	5	5



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**OPERATION OF THE SCHEME**

The legislation provides for a portable long service leave Scheme for employees in the construction industry based on service to the industry rather than continuous service to one employer. To be eligible for benefits under the Scheme employees must be registered.

To meet the costs of the Scheme each employer pays a contribution to the Board based on a percentage of their employees' "ordinary pay", except in the case of apprentices for whom no contribution is payable. The contribution rate is currently set at 1.0% of ordinary pay but will increase to 1.25% with effect from 1 January 2007.

The rate of contribution is set by the Board based on actuarial advice of the amount of funds needed to meet the liabilities of the Board under the Scheme, including the liability for service credits for apprentices without cost to employers, and the costs associated with administering the Scheme.

The Scheme enables registered employees to carry their long service leave entitlements from employer to employer as the responsibility for payment of the long service leave rests with the Board and not individual employers. This is the "portability" aspect of the Scheme.

The Board keeps a record in a centralised register of the number of days each employee is engaged in the industry regardless of how many employers the employee works for. An employee may be credited with a maximum of 220 days per calendar year.

After 10 years of service in the industry (2200 days of service) a registered employee is entitled to 8 2/3 rd weeks of long service leave. The Board pays the employee for the long service leave using the average over the last 12 months of the "ordinary rate of pay" due to the employee as recorded by the Board.

**OBLIGATIONS UNDER THE STATE RECORDS ACT**

The Board is cognisant with its responsibilities under the State Records Act and to ensure that it is complying with its ongoing obligations under that Act has engaged an external records consulting firm to conduct ongoing quarterly reviews of the Board's record keeping plans, practices and procedures.



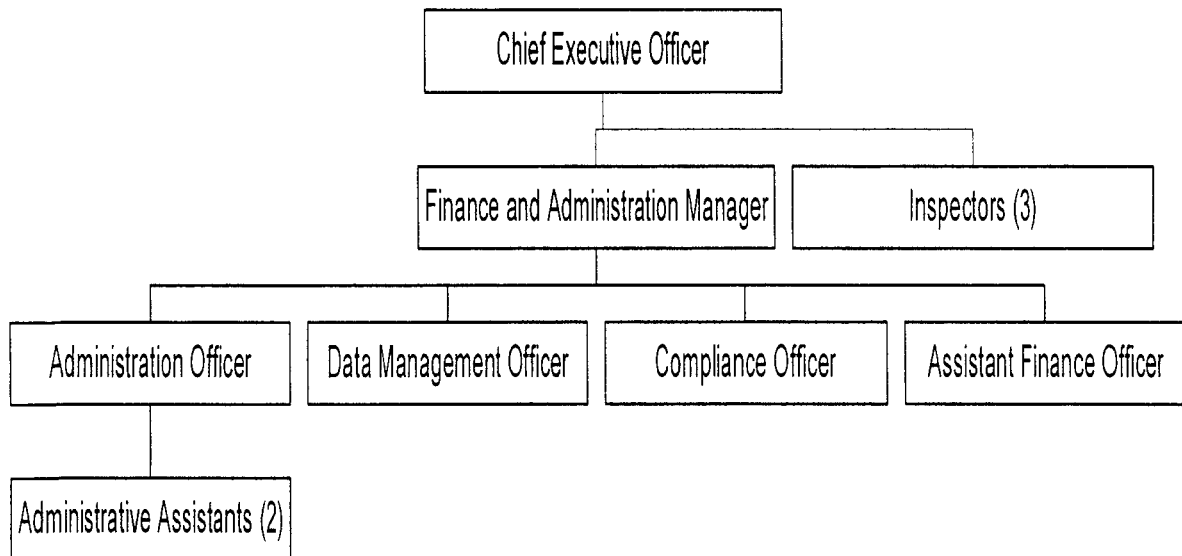
CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

REPORT ON OPERATIONS  
FOR THE YEAR ENDED 30 JUNE 2006

Appendix B -

Organisational Structure

WA Construction Industry LSL Board



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Appendix C**

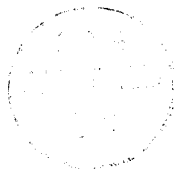
**PRESCRIBED AWARDS**

**CLASSIFICATIONS OF WORK**

1. Awards made under the Workplace Relations Act 1996 of the Commonwealth Parliament.

- (1) Australian Workers' Union Asphalt and Bitumen Industry (W.A.) Award 1988
- (1a) Australian Workers' Union Construction and Maintenance (Consolidated) Award 1987
- (1b) Australian Workers' Union Construction and Maintenance Award 1989
- (2) Australian Workers' Union Construction, Maintenance and Services (WA Government) Award, 1984
- (2a) Australian Workers' Union Geomembrane and Geotextile Installation Award 1989
- (3) Bitumen Spraying Services Award 1985
- (3a) Drilling and Exploration Industry (AWU) Award 1998
- (4) Mobile Crane Hiring Award 1990
- (5) National Building and Construction Industry Award 1990
- (6) Plumbing Industry (Qld and WA) Award 1979
- (7) Professional Divers' Award 1988
- (8) Transport Workers Spraypave Pty Ltd Award 1990
- (9) Sprinkler Pipe Fitters' Award 1975
- (10) Western Australian Civil Contracting Award 1998

Limited to temporary employees in receipt of an industry allowance under the award.



CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

REPORT ON OPERATIONS  
FOR THE YEAR ENDED 30 JUNE 2006

PREScribed AWARDS

CLASSIFICATIONS OF WORK

2. Awards made under the Industrial Relations Act 1979 of the State Parliament.

- |   |   |
|---|---|
| (1) Airconditioning and Refrigeration Industry (Construction and Servicing) Award |   |
| (2) Building Trades Award 1968  |   |
| (3) Building Trades (Construction) Award 1987                                     |   |
| (4) Building Trades (Fremantle Port Authority) Award 1968                         | Limited to temporary employees  |
| (5) Building Trades (Government) Award 1968                                       | Limited to temporary employees  |
| (6) Building Trades (State Energy Commission) Award                               | Limited to temporary employees in receipt of construction industry rates of pay under the award |
| (7) Earth Moving and Construction Award   |   |
| (8) Electrical Contracting Industry Award 1979                                    |   |
| (8a) Electrical Trades (Security Alarms Industry) Award 1980                      |   |
| (8b) Electronics Industry Award   |   |
| (9) Engine Drivers' (Building and Steel Construction) Award                       |   |
| (10) Engineering Trades (Government) Award 1967                                   | Limited to temporary employees in receipt of an allowance for construction work under the award |
| (11) Engineering Trades (State Energy Commission) Consolidated Award 1978         | Limited to temporary employees  |
| (12) Foremen (Building Trades) Award 1991   |   |
| (13) Furniture Trades Industry Award  | Limited to cabinet making and floor covering  |



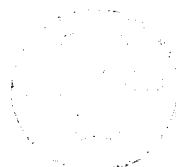
CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

REPORT ON OPERATIONS  
FOR THE YEAR ENDED 30 JUNE 2006

PREScribed AWARDS

CLASSIFICATIONS OF WORK

(13a) Gate Fence and Frames Manufacturing Award	
(14) Government Engineering and Building Trades Foremen and Sub-foremen Award	Limited to temporary employees in receipt of an allowance for construction work under the award
(15) Government Water Supply (Kalgoorlie Pipeline) Award 1981	Limited to temporary employees in receipt of an allowance for construction work under the award
(16) Government Water Supply, Sewerage and Drainage Employees Award 1981	Limited to temporary employees in receipt of an allowance for construction work under the award
(17) Government Water Supply, Sewerage and Drainage Foremen's Award 1984	Limited to temporary employees in receipt of an allowance for construction work under the award
(17aa) Industrial Spray painting and Sandblasting Award 1991	
(17a) Lift Industries (Electrical and Metal Trades) Award 1973	
17(b) Materials Testing Employees Award 1984	
(18) Mechanical and Electrical Contractors (North West Shelf Project Platform) Award 1984	
(19) Metal Trades (General) Award 1966	
(19a) North Rankin Construction Award	
(20) Pest Control Industry Award No 9 of 1982	
(20aa) Platform Modification and Hook-up Agreement	
(20a) Radio and Television Employees Award	
(21) Roof Tile Fixers Award (Now defunct)	





**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**PRESCRIBED AWARDS**

**CLASSIFICATIONS OF WORK**

- |      |   |   |
|------|---|---|
| (22) | Sheet Metal Workers Award                     |   |
| (23) | Sheet Metal Workers (Government) Award 1973   | Limited to temporary employees in receipt of an allowance for construction work under the award |
| (24) | State Energy Commission Construction Award    | Limited to temporary employees  |
| (25) | Thermal Insulation Contracting Industry Award |   |



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**REPORT ON OPERATIONS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**CHAIRMAN**

Mr T A Lang F.C.A.

**MEMBERS**

Nominated under section 6(b) of the Act to represent employers:-

Mr M. McLean

Mr R. Sputore

Mr G. Thomson

Nominated under section 6(c) of the Act to represent employees:-

Mr J. Ferguson

Mr L. McLaughlan

Mr K. Reynolds

**SENIOR STAFF**

Mr W. F. Fairclough B.A., M. Bus, Post Grad Dip  
Chief Executive Officer

Mr L.R. Symonds C.P.A.  
Finance & Administration Manager

**OFFICE:**

**POSTAL ADDRESS:**

**WEB ADDRESS:**

**BANKERS:**

**ACTUARIES:**

**AUDITORS:**

**BUSINESS HOURS:**

**PUBLICATIONS:**

1st Floor, 26 Colin Street WEST PERTH 6005

PO Box 1333, WEST PERTH 6872

[www.walslboard.com.au](http://www.walslboard.com.au)

Bank of Western Australia Limited

Price Waterhouse Coopers

Auditor-General's Office and Ernst & Young

8.30 am to 5.00 pm Monday to Friday

Pamphlets and other material explaining the  
Scheme are available from the Board's Office.

ISSN 1033-4173



**PITCHER PARTNERS**



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**STATEMENT OF COMPLIANCE**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**The Honourable J Bowler JP MLA**  
**Minister for Resources and Assisting the Minister for State Development;**  
**Employment Protection; Goldfields-Esperance and Great Southern**

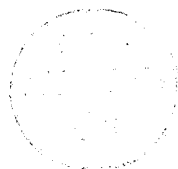
Minister

In accordance with Section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation to Parliament the Annual Report of the Construction Industry Long Service Leave Payments Board for the financial year ending 30 June 2006.

The Annual Report has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.

Chairman of Accountable Authority

Member of Accountable Authority

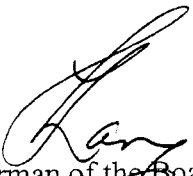



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD  
CERTIFICATION OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

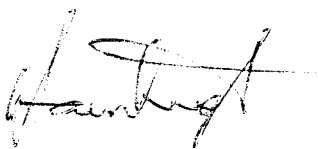
The accompanying financial statements of the Construction Industry Long Service Leave Payments Board have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2006.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

Signed this.....<sup>16<sup>th</sup></sup>.....day of August 2006.

  
Chairman of the Board

  
Member of the Board

  
Principal Accounting Officer



**PITCHER PARTNERS**



## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

The Income Statement should be read in conjunction with the accompanying notes.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**BALANCE SHEET  
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$000	2005 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	26	2,836	1,392
Receivables	16	112	111
Available-for-sale financial assets	17	102,400	86,512
Other current assets	18	2,770	2,150
<b>Total Current Assets</b>		<u>108,118</u>	<u>90,165</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	19	125	115
Intangible assets	20	14	-
<b>Total Non-Current Assets</b>		<u>139</u>	<u>115</u>
<b>Total Assets</b>		<u>108,257</u>	<u>90,280</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued long service leave benefits liability	7	42,119	41,687
Payables	22	146	47
Provisions	23	170	208
Other current liabilities	24	66	66
<b>Total Current Liabilities</b>		<u>42,501</u>	<u>42,008</u>
<b>Non-Current Liabilities</b>			
Accrued long service leave benefits liability	7	32,192	28,178
Provisions	23	81	64
<b>Total Non-Current Liabilities</b>		<u>32,273</u>	<u>28,242</u>
<b>Total Liabilities</b>		<u>74,774</u>	<u>70,250</u>
<b>NET ASSETS</b>		<u>33,483</u>	<u>20,030</u>
<b>EQUITY</b>			
Fair value reserve	25	4,791	3,455
Retained earnings		28,692	16,575
<b>TOTAL EQUITY</b>		<u>33,483</u>	<u>20,030</u>

The Balance Sheet should be read in conjunction with the accompanying notes.



**PITCHER PARTNERS**



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$000	2005 \$000
<b>Balance of equity at start of period</b>	25	20,030	6,244
<b>RESERVES</b>			
<b>Fair Value Reserve</b>			
Balance at start of period		3,455	-
Net adjustment on transition to AIFRS		-	3,455
Changes in accounting policy or correction of prior period errors		-	-
Restated balance at start of period		3,455	3,455
Gains/(losses) from fair value movement		1,336	-
Balance at end of period		4,791	3,455
<b>RETAINED EARNINGS</b>	25		
Balance at start of period		16,575	8,744
Net adjustment on transition to AIFRS <sup>(a)</sup>		-	(2,500)
Restated balance at start of period		16,575	6,244
Surplus/(deficit) or profit/(loss) for the period		12,117	10,331
Gain/(losses) recognised directly in equity		-	-
Dividends		-	-
Balance at end of period		28,692	16,575
<b>Balance of equity at end of period</b>		33,483	20,030
<b>Total income and expense for the period<sup>(a)</sup></b>		12,117	10,331

(a) The aggregate net amount attributable to each category of equity is: surplus \$12,117,000 (2005: surplus \$10,331,000).

The Statement of Changes in Equity should be read in conjunction with the accompanying notes



**PITCHER PARTNERS**



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$000	2005 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from employers		10,878	5,602
Interest received		161	35
GST receipts from taxation authority		-	96
Other receipts		1	-
<b>Payments</b>			
Employee benefits		(713)	(692)
Supplies and services		(755)	(565)
Finance costs		(27)	(18)
Accommodation		(130)	(98)
GST payments to taxation authority		(13)	(95)
Payments for long service leave		(5,746)	(4,560)
Other payments		(123)	(205)
<b>Net cash provided by/(used in) operating activities</b>	26	3,533	(500)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		9	-
Purchase of non-current physical assets		(70)	(78)
Purchase of non-current intangible assets		(17)	-
Proceeds from sale of investments		24,789	6,490
Purchase of investments		(26,800)	(5000)
<b>Net cash provided (used in) / by investing activities</b>		(2,089)	1,412
<b>Net increase in cash and cash equivalents</b>		1,444	912
Cash and cash equivalents at the beginning of period		1,392	480
<b>CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD</b>	26	2,836	1,392

The Cash Flow Statement should be read in conjunction with the accompanying notes.



CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

INDEX OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

Subject	Policy Note	Disclosure Note	Title of the Policy note
General	1	34	First Time Adoption of Australian equivalents to International Financial Reporting Standards
General	2		Summary of significant accounting policies
General	2(a)		General Statement
General	2(b)		Basis of Preparation
General	2(c)		Reporting Entity
Income	2(d)		Income
Income		5	Net Investment Revenue
Income		6	Interest
Income		8,9	Gains
Expense/Asset/Liability	2(e)		Taxation Equivalent
Expense/Asset	2(f)	13	Finance Costs
Assets	2(g)	19	Property, Plant and Equipment and Infrastructure
Assets	2(h)	20	Intangible assets
Assets	2(i)	21	Impairment of assets
Assets/Liability	2(j)	27	Leases
Assets/Liability	2(k)	31	Financial Instruments
Assets	2(l)	25	Cash and Cash Equivalents
Assets	2(m)	16	Receivables
Assets	2(n)	17	Investments
Liability	2(o)	22	Payables
Liability	2(p)	23	Provisions
Liability	2(p)(i)	23	Provisions – Employee Benefits
Expense	2(p)(ii)	23	Provisions - Other
Liability	2(q)	26	Accrued Salaries
Liability	2(r)	7	Accrued Long Service Leave Benefits Liability
General	2(s)		Comparative figures
General	3		Key sources of estimation uncertainty
General	4		Disclosure of changes in Accounting Policy and Estimates

This index does not form part of the financial statements.

INDEX OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

Subject	Policy Note	Disclosure Note	Title of the Disclosure note
Expense	2(p)(i)	10	Employee benefits expense
Expense		11	Supplies and services
Expense		12	Depreciation and amortisation expense
Expense		13	Finance costs
Expense		14	Accommodation expenses
Expense		15	Other expenses
Income	2(d)	5	Net investment revenue
Income	2(d)	6	Interest revenue
Liability	2(r)	7	Accrued long service leave benefits
Income/Expense	2(d)	9	Net gain/loss on disposal of non-current assets
Asset	2(m)	16	Receivables
Asset	2(n)	8,17	Investments and other financial assets
Asset		18	Other assets
Asset	2(g)	19	Property, plant and equipment
Asset	2(h)	20	Intangible assets
Asset	2(i)	21	Impairment of assets
Liability	2(o)	22	Payables
Liability	2(p)	23	Provisions
Liability		24	Other liabilities
Equity		25	Equity
Cash Flow		26	Notes to the Cash Flow Statement
General		27	Commitments
General		28	Contingent liabilities and Contingent assets
General		29	Events occurring after balance sheet date
General		30	Explanatory statement
General	2(k)	31	Financial Instruments
General		32	Remuneration of members of the Accountable Authority and senior officers
General		33	Remuneration of auditor
General		34	Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

This index does not form part of the financial statements.

## 1. First time adoption of Australian equivalents to International Financial Reporting Standards

### General

This is the Board's first published financial report prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements have been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issues Group (UIG) Interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction 1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis (*describe the differences*). All other comparative information has been prepared under the AIFRS basis.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are provided at note 34.

## 2. Summary of significant accounting policies

### (a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Modifications or clarifications to accounting standards through the TI's are to provide certainty and ensure consistency and appropriate reporting across the public sector.



**INDEX OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**(b) Basis of Preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention except that the following assets are stated at their fair value: financial instruments held for trading, financial instruments classified as available-for-sale.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included at Note 3 'Key sources of estimation uncertainty'.

The accounting standards shown below have not been applied due to their limited application to the public sector:

AASB 3	'Business Combinations'
AASB 5	'Non-Current Assets Held for Sale and Discontinued Operations' to the extent that discontinued operations have not been applied.
AASB 6	'Exploration for and Evaluation of Mineral Resources'
AASB 111	'Construction Contracts'
AASB 124	Related Party Disclosures'
AASB 128	'Accounting for Investments in Associates'
AASB 130	'Financial Institutions'
AASB 141	'Agriculture'
AASB 1023	'Financial Reporting of General Insurance Activities'.

**(c) Reporting Entity**

The reporting entity comprises the Construction Industry Long Service Leave Payments Board.

**(d) Income*****Revenue***

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

***Contribution from employers***

Contributions from employers are due at the end of each 3 month period. Consequently contributions due in respect of the quarterly period to 30 June 2006 have been accrued.

***Investment revenue***

Investment revenue comprises distributions received from managed funds investments.

***Interest***

Revenue is recognised as the interest accrues. The effective interest method is used where applicable.

***Gains***

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and gains on redemptions of managed funds.



INDEX OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**(e) Income Tax**

The Board does not operate within the national tax equivalent regime ("NTER") whereby an equivalent amount in respect of income tax is payable to the State Department of Treasury and Finance.

As a consequence, the Board is not required to comply with AASB 112 "Income Taxes".

**(f) Finance costs**

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

**(g) Property, Plant and Equipment and Infrastructure***Capitalisation/Expensing of assets*

Items of property, plant and equipment and infrastructure costing over \$1,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$1,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

*Initial recognition and measurement*

All items of property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

*Subsequent measurement*

After recognition as an asset, the Board uses the cost model for the measurement of property, plant and equipment. All items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

*Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation on assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Leasehold improvements	10 years
Furniture and fittings	5 years
Office equipment	3 to 5 years
Motor vehicles	6 to 7 years

INDEX OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

## (h) Intangible Assets

*Capitalisation/Expensing of assets*

Acquisitions of intangible assets costing over \$1,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$1,000 are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Licences	3 to 5 years
Software	3 to 5 years
Web site costs	3 to 5 years

*Licences*

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

*Computer Software*

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$1,000 is expensed in the year of acquisition.

*Web site costs*

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.



**(i) Impairment of Assets**

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Board is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

See note 21 'Impairment of assets' for the outcome of impairment reviews and testing.

See note 2(m) 'Receivables' and note 16 'Receivables' for impairment of receivables.

**(j) Leases**

The Board has entered into a number of operating lease arrangements for the rent of the office building and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease terms as this is representative of the pattern of benefits to be derived from the leased property and motor vehicles.

**(k) Financial Instruments**

The Board has three categories of financial instruments:

- Loans and receivables (includes cash and cash equivalents, receivables, term deposits);
- Held-to-maturity investments (commercial bills);
- Non-trading financial liabilities.

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

See note 2(n) for 'Investments and other financial assets'.

**(l) Cash and Cash Equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

**(m) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Board will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 2(k) 'Financial Instruments and note 16 'Receivables'.

**(n) Investments and Other Financial Assets**

The Board classifies its investments into the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date. Investments not at fair value are initially recognised at cost being the fair value of consideration given, including directly attributable transaction costs.

**(i) Available-for-sale financial assets**

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Board provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Purchases and sales of investments are recognised on trade-date – the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value being the fair value, including transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity investments, such as commercial bills, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

The Board assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

**(o) Payables**

Payables are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 2(k) 'Financial Instruments and note 22 'Payables'.



**(p) Provisions**

Provisions are liabilities of uncertain timing and amount. The Board only recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance date and adjusted to reflect the current best estimate. See note 23 'Provisions'.

**(i) Provisions - Employee Benefits***Annual Leave and Long Service Leave*

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. Employees who are not members of either of these schemes become non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund. The Board contributes to this accumulation fund in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

Prior to July 1991 the Board had a private superannuation scheme for employees. This has since been wound up with all assets and members entitlements transferred to Asgard. The Board contributes to Asgard for those members still employed by the Board. Employees who commenced working with the Board after July 1991 are only able to join the West State Superannuation Scheme (WSS) operated by GESB.

The WSS Scheme, where the current service superannuation charge is paid by the Board to the GESB, is a defined contribution scheme. The liabilities for current service superannuation charges under the GSS Scheme and WSS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.



INDEX OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**(ii) Provisions - Other***Employment On-Costs*

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Board's 'Employee benefits expense' and the related liability is included in Employment on-costs provision. See note 15 'Other expenses' and note 23 'Provisions'.

**(q) Accrued Salaries**

Accrued salaries (refer note 24 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to the net fair value.

**(r) Accrued Long Service Leave Benefits Liability**

The liability for accrued long service leave benefits is determined as the present value of all expected future payments which arise from the service of eligible workers up to the reporting date. The liability has been calculated by the Board's Actuary using an actuarial valuation method which takes into account details of eligible workers and assumptions on the rates of departure from the industry, mortality rates, increases in wages and discounting the inflated liability using the Commonwealth Government Bond of 5.7%.

Current accrued long service leave benefits represent the liability to workers who are entitled to claim their long service leave benefits within 12 months of reporting date.

**(s) Comparative Figures**

Comparative figures have been restated on the AIFRS basis except for financial instruments information which has been prepared under the previous AGAAP Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments will be 1 July 2005 in accordance with AASB 1 paragraph 36A and Treasurer's Instruction 1101.

**3 Key sources of estimation uncertainty**

The key estimates and assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Discount rates used in estimating provisions; and

Estimating useful life of key assets.

**4 Disclosure of changes in accounting policy and estimates****Initial adoption of IFRS**

The initial adoption of AIFRS does not represent a change in accounting policy requiring the adoption of the transitional rules within individual AIFRS. These transitional rules apply in subsequent AIFRS reporting periods, not the initial reporting period.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$000	\$000

**5. Net investment revenue**

Distributions from managed funds	9,153	7,366
	<u>9,153</u>	<u>7,366</u>

**6. Interest revenue**

Bank account and term deposit interest	161	35
	<u>161</u>	<u>35</u>

**7. Accrued long service leave benefits**

*The Scheme's long service leave liability at 30 June 2005 has been calculated by the actuaries as \$74.311 million*

Opening balance	69,865	72,800
Increase/(Decrease) in provision	4,446	(2,935)
Closing balance	<u>74,311</u>	<u>69,865</u>

The liability is allocated as follows:

Current		
Accrued long service leave benefits liability	42,119	41,687
Non-current		
Accrued long service leave benefits liability	32,192	28,178
Total	<u>74,311</u>	<u>69,865</u>

**8. Net gain/(loss) on disposal of investments**

Costs of Disposal of Investments	21,400	6,910
Proceeds from Disposal of Investments	24,787	6,490
Net gain/(loss)	<u>3,387</u>	<u>(420)</u>

**9. Net gain/(loss) on disposal of non-current assets**

<u>Costs of Disposal of Non-Current Assets</u>		
Plant, equipment and vehicles	9	-
<u>Proceeds from Disposal of Non-Current Assets</u>		
Plant, equipment and vehicles	9	-
Net gain/(loss)	<u>-</u>	<u>-</u>

**10. Employee benefits expense**

Wages and salaries <sup>(a)</sup>	457	480
Superannuation – defined contribution plans	187	163
Long service leave <sup>(b)</sup>	10	4
Annual Leave <sup>(b)</sup>	37	43
	<u>691</u>	<u>690</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

(b) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 15 'Other Expenses'. The employment on-costs liability is included at note 23 'Provisions'.



**PITCHER PARTNERS**



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$000	\$000

### 11. Supplies and Services

Communications	201	105
Consultants and contractors	429	346
Consumables	101	90
Repairs and maintenance	-	3
Travel	37	37
Other	98	84
	<u>866</u>	<u>665</u>

### 12. Depreciation and amortisation expense

<b>Depreciation</b>		
Plant, equipment and vehicles	46	38
Leased plant, equipment and vehicles	5	7
Total depreciation	<u>51</u>	<u>45</u>
<b>Amortisation</b>		
Intangible assets	3	-
Total amortisation	<u>3</u>	
Total depreciation and amortisation	<u>54</u>	<u>45</u>

### 13. Finance costs

Bank charges	27	18
	<u>27</u>	<u>18</u>

### 14. Accommodation expenses

Lease rentals	115	90
Repairs and maintenance	5	2
Light and power	10	6
	<u>130</u>	<u>98</u>

### 15. Other expenses

Board members fees	48	36
Employment on-costs <sup>(a)</sup>	7	13
Annual leave provision	3	6
Long service leave provision	(24)	55
Doubtful debts expense	(1)	10
Bad debts expense	9	-
Insurances	51	49
Motor vehicle expenses	30	36
	<u>123</u>	<u>205</u>

(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 23 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$000	2005 \$000
<b>16. Receivables</b>		
Current		
Employer debtors	55	47
Allowance for impairment of employer debtors	(17)	(18)
	38	29
Prepayments	34	47
Other debtors	7	14
GST receivable	33	21
	112	111

See also note 2(m) 'Receivables' and note 31 'Financial Instruments'.

**17. Investments**

At valuation:

- Credit Suisse Cash Fund	4,373	-
- Credit Suisse International Fund	12,326	10,023
- Credit Suisse Fixed Interest	14,815	14,323
- Maple Brown Abbott	11,739	17,291
- Macquarie Property Securities	7,797	4,852
- Macquarie True Index Global	8,933	8,642
- UBS Investment Funds	6,503	5,506
- Bernstein Global Value Trust	5,693	4,519
- Morgan Stanley Global Fund	6,452	5,423
- Schroder Australian Equity Trust	11,748	-
- Ausbill Australian Active Equity Fund	12,021	-
- Deutsche Asset Management	-	15,933
	102,400	86,512

**18. Other assets**

Current

Accrued income	2,770	2,150
	2,770	2,150

**19. Property, plant and equipment**

Furniture and fittings

At cost	19	25
Accumulated depreciation	(16)	(19)
Accumulated impairment losses	-	-
	3	6

Leasehold improvements

At cost	47	35
Accumulated depreciation	(33)	(28)
Accumulated impairment losses	-	-
	14	7

Office equipment

At cost	137	111
Accumulated depreciation	(65)	(45)
Accumulated impairment losses	-	-
	72	66

Motor vehicles

At cost	56	61
Accumulated depreciation	(20)	(25)
Accumulated impairment losses	-	-
	36	36
	125	115

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the reporting period are set out below.



PITCHER PARTNERS

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

	Furniture and fittings	Leasehold improvements	Office equipment	Motor vehicles	Total
	\$000	\$000	\$000	\$000	\$000
<b>2006</b>					
Carrying amount at start of year	6	7	66	36	115
Additions	-	12	40	18	70
Disposals				(9)	(9)
Depreciation	(3)	(5)	(34)	(9)	(51)
Carrying amount at end of year	3	14	72	36	125
	Furniture and fittings	Leasehold improvements	Office equipment	Motor vehicles	Total
	\$000	\$000	\$000	\$000	\$000
<b>2005</b>					
Carrying amount at start of year	12	11	34	28	85
Additions	-	2	57	16	75
Depreciation	(6)	(6)	(25)	(8)	(45)
Carrying amount at end of year	6	7	66	36	115

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

## 20. Intangible assets

Licences		
At cost	17	-
Accumulated amortisation	(3)	-
Accumulated impairment losses	-	-
	<u>14</u>	<u>-</u>
Reconciliation		
Licences		
Carrying amount at start of year	-	-
Additions	17	-
Classified as held for sale	-	-
Revaluation increments	-	-
Impairment losses recognised in Income Statement	-	-
Impairment losses reversed in Income Statement	-	-
Amortisation expense	(3)	-
Carrying amount at end of year	<u>14</u>	<u>-</u>

## 21. Impairment of assets

There were no indications of impairment to Property, plant and equipments at 30 June 2006.

The Board held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

There were no surplus asset at 30 June 2006 classified as non-current held for sale or written off.

## 22. Payables

<u>Current</u>		
Trade payables	146	47
	<u>146</u>	<u>47</u>

See also note 2(o) 'Payables' and note 31 'Financial Instruments'.

## 23. Provisions

<u>Current</u>		
Employee benefits provision		
Annual leave <sup>(a)</sup>	30	24
Long service leave <sup>(b)</sup>	128	165
Superannuation <sup>(d)</sup>	11	17
	<u>169</u>	<u>206</u>
Other provisions		
Employment on-costs	1	2
	<u>170</u>	<u>208</u>
<u>Non-current</u>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	74	59
Superannuation <sup>(d)</sup>	6	4
	<u>80</u>	<u>63</u>
Other provisions		
Employment on-costs	1	1
	<u>81</u>	<u>64</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date	30	24
	<u>30</u>	<u>24</u>



**PITCHER PARTNERS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date	139	165
More than 12 months after reporting date	63	59
	<u>202</u>	<u>224</u>

- (c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 15 'Other expenses'.

**24. Other liabilities****Current**

Accrued expenses	63	64
Accrued salaries	3	2
	<u>66</u>	<u>66</u>

**25. Equity****Reserves****Fair value reserve:**

Balance at start of year	3,455	-
Net fair value increments/(decrements):		
Investments	1,336	3,455

Balance at end of year	<u>4,791</u>	<u>3,455</u>
------------------------	--------------	--------------

**Retained Earnings**

Balance at start of year	16,575	6,244
Result for the period	12,117	10,331

Balance at end of year	<u>28,692</u>	<u>16,575</u>
------------------------	---------------	---------------



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

## 26. Notes to the Cash Flow Statement

### Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	2,836	1,392
	<u>2,836</u>	<u>1,392</u>

### Reconciliation of profit after income tax equivalents to net cash flows provided by/(used in) operating activities

Profit	12,117	10,331
Non-cash items:		
Depreciation and amortisation expense	54	45
Investment income reinvested	(9,153)	(7,366)
Doubtful debts expense	(1)	10
Net (gain)/loss on sale of investments	(3,387)	420
Accrued LSL benefits liability	4,446	(2,935)
(Increase)/decrease in assets:		
Current receivables	(1)	41
Other current assets	(620)	(1,126)
Increase/(decrease) in liabilities:		
Current payables	99	22
Current provisions	(38)	16
Other current liabilities	-	(4)
Non-current provisions	17	46
Net cash provided by/(used in) operating activities	<u>3,533</u>	<u>(500)</u>

## 27. Commitments

### Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised in the financial statements as liabilities are payable as follows:

Within 1 year	117	72
Later than 1 year and not later than 5 years	425	12
	<u>542</u>	<u>84</u>

### Representing:

Non-cancellable operating leases	542	84
	<u>542</u>	<u>84</u>

### Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Motor vehicles		
Within 1 year	11	11
Later than 1 year and not later than 5 years	1	12
Property lease		
Within 1 year	106	61
Later than 1 year and not later than 5 years	424	-
	<u>542</u>	<u>84</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable in advance. Contingent rent provisions within the lease agreement require that the rent is reviewed on the first and third anniversaries to market rental. An option exists to renew the lease at the end of the five-year term for an additional term for five years. This option was exercised on 25 June 2006. The lease agreement provides for the rent to be reviewed to market rent on the commencement of the option period and on the second and fourth anniversaries.



**PITCHER PARTNERS**

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

Other expenditure commitments contracted for at the reporting date but not recognised as liabilities, are payable as follows:

Advertising	6	1
Within 1 year	<u>6</u>	<u>1</u>

## 28. Contingent liabilities and contingent assets

There were no significant contingent liabilities or contingent assets existing at reporting date.

## 29. Events occurring after the balance sheet date

On 1 October 2006 the entitlement to long service leave will change. Currently the entitlement is 13 weeks leave after accumulating the equivalent of 15 years service and pro-rate entitlement of 8 2/3<sup>rd</sup> weeks after 10 years. Effective from 1 October 2006 the entitlement will be 8 2/3<sup>rd</sup> weeks leave after 10 years and pro-rata leave of 6 weeks after 7 years service.

As a result of this change the Board's liability for long service leave will increase significantly. While the liability at 1 October 2006 has not been calculated, the Actuary estimated at 30 June 2006 the liability would be \$98.4 million compared with \$74.3 million as reported. That is, an increase of \$24.1 million.

## 30. Explanatory statement

This statement provides details of any significant variations between estimates and actual results for 2006 and between the actual results for 2005 and 2006. Significant variations are considered to be those greater than 10% or \$100,000.

### Significant variances between estimate and actual results for the financial year

	2006 Estimate \$000	2006 Actual \$000	Variation \$000
<b>INCOME</b>			
Contribution from employers	9,355	11,498	2,143 <sup>(a)</sup>
Investment revenue	7,115	10,354	3,239 <sup>(b)</sup>
<b>EXPENSES</b>			
Long service leave payments	4,902	5,746	844 <sup>(c)</sup>
Supplies and services	686	866	180 <sup>(d)</sup>
<b>OTHER</b>			
Provision for long service leave benefits	9,400	4,446	(4,954) <sup>(e)</sup>

(a) Contributions were received for 5,000 additional workers and from 550 additional employers.

(b) The return on investments was approximately 15% compared with the estimate of 8%.

(c) The number of claims for long service leave were greater than expected.

(d) Legislative changes to long service leave entitlements during the year were not anticipated. As a result there was additional expenditure associated with advertising, postage, printing, actuarial and legal advice.

(e) The long service leave liability was less than projected by the actuary.

### Significant variances between actual and prior year actual – revenues and expenditures

	2006 \$000	2005 \$000	Variance \$000
<b>INCOME</b>			
Contribution from employers	11,492	6,681	4,811 <sup>(a)</sup>
Investment revenue	12,701	10,821	1,880 <sup>(b)</sup>
Interest revenue	161	35	126 <sup>(c)</sup>
Decrease in long service leave liability		2,935	(2,935) <sup>(d)</sup>



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

Gains on disposal of non-current assets	1,041	-	1,041 <sup>(e)</sup>
<b>EXPENSES</b>			
Long service leave payments	5,746	4,561	1,185 <sup>(f)</sup>
Supplies and services	866	665	201 <sup>(g)</sup>
Loss on disposal of non-current assets	-	420	(420) <sup>(e)</sup>
Increase in long service leave liability	4,446	-	4,446 <sup>(d)</sup>

(a) The contribution rate was increased from 0.5% to 1% on 1 January 2005.

(b) Distributions from funds managers was higher than the previous year due to increases in realized capital gains.

(c) Additional funds were held in term deposits this year for cash flow purposes.

(d) Changes in the total long service leave liability are recorded following the annual actuarial reviews.

(e) Gains & losses on investments result from movements into new investments & out of under-performing existing investments.

(f) There were 940 claims paid for long service leave compared to 730 claims in the previous year.

(g) Increased expenditure for advertising, printing, postage & consultancy advice as a result of legislative changes affecting long service leave entitlements.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

### 31. Financial Instruments

#### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the Board are cash and cash equivalents, commercial bills, term deposits, receivables and payables. The Board has limited exposure to financial risks. The Board's overall risk management program focuses on managing the risks identified below.

##### *Credit risk*

The Board trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Board's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

##### *Liquidity risk*

The Board's objective is to maintain a positive cash flow. The Board has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

##### *Cash flow interest rate risk*

The Board is not exposed to interest rate risk because cash and cash equivalents and restricted cash are non-interest bearing and the Board is not permitted to have borrowings.

#### (b) Financial Instrument disclosures

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. Financial Instrument information from 1 July 2005 for the year ended 2006 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. See also note 2(s) 'Comparative figures'.

##### (a) Interest Rate Risk Exposure

The following table details the Board's exposure to interest rate risk as at the reporting date:

	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	Fixed Interest Rate Maturity Within 1 year \$000	1-2 Years \$000	2-3 Years \$000	3-4 Years \$000	4-5 Years \$000	More than 5 Years \$000	Non- Interest Bearing \$000	Total \$000
<b>2006</b>										
Financial assets										
Cash and cash equivalents	5.2	927	1,909	-	-	-	-	-	-	2,836
Receivables	-	-	-	-	-	-	-	-	112	112
Investments	3.4	-	-	-	-	-	-	23,748	78,652	102,400
		927	1,909	-	-	-	-	23,748	78,764	105,348
Financial liabilities										
Payables	-	-	-	-	-	-	-	-	146	146
Accrued salaries	-	-	-	-	-	-	-	-	3	3
Employee benefits	-	-	-	-	-	-	-	-	251	251
	-	-	-	-	-	-	-	-	400	400



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	Fixed Interest Rate Maturity Less than 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000	Non- Interest Bearing \$000	Total \$000
<b>2005</b>							
Financial Assets							
Cash and cash equivalents	5.05	390	1,002				1,392
Receivables	-	-	-	-	-	29	29
Investments	8.76	-	-	22,965	-	63,547	86,512
		390	1,002	22,965	-	63,576	87,933
Financial Liabilities							
Payables	-	-	-	-	-	47	47
Accrued salaries						2	2
Employee benefits		-	-	-	-	272	272
		-	-	-	-	321	321

(c) Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

### 32. Remuneration of members of the Accountable Board and senior officers

Remuneration on Members of the Accountable Board

The number of members of the Accountable Board, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are

\$		
0 – 10,000	7	7

The total remuneration of members of the Accountable Board is: 53      36

The superannuation included here represents the superannuation expense incurred by the Board in respect of the members of the Accountable Board.

No members of the Accountable Board are members of the Pension Scheme.

Remuneration of Senior Officers

The number of senior officers, other than senior officers reported as members of the Accountable Board, whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$		
90,001 – 100,000	-	1
100,001 – 110,000	1	-
130,001 – 140,000	1	1

The total remuneration of senior officers is: 236      234

The superannuation included here represents the superannuation expense incurred by the Board in respect of senior officers other than senior officers reported as members of the Accountable Board.

No senior officers are members of the Pension Scheme.

### 33. Remuneration of auditor

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	21	16
--	----	----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

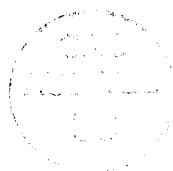
**34. Reconciliations explaining the transition to Australian equivalents to AIFRS****RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS : 1 JULY 2004 (AASB 1.39(a)(i))**

Note	Previous GAAP 1 July 2004 \$000	Adjustments AASB119 \$000 21.1a	AIFRS 1 July 2004 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
(1) Cash and cash equivalents	480		480
Receivables	113		113
(2) Other current assets	1,071		1,071
Investments	77,600		77,600
<b>Total Current Assets</b>	<b>79,264</b>		<b>79,264</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	85		85
<b>Total Non-Current Assets</b>	<b>85</b>		<b>85</b>
<b>TOTAL ASSETS</b>	<b>79,349</b>		<b>79,349</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
<b>Current liabilities</b>			
Accrued long service leave			
Benefits liability	30,733	2,044	32,777
Payables	25		25
Provisions	192		192
(3) Other current liabilities	70		70
<b>Total Current Liabilities</b>	<b>31,020</b>	<b>2,044</b>	<b>33,064</b>
<b>Non-Current Liabilities</b>			
Accrued long service leave			
Benefits liability	39,567	456	40,023
Provisions	18		18
<b>Total Non-Current Liabilities</b>	<b>39,585</b>	<b>456</b>	<b>40,041</b>
<b>Total Liabilities</b>	<b>70,605</b>	<b>2,500</b>	<b>73,105</b>
<b>Net Assets</b>	<b>8,744</b>	<b>(2,500)</b>	<b>6,244</b>
<b>Equity</b>			
Accumulated surplus	8,744	(2,500)	6,244

(1) Equivalent AGAAP line item 'Cash Assets' (AIFRS 'Cash and Cash Equivalents')

(2) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Other current assets')

(3) Equivalent AGAAP line item 'Other liabilities' (AIFRS 'Other current liabilities')



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**RECONCILIATION OF EQUITY AT THE END OF THE LAST REPORTING PERIOD UNDER PREVIOUS  
AGAAP: 30 JUNE 2005 (AASB 1.39(a)(ii))**

Note	GAAP 30 June 2005	Reclassification AASB119	Adjustment AASB119	AASB139	AIFRS 30 June 2005
	\$000	\$000 21.1c	\$000 21.1b	\$000 21.1d	\$000
<b>ASSETS</b>					
<b>Current Assets</b>					
(1) Cash and cash equivalents	1,392				1,392
Receivables	64				64
(2) Other current assets	2,197				2,197
Investments	86,512				86,512
<b>Total Current Assets</b>	<b>90,165</b>				<b>90,165</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	115				115
<b>Total Non-Current Assets</b>	<b>115</b>				<b>115</b>
<b>TOTAL ASSETS</b>	<b>90,280</b>				<b>90,280</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Current liabilities					
Accrued long service leave					41,687
Benefits liability	37,569	4,118			47
Payables	47				208
Provisions	194		14		66
(3) Other current liabilities	66				
<b>Total Current Liabilities</b>	<b>37,876</b>	<b>4,118</b>	<b>14</b>		<b>42,008</b>
<b>Non-Current Liabilities</b>					
Accrued long service leave					28,178
Benefits liability	29,760	(1,582)			64
Provisions	78		(14)		
<b>Total Non-Current Liabilities</b>	<b>29,838</b>	<b>(1,582)</b>	<b>(14)</b>		<b>28,242</b>
<b>Total Liabilities</b>	<b>67,714</b>	<b>2,536</b>			<b>70,250</b>
<b>Net Assets</b>	<b>22,566</b>	<b>(2,536)</b>			<b>20,030</b>
<b>Equity</b>					
Fair value reserve				3,455	3,455
Accumulated surplus	22,566	(2,536)		(3,455)	16,575
<b>TOTAL EQUITY</b>	<b>22,566</b>	<b>(2,536)</b>			<b>20,030</b>

The transition to AIFRS includes adjustments for the transition AIFRS as at 1 July 2004 plus adjustments for the period 1 July 2004 to 30 June 2005.

- (1) Equivalent AGAAP line item 'Cash Assets' (AIFRS 'Cash and Cash Equivalents')
- (2) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Current assets')
- (3) Equivalent AGAAP line item 'Other liabilities' (AIFRS 'Other current liabilities')



**PITCHER PARTNERS**





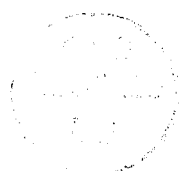
**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**RECONCILIATION OF INCOME STATEMENT (PROFIT OR LOSS) FOR THE YEAR ENDED 30 JUNE 2005  
(AASB 1.39(b))**

	GAAP 30 June 2005	Adjustments AASB139	Reclassification AASB119		Total	AIFRS 30 June 2005
	\$000	\$000 21.1d	\$000 21.1e		\$000	\$000
<b>Income</b>						
<b>Revenue</b>						
Contribution from employers	6,681					6,681
Employer surcharges	16					16
Investment revenue	10,436	(3,455)	420	(35)	(3,070)	7,366
(2) Interest revenue				35	35	35
Decrease in long service leave liability	2,971			(36)	(36)	2,935
<b>Total income</b>	<b>20,104</b>	<b>(3,455)</b>	<b>420</b>	<b>(36)</b>	<b>(3,071)</b>	<b>17,033</b>
<b>Expenses</b>						
Long service leave payments	4,561			-		4,561
(3) Employee benefits expense	764			(74)	(74)	690
Supplies and services	357			308	308	665
(1) Loss on redemption of investment	-		420			420
(4) Depreciation and amortisation expense	45					45
(5) Administration expenses	411			(411)		-
(6) Board members fees	36			(36)		-
Accommodation expenses	98					98
(7) Other expenses	10			195		205
(8) Finance costs				18		18
<b>Total expenses</b>	<b>6,282</b>		<b>420</b>	<b>-</b>	<b>420</b>	<b>6,702</b>
<b>Profit for the period</b>	<b>13,822</b>	<b>(3,455)</b>		<b>(36)</b>	<b>(3,491)</b>	<b>10,331</b>

- (1) Loss on redemption of investment is disclosed separately under AIFRS
- (2) Interest revenue is disclosed separately under AIFRS
- (3) Equivalent AGAAP line item 'Employee expenses' (AIFRS 'Employee benefits expense')
- (4) Equivalent AGAAP line item 'Depreciation expenses' (AIFRS 'Depreciation and amortisation expense')
- (5) Administration expenses have been reallocated to supplies and services, other expenses and finance costs under AIFRS
- (6) Board members fees have been reallocated to 'Other expenses' under AIFRS
- (7) Equivalent AGAAP line item 'Other expenses from ordinary activities' (AIFRS 'Other expenses') and reclassification of expenses from 'Administration expenses'
- (8) Finance costs (AIFRS) have been reclassified from 'Administration expenses' (AGAAP)



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**  
**(AASB 1.40)**

Note	GAAP 30 June 2005	Adjustments  AASB 119 21.1e	Total	AIFRS 30 June 2005
	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Receipts from employers	5,602			5,602
Interest received	35			35
GST receipts from taxation authority	96			96
<b>Payments</b>				
(1) Employee benefits	(692)			(692)
Supplies and services	(886)	321	321	(565)
(2) Financing costs	-	(18)	(18)	(18)
Accommodation	-	(98)	(98)	(98)
Payments for long service leave	(4,560)			(4,560)
GST payments on purchases	(95)			(95)
Other payments	-	(205)	(205)	(205)
<b>Net cash provided by/(used in) investing activities</b>	<b>(500)</b>	<b>-</b>	<b>-</b>	<b>(500)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of non-current physical assets	(78)			(78)
Proceeds from sale of investment	6,490			6,490
Purchase of investments	(5,000)			(5,000)
<b>Net cash provided by/(used in) investing activities</b>	<b>1,412</b>			<b>1,412</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>912</b>			<b>912</b>
Cash and cash equivalents at beginning of period	480			480
<b>CASH AND CASH EQUIVALENT ASSETS AT END OF PERIOD</b>	<b>1,392</b>			<b>1,392</b>

(1) Equivalent AGAAP line item 'Employee costs' (IFRS 'Employee benefits')

(2) Equivalent AGAAP line item 'Borrowing costs expense' (IFRS 'Finance costs')

**Note 21.1 Employee Benefits (AASB 119 and AASB 101)**

AASB 101 requires that a liability must be classified as current where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months beyond the reporting date. Consequently all annual leave and long service leave entitlements (unconditional long service leave) must now be classified as current. Non-vested long service leave liability will be non-current to the extent that it does not become unconditional within twelve months from reporting date.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

Employment on-costs are not included in employee benefits under AIFRS. However under AGAAP employee benefits and on-costs are disclosed together on the face of the Income Statement as employee expenses. Under AIFRS employee benefits will be the equivalent item disclosed on the face. On-costs are transferred to other expenses.

**21.1a Adjustments to opening Balance Sheet (1 July 2004):**

The AIFRS standard AASB 119 Employee Benefits applies to the Accrued Long Service Leave Liability which is estimated by the Board's Actuary. The assumptions as prescribed in AASB 119 to be used in calculating this liability are the rate of future wage increases and a discount rate to estimate the present value of future cash flow. The Actuary has used the 5 year Commonwealth Government Bond rate of 5.2% as the discount rate. The liability at 1 July 2004 would have increased by \$2.5 million from \$70.3million to \$72.8million. This increase has been allocated between the current and non-current portions of the liability.

**21.1b Adjustments to 30 June 2005 Balance Sheet**

The non-current liability for long service leave has been decreased (\$14,000) and the current liability has been increased (\$14,000).

**21.1c Adjustments for 30 June 2005 Balance Sheet**

The Actuary has estimated the Accrued Long Service Leave Benefits Liability would have been increased by \$2.536million from \$67.329million to \$69.865million using the same assumptions as required by AASB 119 (as described in 21.1a). The increase has been allocated between the current and non-current portions of the liability.

**21.1d Adjustments to the Income Statement at 30 June 2005**

The Board has determined that its investments should be classified as available for sale financial assets under AASB139. As a result gains or losses are recognised in equity and are transferred to profit and loss only when they are de-recognised. For the year end 30 June 2005 there was \$3.455 million in unrealised gains which have been transferred from revenue to the Fair Value Reserve.

**21.1e Adjustment to the Income Statement for the period 30 June 2005**

The net increase in the Accrued Long Service Leave Benefits Liability between 1 July 2004 (\$2.5 million) and 30 June 2005 (\$2.536 million) is recorded as \$36,000 in the Income Statement.

**21.1f Adjustments to the Cash Flow Statement for the period ended 30 June 2005**

Some items of expenditure have been reclassified under their more appropriate descriptions in AIFRS.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**PERFORMANCE INDICATORS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**PERFORMANCE INDICATORS**

**OUTCOME**

To fully implement the scheme within the Western Australian construction industry:-

- by ensuring all construction industry employers are registered and that contributions are being paid for eligible employees and
- by registering all eligible construction industry employees

**EFFECTIVENESS INDICATORS**

**(i) REGISTRATION OF EMPLOYERS:**

An average of 4,401 employers were registered in the Scheme for the financial year ended 30 June 2006 up from 4,052 registered last financial year.

This increase in registrations of 8.6% compares with an increase in the number of firms last financial year of 4%.

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003
Registered - Employers (Number)	4,401	4,052	3,896	3,853
Change in Number of Registered Employers (%)	14%	4%	1.12%	(0.89%)
Growth in Firms in the Industry (%) (IBISWORLD Pty Ltd)	*	9.7%	4%	(3.7%)

\* 2005/2006 statistics were not available at the time of preparation of this report.

**(ii) CONTRIBUTIONS PAID FOR ELIGIBLE EMPLOYEES**

The average number of employees contributed for by employers in the industry to the Board this financial year was 40,265 which was more than the average of 34,950 for the last financial year.

This increase in the number of employees contributed for of 15.21% compares with an increase in average construction industry employments of 8.86% based on construction industry employment statistics published by the Australian Bureau of Statistics.

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003
Employees contributed for (number)	40,224	34,950	32,066	28,406
Change in number of contributed for (%) Employees	15.10%	9.00%	12.88%	4.54. %
Change in number of in the industry (%) Employees	8.86%	19.00%	9.00%	4.31%

**(iii) REGISTRATION OF EMPLOYEES**

The Board's aim is to register all eligible construction industry employees. Due to the nature of the Scheme where employers advise new entrants into the Scheme in arrears, it is not possible to be completely up to date and as at 30 June 2006, 53,120 (87%) (last year 88%) of a possible 61,226 employees considered by the Board as eligible for registration have been registered.



**PITCHER PARTNERS**

---

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**PERFORMANCE INDICATORS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

---

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003	2002
Employees - percentage registered	87%	88%	86%	84%	87%

**EFFICIENCY INDICATOR**

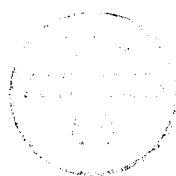
**SERVICE: REGISTRATION OF EMPLOYEES AND  
MAINTENANCE OF EMPLOYEE RECORDS**

As a measure of efficiency in producing the above service the staff resources used have been compared with similar Boards in other States.

The average number of staff employed per thousand registered employees in the W.A. Scheme is 0.21. The overall average for the other states was 0.49 staff per thousand registered employees using 2004/2005 figures, the latest figures available.

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003	2002
Staff per thousand employees	0.21	0.22	0.25	0.27	0.25



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**  
**PERFORMANCE INDICATORS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**OUTCOME**

To minimise the contribution rate payable:-

- by maximising the rate of return on investment funds and
- by minimising the administrative cost of the Scheme

**EFFECTIVENESS INDICATORS**

**(i) INVESTMENTS**

In accordance with the provisions of the Construction Industry Portable Paid Long Services Leave Act all Board investments meet the requirements of the WA Trustees Act.

During the year short term funds were placed in the short term money market and on fixed deposit in Banks.

At the close of the financial year the bulk of the Board's funds were being managed on behalf of the Board by funds managers; Maple Brown Abbott, Credit Suisse, Morgan Stanley, Deutsche Asset Management, Macquarie, UBS and Bernstein.

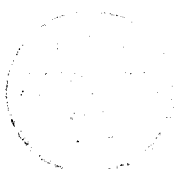
The Board's aim is to achieve a rate of return on its funds comparable to that being achieved by pooled funds. The average rate of return achieved by growth pooled fund managers for the year ended June 2006 was 15.5% according to information supplied by the firm of Price Waterhouse Coopers.

The Board's return on funds invested was 15.6% compared to 13.2% last year.

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003	2002
Board's Investment Return	15.6%	13.2%	14.3%	(1.9%)	(6.8%)
Investment Return - (Average) Pooled Growth Funds	15.5%	13.1%	14.4%	(1.7%)	(4.3%)

Over the last five years the Board's return on investment has averaged 6.88% which compares with the five year average return of 7.4% achieved by pooled growth funds. Over 7 years the Board has averaged 8.0% compared with the pooled growth fund average of 7.8%.



---

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD****PERFORMANCE INDICATORS  
FOR THE YEAR ENDED 30 JUNE 2006**

---

**(ii) MANAGEMENT EXPENSE RATIO**

The management expense ratio (MER) is the Administration Expenses expressed as a percentage of the Total Assets. The MER this year was 1.75% compared with 1.91% for 2004/2005.

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003	2002
Management Expenses Ratio	1.75%	1.91%	1.87%	1.97%	1.76%

**EFFICIENCY INDICATOR****SERVICE: REGISTRATION OF EMPLOYEES**

An overall measure of efficiency is the cost of administering the Scheme expressed as a cost per registered employee. This has been compared with similar Boards in other States.

The W.A. figure for 2005/2006 is \$35.60 per annum per registered employee and for other States the average cost, based on 2004/2005 figures, the latest figures available, was \$56.50 per annum per employee.

**YEAR BY YEAR COMPARISONS**

FINANCIAL YEAR	2006	2005	2004	2003	2002
W.A. Cost per Employee	\$35.60	\$37.20	\$35.66	\$40.04	\$36.93
Other States	*	\$56.50	\$56.13	\$52.91	\$40.89

\* 2005/06 figures not available at time of preparation of the Report.

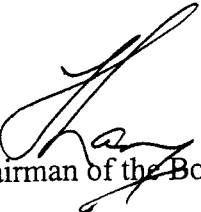
**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD**


**CERTIFICATION OF PERFORMANCE INDICATORS  
FOR THE YEAR ENDED 30 JUNE 2006**

**STATEMENT:**

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Construction Industry Long Service Leave Payments Board's performance and fairly represent the performance of the Construction Industry Long Service Leave Payments Board for the financial year ended 30 June 2006.

Signed this .....<sup>16<sup>th</sup></sup>..... day of August 2006

  
Chairman of the Board

  
Member of the Board



---

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD  
ANNUAL ESTIMATES  
FOR THE YEAR ENDED 30 JUNE 2006

---

*Section 42(2) of the FAAA provides for the Accountable Authority of a statutory authority to submit annual estimates to the Minister for approval not later than 1 month after the commencement of the financial year to which the estimates relate.*

*Under Division 14 – Annual Reports of the FAAA the Accountable Authority is to submit an annual report to the responsible Minister, after receiving the opinion of the Auditor General, for tabling in Parliament within 90 days after the end of the financial year.*

*Statutory authorities not operating as Divisions of the Consolidated Fund should include in the annual report submitted to the responsible Minister under the provisions of section 68 of the Act, appropriately approved annual estimates. Where the estimates have not been approved, they should still be included in the annual report submitted, however they must be replaced by the approved estimates prior to the tabling of the annual report in Parliament under section 69 of the FAAA.*

*Any request from a statutory authority not operating as a Division of the Consolidated Fund for a variation from the requirement to include the annual estimates in the annual report of the statutory authority, should be submitted to the Under Treasurer with full reasons as to why the annual estimates should not be published.*

The section 42 estimates do not form part of the financial statements submitted for audit.





## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

#### Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Construction Industry Long Service Leave Payments Board at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of the Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended 30 June 2006.

#### Scope

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, for preparing the financial statements and performance indicators, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements.

The performance indicators consist of key indicators of effectiveness and efficiency.

#### Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and performance indicators.

D D R PEARSON  
AUDITOR GENERAL  
27 September 2006