Part 3 Financial accountability

Financial Statements for year ended 30 June 2011

Index ***Page No.***

Board members' declaration

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

1. The financial statements and notes, as set out on pages 37 to 65:

   a) comply with the Australian Accounting Standards and other mandatory financial reporting requirements in Australia and the *Construction Industry Long Service Leave and Benefits Act*, and

   b) give a true and fair view of the Board's financial position as at 30 June 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the members of the Board's opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board and is signed for and on behalf of the Board of NT Build.

Board member: TONY STUBBIN

Board member: DICK GUIT

Dated: 8 November 2011

Independent auditor's report

Auditor-General

Independent Auditor's Report to the Board

NT Build

Year Ended 30 June 2011

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I have audited the accompanying financial report of NT Build which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 of NT Build is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal controls as management 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 about 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.

Basis for Qualification Opinion

The statutory obligation to notify NT Build of the commencement of a project rests with the developer. NT Build has implemented a number of mechanisms to help monitor compliance and identify leviable projects and consequently those liable to pay the levy, including monitoring projects where building permits under the *Building Act* are issued. It is noted that not all types of construction work carried out in the Territory require a building permit.

Due to the nature of the approval process within the Northern Territory construction industry, there exists some uncertainty regarding the ability of NT Build to identify all construction and maintenance projects that fall within the scope of the *Construction Industry Long Service Leave and Benefits Act*. As such, I am unable to satisfy myself as to the completeness of the $9,939,428 disclosed as 'Contributions from levy payers' in the statement of comprehensive income.

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

Auditor-General

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Qualified Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the Basis of Qualification paragraph, the financial report presents fairly, in all material respects, the financial position of the NT Build which as at 30 June 2011, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

F McGuiness
Auditor-General for the Northern Territory
Darwin, Northern Territory

18 November 2011

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

Statement of comprehensive income
for the year ended 30 June 2011

	Note	2011	2010
INCOME		**$**	**$**
Contributions from levy payers		9 939 428	8 332 922
Other income	**2**	2 377 836	1 773 292
TOTAL INCOME		12 317 264	10 106 214
EXPENSES			
Depreciation and Amortisation	**3(a)**	3 224	66 728
Fees and allowances	**3(b)**	40 317	16 286
Long service leave benefit payments		465 169	535 673
Long service scheme expense - current	**10**	3 499 000	3 805 000
Occupancy costs		99 969	58 080
Employee expenses		736 626	594 163
Other expenses		528 730	405 450
TOTAL EXPENSES		5 373 035	5 481 380
NET SURPLUS (DEFICIT)		6 944 229	4 624 834
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6 944 229	4 624 834

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Statement of financial position

as at 30 June 2011

	Note	2011	2010
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	**4**	21 441 405	17 641 409
Trade and other receivables	**6**	2 317 680	1 542 387
Other financial assets - investments	**7**	18 132 532	12 204 809
TOTAL CURRENT ASSETS		41 891 617	31 388 605
Non-current assets			
Property, plant & equipment	**8**	14 601	17 824
TOTAL NON-CURRENT ASSETS		14 601	17 824
TOTAL ASSETS		41 906 218	31 406 429
LIABILITIES			
Current liabilities			
Trade and other payables	**9**	121 326	64 766
Provision for scheme liabilities	**10**	500 000	500 000
TOTAL CURRENT LIABILITIES		621 326	564 766
Non-current liabilities			
Provision for scheme liabilities	**10**	20 407 000	16 908 000
TOTAL NON-CURRENT LIABILITIES		20 407 000	16 908 000
TOTAL LIABILITIES		21 028 326	17 472 766
NET ASSETS		20 877 892	13 933 663
EQUITY			
Implementation Funding	**12**	296 867	296 867
Retained surplus		20 581 025	13 636 796
TOTAL EQUITY		20 877 892	13 933 663

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Statement of changes in equity

for the year ended 30 June 2011

	Note	Retained Surplus $	Implementation Funding $	Total $
At 1 July 2009		9 011 962	296 867	9 308 829
Comprehensive income		4 624 834	-	4 624 834
At 30 June 2010		13 636 796	296 867	13 933 663
Comprehensive income		6 944 229	-	6 944 229
At 30 June 2011		20 581 025	296 867	20 877 892

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions from levy payers		9 428 864	8 465 144
Payments to suppliers and employees		(1 814 250)	(1 612 421)
Interest received		885 382	647 892
Interest paid		-	-
Net Cash from/(used in) operating activities	**5(b)**	8 499 996	7 500 615
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds - sale of property, plant and equipment		-	1 000
Payment for investments		(4 700 000)	(4 934 575)
Net Cash from/(used in) investing activities		(4 700 000)	(4 933 575)
Net cash from/(used in) financing activities		-	-
Net increase/(decrease) in cash		3 799 996	2 567 040
Cash at the beginning of the financial year		17 641 409	15 074 369
CASH AT THE END OF THE FINANCIAL YEAR	**5(a)**	21 441 405	17 641 409

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to and forming part of the financial statements
for the year ended 30 June 2011

Note 1 CORPORATE INFORMATION

The financial statements of NT Build for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the board members on 4 November 2011 covers NT Build as an individual entity.

The financial statements are presented in the Australian currency.

NT Build has its principal office at Charlton Court, Woolner, NT 0820. 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 NT.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements. The financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Except where stated, financial statements have also been prepared on an accrual basis and is based on historical cost. As part of the preparation of the financial statements, all intra organisation transactions and balances have been eliminated.

(b) Property, plant and equipment

Acquisitions

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 management, equal to or greater than $5,000 are recognised in the year of acquisition and depreciated as outlined below. Items of property, plant and equipment below the $5,000 threshold are expensed in the year of acquisition.

The construction cost of property, plant and equipment includes the cost of materials and direct labour, and an appropriate proportion of fixed and variable overheads.

Complex assets

Major items of plant and equipment comprising a number of components that have different useful lives, are accounted for as separate assets. The components may be replaced during the useful life of the complex asset.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Agency in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their expected useful lives.

Class of Asset	Depreciation Rate
Leasehold improvements	20%
Furniture and fixtures	10%
Field and office equipment	20%
Computer equipment	33.30%
Computer software	33.30%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

(c) Leases

Leases of property, plan and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Fiance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

(d) Income tax

As a public authority constituted under a law of the Northern Territory the income of the Board is exempt from income tax under section 50-25 of the *Income Tax Assessment Act 1997* and no charge for income tax expense is required.

(e) Revenue

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Operating revenue represents revenue from long service levy income and investment income, which are recognised as they accrue.

Gains and losses on investments are calculated as the difference between the net market value at sale, or at the year end, and the net market value at the previous valuation point. This includes both realised gains and losses and unrealised gains and losses.

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(f) Long service levy

Effective from 1 July 2009 the Northern Territory Government introduced the following two legislative amendments affecting the calculation of the long service levy on construction projects undertaken in the Territory.

1. The introduction of a two tier levy regime on construction projects with construction costs in excess of $1 billion. This amendment means the ‘standard’ prescribed levy rate which applies to all eligible construction projects under the scheme, is applied to the first $1 billion and a project’s specific levy rate, determined by the responsible Minister and based on actuarial advice, is applied to the project costs that exceed the $1 billion threshold.

2. The temporary reduction in the levy amount for a period of two years. This meant for construction projects that start:

- before 1 July 2009, regardless of completion date, the levy rate of 0.5% applies.
- on or after 1 July 2009 but before 1 July 2011, regardless of completion date, the levy rate of 0.4% applies.

However, effective from 15 June 2011, the Northern Territory Government approved on an ongoing basis the continued reduction in the levy amount at the 0.4% rate.

(g) Employee benefit provisions

(*i) Long Service Leave Benefits Expense*

Employees and contractors who are registered with the Board accrue 13 weeks (3 months) long service leave after 10 years' service in the building and construction industry for service after 1 July 2005. Workers receive credit of 1 year's service for each 260 days worked.

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

(ii) Accrued Long Service Leave Benefits Liability

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages 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 future cash outflows.

(h) Accounting for Goods and Service Tax

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows 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 are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the entity prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(k) Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Board 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 has 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 the directors, sufficient to require the derecognition of the original instrument.

(l) Investments and other financial assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Board commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Held for trading

Investments held for trading are measured at fair value with gains or losses recognised in profit or loss. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Assets in this category are classified as current assets in the statement of financial position if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Board were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in other comprehensive income.

On sale, the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate method and is recognised in finance income in profit or loss.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through the profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through the profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in the profit or loss.

The fair value of quoted investments are determined by reference to Stock Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Loans and receivables

Non-current loans and receivables include loans due from trade and other receivables repayable within 366 days of the end of the reporting period. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited to the income statement immediately and amortised using the effective interest method.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

(m) Impairment of financial assets

At the end of each reporting period the entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(n) Fair values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price and the quoted market price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments..

(o) Other Liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting period. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (entity's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

(p) Adoption of new and revised accounting standards

The form of the NT Build financial statements is also consistent with the requirements of Australian Accounting Standards. The effects of all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated. The Standards and Interpretations and their impacts are:

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]

A number of amendments are largely technical, clarifying particular terms or eliminating unintended consequences. Other changes include current/non-current classification of convertible instruments, the classification of expenditure on unrecognised assets in the cash flow statement and the classification of leases of land and buildings. The Standard does not impact the Financial Statements.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]

The amending Standard clarifies certain matters, including the measurement of non-controlling interests in a business combination, transition requirements for contingent consideration from a business combination and transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements. The Standard does not impact the Financial Statements.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Interpretation does not impact the Financial Statements.

(q) Accounting Standards issued but not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2011. They have not been adopted in preparing the financial statements for the year ended 30 June 2011 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date and the Board assessed the impact of these new standards and interpretations as set out below.

(i) AASB 9 Financial Instruments, Amends the requirements for classification and measurement of financial assets.

Effective for annual reporting period beginning on or after 1 January 2013.

This amends the requirements for classification and measurement of financial assets. Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

(ii) AASB 124 (issued December 2009) Related Party Disclosures

Effective for annual reporting periods commencing on or after 1 January 2011.

This pertains to simplification of disclosure requirements for government related entities and clarifies the definition of a related party. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various disclosures currently required by government entities about related party transactions with other entities that are controlled, or significantly influenced by the same government entity will no longer be required if it is costly to gather and of less value to users.

(iii) AASB 2010-2 (issued June 2010), Amendments to Australian Accounting Standards arising from the Reduced Disclosure Requirements

Effective for annual reporting periods commencing on or after 1 July 2013.

Entities classified as Tier 2 entities in AASB 1053 Application of Tiers of Australian Accounting Standards that currently apply full IFRSs as adopted in Australia are able to adopt the Reduced Disclosure Requirements. The entity is a Tier 2 entity and therefore eligible to apply the Reduced Disclosure Requirements of AASB 2010-2. The Reduced Disclosure Requirements are not mandatory for Tier 2 entities and the entity has not yet made a decision about whether it will adopt the Reduced Disclosure Requirements in future.

(iv) AASB 2010-6 (issued November 2010), Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

Effective for annual reporting periods commencing on or after 1 July 2011.

Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

(v) AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

Effective for annual reporting periods commencing on or after 1 January 2011.

Amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures.

This Standard also makes numerous editorial amendments to other Standards.

continued: Notes to and forming part of the financial statements - 30 June 2011

(vi) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13]

Effective for annual reporting periods commencing on or after 1 January 2011.

Makes numerous editorial amendments to a range of Standards and Interpretations

(vii) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process (issued June 2010)

Effective for annual reporting periods commencing on or after 1 January 2011.

The amendments relevant to the organisation are as follows:

(a) AASB 7 Financial Instruments: Disclosures
Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

(b) AASB 101 Presentation of Financial Statements
A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements. There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

(r) Critical Accounting Judgements and Estimates

The preparation of the financial report requires the making of judgements and estimates that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements. Notes that include significant judgements and estimates are:

• *Employee Benefits – Note 2(g) and Note 10:*

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.

• *Allowance for Impairment Losses – Note 2(k), 6: Receivables*

The provision of impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

• *Depreciation and Amortisation – Note 2(b), Note 8: Property, Plant and Equipment*

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

continued: Notes to and forming part of the financial statements - 30 June 2011

			2011 $	2010 $
Note	**2**	**OTHER INCOME**		
		Interest received - Bank deposits	1 084 658	790 348
		Investment income	733 768	245 331
		Movement in equity investments	455 182	696 856
		Total income from investments	2 273 608	1 732 535
		Sundry income	104 228	40 757
		Total other income	2 377 836	1 773 292
Note	**3**	**EXPENSES**		
	3(a)	Depreciation and amortisation of non-current assets		
		- leasehold improvements	-	59 410
		- plant and equipment	3 224	7 317
		Total depreciation and amortisation	3 224	66 727
	3(b)	Fees and Allowances		
		- board members' fees	40 317	16 286
		- other allowances	-	-
		Total fees and allowances	40 317	16 286
	3(c)	Auditor's Remuneration		
		Remuneration of the auditor for:		
		- audit of the financial reports	14 800	14 000
		- other services	-	-
		Total auditor's remuneration	14 800	14 000

			2011 $	2010 $
Note	**4**	**CASH AND CASH EQUIVALENTS**		
		Cash on hand	200	200
		Cash deposits with banks	3 598 274	1 622 582
		Short term money market deposits	17 842 931	16 018 627
		Total cash and cash equivalents	21 441 405	17 641 409

Effective interest rate on short term deposits is 6.23%

Note 5 RECONCILIATION OF CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2011 $	2010 $
Cash on hand	200	200
Cash deposits with banks	3 598 274	1 622 582
Short term money market deposits	17 842 931	16 018 627
Balance per statement of cash flows	21 441 405	17 641 409

(b) Reconciliation of cash flow from operations with Net Surplus (Deficit)

	2011 $	2010 $
Net Surplus (Deficit)	6 944 229	4 624 834
Depreciation and amortisation	3 224	66 727
Movement in market value of investments	(455 182)	(696 586)
Manager fee rebate	(38 773)	(24 393)
Distribution income capitalised	(733 770)	(245 330)
Scheme liability expenses	3 499 000	3 805 000
Loss on disposal of plant and equipment	-	2 877
Changes in assets and liabilities		
(Increase)/decrease in trade & term debtors	(775 292)	(24 750)
Increase/(decrease) in trade creditors and accruals	(56 560)	(7 495)
Cash flows from operations	8 499 996	7 500 614

			2011 $	2010 $
Note	**6**	**TRADE AND OTHER RECEIVABLES**		
		CURRENT		
		Levy debtors	1 164 594	742 626
		Provision for doubtful debts	-	-
			1 164 594	742 626
		Other debtors	2 569	46 439
			2 569	46 439
		Accrued industry contributions	1 150 517	753 322
		Total trade and other receivables	2 317 680	1 542 387

a) Past due but not impaired

As of 30 June 2011, trade receivables of $723 505 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 $	2010 $
Not past due	421 089	156 139
Past due [30] days	39 808	152 936
Past due [30-60] days	-	1 347
Past due [>60] days	71 939	50 363
Instalments	631 758	381 841
Total	1 164 594	742 626

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Board does not hold any collateral in relation to these receivables.

b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Note 7 OTHER FINANCIAL ASSETS - INVESTMENTS

	2011	2010
	$	$
MLC (NCIT) Moderate Trust	18 132 532	12 204 809

The Actual asset allocation of the investment portfolio at the balance date was:

	2011	2010
- Australian Shares	31%	31%
- Global Shares	34%	34%
- Bonds	31%	31%
- Property Securities	4%	4%

Fair value

For equity securities, fair value is determined by reference to closing bid prices on the Australian Stock Exchange.

continued: Notes to and forming part of the financial statements - 30 June 2011

	2011 $	2010 $
Note 8 PROPERTY, PLANT & EQUIPMENT		
(a) LAND AND BUILDINGS		
Leasehold		
Leasehold improvements		
At cost	297 052	297 052
Less accumulated depreciation	(297 052)	(297 052)
	-	-
Plant and Equipment		
Plant and equipment		
At cost	18 796	18 796
Less accumulated depreciation	(18 796)	(18 645)
	-	151
Furniture and fittings		
At cost	30 720	30 720
Less accumulated depreciation	(16 119)	(13 047)
	14 601	17 673
Total Property, Plant and Equipment	14 601	17 824

continued: Notes to and forming part of the financial statements - 30 June 2011

Note 8 PROPERTY, PLANT & EQUIPMENT (Cont'd)

(b) Movements in carrying values

Movements in the carrying values of each class of property, plant and equipment between the beginning and end of the financial year:

	Leasehold Improvements	Plant & equipment	Furniture & fittings	Total
	$	$	$	$
At the 1 July 2009	59 410	8 274	20 745	88 429
Additions	-	-	-	-
Disposals	-	(3 877)	-	(3 877)
Depreciation and Amortisation	(59 410)	(4 246)	(3 072)	(66 728)
At 30 June 2010	-	151	17 673	17 824
At 1 July 2010	-	151	17 673	17 824
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation and Amortisation		(151)	(3 072)	(3 223)
At 30 June 2011	-	-	14 601	14 601

			2011 $	2010 $
Note	**9**	**TRADE AND OTHER PAYABLES**		
		CURRENT		
		Trade creditors	71 631	30 365
		Other creditors and accruals - other entities	49 695	34 401
		Total trade and other payables	121 326	64 766
Note	**10**	**PROVISIONS FOR SCHEME LIABILITIES**		
		CURRENT		
		Scheme liabilities	500 000	500 000
		NON-CURRENT		
		Scheme liabilities - current year	20 907 000	17 408 000
		Less: Current portion of scheme liabilities	(500 000)	(500 000)
		Total provisions for scheme liabilities	20 407 000	16 908 000
		Reconciliation of movement in scheme liabilities		
		Balance at beginning of year	17 408 000	13 603 000
		Actuarial valuation adjustment recognised in the income statement	3 499 000	3 805 000
		Balance at end of year	20 907 000	17 408 000

(a) The NT Build Long Service Leave liability valuation was carried out on 12 September 2011 by Cumpston Sarjeant Pty Ltd, Consulting Actuaries, in respect of the year ended 30 June 2011.

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

- 25% of service credits will be abandoned;
- the average period until payment will be 8 years
- a discount rate of 5.3% and a salary growth rate of 4.5%.

The discount rate was determined based on the prevailing Commonwealth bond rate at 30 June 2011, as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets. the salary growth rate of 4.5% per annum is consistent with NT Treasury's expectations for future salary growth in the Territory, and is consistent with external forecasts.

Note 11 RELATED PARTY TRANSACTIONS

(i) Board members

The names of the members of the Board who held office during the year are Barry Chambers (Chairperson), Dick Guit, Graham Kemp, Tony Stubbin, Trevor Gauld and Mick Huddy.

As a Northern Territory Public Sector employee, Mr. Stubbin does not receive remuneration payment in respect of his role as a Board member.

(ii) Attendance of meetings

Name	Eligible Meetings*	Meetings Attended
Barry Chambers	26	26
Dick Guit	26	21
Graham Kemp	26	19
Tony Stubbin	26	24
Trevor Gauld	26	19
Mick Huddy	26	22

*Includes scheduled and out of session Board meetings

Note 12 IMPLEMENTATION FUNDING

Movements during the year	2011 $	2010 $
Balance 1 July	296 867	296 867
Movement for the year	-	-
Balance 30 June	296 867	296 867

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

Note 13 FINANCIAL RISK MANAGEMENT

In common with all other businesses, the Board is exposed to risks that arise from its use of financial instruments. This note describes the Board's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments held by the Board include cash and deposits, receivables, payables and finance leases. NT Build has limited exposure to financial risks as discussed below.

There have been no substantive changes in the Board's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Categorisation of Financial Instruments

The carrying amounts of the Board's financial assets and liabilities by category are disclosed in the table below.

	2011	2010
	$	$
Financial assets		
Cash and deposits	21 441 405	17 641 409
Loans and receivables	2 317 680	1 542 387
Available-for-sale financial assets	18 132 532	12 204 809
	41 891 617	31 388 605
Financial liabilities		
Payables	121 326	64 766
	121 326	64 766

The Board has overall responsibility for the determination of risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the management team. The Board's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Board where such impacts may be material. The Board receives monthly reports from the Registrar through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Board's flexibility. Further details regarding these policies are set out below.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation 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 the Board's outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

NT Build has limited credit risk exposure (risk of default). In respect of any dealings with organisations 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 the Board's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The receivables of the Board arise out of a statutory obligation on various entities undertaking building and construction work costing $200 000 or more. As a result the Board cannot implement any credit policies beforehand to ensure that individual risk on each customer is minimised.

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of customer is as follows:

	2011	**2010**
	$	**$**
Instalment	631 758	381 841
Non-Instalment	532 836	360 785
	1 164 594	742 626

The Board's most significant customer accounts for 45% of trade receivables at 30 June 2011.

(c) Liquidity Risk

Liquidity risk is the risk that NT Build will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure it will always have sufficient liquidity to meet its liabilities when they fall due.

Prudent liquidity risk management implies maintaining sufficient cashflows, and the availability of funding through an adequate amount of committed credit facilities. The Board manages liquidity risk by continuously monitoring forecast and actual cashflows. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets.

Maturity Analysis - 2011

Financial Liabilities	Rate	Carrying Amount	Contractual Cash flows	<6 mths	6-12 mths	1-3 years	>3 years
		$	$	$	$	$	$
Non-derivatives							
Payables		121 326	121 326	121 326	-	-	-
Finance lease liabilities		-	-	-	-	-	-
Bank overdrafts		-	-	-	-	-	-
TOTAL		121 326	121 326	121 326	-	-	-

Financial Assets	Rate	Carrying Amount	Contractual Cash flows	<6 mths	6-12 mths	1-3 years	>3 years
		$	$	$	$	$	$
Non-derivatives							
Trade Debtors		2 317 680	2 317 680	2 317 680	-	-	-
Investments	8.5%	18 132 532	18 132 532	18 132 532	-	-	-
TOTAL		20 450 212	20 450 212	20 450 212	-	-	-

Maturity Analysis - 2010

Financial Liabilities	Rate	Carrying Amount	Contractual Cash flows	<6 mths	6-12 mths	1-3 years	>3 years
		$	$	$	$	$	$
Non-derivatives							
Payables		64 766	64 766	64 766	-	-	-
Finance lease liabilities		-	-	-	-	-	-
Bank overdrafts		-	-	-	-	-	-
TOTAL		64 766	64 766	64 766	-	-	-

Financial Assets	Rate	Carrying Amount	Contractual Cash flows	<6 mths	6-12 mths	1-3 years	>3 years
		$	$	$	$	$	$
Non-derivatives							
Trade Debtors		1 542 387	1 542 387	1 542 387	-	-	-
Investments	-15%	12 204 809	12 204 809	12 204 809	-	-	-
TOTAL		13 747 196	13 747 196	13 747 196	-	-	-

(d) Market Risk

Market risk arises from the use of interest bearing and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk).

Sensitivity Analysis

Other financial assets - Investments

As the Board's investments with MLC are in the form of units in a unit trust, it is not possible to perform an effective sensitivity analysis as it is not possible to identify the proportion of the shares held by the trust which relate directly to the Board. The movement in the price of the units is a combination of the underlying shares invested and the overheads accruing to the trust.

continued: Notes to and forming part of the financial statements - 30 June 2011

Short term deposits with the bank

The following table illustrates sensitivities to the Board's exposure to changes in interest rates. The table indicates the impact on how the net surplus reported at the end of the reporting period would have been affected by changes in the relevant risk variable that the Board considers reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
Year ended 30 June 2011	**$**	**$**
+/-1% movement in interest	+/-214,412	+/-214,412
Year ended 30 June 2010		
+/-1% movement in interest rates	+/-176,412	+/-176,412

Note 14 CAPITAL AND LEASING COMMITMENTS

	2011	2010
Operating Lease Commitments	**$**	**$**
Payable:		
One year or less	174 949	148 740
Later than one year and not later than five years	416 877	469 817
Later than five years	-	-
Total operating lease commitments payable	591 826	618 557

Non cancellable operating lease commitments include:

- Leases above include computer equipment, motor vehicles, building and shed with various terms, with rental payable monthly in advance.

Note 15 EVENTS SUBSEQUENT TO REPORTING DATE

(a) As a result of the volatility in the financial markets after the balance date, the Board's investment with MLC (NCIT) Moderate Trust registered a decline in its market value. At 14 October 2011, the value of the investment had decreased by $771,453.53