Part 3: Financial Accountability

Part 3 Financial accountability

Financial Statements for year ended 30 June 2015

Board members' declaration

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

1. The financial statements and notes for the year ended 30 June 2015 are in accordance with the Northern Territory *Construction Industry Long Service Leave and Benefits Act* and:

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

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

2. In the Members of the Board'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: MICHAEL MARTIN   Board member: CRAIG GRAHAM

Dated: 12 OCTOBER 2015

Independent auditor's report

Auditor-General

Independent Auditor's Report to the Board

NT Build

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I have audited the accompanying financial report of NT Build which comprises the statement of financial position as at 30 June 2015, 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 Board.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal controls as the Board determines is necessary to enable the preparation 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, 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 $2,424,691 disclosed as 'Contributions from levy payers' in the statement of comprehensive income.

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

Auditor-General

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Qualified Opinion

In my opinion, except for the effects on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the financial position of NT Build which as at 30 June 2015, 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 15 September 2015. My opinion is not qualified in respect of this matter.

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

15 October 2015

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

Statement of comprehensive income
for the year ended 30 June 2015

	Note	2015 $	2014 $
Contributions from levy payers		2 424 691	3 894 532
Other income	3	7 591 760	6 862 395
Employee benefits expense		(837 059)	(795 839)
Depreciation and amortisation expense	4	(3 055)	(3 072)
Fees and allowances	4	(33 562)	(49 187)
Long service leave benefit payments		(2 134 565)	(1 137 741)
Long service scheme expense - current		(6 907 000)	(5 648 000)
Occupancy costs		(100 777)	(97 330)
Other expenses		(336 151)	(446 403)
Net surplus/(deficit)		**(335 718)**	**2 579 355**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**(335 718)**	**2 579 355**

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2015

	Note	2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents	5	6 048 961	11 632 445
Trade and other receivables	6	571 875	891 243
Other financial assets	7	74 181 251	61 829 197
TOTAL CURRENT ASSETS		80 802 087	74 352 885
Non-current assets			
Property, plant and equipment	8	2 325	5 385
TOTAL NON-CURRENT ASSETS		2 325	5 385
TOTAL ASSETS		80 804 412	74 358 270
LIABILITIES			
Current liabilities			
Trade and other payables	9	202 731	329 166
Short-term provisions	10	4 100 000	1 340 000
Other liabilities	11	1 295	-
TOTAL CURRENT LIABILITIES		4 304 026	1 669 166
Non-current liabilities			
Long-term provisions	10	41 241 000	37 094 000
TOTAL NON-CURRENT LIABILITIES		41 241 000	37 094 000
TOTAL LIABILITIES		45 545 026	38 763 166
NET ASSETS		35 259 386	35 595 104
EQUITY			
Reserves - implementation funding	12	296 867	296 867
Accumulated funds		34 962 519	35 298 237
TOTAL EQUITY		35 259 386	35 595 104

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2015

2015	Accumulated Funds $	Implementation Funding $	Total $
Balance at 1 July 2014	35 298 237	296 867	35 595 104
Total comprehensive income for the year	(335 718)	-	(335 718)
Balance at 30 June 2015	34 962 519	296 867	35 259 386

2014	Retained Surplus $	Implementation Funding $	Total $
Balance at 1 July 2013	32 718 882	269 867	33 015 749
Total comprehensive income for the year	2 579 355	-	2 579 355
Balance at 30 June 2014	35 298 237	296 867	35 595 104

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2015

	Note	2015	2014
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies received		3 363 253	5 975 416
Payments to employees		(837 059)	(795 839)
Interest received		371 802	938 304
Payments for good and services		(2 738 132)	(1 503 429)
Other receipts	11	1 295	-
Net Cash provided by operating activities	17	161 159	4 614 452
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(5 744 643)	(25 606 191)
Net Cash used in investing activities		(5 744 643)	(25 606 191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in cash and cash equivalents held		(5 583 484)	(20 991 739)
Cash and cash equivalents at the beginning of financial year		11 632 445	32 624 184
Cash and Cash equivalents at end of financial year	5	6 048 961	11 632 445

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2015

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 8 October 2015.

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 noncurrent assets, financial assets and financial liabilities.

(b) Comparative amounts

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

(c) Property, plant and equipment

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 as 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.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 NT Build's Board to hold them until maturity.

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

Available-for-sale financial assets

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

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

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

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

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

Losses recognised in prior period Statement 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 noncash assets or liabilities in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial liabilities

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

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

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

Impairment of financial assets

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

Financial assets at amortised cost

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

Impairment on loans and receivables is reduced through the use of an allowance 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 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.

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

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

(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 NT Build is exempt from income tax under Div 50-25 of the Income Tax Assessment Act 1997 and no charge for income tax expense is required.

(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 NT Build are classified as finance leases.

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 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.

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.

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 1031 Materiality (2013), AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments, AASB 2014-1 Amendments to Australian Accounting Standards (Part C - Materiality)
- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A - Annual Improvements)

These standard have no significant impact on NT Build.

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 (Dec 2014), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2014)	1 January 2018	Addresses the classification, measurement and derecognition of financial assets and liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	The impact of AASB 9 has not yet been determined.

continued: Notes to the financial statements - 30 June 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Standard Name	**Effective date for entity**	**Requirements**	**Impact**
AASB 15 Revenue from contacts with customers and amending standards.	1 January 2017	AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.	The impact of AASB 15 has not yet been determined.
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]	1 January 2016	Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.	The impact of this standard is expected to be minimal.

continued: Notes to the financial statements - 30 June 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Standard Name	**Effective date for entity**	**Requirements**	**Impact**
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	1 January 2016	Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements, and to ensure entities are able to use judgement when applying a standard in determining what information to disclose.	The impact of this standard is expected to be minimal.
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	1 July 2016	Extends the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities.	The impact of this standard is expected to be minimal.
AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]	1 July 2016	Provides relief to not-for-profit public sector entities from the following disclosures specified in AASB 13 for assets measured at fair value and categorised within Level 3 of the fair value hierarchy.	The impact of this standard is expected to be minimal.

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.

The reduction of contributions received from levy payers during this current year is reflective of this full year effect of the above changes to the levy rate and threshold value.

Further changes to the legislation, also announced in April 2014, were finalised during this financial year. These changes included:

- 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.

3 OTHER INCOME

	2015 $	2014 $
Interest received	249 823	793 274
Investment income	1 847 719	846 525
Movement in equity investments	4 576 716	4 764 968
Manager fee rebate	182 977	115 698
Reciprocal income	734 525	341 930
	7 591 760	6 862 395

Distributions and the management fee rebates were reinvested during the year.

4 EXPENSES

	2015	2014
	$	$
Depreciation and amortisation		
- property, plant and equipment	3 055	3 072
Remuneration of auditor		
- audit the financial report	18 400	17 358
Fees and Allowances		
- board member fees	33 562	49 187

5 CASH AND CASH EQUIVALENTS

	2015	2014
	$	$
Cash on hand	200	200
Cash at bank	56 562	1 147 902
Short term bank deposits	5 992 199	10 484 343
	6 048 961	11 632 445

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:

	2015	2014
	$	$
Cash and equivalents	6 048 961	11 632 445

continued: Notes to the financial statements - 30 June 2015

6 TRADE AND OTHER RECEIVABLES

	2015 $	2014 $
Current		
Trade receivables	307 290	547 593
Prepayments	13 211	6 563
Accrued industry contributions	192 405	156 144
Accrued interest	58 969	180 943
	571 875	891 243

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.

			Past due but not impaired (days overdue)				
	Gross amount $	Past due and impaired $	Current $	30 $	30 - 60 $	> 60 $	Instalment $
2015							
Trade and term receivables	307 290	-	199 985	12 590	-	1 715	93 000
Total	307 290	**-**	199 985	12 590	**-**	1 715	93 000
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

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

	2015	**2014**
CURRENT	**$**	**$**
MLC (NCIT) Moderate Trust	74 181 251	61 826 197

(a) Breakdown of investment split

	2015	**2014**
- Australian Shares	28%	32%
- Global Shares	34%	34%
- Bonds	34%	30%
- Property Securities	4%	4%

continued: Notes to the financial statements - 30 June 2015

8 PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	$	$
Furniture, fixtures and fittings		
At cost	30 223	30 720
Accumulated depreciation	(27 898)	(25 335)
Total furniture, fixtures and fittings	**2 325**	**5 385**
Office equipment		
At cost	12 181	12 181
Accumulated depreciation	(12 181)	(12 181)
Total office equipment	**-**	**-**
Computer equipment		
At cost	4 642	4 642
Accumulated depreciation	(4 642)	(4 642)
Total computer equipment	**-**	**-**
Leasehold improvements		
At cost	297 052	297 052
Accumulated amortisation	(297 052)	(297 052)
Total leasehold improvements	**-**	**-**
	2 325	**5 385**

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 current financial year:

	Furniture, fixtures & fittings $	Total $
Year ended 30 June 2015		
Balance at the beginning of year	5 385	5 385
Disposals - written down value	(5)	(5)
Depreciation expense	(3 055)	(3 055)
Balance at the end of the year	**2 325**	**2 325**
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**

9 TRADE AND OTHER PAYABLES

	2015 $	2014 $
CURRENT		
Unsecured liabilities		
Trade payables	75 096	149 533
Other payables	127 635	179 633
	202 731	329 166

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 2015

10 PROVISIONS

	2015	2014
	$	**$**
Current	4 100 000	1 340 000
Non-current	41 241 000	37 094 000
	45 341 000	**38 434 000**

Movement in carrying amounts

	2015	2014
	$	**$**
Opening balance	38 434 000	32 786 000
Actuarial valuation adjustment	6 907 000	5 648 000
	45 341 000	**38 434 000**

(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 15 September 2015 by Cumpston Sarjeant Pty Ltd, Consulting Actuaries, in respect of the year ended 30 June 2015.

In the past a simple aggregate model has been used, but a change to a more sophisticated individual projection model is now justified based on an increasing body of available demographic experience. The liability in respect of the NT Build Long Service Leave is a significant estimate and judgements have been made as described below.

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

10 PROVISIONS CONTINUED

(a) Actuary valuation adjustment continued

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

- a discount rate of 3%, determined based on the prevailing Commonwealth bond rate at 30 June 2015 as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets;
- benefit growth rate of 4.5% per annum, consistent with Department of Treasury and Finance's expectations for future salary growth in the Territory, and external forecasts;
- exit rates based on experience in NT Build, similar schemes and more general population measures;
- benefits assumed to be paid immediately when claimed however vested benefits may not be immediately claimed and are assumed to paid up to 4 years from vesting;
- about 25% of active member service credits are assumed to be abandoned,
- the proportion of workers eligible to claim is assumed to vary with service as workers with interstate service may claim benefits on exit with fewer service credits and 100% eligibility is assumed by 1,100 days due to payment on deregistration vesting at that point;
- leave will be taken at rates consistent with scheme experience with allowance for differing rates of leave for the approximately 40% of workers with some indication of interstate service on their records;
- 30% of inactive members will reactivate;
- allowance for future scheme administration expenses of 16% of accrued leave liability;
- estimate about 88,000 days of service credits will be reported in future in respect of past reporting periods, as a consistent pattern of delay in reporting service credits over time has emerged and has become an enduring feature of the scheme.

The most significant elements in the revised valuation include;

- an increase in liability of approximately $2.5 million due to the benefit change during 2014/15, from a 260-day year to a 220-day year;
- a decrease in liability due to the more detailed modelling approach, the primary difference in the valuation being that significantly less service credits for inactive scheme members are assumed to result in a benefit payment;
- a quite large 2014/15 additional liability, associated partly with high levels of service reporting due to Inpex LNG project.

10 PROVISIONS CONTINUED

(a) Actuary valuation adjustment continued

Taking all of these factors into account, the greatest unknowns in the liability valuation are the assumptions regarding member movements (exit rates and reactivation rates). Further scheme experience over time will refine the assumptions made and provide greater certainty in valuation.

Sensitivity analysis

The NT Build Long Service Leave liability valuation is moderately sensitive to the above assumption that 30% of inactive members will reactivate. If only 20% of inactive members reactivate the liability would be about $2.1 million or 5% lower. If 40% of inactive members reactivate the liability would be about $1.9 million or 4% higher. This analysis assumes all other variables are held constant.

11 OTHER LIABILITIES

	2015	2014
	$	$
CURRENT	1 295	-
Amounts received in advance	1 295	-

12 RESERVES

	2015	2014
	$	$
IMPLEMENTATION FUNDING		
Opening balance	296 867	296 867
Total reserves	**296 867**	**296 867**

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

13 CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

NT Build leases property under a non-cancellable operating lease expiring in 5 years. The lease provides NT Build with a right of renewal for a further 5 years, at which time all lease terms are renegotiated. NT Build also leases computer equipment and motor vehicles under non-cancellable operating leases. Future operating lease commitments not recognised as liabilities are payable as follows:

	2015 $	2014 $
Minimum lease payments under non-cancellable operating leases:		
- within one year	174 001	178 014
- later than one year and not later than five years	348 252	54 524
- later than five years	-	-
	522 253	**232 538**

14 FINANCIAL RISK MANAGEMENT

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

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

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

NT Build does not speculate in financial assets.
The most significant financial risks to which NT Build is exposed to are described below:

Specific risks

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

Financial instruments used

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

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

continued: Notes to the financial statements - 30 June 2015

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 regular reports with monthly updates from the Registrar through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. Further details regarding these policies are set out below.

(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		Fixed interest rate within 1 year	
	2015 %	**2014 %**	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Financial assets - cash flows realisable						
Cash and cash equivalents	**3.50**	4.20	**56 762**	1 148 102	**5 992 199**	10 484 343
Trade, term and loans receivables	**-**	-	**552 251**	864 237	**-**	-
Other investments	**8.00**	7.20	**74 181 251**	61 829 197	**-**	-
Forward exchange contracts - gross settled	**-**	-	**-**	-	**-**	-
Total anticipated outflows			**74 790 264**	63 841 536	**5 992 199**	10 484 343

	Total	
	2015 $	**2014 $**
Financial assets - cash flows realisable		
Cash and cash equivalents	**6 048 961**	11 632 445
Trade, term and loans receivables	**552 251**	864 237
Other investments	**74 181 251**	61 829 197
Forward exchange contracts - gross settled	**-**	-
Total anticipated outflows	**80 782 463**	74 325 879

continued: Notes to the financial statements - 30 June 2015

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 he liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management'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	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Financial liabilities due for payment				
Trade and other payables (excluding estimated annual leave)	202 731	329 166	202 731	329 166
Total contractual outflows	**202 731**	**329 166**	**202 731**	**329 166**

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

continued: Notes to the financial statements - 30 June 2015

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.

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 payment terms is as follows:

	2015	**2014**
Type of payment terms	**$**	**$**
Instalment	93 000	206 269
Non - Instalment	214 290	341 324
	307 290	**547 593**

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:

	2015		2014	
	Net carrying value $	Net fair value $	Net carrying value $	Net fair value $
Financial assets				
Cash and cash equivalents	6 048 961	6 048 961	11 632 445	11 632 445
Trade and other receivables	571 875	552 251	891 243	864 237
Financial assets at fair value through profit or loss: Investments - designated	74 181 251	74 181 251	61 829 197	61 829 197
Total financial assets	**80 802 087**	**80 782 463**	**74 352 885**	**74 325 879**
Financial liabilities				
Trade and other payables	202 732	202 732	329 167	329 167
Total financial liabilities	**202 732**	**202 732**	**329 167**	**329 167**

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
2015	60 490	60 490	60 490	60 490
2014	116 324	116 324	116 324	116 324

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 2015

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 2014.

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 (outgoing Chairperson), Mr Michael Martin OAM (incoming Chairperson), Mr Craig Graham, Mr Dick Guit, Mr Michael Haire, Mr David Malone, Mr Mick Huddy, Mr Michael Milatos and Ms Rosemary Champbell.

Mr Chamber's and Mr Huddy's appointments ceased in May 2015.

Four new appointments were made during the year. Mr Malone was appointed in July 2014, Mr Martin and Ms Campbell were appointed in May 2015 and Mr Milatos in June 2015. Mr Guit's appointment was also renewed during the year. All new and renewed appointments are for a period of five years.

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

16 RELATED PARTIES CONTINUED

(a) Attendance of meetings

	Eligible Meetings*	Meetings Attended
Barry Chambers	12	12
Craig Graham	14	10
Dick Guit	13	10
Mick Huddy	13	10
Michael Haire	14	9
Dave Malone	14	9
Michael Martin	1	1
Michael Milatos	1	1
Rosemary Campbell	1	-

*Includes scheduled and out of session Board meetings

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:

	2015	**2014**
	$	**$**
Net surplus for the year	(335 718)	2 579 354
Cash flows excluded from net surplus attributable to operating activities Non-cash flows in profit:		
- depreciation	3 055	3 072
- movement in market value of investments	(4 576 716)	(4 764 968)
- manager fee rebate	(182 977)	(115 698)
- distribution income capitalised	(1 847 719)	(846 525)
- scheme liability expenses	6 907 000	5 648 000
- net (gain)/loss on disposal of fixed assets	5	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	204 038	1 738 955
- (increase)/decrease in other assets	121 978	145 029
- (increase)/decrease in prepayments	(6 648)	1 120
- (increase)/decrease in income in advance	1 295	-
- increase/(decrease) in trade and other payables	(126 434)	226 113
Cashflow from operations	161 159	4 614 452

Compilation report

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Compilation Report

30 June 2015

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 2015, 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.

Adam Dohnt (FCA)

8 October 2015

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