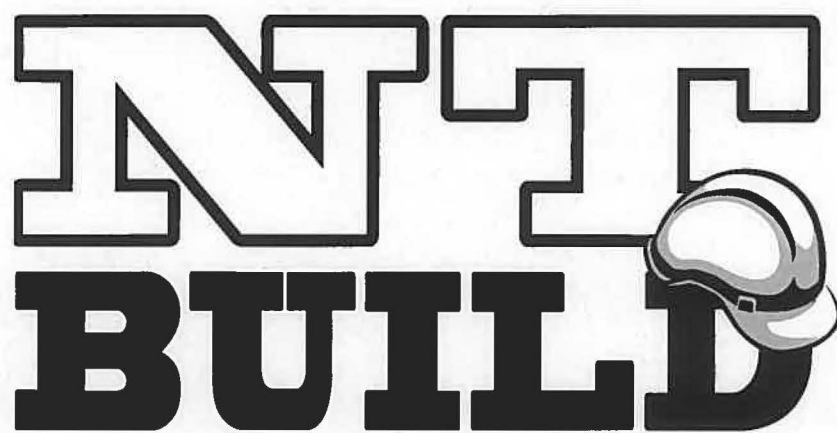




Annual Report 2015-16



Portable long service leave
Northern Territory Construction Industry

www.ntbuild.com.au



NT Build - portable long service leave

Annual Report 2015-16

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 2015-16 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.

Published by NT Build

© Northern Territory Government of Australia, 2016

Apart from any use permitted under the *Australian Copyright Act*, no part of this document may be reproduced without prior written permission from the Northern Territory Government through NT Build.

ISSN 1834-1888

ISSN 1834-190X (online version)

Enquiries should be made to:

NT Build – portable long service leave

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

Post: PO Box 36644, Winnellie NT 0821

General enquiries: 1300 795 855

Office phone: (08) 8936 4070

Fax: (08) 8936 4080

Email: info@ntbuild.com.au

Web: www.ntbuild.com.au

ABN: 16 851 173 952

Table of contents

Letter to Minister	5
Chairperson's Report	7
Registrar's report	9
Part 1: Introduction and overview	11
2015-16 Highlights	12
2016-17 Priorities	13
About the organisation	14
General overview – portable long service leave scheme	15
Key features	15
Workers	15
Employers	16
Long service levy	17
Statistical highlights	18
Workers	18
Employers	24
Levy payment and compliance	24
Debt recovery	26
Investment of funds	27
Actuarial advice	29
Long service leave liability	29
Section 91 actuarial review	31
Part 2: Operational governance	33
The Board	34
Functions and powers	34
Membership	34
Conducting business	34
The Office	37
Registrar	37
Staff	37
Organisation structure	38
Information management	39
Communication and marketing	40
Insurance and risk management	41
Part 3: Financial accountability	45
Index - Financial Statements for year ended 30 June 2016	47
Board members' declaration	48
Independent auditor report	49
Statement of comprehensive income	50
Statement of financial position	51
Statements of changes in equity	52
Statement of cash flows	53
Notes to the financial statements	54
Compilation report	86

Charts

Chart 1.1	Active employee and labour-only contractor registrations	18
Chart 1.2	Annual movement in benefit rate	20
Chart 1.3	NT benefit payments by place of lodgement	21
Chart 1.4	Percentage of active workers by contact location, 2015-16	23
Chart 1.5	Actual asset allocations of JANA managed portfolio - 30 June 2016	28
Chart 1.6	Rate of long service leave liability accrual	30

Tables

Table 1.1	Total number of active worker registrations	18
Table 1.2	Approved benefit rates	20
Table 1.3	Benefit claims processed	21
Table 1.4	Age profile	22
Table 1.5	Days of service	22
Table 1.6	No. of active workers by contact location	22
Table 1.7	Active employer registrations	24
Table 1.8	Summary - levy payer contributions	24
Table 1.9	Summary - section 81(1)(b) action	25
Table 1.10	Summary - debt recovery action	26
Table 1.11	Summary - actual funds transferred to fund managers for investment	28
Table 1.12	Summary - accrued long service leave liability	30
Table 2.1	Summary - applications for reconsideration lodged - Section 84	36
Table 2.2	Staffing profile as at 30 June 2016	37
Table 2.3	Staffing FTE as at 30 June 2016	37
Table 2.4	Summary of the audits undertaken	42

Letter to Minister

The Hon Michael Gunner MLA
Minister for Trade, Business and Innovation
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2015-16

On behalf of the NT Build Board, I am pleased to present you with the eleventh NT Build Annual Report, for the year ended 30 June 2016.

The report details the activities and achievements of NT Build during its eleventh 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 2016 and her comments are contained in this report. I am pleased to advise that this is the first year that NT Build's Financial Statements have not carried a qualification by the Auditor-General.

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

25 October 2016



Chairperson's Report

This year has been challenging for NT Build in terms of financial management due to a number of factors that are not within the NT Build Board's control. The continued impact of the April 2014 levy reduction and threshold increase, which was imposed by the previous Territory government, has certainly impacted on the Scheme's reported revenue and its ability to achieve a level of revenue to match its projected liabilities in future years. However, the projected and reported expenditure in the Territory's construction industry, especially the Commonwealth's Defence expenditure, will have a beneficial impact on future NT Build revenues.

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 is aware of the significance of movements in the market and the impact on its financial viability. This was a major factor in the decision of the Board to review its investment strategy during the year. This resulted in its decision to maintain a sound investment approach based on its implemented consultant model. The Board continually monitors its financial investment and the returns achieved, and liaises closely with the Department of Treasury and Finance.

It is important that I address the reported loss of some \$17 million this financial year. While the loss is significant, it is not entirely unexpected due to: the maturity of the Scheme (now in its 11th year); severe reduction in the levy amount and increase in threshold in 2014; a difficult financial market; a significant increase in liabilities due to the Inpex project (which brings benefits to the Territory) and the Scheme's inability to recognise a potential significant

revenue asset in this year's account. Another significant impact is the historically low discount rate of 2% pa which reflects the lower interest rate environment in Australia. In light of the reported loss, the Board is meeting regularly with its actuary to assess the Scheme's sustainability. The Scheme still has significant assets to meet its emerging liabilities at present.

On a very positive note, I am pleased to point out that the Financial Statements now have an unqualified Statement as NT Build has demonstrated that it has appropriate measures in place to collect all revenues due to it. The Board has worked diligently to achieve this result.

It is very appropriate that I take this opportunity to thank my fellow board members for their contribution over the past 12 months and their input into the strategic issues addressed by the Board during the year.

The Registrar has covered a number of relevant matters in his report which I will not repeat here, including the continuing maturity of the Scheme reflected in the significant growth in liabilities. The Registrar continues to work closely with the Board and on behalf of the Board, I thank him for his support and commitment.

Finally, I acknowledge the work and diligence of all staff over the past 12 months and thank them all for their dedication and successful outcomes in 2015-16.



MICHAEL MARTIN OAM
Chairperson



Registrar's Report

The Scheme's equity of \$17.9 million recorded for this reporting period was significantly down from the \$35.3 million reported in 2014-15. This was reflective of a combination of matters including the impact of the 2014 reduction in the levy rate and the increase in the leviable threshold amount, along with the maturing of the Scheme.

The Scheme received a total levy income of \$3.7 million in 2015-16, representing a increase of approximately \$1.2 million when compared to the 2014-15 year. This income consisted of a combination of levies paid in respect of new works commenced during the reporting period and additional amounts following reconciliations of the cost of completed projects whose initial levies were paid in a previous reporting period.

The maturing of the Scheme, and the steady increase in registrations of active workers, largely associated with the Inpex LNG project, also saw the total estimated accumulated liabilities for the Scheme substantially grow by \$17.9 million to approximately \$63.46 million as at 30 June 2016. While this saw NT Build record a current year net loss of around \$17.4 million, the Scheme maintains sufficient financial assets to cover the long service leave claims liabilities.

Registrations for employer and worker participation in the Scheme during the year continued to grow, with total active registrations of 27 054 workers and 523 employers as at 30 June 2016 being achieved.

A total of 678 benefit claims were also processed during the year as more workers became eligible for benefit payments. This

represented an increase of 330 claims in comparison to 2014-15, and a total of 2132 since the Scheme commenced. 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 continue to accelerate over the coming years as Scheme member's entitlements continue to mature.

The successful development and implementation of a new business system, was also achieved. The LeaveTrack system provides a more resilient operating platform and a range of enhanced online self-service functionality for clients. Access to the new system was made available from 1 July 2016.

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



THEO TSIKOURIS
Registrar

Part 1: Introduction and Overview



2015-16 Highlights

- Completed a review of the Scheme's investment strategy to ensure a relevant investment approach is adopted by its implemented consultant.
- Finalised and implemented system enhancements to convert all workers' long service leave records to apply the 220 days annual capping change for all service recorded with NT Build.
- Finalised the development and implementation of a new business system aimed at minimising administration costs. The new system, which supports a suite of on-line customer self-service business transactions, was made fully available to customers from 1 July 2016.
- Implemented revised biannual reporting practices on workers' qualified service days that reduce the administrative burden on employers.
- Recorded estimated total accumulated liabilities of \$63.46 million (significant increase of \$17.9 million in comparison to the 2014-15 period). However, Scheme's assets continue to cover liabilities.
- Recorded a net deficit for the year of \$17.4 million, of which \$17.3 million related to the increase in long service leave liabilities as determined by the Scheme's actuary.
- Received approximately \$3.6 million in levy contributions (up from the \$2.4 million achieved in 2014-15).
- Increases in both worker and employer registrations during the year. Total active registrations of 27 054 workers and 523 employers recorded with the Scheme as at 30 June 2016.
- Made benefit payments to 678 workers who have been involved in the NT construction industry at a cost to the Scheme of approximately \$2.53 million (up from the 348 payments at a cost of \$1.43 million made in 2014-15).
- Qualification on Financial Statements removed by the Auditor-General.

2016-17 Priorities

- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the Scheme.
- Finalise the redevelopment of the Scheme's website, designed to integrate customer self-service functionality and be adaptable for viewing on multiple electronic device formats (phone/tablet/computer).
- Closely monitor the Scheme's financial position and report on its ongoing financial status in the current low levy (0.1%) and high threshold (\$1M) environment.
- Monitor and review the operation of a new business system to ensure operational savings, improvements and efficiencies are maximised.
- 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 and relevant employers.
- Maintain a strong compliance regime to ensure Scheme levy revenue is maintained.

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 a chairperson, and six 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 2016 the Department of Business¹ 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.

¹ Following the change in Government after the General Election held on 27 August 2016, new Administrative Arrangements Orders (AAO) were issued on 31 August 2016 and 12 September 2016 announcing changes to the structure of the public service. Under the latest AAO principle responsibility for the general administration of the CILSLB Act was allocated to the newly formed Department of Trade, Business and Innovation. While the Minister for Business was the responsible Minister as at 30 June 2016, this report has been submitted to the Minister for Trade, Business and Innovation as the current Minister responsible for the Scheme.

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.
- 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. An employer return form is completed 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

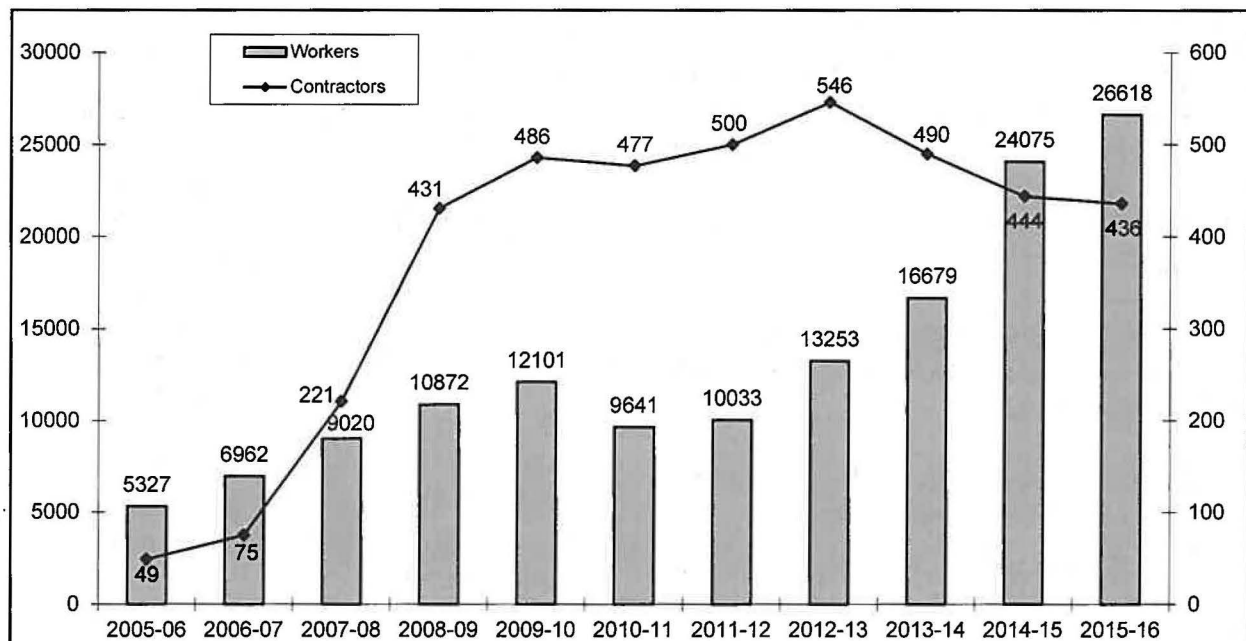
recorded by the Scheme reflected a net increase of 2535 on the numbers for the previous reporting period. This variance consists of 2543 more employees and 8 less labour-only contractors.

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

Table 1.1: Total number of active worker registrations

Total Active Registrations	June 2013	June 2014	June 2015	June 2016
Approved	13 799	17 169	24 519	27 054

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 increase in registrations during this reporting period but also by the significant overall number of workers deregistered (inactive) from the Scheme as at 30 June 2016 - totalling 11 157 workers (an increase of 2160 from the previous reporting period).

While these deregistered (inactive) 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 2015-16 period was \$1254 per week.

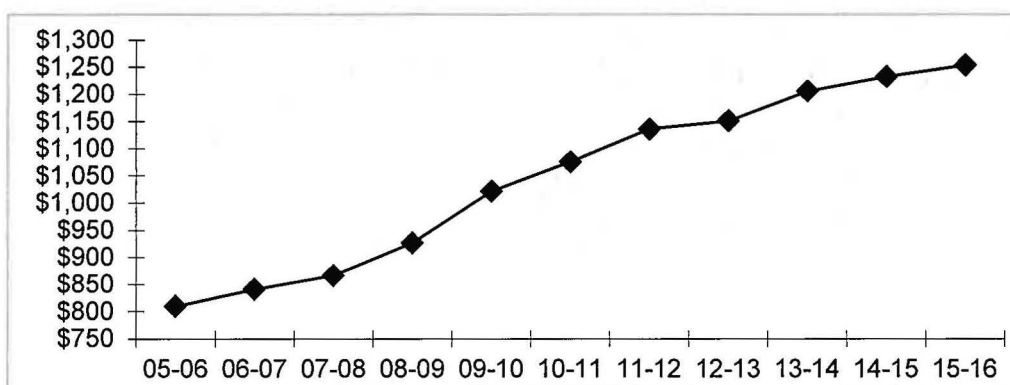
Table 1.2 and chart 1.2 below illustrates the annual movement in the benefit rate since the commencement of the Scheme.

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

2015-16	\$1254 pw
2014-15	\$1233 pw
2013-14	\$1206 pw
2012-13	\$1151 pw
2011-12	\$1136 pw
2010-11	\$1076 pw
2009-10	\$1022 pw
2008-09	\$927 pw
2007-08	\$867 pw
2006-07	\$841 pw
2005-06	\$810 pw

Chart 1.2: Annual movement in benefit rate



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 their first credit 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 used after every additional accrual of 32.5 days long service leave credit (i.e. 1100 service days = 5 years service).

As the NT Build Scheme has now matured, the number of workers who have now accrued a long service leave entitlement has also increased.

As reflected in the table 1.3 below, these claims resulted in a total gross benefit payments expense of approximately \$2.5 million in respect of work performed in the Northern Territory.

The number of claims processed during this reporting period increased by almost 95%, resulting in an increase cost to the Scheme of \$1.1 million for benefits paid in comparison to the previous 2014-15 reporting period.

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

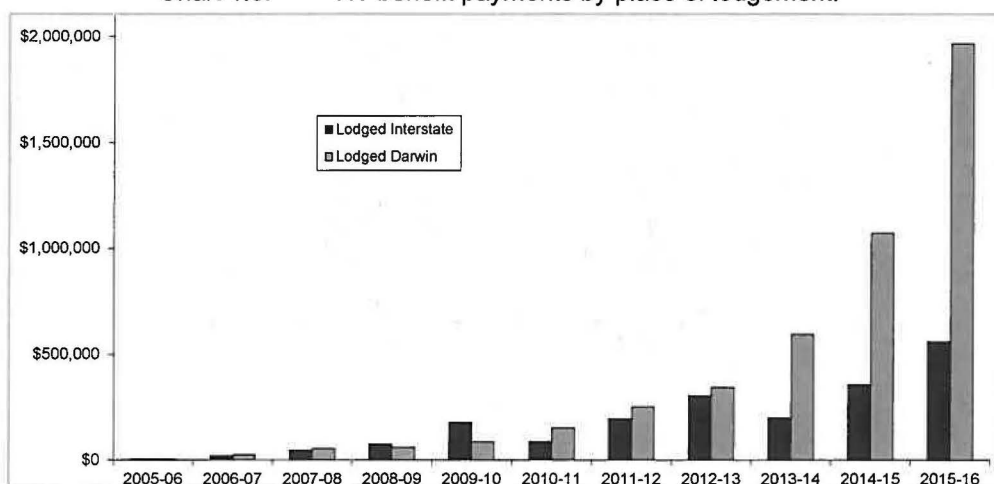
Being party to the National Reciprocal Agreement has also enabled NT Build to recognise service credits and make benefit payments both before the Scheme matured or a worker achieved ten years of service within the Territory.

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	2012-13	2013-14	2014-15	2015-16
Lodged through interstate scheme	166	124	188	270
Lodged through NT Build	69	105	160	408
Total claims lodged	235	229	348	678

Chart 1.3: NT benefit payments by place of lodgement.



Registration profile

Table 1.4: Age profile

	June 13	June 14	June 15	June 16
Average age	37	38	38	38
Oldest #	78	79	80	81
Youngest *	15	15	16	15

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

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

Table 1.5: Days of service

	June 13	June 14	June 15	June 16
Total estimated service days	6.38M	7.23M	9.57M	11.28M

Scheme demographic

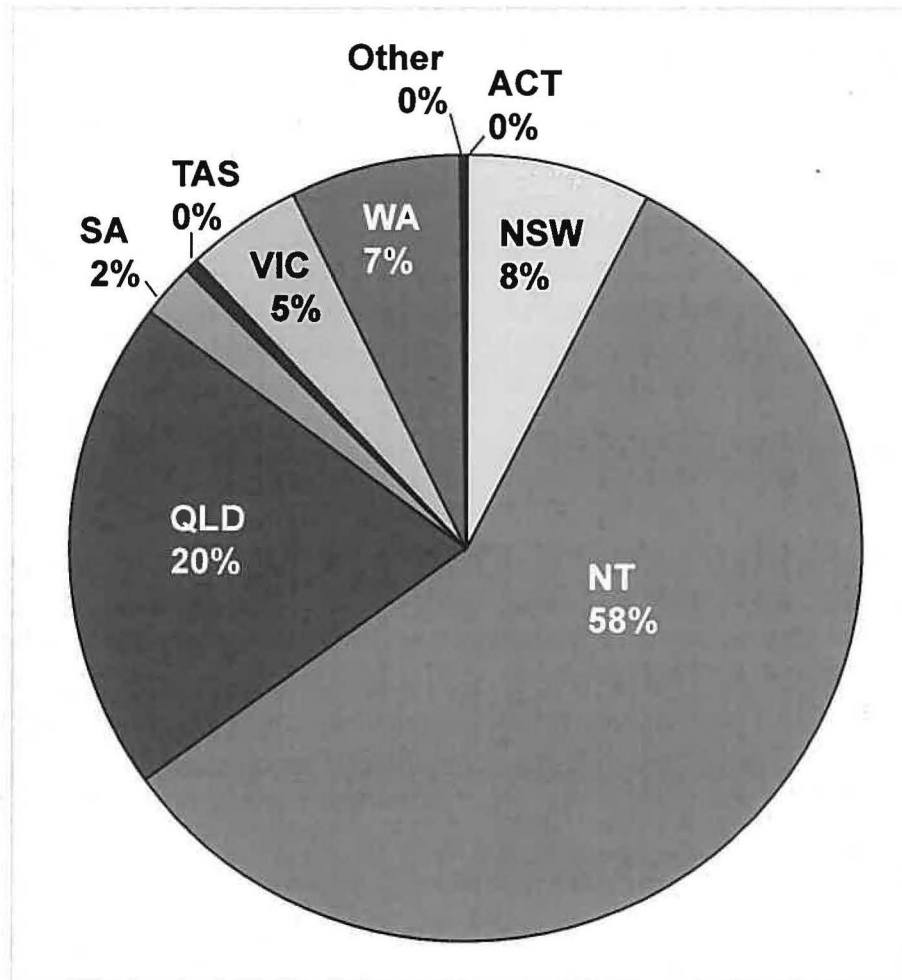
The continued success of the Scheme in terms of providing benefits to Northern Territory construction industry workers and contributing to the attraction of skilled workers to the Territory is evidenced by the following table and chart.

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

	2012-13	2013-14	2014-15	2015-16
ACT	17	21	27	26
NSW	1 066	1 210	1 829	2 055
NT	9 201	11 413	14 907	15 576
QLD	1 970	2 608	4 281	5 433
SA	336	355	551	610
TAS	108	108	142	147
VIC	601	733	1 616	1 270
WA	484	4702	1 159	1 928
Other	16	19	7	9
Total	13 799	17 169	24 519	27 054

Chart 1.4: Percentage of active workers by contact location, 2015-16



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.

No notices were issued under this provision during this current reporting period.

Table 1.7: Active employer registrations

	June 2013	June 2014	June 2015	June 2016
Employers	395	468	502	523

Levy payment and compliance

The levy rate has been reduced over time, with the current rate of 0.1% coming into effect from 7 April 2014. The exemption threshold value was also increased from \$200,000 to \$1 million at that time. Examples of other exemptions to the levy include; Class 1a(i) and Class 10(a) buildings under the Building Code of Australia, mining and wholly artistic works.

The table 1.8 below provides a summary comparison of total levy payments received from project developers.

Table 1.8: Summary - levy payer contributions

	June 2013	June 2014	June 2015	June 2016
Total levy income # (approx.)	\$9.6M	\$3.9M	\$2.4M	\$3.7M

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

The Scheme's levy income during the 2015-16 period increased by \$1.2 million in comparison to the previous reporting period. The total income received, however, related to a combination of levies paid in respect of new works commenced during the reporting period and additional amounts following reconciliations of the cost of completed projects whose initial levies were paid in a previous reporting period.

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.

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

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, two notices were issued during the 2015-16 reporting period.

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

YEAR	B/FWD	New Notices	Finalised	C/FWD
2015-16	1	2	3	-
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 - debt recovery action

YEAR	B/FWD	New Action	Finalised	C/FWD
2015-16	-	2	1	1
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.

The Scheme completed its eleventh year of operating on 30 June 2016. While the liabilities of NT Build will in the main continue to be longer term, as a result of the Scheme's maturity the payment of benefits to workers significantly increased during 2015-16, with the value (including National Reciprocal payments) exceeding the amount of levy revenue received.

With the continued levy collection structure of 0.1% on projects over \$1 million, this trend is likely to continue and is expected to have a material impact on the fund's medium to long term sustainability. The sound investment of the accumulated funds of the Scheme plays an increasingly vital role in ensuring 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);
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 are minimised.

At the conclusion of the 2015-16 reporting period it is pleasing to note that, as a result of the investment portfolio, the Scheme's liabilities continued to be well covered by the Scheme's assets.

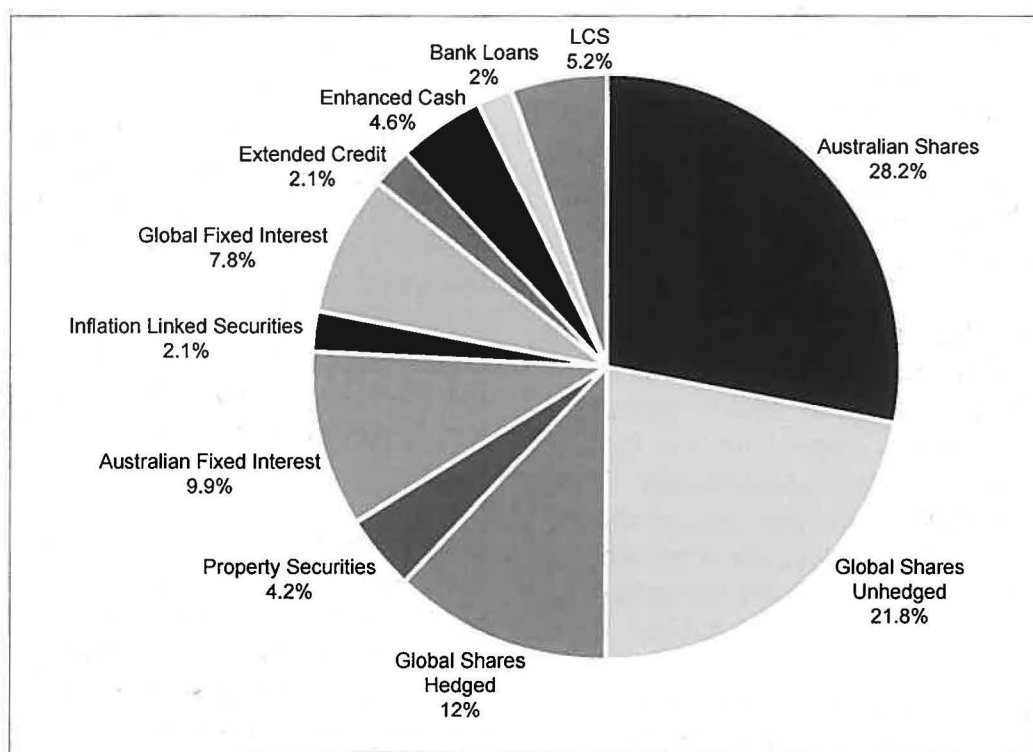
Information regarding the performance of the Scheme's investments is provided in the Financial Statements included in this report.

The following table 1.11 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 2016.

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

Fund Managers	Total funds invested as at 30 June 2015	Funds invested/ (redeemed) during 2015-16	Total funds invested as at 30 June 2016
MLC/JANA	\$56.8M	\$0M	\$56.8M
PCCU	\$3.8M	(\$1.4M)	\$2.4M
MEB	\$2.1M	(\$1.7M)	\$0.4M
TOTAL	\$62.7M	(\$3.1M)	\$59.6M

Chart 1.5: Actual asset allocations of JANA managed portfolio - 30 June 2016



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 was adopted from the 2014-15 assessment and going forward.

In performing the liability valuation for this 2015-16 reporting period the following key assumptions were made by the Actuary:

- A discount rate of 2%, determined based on the prevailing Commonwealth bond rate at 30 June 2016 as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets;
- Benefit growth rate of 4% per annum, consistent with Department of Treasury and Finance's expectations for future salary growth in the Territory;
- 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;
- Benefit rate increase of 1.75% effective from 1 July 2016 for 2016-17;
- 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 1100 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 47% 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 1.057 million 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 resulting in an increase in liability from the 2014-15 valuation included;

- lower benefit rate growth in 2016 than assumed, meaning a decrease in liability adjustment;
- lower rates of exit to inactive status and other demographic variations, meaning higher probability of reaching benefit entitlement and higher liability adjustment;
- benefit payments made higher than assumed, meaning lower remaining service credits and lower liability adjustment; and
- a large 2015-16 additional liability, associated with high levels of service reporting due to Inpex LNG project, but also related to workers with increasing average service length meaning the probability of a higher number of workers accruing a benefit entitlement.

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) and unreported service credits as at 30 June 2016. Further Scheme experience over time will refine the assumptions made and gradually reduce uncertainty in the valuation.

For accounting purposes as at 30 June 2016 the actuary recommended a liability of \$62.612 million for accrued long service leave benefits be adopted. This represents

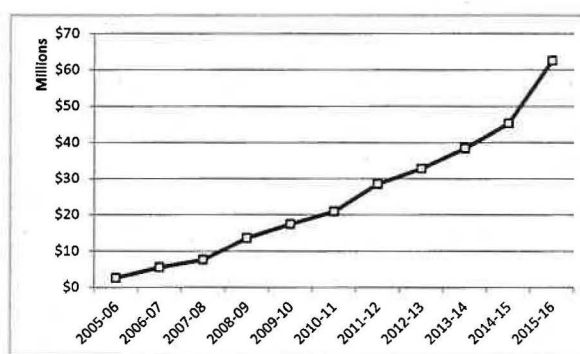
an increase of \$17.3 million from the 30 June 2015 estimate.

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

Table 1.12: Summary - accrued long service leave liability

2015-16	\$62.6M
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 \$62.612 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2016 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 2008-09 for the period ending 30 June 2008 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 2011-12 for the period ending 30 June 2011 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.

A third actuarial review was conducted during 2014-15 for the period ending 30 June 2014 and resulted in the NT Government:

- Retaining the levy rate (previously reduced from 0.3% to 0.1% in April 2014) at 0.1% of leviable activity.

The report on the third review also noted that:

- the 0.1% levy rate is below the break-even levy rate and may not be sustainable in the longer term;
- while the then high level of surplus was not desirable and it was appropriate that it be reduced over time via a levy rate below the break-even rate, 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; and
- the projected levy income appears to be lower than the Scheme accruing costs, and so Scheme surplus will be eroded over coming years. Although this was not a concern in the short to medium term due to existence of a surplus, in the longer term the levy rate may have to rise to ensure financial viability of the Scheme.

The next triennial review of the Scheme is expected to be conducted 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

The Scheme is administered by a Government appointed Board. Under the provisions in the CILSLB Act, the constitution of the Board consists of a minimum of five members made of the Chairperson and four other members. Up to two additional members may be appointed.

A person may be eligible for appointment to the Board if they hold suitable qualifications, or have suitable knowledge or experience, relating to the functions of the Board.

Board members are able to hold office for a period of up to five years, and may be reappointed.

The number of public sector employees that may be appointed to the Board is also capped 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.

The membership of the NT Build Board on 30 June 2016 was as follows.

Chairperson	Michael Martin OAM Member of Northern Territory Government: Remuneration Tribunal, Top End Health Services Board, Superannuation Trustee Investment Board and former senior NT public servant
Other members	Dick Guitt 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 10 times, including 6 regular meetings and 4 occasions involving specific matters that required attention between scheduled meetings.

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 10 meetings of the Board, 69 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 reporting of service credits for ceased workers 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 2016.

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 table 2.1 on the following page, only one application for reconsideration was 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 2015-16 reporting period.

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

YEAR	B/FWD	LODGED AGAINST		RESOLVED	C/FWD
		decision of Registrar	decision of Board		
2015-16	-	1	-	1	-
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 2016

Classification Level	At 30 June	
	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 February 2016 Administrative Arrangements Order responsibility for the administration of the CILSLB Act was allocated to the Department of Business (DoB). For administrative purposes, this means that for the reporting period ended 30 June 2016 NT Build reported direct to the Minister for Business. Likewise, the staff of NT Build are employees of DoB, however under an agreed arrangement the staff of NT Build are made available to the Board on a full cost recovery basis.

As illustrated in the tables below, the staffing profile for NT Build as at 30 June 2016 consisted of seven staff.

Table 2.3: Staffing FTE as at 30 June 2016

As a 30 June	FTE
2016	6.8
2015	7
2014	7
2013	7
2012	7
2011	6
2010	7
2009	5.5
2008	6.2

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.

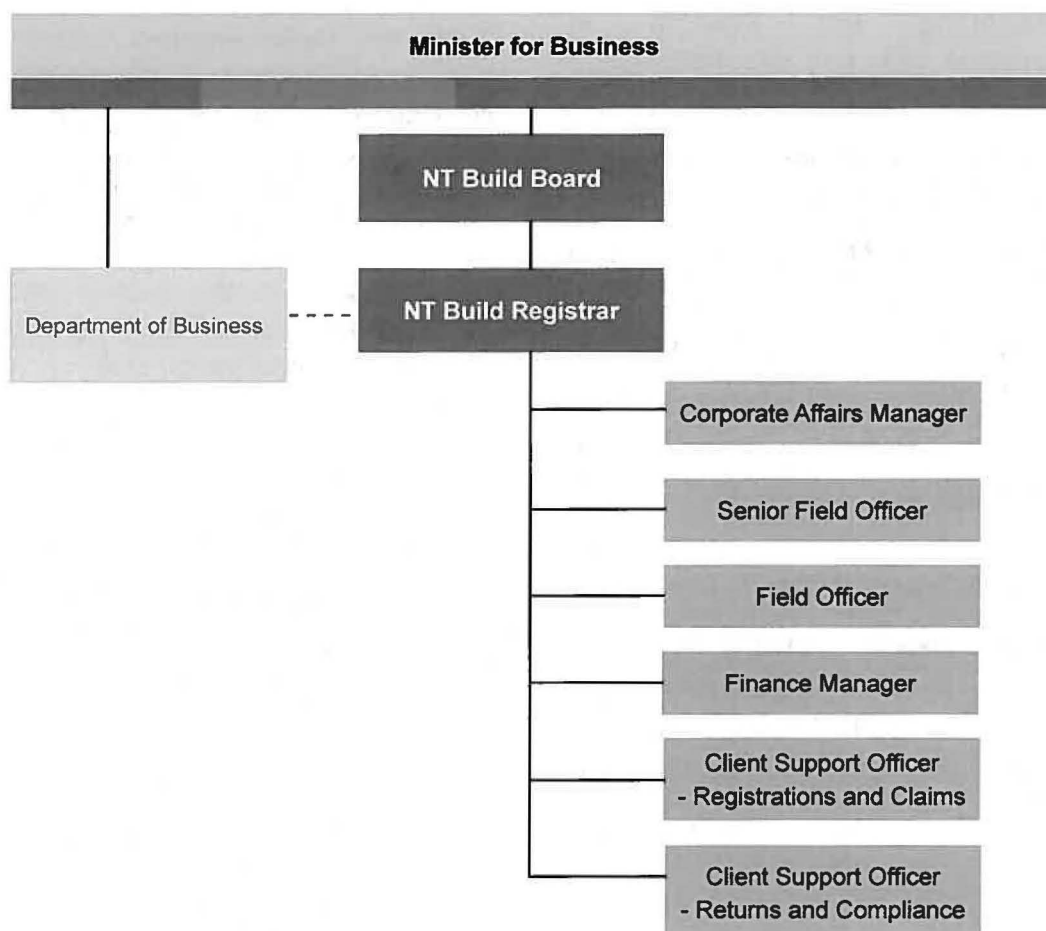
Disclosure of interests

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 2016.



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 2015-16 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 2015-16, relating to the ongoing provision and management of a business system to support the administration of the NT Build Scheme.

- *Review of business system*

Work commissioned by the Board to develop and implement a new system was undertaken during this reporting period. 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

Development and testing of the new system was completed in June 2016 in preparation for going live on 1 July 2016.

Communication and marketing

A project to redevelop the Scheme's website was commenced this reporting period and is expected to be completed and operational in the first quarter of the 2016-17 reporting period. The new website will be designed to integrate customer self-service functionality and be adaptable for viewing on multiple electronic device formats (phone/tablet/computer).

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 eight 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.

Finance, Risk and Audit Sub-committee

A FRA Sub-committee was established by the Board during this reporting period for the purpose of providing:

- reasonable assurance to the Board that NT Build's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management; and
- strategic oversight and focus on the key financial and strategic risks and controls across NT Build but does not replace the appropriate function of the Board.

The endorsed terms of reference for the establishment of the FRA include the requirements for the Sub-committee;

- composition to be reviewed at least biennially and its members will be appointed, replaced or removed at the discretion of the Board;
- to consist of a minimum of three members, with two constituting a quorum;
- to meet as frequently as is necessary to undertake its role effectively and in any event at least three times per year;
- to report to the Board through the Chair of the Sub-committee by written report at Board meetings, including recommendations for Board consideration.

The inaugural board members appointed to the FRA are Rosemary Campbell (FRA Chair), David Malone and Michael Milatos. During this reporting period the FRA formally convened on three occasions.

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.

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

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
2015-16	-	2	-	2
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 2016 was undertaken by the NT Auditor-General.

The audited financial statements and accompanying report from the Auditor-General are included in the following Part 3 of 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 or appropriate, the Solicitor for the Northern Territory facilitates the outsourcing of a request for legal services for specialist advice or assistance. No out sourced legal services were engaged during this reporting period.

Part 3: Financial Accountability



Part 3 Financial accountability

Financial Statements for year ended 30 June 2016

<i>Index</i>	<i>Page No.</i>
Board members' declaration	48
Independent auditor's report	49
Statement of comprehensive income	50
Statement of financial position	51
Statement of changes in equity	52
Statement of cash flows	53
Notes to the financial statements	54
Compilation report	86

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 2016 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 signed for and on behalf of the Board of NT Build.



Board member: MICHAEL MARTIN



Board member: DAVID MALONE

Dated: 27 SEPTEMBER 2016

Independent auditor's report



Auditor-General

Independent Auditor's Report to the Board

NT Build

I have audited the accompanying financial report of NT Build which comprises the statement of financial position as at 30 June 2016, 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.

Opinion

In my opinion the financial report gives a true and fair view of the financial position of NT Build which as at 30 June 2016, 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 16 August 2016. My opinion is not qualified in respect of this matter.

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

27 September 2016

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

Statement of comprehensive income for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Contributions from levy payers		3 664 778	2 424 691
Other income	2	2 330 754	7 591 760
Employee benefits expense		(853 314)	(837 059)
Depreciation and amortisation expense	3	(1 073)	(3 055)
Fees and allowances	3	(45 518)	(33 562)
Long service leave benefit payments		(4 729 387)	(2 134 565)
Long service scheme expense - current		(17 271 000)	(6 907 000)
Occupancy costs		(102 425)	(100 777)
Other expenses		(385 150)	(336 151)
Net surplus/(deficit)		(17 392 335)	(335 718)
Other comprehensive income		-	-
Total comprehensive income for the year		(17 392 335)	(335 718)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	5 950 989	6 048 961
Trade and other receivables	5	820 891	571 875
Other financial assets	6	74 238 251	74 181 251
TOTAL CURRENT ASSETS		81 010 131	80 802 087
Non-current assets			
Property, plant and equipment	7	1 252	2 325
Intangible assets	8	318 025	-
TOTAL NON-CURRENT ASSETS		319 277	2 325
TOTAL ASSETS		81 329 408	80 804 412
LIABILITIES			
Current liabilities			
Trade and other payables	9	360 714	202 731
Short-term provisions	10	6 700 000	4 100 000
Other liabilities	11	489 643	1 295
TOTAL CURRENT LIABILITIES		7 550 357	4 304 026
Non-current liabilities			
Long-term provisions	10	55 912 000	41 241 000
TOTAL NON-CURRENT LIABILITIES		55 912 000	41 241 000
TOTAL LIABILITIES		63 462 357	45 545 026
NET ASSETS		17 867 051	35 259 386
EQUITY			
Reserves - implementation funding	12	296 867	296 867
Accumulated funds		17 570 184	34 962 519
TOTAL EQUITY		17 867 051	35 259 386

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2016

	Accumulated Funds \$	Implementation Funding \$	Total \$
2016			
Balance at 1 July 2015	34 962 519	296 867	35 259 386
Total comprehensive income for the year	(17 392 335)	-	(17 392 335)
Balance at 30 June 2016	17 570 184	296 867	17 867 051
	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

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies received and other income		5 991 134	3 364 548
Payments to employees		(853 314)	(837 059)
Interest received		201 373	371 802
Long service leave payments		(4 648 462)	(2 134 565)
Payments for good and services		(569 666)	(603 567)
Net Cash provided by operating activities	17	121 065	161 159
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(219 037)	-
Purchase of investments		-	(5 744 643)
Net Cash used in investing activities		(219 037)	(5 744 643)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in cash and cash equivalents held		(97 972)	(5 583 484)
Cash and cash equivalents at the beginning of financial year		6 048 961	11 632 445
Cash and Cash equivalents at end of financial year	4	5 950 989	6 048 961

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2016

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 26 September 2016.

NT Build has its principal office at Charlton Court, Woolner, Northern Territory. The entity was established in 2005 under the Northern Territory *Construction Industry Long Service Leave and Benefits Act* and it administers this Act which provides a portable long service benefits scheme to building and construction workers in the Northern Territory and is a not-for-profit entity.

The functional and presentation currency of NT Build is Australian dollars.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Northern Territory *Construction Industry Long Service Leave and Benefits Act*.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Comparative amounts

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.

continued: Notes to the financial statements - 30 June 2016

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 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Intangibles

Software development

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is 5 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

continued: Notes to the financial statements - 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) 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.

continued: Notes to the financial statements - 30 June 2016

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, NT Build renegotiates repayment terms with customers which may lead to changes in the timing of the payments, 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 2016

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.

continued: Notes to the financial statements - 30 June 2016

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.

(f) 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 2016

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.

(g) 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.

(h) 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.

(i) 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 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 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.

continued: Notes to the financial statements - 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(j) 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.

(k) 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.

(l) 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.

(m) 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 2016

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.

(n) 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 2016

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.

(o) 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.

(p) 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 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) 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(k), 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(f), 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.

(r) Going concern

The financial report has been prepared on a going concern basis. Notwithstanding NT Build's current year net loss of \$17,392,335, the Board is satisfied that, through the use of the actuarial annual liability valuation and triennial review mechanism and with the regular monitoring undertaken by the Board of the solvency of the Scheme, there are adequate governance practices and review mechanisms in place to proactively address the financial sustainability of the Scheme.

(s) 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 1048 Interpretation of Standards
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments.

continued: Notes to the financial statements - 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- AASB 2014-1 Amendments to Australian Accounting Standards (Part E- Financial Instruments)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

These standard have no significant impact on NT Build.

(t) **New Accounting Standards and Interpretations Issued but not yet Effective**

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 (annual reporting periods beginning on or after)	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 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Standard Name	Effective date for entity (annual reporting periods beginning on or after)	Requirements	Impact
AASB 15 Revenue from contracts with customers and amending standards, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010)	1 January 2018	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 16 Leases	1 January 2019	Requires lessees to account for leases "on-balance sheet" by recognising a 'right of use' asset and a lease liability. Exemptions for available for short-term leases and lease of low value assets.	The impact of AASB 16 has not yet been determined.
AASB 1057 Application of Australian Accounting Standards	1 January 2016	The reallocation of AASB applications paragraphs into a single Standard.	No changes to accounting requirements.
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	1 July 2016	The amendments to AASB 116 prohibit the use of a revenue based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.	The impact of this standard is expected to be minimal.

continued: Notes to the financial statements - 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Standard Name	Effective date for entity (annual reporting periods beginning on or after)	Requirements	Impact
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.
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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	Requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial liabilities from financing activities, including both changes arising from cash flows and non-cash changes.	The impact has not yet been determined.

continued: Notes to the financial statements - 30 June 2016

2 OTHER INCOME

	2016 \$	2015 \$
Interest received	146 455	249 823
Investment income	2 993 323	1 847 719
Movement in equity investments	(3 118 030)	4 576 716
Manager fee rebate	181 707	182 977
Reciprocal income	2 127 299	734 525
	<u>2 330 754</u>	<u>7 591 760</u>

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

3 EXPENSES

	2016 \$	2015 \$
Depreciation and amortisation		
- property, plant and equipment	1 073	3 055
Remuneration of auditor		
- auditing the financial report	18 545	18 400
Fees and Allowances		
- board member fees	45 518	33 562

4 CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash on hand	200	200
Cash at bank	1 870 499	56 562
Short term bank deposits	4 080 290	5 992 199
	<u>5 950 989</u>	<u>6 048 961</u>

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:

	2016 \$	2015 \$
Cash and equivalents	5 950 989	6 048 961

continued: Notes to the financial statements - 30 June 2016

5 TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Current		
Trade receivables	719 953	307 290
Prepayments	27 854	13 211
Accrued industry contributions	69 033	192 405
Accrued interest	4 051	58 969
	820 891	571 875

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 \$	
2016							
Trade and term receivables	719 953	-	392 679	346	23 625	61 516	241 787
Total	719 953	-	392 679	346	23 625	61 516	241 787
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

continued: Notes to the financial statements - 30 June 2016

5 TRADE AND OTHER RECEIVABLES CONTINUED

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.

6 OTHER FINANCIAL ASSETS

	2016	2015
CURRENT	\$	\$
MLC (NCIT) Moderate Trust	74 238 251	74 181 251

(a) Breakdown of investment split

	2016	2015
- Australian Shares	28%	28%
- Global Shares	34%	34%
- Bonds	34%	34%
- Property Securities	4%	4%

continued: Notes to the financial statements - 30 June 2016

7 PROPERTY, PLANT AND EQUIPMENT

	2016 \$	2015 \$
<i>Furniture, fixtures and fittings</i>		
At cost	30 223	30 223
Accumulated depreciation	(28 971)	(27 898)
Total furniture, fixtures and fittings	1 252	2 325
<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	-	-
	1 252	2 325

continued: Notes to the financial statements - 30 June 2016

7 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 2016		
Balance at the beginning of year	2 325	2 325
Depreciation expense	(1 073)	(1 073)
Balance at the end of the year	1 252	1 252
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

8 INTANGIBLE ASSETS

The total amount committed for the modifications and development of the NT Build levy software is \$398 250. The modifications to the software are expected to be completed in July 2016.

	2016 \$	2015 \$
INTANGIBLE ASSETS UNDER DEVELOPMENT		
Cost	318 025	-
Total Intangibles	318 025	-

continued: Notes to the financial statements - 30 June 2016

8 INTANGIBLE ASSETS CONTINUED

(a) Movements in carrying amounts of intangible assets

	Intangible assets under development	Total
	\$	\$
Year ended 30 June 2016		
Additions	318 025	318 025
Closing value at 30 June 2016	318 025	318 025

9 TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	113 293	75 096
Other payables	247 421	127 635
	360 714	202 731

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 2016

10 PROVISIONS

	2016	2015
	\$	\$
Current	6 700 000	4 100 000
Non-current	55 912 000	41 241 000
	62 612 000	45 341 000

Movement in carrying amounts

	2016	2015
	\$	\$
Opening balance	45 341 000	38 434 000
Actuarial valuation adjustment	17 271 000	6 907 000
	62 612 000	45 341 000

(a) Actuary valuation adjustment

The NT Build Long Service Leave liability valuation was carried out on 16 August 2016 by Cumpston Sarjeant Pty Ltd, Consulting Actuaries, in respect of the year ended 30 June 2016.

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.

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

- A discount rate of 2%, determined based on the prevailing Commonwealth bond rate at 30 June 2016 as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets;
- Benefit growth rate of 4% 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;

continued: Notes to the financial statements - 30 June 2016

10 PROVISIONS CONTINUED

(a) Actuary valuation adjustment continued

- 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 47% 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 1.057 million 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;

- Changes in the economic assumptions had a net effect of increasing liability by \$1.3 million for pre-2015 service;
- Experience gains/losses during the year included:
 - lower benefit rate growth in 2016 than assumed, being 1.75% compared to 4.5% assumed, with a decrease in liability as a result (-\$1.0 million);
 - lower rates of exit to inactive status than assumed and other demographic variations, meaning a higher probability of reaching benefit entitlement for workers than assumed, and a higher liability than assumed (+\$1.6 million);
 - benefit payments slightly higher than assumed, meaning lower remaining service credits and liability than assumed (-\$0.1 million).
- There is a large 2015/16 additional liability, associated with high levels of service reporting due to Inpex LNG project, but also related to workers with increasing average service length and hence a higher probability of reaching benefit entitlement.

Taking all these factors into account, the greatest unknowns in the liability valuation are the assumptions regarding member movements (exit rates and reactivation rates) and the estimation of unreported service credits for January-June 2016. Further scheme experience over time will refine the assumptions made and gradually reduce uncertainty in the valuation.

continued: Notes to the financial statements - 30 June 2016

10 PROVISIONS CONTINUED

(a) Actuary valuation adjustment continued

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 \$1.9 million or 3.5% lower. If 40% of inactive members reactivate the liability would be about \$1.9 million or 3.5% higher. This analysis assumes all other variables are held constant.

(b) **Reconciliation of current year movement**

The following reconciliation details the current year actuary movement based on the above assumptions.

	\$ (million)
LIABILITY AT 30 JUNE 2015 EXCLUDING EXPENSES	39.1
Interest on liability @ 3.0% for one year to 2016	1.2
Expected payments during 2015/16 from accrued liability at 2015	(2.5)
EXPECTED LIABILITY EXCLUDING EXPENSE AT 2016 FOR PRE-2015 SERVICE	37.8
<i>Changes in actuarial basis</i>	
Change in discount rate from 3.0% pa to 2.0% pa	2.3
Change in long term benefit rate growth from 4.5% to 4% pa	(1.0)
<i>Experience gains/losses</i>	
Benefit payments higher than expected	(0.1)
Other experience gains/losses	0.6
LIABILITY AT JUNE 2016 FOR SERVICE TO JUNE 2015, EXCLUDING EXPENSES	39.6
Liability for service accruals in 2015/16	14.5
TOTAL LIABILITY EXCLUDING EXPENSES AT 30 JUNE 2016	54.0
Liability for expenses @ 16% of liability	8.6
Total liability including expenses at 30 June 2016	62.6

continued: Notes to the financial statements - 30 June 2016

11 OTHER LIABILITIES

	2016	2015
	\$	\$
CURRENT	489 643	1 295
Amounts received in advance	489 643	1 295

12 RESERVES

	2016	2015
	\$	\$
IMPLEMENTATION FUNDING		
Opening balance	296 867	296 867
Total reserves	296 867	296 867

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

13 CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

NT Build leases property under a non-cancellable operating lease expiring in 5 years. The lease provides NT Build with a right of renewal for a further 5 years, at which time all lease terms are renegotiated. NT Build also leases computer equipment and motor vehicles under non-cancellable operating leases. NT Build entered into a software licencing operating lease expiring in 5 years with a right of renewal for a further 5 years, however this agreement may be terminated by either party by giving 6 months notice. Future operating lease commitments not recognised as liabilities are payable as follows:

	2016	2015
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- within one year	208 309	174 001
- later than one year and not later than five years	502 735	348 252
- later than five years	-	-
	711 044	522 253

continued: Notes to the financial statements - 30 June 2016

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

Objectives, policies and processes

The Board has overall responsibility for the determination of risk management objectives and policies. Whilst retaining ultimate responsibility, in December 2015 the Board established a Finance, Risk and Audit (FRA) Sub-committee. This FRA Sub-committee, which consists of three members and met three times during the 2015-16 reporting period, is charged with providing reasonable assurance to the Board that NT Build's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management. The Committee also provides strategic oversight and focus on the key financial and strategic risks and controls across NT Build but does not replace the appropriate function of the Board.

continued: Notes to the financial statements - 30 June 2016

14 FINANCIAL RISK MANAGEMENT CONTINUED

The NT Build staff management team has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies within the adopted framework. 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.

The table/s below reflect maturity analysis for financial assets.

	Weighted average effective interest rate		Floating interest rate within 1 year		Fixed interest rate within 1 year	
	2016 %	2015 %	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets - cash flows realisable						
Cash and cash equivalents	3.40	3.50	1 870 699	56 762	4 080 289	5 992 199
Trade, term and loans receivables	-	-	790 675	552 251	-	-
Other investments	6.20	8.00	74 238 251	74 181 251	-	-
Total anticipated outflows			76 899 625	74 790 264	4 080 289	5 992 199

	Total	
	2016 \$	2015 \$
Financial assets - cash flows realisable		
Cash and cash equivalents	5 590 988	6 048 961
Trade, term and loans receivables	790 675	552 251
Other investments	74 238 251	74 181 251
Total anticipated outflows	80 979 914	80 782 463

continued: Notes to the financial statements - 30 June 2016

14 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Liquidity risk - Liability maturity analysis

The table below reflect an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since NT Build has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade payables	360 714	202 731	360 714	202 731
Total contractual outflows	360 714	202 731	360 714	202 731

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

continued: Notes to the financial statements - 30 June 2016

14 FINANCIAL RISK MANAGEMENT CONTINUED

(b) 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	2016 \$	2015 \$
Instalment	241 787	93 000
Non - Instalment	478 165	214 290
	719 952	307 290

continued: Notes to the financial statements - 30 June 2016

14 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Fair value estimation

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

	2016		2015	
	Net carrying value \$	Net fair value \$	Net carrying value \$	Net fair value \$
Financial assets				
Cash and cash equivalents	5 950 988	5 950 988	6 048 961	6 048 961
Trade and other receivables	820 890	790 675	571 875	552 251
Financial assets at fair value through profit or loss:				
Investments - designated	74 238 251	74 238 251	74 181 251	74 181 251
Total financial assets	81 010 129	80 979 914	80 802 087	80 782 463
Financial liabilities				
Trade and other payables	360 714	360 714	202 732	202 732
Total financial liabilities	360 714	360 714	202 732	202 732

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
2016	59 510	59 510	59 510	59 510
2015	60 490	60 490	60 490	60 490

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 2016

14 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Fair value estimation 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 2015.

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.

Notwithstanding that a receivable has not been recognised, NT Build has, within its provision for long service leave benefits, recognised entitlements for registered employees and contractors working on these projects.

16 RELATED PARTIES

The names of the members of the Board who held office during the year are Mr Michael Martin OAM, Mr Craig Graham, Mr Dick Guit, Mr Michael Haire, Mr David Malone, Mr Michael Milatos and Ms Rosemary Campbell.

All appointments to the Board 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 2016

16 RELATED PARTIES CONTINUED

(a) Attendance of meetings

	Eligible Meetings*	Meetings Attended
Craig Graham	10	8
Dick Guit	10	7
Michael Haire	10	6
David Malone	10	7
Michael Milatos	10	9
Michael Martin	10	10
Rosemary Campbell	10	5

*Excludes 'other' business involving general Board or Chair participation. Such as: participation on subcommittees, attendance at National Conference/Forums, official functions, travelling days, Ministerial discussions and ad hoc general meetings attended by the Chair - lawyer, auditor-general, accountant, registrar, etc.

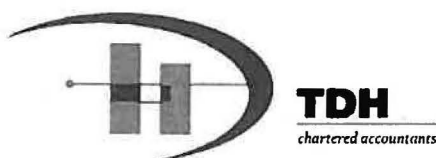
17 CASH FLOW INFORMATION

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2016 \$	2015 \$
Net surplus/(deficit) for the year	(17 392 335)	(335 718)
<i>Cash flows excluded from net surplus attributable to operating activities Non-cash flows in profit/(loss):</i>		
- depreciation	1 073	3 055
- movement in market value of investments	3 118 030	(4 576 716)
- manager fee rebate	(181 706)	(182 976)
- distribution income capitalised	(2 993 323)	(1 847 719)
- scheme liability expenses	17 271 000	6 907 000
- 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	(289 290)	204 037
- (increase)/decrease in other assets	54 919	121 978
- (increase)/decrease in prepayments	(14 643)	(6 648)
- (increase)/decrease in income in advance	488 348	1 295
- increase/(decrease) in trade and other payables	58 992	-
Cashflow from operations	121 065	287 593

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 2016

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 2016, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the general purpose financial statements have been prepared is set out in Note 1.

The Responsibility of the NT Build Board Members

The Board Members are solely responsible for the information contained in the general purpose financial statements and have determined that the financial reporting framework used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of the information provided by the Board Members we have compiled the accompanying general purpose financial statements in accordance with the financial reporting framework and APES 315: *Compilation of Financial Information*.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Board Members provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The general purpose financial statements were compiled exclusively for the benefit of the Board Members. We do not accept responsibility to any other person for the contents of the general purpose financial statements.

Adam Dohnt (FCA)

27 September 2016

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
Director: Adam Dohnt

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

South Australia

Portable Long Service Leave

Level 2
155 Fullarton Road,
Rose Park SA 5067
Toll Free: 1800 182 124
Email: hello@portableleave.org.au
Web: www.cbserve.com.au

Tasmania

TasBuild

Level 3
6 Bayfield Street
Rosny Park TAS 7018
Tel: (03) 6294 0807
Email: secretary@tasbuild.com.au
Web: www.tasbuild.com.au

Victoria

ColInvest

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

Level 3
50 Colin Street
West Perth WA 6005
Toll Free: 1800 198 136
Email: hi@myleave.wa.gov.au
Web: www.myleave.wa.gov.au

Ausleave

Ausleave

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

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



NT Build – portable long service leave

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

Post: PO Box 36644, Winnellie NT 0821

General enquiries: 1300 795 855

Office phone: (08) 8936 4070

Fax: (08) 8936 4080

Email: info@ntbuild.com.au

Web: www.ntbuild.com.au

ABN: 16 851 173 952