



Part 3 Financial accountability

Financial Statements for year ended 30 June 2006

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Board members' declaration

The members of the board of NT Build declare that, in their opinion:

1. The financial statements and notes, as set out on pages 35 to 52:
 - a) comply with the Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group Interpretations and
 - b) give a true and fair view of the Board's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Members of the Board's opinion there are reasonable grounds to believe that the company 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 is signed for and on behalf of the Board of NT Build.



Board Member:
Barry Chambers



Board Member:
Joe Gallagher

Dated: 24 October 2006

Independent auditor's report



AUDITOR-GENERAL

Auditor-General's report to the Board
NT Build
Year ended 30 June 2006

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Scope

The financial statements and the Boards' responsibility

The financial statements of NT Build comprise Board members' declaration, income statement, balance sheet, statement of changes in equity, statement of cash flows and accompanying notes to the financial statements for the year ended 30 June 2006.

The Board of NT Build is responsible for the preparation and presentation of the financial statements in accordance with the requirements of the *Construction Industry Long Service Leave and Benefits Act*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I conducted an independent audit of the financial statements in order to express an opinion on them to the Board of NT Build. My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements or control deficiencies have been detected.

I performed procedures to form an opinion whether, in all material respects, the financial statements are presented fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the *Construction Industry Long Service Leave and Benefits Act*, so as to present a view which is consistent with my understanding of NT Build's financial position and performance as represented by the results of its operations, its changes in equity and its cash flows.

I formed my audit opinion on the basis of these procedures, which included:

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

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

My audit did not involve an analysis of the prudence of business decisions made by the Board or management.

I have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial statements.



AUDITOR-GENERAL

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Independence

I am independent of NT Build and, in conducting my audit, I followed applicable independence requirements of the *Audit Act* and of Australian professional ethical pronouncements.

Qualification

The statutory obligation to notify NT Build of the commencement of a project rests with the developer. NT Build has implemented a number of mechanisms to help monitor compliance and identify leviable projects and consequently payers. For areas in the Northern Territory where building permits are required under the *Building Act* the regulations currently do not require payment of the levy at the time of lodgement of a building approval application. Also, it is noted that not all types of construction work carried out in the Northern Territory requires a permit irrespective of location.

Due to the current nature of the approval process within the Northern Territory construction industry, there exists significant uncertainty regarding the ability of NT Build to capture all building projects which fall within the scope of the Long Service Levy. As such, I am unable to satisfy myself as to the completeness of the \$3,219,927 disclosed as 'Contributions from levy payers' in the income statement.

Qualified Audit Opinion

In my opinion, except for the effects on the financial statements of the matter referred to in the qualification paragraph, the financial statements of NT Build:

- presents fairly the financial position of NT Build at 30 June 2006, and its financial performance for the year ended on that date; and
- are presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the requirements of the *Construction Industry Long Service Leave and Benefits Act*.

Long Service Benefit Liability

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 10 to the financial statements, no provision has been made in the financial statements of NT Build at 30 June 2006 as there is inadequate information to be able to reasonably estimate the level of the accrued liability. NT Build appointed an Actuary to estimate the balance of the long service benefit liability outstanding at 30 June 2006. As discussed in Note 10, the actuarial report provided an estimate of approximately \$2.6 million, but this figure must be considered to lie within a wide range of uncertainty.

Frank McGuinness
Auditor-General for the Northern Territory
3 November 2006

Income and expenditure statement for the year ended 30 June 2006

	Note	2006 (\$)
Contributions from levy payers		3,219,927
Income from Investments	2	41,614
Assets acquired at no cost		67,824
TOTAL REVENUE FROM ORDINARY ACTIVITIES		3,329,365
EXPENSES FROM ORDINARY ACTIVITIES		
Amortisation		59,410
Depreciation	3	12,855
Fees and allowances	3	48,533
Long service leave benefit payments		24,900
Occupancy costs		77,710
Employee expenses		325,864
Other expenses from ordinary activities		419,783
TOTAL EXPENDITURE		969,056
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF FINANCIAL YEAR		2,360,309

Notes 1 to 14 forming part of the financial statements are attached

Balance sheet as at 30 June 2006

	Note	2006 (\$)
CURRENT ASSETS		
Cash assets	4	2,109,554
Receivables	6	660,141
TOTAL CURRENT ASSETS		2,769,695
NON-CURRENT ASSETS		
Property, plant & equipment	7	297,842
TOTAL NON-CURRENT ASSETS		297,842
TOTAL ASSETS		3,067,538
CURRENT LIABILITIES		
Payables	8	110,360
Interest bearing liabilities	9	300,000
TOTAL CURRENT LIABILITIES		410,360
TOTAL LIABILITIES		410,360
NET ASSETS		2,657,177
EQUITY		
Implementation Funding		296,867
Net Assets available to pay benefits at the end of the year		2,360,309
TOTAL EQUITY		2,657,177
Capital and leasing commitments	14	

Notes 1 to 14 forming part of the financial statements are attached

Statement of changes in equity for the year ended 30 June 2006

	Note	Retained Surplus	Other Reserves	Total
		\$	\$	\$
At 1 July 2005		-	-	-
Implementation Funding		-	296,867	296,867
Total income and expense for the year recognised directly in equity		-	296,867	296,867
Net assets available to pay benefits at the end of the financial year		2,360,309	-	2,360,309
At 30 June 2006		2,360,309	296,867	2,657,177

Notes 1 to 14 forming part of the financial statements are attached

Statement of cash flows for the year ended 30 June 2006

	Note	2006 (\$)
Cash flows From Operating Activities:	1(l)	
Contributions from levy payers		2,559,786
Payments to suppliers and employees		(767,896)
Income received from investments		41,614
Interest paid		(18,534)
Net Cash provided by (used in) operating activities	5(b)	1,814,970
Cash flows From Investing Activities:		
Payment for property, plant and equipment		(5,416)
Net cash provided by (used in) investing activities		(5,416)
Cash flows From Financing Activities:		
Proceeds from borrowings		300,000
Net cash provided by (used in) financing activities		300,000
Net increase (decrease) in cash		2,109,554
Cash at the beginning of the financial period		-
Cash at the end of the financial period	5(a)	2,109,554

Notes 1 to 14 forming part of the financial statements are attached



Notes to and forming part of the financial statements 30 June 2006

Note 1 Statement of Accounting Policies

(a) The reporting entity

NT Build has its principal office at Charlton Court, Stuart Park, NT 0820. The entity was established in 2005 under the Northern Territory *Construction Industry Long Service Leave and Benefits Act 2005* and it administers this Act which provides a portable long service benefits scheme to building and construction workers in NT.

(b) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group Interpretations.

The accounts have been prepared on an accruals basis and is based on historical cost convention and have not been adjusted to take into account changing money values or current valuations of non-current assets and their impact on the operating results.

(c) Property, plant and equipment

Property, plant and equipment is initially valued at cost in accordance with AASB 116. Where an item of property, plant and equipment is acquired for no or nominal consideration, the item's fair value at acquisition date is deemed as its cost. Subsequent to initial recognition, each class is carried at cost or fair value, where applicable, less any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by the Board to ensure that it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of remaining service potential from the assets employment.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

(d) Depreciation

Depreciation of plant and equipment is provided on a straight line basis over the estimated useful life of the asset. Leasehold improvements are depreciated over the shorter of either the unexpired period of lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Leasehold improvements	20%
Furniture and fixtures	10%
Field and office equipment	20%
Computer equipment	33.30%
Computer software	33.30%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

(e) Leases

The Board is not a party to any finance lease. Existing operating leases relate to leasing premises at Charlton Court, Stuart Park. Operating leases are expensed in the periods in which they are incurred.

(f) Income tax

As a public authority constituted under a law of the Northern Territory the income of the Board is exempt from income tax under section 50-25 of the *Income Tax Assessment Act 1997*, and consequently has not charged any income tax expense.

(g) Revenue

Revenue is recognised on an accrual basis and is net of GST. Employer contributions are recorded in the period to which contributions relate. Contributions receivable but not received at year end are recognised as accrued income.

Operating revenue represents revenue from long service levy income and investment income, which are recognised as they accrue.

Continued: Notes to and forming part of the financial statements 30 June 2006

(h) Long service levy

The long service levy rate is 0.5% of the cost of building and construction work costing \$200,000 or more.

The levy does not apply to work:

- On single detached dwellings, including related private garages, carports, sheds or the like;
- For which the total contract price for the construction work is less than \$200,000 in value; or
- Undertaken for not for profit organisations in respect of voluntary labour and donated materials.

(i) Employee long service leave

(i) Long Service Leave Benefits Expense

Employees and contractors who are registered with the Board accrue 13 weeks (3 months) long service leave after 10 years' service in the building and construction industry for service after 1 July 2005. Workers receive credit of 1 year's service for each 260 days 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.

(ii) Accrued Long Service Leave Benefits Liability

The provision for accrued long service leave benefits is determined as the present value of all future payments which arise from the service of all eligible workers up to the balance date. The stated amount has been calculated by the Board's actuary using an actuarial valuation method that takes into account assumptions or rates of departure from the industry, mortality rates, increases in wages and rates of return on investment. The current portion of the liability is calculated as an expectation of benefits likely to be paid over the next twelve months based on experience of benefit payments from industry trends.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

(j) Accounting for Goods and Service Tax

Revenues, expenses are recognised net of the amount of GST, except where:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included; and
- the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the ATO is classified as operating cash flows.

(k) Trade and Other Creditors

These amounts represent unpaid liabilities for goods received by and services provided to the entity prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 days.

(l) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, deposits at call and money market investments which are readily convertible into cash.

(m) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights and obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial Assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.



**Continued: Notes to and forming part of the financial statements
30 June 2006**

(m) Financial Instruments

Financial liabilities

Non-derivative financial liabilities, including loans and borrowings, are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

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

Impairment

At each reporting date, the directors assess whether there is objective evidence that a financial instrument has been impaired. In the case of "available-for-sale" financial assets, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(n) Comparatives

No comparative information is available as the Board's operations commenced in July 2005.

Continued: Notes to and forming part of the financial statements
30 June 2006

	Note	2006 (\$)
Note 2	INCOME FROM INVESTMENTS	
Interest received – Bank deposits		41,614
		41,614
Note 3	SURPLUS FROM ORDINARY ACTIVITIES	
Depreciation of non-current assets		
– property, plant and equipment		12,855
Total depreciation		12,855
Fees and Allowances		
– board members’ fees		48,533
		48,533
Note 4	CASH ASSETS	
Cash on hand		200
Cash deposits with banks		2,109,354
		2,109,554

**Continued: Notes to and forming part of the financial statements
30 June 2006**

	Note	2006 (\$)
Note 5	Reconciliation of cash	
(a)	Cash at the end of the financial period as shown in the Statement of Cash flows is reconciled to the related items in the Balance Sheet as follows:	
		200
		2,109,354
		2,109,554
(b)	Reconciliation of cash flow from operations with net assets available to pay benefits at the end of the financial year	
		2,360,309
	Non-cash flows in net assets	
		72,265
		(67,824)
	Changes in assets and liabilities	
		(660,141)
		110,360
		1,814,969
(c)	Loan facilities	
		1,500,000
		(300,000)
		1,200,000
Note 6	RECEIVABLES	
	CURRENT	
		307,162
		-
		307,162
	Other debtors	
		1,890
		351,089
		660,141

Continued: Notes to and forming part of the financial statements
30 June 2006

	Note	2006 (\$)
Note 7		
PROPERTY, PLANT & EQUIPMENT		
(a) LAND AND BUILDINGS		
Leasehold		
Leasehold improvements		
At cost		297,052
Less accumulated depreciation		(59,410)
		237,642
PLANT AND EQUIPMENT		
Plant and equipment		
At cost		44,645
Less accumulated depreciation		(9,315)
		35,330
Furniture and fittings		
At cost		23,768
Less accumulated depreciation		(1,992)
		21,776
Software		
At cost		4,642
Less accumulated depreciation		(1,547)
		3,095
Total Owned Plant and Equipment		60,201
Total Property, Plant and Equipment		297,842

Continued: Notes to and forming part of the financial statements 30 June 2006

Note 7 PROPERTY, PLANT & EQUIPMENT (Cont'd)

(b) Movements in carrying values

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

	Leasehold Improvements	Plant & equip- ment	Furniture & fittings	Software	Total
	\$	\$	\$	\$	\$
Balance at the beginning of year	-	-	-	-	-
Additions	297,052	44,645	23,768	4,642	370,108
Disposals	-	-	-	-	-
Depreciation	(59,410)	(9,315)	(1,992)	(1,547)	(72,265)
Carrying value at end of year	237,642	35,330	21,776	3,095	297,842

**Continued: Notes to and forming part of the financial statements
30 June 2006**

	Note	2006 (\$)
Note 8	PROPERTY, PLANT & EQUIPMENT	
	CURRENT	
	Other creditors and accruals - other entities	117,710
	GST payable	(7,350)
		110,360
Note 9	INTEREST BEARING LIABILITIES	
	CURRENT	
	Loan from NT Treasury	300,000

The loan, with a variable interest rate of 6.1233% per annum, is part of a draw down facility arranged by the NT Treasury to help fund the Board's working capital requirements. The upper limit of the drawdown facility is \$1.5 million.

Note 10 PROVISIONS FOR SCHEME LIABILITIES

No provision has been disclosed on the balance sheet of the Board at 30 June as the Board Members have determined that there is inadequate information at hand to be able to reasonably estimate the level of the accrued liability for service to the balance date.

However, the Board requested an initial review which was undertaken by Cumpston Sarjeant Pty Ltd, Consulting Actuaries. The actuary's best estimate of the liability to provide Long Service Leave benefits for services to 30 June was approximately \$2.6 million, but this figure must be considered to lie within a wide range of uncertainty.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 11 RELATED PARTY TRANSACTIONS

(i) Board Members

The names of the members of the Board who held office during the year are Mr Barry Chambers (Chairperson), Mr Joe Gallagher, Mr Dick Guit, Mr Graham Kemp, Mr Alan Paton and Mr Tony Stubbin.

As a Northern Territory Public Sector employee, Mr Stubbin does not receive remuneration payment in respect of his role as a Board Member.

(ii) Attendance of Meetings

Name	Eligible meetings	Meetings attended
Barry Chambers	15	14
Joe Gallagher	15	14
Dick Guit	15	13
Graham Kemp	15	12
Alan Paton	15	12
Tony Stubbin	15	12

Note 12 SEGMENT REPORTING

The Board administers the scheme of long service leave benefits established by the *Construction Industry Long Service Leave and Benefits Act 2005* in respect to employees and contractors engaged in the building and construction industry of the Northern Territory

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 13 FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The Board's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument at the balance date are as follows:

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(i) Financial Assets</i>		
Receivables	Debtors are carried at nominal amounts due less any provision for doubtful debts. Accrued income is carried at the amount of income earned at balance date but not yet to be received.	Debtors are generally collected within 60 days. Terms and conditions for accrued income vary depending on the underlying investment.
Commercial investments and bank deposit	Carried at the nominal amount invested	Deposits are at call and interest rates are variable. The weighted average interest rate is 4.66%
Equity trusts and listed shares	Carried at market value. Any movement in market value from period to period is recognised in the income and expenditure statement in the period it occurs.	Equity trusts are redeemable at call. Listed shares are subject to no special terms or conditions and may be sold at any time.

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 13 FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
---	----------------------------	-----------------------------

(ii) Financial Liabilities

Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.	Trade creditors are normally settled on 30 day terms.
Long service leave payments owing	Liabilities are recognised for amounts to be paid upon receipt of a claim or a date specified by the claimant.	Claims are paid as leave is taken, or soon thereafter.
Accrued long service leave benefits	The liability recognised is the actuarial assessment of the present value of expected future payments which arise from the service of eligible workers.	The benefits are paid as leave is taken, or soon thereafter.

(b) Net Fair Values

Financial assets and financial liabilities are carried at their net fair value at balance date. The carrying value of the Board's financial assets and financial liabilities has been disclosed in part (d) of this note.

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Recognised financial instruments

- *Cash, cash equivalents, short term investments and receivables*: The carrying amount approximates to fair value because of their short term to maturity.
- *Equity trusts and listed shares*: The carrying amount approximates to fair value because the investments are carried at market value.
- *Payables*: The carrying amount approximates to fair value.

Continued: Notes to and forming part of the financial statements
30 June 2006

Note 13 FINANCIAL INSTRUMENTS

Unrecognised financial instruments

There are no unrecognised financial instruments.

(c) Credit Risk Exposure

The credit risk on financial assets of the Board is generally the carrying amount net of any provision for doubtful debts. The Board is not exposed to any concentrations of credit risk because the Board undertakes transactions with a large number of members within the construction industry.

(d) Interest Rate Exposure

The exposure to interest rate risk and the effective weighted average interest rate, where applicable, for each class of financial asset and financial liability is set out below:

	Floating Interest Rate	Non Interest Bearing	Total
	2006 (\$)	2006 (\$)	2006 (\$)
Financial Assets			
Cash	-	200	200
Bank deposits	2,109,354	-	2,109,354
Receivables	-	660,141	660,141
	2,109,354	660,341	2,769,695
Weighted average interest rate			
Financial Liabilities			
Payables	-	110,360	110,360
Interest bearing liabilities	300,000		
	300,000	110,360	110,360
Net financial assets			2,659,335

**Continued: Notes to and forming part of the financial statements
30 June 2006**

Note 14 CAPITAL AND LEASING COMMITMENTS

	2006 (\$)
Operating Lease Commitments	
Payable:	-
One year or less	69,365
Later than one year and not later than five years	270,308
Later than five years	
Total operating lease commitments receivable	339,672

Non cancellable operating lease commitments include:

- Leases of computer equipment and motor vehicles with various terms, with rental payable monthly in advance.

Interstate schemes

Australian Capital Territory

ACT Construction Industry

Long Service Leave Board

71 Constitution Ave
Campbell ACT 2612
Tel: (02) 6247 3900
Fax: (02) 6257 5058 Email
Email: lslbact@actlslb.act.gov.au
Web: www.actlslb.act.gov.au

Queensland

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543 Lutwyche Road
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Tel: (07) 3212 6811
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Western Australia

Construction Industry

Long Service Leave Payments Board

1st Floor, 26 Colin Street, West Perth
(Corner of Colin and Ord Streets)
Tel: (08) 9476 5400
Fax: (08) 9321 5404
Email: lslstaff@walslboard.com.au
Web: www.lslboard.com.au

New South Wales

Long Service Payments Corporation

Ground Floor
Corner Baker & Donnison Streets
GOSFORD NSW 2250
Tel: 13 14 41
Fax: (02) 9287 5685
Email: info@lspc.nsw.gov.au
Web: www.lspc.nsw.gov.au

South Australia

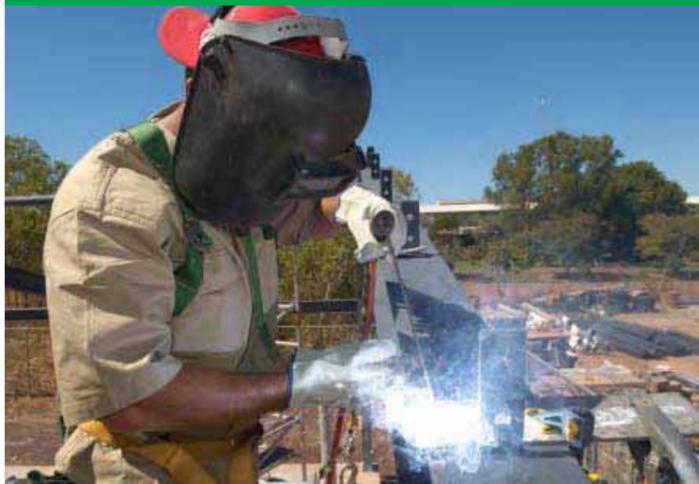
Construction Benefit Services

1st Floor
83 Greenhill Road,
Wayville SA 5034
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