

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

**ANNUAL
REPORT
2004**

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 R Sputore

Mr G Thomson

Mr M McLean

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 (Information Systems)
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.lslboard.com.au
BANKERS:	Bank of Western Australia Limited
ACTUARIES:	Mellon Human Resources and Investor Solutions
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 2004.

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

Chairman

Member

CONTENTS

	PAGE
CORPORATE MISSION AND OBJECTIVES	1
REVIEW OF OPERATIONS	2
Introduction, Review of Scheme, Scheme Portability Benefit, Actuarial Review, Promotion of Scheme, Computerisation, Registrations, Financial Operations, Investments, Staffing, Inspections and Prosecutions, Legislative Amendments, Reciprocal Arrangements, Summary.	
 APPENDICES	
A - Overview of Scheme Concept, Legislation, Scheme Commencement, The Board, Powers of the Board, Functions of the Board, Funds of the Board, Operation of the Scheme.	6
B - Organisational Structure	9
C - Prescribed Awards	10
D - Performance Indicators	15
E - Financial Statements and Notes	20

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

Due to heavy discounting of the contribution rate over the years and relatively high increases in wage levels the Board's surplus has been wound down to an extent where the heavy discounting of the contribution rate cannot be sustained and the Board's Actuaries have following a review of the Scheme recommended that the Board move to increase the rate back to 1% which is the long term cost rate of the Scheme.

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 around 1.1% of the ordinary rate of pay. The proposed rate of 1% is then still a slight discounting of the long term rate.

At the time of writing the Board was seeking to implement an increased contribution rate.

The contribution rate has varied over the years as follows:

1987	3%	1991	1.6%	1994	0.5%	2003	0.5%
1988	2%	1992	1%	1998	0.25%		
1990	1.7%	1993	0.75%	1999	0.1%		

This past financial year has been an 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 14.3%. Over the last five years the Board has achieved an average of 5.44% which compares to the 5-year return of balanced Superannuation funds of 5.1%.

The Board's investment strategy aims to maximise returns over the long term, which matches the long term nature of the Board's liabilities.

The primary purpose of the Scheme is of course to provide a portable long service leave benefit to employees in the Scheme and during the year the Board paid out approximately \$4.2 million in long service leave benefits to 789 employees.

REVIEW OF SCHEME

The Board is of the view that the legislation governing the Scheme is outdated and in need of revision. Following a meeting with the Minister last financial year 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 PORTABILITY BENEFIT

While the legislative provisions governing the Scheme are in need of updating, the Scheme continues to provide a significant benefit to Construction Industry employees 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 2004 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 minor 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 the last five years 4,189 employees have been paid long service leave entitlements totalling approximately \$22 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 2002/2003. It found that as at 30 June 2003 the Board's surplus had fallen and to maintain a surplus of assets over liabilities, the Actuary recommended that the contribution rate be increased.

PROMOTION OF SCHEME

Since the Board commenced, over 115,600 employees have been registered in the Scheme with 41,611 currently registered. Also 11,927 firms have been registered at some time with 3,924 currently active. Another 55,000 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 2004 the Board had 3,924 employers registered, up from 3,869 last year, and 41,611 employees registered in the Scheme, up from 34,902 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 2003/2004 was approximately \$4.1 million. Average Contributions per quarterly Employer Return period were approximately \$1 million.

Administration expenses amounted to \$0.4 million and payments of long service leave benefits totalled \$4.2 million. The Balance of retained earnings at 30 June 2004 was \$8.7 million and the total cash and investments of the Board as at 30 June 2004 was \$79.3 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, Mellon, have estimated the liability of the Scheme at \$70.3 million as at 30 June 2004.

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, ABN Amro, 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 14.3%. As a point of comparison, the average return achieved by pooled growth superannuation fund managers for the year ended June 2004 was 14.4%.

Over the past 5 years the Board has averaged 5.44% return on its investments. This compares with the average investment returns of growth pooled superannuation fund managers whose average return for the same period was 5.1%.

STAFFING

The Board's establishment is 9.5 full time equivalent staff. This number comprises 2 Executive Staff, 3 Inspectors and 4.5 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 876 record inspections of firms in the Construction Industry during the financial year; 433 metropolitan and 443 country inspections covering the whole State. 46 notices requesting firms to supply information were issued under Section 45 of the Act.

LEGISLATIVE AMENDMENTS

One award, the Drilling and Exploration Industry (AWU) Award 1998 was added to the list of prescribed awards in February 2004.

SUMMARY

The Board's finances are in a healthy state although the Board's surplus fund position has been wound back to a minimal level. The excellent investment returns for the last year are welcome, however, the investment returns likely in the near future are anticipated 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 continually impact on the Board's surplus position and restrict the Board's ability to continue the discounting of the contribution rate and following actuarial advice the Board is seeking to increase the contribution rate.

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

Despite the need for the provisions of the legislation to be renewed and updated the Scheme has continued to operate in a satisfactory manner 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 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 0.5% 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.

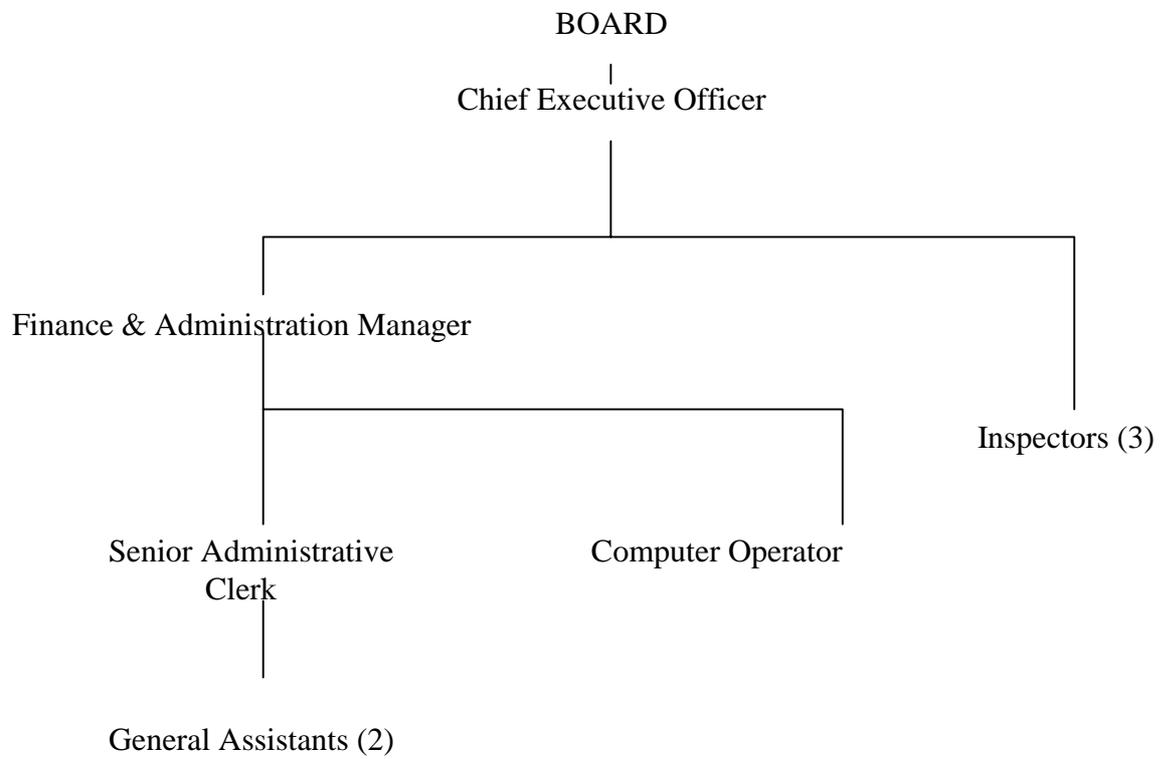
After 15 years of service in the industry (3300 days of service) a registered employee is entitled to 13 weeks long service leave. The Board pays the employee for the long service leave at the "ordinary rate of pay" as set out in the appropriate award or registered enterprise bargaining agreement.

BOARD MEETINGS ATTENDANCE

	NUMBER OF MEETINGS ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr T Lang (Chairman)	5	5
Mr J Ferguson	5	1
Mr L McLaughlan	5	2
Mr M McLean	3	3
Mr K Reynolds	5	1
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 Industrial Relations Act 1988 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
2. Awards made under the Industrial Relations Act 1979 of the State Parliament.

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

- (1) Airconditioning and Refrigeration Industry
(Construction and Servicing) Award
- (2) Building Trades Award 1968
- (3) Building Trades (Construction) Award 1987
- (4) Building Trades (Fremantle Port Authority)
Award 1968 Limited to temporary employees
- (5) Building Trades (Government) Award 1968 Limited to temporary
employees

PRESCRIBED AWARDS

CLASSIFICATIONS OF WORK

- | | |
|---|---|
| (6) Building Trades (State Energy Commission) Award | Limited to temporary employees in receipt of construction industry rates of pay under the award |
| (7) Earth Moving and Construction Award | |
| (8) Electrical Contracting Industry Award 1979 | |
| (8a) Electrical Trades (Security Alarms Industry) Award 1980 | |
| (8b) Electronics Industry Award | |
| (9) Engine Drivers' (Building and Steel Construction) Award | |
| (10) Engineering Trades (Government) Award 1967 | Limited to temporary employees in receipt of an allowance for construction work under the award |
| (11) Engineering Trades (State Energy Commission) Consolidated Award 1978 | Limited to temporary employees |
| (12) Foremen (Building Trades) Award 1991 | |
| (13) Furniture Trades Industry Award | Limited to cabinet making and floor covering |
| (13a) Gate Fence and Frames Manufacturing Award | |
| (14) Government Engineering and Building Trades Foremen and Sub-foremen Award | Limited to temporary employees in receipt of an allowance for construction work under the award |
| (15) Government Water Supply (Kalgoorlie Pipeline) Award 1981 | Limited to temporary employees in receipt of an allowance for construction work under the award |

(16) Government Water Supply, Sewerage and
Drainage Employees Award 1981

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

(17) Government Water Supply, Sewerage and
Drainage Foremen's Award 1984

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

PRESCRIBED AWARDS

CLASSIFICATIONS OF WORK

- | | |
|---|---|
| (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) | |
| (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 2004**

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 2004.

Signed this day of August, 2004

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 3,896 employers were registered in the Scheme for the financial year ended 30 June 2004 up from 3,853 registered last financial year.

This increase in registrations of 1.12% compares with an increase in the number of firms last financial year of 0.89%.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001
Registered - Employers (Number)	3,896	3,853	3,819	3,885
Change in Number of Registered Employers (%)	1.12%	0.89%	(1.7%)	0.28%
Firms in the Industry (%) (IBISWORLD Pty Ltd)	*	3.7%	(4.8%)	(3.3%)

* 2003/2004 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 32,066 which was more than the average of 28,406 for the last financial year.

This increase in the number of employees contributed for of 12.88% compares with an increase in average construction industry employments of 9% based on construction industry employment statistics published by the Australian Bureau of Statistics.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001
Employees contributed for (number)	32,066	28,406	27,171	27,380
Change in number of Employees contributed for (%)	12.88%	4.54%	(0.76%)	(1.63%)
Change in number of Employees in the industry (%)	9.00%	4.31%	(9.41%)	(5.45%)

(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 2004, 41,611 (86%) (last year 84%) of a possible 48,356 employees considered by the Board as eligible for registration have been registered.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001	2000
Employees - percentage registered	86%	84%	87%	86%	89%

EFFICIENCY INDICATOR

OUTPUT: REGISTRATION OF EMPLOYEES AND MAINTENANCE OF EMPLOYEE RECORDS

As a measure of efficiency in producing the above output 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 0.25. The overall average for the other states was 0.54 staff per thousand registered employees using 2002/2003 figures, the latest figures available.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001	2000
Staff per thousand employees	0.25	0.27	0.25	0.25	0.23

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, ABN Amro, 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 superannuation funds. The average rate of return achieved by growth pooled fund managers for the year ended June 2004 was 14.4% according to information supplied by the actuarial firm of Mellon.

The Board's return on funds invested was 14.3% compared to -1.9% last year.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001	2000
Board's Investment Return	14.3%	(1.9%)	(6.8%)	4.7%	16.9%
Investment Return - (Average) Pooled Growth Funds	14.4%	(1.7%)	(4.3%)	5.5%	12.9%

Over the last five years the Board's return on investment has averaged 5.44% which compares with the five year average return of 5.1% achieved by balanced superannuation funds. Over 10 years the Board has averaged 8.87% compared with the pooled growth fund average of 8.0%.

(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 1.87% compared with 1.97% for 2002/2003.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001	2000
Management Expenses Ratio	1.87%	1.97%	1.76%	1.54%	1.51%

EFFICIENCY INDICATOR

OUTPUT: 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 2003/2004 is \$35.66 per annum per registered employee and for other States the average cost, based on 2002/2003 figures, the latest figures available, was \$52.91 per annum per employee.

YEAR BY YEAR COMPARISONS

FINANCIAL YEAR	2004	2003	2002	2001	2000
W.A. Cost per Employee	\$35.66	\$40.04	\$36.93	\$36.04	\$33.35
Other States		\$52.91	\$40.89	\$41.78	\$49.46

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

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 2004 and the financial position as at 30 June 2004.

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 day of August, 2004

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 2004

	NOTES	2004 \$000	2003 \$000
REVENUE			
Revenue from Ordinary Activities			
Revenue from Operating Activities			
Contribution from Employers		4,079	2,055
Investment Return	2(b)	4,090	4,248
Employer Surcharges		<u>19</u>	<u>10</u>
TOTAL REVENUE FROM ORDINARY ACTIVITIES		8,188	6,313
 EXPENSES			
Expenses from Ordinary Activities			
Accrued Long Service Leave Benefits Liability	3	8,400	3,800
Long Service Leave Payments		4,194	4,239
Employee Expenses	4	631	659
Supplies and Services	5	312	256
Administration Expenses	6	361	303
Depreciation Expenses	7(b)	39	49
Board Members Fees	17	36	36
Accommodation Expenses	8	99	94
Other Expenses from Ordinary Activities	9	<u>5</u>	<u>0</u>
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		<u>14,077</u>	<u>9,436</u>
NET LOSS	10	<u>5,889</u>	<u>3,123</u>
Net Increase/(Decrease) in Investment	10	<u>5,833</u>	<u>(5,670)</u>
Prior Year Adjustment	10	<u>0</u>	<u>12,444</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS		<u>(56)</u>	<u>3,651</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
AT 30 JUNE 2004

	NOTES	2004 \$000	2003 \$000
CURRENT ASSETS			
Cash Assets			
Receivables	11(a)	480	764
Other Assets	12	113	43
Total current assets	13	<u>1,071</u>	<u>949</u>
		1,664	1,756
NON-CURRENT ASSETS			
Investments	2(a)	77,600	69,154
Property, Plant and Equipment and Motor Vehicles	7(a)	<u>85</u>	<u>96</u>
Total non-current assets		<u>77,685</u>	<u>69,250</u>
TOTAL ASSETS		79,349	71,006
CURRENT LIABILITIES			
Accrued Long Service Leave Benefits Liability	3	30,733	27,300
Payables	14	25	40
Provisions	15	192	175
Other Liabilities	16	<u>70</u>	<u>65</u>
Total current liabilities		31,020	27,580
NON-CURRENT LIABILITIES			
Accrued Long Service Leave Benefits Liability	3	39,567	34,600
Provisions	15	<u>18</u>	<u>26</u>
Total non-current liabilities		<u>39,585</u>	<u>34,626</u>
TOTAL LIABILITIES		<u>70,605</u>	<u>62,206</u>
NET ASSETS		<u>8,744</u>	<u>8,800</u>
EQUITY			
Retained Profits	10	<u>8,744</u>	<u>8,800</u>
TOTAL EQUITY		<u>8,744</u>	<u>8,800</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 2004**

	NOTES	2004 \$000 Inflows/ (Outflows)	2003 \$000 Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Employers		3,908	1,325
Interest Received		43	45
GST Receipts on Sales		2	1
GST Receipts from Taxation Authority		83	71
Payments			
Payments to Suppliers		(814)	(780)
Payments for Long Service Leave		(4,194)	(4,239)
Payments to Employees		(630)	(608)
GST Payments on purchases		<u>(85)</u>	<u>(73)</u>
Net Cash used in Operating Activities	11(b)	(1,687)	(4,258)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Non-Current Physical Assets		(28)	(14)
Proceeds from Sale of Investment		9,831	4,000
Purchase of Investments		<u>(8,400)</u>	<u>0</u>
Net Cash provided by Investing Activities		<u>1,403</u>	<u>3,986</u>
Net decrease in Cash Held		(284)	(272)
Cash Assets at the beginning of the Financial Year		<u>764</u>	<u>1,036</u>
Cash Assets at the end of the Financial Year	11(a)	<u>480</u>	<u>764</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 2004

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 fulfill 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 2004 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

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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).

(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 stated amount 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.

(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 Mellon Human Resources and Investor Solutions actuaries at 30 June 2004, 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 Board AASB1028 "Employee Benefits".

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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 Government Employees Superannuation Scheme.

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

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 are brought to account at their recoverable amounts. The increment/decrement on revaluation is reflected in the investment revaluation reserve, unless the investment is written down below its cost in which case the decrement is provided for in the statement of financial performance. Gains or losses on disposal comprise the difference between the net proceeds and the carrying value.

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 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 motor vehicles.

(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.

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

(j) Receivables

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

(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. Generally costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site to the extent that they represent probable future economic benefits controlled by the Board that can be reliably measured are capitalised as an asset and amortised over the period of the expected benefits which vary from three to five years.

(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 2004

2. INVESTMENTS

(a) VALUATION

	<u>2004</u> \$000	<u>2003</u> \$000
Portfolio Investment		
ABN Amro	5,891	5,237
Credit Suisse	10,798	6,335
Credit Suisse - Fixed Interest	13,099	12,697
Deutsche Asset Management	12,409	10,262
Macquarie	4,119	3,549
Macquarie - Fixed Interest	8,017	7,834
Maple Brown Abbott	14,586	11,873
MFS Global Equity	0	6,544
Alliance Bernstein	4,260	0
Sagitta Rothschild	0	2,489
UBS	<u>4,421</u>	<u>2,334</u>
	<u>77,600</u>	<u>69,154</u>

(b) INVESTMENT RETURN

Income from Investments	3,446	4,203
Income from Short Term Deposits	46	45
Profit on Sale of Investments	<u>598</u>	<u>0</u>
	<u>4,090</u>	<u>4,248</u>

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

3. ACCRUED LONG SERVICE LEAVE BENEFITS LIABILITY

The Board's long service leave liability at 30 June 2004 has been calculated by the actuaries as \$70.3 million.

	<u>2004</u> \$000	<u>2003</u> \$000
Current		
Accrued Long Service Leave Benefits Liability	30,733	27,300
Non-Current		
Accrued Long Service Leave Benefits Liability	<u>39,567</u>	<u>34,600</u>
TOTAL	<u>70,300</u>	<u>61,900</u>

4. EMPLOYEE EXPENSES

Salaries	450	447
Superannuation	157	145
Employee Entitlements Provisions	9	52
Other Related Expenses (a)	<u>15</u>	<u>15</u>
	<u>631</u>	<u>659</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 18.

5. SUPPLIES AND SERVICES

Consultants and Contractors	312	256
-----------------------------	-----	-----

6. ADMINISTRATION EXPENSES

Maintenance	3	4
Communications	107	84
Consumables	161	127
Other Staff Costs	<u>90</u>	<u>88</u>
	<u>361</u>	<u>303</u>

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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

	2004	2003
	\$000	\$000
Furniture and Fittings		
At Cost	72	70
Accumulated Depreciation	<u>(60)</u>	<u>(55)</u>
	<u>12</u>	<u>15</u>
Leasehold Improvements		
At Cost	205	205
Accumulated Depreciation	<u>(194)</u>	<u>(187)</u>
	<u>11</u>	<u>18</u>
Office Equipment		
At Cost	445	436
Accumulated Depreciation	<u>(411)</u>	<u>(408)</u>
	<u>34</u>	<u>28</u>
Motor Vehicles		
At Cost	44	44
Accumulated Depreciation	<u>(16)</u>	<u>(9)</u>
	<u>28</u>	<u>35</u>
	<u>85</u>	<u>96</u>

(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 \$000	Leasehold Improvements \$000	Office Equipment \$000	Motor Vehicles \$000	Total \$000
Carrying amount at start of year	15	18	28	35	96
Additions	2	0	26	0	28
Disposals	0	0	0	0	0
Depreciation	<u>(5)</u>	<u>(7)</u>	<u>(20)</u>	<u>(7)</u>	<u>(39)</u>
Carrying amount at end of year	<u>12</u>	<u>11</u>	<u>34</u>	<u>28</u>	<u>85</u>

8. ACCOMMODATION EXPENSES

	2004	2003
	\$000	\$000
Lease Rentals	99	94

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

9. OTHER EXPENSES FROM ORDINARY ACTIVITIES

	<u>2004</u> \$000	<u>2003</u> \$000
Doubtful Debt Expense	5	0

10. EQUITY

Retained Profits

Opening Balance at 1 July – as previously reported	8,800	5,149
Prior Year Adjustment	0	12,444
Prior Years Investment Gains Realized	0	16,211
Prior Years Investment Losses provided for	0	(3,767)
Net Loss – Current Year	(5,889)	(3,123)
Decrease in Investments provided for	0	(5,670)
Increase in Investments previously provided for	<u>5,833</u>	<u>0</u>
Closing Balance at 30 June	<u>8,744</u>	<u>8,800</u>

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.

Bank Accounts	257	54
Short Term Deposits	<u>223</u>	<u>710</u>
	<u>480</u>	<u>764</u>

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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

	<u>2004</u> \$000	<u>2003</u> \$000
Net Loss from Ordinary Activities	(5,889)	(3,123)
Non-Cash Items		
Depreciation	39	49
Doubtful Debt Expense	5	1
Accrued L.S.L. Benefits Liability	8,400	3,800
Profit on Sale on Investments	(598)	0
(Increase)/decrease in assets		
Current Receivables	(75)	(6)
Other current Assets	(122)	(758)
Non-Current Investments	(3,446)	(4,202)
(Decrease)/Increase in Liabilities		
Current Payables	(14)	(4)
Current Provisions	17	68
Other Current Liabilities	5	(6)
Non-Current Provisions	(7)	(16)
Change in GST Payables	(2)	(61)
Net Cash Used In Operating Activities	<u>(1,687)</u>	<u>(4,258)</u>

12. RECEIVABLES

Employer Debtors	87	12
Less Provision for Doubtful Debts	8	3
Other Receivables	<u>34</u>	<u>34</u>
	<u>113</u>	<u>43</u>

**MOVEMENT IN PROVISION FOR
DOUBTFUL DEBTS**

Balance at Start of Reporting Period	3	5
Provision in Operating Statement	5	0
Bad Debts Written Off	<u>0</u>	<u>(2)</u>
Provision for Doubtful Debts	<u>8</u>	<u>3</u>

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

13. OTHER ASSETS

	<u>2004</u> \$000	<u>2003</u> \$000
Accrued Income Also Refer Note 1(a)	1,015	899
Prepayments	<u>56</u>	<u>50</u>
	<u>1,071</u>	<u>949</u>

14. PAYABLES

Trade Payables	25	39
GST Payable	<u>0</u>	<u>1</u>
	<u>25</u>	<u>40</u>

15. PROVISIONS

Current		
Annual Leave	21	29
Long Service Leave (a)	<u>171</u>	<u>146</u>
	192	175
Non-Current		
Long Service Leave (a)	<u>18</u>	<u>26</u>
Total	<u>210</u>	<u>201</u>

(a) Refer to Note 1(e)

16. OTHER LIABILITIES

Current		
Accrued Expenses	56	52
Accrued Salaries	<u>14</u>	<u>13</u>
	<u>70</u>	<u>65</u>

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

17. REMUNERATION OF MEMBERS OF THE BOARD AND SENIOR OFFICERS

	<u>2004</u> \$000	<u>2003</u> \$000
<u>Remuneration of Members of the Board</u>		
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.

<u>Remuneration of Senior Officers</u>		
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:		
\$120,000 - \$130,000	1	0
\$110,000 - \$120,000	0	1
\$90,000 - \$100,000	1	1

The total remuneration of Senior Officers is:	\$211	\$210
---	-------	-------

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 2004**

18. REMUNERATION OF AUDITOR

	<u>2004</u> \$000	<u>2003</u> \$000
Remuneration to the Auditor General for the financial year is as follows:		
Auditing the accounts, financial statements and performance indicators	\$15	\$15

19. EXPLANATORY STATEMENT

(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 \$10,000.

	<u>2004</u> <u>ACTUAL</u> <u>\$000</u>	<u>2004</u> <u>ESTIMATES</u> <u>\$000</u>	<u>VARIANCE</u> <u>\$000</u>	
Contribution from Employers	4,079	3,322	757	(a)
Investment Return	4,090	3,504	586	(b)
Provision of Long Service Leave Benefits Liability	8,400	6,200	2,200	(c)

- (a) Increased contribution income is due to an 11% increase in registered employees in the Scheme and a higher average daily rate of pay than budgeted.
- (b) Actual return on investments was 14.3% compared to the budgeted return of 5%.
- (c) The long service leave liability has increased more than the estimate provided by the Actuary due to a higher proportion of workers remaining in the Scheme.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

(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.

	2004 ACTUAL \$000	2003 ACTUAL \$000	VARIANCE \$000	
Contribution from Employers Accrued Long Service Leave	4,079	2,055	2,024	(a)
Benefits Liability	8,400	3,800	4,600	(b)
Supplies and Services	312	256	56	(c)
Administration Expenses	361	303	58	(d)

- (a) The contribution rate was increased from 0.1% to 0.5% on 1 January 2003.
- (b) Following the Actuary's recommendation, the provision for long service leave benefits liability has been increased.
- (c) Additional investment advice associated with the movement of funds between existing and new managers and there were additional legal opinions required during the year.
- (d) Insurance and staff recruitment expenses were higher than the previous year and there were additional postage expenses incurred promoting the Scheme to employees in the construction industry.

20. THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

The Construction Industry Long Service Leave Payments Board is adopting international accounting standards in compliance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS).

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 of 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.

The Board is proceeding through the process with the appropriate staff and management receiving the necessary training and guidance to enable an orderly transition. A timetable has been prepared to ensure all aspects of the transition are managed within the required period.

The Board is not aware of any changes necessary to its current accounting policies and practices as a result of adopting the Australian equivalents to International Financial Reporting Standards.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

21. 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	Non Interest Bearing \$000	Total \$000
30 June 2004				
Financial Assets				
Cash Assets	4.33	480		480
Receivables			79	79
Investments		<u> </u>	<u>77,600</u>	<u>77,600</u>
Total Financial Assets		480	77,679	78,159
Financial Liabilities				
Payables			25	25
Accrued Salaries			15	15
Employee Entitlements			<u>210</u>	<u>210</u>
Total Financial Liabilities			250	250
Net Financial Assets		<u>480</u>	<u>77,429</u>	<u>77,909</u>
30 June 2003				
Financial Assets	4.45	763	69,164	69,928
Financial Liabilities			289	289

(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.

**CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

22. COMMITMENTS

Lease Commitments

Commitments in relation to leases contracted for at 30 June 2004 but not recognised as liabilities are payable as follows:

	<u>2004</u> \$000	<u>2003</u> \$000
Within 1 year	69	72
Later than 1 year but not later than 5 years	<u>132</u>	<u>121</u>
	201	193
Representing Non-Cancellable Operating Leases	201	193

(a) Non-cancellable operating lease commitments
Commitments for minimum lease payments are payable as follows:

	<u>2004</u> \$000	<u>2003</u> \$000
Motor Vehicles		
- Within 1 year	8	13
- Later than 1 year but not later than 5 years	10	3
Property Lease		
- Within 1 year	61	59
- Later than 1 year but not later than 5 years	61	118

(b) Other expenditure commitments for office administration contracted for at 30 June 2004 but not recognised as liabilities are payable as follows:

- Within 1 year	2	1
-----------------	---	---



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

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 June 30, 2004.

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
October 13, 2004



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE PAYMENTS BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

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 June 30, 2004 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
October 13, 2004