



Annual Report 2013-14



Portable long service leave

Northern Territory Construction Industry



NT Build - portable long service leave

Annual Report 2013-14

Objective of the report

The objective of the report is to satisfy the requirements of section 68 of the *Construction Industry Long Service Leave and Benefits Act* by presenting the Minister responsible for NT Build with a summary of the activities of the Board during the 2013-14 financial year.

It also provides the Northern Territory Legislative Assembly, government agencies, stakeholders and other interested parties with an account of the performance of NT Build during the year in relation to the activities, achievements and operations of the portable construction industry long service leave scheme.

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Letter to Minister

The Hon Peter Chandler MLA
Minister for Lands, Planning and the Environment
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2013-14

On behalf of the NT Build Board, I am pleased to present you with the ninth NT Build Annual Report, for the year ended 30 June 2014.

The report details the activities and achievements of NT Build during its ninth year of operation and has been prepared in accordance with the provisions of Section 68 of the Construction Industry Long Service Leave and Benefits Act (the CILSLB Act).

I advise that, to the best of my knowledge and belief, the system of internal control within NT Build provides reasonable assurance that:

- proper accounts and records of the Board's transactions and financial affairs are kept and the financial statements included in this report have been prepared from proper accounts and records and are in accordance with the CILSLB Act;
- there are adequate controls over the incurring of the Board's liabilities ;
- all payments out of the Board's money are correctly made and properly authorised;
- adequate control is maintained over the Board's property and property in the Board's custody, control and management;
- there is no indication of fraud, malpractice, major breach of legislation or delegation, or major error in or omission from the accounts and records;
- all employment matters have been handled in accordance with Public Sector Employment and Management Act and the CILSLB Act, as appropriate.

As required by section 69 of the CILSLB Act, you are advised that the Auditor-General has audited NT Build's financial statements for the year ending 30 June 2014 and his comments are contained in this report.

May I also draw your attention to section 68(5) of the CILSLB Act, which requires that a copy of this Report be tabled in the Legislative Assembly within six sitting days of receipt.

Yours sincerely



BARRY CHAMBERS
Chairperson, NT Build Board

3 November 2014

Chairperson's and Registrar's Report

During the 2013-14 reporting period the Scheme underwent a formal review at the request of the Minister. The conclusion of the review saw the Northern Territory Government announce a number of changes that will benefit construction industry stakeholders and construction workers.

The major changes involved a reduction in the NT Build levy rate from 0.3% to 0.1% and an increase in the leviable project threshold from \$200,000 to \$1 million, both effective from 7 April 2014.

While the impact of these changes on the Scheme's income was relatively minor for the 2013-14 reporting period, the reduction in the levy rate and the increase in the leviable threshold amount are expected to have a greater impact on the Scheme's income for the 2014-15 and subsequent reporting periods. The Scheme nonetheless achieved a modest growth in net assets of \$2.6 million over the 2013-14 financial year (a drop of \$5.6 million when compared to the 2012-13 period). The Scheme also received a total levy income of \$4.2 million in 2013-14, representing a decrease of \$5.4 million when compared to the 2012-13 year.

Work is continuing to implement the remaining decisions announced by the NT Government in April 2014. This involves clarification of the levy payment process for major projects costing in excess of \$1 billion and reducing the qualifying period for workers to 220 days. Work is also being undertaken in consultation with industry to clarify the exemption to mining and exploration activity.

The growth in employer and worker participation during the year was significant,

with total active registrations of 17 169 workers and 468 employers as at 30 June 2014 being achieved.

A further 229 benefit claims (totalling 1 106 since the Scheme commenced) were also processed as more workers became eligible for benefit payments, due in part to the National Reciprocal Agreement, which recognises workers' service in all other jurisdictions. This growth in benefit claims is expected to accelerate over the next few years as the Scheme continues to mature.

The ageing of the Scheme and the steady increase in registrations of active workers, largely associated with the Inpex LNG project, also saw the estimated accumulated liabilities for the Scheme grow by \$5.6 million to approximately \$38.4 million as at 30 June 2014. Notwithstanding this increase the Scheme continues to hold a strong net asset position of \$35.6 million.

In response to the on-going economic volatility in financial markets and the cyclical nature of the construction industry, the Board continued to closely monitor and refine its investment strategy to ensure any adverse exposure of its investments was minimised throughout the reporting period. The Scheme's conservative investment portfolio remains well positioned to meet its growing long term liabilities notwithstanding a degree of uncertainty in the level of that liability due to the relatively immature nature of the Scheme.

Work commissioned by the Board to identify the feasibility of upgrading its business systems to ensure that ongoing administration costs are minimised as the Scheme grows was also completed and introduction of a new system is contemplated in 2014-15.

This reporting period saw the replacement of inaugural board member Graham Kemp, following his sad passing in June 2014. The Board and the staff of NT Build acknowledge and appreciate Graham's passionate and supportive participation in the activities of the Board over the nine years he was a member. David Malone of MBANT was welcomed to the Board as his replacement.



BARRY CHAMBERS
Chairperson

Finally, we take this opportunity to thank the members of the Board and the staff of NT Build for their dedication and commitment in managing and developing the Scheme for the benefit of all stakeholders in the NT construction industry. We look forward to their continued support in the year ahead.



THEO TSIKOURIS
Registrar

Part 1: Introduction and Overview



2013-14 Highlights

- Finalised a review of the *Construction Industry Long Service Leave and Benefits Act*, including consultation with key industry stakeholders and provided advice to the Minister.
- Implemented the NT Government's decision to reduce the levy rate from 0.3% to 0.1%, and increase the leviable project threshold from \$200,000 to \$1 million, effective from 7 April 2014.
- Achieved a growth in net assets of \$2.6 million over the year (although down from the \$8.2 million achieved in 2012-13).
- Received approximately \$4.2 million in levy contributions (down from the \$9.6 million achieved in 2012-13).
- Finalised an assessment of business systems aimed at minimising administration costs and supporting a suite of on-line and electronic business transaction services that will improve processing interaction between stakeholders and NT Build.
- Recorded total active registrations of 17 169 workers and 468 employers.
- Made benefit payments to 229 workers at a cost of approximately \$799 000.
- Minimised the impact of the volatile global financial markets on the Scheme's financial assets through the continuation of a conservative investment strategy.

2014-15 Priorities

- Support the third formal actuarial review of the Scheme for the Minister.
- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Support the implementation of legislative amendments to give effect to the NT Government's decision to clarify the way the levy will be calculated for major construction projects and to reduce the number of qualifying service days a worker needs to be credited with a year of long service leave credit from 260 days to 220 days.
- Finalise implementation of a new business system to reduce administrative costs, improve stakeholder interaction and introduce a suite of on-line self-service capabilities.
- Continue to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs for NT Build and maximise stakeholders convenience.
- Continue to actively encourage the registration of all eligible workers.

About the organisation

NT Build is a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act* (the CILSLB Act) which came into effect on 1 July 2005.

The purpose of the Scheme as set out in the CILSLB Act is:

To provide long service leave and long service leave benefits to Territory construction workers.

The establishment of the Scheme in the Northern Territory completed a network of similar schemes in all Australian jurisdictions. The Territory construction industry and its employees are therefore no longer at a disadvantage in respect of this form of benefit.

The Scheme is administered by a Board, called NT Build, which comprises an independent Chairperson, a Ministerial nominee and four industry members.

NT Build is not an agency within the meaning of the *Financial Management Act* or the *Public Sector Employment and Management Act* and as such no general allocation of funding is provided to NT Build through the Territory Budget.

Under the Administrative Arrangements Order in force for the period ended 30 June 2014 the Department of Lands, Planning and the Environment 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.

The Scheme, including staffing and operational expenses, is self funded through the collection of a levy imposed on eligible construction work undertaken in the Territory and investment earnings. This revenue is used to fund the payment of long service leave benefits accrued by construction workers while working on defined projects in the Territory.

The staff of NT Build are Northern Territory Public Sector employees who are made available to the NT Build Board under an agreed full cost recovery arrangement.

The NT Build Board is responsible for expending the Scheme's money and has its own financial reporting requirements. The Board has therefore prepared this annual report on the performance of the Scheme for submission to the responsible Minister.

General overview – portable long service leave scheme

Key features

The Scheme enables workers in the construction industry to qualify for long service leave based on their service in the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry and continue to accumulate long service leave benefits.

Some key features of this Scheme include:

- Long service leave coverage consistent with interstate arrangements. (The Northern Territory Government is party to the reciprocal arrangements agreement between all States and the Australian Capital Territory.)
- Benefits consistent with current building and construction industry and NT long service leave standards.
- The Scheme is funded through a Ministerially determined levy.
- Administration through a local office, with the support of an established scheme administrator (contract with Construction Industry Long Service Leave Board, South Australia).
- Maintenance of a register recording the number of service days worked by each registered worker within the construction industry in the Northern Territory.
- A statute based scheme, governed by a board consisting of employer, employee and independent representatives appointed by the Minister to oversee the management of the Scheme.

Workers

The Scheme enables the Territory's building and construction workers to benefit from the introduction of a portable long service leave scheme based on their service to the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry.

The portability also extends across state borders under the National Reciprocal Arrangement.

A registered worker can be credited with a maximum of 260 days of qualifying service each financial year. A total of 6.5 days long service leave credit is accrued for each 260 days. Once a worker has accrued 65 days long service leave credit (i.e. 10 years service), they can apply for 13 weeks (i.e. 65 days) long service leave, or with the agreement of their employer, take leave in separate periods of not less than 5 days. Workers need to accrue a further 32.5 days long service leave credit before they can apply for further leave.

Special pro rata provisions are also contained in the CILSLB Act for workers who die, retire or cease to perform construction work. Long service leave benefits accrued under this Scheme are paid by NT Build upon application by the worker or their authorised representative.

To be eligible for registration under the Scheme a worker must:

- be employed to carry out construction work on a site in the Northern Territory;
- work for the private sector, i.e. not for the government (including the Territory, local, interstate or Commonwealth governments);

- not be working in an administrative, clerical, office-based managerial or professional capacity;
- spend at least 50% of their work time at the construction site for the work; and
- work a minimum of three days in any reporting period (i.e. six months).

Workers employed either full-time, part-time, as a casual or as a labour-only contractor (i.e. those who have an ABN) are eligible to register.

Work undertaken on both residential and commercial construction and maintenance jobs, whether big or small, is recognised as counting towards a long service leave benefit.

Employers

As noted previously, the Scheme enables workers to qualify for long service leave based on their service to the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry.

The Scheme is funded by:

- a levy on specified construction work in the Northern Territory; and
- investment earnings.

Most employers of construction workers will therefore not have to make any financial contribution to the scheme, as this will be the obligation of project developers. However, in certain circumstances where an employee has been continuously employed by the one employer, employers may have to contribute or pay for long service leave that accrued before 1 January 2005 under the Northern Territory private sector *Long Service Leave Act*.

Once a worker has been registered, employers are required to keep adequate records to account for any eligible workers employed and complete an employer return form twice a year advising NT Build of the number of days worked by all registered employees and any other information required by NT Build. The information provided by employers is used to update registered workers' records.

An eligible employer under the Scheme is one:

- that employs an eligible construction worker to carry-out construction work;
- that is in the private sector (i.e. is not in the Territory, local, interstate or Commonwealth government sectors); and
- whose usual business is to carry out or offer to carry out construction work for reward.

An employer must register with NT Build within one month of commencing to employ a construction worker who is registered with NT Build.

Alternatively, an employer who employs one or more eligible workers may elect to register their workers with NT Build for the portable long service leave scheme at the same time they register their business.

For the purpose of this Scheme, construction work covers commercial, domestic, industrial and civil construction. Construction work includes workers performing repair, maintenance, extension and demolition, and is recognised regardless of whether the work performed is subject to the levy liability.

Long service levy

The Scheme is funded by a levy (determined by the responsible Minister) imposed on specified construction work undertaken in the Northern Territory and from investment earnings.

The levy is payable on all eligible construction projects and is calculated as a percentage of the total cost of the work. The cost of construction work is the sum total of all contract prices for the work, covering aspects such as the cost of labour, materials (including prefabricated goods and installation), equipment, design, project management, consultancy and any other cost that directly or indirectly relates to the work.

The levy does not apply to:

- Class 1a(i) and Class 10(a) buildings under the Building Code of Australia (being single detached dwellings, including related private garages, carports, sheds, or the like); or
- work undertaken for not-for-profit organisations in respect of voluntary labour and donated materials.

In April 2014 the Northern Territory Government approved an increase in the leviable project threshold. Accordingly, the levy does not apply to work for which the total contract prices for the construction work that is less than:

- \$200 000 in value - for work started from 1 July 2005 to 6 April 2014, or
- \$1million in value - for work started on or after 7 April 2014.

For construction work that costs up to \$1 billion, the amount of the levy is

calculated as a set percentage of the cost of the work.

A two tier levy regime applies to projects with costs in excess of \$1 billion. Under this two tier regime the 'standard' prescribed levy rate, which applies to all eligible construction projects under the Scheme, is applied to the first \$1 billion and a project specific levy rate - determined by the Minister and having regard for actuarial advice - is applied to the project costs that exceed the \$1 billion threshold.

In April 2014 the Northern Territory Government also approved a further reduction in the levy rate, effective from 7 April 2014.

The 'standard' prescribed levy rates that apply to eligible construction works undertaken in the Territory are:

- 0.1% for work started on or after 7 April 2014, regardless of completion date.
- 0.3% for work started from 1 April 2012 to 6 April 2014, regardless of completion date.
- 0.4% for work started from 1 July 2009 to 31 March 2012, regardless of completion date.
- 0.5% for work started from 1 July 2005 to 30 June 2009, regardless of completion date.

It is the responsibility of the person for whom the work is to be done to notify NT Build of the work, prior to commencement.

Interest and fines may be imposed if the levy is not paid when required.

Statistical highlights

Workers

Registration numbers

The CILSLB Act defines a construction worker as a person who carries out construction work either as an employee or as a contractor - who only supplies their own labour. Construction workers can also be engaged on a full-time, part-time or casual basis.

As shown in the table and chart below, the total number of active worker registrations

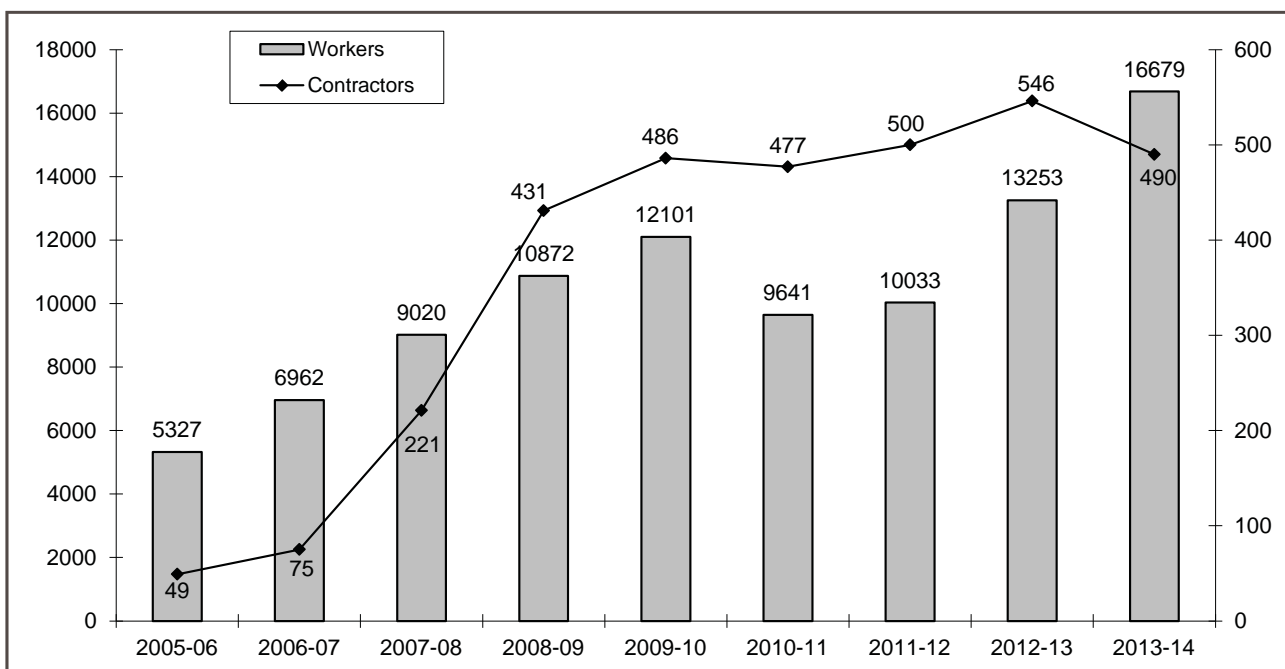
recorded by the scheme reflected a substantial net increase of 3 370 on the numbers for the previous reporting period. This variance consists of 3 426 more employees and 56 less labour-only contractors.

This dramatic increase in the number of worker registrations is predominantly reflective of the start of the construction phases of several large infrastructure projects, including works directly and indirectly related to the Inpex LNG project.

Table 1.1: Total number of worker registrations

Total Registrations	June 2010	June 2011	June 2012	June 2013	June 2014
Approved	12 587	10 118	10 533	13 799	17 169
Rejected	94	125	110	110	105

Chart 1.1: Employee and labour-only contractor registrations



Section 13(1)(a) of the CILSLB Act requires the Registrar to deregister a person who has not been credited with any qualifying service for a continuous period of four years. The first of this deregistration process occurred in September 2010 and the impact of this initial deregistration process is illustrated in the Table 1.1 above. On going deregistrations are automatically processed biannually.

The highly transient nature of the Northern Territory construction industry workforce is evidenced not only by the substantial increase in registrations during this reporting period but also by the significant overall number of workers deregistered from the Scheme as at 30 June 2014 - totalling 7 564 workers (an increase of 1 305 from the previous reporting period).

While these deregistered workers are no longer active in the Territory construction industry a majority of the workers are still believed to be actively working in the construction industry interstate.

Under the terms of the National Reciprocal Agreement, a person deregistered with the NT Build scheme may be eligible to have their service credits reinstated if they are registered with an interstate scheme and have continued to work in the construction industry interstate.

Each Australian state and territory is party to the National Reciprocal Agreement. This Agreement provides for a worker's service credits while working in the building and construction industry in any of the states or territories, to be recognised as part of that worker's qualifying period of service for the purpose of determining their long service leave entitlement.

This means that workers are able to have construction industry service accrued both with multiple employers and across multiple jurisdictions combined towards accruing a long service leave entitlement. It is therefore anticipated that a significant proportion of the Scheme's deregistered workers will have their NT service reinstated under the terms of the National Reciprocal Agreement.

The level of participation by eligible workers in the Scheme have previously been noted by both the Scheme's actuary and the Northern Territory Auditor-General.

In the Triennial Actuarial Review Report tabled in the Legislative assembly on 21 June 2012 the Scheme's actuary noted the following as likely issues affecting scheme registrations.

- Very high turnover of employment in the local construction industry.
- The voluntary nature of the NT Build Scheme (whereas most equivalent interstate schemes are compulsory).
- The high proportion of the NT construction industry workforce operating as labour-only contractors rather than employees.

Industry feedback also supported anecdotal evidence that there may be a significant number of eligible labour-only contractors in the Northern Territory who are not registered with the Scheme.

Benefit payments

A worker who has accrued a long service leave credit can apply to use the credit. The benefit rate for the payment of the credit is determined by the Board, having regard to the average weekly ordinary time earnings for the construction sector published by the Australian Bureau of Statistics.

The rate is reviewed annually, generally on 1 July, and the defined rate is applied to both workers and contractors.

This process provides greater certainty in predicting future liabilities than is the case for a number of interstate schemes.

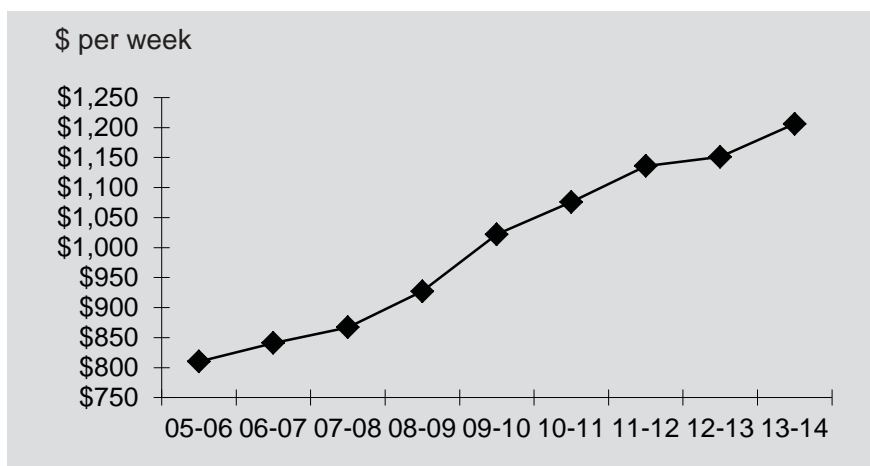
The benefit payment rate for the 2013-14 period was \$1206 per week.

The following table and chart illustrates the annual movement in the benefit rate since the commencement of the Scheme.

Table 1.2: Approved benefit rates

2013-14	\$1206pw
2012-13	\$1151pw
2011-12	\$1136pw
2010-11	\$1076pw
2009-10	\$1022pw
2008-09	\$927pw
2007-08	\$867pw
2006-07	\$841pw
2005-06	\$810pw

Chart 1.2: Annual movement in rate



The CILSLB Act contains special pro rata provisions to enable a long service leave benefit to be paid to workers who retire, cease to perform construction work or die.

However, generally a worker must accrue 65 days long service leave credit (i.e. 2600 eligible service days = 10 years service) before they can apply to use the 65 days of long service leave. Once accrued the leave may also be taken in separate periods of not less than 5 days.

Subsequent credits of long service leave can be accessed after every additional accrual of 32.5 days long service leave credit (i.e. 1300 service days).

While the NT Build scheme will not mature for another year, a total of 229 claims for long service leave benefits were paid during the 2013-14 reporting period.

As reflected in the table below, these claims resulted in a total gross benefit payments expense of approximately \$799 000 in respect of work performed in the Northern Territory. While the number of claim was down from the previous year, the cost to the Scheme was up slightly on the \$649 000 paid during the 2012-13 reporting period. It can be expected that the amounts paid out will continue to increase as the Scheme reaches maturity.

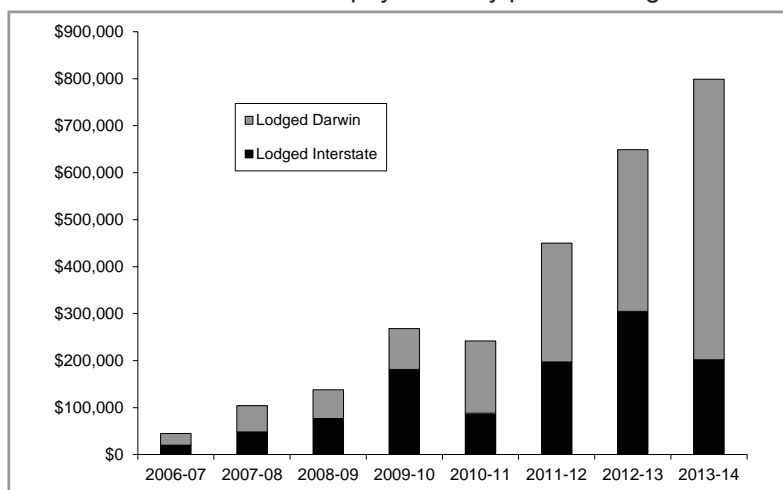
The ability to recognise service credits and make benefit payments during these early years of the Scheme's operation is a direct result of the Territory scheme being a party to the National Reciprocal Arrangement.

The following chart illustrates the Scheme's financial liability for benefit claims that were lodged direct with NT Build and those lodged through a reciprocal interstate portable long service leave scheme.

Table 1.3: Benefit claims processed

Benefit Claims	2010-11	2011-12	2012-13	2013-14
Lodged through interstate scheme	72	99	166	124
Lodged through NT Build	47	49	69	105
Total claims lodged	119	148	235	229

Chart 1.3: NT benefit payments by place of lodgement.



Registration profile

Table 1.4: Age profile

	June 11	June 12	June 13	June 14
Average age	39	38	37	38
Oldest #	81	77	78	79
Youngest *	14	15	15	15

*Registrations are accepted from apprentices working in the construction sector, including school based apprentices

#Includes workers who have been inactive for less than 4 years and therefore not yet deregistered

Table 1.5: Days of service

	June 11	June 12	June 13	June 14
Total estimated service days	4.35M	5.12M	6.38M	7.23M

Scheme demographic

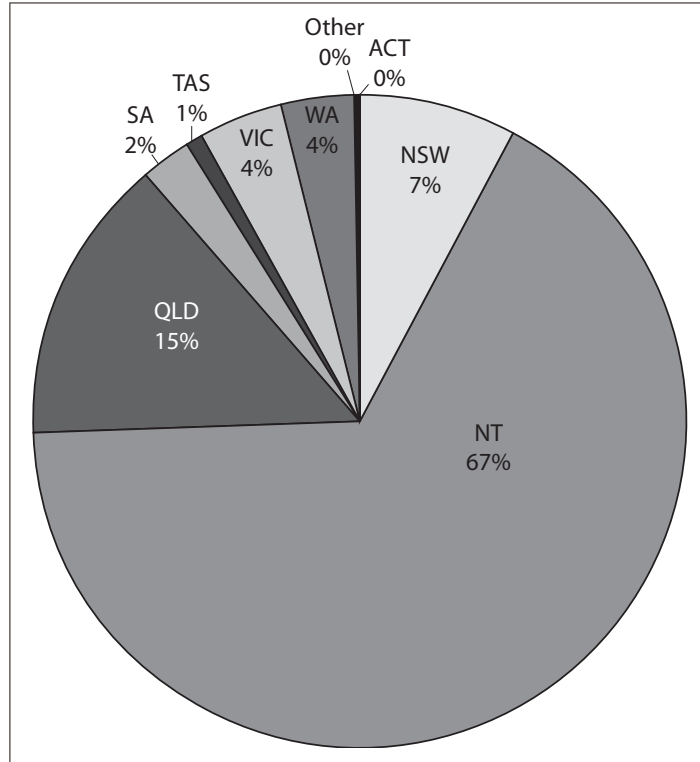
The continued success of the scheme in terms of providing benefits to Northern Territory construction industry workers and contributing to the attraction of skilled workers to the Territory is evidenced by the following table and chart.

While these show that approximately two thirds of the Scheme's registered workers record a Territory contact address, the table and chart also helps to illustrate the transient nature and mobility of the workforce in the construction industry across state and territory borders.

Table 1.6: No. of workers by contact location

	2010-11	2011-12	2012-13	2013-14
ACT	11	11	17	21
NSW	885	903	1 066	1 210
NT	6 101	6 899	9 201	11 413
QLD	1 480	1 534	1 970	2 608
SA	289	286	336	355
TAS	38	35	108	108
VIC	473	471	601	733
WA	364	380	484	702
Other	-	14	16	19
Total	9 641	10 533	13 799	17 169

Chart 1.4: Percentage of workers by contact location, 2013-14



Employers

Eligible employers are identified through either self registration or by notification on a worker registration form and the numbers are shown in the table below.

Section 81(1)(a) of the CILSLB Act empowers the Registrar to compel a person who employs construction workers to provide any information relating to that employment. Where an employer fails to comply with a section 81(1)(a) notice the person could be prosecuted for failure to comply with the notice.

Issuing of section 81(1)(a) notices aims to streamline the administrative effort required to effect successful and timely prosecution of employers who choose not to fulfil their statutory obligation to notify NT Build about the number of days of service each registered employee worked and any periods of long service leave granted by the employer to any registered employee.

No notices were issued under this provision during the 2013-14 reporting period.

Table 1.7: Active employer registrations

	June 2011	June 2012	June 2013	June 2014
Registrations	256	312	395	468

Levy payment and compliance

NT Build has continued to enjoy a high level of compliance by project developers. Some developers have however been reluctant to provide timely notification of their projects and pay respective levies.

Section 81(1)(b) of the CILSLB Act empowers the Registrar to compel a person to provide any information relating to construction work on which the levy is or may be imposed. Where a levy payer fails to comply with a section 81(1)(b) notice the person could be prosecuted for failure to comply with the notice.

Issuing of section 81(1)(b) notices aims to streamline the administrative effort required to effect successful and timely prosecution of developers who choose not to fulfil their

statutory obligation to notify NT Build of the project commencement and paying the levy. As demonstrated in table 1.8 below, two notices were issued during the 2013-14 reporting period.

The Board continues to pursue compliance issues to ensure that the scheme is administered equitably.

Notwithstanding the above, table 1.9 below provides a summary comparison of total levy payments received from project developers. The Scheme's levy income during the 2013-14 period was down by \$5.4 million in comparison to the previous reporting period. The effect of the changes to the levy rate and leviable project threshold value announced by the NT Government in April 2014 resulted in the reduction of contributions received from levy payers.

Table 1.8: Summary of section 81(1)(b) action

YEAR	B/FWD	New Notices	Finalised	C/FWD
2013-14	1	2	3	-
2012-13	1	6	6	1
2011-12	2	15	16	1
2010-11	1	9	8	2
2009-10	5	20	24	1
2008-09	10	25	30	5
2007-08	3	26	19	10
2006-07	-	5	2	3

Table 1.9: Summary of contributions from levy payers

	June 2011	June 2012	June 2013	June 2014
Total levy income # (approximate)	\$9.9M	\$12.0M	\$9.6M	\$4.2M

#includes accrual of full levy amount where payment by an instalment plan has been granted

Debt recovery

The NT Build Board has authorised the Registrar to recover debts owing to the scheme directly through the engagement of a debt collection agent and, if necessary, through the small claims court.

The use of debt collection agents is generally reserved for those instances where a levy payer, who has been issued an invoice by NT Build in relation to a levy amount owing, defaults on the payment of their levy obligation and after other efforts to secure payment have failed.

Table 1.10: Summary of debt recovery action

YEAR	B/FWD	New Action	Finalised	C/FWD
2013-14	-	5	3	2
2012-13	2	1	3	-
2011-12	3	4	5	2
2010-11	-	3	-	3
2009-10	1	1	2	-
2008-09	-	3	2	1
2007-08	-	2	2	-
*2006-07	-	-	-	-

*Debt collection agents appointed with effect from 4 June 2007

Investment of funds

As noted in the Financial Statements included in this report, NT Build continued to invest accumulated funds from revenue raised through the collection of levies.

The Scheme is fully self-funded through the collection of a levy imposed on construction work undertaken in the Territory and earnings from invested accumulated funds. This revenue is used to fund the payment of long service leave benefits accrued by construction workers while working in the Territory and to meet the Scheme's operational expenses.

As the liabilities of NT Build will in the main be longer term, the accumulated funds are invested to ensure there will be sufficient funds to meet the Scheme's liability in the longer term.

The Board continued to implement the scheme's investment strategy through a combination of:

- direct cash investments with Members Equity Bank (MEB) and the Territory Insurance Office (TIO); and
- a multi-asset class, multi-manager fund provided by JANA Moderate Trust.

In the context of economic performance in the global and Australian financial markets, the Board determined that an investment strategy heavily biased towards secure cash investments was no longer appropriate for the 2013-14 reporting period. As reflected in Table 1.11, term deposits on maturity were redeemed in full and transferred to JANA for investment.

In order to monitor and maintain the financial viability of the Scheme in the context of the ongoing volatility of the global financial markets, the Board closely monitors the Scheme's financial assets through the continuation of a conservative investment strategy.

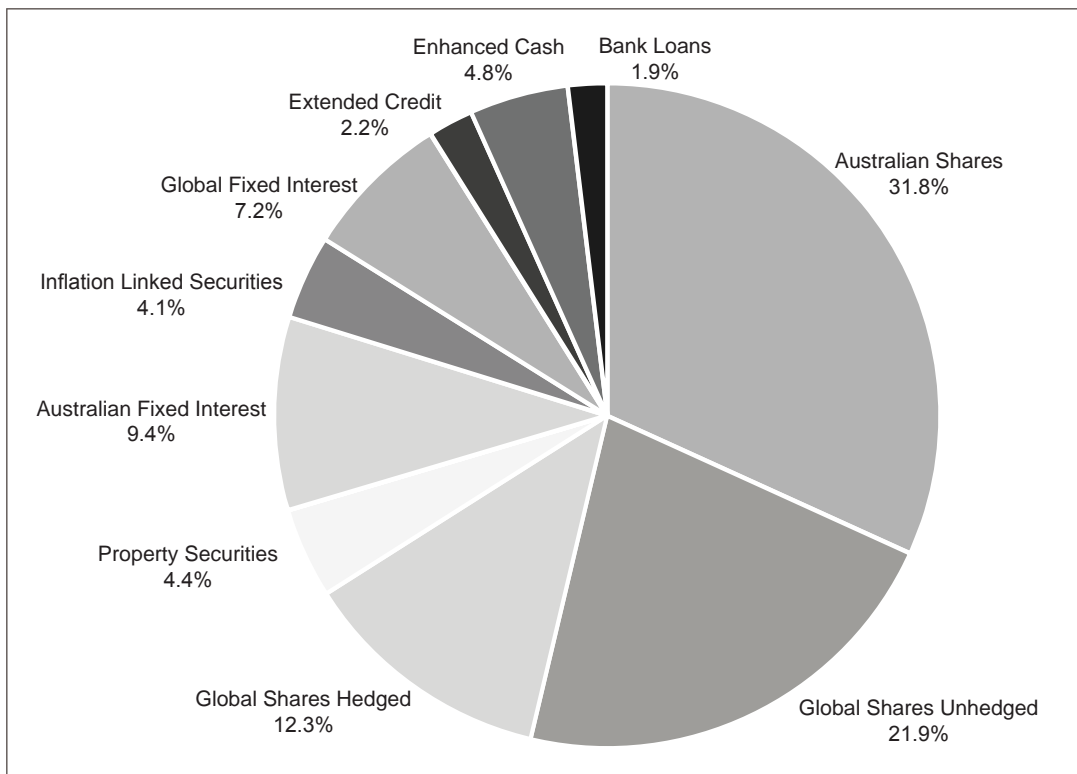
This strategy encompasses a rolling three year forward outlook for projecting the short-term financial status of the Scheme. Given the often cyclical nature of the construction industry generally and the high potential impact of large resource development projects in the Territory, the Board considers that projections beyond this horizon are suitable only for actuarial purposes.

While information regarding the performance of the scheme's investments is provided in the Financial Statements included in this report, the following table reflects the actual (pre interest) amounts invested.

Table 1.11: Summary of actual funds transferred to Fund Managers for investment

Fund Managers	Total funds invested as at 30 June 2013	Funds invested/ (redeemed) during 2013-14	Total funds invested as at 30 June 2014
MLC/JANA	\$26.1M	\$24.9M	\$51.0M
TIO	\$19.9M	(\$14.7M)	\$5.2M
WESTPAC	\$2.0M	(\$2.0M)	-
MEB	\$5.0M	\$0.2M	\$5.2M
TOTAL	\$53.0M	\$8.4M	\$61.4M

Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2014



Actuarial advice

Long service leave liability

A number of factors affect the actuary's ability to reliably measure the scheme's liability. These factors include:

- As a relatively new scheme, the limited extent of established historical data available to enable an accurate assessment of the scheme's liability;
- Extent and range of non-levied construction work undertaken that is exempt from payment of the levy and for which worker benefit liability will still apply;
- Expenses estimated in administering the scheme;
- Level of worker registrations and service turnover;
- Period of service credits accumulated before a benefit payment is claimed;
- Benefit payment rate applied and the salary growth rate for the construction industry;
- The extent to which service credits are abandoned without benefit payments in the future; and
- A funding period of ten years for non-levied activity.

Having regard for the above factors, the Scheme's consulting actuary Cumpston Sarjeant Pty Ltd assesses and recommends a liability amount for accrued long service leave benefits to be adopted for accounting purposes as at 30 June each year.

In performing the liability valuation for this reporting period the following key assumptions were made by the Actuary:

- i) 25% of service credits will be abandoned without benefits payments;

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.

The Actuary expects the abandonment rate will lie between about 15% and 35%, although the extremes of this range are unlikely. 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.

It will be several years before there is sufficient internal scheme experience that can properly inform the valuation assumption, so this valuation risk will remain for some time.

- ii) the average period until payment will be 7 years;

This assumption is reduced from 8 years used in the previous year. The average is expected to decrease slowly over the coming years.

- iii) a discount rate of 3.6% and a salary growth rate of 4.5%.

The discount rate is determined based on the prevailing Commonwealth bond rate at 30 June 2014.

The salary growth rate of 4.5% per annum is consistent with the Department of Treasury and Finance's expectations for future salary growth in the Territory.

\$38.4 million for accrued long service leave benefits be adopted. This represents an increase of \$5.6 million from the 30 June 2013 estimate.

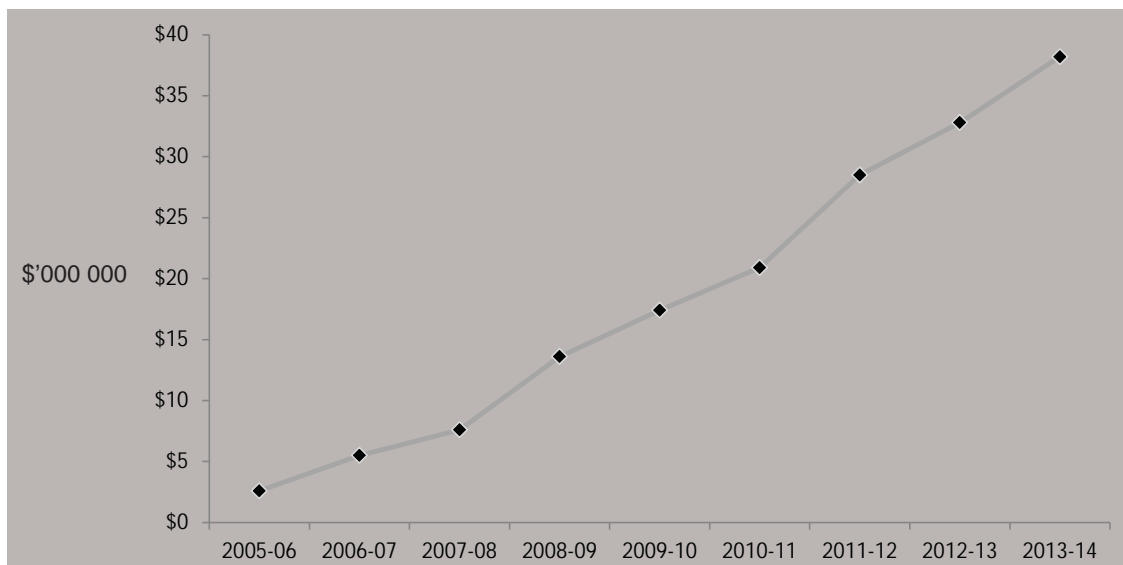
For accounting purposes as at 30 June 2014 the actuary recommended a liability of

Accordingly, the provision of \$38.4 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2014 included in this report.

Table 1.12: Summary of accrued long service leave liability

2013-14	\$38.4M
2012-13	\$32.8M
2011-12	\$28.5M
2010-11	\$20.9M
2009-10	\$17.4M
2008-09	\$13.6M
2007-08	\$7.6M
2006-07	\$5.5M
2005-06	\$2.6M

Chart 1.6: Rate of long service leave liability accrual



Part 2: Operational Governance



Part 2 Operational governance

The Board

Functions and powers

The *Construction Industry Long Service Leave and Benefits Act* (CILSLB Act) sets out the Board's main functions as well as the powers that the Board may exercise in performing those functions. The functions of the Board in administering the portable long service leave scheme (provided for in section 55 of the CILSLB Act) include:

- administration of the scheme; and
- providing advice and making recommendations to the Minister about the operation of the Act.

In exercising its powers and carrying out its functions, the CILSLB Act obliges the Board to do so in a manner that is reasonable and accords with and furthers the object of the Act.

Membership

The scheme is administered by a Government appointed Board. Under the CILSLB Act, Board members are able to hold office for a period of up to five years, and may be reappointed.

This reporting period saw the replacement of inaugural board member Graham Kemp, following his sad passing in June 2014. Although David Malone of MBANT has subsequently been welcomed to the Board as his replacement, action to finalise his appointment was not completed as at 30 June 2014.

Therefore, the membership of the NT Build Board on 30 June 2014 was as follows.

Independent Chairperson	Barry Chambers Retired NT Public Sector employee Former chief executive officer of NT infrastructure agencies
Two members who represent organisations that represent the interests of employees	Mick Huddy NT Coordinator Cbus
	Michael Haire Organiser (QLD/NT) Electrical Trades Union (ETU)
Two members who represent organisations that represent the interests of employers	Vacant
	Dick Guit General Manager Sitzler Pty Ltd President of the MBA NT
Additional member appointed by the Minister	Craig Graham Assistant Under Treasurer Department of Treasury and Finance Northern Territory Government

Conducting business

Meetings

During this reporting period the Board convened a total of 16 times, including 7 regular meetings and 9 occasions involving specific matters that required attention between scheduled meetings. Due to the small size of the Board, all matters are dealt with by the Board as a whole.

Further detail regarding members' participation at meetings is provided in the Financial Statements included in this report.

Remuneration

Board members are remunerated, in accordance with the rates and conditions determined under the *Assembly Members and Statutory Officers (Remunerations and Other Entitlements) Act*, based on a classification that recognises the range of duties, powers and responsibilities assigned to the Board.

Further detail regarding payments to members is provided in the Financial Statements included in this report.

General decisions

In the course of the 16 meetings of the Board, 29 general items of business were resolved, covering a range of issues concerning governance, scheme administration and the financial and general operational management of NT Build.

Board Policies

Four policies, relating to the revised weekly benefit level and updates to previous policies as a result of the announced changes to the levy rate and leviable project threshold amounts, were issued during this reporting period.

All policies of the Board are intended as a guide only and are not intended to bind the Board to any particular action or decision affecting the operation or administration of the portable long service leave scheme.

Copies of all policies are published on the website at: www.ntbuild.com.au

Ministerial directions

Section 67 of the CILSLB Act enables the Minister to give a direction to the NT Build Board relating to the exercising of its powers or the performance of its functions.

No directions pursuant to section 67(1) of the CILSLB Act were given during the year ending 30 June 2014.

Ministerial advice

During the 2013-14 reporting period a formal review of the Scheme was undertaken at the request of the Minister. The conclusion of the review saw the Northern Territory Government announce a number of changes that will benefit construction industry stakeholders and construction workers.

The major changes involved a reduction in the NT Build levy rate from 0.3% to 0.1% and an increase in the leviable project threshold from \$200,000 to \$1 million, both effective from 7 April 2014.

Work is continuing to implement the remaining decisions announced by the NT Government in April 2014. This involves clarification of the levy payment process for major projects costing in excess of \$1 billion and reducing the qualifying period for workers to 220 days. Work is also being undertaken in consultation with industry to clarify the exemption of the levy to mining and exploration activity.

Disclosure of interests

As required under the CILSLB Act a register of the interests of members of the Board is maintained. All members submit an initial written declaration stating any interests of relevance to Board business and a process has been implemented to ensure any new or amended declarations are disclosed at each meeting.

Reconsideration/reviews

Under Section 84 the CILSLB Act, a person affected by a decision made by either the Registrar or the Board may request the Board to formally reconsider that decision.

As illustrated in the table 2.1 below, no applications for reconsideration were received during this reporting period.

Similarly, under Section 85 of the CILSLB Act, a person who has applied to the Board for a reconsideration of a decision may, if

dissatisfied with the decision, apply to the Local Court for a review of the Board's reconsidered decision.

No applications for a review by the Local Court were received during the 2013-14 reporting period.

Table 2.1: Summary of applications for reconsideration lodged - Section 84

YEAR	B/FWD	LODGED AGAINST		RESOLVED	C/FWD
		decision of Registrar	decision of Board		
2013-14	-	-	-	-	-
2012-13	-	1	1	2	-
2011-12	-	-	-	-	1
2010-11	-	-	1	1	-
2009-10	1	-	1	2	-
2008-09	-	-	2	1	1
2007-08	-	-	1	1	-
2006-07	-	-	1	1	-
2005-06	-	1	-	1	-

The Office

Registrar

The CILSLB Act requires that a Registrar (who is to be an employee within the meaning of the *Public Sector Employment and Management Act*) be formally appointed by the Board for the scheme. The current Registrar for the scheme, Mr Theo Tsikouris, was formally appointed in January 2006.

The specific powers and primary functions of the Registrar are set out in the CILSLB Act. The functions of the Registrar in administering the portable long service leave scheme (provided for in section 77 of the CILSLB Act) include:

- Administering the scheme in accordance with any directions given by the Board;
- Exercising any powers or functions delegated by the Board;
- Maintaining construction worker and employer registers;
- Approving of forms to be used for the scheme; and
- Approving registrations and deregistrations for the scheme.

Staff

Section 59 of the CILSLB Act enables the Board to engage any person to assist it in exercising its powers and performing its functions. For administrative efficiency however the Board made the decision to source employees from within the Northern Territory Public Sector rather than employ directly.

In accordance with the March 2013 Administrative Arrangements Order responsibility for the administration of the CILSLB Act is allocated to the Department of Lands, Planning and the Environment (DLPE). For administrative purposes, this means that for the reporting period ended 30 June 2014 NT Build reports direct to the Minister for Lands, Planning and the Environment. Likewise, the staff of NT Build are employees of DLPE, however under an agreed arrangement the staff of NT Build are made available to the Board on a full cost recovery arrangement.

As illustrated in the following tables, the staffing profile for NT Build as at 30 June 2014 consisted of 7 full time staff.

Table 2.2: Staffing profile as at 30 June 2014

Classification Level	At 30 June 14	
	FTE	Gender
ECO1	1	M
SAO1	1	F
AO7	1	M
AO6	2	1M, 1F
AO4	2	1F, 1M
AO2	0	-
	7	

Table 2.3: Staffing FTE as at 30 June

As a 30 June	FTE
2014	7
2013	7
2012	7
2011	6
2010	7
2009	5.5
2008	6.2
2007	7

For the purpose of managing staff, the Registrar and other DLPE employees made available to the Board are engaged under the standard NT Public Sector employment arrangements. In addition, the Registrar has been provided with delegations equivalent to those applicable to an NTPS Chief Executive Officer under the provisions of the *Public Sector Employment and Management Act*, in relation to the staff of NT Build.

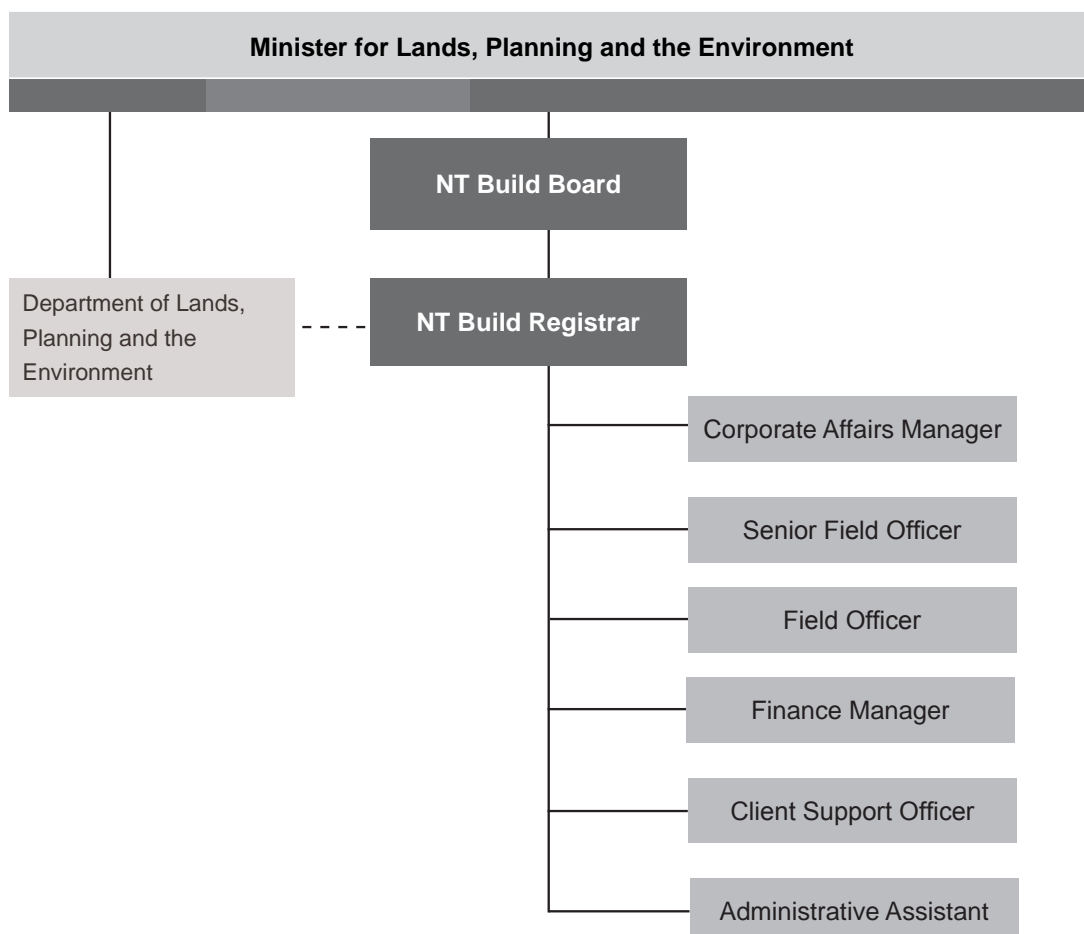
Disclosure of interests

In accordance with the Northern Territory Public Sector Code of Conduct, NT Build staff are required to disclose any financial or other interests held by them immediately upon becoming aware that a potential conflict between personal interest and official duty, whether real or apparent, has arisen or is likely to arise.

Written declarations have been submitted by all relevant NT Build staff.

Organisation structure

The following diagram represents the organisation structure as at 30 June 2014.



Information management

Information Privacy and Access (FOI)

As a 'body corporate' established under Territory legislation, NT Build is an identified entity for the purpose of reporting under section 98 of the *Information Act*.

In accordance with section 98 of the *Information Act*, NT Build reported to the Information Commissioner that no requests to access information held by NT Build were received during the 2013-14 financial year.

- ***Managing Access***

NT Build strives to make information of interest available to any interested party, where such information does not interfere with the essential public interest, individual privacy or the effective operation of NT Build. In most cases, levy payers and registered workers and employers seeking access to their own information held by NT Build can obtain the information more quickly under the provisions of the CILSLB Act rather than by making an application for access under the *Information Act*.

- ***Managing Privacy and Protection***

NT Build respects the privacy of individuals and is committed to collecting, using, storing and managing personal information in a manner that complies with the Information Privacy Principles.

More information is published on our internet site at: www.ntbuild.com.au

Records management

Part 9 of the *Information Act* (Records and Archives Management) provides for the establishment and implementation of records management standards. Adequate records management underpins the access, correction and privacy components of the *Information Act* by ensuring that Government information (records) can be found, read and reproduced in response to requests.

Notwithstanding that NT Build is a 'body corporate' established by Territory legislation, the Department of Lands, Planning and the Environment is the agency designated under the Administrative Arrangements Order with responsibility for the general administration of the CILSLB Act.

For the purpose of Part 9 of the *Information Act*, all records relating to the administration of the CILSLB Act handled by NT Build are managed in accordance with the Department of Lands, Planning and the Environment records management framework and policies.

Information systems

- *Office environment*

The Northern Territory Government's information technology services are managed through a number of outsourced service provision arrangements. NT Build operates within the standard Northern Territory Government information technology server environment.

- *Construction Benefits Services*

The Construction Industry Long Service Leave Board, South Australia, (CBS) continued to provide information technology services throughout 2013-14, relating to the ongoing development and management of a business system to support the administration of the NT Build scheme.

- *Review of business system*

Work commissioned by the Board to identify the feasibility of upgrading its business systems to ensure that ongoing administration costs are minimised as the Scheme grows was also completed. The introduction of the new system is contemplated in 2014-15.

Communication and marketing

Communication and marketing activities continued to play a significant role during this reporting period.

General marketing activities

Throughout the reporting period a number of customer focused marketing activities were implemented.

These have included:

1. Advertising in relevant industry publications and directories;
2. Maintenance of the NT Build website;

3. Production and maintenance of a range of targeted customer information bulletins and fact sheets; and
4. Delivery of numerous formal and informal presentations to targeted customers, including conducting regional and local site visits and information sessions.

Industry consultation

- *Information sessions and briefings*

During the reporting period NT Build staff provided a range of information and briefing sessions to construction industry organisations, such as:

1. General presentations at industry forums;
2. Targeted presentations to employer and developer groups; and
3. Tailored on-site briefing sessions to employees, employers and developers.

- *Presentations to the Board*

During the reporting period three organisations accepted an invitation to make a presentation to the Board on matters of interest to the effective administration of the scheme.

- *Liaison with other construction industry long service leave schemes*

As a party to the National Reciprocal Agreement, NT Build continues to liaise with other state and territory construction industry long service leave schemes for the purpose of processing benefit claims lodged by registered workers.

In addition, the Registrar and nominated board members participate in regular meetings with the chief executives and chairpersons of other interstate construction industry portable long service leave schemes for the purpose of exchanging

ideas on scheme coverage, administrative practices, legislation, investments, and information technology.

Hosting of these meetings are managed on state/territory rotation basis.

Insurance and risk management

Insurance

As a self funded statutory body corporate, insurance policies relating to public liability, vehicle and property damage and workers compensation have been endorsed by the Board to mitigate any financial risk to the Scheme.

Financial and internal audit services

As the contracted financial advisers for the Scheme, TDH Chartered Accounts continued to provide NT Build with independent financial, accounting and taxation advice and services.

During the reporting period the following range of services were provided under the contracted consultancy arrangement.

- On-going ad-hoc general advice in regard to the accounting and taxation implications of NT Build activities.
- Preparation of annual Financial Statements for statutory auditing and reporting.
- Advice and assistance with the delivery of a compliance audit program.

Levy compliance program

NT Build operates a 'Strategic audit and levy compliance program' to support its strategic audit framework. This framework introduced an annual audit program

aimed at strengthening levy compliance and supporting the effective and efficient administration of the scheme, whereby routine audits of selected construction projects are to be conducted to ensure that levy payers are declaring and remitting the correct amount of levy that is required. All audits are undertaken by contracted external auditors.

A panel contract arrangement has been established for the purpose of conducting levy compliance audits.

The final report prepared by the auditor of a compliance review, including audit findings, are submitted in full to the Board for consideration and to determine any further action.

Where, as a result of the audit findings, the reconciled cost of the construction project results in a finding that the actual cost was less than the original estimate, NT Build will refund the overpaid portion of the levy payment.

This includes a full refund where the reconciled total cost of the construction project is determined to be less than:

- \$1 million for projects that started on or after 7/4/2014; or
- \$200,000 for projects that started before 7/4/2014, regardless of completion date.

However, if the total cost of construction is determined to be more than the amount originally notified to the Board, the payer will be required to pay the additional amount of levy. Penalty interest may also be applied.

Table 2.4 below provides a summary of the status of the compliance audits undertaken.

External audit

As required under the provisions of the CILSLB Act the annual statutory audit of the financial statements relating to the Board's operation for the year ending 30 June 2014 was undertaken by the NT Auditor-General.

The audited financial statements and accompanying report from the Auditor-General are included in this Annual Report.

Legal advice

Legal support services for NT Build are predominately provided by the Northern Territory Government Department of the Attorney-General and Justice. The Solicitor for the Northern Territory provides both general and high level advice on the interpretation and application of the CILSLB Act, including the undertaking of any prosecutions on behalf of NT Build when necessary.

Table 2.4: Summary of the audits undertaken

	B/FWD	STARTED	FINALISED	C/FWD
2013-14	-	-	-	-
2012-13	2	-	2 ^{(a)(d)}	-
2011-12	4	-	2 ^(a)	2
2010-11	2	4	2 ^(a)	4
2009-10	1	2	1 ^(a)	2
2008-09	-	1	-	1

- (a) = Additional levy and interest penalty payable - audited final construction cost more than reconciled project cost declared.
- (b) = Partial levy refunded - audited final construction cost less than reconciled project cost declared.
- (c) = Full levy refunded - audited final construction cost assessed as less than \$200 000 levy exemption amount.
- (d) = No levy adjustment required - audited final construction cost same as reconciled project cost declared.

Part 3: Financial Accountability





Part 3 Financial accountability

Financial Statements for year ended 30 June 2014

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Board members' declaration

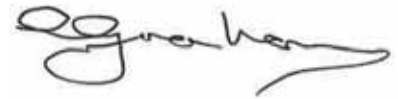
The members of the Board of NT Build declare that, in their opinion:

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

Page 2 of 2

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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3/3 Nylander Street
Parap NT 0820

GPO Box 4587
Darwin NT 0801

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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State/Territory schemes

- recognised under the National Reciprocal Agreement for the provision of long service in the building and construction industry

Australia Capital Territory

Construction Industry Long Service Leave Authority

71 Constitution Ave
Campbell ACT 2612
Tel: (02) 6247 3900
Email: construction@actleave.act.gov.au
Web: www.actleave.act.gov.au

New South Wales

Long Service Corporation

Level 1
19-21 Watt Street
Gosford NSW 2250
Toll Free: 13 14 41
Email: info@longservice.nsw.gov.au
Web: www.longservice.nsw.gov.au

Queensland

QLeave

Level 4
Centro Lutwyche
543 Lutwyche Road
Queensland 4030
Toll Free: 1800 803 491
Email: member@qleave.qld.gov.au
Web: www.qleave.qld.gov.au

South Australia

Construction Benefit Services

Level 2
191 Fullarton Road,
Dulwich SA 5065
Tel: (08) 8332 6111
Email: enquiries@cbserv.com.au
Web: www.cbserv.com.au

Tasmania

TasBuild

196 Campbell Street
Hobart TAS 7000
Tel: (03) 6233 7670
Email: secretary@tasbuild.com.au
Web: www.tasbuild.com.au

Victoria

CoInvest

Level 6, 478 Albert St
East Melbourne Vic 3002
Toll Free: 1300 COINVEST
Email: info@coinvest.com.au
Web: www.coinvest.com.au

Western Australia

MyLeave Construction Industry Long Service Leave Scheme

1st Floor, 26 Colin Street
(Corner of Colin and Ord Streets)
West Perth WA 6005
Toll Free: 1800 198 136
Email: hi@myleave.wa.gov.au
Web: www.myleave.wa.gov.au

Ausleave

Ausleave

A co-operative venture by portable long service leave authorities across Australia - providing centralised access to information about each state and territory's scheme.

Email: info@ausleave.com.au
Web: www.ausleave.com.au



NT Build – portable long service leave

Street: Units 32-33 / 12 Charlton Court,
Woolner NT 0820

Post: PO Box 36644, Winnellie NT 0821

General enquiries: 1300 795 855

Office phone: (08) 8936 4070

Fax: (08) 8936 4080

Email: info@ntbuild.com.au

Web: www.ntbuild.com.au

ABN: 16 851 173 952