



Annual Report 2014-15



Northern Territory Construction Industry



NT Build - portable long service leave

Annual Report 2014-15

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 2014-15 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 construction industry portable long service leave scheme.

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Letter to Minister

The Hon Peter Styles MLA
Minister for Business
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2014-15

On behalf of the NT Build Board, I am pleased to present you with the tenth NT Build Annual Report, for the year ended 30 June 2015.

The report details the activities and achievements of NT Build during its tenth 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 2015 and her 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



MICHAEL MARTIN OAM
Chairperson, NT Build Board

21 October 2015

Chairperson's Report

NT Build has now completed a very successful 10 years and I would like to congratulate all staff and board members who have contributed to shaping a successful organisation and outcome. I must recognise my predecessor Barry Chambers who led the organisation for nearly all those 10 years. Barry's leadership and guidance and his credibility within the construction sector has built the successful platform for NT Build.

This is the first full financial year that the new levy and threshold has been applied and NT Build is confident that all appropriate developments have been identified. NT Build staff continue to work closely with stakeholders and the sector.

The Board is aware of the volatility in the financial markets and the impact that uncertainty can have on the significant financial investment of NT Build of some \$80 million. The NT Build Board has established a sound investment approach with its implemented consultant and continually monitors its financial investment and returns achieved.

There were a number of changes to the Board this year. I have already referred to the inaugural Chairperson Barry Chambers and I would like to take this opportunity in thanking the other retiring member Mick Huddy. At the same time I would like to welcome other new board members Michael Milatos and Rosemary Campbell. It is appropriate that I take this opportunity to thank my fellow board members for their contribution over the past 12 months and their welcome to me as a new member and Chairperson.

The Registrar has covered a number of relevant matters in his report which I will not repeat here. However it is important to highlight the maturity of the Scheme after 10 years and the steady growth in both financial assets and liabilities. As expected, long service benefits to construction workers who have worked in the Territory over the past 10 years will show a gradual increase over the coming years. This will be offset by new payments to NT Build and returns from its investments.

Finally I acknowledge the work and commitment of the Registrar and his staff over the past 12 months and thank them all for their dedication and successful outcomes in 2014-15.



MICHAEL MARTIN OAM
Chairperson



Registrar's Report

Legislative amendments, resulting from the changes to the Scheme announced by the Northern Territory Government in April 2014, were finalised during the 2014-15 reporting period.

The amendments involved clarification of the levy payment process for major projects costing in excess of \$1 billion, improvements to the Scheme's governance arrangements, and reducing the qualifying period for workers to 220 days. Work was also undertaken in consultation with industry to clarify the exemption to mining and exploration activity.

This reporting period also experienced the first full year impact of the reduction in the levy rate and the increase in the leviable threshold amount that came into effect in April 2014. The Scheme received a total levy income of \$2.4 million in 2014-15, representing a decrease of approximately \$1.4 million when compared to the 2013-14 year. Overall, the Scheme sustained a minor drop in net assets of approximately \$0.3 million over the 2014-15 financial year (down from the \$2.6 million increase achieved in 2013-14).

The growth in employer and worker participation in the Scheme during the year was significant, with total active registrations of 24 519 workers and 502 employers as at 30 June 2015 being achieved.

A total of 348 benefit claims (1454 since the Scheme commenced) were also processed during the year as more workers became eligible for benefit payments. Eligibility for paying these benefits was possible in part due to the National Reciprocal Agreement, which recognises workers' service in all other Australian jurisdictions and the

maturing of the Scheme. This growth in benefit claims is expected to accelerate over the next few years as the Scheme continues to mature.

The maturing of the Scheme, the changes to the 220 day qualifying period 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 \$6.9 million to approximately \$45.3 million as at 30 June 2015. This was offset by an increase in financial assets of \$6.6 million.

In response to the on-going economic volatility in financial markets and the cyclical nature of the construction industry, the Scheme's investment portfolio continued to be closely monitored and refined to ensure any adverse exposure of its investments was minimised. The Scheme's investment portfolio remains well positioned to meet its growing long term liabilities.

The introduction of a new business system, that will ensure ongoing administration costs are minimised as the Scheme grows, will be implemented during 2015-16.

This reporting period saw member Dick Guit reappointed to the Board for a further term and the replacements of inaugural Chairperson Barry Chambers and member Mick Huddy.

Along with the staff of NT Build, I would like to express our heartfelt appreciation for the support given by Barry Chambers and his significant contribution to the successful establishment and sound administration of the Scheme over the last ten years under his chairmanship. The support and contribution shown by Mick Huddy over the

last five years he was a member is also acknowledged and appreciated.

The appointments of new Chairperson Michael Martin OAM along with new members Michael Milatos and Rosemary Campbell were also welcomed to the Board.

Finally, I also acknowledge the hard work and commitment undertaken by the members of the Board and the staff of NT Build. I thank them for their continued dedication and look forward to their ongoing support and working with them in the year ahead.



THEO TSIKOURIS
Registrar

Part 1: Introduction and Overview



2014-15 Highlights

- Finalised legislative amendments that gave effect to the NT Government's decision to; clarify the way the levy will be calculated for major construction projects of over \$1 billion; improve the Scheme's governance arrangements; and 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.
- Changes in board membership which saw the replacement of inaugural Chairperson Barry Chambers and board member Mick Huddy with the appointments of new Chairperson Michael Martin OAM and new members Michael Milatos and Rosemary Campbell.
- Introduced policy guidance notes, in consultation with mining and exploration industry representatives, to assist in determining the nature of work undertaken by the resources industry that is likely to fall within the scope of leviable construction works.
- Supported the completion of the third formal actuarial review of the Scheme for the Minister.
- Sustained a minor drop in net assets of \$0.3 million over the year (down from the \$2.6 million increase achieved in 2013-14).
- Received approximately \$2.4 million in levy contributions (down from the \$3.8 million achieved in 2013-14).
- Completed business case on the feasibility of replacing primary business system to ensure that ongoing administration costs are minimised as the Scheme grows.
- Increases in both worker and employer registrations during the year. Total active registrations of 24 519 workers and 502 employers now with the Scheme.
- Made benefit payments to 348 workers who have been involved in the NT construction industry at a cost of approximately \$1.43 million.

2015-16 Priorities

- Monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Closely monitor the Scheme's financial position and report on its ongoing financial status in the current environment.
- Finalise system enhancements to current business system to convert all worker's long service leave records to apply the new 220 days annual capping for all service recorded with NT Build.
- Finalise the development and implementation of a new business system 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.
- Implement revised biannual reporting practices on worker's qualified service days to reduce the administrative burden on employers.
- 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, and five members nominated by the Minister.

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 2015 the Department of Business 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 levy determined by the Minister.
- 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 an independent chairperson and members 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 Agreement.

A registered worker can be credited with a maximum of 220 days of qualifying service each financial year. A total of 6.5 days long service leave credit is accrued for each 220 days. Once a worker has accrued 65 days long service leave credit (i.e. equates to 10 years service), they can apply for 65 days (i.e. 13 weeks) long service leave or, with the agreement of their employer, take leave in separate periods of not less than 5 days. Workers need to subsequently 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, civil 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, that employer 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 accrual of portable long service leave 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
- construction work undertaken for not-for-profit organisations in respect of voluntary labour and donated materials.

Mining and wholly artistic works are also exempt from the levy.

The levy does not apply to work for which the total contract prices for the construction work is less than:

- \$200 000 in value - for work started from 1 July 2005 to 6 April 2014, or
- \$1 million 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. For the portion of the project costs that exceed the \$1 billion threshold, a project specific levy rate - determined by the Minister that, on actuarial advice, is sufficient to yield the amount likely to be required to fund the long service benefits of the registered employees who carry out the particular construction work - is applied.

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

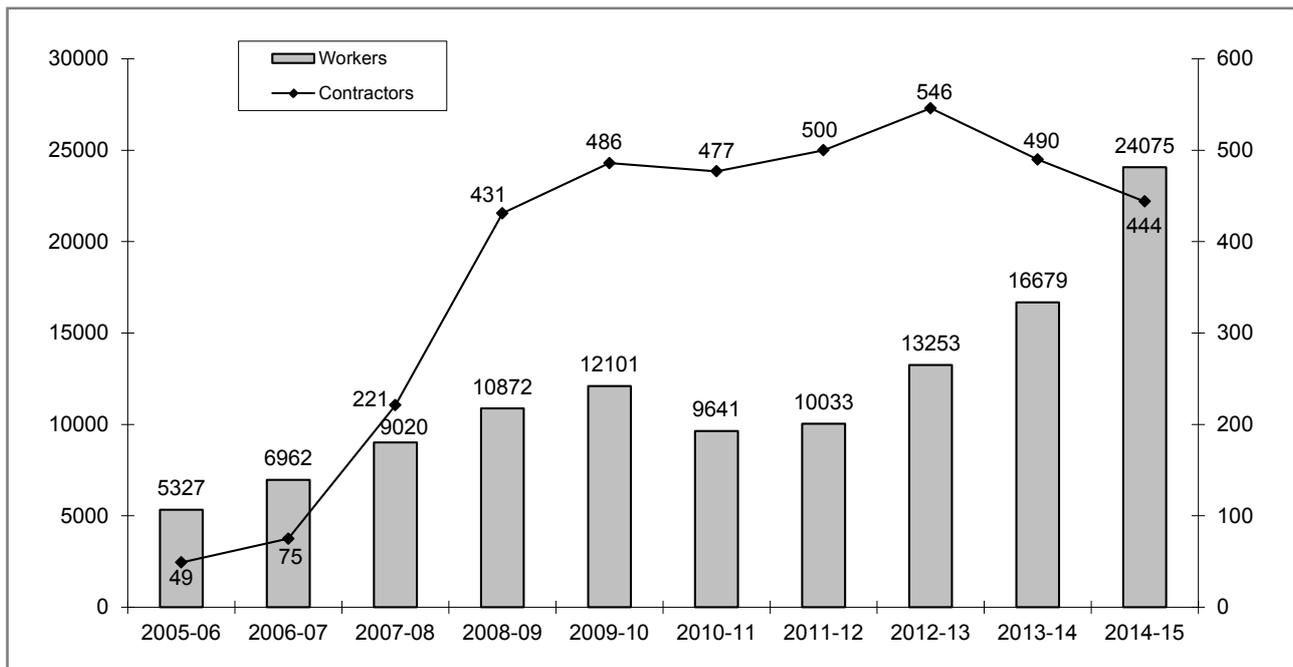
recorded by the scheme reflected a net increase of 7350 on the numbers for the previous reporting period. This variance consists of 7396 more employees and 46 less labour-only contractors.

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

Table 1.1: Total number of active worker registrations

| Total Active Registrations | June 2011 | June 2012 | June 2013 | June 2014 | June 2015 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Approved | 10 118 | 10 533 | 13 799 | 17 169 | 24 519 |
| Rejected | 125 | 110 | 110 | 105 | 192 |

Chart 1.1: Active 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, with on going deregistrations being 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 2015 - totalling 8997 workers (an increase of 1433 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 worked both with multiple employers and across multiple jurisdictions combined towards accruing a long service leave entitlement.

While it is possible 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 actual portion of service credits that will be reinstated will only be known over time.

Anecdotal evidence also suggests that, for whatever reason, there remains a number of workers in the local construction industry that would be eligible to participate in the Scheme but are as yet unregistered.

Some of the likely issues affecting scheme registrations includes:

- Very high turnover of employment in the local construction industry.
- The high proportion of the Territory 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.

- The voluntary nature of the NT Build Scheme (whereas most equivalent interstate schemes are compulsory).

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 2014-15 period was \$1233 per week.

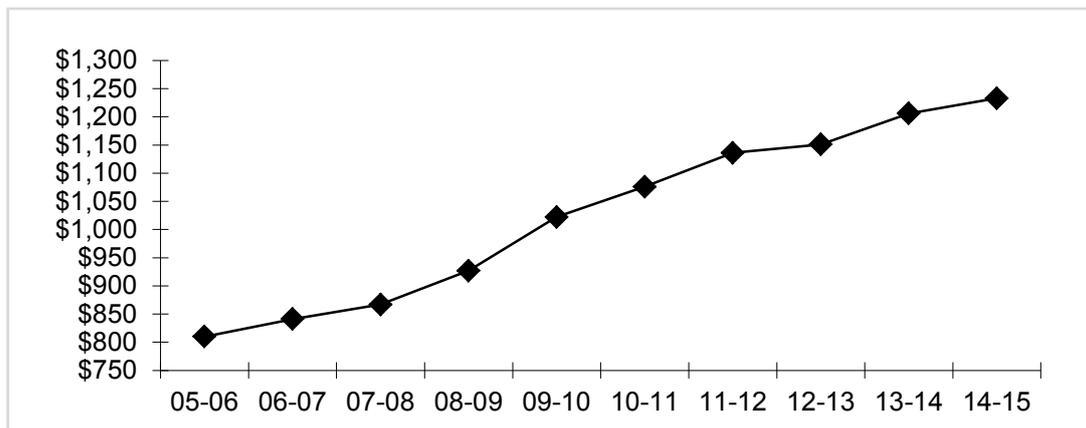
Table 1.2 and chart 1.2 below illustrates the annual movement in the benefit rate since the commencement of the Scheme.

The CILSLB Act also 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.

Table 1.2: Approved benefit rates

| | |
|---------|----------|
| 2014-15 | \$1233pw |
| 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 benefit rate



However, generally a worker must accrue 65 days long service leave credit (i.e. 2200 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. 1100 service days).

As the NT Build scheme reached its maturity on 1 July 2015, a total of 348 claims for long service leave benefits were paid during the 2014-15 reporting period. As reflected in the table 1.3 below, these claims resulted in a total gross benefit payments expense of approximately \$1.4 million in respect of work performed in the Northern Territory.

The number of claims processed during this reporting period increased by almost 52%, resulting in an increase cost to the Scheme of \$631 000 for benefits paid in comparison to the previous 2013-14 reporting period.

Both the number of claims and amounts paid out are expected to continue to increase as the Scheme matures.

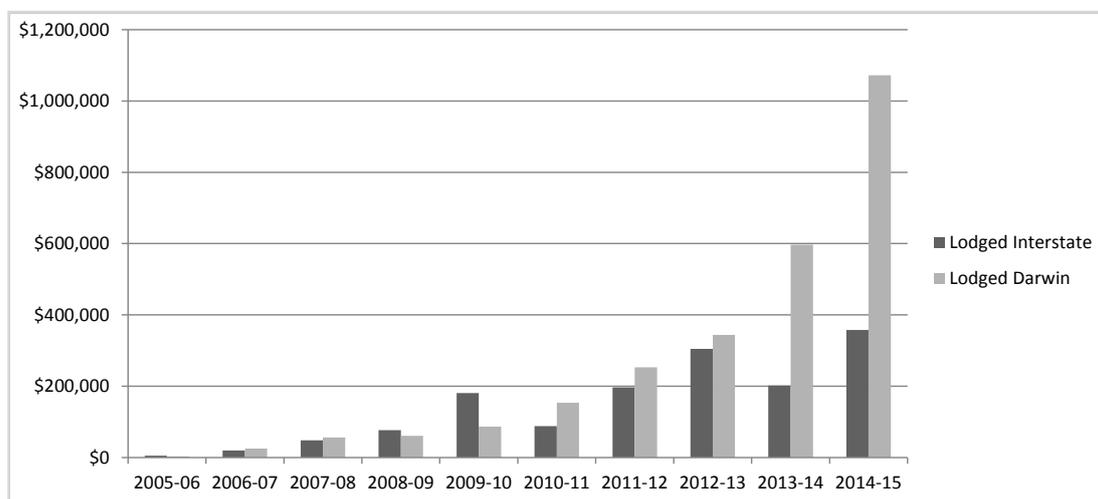
The ability to recognise service credits and make benefit payments before the Scheme reaches ten years of operation is a direct result of the Territory scheme being a party to the National Reciprocal Agreement.

Chart 1.3 below 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 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------------|----------------|----------------|----------------|----------------|
| Lodged through interstate scheme | 99 | 166 | 124 | 188 |
| Lodged through NT Build | 49 | 69 | 105 | 160 |
| Total claims lodged | 148 | 235 | 229 | 348 |

Chart 1.3: NT benefit payments by place of lodgement.



Registration profile

Table 1.4: Age profile

| | June 12 | June 13 | June 14 | June 15 |
|-------------|---------|---------|---------|---------|
| Average age | 38 | 37 | 38 | 38 |
| Oldest # | 77 | 78 | 79 | 80 |
| Youngest * | 15 | 15 | 15 | 16 |

*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 12 | June 13 | June 14 | June 15 |
|------------------------------|---------|---------|---------|---------|
| Total estimated service days | 5.12M | 6.38M | 7.23M | 9.57M |

Scheme demographic

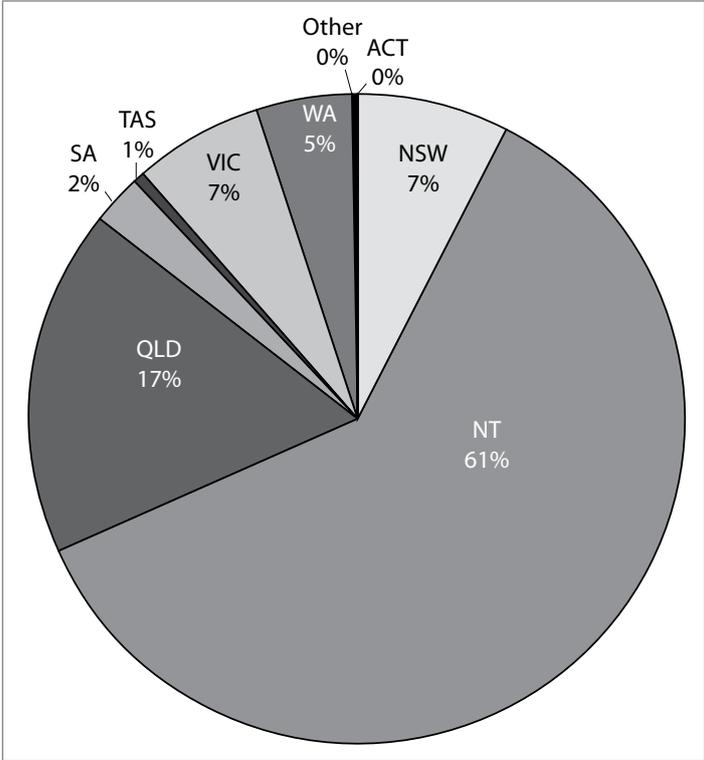
The continued success of the Scheme in terms of providing benefits to Northern Territory construction industry workers and contributing to the attraction of skilled workers to the Territory is evidenced by the following table and chart.

While these show that almost two thirds of the Scheme's active 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 active workers by contact location

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--------------|---------------|---------------|---------------|---------------|
| ACT | 11 | 17 | 21 | 27 |
| NSW | 903 | 1 066 | 1 210 | 1 829 |
| NT | 6 899 | 9 201 | 11 413 | 14 907 |
| QLD | 1 534 | 1 970 | 2 608 | 4 281 |
| SA | 286 | 336 | 355 | 551 |
| TAS | 35 | 108 | 108 | 142 |
| VIC | 471 | 601 | 733 | 1 616 |
| WA | 380 | 484 | 4702 | 1 159 |
| Other | 14 | 16 | 19 | 7 |
| Total | 10 533 | 13 799 | 17 169 | 24 519 |

Chart 1.4: Percentage of active workers by contact location, 2014-15



Employers

Eligible employers are identified through either self registration or by notification on a worker registration form. 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.

One notice was issued under this provision during this current reporting period.

Table 1.7: Active employer registrations

| | June 2012 | June 2013 | June 2014 | June 2015 |
|---------------|----------------------|----------------------|----------------------|----------------------|
| Registrations | 312 | 395 | 468 | 502 |

Levy payment and compliance

The levy rate has been reduced over time, with a reduction from 0.3% to 0.1% on 7 April 2014. The exemption threshold value was also increased from \$200,000 to \$1 million at that time. This 2014-15 reporting period represents the first full-year effect of these changes.

The table 1.8 below provides a summary comparison of total levy payments received from project developers. The Scheme's levy income during the 2014-15 period was down by \$1.5 million in comparison to the previous reporting period. The effect of the changes to the levy rate and leviable project threshold value has been the main contributing factor to a reduction in levy payments.

NT Build has continued to enjoy a high level of compliance by project developers with the assistance of the office, especially field officers.

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 1.9 below, four notices were issued during the 2014-15 reporting period.

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

Table 1.8: Summary of contributions from levy payers

| | June 2012 | June 2013 | June 2014 | June 2015 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Total levy income # (approximate) | \$12.0M | \$9.6M | \$3.9M | \$2.4M |

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

Table 1.9: Summary of section 81(1)(b) action

| YEAR | B/FWD | New Notices | Finalised | C/FWD |
|---------|-------|-------------|-----------|-------|
| 2014-15 | - | 4 | 3 | 1 |
| 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 |

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 |
|-----------------|--------------|-------------------|------------------|--------------|
| 2014-15 | 2 | 3 | 5 | - |
| 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.

Although the Scheme completed its tenth year of operating on 30 June 2015, the liabilities of NT Build will in the main continue to be longer term. The accumulated funds of the Scheme are therefore invested to ensure there will be sufficient funds to meet that longer term liability.

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

- direct cash investments with Members Equity Bank (MEB) and the Peoples Choice Credit Union (PCCU, formerly called the Territory Insurance Office);
and
- a multi-asset class, multi-manager fund provided by our implemented consultant JANA Moderate Trust.

This strategy also 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.

In order to sustain the financial viability of the Scheme in the context of the ongoing volatility of the global financial markets, the Board closely monitors and refines the Scheme's financial assets to ensure any adverse exposure of its investments was minimised.

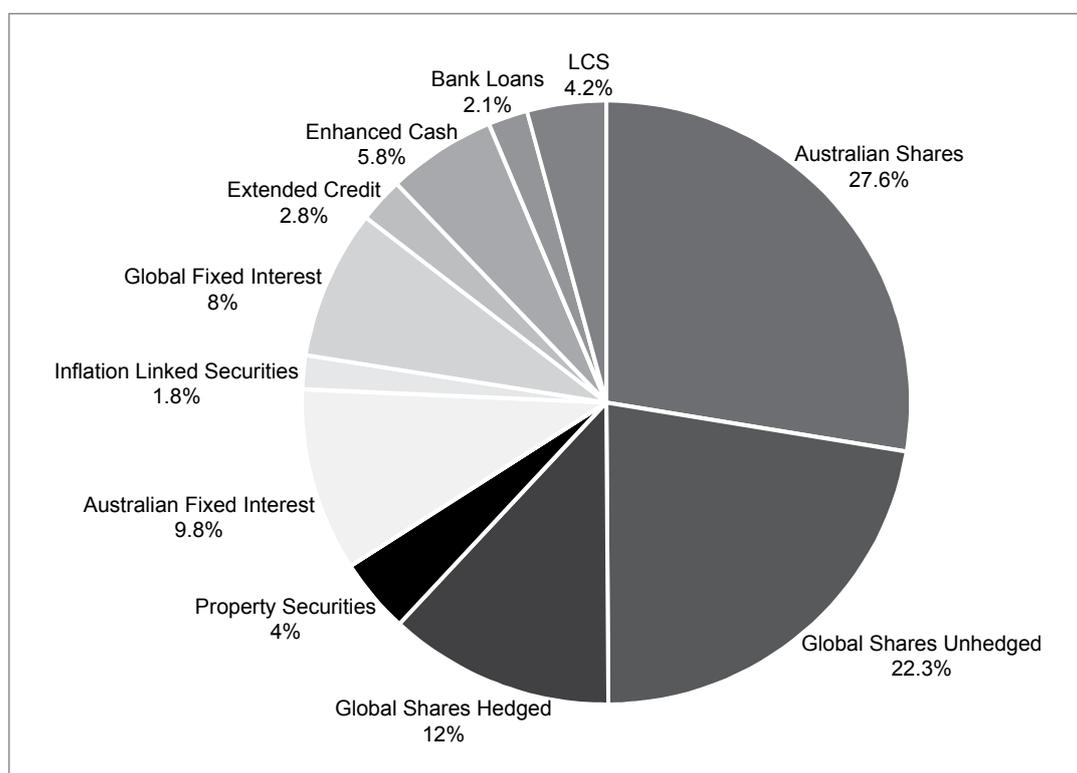
At the conclusion of the 2014-15 reporting period it is pleasing to note that the Scheme's investment portfolio remains well positioned to meet its growing long term liabilities.

Information regarding the performance of the Scheme's investments is provided in the Financial Statements included in this report. The following table 1.11 however reflects a summary of the actual (pre interest) fund amounts transferred to the fund managers for investment, while chart 1.5 illustrates the actual asset allocations of the Scheme's JANA managed portfolio as at 30 June 2015.

Table 1.11: Summary of actual funds transferred to fund managers for investment

| Fund Managers | Total funds invested as at 30 June 2014 | Funds invested/ (redeemed) during 2014-15 | Total funds invested as at 30 June 2015 |
|--------------------|---|---|---|
| MLC/JANA | \$51.0M | \$5.8M | \$56.8M |
| PCCU (formerlyTIO) | \$5.2M | (\$1.4M) | \$3.8M |
| MEB | \$5.2M | (\$3.1M) | \$2.1M |
| TOTAL | \$61.4M | \$1.3M | \$62.7M |

Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2015



Actuarial advice

Long service leave liability

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

- The 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; and
- The extent to which service credits are abandoned without benefit payments in the future.

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 the past the actuary has used a simple aggregate model when assessing the Scheme's liability but, due to an increasing body of available demographic experience, a change to a more sophisticated individual projection model has been adopted for the 2014-15 assessment.

In performing the liability valuation for this 2014-15 reporting period the following key 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 be 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; and

- 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; and
- 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, and
 - a quite large 2014/15 additional liability, associated partly with high levels of service reporting due to Inpex LNG project.

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.

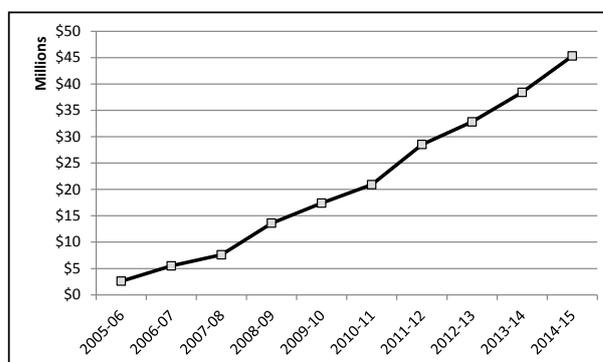
For accounting purposes as at 30 June 2015 the actuary recommended a liability of \$45.3 million for accrued long service leave benefits be adopted. This represents an increase of \$6.9 million from the 30 June 2014 estimate.

The following table and chart illustrate the annual growth in the Scheme's long service leave liability recorded to date.

Table 1.12: Summary of accrued long service leave liability

| | |
|---------|---------|
| 2014-15 | \$45.3M |
| 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



Accordingly, the provision of \$45.3 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2015 included in this report.

The NT Build Board will continue to engage an independent actuary to determine its long term liabilities.

Section 91 actuarial review

Under the CILSLB Act, the Scheme's actuary must at least once every three years undertake a review of the:

- administration of the scheme (including any financial aspect of the administration);
- methods used in working out long service benefits; and
- the levy rate.

The report on the findings of each review are presented to the Minister responsible for the Scheme and are tabled in the Legislative Assembly.

The first review of the Scheme was conducted during the 2008-09 reporting period and resulted in the NT Government:

- Approving a 20% temporary reduction in the levy rate, from 0.5% to 0.4% for two years, commencing from 1 July 2009 until 30 June 2011; and
- Introducing a \$1 billion threshold for the purpose of calculating the levy on large scale construction projects, effective from 1 July 2009.

A second triennial review was undertaken during the 2011-12 reporting period and resulted in the NT Government:

- Approving an ongoing 25% reduction in the levy rate, from 0.4% to 0.3%, effective from 1 April 2012.

After the completion of the Scheme's ninth year of operation on 30 June 2014, a third actuarial review was conducted during this 2014-15 reporting period.

The report on the third review was presented to the Minister in January 2015 and subsequently tabled in the Legislative Assembly in February 2015.

The findings and recommendations noted by the actuary in the report are summarised below.

- A recommendation was made that, based on the Scheme's current surplus position, the levy rate (previously reduced by the NT Government from 0.3% to 0.1% in April 2014) remain unchanged at 0.1% of leviable activity for coming years.
- The rate of 0.1% of leviable activity is below the break-even levy rate and may not be sustainable in the longer term.
- The NT Build Board practice of linking the benefit rate to the Australian construction industry ordinary time earnings is appropriate.
- The investment objectives for NT Build are appropriate and consistent with the overall purpose of the Scheme.
- NT Build's intention to conduct an internal review of the completeness of service records for Inpex-related employers prior to finalisation of the Inpex project is appropriate.
- As NT Build registered workers typically have worked and will work in more than one state there is a moderate likelihood that even deregistered workers will claim on the Scheme in future. This is one of several areas where the NT Build experience is different to typical interstate scheme experience, and over which there remains considerable uncertainty.
- Levy income was originally the largest revenue item. However, the levy rate has now dropped substantially from the original rate of 0.5% of leviable activity to the current level of 0.1% of leviable activity, with an expansion of exemptions increasing from \$200,000 to \$1 million. This means that future

levy income will be much lower in than in the past. Consequently, as a result of the accumulation of assets to meet future liabilities, investment returns will now have increasing significance.

- The current high level of surplus is not desirable and it is appropriate that it be reduced over time via a levy rate below the break-even rate. However, some level of surplus in the Scheme is necessary to have the resilience to cope with the following known variables that may impact on the surplus position:
 - Investment performance
 - Liability measurement
 - Levy income.
- Projected levy income appears to be lower than the Scheme accruing costs, and so Scheme surplus will be eroded over coming years. This is not a concern in the short to medium term due to existence of a surplus currently, but in the longer term the levy rate may have to rise to ensure financial viability of the Scheme.
- Notwithstanding the practical approach being adopted by the NT Build Board to address a number of outstanding issues from the report on the review of the Scheme undertaken in 2013, it is recommended they should either:
 - continue to be pursued by NT Build, or
 - remain as outstanding issues, awaiting the next opportunity for broader legislative change within the Scheme.

Outstanding recommendations from the 2013 review of the Scheme referred to by the actuary include:

1. That section 28(4) of the CILSLB Act be amended to change the reporting period dates to 1 April to 30 September and 1 October to 31 March of each year.
 - The purpose of this proposed change is to reduce the administrative burden on employers during what are already busy times by allowing biannual reporting on workers service days to be submitted during less demanding periods.
2. That section 31 of the CILSLB Act (referring to the requirement to provide each registered employer with a certificate stating the names of each of their employees who are registered) be deleted.
 - No useful purpose or benefit for this reporting to employers has been identified.

The above are being implemented by administrative action.

In conclusion the actuary noted that the Scheme is generally working smoothly, with minor areas of reform or action underway at the moment. No significant additional areas requiring action were identified.

The next triennial review is anticipated following the period ending 30 June 2017.

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 concerning 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

In April 2014 the government announced a number of changes to the Scheme. One of these changes related to the strengthening of the governance framework underpinning the administration of the Scheme through amending of the provisions regarding the constitution of the board. Legislative amendments to give effect to this change were finalised on 23 April 2015.

The provisions in the CILSLB Act at that time relating to the constitution of the board required the appointment of two representatives each from organisations representing the interests of employers and employees in the Territory. The amended provisions introduced in April 2015 substitute this mandated representation requirement with a simplified and more streamlined general requirement that will enable future board appointments to be

based on relevant qualifications, skills or knowledge in areas such as financial management, investment, legal, corporate governance and the Northern Territory construction industry.

Other Board provisions, relating to being able to hold office for a period of up to five years and being eligible for reappointment, remained unchanged.

The new amendments also capped the number of public sector employees that may be appointed to the board to a maximum of two. This restriction ensures majority industry participation in the administration of NT Build and keeps the Scheme, established for the benefit of industry, at arm's length from government.

This reporting period saw the reappointment of board member Dick Guit for a further term and the replacements of inaugural Chairperson Barry Chambers and board member Mick Huddy.

Barry Chambers made a significant contribution to the successful establishment and administration of the Scheme during the ten years of his chairmanship. Following the expiration of his appointment term, Mr Chambers was succeeded by the appointment of new Chairperson Michael Martin OAM.

Following the expiration of his appointment after five years on the Board, Mr Huddy was succeeded by the appointment of new member Michael Milatos. An additional new member, Rosemary Campbell, was also welcomed to the Board.

Therefore, the membership of the NT Build Board on 30 June 2015 was as follows.

| | |
|-------------------------|---|
| Independent Chairperson | Michael Martin OAM Former senior NT Public Sector employee |
| Other members | Dick Guit General Manager Sitzler Pty Ltd President of the MBA NT |
| | Michael Haire Organiser (QLD/NT) Electrical Trades Union (ETU) |
| | David Malone Executive Officer Master Builders NT |
| | Michael Milatos Director Cento Pty Ltd |
| Additional members | Craig Graham Assistant Under Treasurer Department of Treasury and Finance Northern Territory Government |
| | Rosemary Campbell Director Merit Partners |

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 14 meetings of the Board, 63 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

Two policies, relating to the revised weekly benefit level and the development of a guidance note aimed at clarifying the exclusion of the long service levy on resources work, 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 about the nature of construction work or 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 2015.

Ministerial advice

Following a review of the Scheme and in light of Industry feedback and Scheme performance, the Government decided to amend the Scheme during the previous 2013-14 reporting period. 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.

While both of the above changes were finalised during the 2013-14 reporting period, work on implementing the remainder of those decisions announced by the NT Government in April 2014 were completed during this reporting period. This involved the introduction of further legislative amendments that enhanced the benefits to workers by reducing the qualifying period for workers to 220 days, provided certainty on the calculation on the levy for major projects costing in excess of \$1 billion and strengthened the governance framework underpinning the administration of the Scheme.

Work was also 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 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 2014-15 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 | | |
| 2014-15 | - | - | - | - | - |
| 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 registration requests and deregistrations for the Scheme.

Table 2.2: Staffing profile as at 30 June 2015

| Classification Level | At 30 June 15 | |
|----------------------|---------------|--------|
| | FTE | Gender |
| ECO1 | 1 | M |
| SAO1 | 1 | F |
| AO7 | 1 | M |
| AO6 | 2 | 1M, 2F |
| AO4 | 1 | 1M |
| AO2 | 0 | - |
| | 7 | |

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 (NTPS) rather than employ directly.

In accordance with the December 2014 Administrative Arrangements Order responsibility for the administration of the CILSLB Act was transferred from the Department of Lands, Planning and the Environment (DLPE) to the Department of Business (DoB). For administrative purposes, this means that for the reporting period ended 30 June 2015 NT Build reports direct to the Minister for Business. Likewise, the staff of NT Build were transferred from DLPE to DoB, 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 2015 consisted of seven staff.

Table 2.3: Staffing FTE as at 30 June

| As a 30 June | FTE |
|--------------|-----|
| 2015 | 7 |
| 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 public sector 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.

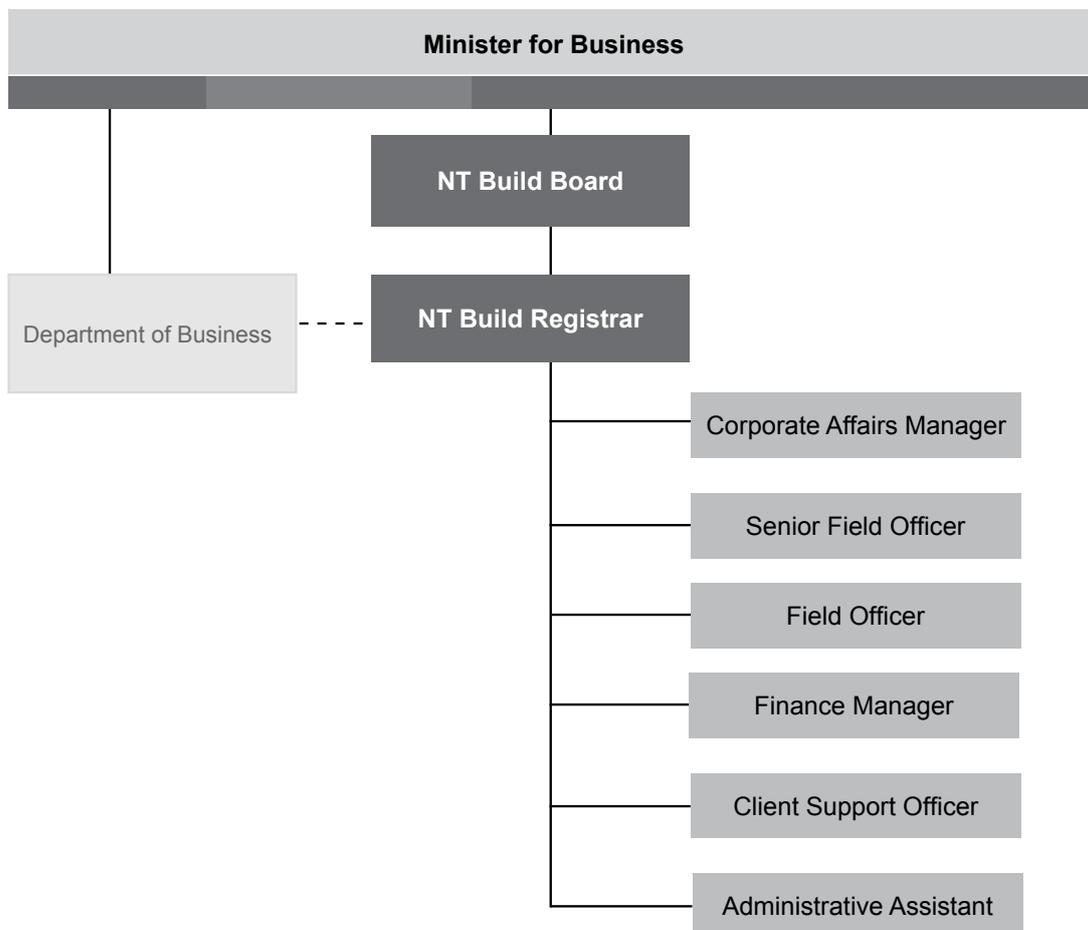
Disclosure of interests

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 when appropriate.

Organisation structure

The following diagram represents the organisation structure as at 30 June 2015.



Information management

Information Privacy and Access (FOI)

As a 'body corporate' established under Northern 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 2014-15 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 Northern Territory legislation, the Department of Business 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 Business records management framework and policies.

Information systems

- ***Office environment***

The Northern Territory Government's information technology services are managed through a number of out sourced 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 2014-15, relating to the ongoing development and management of a business system to support the administration of the NT Build Scheme.

Work commissioned by the Board to identify the feasibility of upgrading its business systems was also completed.

The new system is intended to accommodate future Scheme growth demands, provide a user friendly and intuitive client self-service functionality and ensure that ongoing administration costs are minimised as the Scheme grows

The introduction of the new system is scheduled for 2016.

Communication and marketing

As a result of finalising the implementation of a range of legislative changes during 2014-15, targeted marketing activities were undertaken during the reporting period. In addition the following general activities were undertaken.

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 visits to Katherine, Nhulunbuy, Tennant Creek and Alice Springs, as well as 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 two 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 equivalent 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. For this purpose, 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. An interest penalty may also be applied.

Pending the completion of a review of the Scheme and the Government's consideration of the findings and recommendations of the Review, the levy compliance audit program was temporarily postponed during this reporting period.

Notwithstanding the above, the following Table 2.4 provides a summary of the status of the levy compliance audits undertaken.

Table 2.4: Summary of the audits undertaken

| | B/FWD | STARTED | FINALISED | C/FWD |
|---------|--------------|----------------|---------------------|--------------|
| 2014-15 | - | - | - | - |
| 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.

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 2015 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. As such, 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.

When required, the Solicitor for the Northern Territory facilitates the outsourcing of a request for legal services for specialist advice or assistance. During this reporting period two such out sourced legal services were engaged to assist with the preparation of an office accommodation lease and for the drafting of a software development agreement.

Part 3: Financial Accountability





Part 3 Financial accountability

Financial Statements for year ended 30 June 2015

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Board members' declaration

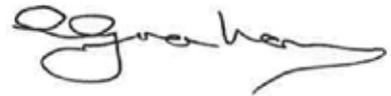
The members of NT Build Board declare that, in their opinion:

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

Page 1 of 2

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.



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 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.

A handwritten signature in cursive script, appearing to read 'Julie Crisp'.

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

15 October 2015

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

| | Accumulated Funds | Implementation Funding | Total |
|---|------------------------------|-----------------------------------|-------------------|
| | \$ | \$ | \$ |
| 2015 | | | |
| 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 |
| | | | |
| | 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 | 2 579 355 | - | 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.

continued: Notes to the financial statements - 30 June 2015

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.

continued: Notes to the financial statements - 30 June 2015

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.

continued: Notes to the financial statements - 30 June 2015

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 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.

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 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 2015

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 2015

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.

continued: Notes to the financial statements - 30 June 2015

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 contracts 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. |

continued: Notes to the financial statements - 30 June 2015

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.

continued: Notes to the financial statements - 30 June 2015

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.

| | Gross amount \$ | Past due and impaired \$ | Current \$ | Past due but not impaired (days overdue) | | | Instalment \$ |
|----------------------------|--------------------|-----------------------------|---------------|---|---------------|------------|------------------|
| | | | | 30 \$ | 30 - 60 \$ | > 60 \$ | |
| 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 |

continued: Notes to the financial statements - 30 June 2015

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

continued: Notes to the financial statements - 30 June 2015

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 be 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.

continued: Notes to the financial statements - 30 June 2015

- 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.

continued: Notes to the financial statements - 30 June 2015

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:

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

continued: Notes to the financial statements - 30 June 2015

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 Campbell.

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.

continued: Notes to the financial statements - 30 June 2015

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 |
| <i>Cash flows excluded from net surplus attributable to operating activities Non-cash flows in profit:</i> | | |
| - 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 | - |
| <i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</i> | | |
| - (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



Tel: 08 8941 1460
 Fax: 08 8941 1450
 Email: admin@tdhnt.com.au

212/12 Salonika Street
 Parap NT 0820

GPO Box 4587
 Darwin NT 0801

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.

A handwritten signature in black ink, appearing to read 'Adam Dohnt', is written over a faint, circular watermark or background mark.

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

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

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(Corner of Colin and Ord Streets)
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