Part 3: Financial Accountability

Financial accountability

Part 3 Financial accountability

Financial Statements for year ended 30 June 2017

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Independent audit report to the NT Build Board

Auditor-General

Independent Auditor's Report to the Board
NT Build

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Opinion

I have audited the Financial Report of NT Build which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the Financial Report, including a summary of significant accounting policies and other explanatory information, and the certification of the financial statements by the Board.

In my opinion the accompanying Financial Report of NT Build has been prepared in accordance with Australian Accounting Standards, giving a true and fair view of the financial position of NT Build as at 30 June 2017, and of its financial performance and its cash flows for the year then ended.

Basis for Opinion

I conducted the audit in accordance with *Australian Auditing Standards*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report.

I am independent of NT Build in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to the audit of the Financial Report in Australia. I have fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 10(a) to the financial statements which describes the uncertainty related to the Long Service Leave liability valuation as carried out on 4 September 2017. My opinion is not qualified in respect of this matter.

Other Information

Other Information is financial and non-financial information in NT Build's Annual Report which is provided in addition to the Financial Report and the Auditor's Report. The Board is responsible for the Other Information.

The Other Information I obtained prior to the date of this Auditor's Report was "*NT Build Annual Report 2016-17*".

My opinion on the Financial Report does not cover the Other Information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the Financial Report, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Financial Report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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I am required to report if I conclude that there is a material misstatement of this Other Information and, based on the work I have performed on the Other Information that I obtained prior to the dated of this Auditor’s Report, I have nothing to report.

Responsibilities of the Board for the Financial Report

The Board of NT Build is responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the Board is responsible for assessing NT Build’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate NT Build or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the financial reporting processes of NT Build.

Auditor’s Responsibilities for the audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NT Build's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NT Build's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause NT Build to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory

20 November 2017

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Board members' declaration

The Members of NT Build Board declare that:

1. The financial statements and notes for the year ended 30 June 2017 are in accordance with the Northern Territory *Construction Industry Long Service Leave and Benefits Act* and:

    a) comply with Accounting Standards, as stated in accounting policy Note 1 to the financial statements; and

    b) give a true and fair view of the financial position and performance of NT Build.

2. In the Members' of the Board opinion, there are reasonable grounds to believe that NT Build will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board and signed for and on behalf of the Board of NT Build.

Board member: MICHAEL MARTIN

Board member: ROSEMARY CAMPBELL

Dated: 17 NOVEMBER 2017

Statement of comprehensive income
for the year ended 30 June 2017

	Note	2017	2016
		$	**$**
Contributions from levy payers		2 446 361	3 664 778
Other income	2	13 027 579	2 330 754
Employee benefits expense		(897 368)	(853 314)
Depreciation and amortisation expense	3	(80 197)	(1 073)
Fees and allowances	3	(56 924)	(45 518)
Long service leave benefit payments		(7 848 252)	(4 729 387)
Long service scheme revaluation - current		6 650 000	(17 271 000)
Occupancy costs		(91 219)	(102 425)
Other expenses		(540 415)	(385 150)
Net surplus/(deficit)		**12 609 565**	**(17 392 335)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**12 609 565**	**(17 392 335)**

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2017

	Note	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	4	2 699 524	5 950 989
Trade and other receivables	5	1 194 152	820 891
Other financial assets	6	82 746 655	74 238 251
TOTAL CURRENT ASSETS		86 640 331	81 010 131
Non-current assets			
Property, plant and equipment	7	589	1 252
Intangible assets	8	318 140	318 025
TOTAL NON-CURRENT ASSETS		318 729	319 277
TOTAL ASSETS		86 959 060	81 329 408
LIABILITIES			
Current liabilities			
Trade and other payables	9	512 526	360 714
Short-term provisions	10	7 800 000	6 700 000
Other liabilities	11	7 918	489 643
TOTAL CURRENT LIABILITIES		8 320 444	7 550 357
Non-current liabilities			
Long-term provisions	10	48 162 000	55 912 000
TOTAL NON-CURRENT LIABILITIES		48 162 000	55 912 000
TOTAL LIABILITIES		56 482 444	63 462 357
NET ASSETS		30 476 616	17 867 051
EQUITY			
Reserves - implementation funding	12	296 867	296 867
Accumulated funds		30 179 749	17 570 184
TOTAL EQUITY		30 476 616	17 867 051

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2017

2017	Accumulated Funds $	Implementation Funding $	Total $
Balance at 1 July 2016	17 570 184	296 867	17 867 051
Surplus/(Deficit) for the year	12 609 565	-	12 609 565
Other comprehensive income	-	-	-
Balance at 30 June 2017	30 179 749	296 867	30 476 616

2016	Accumulated Funds $	Implementation Funding $	Total $
Balance at 1 July 2015	34 962 519	296 867	35 259 386
Surplus/(Deficit) for the year	(17 392 335)	-	(17 392 335)
Other comprehensive income	-	-	-
Balance at 30 June 2016	17 570 184	296 867	17 867 051

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies received and other income		6 031 727	5 991 134
Payments to employees		(897 367)	(853 314)
Interest received		105 489	201 373
Long service leave payments		(7 715 224)	(4 648 462)
Payments for good and services		(696 440)	(569 666)
Net Cash provided by/(used in) operating activities	17	(3 171 816)	121 065
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(79 650)	(219 037)
Net Cash used in investing activities		(79 650)	(219 037)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in cash and cash equivalents held		(3 251 466)	(97 972)
Cash and cash equivalents at the beginning of financial year		5 950 989	6 048 961
Cash and Cash equivalents at end of financial year	4	2 699 524	5 950 989

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2017

The financial report covers NT Build as an individual entity. The financial report was authorised for issue in accordance with a resolution of the board members on 17 November 2017.

NT Build has its principal office at Charlton Court, Woolner, Northern Territory. The entity was established in 2005 under the Northern Territory *Construction Industry Long Service Leave and Benefits Act* and it administers this Act which provides a portable long service benefits scheme to building and construction workers in the Northern Territory and is a not-for-profit entity for reporting purposes under Australian Accounting Standards.

The functional and presentation currency of NT Build is Australian dollars.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Northern Territory *Construction Industry Long Service Leave and Benefits Act.*

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected noncurrent assets, financial assets and financial liabilities.

(b) Comparative amounts

Prior period financial statement amounts have been reclassified to conform to current period presentation.

(c) Property, plant and equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of costs of dismantling and restoring the asset, where applicable.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured using the cost model. All items of property, plant and equipment with a cost, or other value, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the NT Build Board, equal to or greater than $5,000 are recognised in the year of acquisition and depreciated as outlined below. Items of property, plant and equipment below the $5,000 threshold are expensed in the year of acquisition.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that the NT Build Board determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the asset's useful life.

The depreciation rates used for each class of depreciable asset are shown below:

FIXED ASSET CLASS	DEPRECIATION RATE
Furniture, fixtures and fittings	10%
Office equipment	20%
Computer equipment	33.3%
Computer software	33.3%
Leasehold improvements	20%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds from disposal received with its carrying amount and is taken to profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Intangibles

Software development

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is 5 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The amortisation rate used for the class of asset is 20%.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that NT Build becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred in the profit or loss).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised as gains in the comprehensive income.

All income and expenses relating to financial assets are recognised in the Statement of Comprehensive Income in the 'other income' or 'other expenses' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

NT Build's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Financial instruments (continued)

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, NT Build renegotiates repayment terms with customers which may lead to changes in the timing of the payments, NT Build does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future;
- designated by the entity to be carried at fair value through profit or loss upon initial recognition; or
- which are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Financial instruments (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of NT Build's Board to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. NT Build's available-for-sale financial assets include listed securities.

Purchases and sales of available-for-sale investments are recognised on settlement date.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the Statement of Comprehensive Income.

Losses recognised in prior period Statement of Comprehensive Income resulting from the impairment of debt securities are reversed through the statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Financial instruments (continued)

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities in profit or loss.

Financial liabilities

Financial liabilities are recognised when NT Build becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquire

NT Build's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period NT Build assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Financial instruments (continued)

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(f) Impairment of non-financial assets

At the end of each reporting period NT Build determines whether there is evidence of impairment indicator for nonfinancial assets.

Where this indicator exists and regardless of indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount for the assets is estimated.

The recoverable amount of an asset is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(g) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

(h) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the Statement of Cash Flows and are presented within current liabilities on the Statement of Financial Position.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that NT Build will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the entity elects to renegotiate the terms of trade receivables due from customers with which it previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of board members, sufficient to require the derecognition of the original instrument.

(j) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to NT Build prior to the year end and which are unpaid. Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to NT Build. Accounts payable are normally settled within 30-60 days.

(k) Long Service Leave Benefits Provisions

(i) Long Service Leave Benefits Expense

Employees and contractors who are registered with NT Build accrue 65 days (13 weeks) long service leave after they have been credited with 2,200 qualifying service days (equivalent to 10 years) in the building and construction industry for service after 1 July 2005. Workers receive credit of 6.5 days long service leave for each 220 days (1 year) worked.

Leave may be claimed after the employee or contractor has been credited with a total of 65 days of long service leave for the first time or they have been credited with 32.5 days of additional long service credits after the employee or contractor was credited with 65 days of long service leave.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(k) Long Service Leave Benefits Provisions (continued)

(ii) Accrued Long Service Leave Benefits Liability

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees and contractors to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wage levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate asset based rate at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated cash outflows.

(l) Income Tax

As a public authority constituted under a law of the Northern Territory, the income of NT Build is exempt from income tax under Div 50-25 of the Income Tax Assessment Act 1997 and no charge for income tax expense is required.

(m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to NT Build are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that NT Build will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates

All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue

Interest is recognised using the effective interest method.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

(o) Long service levy

A two tier levy regime is applied for the calculation of the long service levy on all eligible construction projects undertaken in the Northern Territory.

1. A 'standard' prescribed levy rate is applied to the first $1 billion of the projects construction costs. The following 'standard' levy rates apply:
    - 0.1% on projects started from 7/4/2014 - regardless of completion date;
    - 0.3% on projects started from 1/4/2012 to 6/4/2014 - regardless of completion date;
    - 0.4% on projects started from 1/7/2009 to 31/3/2012 - regardless of completion date; and
    - 0.5% on projects started from 1/7/2005 to 30/6/2009 - regardless of completion date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Long service levy (continued)

The levy rates listed above are applicable for all eligible construction projects of at least:

- $1 million or more in value for projects that commenced on or after 7 April 2014 or
- $200,000 or more in value for projects that commenced between 1 July 2005 and 6 April 2014, regardless of completion date.

2. A project specific levy rate, determined by the responsible Minister and informed by actuarial advice, is applied to the projects that exceed the $1 billion threshold.

(p) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

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

(q) Critical accounting estimates and judgments

NT Build make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) Critical accounting estimates and judgments (continued)

The significant estimates and judgements made have been described below.

Long service leave benefits - Note 1(k), Note 1(s), Note 10(a): Provisions

Non-current liabilities in respect of long service leave benefits are measured as the present value of estimated future cash outflows based on the appropriate asset based rate, estimates of future salary and wage levels and employee periods of service. The accuracy of provisions is the key estimate included in these financial statements as noted in Note 10(a).

Allowance for impairment losses - Note 1(f), 5: Trade and other receivables

The value of the provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the aging of receivables, historical collection rate and specific knowledge of the individual debtors financial position.

(r) Going concern

The financial report has been prepared on a going concern basis. Following the net loss of $17,392,335 recorded by the Scheme in the 2015-16 reporting period, the Board continued to proactively monitor the financial solvency of the Scheme through the use of regular actuarial advice (including the annual liability valuation and triennial review mechanism) and the review of its investment and accounting policies.

The adoption of a change in accounting estimate (of using an asset based discount rate in lieu of the risk-free discount rate), together with the income from investments (specifically, the Movement in Market Value) during the 2016-17 reporting period has strengthened the Scheme’s net financial position in comparison to the 2015-16 period.

While the Scheme currently has a moderate surplus, it is predicted to continue to gradually decline over the following years as growth in liabilities continue to accrue at a greater rate than expected income. The underlying concern expressed by the actuary, in his 2017 triennial actuarial review that the current levy rate of 0.1% is well below the break-even rate, remains.

Notwithstanding the concerns, the Board remains satisfied that adequate governance practices and review mechanisms are in place for the ongoing monitoring of the financial sustainability of the Scheme.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(s) Change in accounting estimates

During the year NT Build changed its accounting estimate in relation to the discount rate used in the calculation of the scheme's portable long service leave liability. In previous reporting periods the Actuary utilised the prevailing Commonwealth government bond rate as the basis for the discount rate applied to the liability's calculation, reported as 2% for the year ended 30 June 2016.

The Actuary has now determined a rate based on an estimate of the return on invested assets which directly back the scheme's liabilities is a more appropriate basis. For the year ended 30 June 2017, the Actuary has determined an appropriate asset-based discount rate is 6%.

This change has been implemented as the NT Build Board are of the opinion that it will provide a more relevant and reliable representation of the portable long service leave liability. The revised estimate had the impact of decreasing long service leave liability expense and liability by $10.2M, in the current period.

(t) Adoption of new and amended accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by NT Build:

- *AASB 124 Related Party Disclosures*

This standard applies to the not-for-profit sector for the first time in 2016-17. The accounting standard requires disclosures about the remuneration of key management personnel, transactions with related parties, and relationships between parent and controlled entities. For any such transactions, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/payables, commitments, and any receivables where collection has been assessed as being doubtful.

Several other amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have no impact on public sector reporting.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) New Accounting Standards and Interpretations Issued but not yet Effective

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but are not yet effective and are expected to have a potential impact on future reporting periods:

- *AASB 16 Leases*

AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20. When the standard is effective it will supersede AASB 117 Leases and requires the majority of leases to be recognised on the balance sheet.

For lessees with operating leases, a right-of-use asset will now come onto the balance sheet together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Statement of Comprehensive Income will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-to-use asset and interest expense relating to the lease liability.

While for lessors, the finance and operating lease distinction remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate. Consequently, it is expected that approximately $138,109 in operating lease commitments will be required to be recognised in the balance sheet through a lease liability and corresponding right to use asset from 2019-20 in accordance with AASB 16 Leases. In the Statement of Comprehensive Income the operating lease expense will be replaced with a depreciation expense relating to the right to use asset and interest expense relating to the lease liability. These cannot be quantified at this time.

- *AASB 1058 Income for not-for-profit entities and AASB 15 Revenue from contracts with customers*

AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue with Contracts with Customers are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20.

Under the new AASB 1058 Income for Not-for-Profit Entities, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) New Accounting Standards and Interpretations Issued but not yet Effective (continued)

AASB 1058 clarifies and simplifies income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 Revenue from Contracts with Customers.

While the full impacts are yet to be determined, potential impacts identified include:

- Grants received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as the associated performance obligations are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants that have an enforceable agreement but no specific performance obligations but have restrictions on the timing of expenditure will also continue to be recognised on receipt as time restriction on the use of funds is not sufficiently specific to create a performance obligation.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on future financial reporting.

2 OTHER INCOME

	2017	2016
	$	$
Interest received	108 829	146 455
Investment income	3 761 225	2 993 323
Movement in equity investments	5 018 935	(3 118 030)
Manager fee rebate	192 424	181 707
Reciprocal income	3 946 166	2 127 299
	13 027 579	2 330 754

The first two distributions and the management fee rebates were reinvested during the year.

3 EXPENSES

	2017	2016
	$	$
Depreciation and amortisation		
- property, plant and equipment	80 197	1 073
Remuneration of auditor		
- auditing the financial report	21 907	18 545
Fees and Allowances		
- board member fees	56 924	45 518

4 CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash on hand	200	200
Cash at bank	144 795	1 870 499
Short term bank deposits	2 554 529	4 080 290
	2 699 524	5 950 989

Reconciliation of cash

Cash and cash equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

	2017	2016
	$	$
Cash and equivalents	2 699 524	5 950 989

5 TRADE AND OTHER RECEIVABLES

	2017	2016
	$	$
Current		
Trade receivables	1 066 082	719 953
Provision for impairment	(8 428)	-
Prepayments	54 520	27 854
Accrued levy contributions	74 587	69 033
Accrued interest	7 391	4 051
	1 194 152	820 891

Credit risk

NT Build has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to NT Build.

On a geographical basis, NT Build has significant credit risk exposures in Australia given the substantial operations in this region.

The following table details NT Build's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between NT Build and the levy payer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to NT Build.

5 TRADE AND OTHER RECEIVABLES CONTINUED

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

			Past due but not impaired (days overdue)				
	Gross amount $	Past due and impaired $	Current $	30 $	30 - 60 $	> 60 $	Instalment $
2017							
Trade and term receivables	1 066 082	8 428	253 671	87 394	6 633	116 775	593 181
Total	**1 066 082**	**8 428**	**253 671**	**87 394**	**6 633**	**116 775**	**593 181**
2016							
Trade and term receivables	719 953	-	392 679	346	23 625	61 516	241 787
Total	**719 953**	**-**	**392 679**	**346**	**23 625**	**61 516**	**241 787**

The other classes of receivables do not contain impaired assets.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

6 OTHER FINANCIAL ASSETS

	2017	**2016**
CURRENT	**$**	**$**
MLC (NCIT) Moderate Trust	82 746 655	74 238 251

(a) Breakdown of investment split

	2017	**2016**
- Australian Shares	29%	28%
- Global Shares	34%	34%
- Bonds	33%	34%
- Property Securities	4%	4%

continued: Notes to the financial statements - 30 June 2017

7 PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	$	**$**
Furniture, fixtures and fittings		
At cost	30 223	30 223
Accumulated depreciation	(29 634)	(28 971)
Total furniture, fixtures and fittings	**589**	**1 252**
Office equipment		
At cost	12 181	12 181
Accumulated depreciation	(12 181)	(12 181)
Total office equipment	**-**	**-**
Computer equipment		
At cost	4 642	4 642
Accumulated depreciation	(4 642)	(4 642)
Total computer equipment	**-**	**-**
Leasehold improvements		
At cost	297 052	297 052
Accumulated amortisation	(297 052)	(297 052)
Total leasehold improvements	**-**	**-**
	589	**1 252**

7 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Movements in carrying amounts of property, plant and equipment

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year:

	Furniture, fixtures & fittings $	Total $
Year ended 30 June 2017		
Balance at the beginning of year	1 252	1 252
Depreciation expense	(663)	(663)
Balance at the end of the year	**589**	**589**
Year ended 30 June 2016		
Balance at the beginning of year	2 325	2 325
Depreciation expense	(1 073)	(1 073)
Balance at the end of the year	**1 252**	**1 252**

8 INTANGIBLE ASSETS

	2017 $	2016 $
Intangible assets under development cost	-	318 025
NET CARRYING VALUE	-	318 025
Intangible assets cost	397 675	-
Accumulated amortisation and impairment	(79 535)	-
NET CARRYING VALUE	318 140	-
Total Intangibles	**318 140**	**318 025**

continued: Notes to the financial statements - 30 June 2017

8 INTANGIBLE ASSETS CONTINUED

(a) Movements in carrying amounts of intangible assets

	Intangible assets under development $	Intangible assets $	Total $
Year ended 30 June 2017			
Balance at the beginning of the year	318 025	-	318 025
Additions	-	79 650	79 650
Transfers	(318 025)	318 025	-
Amortisation	-	(79 535)	(79 535)
Closing value at 30 June 2017	**-**	**318 140**	**318 140**

9 TRADE AND OTHER PAYABLES

	2017 $	2016 $
CURRENT		
Unsecured liabilities		
Trade payables	329 836	113 293
Other payables	182 690	247 421
	512 526	360 714

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

10 PROVISIONS

	2017 $	2016 $
Current	7 800 000	6 700 000
Non-current	48 162 000	55 912 000
	55 962 000	**62 612 000**

Movement in carrying amounts

	2017 $	2016 $
OPENING BALANCE	62 612 000	45 341 000
Actuarial valuation adjustment - based on risk-free discount rate	4 418 000	17 271 000
Actuarial valuation adjustment - due to change to asset-based discount rate	(11 068 000)	-
NET ACTUARIAL ADJUSTMENT	(6 650 000)	17 271 000
	55 962 000	**62 612 000**

(a) Actuary valuation adjustment

The NT Build Long Service Leave liability valuation was carried out on 4 September 2017 by Cumpston Sarjeant Pty Ltd, Consulting Actuaries, in respect of the year ended 30 June 2017.

For each future year the amounts of entitlement expected to be paid in service and on termination of membership have been determined by making a projection based on assumed rate of claiming benefits in service, rates of death, retirement, and resignation, and rate of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the assumed interest rate.

Previous year's liability estimates have been calculated using a risk-free discount rate based on the yield on Commonwealth bonds. However in recent years a body of practice has emerged amongst industry LSL schemes in several jurisdictions where the discount rate has been set based on an estimate of the return on suitably invested assets. Sufficient weight of practice and opinion now exists to support use of an asset-based discount rate, an asset based discount rate approach has been adopted for valuing NT Build scheme liabilities for 2017 and for future financial reporting periods.

10 PROVISIONS CONTINUED

(a) Actuary valuation adjustment (continued)

The changed approach to setting the discount rate this year (from risk-free to asset-based) has had a large impact on the liability. The change in approach has reduced the liability by $10.1M or 17%. (By comparison, if the liability at 2017 was calculated using the 2017 risk-free discount rate, it would have been $67.030M including expenses, $11.1M higher than that using the asset-based discount rate.)

In performing the valuation the following assumptions were made by the Actuary:

- An asset-based discount rate of 6% used when valuing NT Build Scheme liabilities under AASB137 Provisions, Contingent Liabilities and Contingent Assets;
- Benefit growth rate of 3.5% per annum, consistent with Department of Treasury and Finance's expectations for future salary growth in the Territory, and external forecasts;
- Exit rates based on experience in NT Build, similar schemes and more general population measures;
- Benefits assumed to be paid immediately when claimed however vested benefits may not be immediately claimed and are assumed to paid up to 4 years from vesting;
- The proportion of workers eligible to claim is assumed to vary with service as workers with interstate service may claim benefits on exit with fewer service credits and 100% eligibility is assumed by 1,100 days due to payment on deregistration vesting at that point;
- Leave will be taken at rates consistent with scheme experience with allowance for differing rates of leave for the approximately 49% of workers with some indication of interstate service on their records;
- 30% of inactive members will reactivate;
- Allowance for future scheme administration expenses of 12% of accrued leave liability;
- Estimate about 1.006 million days of service credits will be reported in future in respect of past reporting periods, as a consistent pattern of delay in reporting service credits over time has emerged and has become an enduring feature of the scheme.

10 PROVISIONS CONTINUED

(a) Actuary valuation adjustment (continued)

The most significant elements in the revised valuation include:

- Changes in the economic assumptions had a net effect of decreasing liability by $13.3M for pre-16 service;
- Experience gains/losses during the year included:
  - lower benefit rate growth on 1 July 2017 than assumed, being 1.7% compared to 4.0% assumed, with a decrease in liability as a result (-$1.1M);
  - benefit payments slightly higher than assumed, meaning lower remaining service credits and liability than assumed (-$0.5M).
  - other changes during the year, including a much higher turnover of short-duration workers (particularly Inpex workers) in the last year than expected, leading to a lower liability compared to expectations in 2016 (-$3.0M);
- There is a large 2016/17 additional liability, associated with high levels of service reporting due to Inpex LNG project, but also related to workers with increasing average service length and hence a higher probability of reaching benefit entitlement.

Taking all these factors into account, the greatest unknowns in the liability valuation are the assumptions regarding member movements (exit rates and reactivation rates) and the estimation of unreported service credits for January-June 2017. Other elements such as the rate of claiming benefits in service are not as important. Further scheme experience over time will refine the assumptions made and gradually reduce uncertainty in the valuation.

Sensitivity analysis

The re-entry rate is an important determinant of eventual liability and there is moderate uncertainty to the assumption that 30% of inactive members will reactivate. For different outcomes in the range 20-40% reactivation the liability may change by up to 4%, with higher reactivations leading to higher liability. Withdrawal rates for active members from the Scheme is also moderately important in determining liability. If withdrawal rates for active members decreased by 25% the liability would increase by about 4%. Conversely, if withdrawal rates were increased by 50% the liability would decrease by 7%. Other factors that may also affect the uncertainty of the valuation estimate include; future benefit rate inflation, discount rate variance and unreported or other data adjustments to service credits.

continued: Notes to the financial statements - 30 June 2017

10 PROVISIONS CONTINUED

(b) Reconciliation of current year movement

The following reconciliation details the current year actuary movement based on the above assumptions.

	$ (Million)
LIABILITY AT 30 JUNE 2016 EXCLUDING EXPENSES	54.0
Interest on liability @ 2.0% for one year to 2017	1.1
Expected payments during 2016/17 from accrued liability at 2016	(3.2)
EXPECTED LIABILITY EXCLUDING EXPENSE AT 2017 FOR PRE-2016 SERVICE	51.9
Changes in actuarial basis	
Change in discount rate from 2.0% pa to 6.0% pa	(10.1)
Change in long term benefit rate growth from 4% to 3.5% pa	(0.8)
Experience gains/losses	
Benefit payments higher than expected	(0.5)
Benefit rate increase on 1/7/2017 lower than expected	(1.1)
Other experience gains/losses	(3.0)
LIABILITY AT JUNE 2017 FOR SERVICE TO JUNE 2016, EXCLUDING EXPENSES	36.4
Liability for service accruals in 2016/17	13.6
TOTAL LIABILITY EXCLUDING EXPENSES AT 30 JUNE 2017	50.0
Liability for expenses @ 12% of liability	6.0
Total liability including expenses at 30 June 2017	**56.0**

11 OTHER LIABILITIES

	2017	2016
	$	$
CURRENT	7 918	489 643
Amounts received in advance	**7 918**	**489 643**

12 RESERVES

	2017	2016
	$	$
IMPLEMENTATION FUNDING		
Opening balance	296 867	296 867
Total reserves	**296 867**	**296 867**

In 2005, when the NT Build office was established, the Office of the Commissioner for Public Employment (OCPE) provided the above funds for the 'fitout' of the NT Build offices. These were used to renovate the existing building and refurbish the office accordingly. The amount was transferred to NT Build from OCPE and treated as an Equity transfer.

13 CAPITAL AND LEASING COMMITMENTS

(a) Operating lease expiring in 3 years

NT Build leases property under a non-cancellable operating lease expiring in 5 years. The lease provides NT Build with a right of renewal for a further 5 years, at which time all lease terms are renegotiated. NT Build also leases computer equipment and motor vehicles under non-cancellable operating leases. NT Build entered into a software licencing operating lease expiring in 5 years with a right of renewal for a further 5 years, however this agreement may be terminated by either party by giving 6 months notice. Future operating lease commitments not recognised as liabilities are payable as follows:

	2017	2016
	$	$
Minimum lease payments under non-cancellable operating leases:		
- within one year	183 118	208 309
- later than one year and not later than five years	265 006	502 735
- later than five years	-	-
	448 124	**711 044**

14 FINANCIAL RISK MANAGEMENT

NT Build is exposed to a variety of financial risks through its use of financial instruments.

This note discloses NT Build‘s objectives, policies and processes for managing and measuring these risks.

NT Build‘s overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

NT Build does not speculate in financial assets.

The most significant financial risks to which NT Build is exposed to are described below:

Specific risks

- Market risk - cash flow interest rate risk and price risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the NT Build are:

- Trade receivables
- Cash at bank
- Investments in listed shares
- Trade and other payables

Objectives, policies and processes

The Board has overall responsibility for the determination of risk management objectives and policies. Whilst retaining ultimate responsibility, in December 2015 the Board established a Finance, Risk and Audit (FRA) Sub-committee. This FRA Sub-committee, which consists of three members and met twice during the 2016-17 reporting period, is charged with providing reasonable assurance to the Board that NT Build’s core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management. The Committee also provides strategic oversight and focus on the key financial and strategic risks and controls across NT Build but does not replace the appropriate function of the Board.

14 FINANCIAL RISK MANAGEMENT CONTINUED

Objectives, policies and processes (continued)

The NT Build staff management team has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies within the adopted framework. The Board's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of NT Build where such impacts may be material. The Board receives regular reports with monthly updates from the Registrar through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. Further details regarding these policies are set out below.

The table below reflect maturity analysis for financial assets.

	Weighted average effective interest rate		Floating interest rate		Within 1 year	
	2017 %	**2016 %**	**2017 $**	**2016 $**	**2017 $**	**2016 $**
Financial assets - cash flows realisable						
Cash and cash equivalents	**2.40**	3.40	**144 995**	1 870 699	**2 554 529**	4 080 289
Trade, term and loans receivables	**-**	-	**1 128 286**	790 675	**-**	-
Other investments	**7.20**	6.20	**82 746 655**	74 238 251	**-**	-
Total anticipated outflows			**84 019 936**	76 899 625	**2 554 529**	4 080 289

	Total	
	2017 $	**2016 $**
Financial assets - cash flows realisable		
Cash and cash equivalents	**2 699 524**	5 590 988
Trade, term and loans receivables	**1 128 286**	790 675
Other investments	**82 746 655**	74 238 251
Total anticipated outflows	**86 574 465**	80 979 914

14 FINANCIAL RISK MANAGEMENT CONTINUED

The table below reflect an undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis - Non-derivative

	Within 1 year		Total	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial liabilities due for payment				
Trade and other payables (excluding estimated annual leave)	512 527	360 714	512 527	360 714
Total contractual outflows	**512 527**	**360 714**	**512 527**	**360 714**

The timing of expected outflows is not expected to be materially different from contracted cashflows.

14 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligations resulting in the Board incurring a financial loss. Credit risk arises from cash assets and deposits with financial institutions and investment institutions, as well as credit exposures to NT Build's outstanding receivables and committed transactions.

NT Build has limited credit risk exposure (risk of default). In respect of any dealings with obligations external to Government, the Board has adopted a policy of only dealing with credit worthy organisations and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Financial instruments that potentially subject NT Build to a concentration of credit risk consist of cash and cash equivalents and other investments. The credit risk for these liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents NT Build's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The receivables of NT Build arise as a result of a statutory obligation on various entities undertaking building and construction work of $1 million or more in value for projects that started on or after 7/4/2014, or $200,000 or more in value for projects that started before 7/4/2014, regardless of completion date. As a result, NT Build cannot implement any credit policies beforehand to ensure that individual risk on each customer is minimised.

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of payment terms is as follows:

	2017	**2016**
Type of payment terms	**$**	**$**
Instalment	593 181	241 787
Non - Instalment	472 901	478 165
	1 066 082	**719 952**

14 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Fair value estimation

The fair values of financial instruments categorised by level of inputs used to measure fair value are:

	2017		2016	
	Net carrying value	Net fair value	Net carrying value	Net fair value
	$	$	$	$
Financial assets				
Cash and cash equivalents	2 699 524	2 699 524	5 950 988	5 950 988
Trade and other receivables	1 194 152	1 128 286	820 890	790 675
Financial assets at fair value through profit or loss: Investments - designated	82 746 655	82 746 655	74 238 251	74 238 251
Total financial assets	**86 640 331**	**86 574 465**	**81 010 129**	**80 979 914**
Financial liabilities				
Trade and other payables	512 831	512 527	360 714	360 714
Total financial liabilities	**512 831**	**512 527**	**360 714**	**360 714**

There were no changes in valuation techniques during the period.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period.

An increase of 100 basis points or a decrease of 100 basis points would have increased equity and the net surplus by the amounts shown below. This analysis assumes that other variables are held constant.

	Surplus		Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
2017	854 464	854 464	854 464	854 464
2016	801 892	801 892	801 892	801 892

The movements in surplus are due to higher interest costs from variable rate debt and cash balances.

14 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Fair value estimation (continued)

The movements in equity are due to an increase in the fair value of derivative instruments designated as cash flow hedges.

The net exposure at the end of the reporting period is representative of what NT Build was and is expecting to be exposed to at the end of the next twelve months.

The sensitivity analysis is performed on the same basis as in 2016.

15 CONTINGENCIES

Contingent assets

Under section 33(4) of the *Construction Industry Long Service Leave and Benefits Act*, the Minister is to determine the levy percentage on construction projects in excess of $1 billion. Generally, the levy collection mechanism for such large projects is that these types of projects typically span several years and by the time the project reaches completion the amount of levy that is due may be quite substantial.

Although a project of this value has commenced, the Minister has yet to determine the applicable levy rate and as such any likely income to be received cannot at this time be reliably measured. For a relatively small Scheme such as NT Build, the accrual of a large unfunded liability poses a significant cash flow and solvency burden on the Scheme.

An initial levy payment in respect of the first $1 billion of the project value has been paid (refer 2011-12 Financial Statements). The project continues to accrue liabilities, but is unlikely to pay any further levy until practical completion. While the actual amount of further levy to be paid has not yet been determined, it is broadly actuarially estimated to likely to be in the range of $10-25 million. While it should be noted that this range is speculative and is not intended to be interpreted as the actual amount of levy payable, it seeks to emphasise the substantial as yet unfunded liability the Scheme is burdened with.

Notwithstanding that a receivable has not been recognised, NT Build has recorded;

- as an expense such benefit claims already paid to date to registered employees and contractors working on this project; and
- within its provision for long service leave benefits, recognised entitlements for registered employees and contractors working on this project that continue to accrue.

16 RELATED PARTIES

(i) Related Parties

NT Build is a government administrative entity and is wholly owned and controlled by the Territory Government. Related parties of NT Build include:

- the Portfolio Minister and key management personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of NT Build directly; and
- spouses, children and dependants who are close family members of the Portfolio Minister or KMP; and
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by KMP's or the Portfolio Minister or controlled or jointly controlled by their close family members.

(ii) Key Management Personnel (KMP)

NT Build is a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act* (the CILSLB Act) to provide a portable long service leave benefit scheme to building and construction workers in the Northern Territory. It is not an agency within the meaning of the *Financial Management Act* or the *Public Sector Employment and Management Act*.

Under the Administrative Arrangements Order in force for the period ended 30 June 2017 the Department of Trade, Business and Innovation had the principal responsibility for the general administration of the CILSLB Act. However, in accordance with the CILSLB Act, the Board holds the specific responsibility for the day-to-day management of the Scheme and for providing advice and making recommendations to the Minister about the operation of the legislation.

Key management personnel of NT Build are those persons having authority and responsibility for planning, directing and controlling the activities of NT Build. These include the Minister for Trade, Business and Innovation, The Hon Michael Gunner MLA, the Registrar, Mr Theo Tsikouris and the NT Build Board as listed below.

The names of the members of the Board who held office during the year are Mr Michael Martin OAM, Mr Craig Graham, Mr Dick Guit, Mr Michael Haire, Mr David Malone, Mr Michael Milatos and Ms Rosemary Campbell.

16 RELATED PARTIES CONTINUED

(ii) Key Management Personnel (KMP) (continued)

Mr Haire's initial appointment ceased in October 2016, however he was subsequently reappointed in November 2016 for a further period of five years.

Mr Graham resigned his appointment in April 2017.

Attendance of meetings

	Eligible Meetings*	Meetings Attended
Craig Graham	16	10
Dick Guit	18	12
Michael Haire	17	8
David Malone	18	13
Michael Milatos	18	10
Michael Martin	18	17
Rosemary Campbell	18	17

*Excludes 'other' business involving general Board or Chair participation. Such as: participation on subcommittees, attendance at National Conference/Forums, official functions, travelling days, Ministerial discussions and ad hoc general meetings attended by the Chair - lawyer, auditor-general, accountant, registrar, etc.

(iii) Remuneration of Key Management Personnel

The details below exclude the salaries and other benefits of Minister for Trade, Business and Innovation as the Minister's remunerations and allowances are payable by the Department of the Legislative Assembly and consequently disclosed within the Treasurer's Annual Financial Statements.

The details below also exclude the salaries and other benefits of a Board Member who is an employee of the Department of Treasury and Finance as their remunerations and allowances are payable by the Department of Treasury and Finance and consequently disclosed within the Department of Treasury and Finance Annual Financial Statements.

continued: Notes to the financial statements - 30 June 2017

16 RELATED PARTIES CONTINUED

(iii) Remuneration of Key Management Personnel (continued)

The aggregate compensation of key management personnel of NT Build is set out below:

	2016-17 $000
Short-term benefits	252
Post employee benefits	30
Long-term benefits	-
Termination benefits	-
Total	**282**

(iv) Related party transactions: Transactions with Northern Territory Government controlled entities

NT Build's primary ongoing sources of funding are from the collection of a levy imposed on eligible construction work undertaken in the Territory and investment earnings. No general allocation of funding is provided to NT Build through the Territory Budget or the Central Holding Authority.

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities.

	Revenue from related parties 2017 $000	Revenue from related parties 2017 $000	Amounts owed by related parties 2017 $000	Amounts owed by related parties 2017 $000
Related Party				
All NTG Government departments	-	1 033	-	97

16 RELATED PARTIES CONTINUED

(iv) Related party transactions: Transactions with Northern Territory Government controlled entities (continued)

NT Build's transactions with other government entities are not individually significant.

Other related party transactions are as follows:

Given the breadth and depth of Territory Government activities, related parties will transact with the Territory Public sector in a manner consistent with other members of the public including paying stamp duty and other government fees and charges and therefore these transactions have not been disclosed.

The CILSLB Act indemnifies the NT Build Board Members and Registrar against any civil or criminal liability by the person or the Board in exercising, in good faith, a power or performance of a function under the Act. No other guarantees or indemnities have been given or received.

All other related party transactions of $10,000 or more have been provided in the table below.

	Transaction value for year ended 30 June 2017 $000	Net receivable/ (payable) as at 30 June 2017 $000	Commitments as at 30 June 2017 $000
Transaction type			
Sponsorship	0.40	0.40	9.60

continued: Notes to the financial statements - 30 June 2017

17 CASH FLOW INFORMATION

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2017	2016
	$	$
Net surplus/(deficit) for the year	12 609 565	(17 392 335)
Cash flows excluded from net surplus attributable to operating activities Non-cash flows in profit/(loss):		
- depreciation	80 197	1 073
- movement in market value of investments	(5 018 934)	3 118 030
- manager fee rebate	(192 425)	(181 706)
- distribution income capitalised	(3 761 225)	(2 993 323)
- scheme liability expenses	(6 650 000)	17 271 000
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	120 924	(289 290)
- (increase)/decrease in other assets	(3 339)	54 919
- (increase)/decrease in prepayments	(26 666)	(14 643)
- (increase)/decrease in income in advance	(481 725)	488 348
- increase/(decrease) in trade and other payables	151 812	58 992
Cashflow from operations	(3 171 816)	121 065

Compilation report

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TDH
chartered accountants

Compilation Report

30 June 2017

COMPILATION REPORT TO NT BUILD

We have compiled the accompanying general purpose financial statements of NT Build, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the general purpose financial statements have been prepared is set out in Note 1.

The Responsibility of the NT Build Board Members

The Board Members are solely responsible for the information contained in the general purpose financial statements and have determined that the basis of accounting used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of the information provided by the directors we have compiled the accompanying special purpose financial statements in accordance with the basis of accounting and APES 315: *Compilation of Financial Information.*

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Board Members provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The general purpose financial statements were compiled exclusively for the benefit of the Board Members. We do not accept responsibility to any other person for the contents of the special purpose financial statements.

Adam Dohnt (FCA)

17 November 2017

The accompanying notes form part of these financial statements.

TDH Pty Limited
ABN: 19 087 176 565
Director: Adam Dohnt