

**WESTERN AUSTRALIA
CONSTRUCTION INDUSTRY
LONG SERVICE LEAVE
PAYMENTS BOARD**

**ANNUAL
REPORT
2005**

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

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. N. 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:	1st Floor, 26 Colin Street WEST PERTH 6005
POSTAL ADDRESS:	PO Box 1333, WEST PERTH 6872
WEB ADDRESS:	www.walslboard.com.au
BANKERS:	Bank of Western Australia Limited
ACTUARIES:	Price Waterhouse Coopers
AUDITORS:	Auditor-General's Office and Ernst & Young
BUSINESS HOURS:	8.30 am to 5.00 pm Monday to Friday
PUBLICATIONS:	Pamphlets and other material explaining the Scheme are available from the Board's Office.

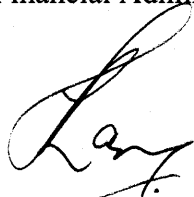
ISSN 1033-4173

The Honourable John C Kobelke, MLA
Minister for Consumer and Employment Protection;


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 2005.

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



Chairman



Member

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CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD

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.

REVIEW OF OPERATIONS

INTRODUCTION

This year the Board was unable to continue discounting the Scheme contribution rate. By way of background the Board's actuaries have estimated that the long term rate of contribution to cover the liabilities of the Scheme is approximately 1% of the ordinary rate of pay. Due to the excellent rate of investment returns in past years the Board had accumulated a surplus which was passed back to Employers by way of a discount to that long term contribution rate.

Due to this discounting and relatively high increases in wage levels the Board's surplus was wound down to an extent where the discounting of the contribution rate could no longer be sustained. Accordingly in line with a recommendation from the Board's Actuaries the contribution rate was moved back to the long term contribution rate of 1% with effect from 1 January 2005.

The contribution rate has varied over the years as follows:

1987	3.0%	1991	1.6%	1994	0.5%	2003	0.5%
1988	2.0%	1992	1.0%	1998	0.25%	2005	1.0%
1990	1.7%	1993	0.75%	1999	0.1%		

In order to minimise the contribution rate 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, and 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 13.2%.

In the last 15 years the Board has averaged a return of 9.98% per annum which has added approximately \$87 million to the Board's income compared to contributions from employers of \$37.6 million over the same period.

REVIEW OF SCHEME

The Board is of the view that the legislation governing the Scheme is outdated and in need of revision. The Board has prioritised the changes it sees as necessary to update the Scheme to facilitate government consideration of an amending Bill and has forwarded the proposed changes to the Minister for consideration. The Board understands that this matter is still under review.

The lack of change to the legislation governing the Scheme is of concern to the Board especially in regard to the rates of pay used when calculating employee entitlements and some recent cases dealt with by the Board have also highlighted the lack of any discretion available to the Board in dealing with issues that arise under the legislation.

SCHEME BENEFITS

While the legislative provisions governing the Scheme are in need of updating, the Scheme continues to provide 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 one employer.

Board statistics indicate that as at 30 June 2005 approximately 86% of all registered employees have had more than one employer since they commenced in the Scheme.

All those employees have then already received a benefit from the Scheme in that their change of employers has not resulted in any loss of accrued service towards their long service leave entitlement. In addition employee 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 \$67 million of industry long service leave liabilities.

In the last five years 4,307 employees have been paid long service leave entitlements totalling approximately \$21.9 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 Mellon Human Resources and Investor Solutions (Mellon) has reported on the Board's operations as at the end of the previous financial year 2003/2004. It found that as at 30 June 2004 the Board's surplus had fallen and to maintain a surplus of assets over liabilities, the Actuary recommended that the contribution rate be increased to 1.0%. This was done with effect from 1 January 2005.

PROMOTION OF SCHEME

Since the Board commenced, over 123,600 employees have been registered in the Scheme with 46,268 currently registered. Also 12,583 firms have been registered at some time with 4,181 currently active. Another 59,764 firms have been contacted about the Scheme.

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.

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 2005 the Board had 4,181 employers registered, up from 3,924 last year, and 46,268 employees registered in the Scheme, up from 41,611 at the end of the previous financial year. The higher number of registered employees reflects the current buoyant state of the construction industry with major projects coming on line.

FINANCIAL OPERATIONS

Total Contribution Income to the Board in 2004/2005 was approximately \$6.68 million. Average Contributions per quarterly Employer Return period were approximately \$1.67 million.

Administration expenses amounted to \$1.72 million and payments of long service leave benefits totalled \$4.56 million. The Balance of Retained Earnings at 30 June 2005 was \$22.5 million and the total cash and investments of the Board as at 30 June 2005 was \$90.3 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 \$67.3 million as at 30 June 2005.

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 seven funds managers:- Bernstein, Credit Suisse, Morgan Stanley, Maple Brown Abbott, Deutsche Asset Management, 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 13.2%. As a point of comparison, the average return achieved by pooled growth fund managers for the year ended June 2005 was 13.1%.

Over the past 5 years the Board has averaged 4.7% return on its investments. This compares with the average investment returns of pooled growth fund managers whose average return for the same period was 5.3%.

STAFFING

The Board's establishment is 10 full time equivalent staff. This number comprises 2 Executive Staff, 3 Inspectors and 5 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 827 record inspections of firms in the Construction Industry during the financial year; 451 metropolitan and 376 country inspections covering the whole State. 11 notices requesting firms to supply information were issued under Section 45 of the Act.

LEGISLATIVE AMENDMENTS

The regulations were amended to increase the contribution rate to 1.0% of the ordinary rate of pay with effect from 1 January 2005.

SUMMARY

The Board's finances are in a healthy state, however, the excellent investment double digit investment returns achieved in the last 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 impact the current contribution rate of 1%.

Of continuing concern to the Board is the need for the Scheme's enabling legislation to be updated and the Board looks forward to the necessary changes being progressed.

Despite the need for the provisions of the legislation to be reviewed and updated the Scheme is in a healthy funds position and continues to provide a significant benefit to employees in the construction industry at a minimal cost to employers.

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 15 years of service in the industry rather than after 15 years of service to one 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 Consumer and Employment Protection.

The benefits provided by the Act are similar to those applicable under the Long Service Leave Act 1958-1973 and the General Order of the Industrial Relations Commission applicable to employees covered by State awards.

The benefits of the Scheme are 13 weeks long service leave after 15 years of service in the industry with pro rata benefits payable after 10 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.

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.

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. 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 and all the costs associated with administering the Scheme.

The liabilities of the Board include assuming, without cost to employers, the liability for less than ten years of registered employees' long service leave credits for past continuous service with an employer prior to 6 January 1987, the commencement date of the Scheme. In addition the Board accepts the liability for service credits for apprentices without cost to employers.

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.

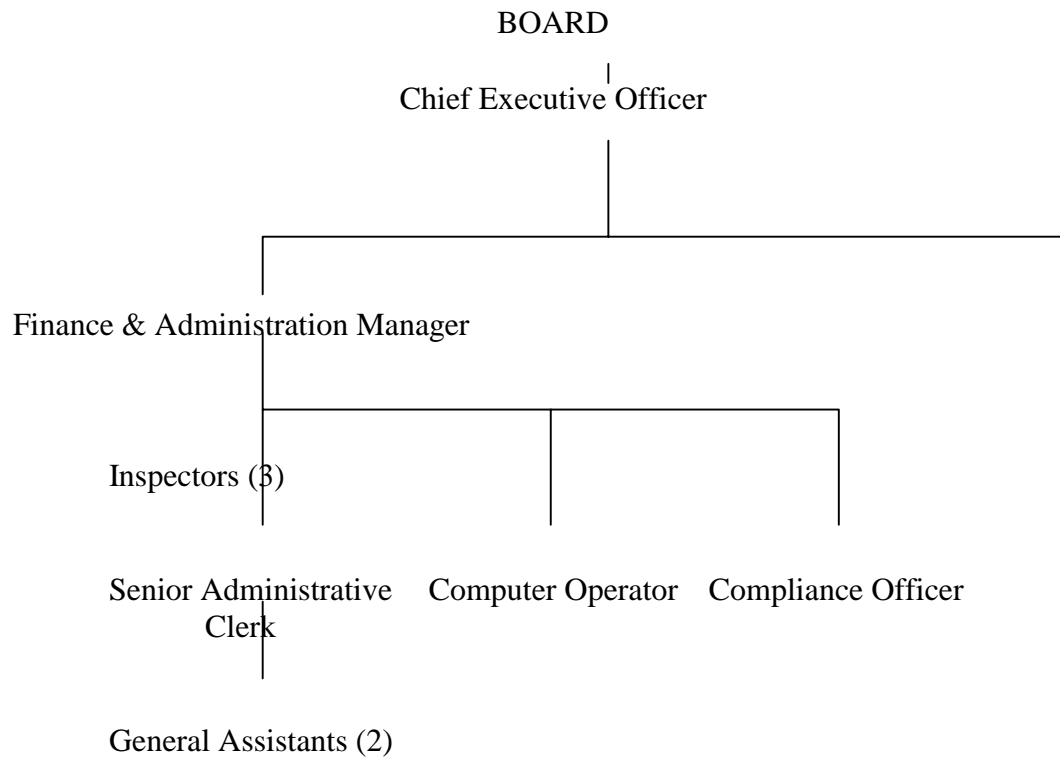
After 15 years of service in the industry (3300 days of service) a registered employee is entitled to 13 weeks long service leave. The Board pays the employee for the long service leave at the "ordinary rate of pay" as set out in the appropriate award or registered enterprise bargaining agreement.

BOARD MEETINGS ATTENDANCE

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

Appendix B -

ORGANISATIONAL STRUCTURE



**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.

PRESCRIBED AWARDS

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

(5) Building Trades (Government) Award 1968

(6) Building Trades (State Energy Commission) 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

(11) Engineering Trades (State Energy Commission) Consolidated Award 1978

(12) Foremen (Building Trades) Award 1991

(13) Furniture Trades Industry Award

CLASSIFICATIONS OF WORK

Limited to temporary employees

Limited to temporary employees

Limited to temporary employees in receipt of construction industry rates of pay under the award

Limited to temporary employees in receipt of an allowance for construction work under the award

Limited to temporary employees

Limited to cabinet making and floor covering

PRESCRIBED AWARDS

- (13a) Gate Fence and Frames Manufacturing Award
- (14) Government Engineering and Building Trades Foremen and Sub-foremen Award
- (15) Government Water Supply (Kalgoorlie Pipeline) Award 1981
- (16) Government Water Supply, Sewerage and Drainage Employees Award 1981
- (17) Government Water Supply, Sewerage and Drainage Foremen's Award 1984
- (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)

CLASSIFICATIONS OF WORK

Limited to temporary employees in receipt of an allowance for construction work under the award

Limited to temporary employees in receipt of an allowance for construction work under the award

Limited to temporary employees in receipt of an allowance for construction work under the award

Limited to temporary employees in receipt of an allowance for construction work under the award

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

**CERTIFICATION OF PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2005**

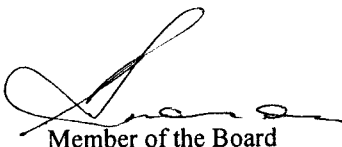
STATEMENT:

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 2005.

Signed this *31st* day of October, 2005



Chairman of the Board



Member of the Board



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 4,052 employers were registered in the Scheme for the financial year ended 30 June 2005 up from 3,896 registered last financial year.

This increase in registrations of 4% compares with an increase in the number of firms last financial year of 1.12%.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002
Registered - Employers (Number)	4,052	3,896	3,853	3,819
Change in Number of Registered Employers (%)	4%	1.12%	0.89%	(1.7%)
Growth in Firms in the Industry (%) (IBISWORLD Pty Ltd)	*	4%	3.7%	(4.8%)

* 2004/2005 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 34,950 which was more than the average of 32,066 for the last financial year.

This increase in the number of employees contributed for of 9% compares with an increase in average construction industry employments of 19% based on construction industry employment statistics published by the Australian Bureau of Statistics.



YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002
Employees contributed for (number)	34,950	32,066	28,406	27,171
Change in number of Employees contributed for (%)	9.00%	12.88%	4.54%	(0.76%)
Change in number of Employees in the industry (%)	19.00%	9.00%	4.31%	(9.41%)

(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 2005, 46,268 (88%) (last year 86%) of a possible 52,497 employees considered by the Board as eligible for registration have been registered.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002	2001
Employees - percentage registered	88%	86%	84%	87%	86%

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 0.22. The overall average for the other states was 0.53 staff per thousand registered employees using 2003/2004 figures, the latest figures available.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002	2001
Staff per thousand employees	0.22	0.25	0.27	0.25	0.25



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 2005 was 13.1% according to information supplied by the firm of Price Waterhouse Coopers.

The Board's return on funds invested was 13.2% compared to 14.3% last year.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002	2001
Board's Investment Return	13.2%	14.3%	(1.9%)	(6.8%)	4.7%
Investment Return - (Average) Pooled Growth Funds	13.1%	14.4%	(1.7%)	(4.3%)	5.5%

Over the last five years the Board's return on investment has averaged 4.7% which compares with the five year average return of 5.3% achieved by pooled growth funds. Over 7 years the Board has averaged 6.3% compared with the pooled growth fund average of 6.8%.



(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 1.91% compared with 1.87% for 2003/2004.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002	2001
Management Expenses Ratio	1.91%	1.87%	1.97%	1.76%	1.54%

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 2004/2005 is \$37.20 per annum per registered employee and for other States the average cost, based on 2003/2004 figures, the latest figures available, was \$56.13 per annum per employee.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2005	2004	2003	2002	2001
W.A. Cost per Employee	\$37.20	\$35.66	\$40.04	\$36.93	\$36.04
Other States		\$56.13	\$52.91	\$40.89	\$41.78



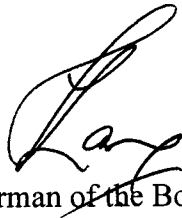
**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

CERTIFICATION STATEMENT:

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 2005 and the financial position as at 30 June 2005.

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.

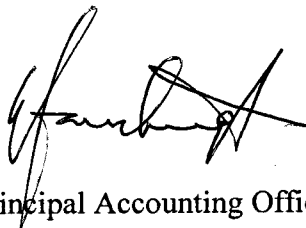
Signed this^{31~~st~~}..... day of October, 2005



Chairman of the Board



Member of the Board



Principal Accounting Officer



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTES	2005 \$000	2004 \$000
REVENUE			
Revenue from Ordinary Activities			
Revenue from Operating Activities			
Contribution from Employers		6,681	4,079
Employer Surcharges		16	19
Net Investment Income	2(b)	10,436	4,090
Revenue from non-operating activities			
Decrease in Long Service Leave Liability	3	2,971	0
Correction of Fundamental Error	10(b)	5,833	0
TOTAL REVENUE FROM ORDINARY ACTIVITIES		<u>25,937</u>	<u>8,188</u>
EXPENSES			
Expenses from Ordinary Activities			
Increase in Accrued Long Service			
Leave Benefits Liability	3	0	8,400
Long Service Leave Payments		4,561	4,194
Employee Expenses	4	764	631
Supplies and Services	5	357	312
Administration Expenses	6	411	361
Depreciation Expenses	7(b)	45	39
Board Members Fees	17	36	36
Accommodation Expenses	8	98	99
Other Expenses from Ordinary Activities	9	10	5
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		<u>6,282</u>	<u>14,077</u>
NET PROFIT /(LOSS)		<u>19,655</u>	<u>(5,889)</u>
Net Increase in Investments		0	5,833
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS		<u>19,655</u>	<u>(56)</u>

The Statement of Financial Performance should be read in conjunction with the accompanying notes.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTES	2005 \$000	2004 \$000
CURRENT ASSETS			
Cash Assets	11	1,392	480
Receivables	12	64	113
Other Assets	13	2,197	1,071
Investments	2(a)	86,512	77,600
Total Current Assets		<u>90,165</u>	<u>79,264</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment and Motor Vehicles	7(a)	115	85
Total non-current assets		<u>115</u>	<u>85</u>
TOTAL ASSETS		<u>90,280</u>	<u>79,349</u>
CURRENT LIABILITIES			
Accrued Long Service Leave Benefits Liability	3	37,569	30,733
Payables	14	47	25
Provisions	15	194	192
Other Liabilities	16	66	70
Total current liabilities		<u>37,876</u>	<u>31,020</u>
NON-CURRENT LIABILITIES			
Accrued Long Service Leave Benefits Liability	3	29,760	39,567
Provisions	15	78	18
Total non-current liabilities		<u>29,838</u>	<u>39,585</u>
TOTAL LIABILITIES		<u>67,714</u>	<u>70,605</u>
NET ASSETS		<u>22,566</u>	<u>8,744</u>
EQUITY			
Retained Profits	10(a)	22,566	8,744
TOTAL EQUITY		<u>22,566</u>	<u>8,744</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTES	2005 \$000 Inflows/ (Outflows)	2004 \$000 Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Employers		5,602	3,908
Interest Received		35	43
GST Receipts on Sales		0	2
GST Receipts from Taxation Authority		96	83
Payments			
Payments to Suppliers		(886)	(814)
Payments for Long Service Leave		(4,560)	(4,194)
Payments to Employees		(692)	(630)
GST Payments on purchases		(95)	(85)
Net Cash used in Operating Activities	11(b)	<u>(500)</u>	<u>(1,687)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Non-Current Physical Assets		(78)	(28)
Proceeds from Sale of Investment		6,490	9,831
Purchase of Investments		(5,000)	(8,400)
Net Cash provided by Investing Activities		<u>1,412</u>	<u>1,403</u>
Net increase/(decrease) in Cash Held		912	(284)
Cash Assets at the beginning of the Financial Year		480	764
Cash Assets at the end of the Financial Year	11(a)	<u>1,392</u>	<u>480</u>

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



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views 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 Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect are disclosed in individual notes to these financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.

(a) Revenue Recognition

Contributions from Employers are due at the end of each period and consequently contributions due in respect of the quarterly return period to 30 June 2005 have been accrued.

(b) Income Tax

The Board has been exempted from Income Tax under the provisions of paragraph 23(d) of the Income Tax Assessment Act.

(c) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition.

Assets costing less than \$1000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).



CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

(d) Depreciation of Non-Current Assets

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

Depreciation is calculated on the straight line basis using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Furniture and Fittings	5 years
Leasehold Improvements	10 years
Office Equipment	3 – 5 years
Motor Vehicles	6 – 7 years

(e) Accrued Long Service Leave Benefits

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 of the rates of departure from the industry, mortality rates, increases in wages and rates of return on investment. Following a review of the underlying assumptions, the actuary has removed the component for future service liability at 30 June 2005 as it was considered overly conservative. This has resulted in a one off decrease of \$16.8 million in the liability. Refer to Note 3.

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.

(f) Employee Benefits

Annual Leave

This benefit is recognised at the reporting date in respect of employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

Long Service leave

Leave benefits are calculated at remuneration rates expected to be paid when liabilities are settled. A liability for long service leave is recognised after an employee has completed four years of service. An actuarial assessment of long service leave was carried out by PriceWaterhouseCoopers actuaries at 30 June 2005, and it was determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This method of measurement of the liability is consistent with the requirements of Accounting Standard AASB1028 "Employee Benefits".

Superannuation

The Board contributes to two (2) separate superannuation schemes for its employees. 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 operated by the Government Employees Superannuation Board (GESB).

The liability for superannuation charges is extinguished by fortnightly payments of employer contributions to Asgard and to the Government Employees Superannuation Board.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

The note disclosure required by paragraph 6.10 of ASSB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The GESB's records are not structured to provide the information for the Board. Accordingly, deriving the information for the Board is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

Employee Benefit On-Costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses.

(g) Investments

Investments of the Board have been measured at net market values after allowing for costs of realization. Changes in the net market values and gains or losses upon redemption of investments are brought to account in the Statement of Financial Performance in the period in which they occur. Net market value for units in managed funds have been determined by reference to the unit redemption price at the reporting date.

The Board receives quarterly or bi-annual distributions from the funds managers. These are recognized as revenue in the Statement of Financial Performance upon distribution.

Interest revenues are brought to account as they are accrued.

(h) Leased Assets

The Board has entered into a number of operating lease arrangements for motor vehicles and offices where the lessors effectively retain all of the risks and benefits incident to ownership of the vehicles held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the period of the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

(i) Payables

Payables including accruals not yet billed are recognised when the Board becomes obliged to make the future payments as a result of a purchase of assets or services. Accounts payable are generally settled within 30 days.

(j) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubts as to collection exists and in any event where the debts are more than 60 days overdue.

(k) Accrued Salaries

Accrued salaries (refer note 16) 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. The Board considers the carrying amount approximates net fair value.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

(l) Cash

For the purpose of the Statement of Cash Flows cash includes cash assets. These include short-term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

(m) Web Site Costs

Costs in relation to websites controlled by the Board are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset in which case they are capitalised and amortised over the period of expected benefit.

(n) Comparative Figures

Comparative figures are where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

(o) Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

2. INVESTMENTS (AT MARKET VALUE)

	2005	2004
	\$000	\$000
(a) Portfolio Investment - Managed Funds		
Australian Equities		
Maple Brown Abbott	17,291	14,586
Deutsche Asset Management	<u>15,933</u>	<u>12,409</u>
	33,224	26,995
International Equities		
ABN Amro	0	5,891
Alliance Bernstein	4,519	4,260
Credit Suisse	10,023	10,798
Morgan Stanley	<u>5,423</u>	<u>0</u>
	19,965	20,949
Fixed Interest		
Credit Suisse – Fixed Interest	14,323	13,099
Macquarie – Fixed Interest	<u>8,642</u>	<u>8,017</u>
	22,965	21,116
Property Trusts		
Macquarie	4,852	4,119
UBS	<u>5,506</u>	<u>4,421</u>
	<u>10,358</u>	<u>8,540</u>
	<u>86,512</u>	<u>77,600</u>
 (b) NET INVESTMENT INCOME		
Distributions from Managed Funds	7,366	3,446
Increases in market values of Managed Funds	3455	0
(Loss)/Gain on redemption of Managed Funds	(420)	598
Interest from Short Term Deposits	35	46
	<u>10,436</u>	<u>4,090</u>



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

3. ACCRUED LONG SERVICE LEAVE BENEFITS LIABILITY

The Board's long service leave liability at 30 June 2005 has been calculated by the actuaries as \$67.329 million. The liability has decreased by \$2.97 million from the previous year as a result of the actuaries revising their assumptions used in calculating the liability.

	2005	2004
	\$000	\$000
Opening balance	70,300	61,900
Increase in Provision	13,829	8,400
Decrease in provision resulting from a change in Actuarial assumptions	(16,800)	0
Closing balance	<u>67,329</u>	<u>70,300</u>

The liability is allocated as follows:

Current		
Accrued Long Service Leave Benefits Liability	37,569	30,733
Non-Current		
Accrued Long Service Leave Benefits Liability	29,760	39,567
TOTAL	<u>67,329</u>	<u>70,300</u>

4. EMPLOYEE EXPENSES

Salaries	527	450
Superannuation	163	157
Employee Benefits Provisions	61	9
Other Related Expenses (a)	13	15
	<u>764</u>	<u>631</u>

(a) These employee expenses include workers compensation insurance premiums and other employment on-costs associated with the recognition of annual and long service leave liability. The related on-costs liability is included in provisions at Note 15.

5. SUPPLIES AND SERVICES

Consultants and Contractors	357	312
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6. ADMINISTRATION EXPENSES

Maintenance	2	3
Communications	119	107
Consumables	185	161
Other Staff Costs	105	90
	<u>411</u>	<u>361</u>



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

7.(a) PROPERTY, PLANT & EQUIPMENT & MOTOR VEHICLES

	2005	2004
	\$000	\$000
Furniture and Fittings		
At Cost	25	72
Accumulated Depreciation	(19)	(60)
	6	12
Leasehold Improvements		
At Cost	35	205
Accumulated Depreciation	(28)	(194)
	7	11
Office Equipment		
At Cost	111	445
Accumulated Depreciation	(45)	(411)
	66	34
Motor Vehicles		
At Cost	61	44
Accumulated Depreciation	(25)	(16)
	36	28
	115	85

(b) Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Furniture & Fittings	Leasehold Improvements	Office Equipment	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000
Carrying Amount at start of year	12	11	34	28	85
Additions	0	2	57	16	75
Disposals	-	-	-	-	-
Depreciation	(6)	(6)	(25)	(8)	(45)
Carrying amount at end of year	6	7	66	36	115

8. ACCOMMODATION EXPENSES

	2005	2004
	\$000	\$000
Lease Rentals	98	99



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

9. OTHER EXPENSES FROM ORDINARY ACTIVITIES

	2005	2004
	\$000	\$000
Doubtful Debt Expense	10	5

10. EQUITY

10(a) Retained Profits

Opening Balance at 1 July	8,744	8,800
Correction of Fundamental Error	(5,833)	0
	<hr/>	<hr/>
Restated Opening Balance at 1 July	2,911	8,800
Net Profit/(Loss)	19,655	(5,889)
Increase in Investments previously provided for	0	5,833
	<hr/>	<hr/>
Closing Balance at 30 June	22,566	8,744
	<hr/>	<hr/>

10(b) FUNDAMENTAL ERROR

For the financial year ended 30 June 2004 the increase in the market value of investments of \$5.833 million was incorrectly credited directly to retained profits. This error had the effect of understating net investment income by \$5.833 million and overstating the net loss by \$5.833 million.

The restated comparatives in the Statement of Financial Performance for the year ended 30 June 2004 are presented below as if the error had not been made.

	2004
	\$000
	Restated
REVENUE	
Revenue from Ordinary Activities	
Revenue from Operating Activities	
Contribution from Employers	4,079
Employer Surcharges	19
Net Investment Income	<u>9,923</u>
TOTAL REVENUE FROM ORDINARY ACTIVITIES	14,021
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	<u>14,077</u>
NET LOSS	<u>(56)</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS	<u>(56)</u>



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

11.(a) RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position.

CASH ASSETS

Bank Accounts	390	257
Short Term Deposits – 30 days 5.6% interest (2004 30 days 5.35% interest)	1,002	223
	<u>1,392</u>	<u>480</u>

**11.(b) RECONCILIATION OF NET PROFIT/(LOSS) FROM
ORDINARY ACTIVITIES TO NET CASH FLOWS
(USED IN) OPERATING ACTIVITIES**

	2005	2004
	\$000	\$000
Net Profit/(Loss) from Ordinary Activities	19,655	(5,889)
Non-Cash Items		
Correction of Fundamental Error	(5,833)	0
Increase in market values of Investments	(3,455)	0
Depreciation	45	39
Doubtful Debt Expense	10	5
Accrued L.S.L. Benefits Liability	(2,971)	8,400
Loss/(Gain) on redemption of Investments	420	(598)
(Increase)/decrease in assets		
Current Receivables	39	(75)
Other current Assets	(1,126)	(122)
Non-Current Investments	(7,366)	(3,446)
(Decrease)/Increase in Liabilities		
Current Payables	22	(14)
Current Provisions	2	17
Other current Liabilities	(4)	5
Non-Current Provisions	60	(7)
Change in GST Payables	2	(2)
Net Cash Used in Operating Activities	<u>(500)</u>	<u>(1,687)</u>



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

12. RECEIVABLES

Employer Debtors	47	87
Less Provision for Doubtful Debts	<u>18</u>	<u>8</u>
	29	79
Other Receivables	14	17
GST Receivable	21	17
	<u>64</u>	<u>113</u>

MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS

Balance at Start of Reporting Period	8	3
Additional Provision recognized	10	5
	<u>18</u>	<u>8</u>

13. OTHER ASSETS

	2005	2004
	\$000	\$000
Accrued Income (Also Refer Note 1(a))	2,150	1,015
Prepayments	47	56
	<u>2,197</u>	<u>1,071</u>

14. PAYABLES

Trade Payables	47	25
	<u>47</u>	<u>25</u>

15. PROVISIONS

EMPLOYEE BENEFITS

Current		
Annual Leave	27	21
Long Service Leave (a)	167	171
	<u>194</u>	<u>192</u>

Non-Current		
Long Service Leave (a)	78	18

Total	<u>272</u>	<u>210</u>
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(a) Refer to Note 1(f)



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

16. OTHER LIABILITIES

Current		
Accrued Expenses	64	56
Accrued Salaries	2	14
	66	70

17. REMUNERATION OF MEMBERS OF THE BOARD AND SENIOR OFFICERS

2005	2004
\$000	\$000

Remuneration of Members of the Board

The number of members of the Board whose total fees, salaries, superannuation and other benefits in the financial year, fall within the following band are:

\$0 - \$10,000	7	7
The total remuneration of the members of the Board is:	36	36

The superannuation included here represents the superannuation expense incurred by the Board in respect of members of the Board. No members of the Board are members of the Government Employees Superannuation Board Pension Scheme.

Remuneration of Senior Officers

The number of Senior Officers other than members of the Board, whose total fees, salaries, and other benefits for the financial year, fall within the following bands are:

\$130,000 - \$140,000	1	0
\$120,000 - \$130,000	0	1
\$90,000 - \$100,000	1	1
The total remuneration of Senior Officers is:	234	211

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 Board. No senior officers of the Board are members of the Government Employees Superannuation Board Pension Scheme.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

18. REMUNERATION OF THE AUDITOR

	2005	2004
	\$000	\$000

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

Auditing the accounts, financial statements and performance indicators	16	15
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19. COMMITMENTS

Lease Commitments

Commitments in relation to leases contracted for at 30 June 2005 but not recognised as liabilities are payable as follows:

	2005	2004
	\$000	\$000

Within 1 year	72	69
Later than 1 year but not later than 5 years	12	71
	<u>84</u>	<u>140</u>

Representing Non-Cancellable Operating Leases	84	140
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(a) Non-cancellable operating lease commitments
Commitments for minimum lease payments are
payable as follows:

	2005	2004
	\$000	\$000

Motor Vehicles		
- Within 1 year	11	8
- Later than 1 year but not later than 5 years	12	10
Property Lease		
- Within 1 year	61	61
- Later than 1 year but not later than 5 years	<u>0</u>	<u>61</u>
	<u>84</u>	<u>140</u>

(b) Other expenditure commitments for office
administration contracted for at 30 June 2005
but not recognised as liabilities are payable as
follows:

- Within 1 year	1	2
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**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

20. EXPLANATORY STATEMENT

20(a) SIGNIFICANT VARIATIONS BETWEEN ESTIMATES AND ACTUAL RESULTS FOR THE FINANCIAL YEAR

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% of budget and \$100,000.

	2005 Actual \$000	2005 Estimates \$000	Variance \$000	
Net Investment Income	10,436	6,955	3,481	(a)
Accrued Long Service Leave Benefits Liability	(2,971)	8,400	(11,371)	(b)
Employee expenses	764	635	129	(c)

- (a) Distributions received from funds managers was higher than anticipated.
- (b) The long service leave liability has decreased more than the estimate provided by the Actuary following a review and adjustment of the assumptions used in calculating the liability.
- (c) The variance is due to the use of temporary staff for special projects.

20(b) SIGNIFICANT VARIATIONS BETWEEN ACTUAL REVENUES AND EXPENDITURES FOR THE FINANCIAL YEAR AND REVENUES AND EXPENDITURES FOR THE IMMEDIATELY PRECEDING FINANCIAL YEAR

Details and reasons for significant variations between actual results and the corresponding items of the preceding year are detailed below. Significant variations are considered to be greater than 10% and \$10,000.

	2005 Actual \$000	2004 Actual \$000	Variance \$000	
Contribution from Employers	6,681	4,079	2,602	(a)
Net Investment Income	10,436	4,090	6,346	(b)
Accrued Long Service Leave Benefits Liability	(2,971)	8,400	(11,371)	(c)
Employee Expenses	764	631	133	(d)

- (a) The contribution rate was increased from 0.5% to 1% on 1 January 2005.
- (b) Distributions received from funds managers was higher than the previous year due to increases in realized capital gains.
- (c) Following the Actuary's recommendation, the provision for long service leave benefits liability has been decreased.
- (d) Additional use of temporary staff, salary increases for permanent staff and increases in long service leave and annual leave provisions resulted in the increase in employee expenses.



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

21. THE IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS (IFRS)

Australia is adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005. The Construction Industry Long Service Leave Payments Board will adopt these Standards for the first time for the year ending 30 June 2006.

AASB 1 requires an opening balance sheet as at 1 July 2004 and the restatement of the financial statements for the reporting period to 30 June 2005 on the IFRS basis. These financial statements will be presented as comparatives in the first annual financial report prepared on an IFRS basis for the period ending 30 June 2006.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires disclosure of any known or reliably estimable information about the impacts on the financial statements had they been prepared using AIFRS.

The Board has completed its review of the impact of adopting IFRS. The only item affected is the Accrued Long Service Leave Benefit Liability which at 30 June 2005 was estimated by the Board's Actuary as \$67.329 million. The liability at 30 June 2005 when estimated under IFRS conditions increased by \$2.536 million to \$69.865 million. The assumptions as prescribed in AASB 119 which is the Australian equivalent of the International Financial Reporting Standard 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 flows. The Actuary has used the 5 year Commonwealth Government bond rate of 5.2% as the discount rate. The opening liability at 1 July 2004 would have increased by \$2.5 million from \$70.3 million to \$72.8 million. These changes will be allocated between the current and non-current portions of the liability.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

A reconciliation of the adjustments is as follows:

OPENING STATEMENT OF FINANCIAL POSITION AT 1 JULY 2004

	Existing AASB \$000	Adjustment \$000	New IFRS \$000
Current Liabilities			
Accrued Long Service Leave Benefits Liability	30,733	2,044	32,777
Non-Current Liabilities			
Accrued Long Service Leave Benefits Liability	39,567	456	40,023
EQUITY			
Retained Profits	8,744	(2,500)	6,244



CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2005

	Existing AASB \$000	Adjustment \$000	New IFRS \$000
Current Liabilities			
Accrued Long Service Leave Benefits Liability	37,569	4,118	41,687
Non-Current Liabilities			
Accrued Long Service Leave Benefits Liability	29,760	(1,582)	28,178
EQUITY			
Opening Balance at 1 July	8,744	(2,500)	6,244
Correction of Fundamental Error	(5,833)	—	(5,833)
Restated Opening Balance at 1 July	2,911	(2,500)	411
Net Profit/(Loss) - Current Year	19,655	(2,536)	17,119
Closing Balance at 30 June	<u>22,566</u>	<u>(5,036)</u>	<u>17,530</u>

22. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

The Board's exposure to interest rate risk and the effective rates on financial instruments at the reporting date are:

	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	Fixed Interest Less than 1 year	Rate Maturity 1 to 5 years	Non Interest Bearing \$000	Total \$000
30 June 2005						
Financial Assets						
Cash Assets	5.05	390	1,002			1,392
Receivables					29	29
Investments	8.76			<u>22,965</u>	<u>63,547</u>	<u>86,512</u>
Total Financial Assets		<u>390</u>	<u>1,002</u>	<u>22,965</u>	<u>63,576</u>	<u>87,933</u>
Financial Liabilities						
Payables					47	47
Accrued Salaries					2	2
Employee Benefits					<u>272</u>	<u>272</u>
Total Financial Liabilities					<u>321</u>	<u>321</u>
Net Financial Assets		<u>390</u>	<u>1,002</u>	<u>22,965</u>	<u>63,255</u>	<u>87,612</u>
30 June 2004						
Financial Assets	4.33	257	223	21,116	56,484	78,159
Financial Liabilities					250	250



**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

(b) Credit Risk Exposure

The carrying amount of financial assets recorded in the financial statements represents the Board's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(c) Net 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, determined in accordance with the accounting policies disclosed in Note 1 to the Financial Statements.

23. EVENTS OCCURRING AFTER REPORTING DATE

The Board is not aware of any significant events occurring after 30 June 2005 that would effect the reported financial results for that year or to the notes for those financial results.





AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion,

- (i) the controls exercised by the Construction Industry Long Service Leave Payments 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
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Board at 30 June 2005 and its financial performance and cash flows for the year ended on that date.

Scope

The Board's Role

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

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements 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.

D D R PEARSON
AUDITOR GENERAL
4 November 2005



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Construction Industry Long Service Leave Payments 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 2005.

Scope

The Board's Role

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

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

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it 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 performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
4 November 2005