traditional CREDIT UNION

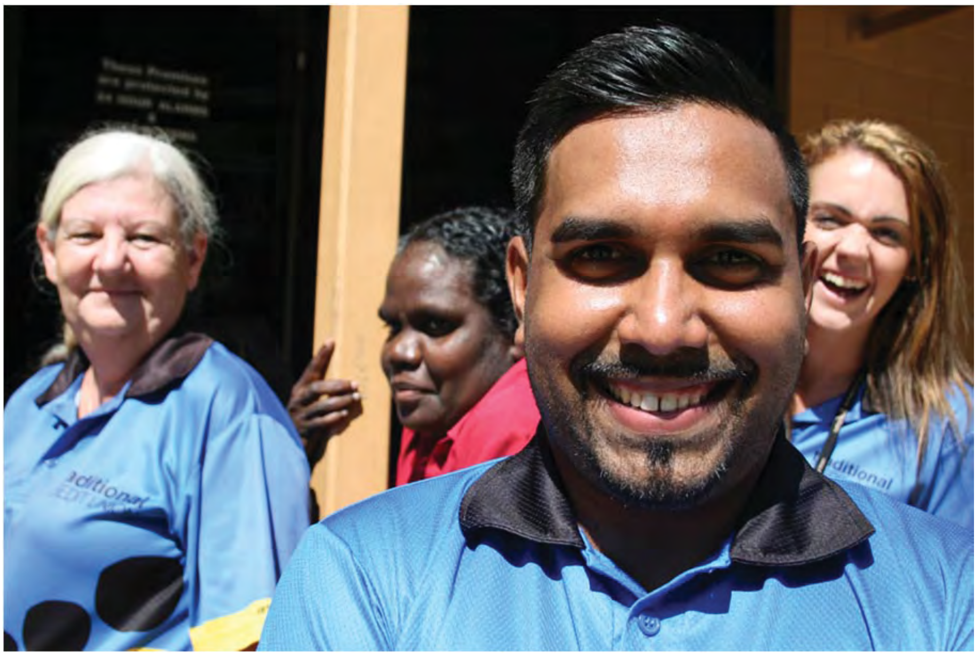
Annual report 2014/2015

Vision

one people working together to build Indigenous financial independence

Our goals

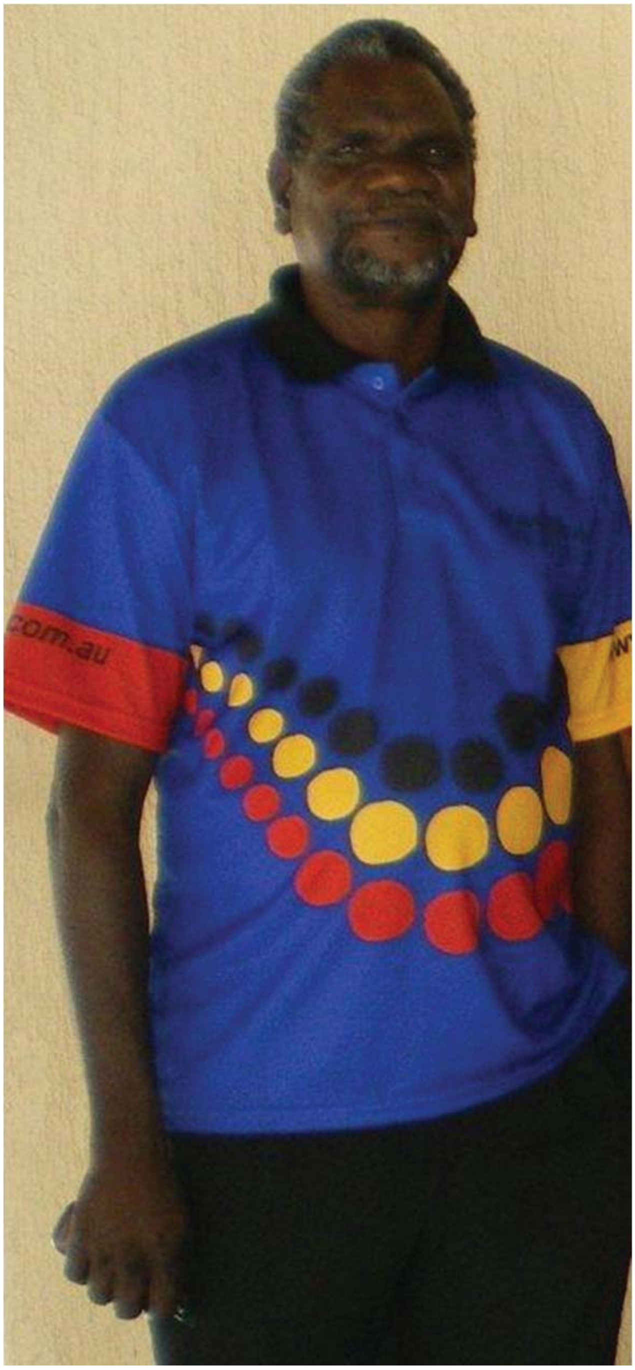
- Be the first choice provider of financial services to indigenous communities in Northern Australia;
- Grow our Services to meet community needs;
- Ensure sustainable financial performance, whilst providing fair pricing of products and services to our members;
- Provide education in money management and financial literacy to the communities we service to increase the knowledge and participation of Indigenous people in all sectors of banking; and
- Provide employment and training to Indigenous people in remote and urban locations.



Mission

"To provide personalised quality financial services for Indigenous people and organisations in remote communities whilst respecting and valuing the cultural heritage in Indigenous Australia."

Chairman's report



Thank you to our valued members.

It is your ongoing support through the year that enables us to provide quality financial services.

We respect you, your people and your lands, and look forward to working with you all in the near future.

I offer my sincere thanks to my fellow board members for their guidance and support, our Chief Executive Officer, Senior Management and all TCU staff for their loyalty and hard work. TCU would not be where it is today without the dedication of our people.

We look forward to the year ahead with excitement.

The year ahead

There are many challenges and benefits TCU face to keep operating in remote communities.

With ongoing support from our valued members, senior management, staff and all levels of government, TCU will continue to work together to provide banking, employment and financial training in communities where our services are most needed.

Micky Wunungmurra

Chairman

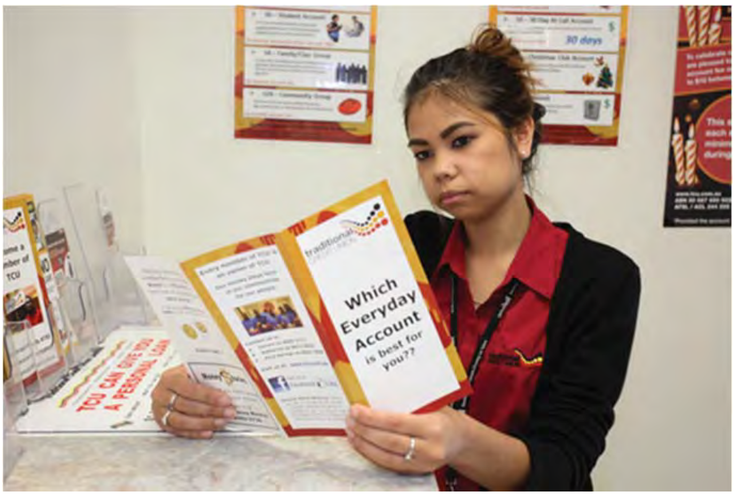
Chief Executive Officer's report

Our Mission

"To provide personalised quality financial services for Indigenous people and organisations in remote communities whilst respecting and valuing the cultural heritage in Indigenous Australia."

Our operating environment continues to be both challenging and demanding. Despite this we have made good progress during the last year towards our goals of:

- Being the first choice provider of financial services to indigenous communities in Northern Australia;
- Growing our Services to meet community needs;
- Ensuring sustainable financial performance, whilst providing fair pricing of products and services to our members;
- Providing education in money management and financial literacy to the communities we service to increase the knowledge and participation of Indigenous people in all sectors of banking; and
- Providing employment and training to Indigenous people in remote and urban locations.



We continued to review our products and fee structure during the year to ensure members receive the best value while maintaining a competitive position in the market.

We will launch our new Mobile Banking app in November which will see members being able to access their balances, pay bills and transfer money to family more conveniently on their smart phones.

Our financial results were ahead of budget and we continued to support the development and growth of our business, with the assistance of the Aboriginal Benefits account, despite this tough economic environment. Our team is well positioned to continue to work toward our vision of "one people working together to build Indigenous financial independence".

We sadly lost 2 of our team through the year. Barbara Bradshaw, former CEO and Director, passed away on the 4th October 2014. Barbara was instrumental in starting TCU in the early 90's as the Registrar of Financial Institutions who granted TCU our first Licence to operate. Pippa Rudd passed away on the 17th July 2015. Pippa was a Director of TCU from January 2005 to May 2014 and she was passionate about the financial wellbeing of our members and contributed so much over her time as a Director. Both Barbara and Pippa will be sadly missed by all at TCU.

In closing, we are successful because of the quality people who make up the TCU team. It is because of their dedication and commitment to serving our members throughout the year that has enabled us to maintain a strong position in our communities.

It's an exciting time for TCU as we look to the future with a positive outlook and continue to work together to strengthen our credit union, serve our members better and invest in our people and communities.

TCU Business Expansion

We have been focused on providing a membership service which provides a unique personalised face to face delivery to our existing and new members. This would not be possible without the funding we receive from the Aboriginal Benefits Account and I thank them for their ongoing support.

Our Business Development Officers have been targeting remote communities that currently have no financial interaction except with the in-store ATM.

They are also visiting some of the larger communities where we believe there is still a need for TCU to expand, provide more services and be more visible in the community.

Our ATM network, which is free for our members, has grown to 29 and we are looking at expanding that all the time.

Human Resources and Training

TCU has real jobs for locals within remote Aboriginal communities delivering financial services; at the same time educating and training it's predominantly Indigenous staff in financial literacy numeracy, banking services and workplace fundamental skills. Our staff can deliver culturally appropriate services in their own language because it is their own culture, we learn from each other all the time. TCU employees who embrace the learning opportunities can contribute to working between the two worlds of western and Indigenous culture.

Throughout the year employees participated in a wide variety of training programs to develop skills and knowledge to support their own personal and professional development.

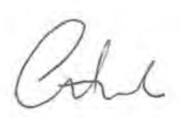
70+ new employees engaged in structured and tailored Induction, Compliance and Member Service Officer Skills training. 22 employees were awarded qualifications through the Traditional Credit Union Limited Registered Training Organisation (70208). Certificate II in Financial Services x 6, Certificate III in Financial Services x 5, a further 11 employees awarded with Statements of Attainment for partial completion of the certificate. In total 78 employees engaged in some form of accredited training over the past year.

Directors

I would like to thank both the Yolgnu and Balanda directors for their input and assistance throughout the year. Our directors assist on a voluntary basis, so are therefore not paid for the time they contribute to help TCU be the organisation it is today.

Well done to all of you for your hard work and commitment.

Cathy Hunt
Chief Executive Officer



Director's report

Your directors submit their report for the year ended 30 June 2015

The names and details of the directors of the Credit Union in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Qualifications
Micky Wunungmurra (Chairperson)	Micky is a Traditional Owner from Gapuwiyak, Lake Evella.
David Djalangi	David is a senior Traditional Owner from Galiwin'ku, Elcho Island.
David Marpiyawuy	David is a Traditional Owner from the Milingimbi Community.
Bunug Galaminda	Bunug is a Traditional Owner from Warruwi Community, Goulburn Island.
Esther Pearce	Esther resides in Alice Springs. She has worked throughout the Northern Territory, particularly in Arnhemland. A 12 year career in the Northern Territory Government in local government, Indigenous and public housing and regional development culminated in achieving Regional Director of the Barkly region for the Department of Housing & Regional Development. Esther is a custodian for Mpartwe (Alice Springs) and previously worked as a Cultural Protocols Project Officer & Co-Ordinator for Lhere Artepe Aboriginal Corporation, the Native Title Representative Body.
Iain Summers	Iain provides governance and management advice and assistance to private and public sector entities. He is a Chartered Accountant, and is a former Northern Territory Auditor-General. He has qualifications in accounting, governance, management and law.
David Knights	David is a senior executive with National Australia Bank with a degree in Engineering and a Masters of Business Administration, and has significant experience in operational, business and change management roles within the financial services industry. David has been heavily involved in the provision of remote Australia banking services and brings a strong depth of banking and management consulting experience to the board.

Chief Executive Officer / Company Secretary

Cathy Hunt

Interests in contracts or proposed contracts with the Credit Union

Director David Knights declares that “when dealing with National Australia Bank Limited on commercial terms, he will abstain from voting as a director should any commercial opportunities or matters arise”.

No other Director has any interests in any contracts or proposed contracts with the Credit Union.

Corporate Information

Traditional Credit Union is a for-profit entity and domiciled in Australia.

Principal Activities

The principal activity of the Credit Union during the year was the provision of a range of financial products and services to members.

There has been no significant change in the nature of these activities during the year ended 30 June 2015.

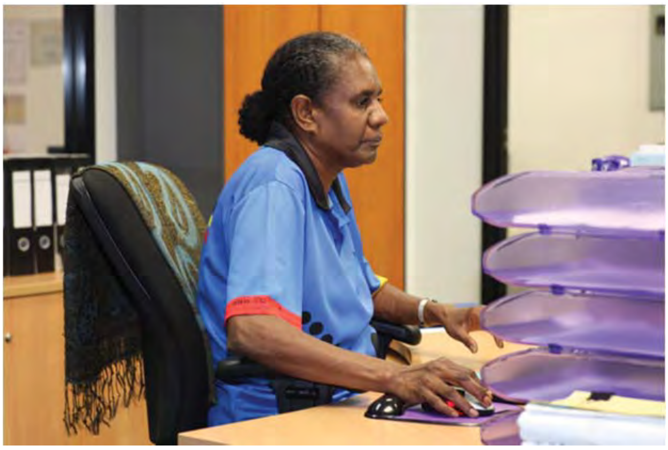
Results

Net Profit/(Loss) after tax for the financial year

2015	2014	2013	2012	2011	2010
$275,467	**$307,286**	**$376,335**	**($299,502)**	**$212,033**	**$218,131**

Employees

As at 30th June 2015, Traditional Credit Union had a workforce of 78 employees in following categories: 29 Full Time, 36 Part Time, and 13 Casual. Of these employees, 22% are mature age, 8% are long term (10+) years, 78% are Indigenous, with 100% in local indigenous employment in remote branches.



Review of Operations

The Credit Union's policies and procedures were again updated in line with the Australian Prudential Regulatory Authority and Financial Services Reform Act requirements.

Directors' benefits

During or since the financial year no director of the Credit Union has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments paid or payable to the directors shown in the accounts, by reason of a contract entered into by the Credit Union or a body corporate that was related to the Credit Union when the contract was made or when the director received, or became entitled to receive, the benefit with:

- A director, or
- A firm of which a director is a member, or
- An entity in which a director has a substantial financial interest.

Directors' Indemnification and Insurance

During the year, a premium was paid in respect of a contract insuring directors and officers of the company against liability.

The officers of the company covered by the insurance contract include the directors, executive officers, secretary and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the company.

Directors meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Name	Board	Audit
Micky Wunungmurra	5/5	3/6
David Djalangi	5/5	0/0
David Marpiyawuy	2/5	0/0
Bunug Galaminda	5/5	0/0
Iain Summers	5/5	6/6
Esther Pearce	5/5	6/6
David Knights	5/5	6/6

Auditors' Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 301C of the Corporations Act 2001 is attached as a separate document.

Signed in accordance with a resolution of the directors.

Iain Summers

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Iain Summers
Director

Darwin
Date: 29 October, 2015

Auditors Independence Declaration to the Directors of Traditional Credit Union Limited

In relation to our audit of the financial report of Traditional Credit Union Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Merit Partners

Merit Partners

Matthew Kennon
Partner

Darwin
Date: 29 October 2015

Traditional Credit Union Limited

Financial Statements

For the Year Ended 30 June 2015

Traditional Credit Union Limited

Contents

For the Year Ended 30 June 2015

Statement of Comprehensive Income
For the Year Ended 30 June 2015

	Note	2015 $	2014 $
Interest revenue		**205,440**	267,574
Interest expense		**(105,207)**	(135,717)
Net interest revenue		**100,233**	131,857
Non-interest revenue	3	**7,301,495**	7,384,316
Total revenue		**7,401,728**	7,516,173
Bad debt (expenses)/recovery	4a)	**(13,381)**	7,054
Depreciation and amortisation expense	4(b)	**(404,735)**	(421,382)
Employee benefits expense	4(c)	**(3,517,739)**	(3,545,400)
Other operating expenses	4(d)	**(3,073,364)**	(3,055,030)
Profit before income tax		**392,509**	501,415
Income tax expense	5	**(117,042)**	(194,129)
Profit for the year		**275,467**	307,286
Other comprehensive income		-	-
Total comprehensive income/(loss) attributed to members		**275,467**	307,286

The accompanying notes form part of these financial statements.

Statement of Financial Position
30 June 2015

	Note	2015 $	2014 $
ASSETS			
Cash and cash equivalents	7	**3,826,862**	2,684,221
Trade and other receivables	8	**157,488**	35,071
Investments	9	**5,273,424**	5,530,565
Loans and advances	10	**119,827**	139,606
Current tax receivable	6	**34,404**	-
Deferred tax assets	6	**564,648**	557,083
Property, plant and equipment	11	**654,751**	858,560
Intangible assets	12	**146,700**	64,853
Other assets	13	**196,436**	201,415
TOTAL ASSETS		**10,974,540**	10,071,374
LIABILITIES			
Trade and other payables	14	**654,824**	344,607
Current tax liabilities	6	**-**	162,115
Provisions	16	**270,661**	261,763
Other liabilities	17	**722,032**	960,941
Deposits	15	**6,371,718**	5,662,110
TOTAL LIABILITIES		**8,019,235**	7,391,536
NET ASSETS		**2,955,305**	2,679,838
EQUITY			
Redeemable Preference Share Reserve	18	**25,584**	22,546
Reserves	19	**575,000**	575,000
Retained earnings		**2,354,721**	2,082,292
		2,955,305	2,679,838
TOTAL EQUITY		**2,955,305**	2,679,838

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2015

2015

	Redeemable Preference Share Reserve $	Retained Earnings $	Capital Reserve $	Total $
Balance at 1 July 2014	**22,546**	**2,082,292**	**575,000**	**2,679,838**
Profit attributable to members of the entity	**-**	**275,467**	**-**	**275,467**
Transfer from retained earnings to reserves	**3,038**	**(3,038)**	**-**	**-**
Balance at 30 June 2015	**25,584**	**2,354,721**	**575,000**	**2,955,305**

2014

	Redeemable Preference Share Reserve $	Retained Earnings $	Capital Reserve $	Total $
Balance at 1 July 2013	18,712	1,778,840	575,000	2,372,552
Profit attributable to members of the entity	-	307,286	-	307,286
Transfer from retained earnings to reserves	3,834	(3,834)	-	-
Balance at 30 June 2014	22,546	2,082,292	575,000	2,679,838

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Year Ended 30 June 2015

	Note	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Fees received		**3,857,143**	3,969,250
Other cash payments for operating activities		**(6,097,552)**	(6,895,921)
Interest received		**210,355**	281,756
Interest paid		**(113,930)**	(155,377)
Dividends received		**2,382**	2,316
Income tax paid		**(321,127)**	(130,907)
Other cash receipts from operating activities		**392,206**	58,233
Grants received		**2,529,190**	1,906,646
Net cash provided by/(used in) operating activities	20	**458,667**	(964,004)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease /(increase) in held-to-maturity investments		**(48,003)**	1,415,707
Payments to acquire property, plant and equipment		**(282,775)**	(327,948)
Net cash provided by/ (used in) investing activities		**(330,778)**	1,087,759
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase/(decrease) in at call deposits		**772,168**	(1,447)
Net decrease in term deposits		**(62,560)**	(1,123,570)
Net cash provided by/ (used in financing activities		**709,608**	(1,125,017)
Net increase/(decrease) in cash and cash equivalents held		**837,497**	(1,001,262)
Cash and cash equivalents at beginning of year		**6,115,200**	7,116,462
Cash and cash equivalents at end of financial year	7	**6,952,697**	6,115,200

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2015

1. Corporate Information

The financial statements of Traditional Credit Union Limited (the "Credit Union"), for the year ended 30 June 2015 were authorised in accordance with a resolution by the Directors on 29 October 2015.

The Credit Union is a for-profit entity and domiciled in Australia.

The principle activities of the Credit Union for the year ended 30 June 2015 was the provision of a range of financial products and services to members.

The registered office of and the principal place of business is:

Traditional Credit Union Limited
9 Rowling Street
CASUARINA NT 0810

2. Summary of Significant Accounting Policies

The accounting policies set out below have been consistently applied by the Credit Union unless otherwise stated.

2.1 Basis of Preparation

(a) Statement of compliance
The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the *Corporations Act 2001*. These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Basis of Measurement
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.

The financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency
The financial statements are presented in Australia dollars and values have been rounded to the nearest dollar.

(d) Comparative Figures
Certain items have been reclassified from Credit Union's prior year financial report to conform to the current period's presentations.

(e) Critical accounting estimates and judgments
The preparation of the Credit Union's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and judgements incorporated into the financial statements are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Credit Union.

Management has identified critical accounting policies for which significant judgments, estimates and assumptions are made, information about which is included in the following notes:
- Note 2.7c(i) - Impairment of loans and receivables; and
- Note 2.5(a) - Deferred tax assets

2 Summary of Significant Accounting Policies continued

Actual results may differ from these estimates under different assumptions and conditions. 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 and in any future periods affected.

2.2 New Accounting Standards and Interpretations

(a) Standards and Interpretations Adopted During the Year Ended

The following table summarises the standards and interpretations that have become applicable during the year ended 30 June 2015 and have been adopted by the Credit Union. The adoption of these standards do not have material effects on the financial statements of the Credit Union.

AASBs and Interpretations	Applicable from reporting period date
AASB 2012-3 Amendments to Australia Accounting Standards - *Offsetting Financial Assets and Liabilities.* Provides guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014
AASB 2013-4 Amendments to Australian Accounting Standards - *Novation of Derivatives and Continuation of Hedge Accounting (AASB 139)*. AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014

b) Standards and Interpretations on Issue but not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements none of which are expected to have a significant effect on the financial statements of the Credit Union.

The table below summarises the standards and interpretations that have already been issued but are not applicable until a later date. However, some standards and interpretations are available for voluntary early adoption. The Credit Union has not opted to adopt any standards and interpretations early. The list below primarily includes those standards and interpretations that are of relevance to the Credit Union.

AASBs and Interpretations	Application date of Standard
The items below are mandatory for years ending on or after 31 December 2016:	
AASB 9 Financial Instruments	30 June 2019
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	30 June 2019
The items below are mandatory for years ending on or after 31 December 2015:	
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-204 cycle – AASB7 and AASB119	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101 – Presentation of Financial statements	1 January 2016

Notes to the Financial Statements

For the Year Ended 30 June 2015

2 Summary of Significant Accounting Policies continued

2.3 Revenue and Other Income

The Credit Union recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Credit Union. Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Interest revenue

Interest is recognised as interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(b) Dividend revenue

Dividend is recognised when the Credit Union's right to receive a dividend is established.

(c) Fees and commissions

Revenue is recognised on an accruals basis when control of a right to be compensated for services is attained, this is usually evidenced by approval of contract by the customer.

(d) Government grants

Grant revenue is recognised when the Credit Union obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the Credit Union and the amount of the grant can be measured reliably.
Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

2.4 Operating Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the statement of financial position.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

2 Summary of Significant Accounting Policies continued

2.5 Income Taxes and Other Taxes

(a) Income Taxes

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects the movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(b) 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). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2 Summary of Significant Accounting Policies continued

2.6 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, deposits held at call with approved deposit taking institutions (“ADIs) which are readily converted to cash and which are subject to an insignificant risk of change in value. All other investments with future maturity date and readily converted to cash are included in the classification of Investments – held to maturity. Cash and cash equivalents are stated at their gross value of the outstanding balance.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.7 Financial Assets

(a) Initial Recognition and Measurement

Financial assets are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Credit Union commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

(b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loans
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale (AFS) financial assets

The Credit Union does not have financial assets at fair value through profit and loss and derivative financial instruments

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category is the most relevant to the Credit Union. Loans and receivables comprise of deposits held with ADIs, term loans to members, members’ overdrawn savings accounts and sundry debtors. For more information on loans and receivables, refer to Notes 8 and 10.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

2 Summary of Significant Accounting Policies continued

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. Investments intended to be held for an undefined period are not included in this classification. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised. Held-to-maturity investments of the Credit Union include term deposits, refer to Note 9.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.
If during the period the Credit Union sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iii) Available-for-sale financial assets

Available-for-sale financial assets (AFS) are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. AFS investments of Credit Union consist of investment security, which is set out in Note 9.

AFS are subsequently measured at fair value with changes in such fair value recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

(c) Impairment of Financial Assets

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

Financial assets at amortised cost

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

(i) Loans and receivables

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the statement of comprehensive income.

Specific Provision

Loans and receivables, that meet significant delinquency and loan size criteria, are individually assessed for impairment to estimate the likely loss of the loan.

Collective Provision

Loans and receivables that do not meet delinquency criteria are not individually assessed but are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed based on objective evidence from historical experience.

2 Summary of Significant Accounting Policies continued

(ii) Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in the statement of comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to the statement of comprehensive income.

(d) Derecognition of Financial Instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Credit Union no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

2.8 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, as indicated, less, where applicable, any accumulated depreciation and impairment of losses. Cost includes expenditure that is directly attributable to the asset.

Fixed assets are measured at cost less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated predominantly on a straight-line basis over the asset's useful life to the Credit Union commencing from the time the asset is held ready for use. However, certain assets have been depreciated on a diminishing value method over the assets useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful Life
Furniture, Fixtures and Fittings	3 to 20 years
Motor Vehicles	5-8 years
Computer Equipment	3 to 10 years
Leasehold improvements	the lease term
ATM Equipment	3 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There has been no change in useful lives used from the previous year.

Derecognition and Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

2 Summary of Significant Accounting Policies continued

2.9 Intangibles

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Credit Union. All intangible assets are recorded at cost. The intangibles held by the Credit Union have finite lives and are carried at cost less any accumulated amortisation and impairment losses. They have estimated useful lives of between one and three years. Intangible assets of the Credit Union consist of computer software.

Amortisation
Amortisation is based on the cost of an asset less its residual value. Amortisation of computer software is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.10 Impairment of Non-financial Assets

At the end of each reporting period the Credit Union determines whether there is an evidence of an impairment indicator for property, plant and equipment and intangibles.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated. The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) 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, except for goodwill.

2.11 Financial Liabilities

Financial liabilities are recognised initially on the trade date at which the Credit Union becomes party to the contractual provision of the instrument. Non-derivative financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Financial liabilities of Credit Union consist of trade and other payables, deposits and members' shares.

Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method. The Credit Union derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Financial liabilities are classified as current liabilities unless the Credit Union has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(a) Deposits
Interest on deposits is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is calculated on an accrual basis. The amount of accrual is shown as a part of trade and other payables.

(b) Trade and Other Payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Credit Union during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Notes to the Financial Statements

For the Year Ended 30 June 2015

2 Summary of Significant Accounting Policies continued

(c) Members' Share Deposits

Share deposits is classified as liability and shown under 'Deposit' as they can be converted from withdrawable shares into cash at any time when the member has discharged all their obligations to the Credit Union

2.12 Provisions

Provisions are recognised when the Credit Union has a legal or constructive obligation, as a result of past events, for which it is probably that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

2.13 Employee Benefits

(a) Short-term employee benefits

Liabilities for wages and salaries and accumulating leave entitlements which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Employee benefits are presented as current liabilities in the statement of financial position if the Credit Union does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(b) Long-term employee benefits

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Notes to the Financial Statements
For the Year Ended 30 June 2015

3 Non-interest revenue

	2015 $	2014 $
Grants received		
Commonwealth - ABA expansion	**1,967,433**	2,623,753
Commonwealth - ABA visa debit cards	**6,951**	20,817
Commonwealth – Well	**82,453**	135,925
Commonwealth - ABA fee income subsidy	**457,180**	440,070
Commonwealth - ABA RTO funding	**-**	4,545
NT Government - indigenous response funding	**31,560**	-
NT Government - User choice program	**89,291**	91,027
NT Government - IWPIP program	**95,754**	112,246
NT Government – ITEP	**36,052**	63,340
NT Government - NT equity training grant	**1,425**	-
Total Grants received	**2,768,099**	3,491,723
Other non-interest revenue		
Revenue from fees and commission	**3,973,396**	3,687,333
Recoveries of bad and doubtful debts	**15,521**	22,679
Other operating revenue	**544,479**	182,581
Total Other non-interest revenue	**4,533,396**	3,892,593
Total non-interest revenue	**7,301,495**	7,384,316

Notes to the Financial Statements
For the Year Ended 30 June 2015

4 Expenditure

(a) Bad and doubtful debts

	2015 $	2014 $
Bad debts – loans	**1,668**	9,829
Doubtful debts expense	**11,713**	(16,883)
Total Bad and doubtful debts expense / (recovery)	**13,381**	(7,054)

(b) Depreciation, Impairment and amortisation

	2015 $	2014 $
Depreciation	**366,997**	375,544
Amortisation	**37,738**	45,838
Total Depreciation, impairment and amortisation	**404,735**	421,382

(c) Employment expenses

	2015 $	2014 $
Employee benefits		
Salaries and wages	**2,992,255**	3,054,487
Superannuation	**341,791**	295,524
Other	**106,178**	120,265
Total employee benefits	**3,440,224**	3,470,276
Other employee expenses		
Payroll tax	**59,295**	55,310
Workers compensation insurance	**18,220**	19,814
Total employment expenses	**3,517,739**	3,545,400

(d) Other expenses

	2015 $	2014 $
Fees and commission expenses	**507,656**	426,404
Computer costs	**355,021**	357,165
Rental - operating leases	**594,744**	482,666
Other occupancy costs	**210,716**	210,468
Administration expenses	**528,621**	473,328
Insurance expense	**132,624**	149,018
Business development expenses	**190,441**	281,434
Travel costs	**324,861**	398,506
Audit fees	**74,670**	81,268
Other expenses	**154,010**	194,773
Total other expenses	**3,073,364**	3,055,030

5 Income Tax Expense

(a) The components of tax expense comprise:

	2015 $	2014 $
Current tax expense		
Current income tax expense	**124,608**	276,007
Income tax - recognised in current tax for prior periods	**-**	(1)
Deferred tax expense		
Originating and reversing temporary timing differences	**(7,566)**	(81,877)
Total income tax expense	**117,042**	194,129

(b) Reconciliation of income tax to accounting profit:

	2015 $	**2014 $**
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)	**117,756**	150,424
Add:		
Tax effect of:		
- Imputation credits	**306**	298
- Prior year grants in advance recognition	**-**	44,400
	118,062	195,122
Less:		
Tax effect of:		
- rebateable fully franked dividends	**1,020**	993
Income tax expense	**117,042**	194,129

6 Current and Deferred Tax

(a) Current Tax Assets and Liabilities

	2015 $	2014 $
Current tax receivables	**34,404**	-
Current tax receivables	**34,404**	-
Current tax liabilities	**-**	162,115
Current tax liabilities	**-**	162,115

(b) Deferred Tax Assets

	2015 $	2014 $
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Payables and accruals		
Opening balance	**327,851**	306,681
Credited to/(debited from) the Statement of Profit or Loss and Other Comprehensive Income	**(55,135)**	21,170
Closing balance	**272,716**	327,851
Doubtful debts		
Opening balance	**22,933**	27,998
Credited to the Statement of Profit or Loss and Other Comprehensive Income	**3,514**	(5,065)
Closing balance	**26,447**	22,933
Employee entitlements		
Opening balance	**78,529**	75,701
Credited to the Statement of Profit or Loss and Other Comprehensive Income	**2,669**	2,828
Closing balance	**81,198**	78,529
Accelerated capital allowance for tax purposes		
Opening balance	**127,770**	65,989
Credited to the Statement of Profit or Loss and Other Comprehensive Income	**56,517**	61,781
Closing balance	**184,287**	127,770
Total deferred tax assets	**564,648**	557,083

Notes to the Financial Statements

For the Year Ended 30 June 2015

7 Cash and cash equivalents

	2015 $	2014 $
Cash on hand	**1,337,825**	1,871,725
Deposits at call	**2,489,037**	812,496
	3,826,862	2,684,221

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows are reconciled to items in the statement of financial position as follows:

	Note	2015 $	2014 $
Cash and liquid assets		**3,826,862**	2,684,221
Held-to-maturity investments – short term	9(b)	**3,125,835**	3,430,979
Balance as per statement of cash flows		**6,952,697**	6,115,200

8 Trade and other receivables

	2015 $	2014 $
CURRENT		
Interest receivable	**30,156**	35,071
Other receivables	**127,332**	-
Total	**157,488**	35,071

All Trade and Other Receivables balance are currently within accepted trading terms.

9 Investments

(a) Investments

	2015 $	2014 $
Held-to-maturity investments	**5,228,424**	5,511,265
Shares in Indue Ltd	**45,000**	19,300
Total	**5,273,424**	5,530,565

Held-to-maturity investment are held with Australian Banks and an Australian registered ADI.

The Credit Union is required to hold share capital in Indue Ltd as Special Services Provider. These shares are not quoted on any stock exchange and therefore do not have a recognised market value. The shares are redeemable at par subject to the rules of Indue Ltd.

(b) Maturity analysis

	2015 $	2014 $
Not longer than 3 months	**2,925,835**	3,430,979
Longer than 3 months and not longer than 6 months	**252,159**	580,286
Longer than 6 months	**2,050,430**	1,500,000
No maturity specified	**45,000**	19,300
Total	**5,273,424**	5,530,565

Notes to the Financial Statements
For the Year Ended 30 June 2015

10 Loans and advances

(a) Details

	2015 $	2014 $
Term loans to third parties	**129,628**	146,229
Overdrawn accounts	**78,355**	69,820
	207,983	216,049
Provision for impairment	**(88,156)**	(76,443)
Total	**119,827**	139,606

(b) Term loans maturity analysis

The following table details the Credit Union's loans and advances exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Credit Union and the customer or counter party transaction. Loans and advances that are past due are assessed for impairment by ascertaining solvency of the customers and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Credit Union**.**

	2015 $	2014 $
Not longer than 3 months	**117,475**	97,867
Longer than 3 months and not longer than 6 months	**916**	16,879
Longer than 6 months not longer than 1 year	**5,754**	31,727
Longer than 1 year and not longer than 5 years	**83,838**	69,576
Total	**207,983**	216,049

(c) Provision for impairment

	2015 $	2014 $
Past due loans	**29,733**	28,626
Overdue savings accounts	**58,423**	47,817
Total	**88,156**	76,443

(d) Movements in Provision for impairment

	2015 $	2014 $
Opening balance	**76,443**	93,326
Bad and doubtful debts provided for/(recovered) during the year	**11,713**	(16,883)
Closing Balance	**88,156**	76,443

Notes to the Financial Statements

For the Year Ended 30 June 2015

10 Loans and advances continued

(d) Concentration of risk

The Credit Union has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'loans and advances' is considered to be the main source of credit risk related to the Credit Union.

On a geographical basis, the Credit Union has credit risk exposures in Darwin and remote regional Australia given the substantial operations in those regions. The Credit Union's exposure to credit risk for term loans to third parties at the end of the reporting period in those regions is as follows:

	2015	2014
	$	$
Alice Springs	**708**	-
Borroloola	**5,676**	5,203
Darwin	**72,265**	74,224
Galiwinku	**-**	987
Gapuwiyak	**9,327**	(86)
Gunbalanya	**-**	219
Katherine	**6,723**	1,998
Lajamanu	**-**	1,845
Maningrida	**-**	2,871
Minyerri	**12,371**	25,126
Ramingining	**480**	2,274
Tiwi Islands	**7,068**	9,407
Wadeye	**7,522**	13,036
Warruwi	**7,488**	9,125
Total	**129,628**	146,229

11 Property, plant and equipment

PLANT AND EQUIPMENT

	2015 $	2014 $
Furniture, fixtures and fittings		
At cost	**504,759**	494,580
Accumulated depreciation	**(378,305)**	(326,033)
Total furniture, fixtures and fittings	**126,454**	168,547
Motor vehicles		
At cost	**194,859**	81,580
Accumulated depreciation	**(56,097)**	(45,839)
Total motor vehicles	**138,762**	35,741
Computer equipment		
At cost	**470,269**	460,658
Accumulated depreciation	**(442,958)**	(405,200)
Total computer equipment	**27,311**	55,458
ATM equipment		
At cost	**243,153**	213,062
Accumulated depreciation	**(175,838)**	(106,256)
Total ATM equipment	**67,315**	106,806
Leasehold Improvements		
At cost	**875,570**	875,570
Accumulated amortisation	**(580,661)**	(383,563)
Total leasehold improvements	**294,909**	492,007
Total	**654,751**	858,559

11 Property, plant and equipment continued

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

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings $	Motor Vehicles $	Computer Equipment $	ATM Equipment $	Improvements $	Total $
Year ended 30 June 2015						
Balance at the beginning of year	**168,548**	**35,741**	**55,458**	**106,806**	**492,007**	**858,560**
Additions	**10,208**	**113,278**	**9,611**	**30,091**	**-**	**163,188**
Depreciation expense	**(52,302)**	**(10,257)**	**(37,758)**	**(69,582)**	**(197,098)**	**(366,997)**
Balance at the end of the year	**126,454**	**138,762**	**27,311**	**67,315**	**294,909**	**654,751**

	Furniture, Fixtures and Fittings $	Motor Vehicles $	Computer Equipment $	ATM Equipment $	Improvements $	Total $
Year ended 30 June 2014						
Balance at the beginning of year	200,277	40,955	65,838	140,634	508,095	955,799
Additions	21,338	-	31,142	35,931	189,894	278,305
Depreciation expense	(53,067)	(5,214)	(41,522)	(69,759)	(205,982)	(375,544)
Balance at the end of the year	168,548	35,741	55,458	106,806	492,007	858,560

Notes to the Financial Statements

For the Year Ended 30 June 2015

12 Intangible Assets

	2015 $	2014 $
Computer software, other		
Cost	**265,581**	263,656
Accumulated amortisation and impairment	**(249,653)**	(222,787)
Net carrying value	**15,928**	40,869
Internet banking system		
Cost	**14,399**	14,399
Accumulated amortisation and impairment	**(14,399)**	(14,399)
Net carrying value	**-**	-
Telephone banking system		
Cost	**63,550**	63,550
Accumulated amortisation and impairment	**(50,438)**	(43,286)
Net carrying value	**13,112**	20,264
Digital banking system (work-in-progress)		
Cost	**117,660**	-
Net carrying value	**117,660**	-
Visa debit card licence		
Cost	**64,822**	64,822
Accumulated amortisation and impairment	**(64,822)**	(64,822)
Net carrying value	**-**	-
BPAY licence		
Cost	**18,597**	18,597
Accumulated amortisation and impairment	**(18,597)**	(14,877)
Net carrying value	**-**	3,720
Total Intangibles	**146,700**	64,853

Notes to the Financial Statements

For the Year Ended 30 June 2015

12 Intangible Assets continued

Intangibles Reconciliation

	Computer software	Telephone banking system	Digital banking system	Visa debit card licence	BPAY licence	Total
	$	$	$	$	$	$
Year ended 30 June 2015						
Opening balance	**40,869**	**20,264**	**-**	**-**	**3,720**	**64,853**
Additions	**1,925**	**-**	**117,660**	**-**	**-**	**119,585**
Amortisation	**(26,866)**	**(7,152)**	**-**	**-**	**(3,720)**	**(37,738)**
Balance at 30 June 2015	**15,928**	**13,112**	**117,660**	**-**	**-**	**146,700**
Year ended 30 June 2014						
Opening balance	41,206	-	-	12,402	7,440	61,048
Additions	25,803	23,840	-	-	-	49,643
Amortisation	(26,140)	(3,576)	-	(12,402)	(3,720)	(45,838)
Balance at 30 June 2014	40,869	20,264	-	-	3,720	64,853

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of comprehensive income.

13 Other Assets

	2015	2014
	$	$
Current		
Prepayments	**140,674**	140,973
Power tokens post GST	**31,746**	32,073
Deposits paid	**-**	10,800
Leasehold property bond	**24,016**	17,569
Total	**196,436**	201,415

14 Trade and other payables

	2015	2014
	$	$
CURRENT		
Unsecured liabilities		
Other payables	**636,637**	317,697
Accrued interest payable	**18,187**	26,910
Total	**654,824**	344,607

15 Deposits

	2015 $	2014 $
CURRENT		
Term deposits	**2,666,819**	2,729,379
Call deposits	**3,685,205**	2,904,681
Members' shares	**19,694**	28,050
Total	**6,371,718**	5,662,110

(a) Maturity analysis

	2015 $	2014 $
On call	**3,476,518**	2,932,731
No longer than 3 months	**501,170**	647,798
Longer than 3 months not longer than 6 months	**253,017**	581,581
6 months or longer	**2,141,013**	1,500,000
Total	**6,371,718**	5,662,110

(b) Concentration of deposits (including overdrawn accounts)

	2015 $	2014 $
Alice Springs	**13,301**	13,293
Angurugu	**438,373**	292,202
Barunga	**(60)**	(42)
Beswick	**502**	317
Borroloola	**14,120**	188,446
Darwin	**2,818,058**	2,300,909
Galiwinku	**139,494**	259,212
Gapuwiyak	**32,902**	17,582
Gunbalanya	**145,381**	37,070
Hermannsburg	**836**	4,325
Katherine	**640,550**	603,209
Lajamanu	**983**	709
Maningrida	**120,462**	103,836
Milingimbi	**79,480**	72,967
Minyerri	**164,596**	45,134
Ngukurr	**21,280**	25,309
Numbulwar	**22**	27,170
Ramingining	**54,435**	51,682
Tennant Creek	**97,492**	42,160
Tiwi Islands	**23,641**	64,139
Wadeye	**1,435,253**	1,412,938
Warruwi	**52,248**	29,789
Yuendemu	**13**	(66)
Total	**6,293,362**	5,592,290

Notes to the Financial Statements
For the Year Ended 30 June 2015

16 Provisions

	2015 $	2014 $
Employee entitlements	**270,661**	261,763
Total	**270,661**	261,763

Analysis of total provisions

	2015 $	2014 $
Current	**209,230**	203,927
Non-current	**61,431**	57,836
Total	**270,661**	261,763

17 Other liabilities

	2015 $	2014 $
Unexpended grants	**718,877**	960,941
Unearned income	**3,155**	-
Total	**722,032**	960,941

18 Redeemable preference share reserve

	2015 $	2014 $
At the beginning of the reporting period	**22,546**	18,712
Transfer from retained earnings on share redemption	**3,038**	3,834
At the end of the reporting period	**25,584**	22,546

Under the Corporations Act 2001 (s254K), redeemable preference shares (members $2 shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of members shares redeemed since 1 July 2005 from retained earnings to the redeemable preference share reserve. The value of member shares for existing members is disclosed as a liability in Note 15.

Notes to the Financial Statements

For the Year Ended 30 June 2015

19 Reserves

	2015 $	2014 $
Capital reserve		
Opening balance	**575,000**	575,000
Total	**575,000**	575,000

(a) Capital reserve

The balance held in the capital reserve represents capital contributed on the establishment of the Credit Union.

20 Cash Flow Information

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

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

	2015 $	2014 $
Profit for the year	**275,467**	307,286
Non-cash flows in profit:		
- amortisation	**37,738**	45,838
- depreciation	**366,997**	375,544
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**(102,873)**	130,152
- (increase)/decrease in other assets	**5,216**	(116,641)
- (increase)/decrease in deferred tax receivable	**(7,565)**	(80,714)
- increase/(decrease) in trade and other payables	**318,941**	(174,093)
- increase/(decrease) in accrued interest payable	**(8,723)**	(19,660)
- increase/(decrease) in income taxes payable	**(196,520)**	143,937
- increase/(decrease) in employee benefits	**8,898**	9,425
- increase/(decrease) in other liabilities	**(238,909)**	(1,585,078)
Cashflow from operations	**458,667**	(964,004)

Notes to the Financial Statements
For the Year Ended 30 June 2015

21 Capital and Leasing Commitments

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2015 $	2014 $
Payable - minimum lease payments:		
- no later than one year	**544,832**	557,880
between 1 year and 5 years	**263,104**	716,663
Total	**807,936**	1,274,543

On 29 August 2011, the Credit Union entered into a lease for the rental of the Darwin Head Office at 9 Rowling St, Casuarina. This lease has a six year term, expiring on 28 August 2016, with an option to renew for a further four year period. The annual rental is $198,000 (GST inclusive).

On 5 November 2012, the Credit Union entered into a lease for the rental of the Alice Springs branch. This lease has a three year term, expiring on 4 November 2015, with an option to renew for a further four year period. The annual rental is $84,000 (GST inclusive).

On 1 February 2013, the Credit Union entered into a lease for the Katherine branch. This lease has a 5 year term, expiring on 31 January 2018, with an option to renew for a further three year period. The annual rental is $115,500 (GST inclusive).

On 16 April 2013, the Credit Union entered into a lease for the Tiwi Islands branch. This lease has a term of 3 years, expiring on 15 April 2016, with an option to renew for a further 2 year period. The annual rental is $35,200 (GST inclusive).

On 1 August 2013, the Credit Union entered into a lease for the Tennant Creek branch. This lease has a term of 2 years, expiring on 31 July 2015, recently extended to 30 September 2015. The annual rental is $25,740 (GST inclusive).

In 1 October 2013, the Credit Union entered into a lease for the Borroloola branch. This lease has a 3 year term, expiring on 30 September 2016, with an option to renew for a further three year period. The annual rental is $66,000 (GST inclusive).

On 13 November 2014, the Credit Union entered into a lease for the Milingimbi branch. This lease has a 20 month term, expiring on 30 June 2016. The annual rental is $9,410.

On 13 November 2014, the Credit Union entered into a lease for the Gapuwiyak branch. This lease has a 20 month term, expiring on 30 June 2016. The annual rental is $7,063.

On 13 November 2014, the Credit Union entered into a lease for the Ramingining branch. This lease has a 20 month term, expiring on 30 June 2016. The annual rental is $17,690.

On 1 July 2014, the Credit Union entered into a lease for the Ngukurr branch. This lease has a 2 year term, expiring on 30 June 2016, with an option to renew for a further two years. The annual rental is $15,600.

On 1 July 2014, the Credit Union entered into a lease for the Numbulwar branch. This lease has a 2 year term, expiring on 30 June 2016, with an option to renew for a further two years. The annual rental is $14,400.

On 23 October 2012, the Credit Union entered into a lease to house an ATM at Casuarina Shopping Square. This lease has a 3 year term, expiring on 22 October 2015. The annual rental is $12,500.

22 Financial Risk Management

Financial risk management policies

As part of its daily operations Traditional Credit Union Limited is exposed to a range of risks. The management of these risk exposures involves a number of activities including the identification of particular risks, quantifying the risk exposure, implementing procedures to control and mitigate the risks, and risk reporting.

The Credit Union has in place a risk management process. The board of directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Audit, Risk and Finance Committee to manage the risk management process, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures.

The risk management process involves establishing the context and the identification , analysis, treatment, communication and ongoing monitoring of risks. A risk management register has been established as part of the risk management process. The register enables structured and logical assessment and reporting of identified risks, including their consequences and likelihood and the assessment of established risk mitigation controls.

Traditional Credit Union Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Capital adequacy

The management of capital of a financial institution is a fundamental part of its risk management process, as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

As part of its risk management process Traditional Credit Union Limited incorporates an assessment of the combined risk exposure for operational market, credit and strategic risk.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Traditional Credit Union Limited and arises principally from Traditional Credit Union Limited's loans and advances.

It is Traditional Credit Union Limited’s policy that all credit dealing are only undertaken with credit worthy counterparties and lending to any family group is limited to $10,000 as a means of mitigating the risk of financial loss from defaults.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Credit Union recognises it has a significant concentration of credit risk in relation to bank accounts and credit securities, all of which are held with the National Australia Bank Limited, ANZ and Indue Limited. Details with respect to credit risk of Trade and Other Receivables are provided in Note 7.

Loans and advances that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 9.

Notes to the Financial Statements

For the Year Ended 30 June 2015

22 Financial Risk Management continued

(b) Liquidity risk

Liquidity risk arises from the possibility that Traditional Credit Union Limited might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Credit Union has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity and management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets and the daily calculation of liquid holdings.

APRA Prudential Standards place specific management and reporting requirements on credit unions in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holding basis.

The available funds to the Credit Union are discussed in note 7.

The Credit Union exceeded the minimum requirements at all times during the financial year.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial guarantee liabilities are treated as payable on demand since Traditional Credit Union Limited 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.

Financial liability maturity analysis - Non-derivative

	Within 1 Year		1 to 5 Years		Over 5 years		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Deposits	**6,389,905**	5,689,020	**-**	-	**-**	-	**6,389,905**	5,689,020
Trade and other payables	**432,454**	282,774	**-**	-	**-**	-	**432,454**	282,774
Total contractual outflows	**6,822,359**	5,971,794	**-**	-	**-**	-	**6,822,359**	5,971,794

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

22 Financial Risk Management continued

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

(c) 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. As Traditional Credit Union Limited does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Credit Union is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed by maintaining floating rate cash and floating rate debt.

The Credit Union also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit tems.

The weighted average interst rates of the Credit Union's interest bearing financial assets are as follows:

	2015 %	2014 %
Financial Assets		
Cash and cash equivalents	**0.93**	0.54
Short-term investments	**-**	-
- held-to-maturity investments	**3.15**	3.45
Loans receivable	**11.13**	12.07

Notes to the Financial Statements

For the Year Ended 30 June 2015

22 **Financial Risk Management continued**

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period.

An increase or decrease of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Equity		Profit or loss	
	2015	**2014**	**2015**	**2014**
100 basis point increase				
Financial assets				
Cash and cash equivalents	**38,268**	26,542	**38,268**	26,542
Loans and advances	**1,198**	1,396	**1,198**	1,396
Investments held to maturity	**52,734**	55,605	**52,734**	55,605
Financial liabilities				
Deposits	**(63,717)**	(56,621)	**(63,717)**	(56,621)
Net exposure	**28,483**	26,922	**28,483**	26,922

	Equity		Profit or loss	
	2015	**2014**	**2015**	**2014**
100 basis points decrease				
Financial assets				
Cash and cash equivalents	**(38,268)**	(26,542)	**(38,268)**	(26,542)
Loans and advances	**(1,198)**	(1,396)	**(1,198)**	(1,396)
Investments held to maturity	**(52,734)**	(55,605)	**(52,734)**	(55,605)
Financial liabilities				
Deposits	**63,717**	56,621	**63,717**	56,621
Net exposure	**(28,483)**	(26,922)	**(28,483)**	(26,922)

The net exposure at the end of the reporting period is representative of what Traditional Credit Union Limited was and is expecting to be exposed to at the end of the next twelve months.

The sensitivity analysis is performed on the same basis as in 2014.

22 **Financial Risk Management continued**

Fair Market Value Measurement

Fair value estimation

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table provides an analysis of Credit Union' assets grouped into levels 1 to 3 based on the degree to which the fair value is observable and can be compared to their carrying values as presented in the statement of financial position.

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There are no transfers between levels during 2014.

	Note	Carrying amount $	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2015						
Financial assets						
Loans and advances	Note 10	119,827	-		119,827	119,827
Held-to-maturity investments	Note 9	5,228,424	-	5,228,424	-	5,228,424
Total financial assets		**5,273,424**	**-**	**5,273,424**	**119,827**	**5,273,424**
Financial liabilities						
Term deposits	Note 15	2,666,819	-	-	2,666,819	2,666,819
Call deposits	Note 15	3,685,205	-	-	3,685,205	3,685,205
Total financial liabilities		**6,352,024**	**-**	**-**	**6,352,024**	**6,352,024**
30 June 2014						
Financial assets						
Loans and advances	Note 10	139,606	-		139,606	139,606
Held-to-maturity investments	Note 9	5,511,265	-	5,511,265	-	5,511,265
Total financial assets		5,650,871	-	5,511,265	139,606	5,650,871
Financial liabilities						
Term deposits	Note 15	2,729,379	-	-	2,729,379	2,729,379
Call deposits	Note 15	2,904,681	-	-	2,904,681	2,904,681
Total financial liabilities		5,634,060	-	-	5,634,060	5,634,060

The carrying value of loans is net of provision for impairment. All loans have variable rates, therefore the carrying amount at balance sheet date bears an interest rate that is within range of normal interest rates on similar loan products in the market and consequently fair value approximates the carrying amount.

Credit Union assumed that the carrying values approximate of held-to-maturity as these investments have maturity of less than a year. This assumption is also applied to term deposit liabilities and call deposit liabilities.

23 Directors and Executive Disclosures

(a) Details of Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

(i) Directors

The directors of the Credit Union throughout the year and at the date of this report are:

Micky Wunungmurra	Bunug Galaminda
David Djalangi	David Marpiyawuy
Iain Summers	Esther Pearce
David Knights	

Directors are not paid with remuneration.

(ii) Executives

The positions of executive management held during the year were as follows:

Cathy Hunt	-	Chief Executive Officer
John Appleby	-	General Manager Operations

(b) Executives' Remuneration

The totals of remuneration paid to the key management personnel of Traditional Credit Union Limited during the year are as follows:

	2015 $	2014 $
Short-term employee benefits - salaries	**247,132**	263,475
Long-term benefits – long service leave	**2,368**	(26,649)
Post-employment benefits – superannuation	**23,816**	22,507
Total	**273,316**	259,333

(c) Transactions with Key Management Personnel

A loan was held by David Djalanggi (Director), under normal terms and conditions.

Loans and advances

	2015 $	2014 $
Loans to directors:		
- beginning of the year	**990**	6,572
- loans repayment received	**(1,011)**	(6,160)
- interest charged	**21**	578
- end of the year	**-**	990

Apart for the transactions identified above, no other related party transactions have occurred during the year.

Notes to the Financial Statements

For the Year Ended 30 June 2015

24 Auditors' Remuneration

	2015 $	2014 $
Remuneration of the auditor of the parent entity, Merit Partners, for:		
- auditing or reviewing the financial statements	**24,250**	23,500
- audit of Australian Financial Services License	**6,500**	6,300
- audit of acquittal reports	**1,000**	1,790
- audit of prudential reports	**12,000**	11,600
Total	**43,750**	43,190

25 Events Occurring After the Reporting Date

On 1 July 2015, the Credit Union has requested Aboriginal Benefits Account (ABA) to extend the grant period to 30 June 2017 and to vary and approve the budget for financial years 2015-16 and 2016-17.

On 17 August 2015, ABA has requested the Credit Union to resubmit proposed budgets for the next two financial years that total of no more than $4,536,639. On 29 September 2015, the Credit Union has re-submitted the budget proposal to ABA. On 19 October 2015, ABA has advised the Credit Union that a request for extension of grant period for another year has been sent to the Delegate.

As of the date of this report, the Credit Union is awaiting for favourable response from the Delegate.

Except for the above, there are no other transactions or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Credit Union, the results of those operations or the state of affairs of the Credit Union in future financial years.

26 Brach Locations

The company has operational branches in the following remote and regional centres

- Alice Springs
- Borroloola
- Galiwinku
- Gapuwiyak
- Gunbalanya
- Katherine
- Maningrida
- Milingimbi
- Minyerri
- Ngukurr
- Numbulwar
- Ramingining
- Tennant Creek
- Tiwi Islands
- Wadeye
- Warruwi

Directors' Declaration

The directors of the entity declare that:

1. the financial statements and notes for the year ended 30 June 2015 are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards; and

   b. give a true and fair view of the financial position and performance of the Company;

2. In the directors' opinion, there are reasonable grounds to believe that the Company 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 of Directors.

Director ..... Paul Summers ....

Dated 29 October, 2015

merit
chartered accountants

Independent auditor's report to the members of Traditional Credit Union Limited

We have audited the accompanying financial report of Traditional Credit Union Limited ("the Company"), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Auditor's Opinion

In our opinion, the financial report of Traditional Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Traditional Credit Union Limited as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Merit Partners

Merit Partners

Matthew Kennon
Partner

Darwin
Date: 29 October 2015