

Part 3: Financial Accountability





Part 3 Financial accountability

Financial Statements for year ended 30 June 2014

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Board members' declaration

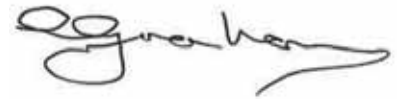
The members of the Board of NT Build declare that, in their opinion:

1. The financial statements and notes for the year ended 30 June 2014 are in accordance with the Northern Territory *Construction Industry Long Service Leave and Benefits Act* and:
 - a) comply with Accounting Standards, which, 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's 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 is signed for and on behalf of the Board of NT Build.



Board member: DICK GUIT



Board member: CRAIG GRAHAM

Dated: 3 OCTOBER 2014

Independent auditor's report



Auditor-General

Independent Auditor's Report to the Board

NT Build

I have audited the accompanying financial report of NT Build which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial statements by the Chief Executive.

The Board's Responsibility for the Financial Report

The Board of NT Build is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of NT Build, as well as evaluating the overall presentation of the financial report.

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

Basis for Qualified Opinion

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 those liable to pay the levy, including monitoring projects where building permits under the *Building Act* are issued. It is noted that not all types of construction work carried out in the Territory require a building permit.

Due to the nature of the approval process within the Northern Territory Construction industry, there exists some uncertainty regarding the ability of NT Build to identify all construction and maintenance projects that fall within the scope of the *Construction Industry Long Service Leave and Benefits Act*. As such, I am unable to satisfy myself as to the completeness of the \$4,236,462 disclosed as 'Contributions from levy payers' in the statement of comprehensive income.



Auditor-General

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Qualified Opinion

In my opinion, except for the effects on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the financial position of NT Build which as at 30 June 2014, and of its financial performance and its cash flows for the year ended in accordance with Australian Accounting Standards.

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 18 August 2014. My opinion is not qualified in respect of this matter.

A handwritten signature in blue ink, appearing to read 'Julie Crisp'.

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

7 October 2014

Statement of comprehensive income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Contributions from levy payers		4 236 462	9 623 533
Other income	3	6 520 465	5 173 063
Employee benefits expense		(795 839)	(787 962)
Depreciation and amortisation expense	4	(3 072)	(3 072)
Fees and allowances	4	(49 187)	(30 327)
Long service leave benefit payments		(1 137 741)	(910 927)
Long service scheme expense - current		(5 648 000)	(4 249 000)
Occupancy costs		(97 330)	(97 590)
Other expenses		(446 404)	(496 167)
Net surplus		2 579 354	8 221 551
Total comprehensive income for the year		2 579 354	8 221 551

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	11 632 445	32 624 184
Trade and other receivables	6	891 243	2 776 346
Other financial assets	7	61 829 197	30 495 815
TOTAL CURRENT ASSETS		74 352 885	65 896 345
Non-current assets			
Property, plant & equipment	8	5 385	8 457
TOTAL NON-CURRENT ASSETS		5 385	8 457
TOTAL ASSETS		74 358 270	65 904 802
LIABILITIES			
Current liabilities			
Trade and other payables	9	329 167	94 532
Short-term provisions	10	1 340 000	1 250 000
Other liabilities	11	-	8 521
TOTAL CURRENT LIABILITIES		1 669 167	1 353 053
Non-current liabilities			
Long-term provisions	10	37 094 000	31 536 000
TOTAL NON-CURRENT LIABILITIES		37 094 000	31 536 000
TOTAL LIABILITIES		38 763 167	32 889 053
NET ASSETS		35 595 103	33 015 749
EQUITY			
Reserves	12	296 867	296 867
Retained earnings		35 298 236	32 718 882
TOTAL EQUITY		35 595 103	33 015 749

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Retained Surplus	Implementation Funding	Total
	\$	\$	\$
2014			
Balance at 1 July 2013	32 718 882	269 867	33 015 749
Total comprehensive income for the year	2 579 354	-	2 579 354
Balance at 30 June 2014	35 298 236	296 867	35 595 103
	Retained Surplus	Implementation Funding	Total
	\$	\$	\$
2013			
Balance at 1 July 2012	24 497 331	269 867	24 794 198
Total comprehensive income for the year	8 221 551	-	8 221 551
Balance at 30 June 2013	32 718 882	296 867	33 015 749

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5 975 416	12 800 831
Payments to suppliers and employees		(2 299 268)	(2 380 991)
Interest received		938 304	1 454 221
Net Cash provided by (used in) operating activities	17	4 614 452	11 874 061
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(25 606 191)	(6 400 000)
Net Cash used by investing activities		(25 606 191)	(6 400 000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease)/ increase in cash and cash equivalents held		(20 991 739)	5 474 061
Cash and cash equivalents at the beginning of financial year		32 624 184	27 150 123
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	5	11 632 445	32 624 184

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2014

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 1 October 2014.

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.

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 non-current assets, financial assets and financial liabilities.

(b) Comparative amounts

Comparative are consistent with prior years, unless otherwise stated.

(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

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

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 depreciation 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 assets 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 received with its carrying amount and is taken to profit or loss.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) 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).

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 gains in the comprehensive income.

All income and expenses relating to financial assets are recognised in the Statement of Comprehensive Income in the 'finance income' or 'finance costs' 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.

The 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.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 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, the NT Build renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the 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.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 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 the 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. The 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 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.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial liabilities

Financial liabilities are recognised when the 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 acquired.

The 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 the 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 accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

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.

(e) Impairment of non-financial assets

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

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

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents comprises 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.

(h) 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 the 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 as 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) 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.

(j) Employee Benefit Provisions

(i) Long Service Leave Benefits Expense

Employees and contractors who are registered with the Board accrue 13 weeks (65 days) long service leave after 10 years service in the building and construction industry for service after 1 July 2005. Workers receive credit of 1 years 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

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 national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated cash outflows.

(k) 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 Div 50-25 of the Income Tax Assessment Act 1997 and no charge for income tax expense is required.

(l) 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 the NT Build are classified as finance leases.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 the 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.

(m) 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, has 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.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

(n) 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.
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.

(o) 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 are included 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 operating cash flows.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) 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.

The significant estimates and judgements made have been described below.

Employee benefits - Note 1(j), Note 10(a): Provisions

Non-current liabilities in respect of employee benefits are measured as the present value of estimated future cash outflows based on the appropriate Government bond 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(e), 6: 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.

(q) Adoption of new and revised accounting standards

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 2012-9 Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses. These standards have no significant impact on NT Build.

continued: Notes to the financial statements - 30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(r) **New Accounting Standards and Interpretations**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. NT Build has decided against early adoption of these Standards. The following table summarises those future requirements, and their impact on NT Build:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

continued: Notes to the financial statements - 30 June 2014

2 CHANGES TO THE PORTABLE LONG SERVICE SCHEME

In April 2014, the Portable Long Service Scheme was reviewed by the Northern Territory Government, with several changes being made to encourage investment in development.

Effective from 7 April 2014:

- The levy rate was reduced from 0.3% to 0.1% on new projects started on or after 7 April 2014.
- The levy threshold value was increased from \$200,000 to \$1,000,000.

In addition, changes to the legislation have been proposed to facilitate:

- The reduction of the number of eligible service days from 260 to 220.
- The clarification of the levy calculation for major construction projects.
- The clarification on how the levy applies to construction associated with mining and exploration activities.

The effect of the changes to the levy rate and threshold value has resulted in a reduction of contributions received from levy payers.

3 OTHER INCOME

	2014	2013
	\$	\$
Interest received	793 274	1 279 386
Investment income	846 525	659 615
Movement in equity investments	4 764 968	3 091 286
Sundry income	115 698	142 776
	6 520 465	5 173 063

continued: Notes to the financial statements - 30 June 2014

4 EXPENSES

	2014	2013
	\$	\$
Depreciation and amortisation		
- property, plant and equipment	3 072	3 072
Remuneration of auditor		
- audit or reviewing the financial report	17 358	17 000
Fees and Allowances		
- board member fees	49 187	30 327

5 CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash on hand	200	200
Cash at bank	1 147 902	2 830 844
Short term bank deposits	10 484 343	29 793 140
	11 632 445	32 624 184

Reconciliation of cash

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

	2014	2013
	\$	\$
Cash and equivalents	11 632 445	32 624 184

continued: Notes to the financial statements - 30 June 2014

6 TRADE AND OTHER RECEIVABLES

	2014 \$	2013 \$
Current		
Trade receivables	547 593	1 344 964
Prepayments	6 563	7 682
Accrued industry contributions	156 144	1 097 728
Accrued interest	180 943	325 972
	891 243	2 776 346

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.

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

	Gross amount \$	Past due and impaired \$	Current \$	Past due but not impaired (days overdue)			Instalment \$
				30 \$	30 - 60 \$	> 60 \$	
2014							
Trade and term receivables	547 593	-	107 143	91 161	-	143 021	206 268
Total	547 593	-	107 143	91 161	-	143 021	206 268
2013							
Trade and term receivables	1 344 964	-	238 667	101 889	66 981	67 640	869 787
Total	1 344 964	-	238 667	101 889	66 981	67 640	869 787

continued: Notes to the financial statements - 30 June 2014

6 TRADE AND OTHER RECEIVABLES CONTINUED

The NT Build does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

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.

7 OTHER FINANCIAL ASSETS

	2014	2013
CURRENT	\$	\$
MLC (NCIT) Moderate Trust	61 826 197	30 495 815

(a) Breakdown of investment split

	2013	2013
- Australian Shares	32%	31%
- Global Shares	34%	35%
- Bonds	30%	30%
- Property Securities	4%	4%

continued: Notes to the financial statements - 30 June 2014

8 PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	\$	\$
<i>Furniture, fixtures and fittings</i>		
At cost	30 720	30 720
Accumulated depreciation	(25 335)	(22 263)
Total furniture, fixtures and fittings	5 385	8 457
<i>Office equipment</i>		
At cost	12 181	14 764
Accumulated depreciation	(12 181)	(14 764)
Total office equipment	-	-
<i>Computer equipment</i>		
At cost	4 642	8 674
Accumulated depreciation	(4 642)	(8 674)
Total computer equipment	-	-
<i>Leasehold improvements</i>		
At cost	297 052	297 052
Accumulated depreciation	(297 052)	(297 052)
Total leasehold improvements	-	-
	5 385	8 457

continued: Notes to the financial statements - 30 June 2014

8 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 financial year:

	Furniture, fixtures & fittings \$	Total \$
Year ended 30 June 2014		
Balance at the beginning of year	8 457	8 457
Depreciation expense	(3 072)	(3 072)
Balance at the end of the year	5 385	5 385
Year ended 30 June 2013		
Balance at the beginning of year	11 529	11 529
Depreciation expense	(3 072)	(3 072)
Balance at the end of the year	8 457	8 457

9 TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
CURRENT		
Unsecured liabilities		
Trade payables	149 534	20 594
Other payables	179 633	73 938
	329 167	94 532

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

continued: Notes to the financial statements - 30 June 2014

10 PROVISIONS

	2014	2013
	\$	\$
Current	1 340 000	1 250 000
Non-current	37 094 000	31 536 000
	38 434 000	32 786 000

Movement in carrying amounts

	2014	2013
	\$	\$
Opening balance	32 786 000	28 537 000
Actuarial valuation adjustment	5 648 000	4 249 000
	38 434 000	32 786 000

(a) Actuary valuation adjustment

The liability in respect of the NT Build Long Service Leave is a significant estimate and judgements have been made as described below.

The NT Build Long Service Leave liability valuation was carried out on 18 August 2014 by Cumpston Sarjeant Pty Ltd, Consulting Actuaries, in respect of the year ended 30 June 2014.

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

- 25% of service credits will be abandoned without benefits payments;
- the average period until payment will be 7 years; and
- a discount rate of 3.6% and a salary growth rate of 4.5%.

The NT Build Long Service Leave liability valuation is sensitive to the above assumption that 25% of service credits will be abandoned without benefit payments and is considered to be a key uncertainty of the valuation. This assumption is based on general reasoning and the Actuary's experience of other similar schemes. The Actuary expects the abandonment rate will lie between about 15% and 35%, with 25% being the best estimate at this time, however the scheme has not existed for long enough for this estimate to be known accurately.

Based on long term interstate long service levy scheme experience the Actuary indicates that the 25% abandonment assumption for the NT scheme is broadly reasonable however the eventual liability may vary by up to 15% depending on abandonment rates. Although the extremes of this range are unlikely it will be several years before there is internal scheme experience that can properly inform the valuation assumption, so this valuation risk will remain for some time.

continued: Notes to the financial statements - 30 June 2014

- 10 PROVISIONS CONTINUED
(a) Actuary valuation adjustment continued

Sensitivity analysis

The following sensitivity analysis is based on the inherent risk exposures at the end of the reporting period.

An increase/(decrease) of 10% in abandonment rate would have (decreased)/increased the valuation of the Long Service Leave liability by the amounts shown below. This analysis assumes that other variables are held constant.

	10% Increase	10% Decrease
2014	(5 683 893)	5 684 485

The discount rate was determined based on the prevailing Commonwealth bond rate at 30 June 2014, as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The salary growth rate of 4.5% per annum is consistent with Department of Treasury and Finance's expectations for future salary growth in the Territory, and is consistent with external forecasts.

11 OTHER LIABILITIES

	2014	2013
	\$	\$
CURRENT		
Amounts received in advance	-	8 521

12 RESERVES

	2014	2013
	\$	\$
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 Equity transfer.

continued: Notes to the financial statements - 30 June 2014

13 CAPITAL AND LEASING COMMITMENTS

(a) Operating Leases

	2014	2013
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	178 014	189 698
- later than one year	54 524	143 731
	232 528	333 429

Operating leases have been taken out for computer equipment, motor vehicles and building.

14 FINANCIAL RISK MANAGEMENT

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

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

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

The NT Build does not speculate in financial assets.

The most significant financial risks to which the 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

continued: Notes to the financial statements - 30 June 2014

14 FINANCIAL RISK MANAGEMENT CONTINUED

Objectives, policies and processes

The Board has overall responsibility for the determination of risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the management team. 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 monthly reports 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.

(a) Liquidity risk - Asset maturity analysis

The table below reflect maturity analysis for financial assets.

	Weighted Average Effective Interest rate		Floating interest rate		Within 1 year	
	2014 %	2013 %	2014 \$	2013 \$	2014 \$	2013 \$
Financial assets - cash flows realisable						
Cash and cash equivalents	4.20	5.25	1 148 102	2 831 044	10 484 343	29 793 140
Trade, term and loans receivables	-	-	891 243	2 776 346	-	-
Other investments	7.2	4.8	61 829 197	30 495 815	-	-
Forward exchange contracts - gross settled	-	-	-	-	-	-
Total anticipated outflows			63 868 542	36 103 205	10 484 343	29 793 140

	Total	
	2014 \$	2013 \$
Financial assets - cash flows realisable		
Cash and cash equivalents	11 632 445	32 624 184
Trade, term and loans receivables	891 243	2 776 346
Other investments	61 829 197	30 495 815
Forward exchange contracts - gross settled	-	-
Total anticipated outflows	74 352 885	65 896 345

continued: Notes to the financial statements - 30 June 2014

14 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity risk - Liability maturity analysis

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

Financial guarantee liabilities are treated as payable on demand since NT Build has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect NT Build's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

Financial liability maturity analysis - Non-derivative

	Within 1 year		Total	
	2014 \$	2013 \$	2014 \$	2013 \$
Financial liabilities due for payment				
Trade and other payables (excluding estimated annual leave)	329 167	103 053	329 167	103 053
Total contractual outflows	329 167	103 053	329 167	103 053

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

14 FINANCIAL RISK MANAGEMENT CONTINUED

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, as well as credit exposures to NT Build's outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

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.

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 customer is as follows:

	2014	2013
	\$	\$
Instalment	206 268	869 787
Non - Instalment	249 322	475 177
	455 590	1 344 964

continued: Notes to the financial statements - 30 June 2014

14 FINANCIAL RISK MANAGEMENT CONTINUED

(d) Net fair value

Fair value estimation

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

	2014		2013	
	Nett carrying value \$	Net fair value \$	Net carrying value \$	Net fair value \$
Financial assets				
Cash and cash equivalents	11 632 445	11 813 388	32 624 184	32 950 156
Trade and other receivables	891 243	683 294	2 776 346	2 433 924
Financial assets at fair value through profit or loss:				
Investments - designated	61 829 197	61 829 197	30 495 815	30 495 815
Total financial assets	74 352 885	74 325 879	65 896 345	65 879 895
Financial liabilities				
Trade and other payables	329 167	329 167	103 053	103 053
Total financial liabilities	329 167	329 167	103 053	103 053

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
2014	116 324	116 324	116 324	116 324
2013	326 242	326 242	326 242	326 242

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

continued: Notes to the financial statements - 30 June 2014

14 FINANCIAL RISK MANAGEMENT CONTINUED

(d) Net fair value 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 2013.

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 certain construction projects in excess of \$1 billion. Although projects of this value have commenced, the Minister has yet to determine the applicable levy rate, as such the income receivable, if any, cannot at this time be reliably measured.

16 RELATED PARTIES

The names of the members of the Board who held office during the year are Mr Barry Chambers (Chairperson), Mr Dick Guit, Mr Michael Haire, Mr Mick Huddy and Mr Craig Graham. Mr Graham Kemp's appointment ceased with effect from 25 May 2014 and Mr David Malone was temporarily appointed during the period 24 December 2013 to 25 May 2014.

As an Northern Territory Public Sector employee, Mr Graham did not receive remuneration payments in respect of his role as a Board Member.

(a) Attendance of meetings

	Eligible Meetings*	Meetings Attended
Barry Chambers	16	15
Dick Guit	16	14
Graham Kemp	7	5
Craig Graham	16	15
Mick Huddy	16	9
Michael Haire	16	11
Dave Malone	4	3

*Includes scheduled and out of session Board meetings

continued: Notes to the financial statements - 30 June 2014

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:

	2014	2013
	\$	\$
Net surplus for the year	2 579 354	8 221 551
<i>Cash flows excluded from net surplus attributable to operating activities</i>		
<i>Non-cash flows in profit:</i>		
- depreciation	3 072	3 072
- movement in market value of investments	(4 764 968)	(3 091 286)
- manager fee rebate	(115 698)	(61 695)
- distribution income capitalised	(846 525)	(659 615)
- scheme liability expenses	5 648 000	4 249 000
<i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</i>		
- (increase)/decrease in trade and other receivables	1 738 955	3 096 217
- (increase)/decrease in other assets	145 029	174 835
- (increase)/decrease in prepayments	1 120	(1 781)
- increase/(decrease) in trade and other payables	226 113	(56 237)
Cashflow from operations	4 614 452	11 874 061

Compilation report



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Compilation Report

30 June 2014

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 2014, 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 financial reporting framework 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 Board Members we have compiled the accompanying general purpose financial statements in accordance with the financial reporting framework 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 general purpose financial statements.

A handwritten signature in black ink, appearing to read 'Adam Dohnt'.

Adam Dohnt (FCA)

6 October 2014

The accompanying notes form part of these financial statements.

Liability limited by a scheme approved under Professional Standards Legislation

TDH Pty Limited
ABN: 19 087 176 565

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