

Home Warranty Insurance performance report released

The Office of Fair Trading (OFT) has made public, the first report giving an insight into the performance of the Home Warranty Insurance Scheme (HWI) since significant changes to the scheme were made in 2002.

A recommendation of the 2003 Grollman Inquiry into HWI, called for the development of Market Practice Guidelines, which required approved HWI insurers to do certain things, including providing substantial information to the government in order that the government is better positioned in respect of the overall performance of the scheme. A common comment in the reports of the numerous inquiries held into the scheme over the years was the severe lack of data, irrespective that the approved insurers had a statutory responsibility to provide certain information to the OFT.

The HWI report is based upon the current version of the scheme which came into effect on the 1st July 2002 whereby HWI protection is provided in the event of insolvency, death or disappearance – scheme of "last resort" as it is commonly known. As previously mentioned, despite an obligation on insurers to regularly report certain data to the OFT, the current report only deals with data provided since September 2005, whereby it appears that the approved insurers are honouring their commitment provided by the Market Practice Guidelines and a Deed entered into by the insurers and the Government.

Minister Sartor wants more complying development

In a speech to the New Ideas Planning Forum, held in August 2007, the Minister for Planning, Frank Sartor has signalled his clear intentions that he wants to increase the number of projects classified as exempt or complying development by 50% within two years.

The Minister stated that council's are dealing with too many DA's which should be complying development. Consequently council's are taking too long to deal with relatively small and simple projects and he intends to do something about it.

The Minister advised the forum that he has an agenda for planning reform and is prepared to remove the excessive red tape and blockages plaguing the industry.

Addition information and material from the New Ideas Planning Forum, including the outcomes of the numerous workshops held on the day can be accessed at : www.planning.nsw.gov.au/forum.

Building Professionals Board advertising for additional investigators

The Building Professionals Board (BPP) is seeking to recruit an additional 7 investigators to undertake the auditing and compliance of private certifiers accredited by the BPP.

The recruitment of additional investigators comes on top of the appointment of a number of suitably qualified person to advisory committees who will provide expert advice to the Board on accreditation applications, complaints and audit investigations of certifiers.

In our view the report provides no significant revelations. As has been commonly assumed by industry, under the scheme of "last resort", the amount of premium raised has far exceeded the amount in claims paid. In the period from June 2006 until the end of March 2007, the report identifies a total premium of over \$42 million, while the insurers made total gross payments of \$7.4 million. The report however emphasises caution in interpreting the data, by advising that the current version of the scheme is relatively new and data collection systems have only been in place for 18 months. The report notes that HWI has a "long tail" and as a consequence, there may be significant delay in claims coming to fruition due to such factors as, when the project commences, the duration of the project and that the warranty period for claims is six years after the project is completed.

What is a surprise in the report is the data on the number of builders holding eligibility or the number of builders who can access HWI. Master Builders has for a long time been trying to access data to support our view that during the period of turmoil in the scheme where builders were effectively been locked out, that less than 40% of all licensed builders had access to warranty insurance, and therefore could not perform work above \$12,000. The report identifies that as of the end March this year, 14,418 builders hold eligibility.

Master Builders continues to lobby over changes to CPD

While changes to the mandatory Continuing Professional Development scheme have been clearly signalled, Master Builders continues to lobby over proposed changes to achieve a more simplified and relevant process.

Meetings with officers of Fair Trading have been very constructive with a number of initiatives and proposal put forward to make the scheme simpler, while giving greater relevance to the types of activities which can be undertaken.

Master Builders supports the decision to defer implementing further changes until the 1st January 2008. It is our strongest view that it is more important to ensure that any changes are well considered, rather simply focussing on a particular timeline.

for HWI. In comparison, licensing statistics show that at the end of June 2006, there were 34,173 holders of full builder licences and qualified supervisor certificates. These figures are surprising in that we expected the current level of eligibility to be higher.

It is acknowledged that of the 34,000 licensed builders, not all would be active and may, through their own choice be in a position which does not require HWI eligibility. However, in more recent times insurers have substantially softened their criteria for eligibility and as a consequence of more competition with seven insurers in the marketplace, builders are better positioned to shop around and get a better deal.

The report identifies a modest growth in eligibility with 13,085 in June 2006, climbing to 14,418 to the end of March this year.

It is our view that the fact that the NSW residential sector is in recession would have some bearing on the current eligibility figures, and we are also of the view that there are still many builders who still hold the legacy of the poor treatment by insurers in previous times and have the view that if they can avoid the need to obtain HWI, then they will continue to do so.

A copy of the report can be obtained from the OFT website at <http://www.fairtrading.nsw.gov.au/pdfs/building/hwidatamarch2007.pdf>

DISCOUNT ACCOUNTING PACKAGES

Accounting Express Centre Pty Ltd can deliver savings on accounting costs for small and medium sized builders and tradespeople.

Discounted packages, at a fixed price with simple monthly payment terms, are available to members including: compliance packages, bookkeeping, personal tax returns, cash flow preparation and industry benchmarking.

Furthermore, MBA members will receive a 10% discount on their first year fees.

For further information please call Accounting Express Centre on 1300 828 888, www.accountingexpresscentre.com.au and tell the operator you are an MBA member.

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The next time you are looking for a great deal on a Telstra Mobile, Landline or Internet speak to us about the exclusive Master Builders Telstra products. Master Builders has access to Telstra corporate offers which are greater than the standard off-the-shelf plans you see in the market.

1. Savings of up to 30% on your Telstra phone bill
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3. Wide range of phones and accessories
4. Single bill convenience

5. Dedicated Master Builder call centre
6. Quick sign up process using the latest technology

Master Builders takes the stress and worry out of looking by having a bill analysis system which compares your current bills with how much it would have cost being with us! This way you will know if you are already on the best deal or if we can save you more!

What have you got to lose?

Call us now on 1300 881 972 or email phones@masterbuilders.nsw.au

Victorian Building Costs over the term 1998 to 2006

Domestic Building Work only

Dates	Number of Domestic Building Permits	Value of Domestic Building Works	Average Building cost per permit	% Cost Increase from previous year	Cumulative % Cost Increase from 1998
1998	78489	4,864,086,000	61,972		
1999	86850	6,000,209,000	69,088	11.5%	11.5%
2000	81082	5,662,697,695	69,840	1.1%	12.7%
2001	86426	6,929,659,000	80,181	14.8%	29.4%
2002	90052	7,929,317,000	88,053	9.8%	42.1%
2003	90313	8,458,322,000	93,656	6.4%	51.1%
2004	87984	8,725,755,457	99,175	5.9%	60.0%
2005	83740	8,592,019,914	102,604	3.5%	65.6%
2006	83893	8,871,929,241	105,753	3.1%	70.6%

The 70.6% increase in building costs since 1998 represents an unprecedented explosion in the cost of building that is now having a direct impact on housing affordability for the community

HIA INSURANCE SERVICES PTY LTD

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HIA INSURANCE SERVICES PTY LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

The directors of HIA Insurance Services Pty Ltd submit their report for the financial year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the company's directors in office during the financial year and until the date of this report are:

- G W Murray
- G R Donovan (resigned on 31/10/2006)
- D J Farrell
- S J Landner (appointed on 31/10/2006)
- P L Grigg (appointed on 31/10/2006;
resigned on 11/12/2006)
- R W Ord (appointed on 31/10/2006)
- K James (appointed on 31/10/2006)
- R Silberberg (appointed on 31/10/2006)
- R Morschel (appointed on 31/10/2006)
- B Langford-Jones (appointed on 11/12/2006)

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

Principal activity

The principal activities of the company in the course of the financial year were insurance broking and risk management. No significant change in the nature of these activities has taken place during the financial year.

Corporate structure

HIA Insurance Services Pty Ltd is a company limited by shares that is incorporated and domiciled in Australia. Its immediate parent entity is Aon Holdings Australia Pty Ltd. Its ultimate parent entity is Aon Corporation Inc., USA.

Registered office

Level 33, 201 Kent Street
Sydney NSW 2000

Operating Results

The net amount of profit for the financial year to 31 December 2006 after income tax was nil. (2005 Profit: nil).

Employees

The company employed 79 employees as at 31 December 2006 (31 December 2005: 83 employees).

Dividends

During the year, dividends of \$5,305,201 were declared or paid (2005: nil).

HIA INSURANCE SERVICES PTY LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

Significant changes in the state of affairs

During the year, there was no significant change in the state of affairs of the company.

Likely developments and expected results

The directors believe on reasonable ground that disclosure of information regarding likely developments in the operations of the company and expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the company. Accordingly, this information has not been included in this report.

Matters arising subsequent to year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to affect significantly the operations of the company, the result of those operations, or the state of affairs of the company in subsequent financial years.

Indemnification and insurance of directors

During or since the financial year, Aon Risk Services Australia Limited, a related entity, has paid premiums to insure the directors of the company. Premiums are charged to HIA Insurance Services Pty Ltd by a management fee. The terms of the policy prohibit disclosure of the details of the insurance cover and premium paid.

Directors' benefits

No director of the company has received or become entitled to receive a benefit not disclosed in the accounts, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Environmental regulation and performance

The operations of the company are not subject to any particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory. There have been no known breaches of any other environmental requirements applicable to the company.

Auditor's independence declaration

The directors received a declaration of independence from the auditor of HIA Insurance Services Pty Ltd which is attached to the directors' report on page 5.

Non-audit services

The entity's auditor, Ernst & Young, did not perform any non-audit services during the year.

HIA INSURANCE SERVICES PTY LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

Signed in accordance with a resolution of the directors.



G. W. MURRAY
Director

Sydney

Date 20.4.07



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Australia

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Sydney NSW 2001

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DX Sydney Stock
Exchange 10172

Auditor's Independence Declaration to the Directors of HIA Insurance Services Pty Limited

In relation to our audit of the financial report of HIA Insurance Services Pty Limited for the financial year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Peter Gaydon'.



Peter Gaydon
Partner
20 April 2007

HLA INSURANCE SERVICES PTY LTD

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	2006 \$	2005 \$
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	10(a)	3,282,693	6,998,922
Trade and other receivables	5	826,956	1,997,562
Deferred tax asset	4b	198,863	186,885
Income tax receivables		31,982	-
Total Current Assets		4,340,494	9,183,369
<u>Non-Current Assets</u>			
Deferred tax asset	4b	154,146	106,791
Property, plant and equipment	6	700,291	753,586
Total Non-Current Assets		854,437	860,377
TOTAL ASSETS		5,194,931	10,043,746
LIABILITIES			
<u>Current Liabilities</u>			
Trade and other payables	7	4,824,700	4,353,444
Income tax payables			139,041
Deferred tax liabilities	4b	162,701	95,521
Total Current Liabilities		4,987,401	4,588,006
<u>Non Current Liabilities</u>			
Provisions	8	205,770	150,535
Deferred tax liabilities	4b	759	-
Total Non Current Liabilities		206,529	150,535
TOTAL LIABILITIES		5,193,930	4,738,541
NET ASSETS		1,001	5,305,205
EQUITY			
Contributed equity	9	1,001	4
Retained earnings		-	5,305,201
TOTAL EQUITY		1,001	5,305,205

HIA INSURANCE SERVICES PTY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 \$	2005 \$
Continuing operations revenue	3a	22,207,341	22,758,205
Employee benefits expense	3b	(5,354,866)	(4,920,975)
Depreciation expense	3b	(172,271)	(159,068)
Occupancy expense	3b	(583,017)	(616,057)
Travel and entertainment expense	3b	(248,211)	(279,405)
Information technology expense	3b	(209,896)	(354,571)
Communication expense	3b	(503,190)	(594,688)
Management fees expense	 3b	(6,247,937)	(6,519,499)
Management fees reimbursement expense	3b	(1,936,500)	(2,000,000)
Licence fees expense	 3b	(6,247,938)	(6,530,200)
Other expenses	3b	(703,515)	(783,742)
Profit from continuing operations before income tax		-	-
Income tax expense	4a	-	-
Net profit for the period after income tax		-	-

HIA INSURANCE SERVICES PTY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	\$	\$
Cash flows from operating activities		
Receipts from customers	21,822,624	21,773,194
Payments to suppliers	(25,024,501)	(23,439,262)
Interest received	1,261,829	1,332,446
Income tax paid	(162,417)	(1,303,025)
Net cash flows used in operating activities	(2,102,465)	(1,636,647)
Cash flows from investing activities		
Purchase of property, plant and equipment	(118,976)	(317,189)
Proceeds from sales of property, plant and equipment	-	26
Net cash flows used in investing activities	(118,976)	(317,163)
Cash flows from financing activities		
Proceeds from shares issued	997	
Proceeds from related party loans	3,809,416	1,449,272
Dividend paid	(5,305,201)	-
Net cash flows from/(used in) financing activities	(1,494,788)	1,449,272
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,716,229)	(504,538)
Cash and cash equivalents at the beginning of the period	6,998,922	7,503,460
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,282,693	6,998,922

HIA INSURANCE SERVICES PTY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Issued capital \$	Retained earnings \$	Total \$
At 1 January 2005	4	5,305,201	5,305,205
Profit for the year	-	-	-
At 31 December 2005	4	5,305,201	5,305,205
Profit for the year	-	-	-
Dividends	-	(5,305,201)	(5,305,201)
Shares issued	997	-	997
At 31 December 2006	1,001	-	1,001

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 1. CORPORATE INFORMATION

The financial report of HIA Insurance Services Pty Ltd for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 20 April 2007.

HIA Insurance Services Pty Ltd is a company limited by shares that is incorporated and domiciled in Australia. Its immediate parent entity is Aon Holdings Australia Pty Ltd. Its ultimate parent entity is Aon Corporation Inc., USA.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical-cost basis and is presented in Australian dollars.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS').

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the company for the reporting period ending 31 December 2006. Management has not performed a detailed assessment of the impact of the new or amended standards, however does not believe they will have a material impact on the financial statements, taking into consideration the needs of the users.

c) Revenue Recognition

Rendering of Services

- Commission revenue is recognised at either the 'billing date' or the 'effective date' of the underlying insurance policy, whichever is the latter
- Fee revenue is recognised at the time the service has been performed and billed.

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

d) Foreign currency translation

Both the functional and presentation currency of the company is in Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

All exchange differences in the financial report are taken to profit and loss in the period in which they arise

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Cash and cash equivalents

Cash in the balance sheet comprises cash at bank, which earns interest at floating rates based on daily deposit rates.

For the purpose of the Cash Flow Statement, cash consists of cash as defined above, net of outstanding bank overdrafts.

f) Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where an indicator of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recorded in the income statement in the year in which they are recognised.

Assets that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

g) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Major Depreciation Periods	2006	2005
Leasehold Improvements	Lease Term	Lease Term
Plant and equipment	5 to 15 years	5 to 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Property, plant and equipment (cont'd)

indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less cost to sell and value in use. Impairment losses are recognised in the income statement.

h) Trade and other receivables

Trade receivables, which generally have 7-day terms are recognised and carried at original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from related parties are carried at the principal amount. Interest, when charged to the borrower, is recognised as revenue on an accruals basis, using the effective interest rate method.

i) Income tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not arise in the future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; and

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1) Income tax (cont'd)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

From 1 January 2003 until 31 October 2006, for the purposes of income taxation, HIA Insurance Services Pty Ltd was a member of a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligation. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group was Aon Corporation Australia Limited.

The head entity and the controlled entities in the consolidated group accounted for their own current and deferred tax amounts using a "stand alone" approach for each entity, as if they were entities in their own rights.

Assets or liabilities arising under the tax sharing agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement were recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Other taxes

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivable and payables are stated with the amount of GST included

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, is classified as an operating cash flow.

k) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. Operating trade creditors generally have 7 day terms.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

l) Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using interest rates at the reporting date which attach to government guaranteed securities which have terms to maturity approximating the terms of the related liability.

m) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the financial year in which they are incurred

Operating Lease Commitments

Operating lease commitments on leased premises represent payments at the contract rate applicable at 31 December 2006. Future lease payments on some contracts are subject to either CPI or market rate adjustments and have options for renewal or extension at market rates.

Lease Incentives

In the event that lease incentives are received to enter into non-cancellable operating leases, such incentives are recognised as a liability and reduced by allocating lease rental payments between rental expense, reduction of the liability and, where appropriate, interest expense.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the statement of financial performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

e) Contributed equity

Contributed equity is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

HIA INSURANCE SERVICES PTY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006****NOTE 3. REVENUE AND EXPENSES**

	2006 \$	2005 \$
a) Revenues		
Revenue from services	20,945,512	21,425,759
Interest income	1,261,829	1,332,446
Total continuing operations revenue	22,207,341	22,758,205
b) Expenses		
Salaries and bonuses	4,503,660	4,228,835
Payroll tax	321,582	229,219
Employment benefits	136,470	64,406
Superannuation contributions	393,154	398,515
Total employee benefits expenses	5,354,866	4,920,975
Depreciation expense	172,271	159,068
Occupancy expense	583,017	616,057
Travel and entertainment expense	248,211	279,405
Information technology expense	209,896	354,571
Communication expense	503,190	594,688
Management fees expense	6,247,937	6,519,499
Management fees reimbursement expense	1,936,500	2,000,000
License fees expense	6,247,938	6,530,200
Other expenses	703,515	783,742
Total expenses	22,207,341	22,758,205

NOTE 4. INCOME TAX

	2006 \$	2005 \$
Major components of income tax expense for the years ended 31 December 2006 and 2005 are:		
(a) Income statement		
<i>Current income tax</i>		
Current income tax charge	(7,872)	163,151
Adjustment in respect of current income tax of previous years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	7,872	(163,151)
Income tax reported in income statements	-	-

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company effective tax rate for the years ended 31 December 2006 and 2005 is as follows:

Accounting profit before income tax for continuing operations	-	-
At the statutory income tax rate of 30% (2005: 30%)	-	-
Expenditure not allowable for income tax purposes	-	-
Adjustment in respect of current income tax of previous years	-	-
At effective income tax rate of 30% (2005: 30%)	-	-

HIA INSURANCE SERVICES PTY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

b) Deferred Income tax	Balance Sheet		Income Statement	
	2006	2005	2006	2005
	\$	\$	\$	\$
Deferred income tax as at 31 December relates to the following:				
<i>Deferred income tax liabilities</i>				
Accrued brokerage	(161,724)	(92,823)	68,900	92,823
Employee benefits	(759)	-	759	-
Other	(977)	(2,698)	(1,721)	2,698
Gross deferred income tax liabilities	(163,460)	(95,521)		
<i>Deferred income tax assets</i>				
Employee benefits	166,145	144,460	(21,686)	(144,460)
Tax depreciation	92,415	61,630	(30,785)	(27,543)
Accrued expenses	90,089	85,437	(5,386)	(85,404)
Other	4,360	2,142	(2,209)	(1,265)
Gross deferred income tax assets	353,009	293,676		
Deferred tax income (expense)			7,872	(163,151)

NOTE 5. TRADE AND OTHER RECEIVABLES

	2006	2005
	\$	\$
Trade debtors	296,540	1,464,732
Provision for doubtful debts	(111,558)	-
Other debtors and prepayments	641,974	350,894
Amount owing by related entities	-	181,936
Total trade and other receivables	826,956	1,997,562

NOTE 6. PROPERTY, PLANT AND EQUIPMENT**(a) Property, plant and equipment**

Improvement to leased property, at cost	740,212	733,410
Less: Accumulated depreciation	(225,346)	(148,460)
Net carrying amount	514,866	584,950
Software, at cost	344,670	344,670
Less: Accumulated depreciation	(344,670)	(344,670)
Net carrying amount	-	-
Furniture, fixtures and equipment, at cost	884,397	772,223
Less: Accumulated depreciation	(698,972)	(603,587)
Net carrying amount	185,425	168,636
Total property, plant and equipment	700,291	753,586

HIA INSURANCE SERVICES PTY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006****NOTE 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)****(b) Reconciliations**

	2006	2005
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.	\$	\$
Improvement to leased property		
Net of accumulated depreciation	584,950	374,475
Additions	6,802	277,571
Depreciation charge for the year	(76,886)	(67,096)
	<u>514,866</u>	<u>584,950</u>
Furniture, fixtures and equipment		
Net of accumulated depreciation	168,636	221,016
Additions	112,174	39,618
Disposals	-	(26)
Depreciation charge for the year	(95,385)	(91,972)
	<u>185,425</u>	<u>168,636</u>
Total property, plant and equipment	700,291	753,586

NOTE 7. TRADE AND OTHER PAYABLES

Trade creditors	369,808	3,550,289
Other payables	471,786	522,029
Employee entitlements	322,342	247,842
Amounts owing to related entities	3,660,764	33,284
Total Payables	4,824,700	4,353,444

NOTE 8. NON-CURRENT PROVISIONS

Employee entitlements	205,770	150,535
-----------------------	---------	---------

NOTE 9. CONTRIBUTED EQUITY

	Class A	500	4
Ordinary shares, issued and fully paid	Class B	500	-
	Class C	1	-
		<u>1,001</u>	<u>4</u>

Holders of Class A, B and C ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from sale of all surplus assets in proportion to the number of the amounts paid up on shares held.

Class A and B ordinary shares entitle their holder to one vote, either in person or by proxy, at the meeting of the company.

HIA INSURANCE SERVICES PTY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006****NOTE 9. CONTRIBUTED EQUITY (Cont'd)**

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued capital.

NOTE 10. CASH AND CASH EQUIVALENTS

	2006	2005
	\$	\$
<i>(a) Reconciliation of cash</i>		
Cash balance comprises:		
Cash	3,282,693	6,998,922
<i>(b) Reconciliation of operating profit after income tax to net cash flows from operations</i>		
Operating profit after income tax	-	-
<i>Non- Cash Items:</i>		
Depreciation and amortisation	172,271	159,068
Bad debt provision	111,558	-
<i>Changes In Net Assets And Liabilities</i>		
(Decrease)/Increase in income tax payable	(171,023)	(1,139,874)
Decrease/(Increase) in deferred tax assets	(59,333)	(258,672)
Increase/(Decrease) in deferred tax liability	67,939	95,521
(Increase)/Decrease in current receivables	877,112	347,435
(Increase)/Decrease in non-current receivables	-	-
Increase/(Decrease) in current liabilities	(3,156,224)	(990,660)
Increase/(Decrease) in non-current liabilities	55,235	150,535
Net cash flows from operating activities	(2,102,465)	(1,636,647)

NOTE 11. SEGMENT INFORMATION

The Company operations involve a single industry – insurance broking services carried out in Australia.

NOTE 12. RELATED PARTY DISCLOSURES

a) The immediate Australian parent entity is Aon Holdings Australia Pty Limited. The ultimate parent entity is Aon Corporation Inc., a company incorporated in the United States of America.

b) The following individuals have been identified as key management personnel:

G W Murray – Director (non-executive)
 G R Donovan – Director until 31/10/06
 D J Farrell – Director (non-executive)

HIA INSURANCE SERVICES PTY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

NOTE 12. RELATED PARTY DISCLOSURES (CONT'D)

Aggregate compensation for key management personnel comprise of the following:

	2006 \$	2005 \$
Short-term employee benefits	395,166	325,801
Post employment benefits	44,702	40,788
Share-based payments	1,649	-
Total compensation	441,517	366,589

The allocation of compensation is based on time spent by the individuals in this company.

- c) During the financial period short-term loans were provided to and from related entities. The loans have no specified repayment date and are interest free. At the year ended, the amounts comprise as follow:

Non-interest bearing amounts	-	181,936
Interest bearing amounts	-	-
Total amounts owing by related entities	-	181,936
Non-interest bearing amounts	3,660,764	33,284
Interest bearing amounts	-	-
Total amounts owing to related entities	3,660,764	33,284

- d) Licence fees of \$6,247,938 (2005: \$6,530,200) and management fees of \$8,184,437 (2005: \$8,519,499) are paid to Housing Industry Association Limited and Aon Risk Services Australia Limited, respectively, in accordance with the Deed of Variation - HIA Agreement.

NOTE 13. SUBSEQUENT EVENTS

There have been no significant events which have occurred subsequent to 31 December 2006.

NOTE 14. AUDITORS' REMUNERATION

Amounts paid or due and payable to Ernst & Young for:

Audit of financial report of the entity	19,100	15,000
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Audit fees are paid and borne by a related entity within the wholly owned group, Aon Risk Services Australia Limited.

HIA INSURANCE SERVICES PTY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006****NOTE 15. FINANCIAL INSTRUMENTS**

- a) The company's principle financial instruments comprise cash, related party receivables and trade debtors and trade creditors which arise directly from its operations. The accounting policy for cash is described in note 2e. The policies for related party receivables and trade debtors are described in note 2h. The policy for trade payables is described in note 2k.
- b) The main risk arising from the company's financial instruments is concentration of credit risk from trade receivables. The risk is managed by actively following up on slow paying debtors and by recording a provision for doubtful debts when collection of the full nominal amount is no longer probable.

The fair value of all financial instruments approximates carrying value.

Cash is the only financial asset subject to interest rate risk, at the floating rate of interest.

- c) The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 31 December 2006	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$	Weighted average effective interest rate %
FINANCIAL ASSETS					
Fixed rate	-	-	-	-	N/A
<i>Weighted average effective interest rate (%)</i>	-	-	-		
Floating rate					
Cash and cash equivalents	3,282,693			3,282,693	5.61
<i>Weighted average effective interest rate (%)</i>	5.61	-			
FINANCIAL LIABILITIES					
Fixed rate	-	-	-	-	N/A
<i>Weighted average effective interest rate (%)</i>	-	-	-		
Floating rate	-	-	-	-	N/A
<i>Weighted average effective interest rate (%)</i>	-	-	-		

HIA INSURANCE SERVICES PTY LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006****NOTE 15. FINANCIAL INSTRUMENTS (CONT'D)**

Year ended 31 December 2005	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$	Weighted average effective interest rate %
FINANCIAL ASSETS					
Fixed rate	-	-	-	-	N/A
<i>Weighted average effective interest rate (%)</i>	-	-	-		
Floating rate					
Cash and cash equivalents	6,998,922			6,998,922	5.26
<i>Weighted average effective interest rate (%)</i>	5.26	-	-		
FINANCIAL LIABILITIES					
Fixed rate	-	-	-	-	N/A
<i>Weighted average effective interest rate (%)</i>	-	-	-		
Floating rate	-	-	-	-	N/A
<i>Weighted average effective interest rate (%)</i>	-	-	-		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

NOTE 16. COMMITMENTS AND CONTINGENCES

As at 31 December 2006 and 2005, the company has no material commitments or contingences, other than the items disclosed above.

HIA INSURANCE SERVICES PTY LTD
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2006

In accordance with a resolution of the directors of HIA Insurance Services Pty Ltd, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Director

Sydney

Date 20. 4. 07



Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

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Sydney NSW 2001

Tel 61 2 9248 5555
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Exchange 10172

Independent audit report to members of HIA Insurance Services Pty Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for HIA Insurance Services Pty Limited (the company), for the year ended 31 December 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

 **ERNST & YOUNG**

Independence


We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Audit opinion

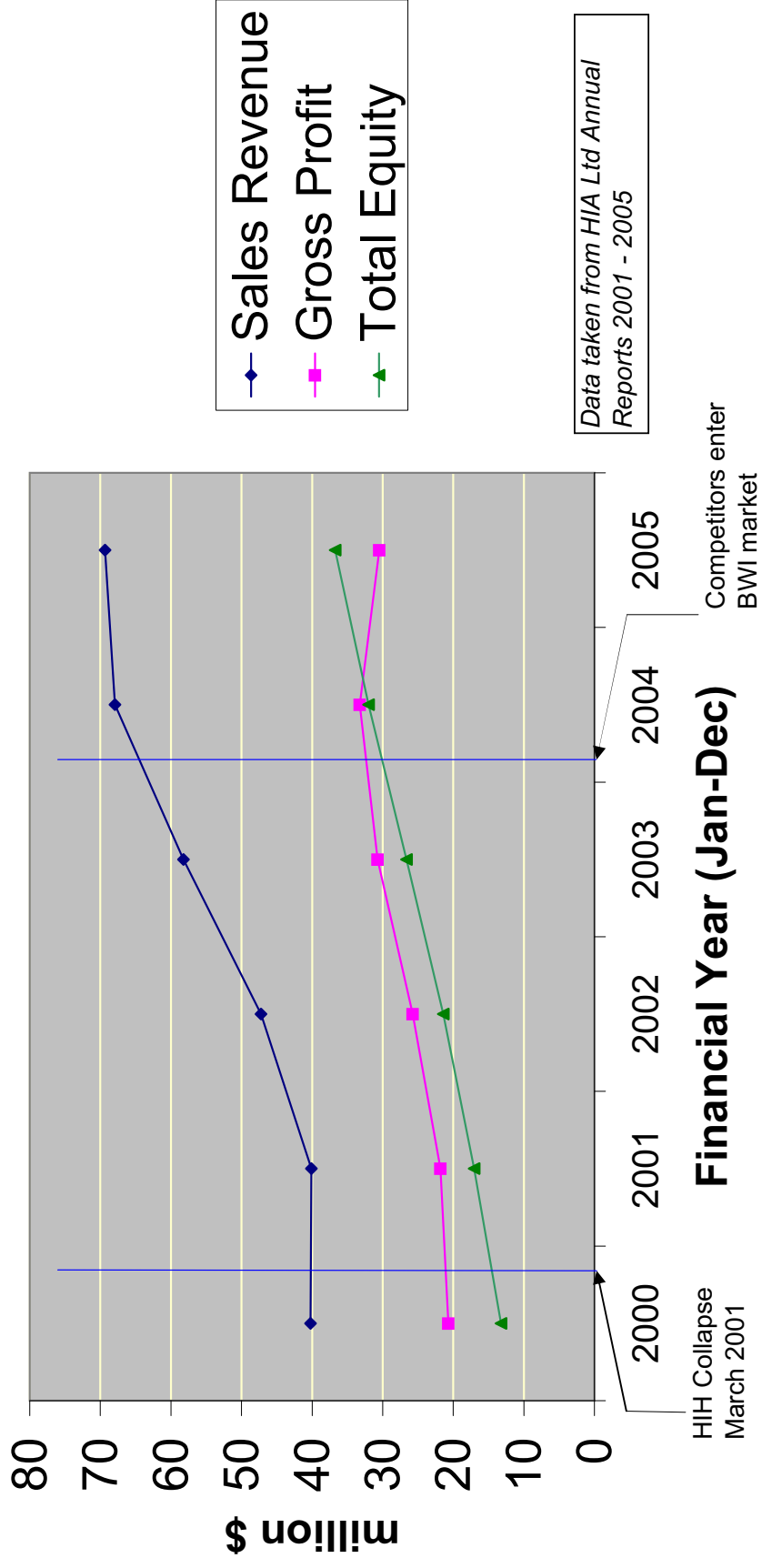
In our opinion, the financial report of HIA Insurance Services Pty Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of HIA Insurance Services Pty Limited at 31 December 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.


Ernst & Young


P. R. Gaydon
Partner
Sydney
20 April 2007

HIA Financial History



MASTER BUILDERS ASSOCIATION AUSTRALIA

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

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

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

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

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

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

2002

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

Scope

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

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

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

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

Audit Opinion

In our opinion:

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

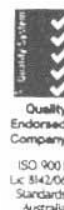
BDO

BDO

Chartered Accountants


C M J BRYAN
Partner

Melbourne: 17 September, 2002



MASTER BUILDERS ASSOCIATION OF VICTORIA
(A.C.N. 004 255 654)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

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

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

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

MASTER BUILDERS ASSOCIATION OF VICTORIA
(A.C.N. 004 255 654)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002

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

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

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

NOTE 1: BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

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

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

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

NOTE 2: OPERATING REVENUE

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

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

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

NOTE 3: STATEMENT OF OPERATIONS BY SEGMENTS

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

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

NOTE 4: INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR

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

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

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

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

2001

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

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

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

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

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

Audit Opinion

In our opinion:

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

BDO**BDO**

Chartered Accountants

**C M J BRYAN**

Partner

Registered Company Auditor

Dated at East Melbourne this 20 day of September, 2001

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

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

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

MASTER BUILDERS ASSOCIATION OF VICTORIA**(A.C.N. 004 255 654)****STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001**

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

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

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

	2001 \$	2000 \$
Cash Flow from Operating Activities		
Receipts from members - Subscriptions	2,997,574	2,973,699
Other activities	12,047,247	13,369,146
Payments to suppliers and employees	(15,851,406)	(15,410,138)
Interest paid	(24,705)	(20,819)
Net cash provided by (used in) operating activities	<u>(831,290)</u>	<u>911,888</u>
Cash Flow from Investing Activities		
Proceeds on disposal of fixed assets	9,937	20,760
Capital expenditure on fixed assets	(313,387)	(372,790)
Net cash used in investing activities	<u>(303,450)</u>	<u>(352,030)</u>
Cash Flow from Financing Activities		
Proceeds from new borrowings	300,000	—
Repayment of borrowings	—	(100,000)
Net cash provided by (used in) financing activities	<u>300,000</u>	<u>(100,000)</u>
Net increase\decrease in cash held	(834,740)	+59,858
Opening Cash at 1 July 2000	<u>+189,818</u>	<u>3,729,960</u>
Closing Cash at 30 June 2001	<u>3,355,078</u>	<u>+189,818</u>

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

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

NOTE 1: BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

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

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

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

NOTE 2: OPERATING REVENUE

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

MASTER BUILDERS ASSOCIATION OF VICTORIA

(A.C.N. 004 255 654)

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

NOTE 3: STATEMENT OF OPERATIONS BY SEGMENTS

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

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

NOTE 4: INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR

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

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

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

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