Part 3: Financial Accountability

Part 3 Financial accountability

Financial Statements for year ended 30 June 2022

Auditor-General

Independent Auditor's Report to the Board
NT Build

Opinion

I have audited the accompanying Financial Report of NT Build which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the Financial Report, including a summary of significant accounting policies and other explanatory information, and Board Members' Declaration.

In my opinion the accompanying Financial Report of NT Build has been prepared in accordance with Australian Accounting Standards, giving a true and fair view of the financial position of NT Build as at 30 June 2022, and of its financial performance and its cash flows for the year then ended.

Basis for Opinion

I conducted the audit in accordance with *Australian Auditing Standards*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report.

I am independent of NT Build in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the Financial Report in Australia. I have fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 11(b) and (c) to the financial statements which describes the uncertainty related to the Long Service Leave liability valuation as carried out on 9 August 2022. My opinion is not modified in respect of this matter.

Responsibilities of the Board for the Financial Report

The Board of NT Build is responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the Board is responsible for assessing NT Build's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate NT Build or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the financial reporting processes of NT Build.

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

Auditor-General

Auditor's Responsibilities for the audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 NT Build's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NT Build's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause NT Build to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

20 October 2022

Level 9 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155

NT Build

Board Members' Declaration

The members of the NT Build board declare that:

1. the financial statements and notes for the year ended 30 June 2022 are in accordance with the Northern Territory *Construction Industry Long Service Leave and Benefits Act 2005* and:

    a. comply with Accounting Standards, as stated in basis of preparation in 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 opinion of the members of the Board, 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 .... Board Member ....

Dated this ....19........ day of ......October...... 2022

NT Build

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	2022 $	2021 $
Contributions from levy payers		**4,881,075**	2,814,403
Movement in market value of equity investments		**(14,800,918)**	11,017,144
Other income	3	**8,568,613**	5,477,620
Employee benefits expense		**(916,314)**	(894,736)
Depreciation and amortisation expense	4	**(84,626)**	(164,161)
Fees and allowances	4	**(40,285)**	(35,820)
Long service leave benefits payments		**(6,699,747)**	(5,623,998)
Long service leave scheme revaluation	11	**(5,406,000)**	(288,000)
Occupancy costs		**(23,523)**	(26,078)
Other expenses		**(424,889)**	(421,163)
Finance expenses		**(11,493)**	(12,966)
Net surplus/(deficit) for the year		**(14,958,107)**	11,842,245
Total comprehensive income for the year		**(14,958,107)**	11,842,245

The accompanying notes form part of these financial statements.

NT Build

Statement of Financial Position

As At 30 June 2022

	Note	2022 $	2021 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**43,904**	8,131,894
Trade and other receivables	6	**2,709,496**	865,846
Other financial assets	7	**96,757,515**	100,122,868
TOTAL CURRENT ASSETS		**99,510,915**	109,120,608
NON-CURRENT ASSETS			
Property, plant and equipment	8	**522,220**	606,845
TOTAL NON-CURRENT ASSETS		**522,220**	606,845
TOTAL ASSETS		**100,033,135**	109,727,453
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**233,100**	201,005
Lease liabilities	10	**79,615**	78,113
Short-term provisions	11	**15,600,000**	12,800,000
Other financial liabilities	12	**6,563**	102,755
TOTAL CURRENT LIABILITIES		**15,919,278**	13,181,873
NON-CURRENT LIABILITIES			
Lease liabilities	10	**447,428**	527,044
Long-term provisions	11	**44,522,000**	41,916,000
TOTAL NON-CURRENT LIABILITIES		**44,969,428**	42,443,044
TOTAL LIABILITIES		**60,888,706**	55,624,917
NET ASSETS		**39,144,429**	54,102,536
EQUITY			
Reserves	13	**296,867**	296,867
Retained earnings		**38,847,562**	53,805,669
TOTAL EQUITY		**39,144,429**	54,102,536

The accompanying notes form part of these financial statements.

NT Build

Statement of Changes in Equity

For the Year Ended 30 June 2022

2022

	Retained Earnings	Implementation Funding	Total
	$	$	$
Balance at 1 July 2021	**53,805,669**	**296,867**	**54,102,536**
Deficit for the year	**(14,958,107)**	**-**	**(14,958,107)**
Balance at 30 June 2022	**38,847,562**	**296,867**	**39,144,429**

2021

	Retained Earnings	Implementation Funding	Total
	$	$	$
Balance at 1 July 2020	41,963,423	296,867	42,260,290
Surplus for the year	11,842,246		11,842,246
Balance at 30 June 2021	53,805,669	296,867	54,102,536

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Year Ended 30 June 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Levies received and other income		**4,081,510**	22,732,701
Payments to employees		**(1,009,238)**	(875,942)
Interest received		**7,780**	56,493
Long service leave payments		**(6,602,861)**	(5,641,797)
Payments for goods and services		**(461,560)**	(560,988)
Investment distributions received		**28,382**	4,120,081
Net cash provided by/(used in) operating activities	19	**(3,955,987)**	19,830,548
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of listed managed funds		**(5,542,397)**	(12,620,752)
Proceeds from sale of listed managed funds		**1,500,000**	-
Net cash used in investing activities		**(4,042,397)**	(12,620,752)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of lease liabilities		**(89,606)**	(89,606)
Net cash used in financing activities		**(89,606)**	(89,606)
Net increase/(decrease) in cash and cash equivalents held		**(8,087,990)**	7,120,190
Cash and cash equivalents at beginning of year		**8,131,894**	1,011,704
Cash and cash equivalents at end of financial year	5	**43,904**	8,131,894

The accompanying notes form part of these financial statements.

NT Build

Notes to the Financial Statements
For the Year Ended 30 June 2022

Reporting Entity

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 19 October 2022.

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 2005* 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 for reporting purposes under Australian Accounting Standards.

The functional and presentation currency of NT Build is Australian dollars and rounded to the nearest dollar.

1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the 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 2005*.

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.

2. Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 *Revenue from Contracts with Customers* is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration NT Build expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of NT Build have any financing terms.

Notes to the Financial Statements
For the Year Ended 30 June 2022

2. Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Specific revenue streams

The revenue recognition policies for the principal revenue streams of NT Build are:

Long service leave levies

Levies are measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Other income

Other income is recognised on an accruals basis when NT Build is entitled to it.

(b) 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.

(c) 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 payables are stated inclusive of GST.

Cash flows 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.

(d) Property, plant and equipment

Classes of property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment. Costs include purchase price, other directly attributable costs and the initial estimate of costs of dismantling and restoring the asset, where applicable.

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 depreciated as outlined below. Items of property, plant and equipment below the $5,000 threshold are expensed in the year of acquisition.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to NT Build, commencing when the asset is ready for use.

Notes to the Financial Statements
For the Year Ended 30 June 2022

2. **Summary of Significant Accounting Policies (continued)**

(d) **Property, plant and equipment (continued)**

Depreciation (continued)

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Amortisation/ Depreciation rate
Furniture, Fixtures and Fittings	10%
Office Equipment	20%
Computer Equipment	33.3%
Computer Software	33.3%
Leasehold improvements	20%
Right-of-Use - Buildings	9%
Right-of-Use - Motor Vehicles	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 from disposal with its carrying amount and is taken to profit or loss.

For right-of-use assets, the net present value of the remaining lease payments is often an appropriate proxy for the fair value of relevant right-of-use assets at the time of initial recognition. Subsequently, right-of-use assets are stated at cost less amortisation, which is deemed to equate to fair value.

(e) **Financial instruments**

Financial instruments are recognised initially 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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, NT Build classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI) - equity instrument (FVOCI - equity)

2. Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

- fair value through other comprehensive income (FVOCI) - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless NT Build changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

NT Build's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

NT Build has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. These investments are carried at fair value with changes in fair value recognised in the profit and loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

2. Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)
Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, NT Build considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on NT Build's historical experience and informed credit assessment and including forward looking information.

NT Build uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

NT Build uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to NT Build in full, without recourse by NT Build to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to NT Build in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets has been determined using the simplified approach in AASB 9 *Financial Instruments* which uses an estimation of lifetime expected credit losses. NT Build has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where NT Build renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost is determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Notes to the Financial Statements
For the Year Ended 30 June 2022

2. Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial liabilities

NT Build measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of NT Build comprise trade payables and lease liabilities.

(f) Impairment of non-financial assets

At the end of each reporting period NT Build determines whether there is evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

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.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Leases

(i) Right-of-use asset

At the lease commencement, NT Build recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where NT Build believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is amortised over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

(ii) Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Northern Territory Treasury Corporation's institutional bond rate is used as the incremental borrowing rate.

2. Summary of Significant Accounting Policies (continued)

(h) Leases (continued)

(ii) Lease liability (continued)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in NT Build's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

NT Build has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. NT Build recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) Long Service Leave Benefits 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.

Leave may be claimed after the employee or contractor has been credited with a total 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 at 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 the appropriate asset based rate at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated cash outflow.

(j) 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 and the levy regime detailed below was current as at the reporting date. However, the *Construction Industry Long Service Leave and Benefit Amendment Bill 2022* was passed by the Northern Territory Legislative Assembly on 30 August 2022 and amended the *Construction Industry Long Service Leave and Benefits Act 2005*. The amendment increased the threshold at which the project specific levy rate is applied to large construction projects from $1 billion to $5 billion, effective 13 September 2022. The amendment applies to construction work not completed before the commencement of the amendment.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2. **Summary of Significant Accounting Policies (continued)**

(j) Long service levy (continued)

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 April 2014 - regardless of completion date;

   - 0.3% on projects started from 1 April 2012 to 6 April 2014 - regardless of completion date;

   - 0.4% on projects started from 1 July 2009 to 31 March 2012 - regardless of completion date; and

   - 0.5% on projects started from 1 July 2005 to 30 June 2009 - regardless of completion date.

   The levy rates listed above are applicable for all eligible construction projects of at least:

   - $1 million or more in value for projects that commenced on or after 7 April 2014; or

   - $200,000 or more in value for projects that commenced between 1 July 2005 and 6 April 2014, regardless of completion rate.

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.

(k) Going concern

The financial report has been prepared on a going concern basis. The Board continues to proactively monitor the financial solvency of the Scheme through the use of regular actuarial advice (including the annual liability valuation, triennial review mechanism and financial projection of the scheme liability) and the review of its investment and accounting policies.

The Scheme has recorded a net loss of $14,958,107 as at the end of this current reporting period.

While the Scheme currently has a moderate surplus net asset position, it is predicted to gradually decline over the following years as growth in liabilities continue to accrue at a greater rate than expected income. The underlying concern expressed by the actuary in his 2020 triennial actuarial review report dated March 2020, and reiterated in his scheme financial projection dated 9 August 2022, that the current levy rate of 0.1% continues to be well below the break-even rate, remains.

Notwithstanding the concerns, the Board remains satisfied that adequate governance practices and review mechanisms are in place for the ongoing monitoring of the financial sustainability of the Scheme.

(l) Adoption of new and revised accounting standards

NT Build has adopted all standards which became effective for the first time at 30 June 2022. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of NT Build.

(m) Standards and interpretations issued but not yet effective

No Australian accounting standards have been early adopted for 2021-22.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on NT Build.

Notes to the Financial Statements
For the Year Ended 30 June 2022

2. Summary of Significant Accounting Policies (continued)

(n) Critical accounting estimates and judgements

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.

Long service leave benefits - Note 2(i), Note 11(a): Provisions

Non-current liabilities in respect of long service leave benefits are measured at the present value of estimated future cash outflows based on the appropriate asset based 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 11(a).

Allowance for impairment losses - Note 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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

3. Other Income

	2022 $	2021 $
Other Income		
- Interest received	**4,137**	60,136
- Investment income	**7,168,009**	4,120,082
- Manager fee rebate	**253,542**	194,179
- Reciprocal income	**1,142,925**	1,103,223
	8,568,613	5,477,620

4. Expenses

	2022 $	2021 $
Depreciation and Amortisation:		
- Depreciation and amortisation expense	**84,626**	164,161
Remuneration of auditor:		
- auditing the financial report*	**26,000**	24,000
Fees and allowances		
- board member fees	**40,285**	35,820

* The auditor of NT Build is the Northern Territory Auditor-General.

5. Cash and Cash Equivalents

	2022 $	2021 $
Cash on hand	**200**	200
Cash at bank	**43,704**	594,687
Short-term deposits	**-**	7,537,007
	43,904	8,131,894

6. Trade and Other Receivables

	2022 $	2021 $
CURRENT		
Trade receivables	**787,764**	742,817
Accrued levy income	**1,899,107**	101,399
Prepayments	**22,625**	21,630
	2,709,496	865,846

NT Build

Notes to the Financial Statements
For the Year Ended 30 June 2022

6. Trade and Other Receivables (continued)

(a) Impairment of receivables

NT Build applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2022 is determined as follows, the expected credit losses incorporate forward looking information.

7. Other Financial Assets

(a) Financial assets at fair value through profit or loss

	2022 $	2021 $
CURRENT		
JANA Moderate Trust	**96,757,515**	100,122,868
	96,757,515	100,122,868

(b) Breakdown of investment split

	2022 %	2021 %
- Australian shares	**29**	27
- Global shares	**32**	35
- Bonds	**34**	33
- Property Securities	**5**	5
Total	**100**	100

Notes to the Financial Statements

For the Year Ended 30 June 2022

8. Property, plant and equipment

	2022 $	2021 $
PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	**15,547**	15,547
Accumulated depreciation	**(15,547)**	(15,547)
Total furniture, fixtures and fittings	**-**	-
Office equipment		
At cost	**8,842**	12,181
Accumulated depreciation	**(8,842)**	(12,181)
Total office equipment	**-**	-
Computer equipment		
At cost	**4,642**	4,642
Accumulated depreciation	**(4,642)**	(4,642)
Total computer equipment	**-**	-
Leasehold Improvements		
At cost	**309,944**	309,944
Accumulated amortisation	**(309,018)**	(306,440)
Total leasehold improvements	**926**	3,504
Total plant and equipment	**926**	3,504
RIGHT-OF-USE		
Right-of-Use - Buildings		
Under lease	**639,295**	639,295
Accumulated amortisation	**(174,353)**	(116,236)
Total Right-of-Use - Buildings	**464,942**	523,059
Right-of-Use - Motor Vehicles		
Under lease	**116,511**	116,511
Accumulated amortisation	**(60,159)**	(36,229)
Total Right-of-Use - Motor Vehicles	**56,352**	80,282
Total right-of-use	**521,294**	603,341
Total property, plant and equipment and Right-of-Use assets	**522,220**	606,845

Notes to the Financial Statements
For the Year Ended 30 June 2022

8. Property, plant and equipment (continued)

(a) Movements in carrying amounts of property, plant and equipment

	Leasehold Improvements	Right-of-Use - Buildings	Right-of-Use - Motor Vehicles	Total
	$	$	$	$
Year ended 30 June 2022				
Balance at the beginning of year	3,504	523,059	80,282	**606,845**
Amortisation/ Depreciation	(2,578)	(58,117)	(23,930)	**(84,625)**
Balance at the end of the year	926	464,942	56,352	**522,220**

	Leasehold Improvements	Right-of-Use - Buildings	Right-of-Use - Motor Vehicles	Total
	$	$	$	$
Year ended 30 June 2021				
Balance at the beginning of year	6,082	581,177	104,212	691,471
Amortisation/ Depreciation	(2,578)	(58,118)	(23,930)	(84,626)
Balance at the end of the year	3,504	523,059	80,282	606,845

9. Trade and Other Payables

	2022	2021
	$	$
CURRENT		
Trade payables	**61,806**	13,379
Other payables	**171,294**	187,626
	233,100	201,005

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

10. Lease liabilities

	2022	2021
	$	$
Current	**79,615**	78,113
Non-current	**447,428**	527,044
	527,043	605,157

NT Build

Notes to the Financial Statements

For the Year Ended 30 June 2022

11. Provisions

	2022	2021
	$	$
Current	**15,600,000**	12,800,000
Non-current	**44,522,000**	41,916,000
	60,122,000	54,716,000

(a) Movement in carrying amounts

	2022	2021
	$	$
Opening balance	**54,716,000**	54,428,000
Actuarial valuation adjustment - based on asset-based discount rate	**5,406,000**	288,000
	60,122,000	54,716,000

(b) Actuary valuation adjustment

The NT Build Long Service Leave liability valuation was carried out on 9 August 2022 by Cumpston Sarjeant Pty Ltd, Consulting Actuaries, in respect of the year ended 30 June 2022.

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 rates of claiming benefits in service, rates of death, retirement, and resignation, and assumed escalation in the benefit rate. 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 discount rate.

The greatest unknowns in the liability valuation are the assumptions regarding member movements (exit rates and recommencement rates), and regarding the ability of the scheme to remain in contact with inactive members so as to pay available deregistration benefits. While not a circumstance that has arisen in a significant way in the scheme yet, the general problem of lost members due to the transitory nature of the NT construction workforce is perhaps a greater issue than for interstate schemes.

Other elements such as the rate of claiming benefits in service are not as important. Further scheme experience over time will refine the member movement assumptions made and gradually reduce uncertainty in the valuation from this area, although the effect of uncertainty in asset returns will remain significant while current asset allocation is maintained.

Notes to the Financial Statements
For the Year Ended 30 June 2022

11. Provisions (continued)

(c) Reconciliation of current year movement

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

	$ (million)
Liability previously determined excl. expenses as at June 2021	**47.6**
plus Interest on liability @ 4.0% for one year to 2022	**1.9**
less Expected payments during FY22 from accrued liability at 2021	**(7.1)**
Expected liability excluding expense at 2022 for pre-2021 service	**42.4**
plus Changes in valuation assumption - impact on pre-2021 liability	
Change to assumed future benefit rate increases	**1.5**
Change to assumed future investment return	**(1.9)**
Expected pre-2021 liability at 2022 on new valuation basis	**42.0**
plus Experience gains/losses	
Benefit payments lower than projected	**1.6**
Benefit rate increase on 1/7/22 higher than forecast	**1.2**
Other experience gains/losses	**0.0**
Liability at June 2022 for service to June 2021, excluding expenses	**44.9**
plus Liability for service accruals in FY22	**7.4**
Total liability excluding expenses at 30 June 2022	**52.3**
plus Liability for expenses @ 15% of liability	**7.8**
Total liability including expenses at 30 June 2022	**60.1**

*progression may not tally precisely due to rounding

The most significant elements of the above progression include:

- Benefit payments in FY22 were $1.6 million lower than expected in 2021, resulting in a moderate increase in liability compared to prior expectations;
- The benefit rate increased by more than previously expected on 1 July 2022, increasing liability by $1.2 million;
- Changes in future economic assumptions largely offset each other, with both the discount rate and the benefit rate growth assumption increasing by 1% pa. The net impact was a $0.4 million decrease in liability;
- Other experience gains/losses are minor.

Taking all of these factors into account, the greatest unknowns in the liability valuation are the assumptions regarding member movements (exit and service recommencement rates). Other elements such as unreported service and the rate of claiming benefits in service are not as important. Further scheme experience over time will refine the assumptions made and gradually reduce uncertainty in the valuation.

12. Other Financial Liabilities

	2022 $	2021 $
CURRENT		
Amounts received in advance	**6,563**	102,755
	6,563	102,755

Notes to the Financial Statements
For the Year Ended 30 June 2022

13. Reserves

	2022 $	2021 $
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.

14. Commitments

Operating Leases expiring in 5 years

Commitments are those contracted as at 30 June where the amount of the future commitment can be reliably measured.

NT Build leases computer equipment and entered into a software licensing operating lease 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:

	2022 $	2021 $
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**247,057**	124,182
- between one year and five years	**70,875**	213,712
- later than five years		22,263
	317,932	360,157

Contractual Commitments

At year end, NT Build had outstanding additional contracted commitments with a value of $31,721. These commitments relate to advertising services yet to be provided. NT Build expect these commitments will become due in 2023FY.

15. 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.

Notes to the Financial Statements
For the Year Ended 30 June 2022

15. Financial Risk Management (continued)

The most significant financial risks to which NT Build is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by 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 establishment of NT Build's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives. 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 2021-22 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.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and NT Build's activities.

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 and 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.

Liquidity risk

Liquidity risk arises from NT Build's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that NT Build will encounter difficulty in meeting its financial obligations as they fall due.

Notes to the Financial Statements

For the Year Ended 30 June 2022

15. Financial Risk Management (continued)

Liquidity risk (continued)

NT Build's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. NT Build maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

NT Build manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that NT Build expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

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.

The table below reflects the undiscounted contractual maturity analysis for financial assets and liabilities (excluding lease liabilities for the current year - refer to note 10).

Financial asset and liability maturity analysis - Non-derivative

	Weighted average Interest rate		Floating Interest Rate		Within 1 Year		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	$	$	$	$	$	$
Financial assets - cash flows realisable								
Cash and cash equivalents	**0.27**	0.40	**43,904**	8,131,894	-	-	**43,904**	8,131,894
Trade, term and loans receivables	-	-	**856,143**	830,648	-	-	**856,143**	830,648
Other investments	**3.20**	8.00	**96,757,515**	100,122,868	-	-	**96,757,515**	100,122,868
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave)	-	-	-	-	**61,116**	12,517	**61,116**	12,517
Total anticipated outflows			**97,657,562**	109,085,410	**61,116**	12,517	**97,718,678**	**109,097,927**

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to NT Build.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

15. Financial Risk Management (continued)

Credit risk (continued)

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

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 April 2014, or $200,000 or more in value for projects that started before 7 April 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:

	2022	2021
	$	$
Non-instalment	**128,789**	149,820

Other financial assets held at amortised cost

The NT Build does not hold any other assets at amortised cost.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.00% and -1.00% (2021: +1.00%/-1.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports. The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

	2022		2021	
	+1.00%	-1.00%	+1.00%	-1.00%
	$	$	$	$
Net results	**968,014**	**968,014**	1,082,547	1,082,547
Equity	**968,014**	**968,014**	1,082,547	1,082,547

Notes to the Financial Statements

For the Year Ended 30 June 2022

15. Financial Risk Management (continued)

(a) **Fair value estimation**

	2022 Net Carrying Value $	2022 Net Fair Value $	2021 Net Carrying Value $	2021 Net Fair Value $
Financial assets				
Cash and cash equivalents	43,904	43,904	8,131,894	8,131,894
Trade and other receivables	881,852	856,143	865,846	825,188
Financial assets at fair value through profit or loss: Investments	96,757,515	96,757,515	100,122,868	100,122,868
	97,683,271	**97,657,562**	**109,120,608**	**109,079,950**
Financial liabilities				
Trade and other payables	233,098	233,098	201,006	201,006
Lease liabilities	527,043	527,043	605,157	605,157
	760,141	**760,141**	**806,163**	**806,163**

16. Key Management Personnel Remuneration

NT Build is a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act 2005* (the CILSLB Act) to provide a portable long service leave benefit scheme to building and construction workers in the Northern Territory. It is not an agency within the meaning of the *Financial Management Act 1995* or the *Public Sector Employment and Management Act 1993*.

Under the Administrative Arrangements Order in force for the period ended 30 June 2022 the Department of Industry, Tourism and Trade 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.

Key management personnel of NT Build are those persons having authority and responsibility for planning, directing and controlling the activities of NT Build. These include the Minister for Mining and Industry, The Hon Nicole Manison MLA, the Registrar, Mr Theo Tsikouris, Ms Belinda Peacocke (as Acting Registrar from 3 May 2022) and the NT Build Board as listed below.

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

The details below exclude the salaries and other benefits of the Minister for Mining and Industry as the Minister's remunerations and allowances are payable by the Department of the Legislative Assembly and consequently disclosed within the Treasurer's Annual Financial Statements.

The details below also exclude the salaries and other benefits of a Board Member who is an employee of the Department of Treasury and Finance as their remunerations and allowances are payable by the Department of Treasury and Finance and consequently disclosed within the Department of Treasury and Finance Annual Financial Statements.

Notes to the Financial Statements
For the Year Ended 30 June 2022

16. Key Management Personnel Remuneration (continued)

The aggregate compensation of key management personnel of NT Build is set out below:

	2022 $000	2021 $000
Short-term employee benefits	**269**	239
Long-term benefits	**-**	-
Post-employment benefits	**32**	30
Termination benefits	**-**	-
Total	**301**	269

Attendance at meetings

	Eligible Meetings*	Meetings Attended
Sarah Rummery	**9**	8
Dick Guit	**11**	7
David Malone	**11**	9
Michael Milatos	**11**	8
Michael Martin	**11**	11
Rosemary Campbell	**11**	9
David Hayes	**11**	9

* 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. Contingencies

In the opinion of the Directors, the NT Build did not have any contingencies at 30 June 2022 (30 June 2021:None).

18. Related Parties

(a) The NT Build's main related parties are as follows:

NT Build is a government administrative entity and is wholly owned and controlled by the Northern Territory Government. Related parties of NT Build include:

- the Portfolio Minister and key management personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of NT Build directly;
- spouses, children and dependants who are close family members of the Portfolio Minister or KMP;
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by KMP's or the Portfolio Minister or controlled or jointly controlled by their close family members.

Key management personnel - refer to Note 16.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Notes to the Financial Statements
For the Year Ended 30 June 2022

18. Related Parties (continued)

(b) Transactions with Northern Territory Government controlled entities

NT Build's ongoing sources of funding are from the collection of a levy imposed on eligible construction work undertaken in the Northern Territory and investment earnings. No general allocation of funding is provided to NT Build through the Northern Territory Budget or the Central Holding Authority.

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities:

	Revenue from related parties 2022 $	Payments to related parties 2022 $	Amounts owed by related parties 2022 $	Amounts owed to related parties 2022 $
Related Party				
All NT Government Departments	-	1,078,272	-	31,302
	-	**1,078,272**	**-**	**31,302**

	Revenue from related parties 2021 $	Payments to related parties 2021 $	Amounts owed by related parties 2021 $	Amounts owed to related parties 2021 $
Related Party				
All NT Government Departments	-	1,059,254	-	134,908
	-	**1,059,254**	**-**	**134,908**

NT Build's transactions with other government entities are not individually significant.

Notes to the Financial Statements
For the Year Ended 30 June 2022

19. Cash Flow Information

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

	2022	2021
	$	$
Net surplus for the year	**(14,958,107)**	11,842,246
Cash flows excluded from net surplus attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	**84,626**	164,161
- interest on lease liabilities	**11,493**	12,966
- movement in market value of investments	**14,800,918**	(11,017,143)
- manager fee rebate	**(253,542)**	(194,179)
- distribution income capitalised	**(7,139,627)**	-
- scheme liability expenses	**5,406,000**	288,000
Changes in assets and liabilities net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**(1,846,298)**	18,723,458
- decrease in other assets	**3,643**	-
- (increase) in prepayments	**(995)**	(8)
- increase/(decrease) in income in advance	**(96,192)**	91,615
- increase/(decrease) in trade and other payables	**32,094**	(80,568)
Cashflows from operations	**(3,955,987)**	19,830,548

(a) Changes in liabilities arising from financing activities

	1 July 2021	Lease liability repayment	Other non-cash movement	30 June 2022
	$	$	$	$
Leases - motor vehicles	78,501	(24,816)	1,003	**54,688**
Leases - buildings	526,656	(64,789)	10,488	**472,355**
Total liabilities from financing activities	**605,157**	**(89,605)**	**11,491**	**527,043**