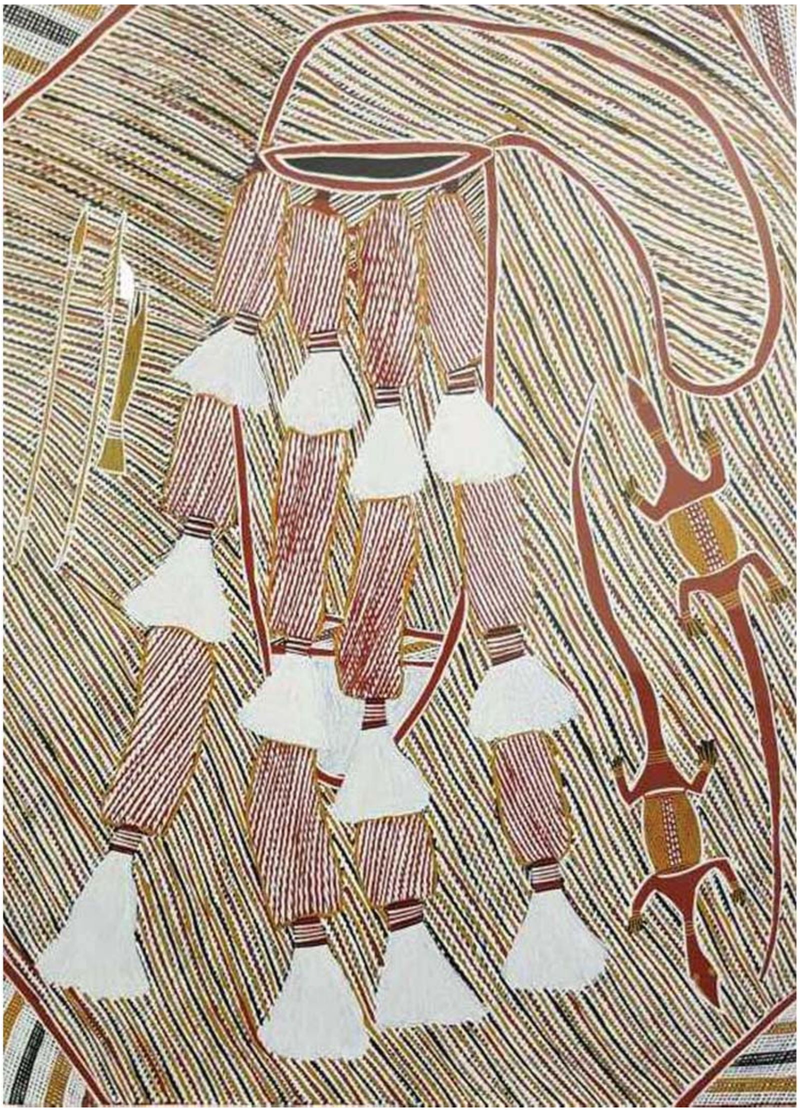
2016 Annual Report



Chairman's and Chief Executive Officer's Report

Our Purpose

Be the leading provider of personalised banking services to First Nations people and organisations

Our Values

- Respect Culture
- Walk Together
- Care for Members

Our Objectives

1. Provide banking services to First Nations people in remote and regional areas of Northern and Central Australia
2. Provide financial and digital literacy information
3. Provide Indigenous employment and training though our remote branches.

Our operating environment continues to be both challenging and demanding.

We have made some hard decisions this year which has resulted in some major changes in our operating model to ensure our on-going sustainability. We now have 8 'cashless' branches operating. These branches provide the following services:

- Open accounts
- Issue new and replacement cards
- Loan applications
- Member account maintenance

All these branches have a TCU ATM in the community that allows members to withdraw cash with no fees.

This has seen a good financial result of an after tax profit of $509k and with the assistance of the Aboriginal Benefits account should continue into the next financial year. Despite the tough economic environment, our team has continued to work toward our vision of being *"The First Nations banking specialists".*

We launched our new Mobile Banking app in November 2015, which allows our members to access their balances, pay bills and transfer money to family more conveniently on their smart phones. There has been a slow uptake of this but we continue to travel to our remote locations to provide education and training in digital literacy.

Human Resources and Training

TCU provides employment and training in remote Aboriginal communities where jobs are scarce. Financial Literacy education is embedded in our employment and training strategy for all employees. Our employees are our key asset and can deliver culturally appropriate services in their own language to our members. Our employees embrace the opportunities to contribute to their community through delivery of our services to first nation peoples.

All TCU employees participate in a wide variety of training programs throughout the year to develop and maintain skills and knowledge that increase job satisfaction and provide internal promotion opportunities and to keep up with industry changes. 40 new employees engaged in structured and tailored Induction, Compliance and Member Service Officer Skills training. 18 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 6, a further 6 employees awarded with Statements of Attainment for partial completion of the qualification.

Employees

As at 30th June 2016, Traditional Credit Union had a workforce of 69 employees in the following categories: 22 Full Time, 29 Part Time, and 18 Casual. Of these employees, 25% are mature age, 9% are long term (10+) years, 78% are Indigenous, with 100% local indigenous employment in remote branches.

Directors

We 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.

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.

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

Cathy Hunt
Chief Executive Officer

Micky Wunungmurra
Chairman

Directors' report

The Directors present their report together with the financial report of Traditional Credit Union (the "Credit Union), for the year ended 30 June 2016 and the Auditor's Report thereon.

Corporate Information

Traditional Credit Union is an Australian Public Company and registered under the Corporations Act 2001. It is a mutual entity with the core purpose of benefitting its members.

The Credit Union is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. The Credit Union is also supervised by the Australian Securities & Investments Commission (ASIC) under the Corporations Act 2001, and holds an Australian Financial Licence and a Credit Licence.

Directors

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 and Experience
Micky Wunungmurra Non-Executive Chair	Micky is a Traditional Owner from Gapuwiyak, Lake Evella.
David Djalangi Non-Executive Director	David is a senior Traditional Owner from Galiwin'ku, Elcho Island.
David Marpiyawuy Non-Executive Director	David is a Traditional Owner from the Milingimbi Community.
Bunug Galaminda Non-Executive Director	Bunug is a Traditional Owner from Warruwi Community, Goulburn Island.
Esther Pearce Non-Executive Director	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. Esther resigned as Director of TCU on 6 November 2015.
Iain Summers Non-Executive Director	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 Non-Executive Director	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.

Elsbeth Torelli Non-Executive Director	Elsbeth was appointed as a Director of TCU on 27 February 2016. She is the Executive Manager – Risk and Governance of Victoria Teachers Mutual Bank. She has over 30 years of experience in the mutual banking sector and actively involved in the industry as a director of Australasian Mutuals Institute Ltd.
Sharyn Innes Non-Executive Director	Sharyn was appointed as Director of TCU on 27 February 2016. She is currently the Director of Sharyn Innes Consultancies. She has 28 years in management/directors roles, holding positions in commercial, non-profit and voluntary organisations. She has multi-disciplinary experience in tourism, business, governance, and building design and construction industries.

Pictured left to right:
Micky Wunungmurra (Chair) , Richard Bandalil (Observer), Sharyn Innes, David Knights, Elsbeth Torelli, David Djalangi, Iain Summers, Bunug Galaminda

Company Secretary

Cathy Hunt, the Credit Union's Chief Executive Officer was appointed to the position of Company Secretary. Cathy has been in the financial services industry for 36 years commencing with the Commonwealth bank in 1979.

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 2016.

Review of Operations

The Credit Union recorded a profit after tax for the year ended 30 June 2016 of $509k (2015: $275k).

The total balance sheet assets of the Credit Union were $10.063 million, representing a decrease of $911k (8%) from 30 June 2015. Total balance sheet liabilities for year ended 30 June 2016 were $6.598 million (2015: $8.019 million), a decrease of $1.421 million (17%) and member deposits reduced to $ 3.849 million (2015: 6.372 million), representing a portfolio decrease of 40%). For further analysis of the financial performance refer to the Chair's and Chief Executive Officer's report commencing on page 3.

Dividends

The Credit Union's Constitution prohibits the payment of dividends on member shares.

State of Affairs

In the opinion of the Directors, there have been no significant change in the state of affairs of the Credit Union that occurred during the financial year under review not otherwise disclosed in this report or the financial statements

Events Subsequent to Balance Date

There are no transactions or events of a material nature likely, in the opinion of the Directors, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union, in the subsequent financial year.

Likely Developments

Further information as to likely developments in the operations of the Credit Union and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of such information is likely to result in unreasonable prejudice to the Credit Union.

Director's Interests

None of the above Directors have declared any interest in existing or proposed contracts with Credit Union during the financial year ended 30 June 2016 and to the date of this report.

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 Meetings	
	Eligible to Attend	Attended
Micky Wunungmurra	5	3
David Djalangi	5	5
David Marpiyawuy	5	2
Bunug Galaminda	5	5
Iain Summers	5	5
David Knights	5	5
Esther Pearce	2	2
Elsbeth Torelli	2	2
Sharyn Innes	2	2

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 Darwin, this 26th day of October, 2016
in accordance with a resolution of the Board of Directors of the Credit Union.

Micky Wunungmurra	Iain Summers
Chair	**Director**

merit
chartered accountants

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 2016, 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: 26 October 2016

Traditional Credit Union Limited

Financial Statements

For the Year Ended 30 June 2016

Contents

For the Year Ended 30 June 2016

Traditional Credit Union Limited

Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Interest revenue		177,130	205,440
Interest expense		(58,827)	(105,207)
Net interest revenue		118,303	100,233
Non-interest revenue	3	6,899,022	7,301,495
Total revenue		7,017,325	7,401,728
Bad debt (expenses)/recovery	4(a)	(19,021)	(13,381)
Depreciation and amortisation expense	4(b)	(437,663)	(404,735)
Employee benefits expense	4(c)	(2,916,288)	(3,517,739)
Other operating expenses	4(d)	(2,917,554)	(3,073,364)
Total expenses		6,290,526	7,009,219
Profit before income tax		726,799	392,509
Income tax expense	5	(217,451)	(117,042)
Profit for the year		509,348	275,467
Other comprehensive income		-	-
Total comprehensive income/(loss) attributed to members		509,348	275,467

The accompanying notes form part of these financial statements.

Statement of Financial Position

30 June 2016

	Note	2016 $	2015 $
ASSETS			
Cash and cash equivalents	7	**2,506,003**	3,826,862
Trade and other receivables	8	**31,150**	157,488
Investments	9	**5,939,275**	5,273,424
Loans and advances	10	**75,079**	119,827
Current tax receivable	6(a)	**-**	34,404
Deferred tax assets	6(b)	**622,509**	564,648
Property, plant and equipment	11	**468,443**	654,751
Intangible assets	12	**230,503**	146,700
Other assets	13	**190,159**	196,436
TOTAL ASSETS		**10,063,121**	10,974,540
LIABILITIES			
Deposits	15	**3,849,430**	6,371,718
Trade and other payables	14	**574,182**	654,824
Current tax liabilities	6(a)	**153,487**	-
Provisions	16	**284,797**	270,661
Other liabilities	17	**1,736,572**	722,032
TOTAL LIABILITIES		**6,598,468**	8,019,235
NET ASSETS		**3,464,653**	2,955,305
EQUITY			
Redeemable Preference Share Reserve	18	**29,620**	25,584
Reserves	19	**575,000**	575,000
Retained earnings		**2,860,033**	2,354,721
TOTAL EQUITY		**3,464,653**	2,955,305

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2016

2016

	Redeemable Preference Share Reserve $	Retained Earnings $	Capital Reserve $	Total $
Balance at 1 July 2015	**25,584**	**2,354,721**	**575,000**	**2,955,305**
Profit attributable to members of the entity	-	**509,348**	-	**509,348**
Transfer from retained earnings to reserves	**4,036**	**(4,036)**		
Balance at 30 June 2016	**29,620**	**2,860,033**	**575,000**	**3,464,653**

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

Statement of Cash Flows

For the Year Ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Fees received		**4,918,884**	3,973,396
Grants received		**2,693,887**	2,529,190
Other income received		**424,090**	414,765
Interest received		**180,630**	210,355
Dividends received		**1,962**	2,382
Net decrease in loans and advances		**22,989**	21,919
Payment to employee and suppliers		**(5,869,372)**	(6,258,286)
Interest paid		**(76,528)**	(113,930)
Income tax paid		**(87,421)**	(321,126)
Net increase/(decrease) in on-call deposits and withdrawable members' shares		**11,598**	772,168
Net cash provided by operating activities	20	**2,220,719**	1,230,833
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease /(increase) in held-to-maturity investment		**748,062**	(222,303)
Acquisition of property, plant and equipment		**(396,841)**	(282,773)
Proceeds from sale of property plant and equipment		**55,000**	-
Acquisition of shares		**-**	(25,700)
Net cash provided by/(used in) investing a activities		**406,221**	(530,776)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in term deposits		**(2,533,886)**	(62,560)
Net cash used in financing activities		**(2,533,886)**	(62,560)
Net increase/(decrease) in cash and cash equivalents held		**93,054**	637,497
Cash and cash equivalents at beginning of year		**6,752,697**	6,115,200
Cash and cash equivalents at end of financial year	7	**6,845,751**	6,752,697

The accompanying notes form part of these financial statements.

1. Corporate Information

The financial statements of Traditional Credit Union Limited (the "Credit Union"), for the year ended 30 June 2016 were authorised in accordance with a resolution by the Directors on 26th October 2016.

The Credit Union is domiciled in Australia.

The principle activities of the Credit Union for the year ended 30 June 2016 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 the 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

No accounting standards had been adopted earlier than the applicable dates as stated in the standard.

New standards, revised standards, interpretations or amending standards issued prior to sign-off date applicable to the current reporting period did not have a financial impact on the Credit Union and are not expected to have future financial impact on TCU.

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 2016, 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.

Standards/Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments, and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
IFRS 16 Leases	1 January 2019	30 June 2019
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle – AASB7 and AASB119	1 January 2016	30 June 2017
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101 – Presentation of Financial statements	1 January 2016	30 June 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 Jun 2018

Notes to the Financial Statements
For the Year Ended 30 June 2016

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 upon provision of services.

(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 the 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 loss
- 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.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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 cash-generating unit (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 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.

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 2016

3 Non-interest revenue

	2016 $	2015 $
Grants received		
Commonwealth - ABA expansion	**1,562,715**	1,967,433
Commonwealth - ABA visa debit cards	**11,898**	6,951
Commonwealth – Well	**-**	82,453
Commonwealth - ABA fee income subsidy	**-**	457,180
NT Government - indigenous response funding	**23,440**	31,560
NT Government - User choice program	**81,609**	89,291
NT Government - IWPIP program	**-**	95,754
NT Government – ITEP	**-**	36,052
NT Government - NT equity training grant	**-**	1,425
Total Grants received	**1,679,662**	2,768,099
Other non-interest revenue		
Revenue from fees and commission	**4,899,032**	3,973,396
Recoveries of bad and doubtful debts	**17,114**	15,521
Other operating revenue	**303,214**	544,479
Total Other non-interest revenue	**5,219,360**	4,533,396
Total non-interest revenue	**6,899,022**	7,301,495

Notes to the Financial Statements

For the Year Ended 30 June 2016

4 Expenditure

(a) Bad and doubtful debts

	2016 $	2015 $
Bad debts – loans	**5,423**	1,668
Doubtful debts expense	**13,598**	11,713
Total Bad and doubtful debts expense / (recovery)	**19,021**	13,381

(b) Depreciation, Impairment and amortisation

	2016 $	2015 $
Depreciation	**402,532**	366,997
Amortisation	**35,131**	37,738
Total Depreciation, impairment and amortisation	**437,663**	404,735

(c) Employment expenses

	2016 $	2015 $
Employee benefits		
Salaries and wages	**2,483,416**	2,992,255
Superannuation	**255,526**	341,791
Other	**82,227**	106,178
Total employee benefits	**2,821,169**	3,440,224
Other employee expenses		
Payroll tax	**83,661**	59,295
Workers compensation insurance	**11,458**	18,220
Total employment expenses	**2,916,288**	3,517,739

(d) Other expenses

	2016 $	2015 $
Fees and commission expenses	**647,387**	507,656
Computer costs	**396,124**	355,021
Rental - operating leases	**579,781**	594,744
Other occupancy costs	**206,630**	210,716
Administration expenses	**369,412**	528,621
Insurance expense	**130,071**	132,624
Business development expenses	**135,380**	190,441
Travel costs	**305,920**	324,861
Audit fees	**99,136**	74,670
Other expenses	**47,713**	154,010
Total other expenses	**2,917,554**	3,073,364

Notes to the Financial Statements

For the Year Ended 30 June 2016

5 Income Tax Expense

(a) The components of tax expense comprise:

	2016 $	2015 $
Current tax expense		
Current income tax expense	**275,244**	124,608
Income tax - recognised in current tax for prior periods	**67**	-
Deferred tax expense		
Originating and reversing temporary timing differences	**(57,860)**	(7,566)
Total income tax expense	**217,451**	117,042

(b) Reconciliation of income tax to accounting profit:

	2016 $	2015 $
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)	**218,040**	117,756
Add:		
Tax effect of:		
- Imputation credits	**252**	306
Less:		
Tax effect of:		
- rebateable fully franked dividends	**(841)**	(1,020)
Income tax expense	**217,451**	117,042

6 Current and Deferred Tax

(a) Current Tax Assets and Liabilities

	2016 $	2015 $
Current tax receivables	**0**	34,404
Current tax receivables	**0**	34,404
Current tax liabilities	**153,487**	0
Current tax liabilities	**153,487**	**0**

(b) Deferred Tax Assets

	2016 $	2015 $
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Payables and accruals		
Opening balance	**272,716**	327,851
Credited to/(debited from) the Statement of Comprehensive Income	**4,290**	(55,135)
Closing balance	**277,006**	272,716
Doubtful debts		
Opening balance	**26,447**	22,933
Credited to/(debited from) the Statement of Comprehensive Income	**4,079**	3,514
Closing balance	**30,526**	26,447
Employee entitlements		
Opening balance	**81,198**	78,529
Credited to/(debited from) the Statement of Comprehensive Income	**4,242**	2,669
Closing balance	**85,440**	81,198
Accelerated capital allowance for tax purposes		
Opening balance	**184,287**	127,770
Credited to/(debited from) the Statement of Comprehensive Income	**45,250**	56,517
Closing balance	**229,537**	184,287
Total deferred tax assets	**622,509**	564,648

Notes to the Financial Statements
For the Year Ended 30 June 2016

7 Cash and cash equivalents

	2016 $	2015 $
Cash on hand	**803,354**	1,337,825
Deposits at call	**1,702,649**	2,489,037
	2,506,003	3,826,862

(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	2016 $	2015 $
Cash and liquid assets		**2,506,003**	3,826,862
Held-to-maturity investments – short term	9(b)	**4,339,748**	2,925,835
Balance as per statement of cash flows		**6,845,751**	6,752,697

8 Trade and other receivables

	2016 $	2015 $
CURRENT		
Interest receivable	**26,656**	30,156
Other receivables	**4,494**	127,332
Total	**31,150**	157,488

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

9 Investments

(a) Investments

	2016 $	2015 $
Held-to-maturity investments	**5,894,275**	5,228,424
Shares in Indue Ltd	**45,000**	45,000
Total	**5,939,275**	5,273,424

Held-to-maturity investments 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

	2016 $	2015 $
Not longer than 3 months	**4,339,748**	2,925,835
Longer than 3 months and not longer than 6 months	**954,527**	252,159
Longer than 6 months	**600,000**	2,050,430
No maturity specified	**45,000**	45,000
Total	**5,939,275**	5,273,424

Notes to the Financial Statements
For the Year Ended 30 June 2016

10 Loans and advances

(a) Details

	2016 $	2015 $
Term loans to third parties	**78,208**	129,628
Overdrawn accounts	**98,624**	78,355
	176,832	207,983
Provision for impairment	**(101,753)**	(88,156)
Total	**75,079**	119,827

(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 to the 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.

	2016 $	2015 $
Not longer than 3 months	**134,074**	117,475
Longer than 3 months and not longer than 6 months	**8,075**	916
Longer than 6 months not longer than 1 year	**12,589**	5,754
Longer than 1 year and not longer than 5 years	**22,094**	83,838
Total	**176,832**	207,983

(c) Provision for impairment

	2016 $	2015 $
Past due loans	**27,131**	29,733
Overdue savings accounts	**74,622**	58,423
Total	**101,753**	88,156

(d) Movements in Provision for impairment

	2016 $	2015 $
Opening balance	**88,156**	76,443
Bad and doubtful debts provided for/(recovered) during the year	**13,597**	11,713
Closing Balance	**101,753**	88,156

Notes to the Financial Statements

For the Year Ended 30 June 2016

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**:**

	2016 $	2015 $
Alice Springs	-	708
Borroloola	**1,524**	5,676
Darwin	**45,256**	72,265
Gapuwiyak	**7,319**	9,327
Katherine	**2,409**	6,723
Minyerri	**4,679**	12,371
Ramingining	**4,238**	480
Tiwi Islands	**4,504**	7,068
Wadeye	**2,803**	7,522
Warruwi	**5,476**	7,488
Total	**78,208**	129,628

Notes to the Financial Statements

For the Year Ended 30 June 2016

11 Property, plant and equipment

PLANT AND EQUIPMENT

	2016 $	2015 $
Furniture, fixtures and fittings		
At cost	**482,393**	504,759
Accumulated depreciation	**(403,349)**	(378,305)
Total furniture, fixtures and fittings	**79,044**	126,454
Motor vehicles		
At cost	**173,971**	194,859
Accumulated depreciation	**(39,268)**	(56,097)
Total motor vehicles	**134,703**	138,762
Computer equipment		
At cost	**510,897**	470,269
Accumulated depreciation	**(465,497)**	(442,958)
Total computer equipment	**45,400**	27,311
ATM equipment		
At cost	**356,829**	243,153
Accumulated depreciation	**(234,889)**	(175,838)
Total ATM equipment	**121,940**	67,315
Leasehold Improvements		
At cost	**902,698**	875,570
Accumulated amortisation	**(815,342)**	(580,661)
Total leasehold improvements	**87,356**	294,909
Total	**468,443**	654,751

Notes to the Financial Statements

For the Year Ended 30 June 2016

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 2016						
Balance at the beginning of year	**126,454**	**138,762**	**27,311**	**67,315**	**294,909**	**654,751**
Additions	**3,000**	**90,087**	**43,648**	**113,676**	**27,496**	**277,907**
Disposals	**-**	**(61,682)**	**-**	**-**	**-**	**(61,682)**
Depreciation expense	**(50,410)**	**(32,464)**	**(25,559)**	**(59,051)**	**(235,049)**	**(402,533)**
Balance at the end of the year	**79,044**	**134,703**	**45,400**	**121,940**	**87,356**	**468,443**

	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

Notes to the Financial Statements

For the Year Ended 30 June 2016

12 Intangible Assets

	2016 $	2015 $
Computer software, other		
Cost	**361,877**	265,581
Accumulated amortisation and impairment	**(263,817)**	(249,653)
Net carrying value	**98,060**	15,928
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	**(57,590)**	(50,438)
Net carrying value	**5,960**	13,112
Digital banking system		
Cost	**79,528**	-
Accumulated amortisation and impairment	**(13,103)**	-
Net carrying value	**66,425**	-
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)**	(18,597)
Net carrying value	**-**	-
Work-in progress		
Cost	**60,058**	117,660
Net carrying value	**60,058**	117,660
Total Intangibles	**230,503**	146,700

12 Intangible Assets continued

Intangibles Reconciliation

	Computer software	Telephone banking system	Digital banking system	BPAY licence	Work-in Progress	Total
	$	$	$	$	$	$
Year ended 30 June 2016						
Opening balance	**15,928**	**13,112**	**-**	**-**	**117,660**	**146,700**
Additions	**97,008**	**-**	**7,243**	**-**	**14,683**	**118,934**
Transfers	**-**	**-**	**72,285**	**-**	**(72,285)**	**-**
Amortisation	**(14,876)**	**(7,152)**	**(13,103)**	**-**	**-**	**(35,131)**
Balance at 30 June 2016	**98,060**	**5,960**	**66,425**	**-**	**60,058**	**230,503**
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

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

	2016	2015
	$	$
CURRENT		
Prepayments	**125,068**	140,674
Power tokens post GST	**25,555**	31,746
Deposit	**20,000**	
Leasehold property bond	**19,463**	24,016
Others	**73**	-
Total	**190,159**	196,436

14 Trade and other payables

	2016	2015
	$	$
CURRENT		
Unsecured liabilities		
Other payables	**573,696**	636,637
Accrued interest payable	**486**	18,187
Total	**574,497**	654,824

Notes to the Financial Statements

For the Year Ended 30 June 2016

15 Deposits

	2016 $	2015 $
CURRENT		
Term deposits	**132,933**	2,666,819
Call deposits	**3,697,023**	3,685,205
Members' shares	**19,474**	19,694
Total	**3,849,430**	6,371,718

(a) Maturity analysis

	2016 $	2015 $
On call	**3,716,497**	3,704,899
No longer than 3 months	**78,405**	364,466
Longer than 3 months not longer than 6 months	**54,528**	253,017
6 months or longer	**-**	2,049,336
Total	**3,849,430**	6,371,718

(b) Concentration of deposits (including overdrawn accounts)

	2016 $	2015 $
Alice Springs	**19,485**	13,301
Angurugu	**331,073**	438,373
Barunga	**(50)**	(60)
Beswick	**119**	502
Borroloola	**11,285**	14,120
Darwin	**663,950**	2,818,058
Galiwinku	**326,238**	139,494
Gapuwiyak	**85,973**	32,902
Gunbalanya	**18,901**	145,381
Hermannsburg	**1,294**	836
Katherine	**42,787**	640,550
Lajamanu	**1,272**	983
Maningrida	**141,818**	120,462
Milingimbi	**101,802**	79,480
Minyerri	**11,606**	164,596
Ngukurr	**30,280**	21,280
Numbulwar	**112,827**	22
Ramingining	**50,576**	54,435
Tennant Creek	**51,249**	97,492
Tiwi Islands	**23,883**	23,641
Wadeye	**1,704,769**	1,435,253
Warruwi	**19,753**	52,248
Yuendemu	**(83)**	13
Total	**3,750,807**	6,293,362

Notes to the Financial Statements
For the Year Ended 30 June 2016

16 Provisions

	2016 $	2015 $
Employee entitlements	**284,797**	270,661
Total	**284,797**	270,661

Analysis of total provisions

	2016 $	2015 $
Current	**202,170**	209,230
Non-current	**82,627**	61,431
Total	**284,797**	270,661

17 Other liabilities

	2016 $	2015 $
Unexpended grants	**1,736,572**	718,877
Unearned income	**-**	3,155
Total	**1,736,572**	722,032

18 Redeemable preference share reserve

	2016 $	2015 $
At the beginning of the reporting period	**25,584**	22,546
Transfer from retained earnings on share redemption	**4,036**	3,038
At the end of the reporting period	**29,620**	25,584

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 2016

19 Reserves

	2016 $	2015 $
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:

	2016 $	2015 $
Profit for the year	**509,348**	275,467
Non-cash flows in profit:		
- amortisation	**35,131**	37,738
- depreciation	**402,532**	366,997
- loss on sale of property, plant and equipment	**6,683**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**126,338**	(122,417)
- decrease in loans and advances	**44,748**	19,779
- decrease in other assets	**6,277**	4,979
- increase in deferred tax assets	**(57,861)**	(7,565)
- increase/(decrease) in trade and other payables	**(80,327)**	310,217
- increase/(decrease) in income taxes payable	**187,891**	(196,519)
- increase in deposits	**11,598**	772,168
- increase in employee benefits	**14,136**	8,898
- increase/(decrease) in other liabilities	**1,014,225**	(238,909)
Cashflow from operations	**2,220,719**	1,230,833

21 Capital and Leasing Commitments

(a) Operating lease commitments

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

	2016 $	2015 $
Payable - minimum lease payments:		
- no later than one year	**267,191**	544,832
between 1 year and 5 years	**111,913**	263,104
Total	**379,104**	807,936

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 $211,601 (GST inclusive).

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, which expired on 22 October 2015. The lease was renewed for another one year term ending 23 October 2016. The annual rental is $7,580 (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 current annual rental is $129,921 (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 current annual rental is $68,020 (GST inclusive).

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 lease was renewed for another 2 year term ending 30 June 2018. The current annual rental rate is 16,300 (GST inclusive).

On 1 July 2014, the Credit Union entered into a lease for the Numbulwar branch. This lease has a 2 year term, which expired on 30 June 2016, with an option to renew for a further two years. The lease was renewed for another 2 year term ending 30 June 2018. The current annual rental rate is 15,120 (GST inclusive)

On 13 November 2014, the Credit Union entered into a lease for the Milingimbi branch. This lease has a 20 month term, which expired on 30 June 2016. The lease was renewed for another one year term ending 30 June 2017. The annual rental is (GST inclusive) $9,410.

On 13 November 2014, the Credit Union entered into a lease for the Gapuwiyak branch. This lease has a 20 month term, which expired on 30 June 2016. The lease was renewed for another one year term ending 30 June 2017. The annual rental is $7,063 (GST inclusive).

On 13 November 2014, the Credit Union entered into a lease for the Ramingining branch. This lease has a 20 month term, which expired on 30 June 2016. The lease was renewed for another one year term ending 30 June 2017. The current annual rental is $17,690 (GST inclusive).

On 5 October 2015, the Credit Union entered into a lease for the rental of the Alice Springs branch. This lease has a one year term, expiring on 4 October 2016. The current annual rental is $17,562 (GST inclusive).

On 1 Jul 2016, the Credit Union entered into a lease for the Galiwinku branch. This lease has a 12 month term, expiring on 30 June 2017. The annual current rental is $10,333 (GST inclusive).

22 Financial Risk Management

Financial risk management policies

As part of its daily operations Credit Union 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.

The 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 the 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 the Credit Union Limited and arises principally from the Credit Union's loans and advances.

It is the 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 2016

22 Financial Risk Management continued

(b) Liquidity risk

Liquidity risk arises from the possibility that the 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 the Credit Union 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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Deposits	**3,849,430**	6,371,718	**-**	-	**-**	-	**3,849,430**	6,371,718
Trade and other payables	**323,709**	432,454	**-**	-	**-**	-	**323,709**	432,454
Total contractual outflows	**4,173,139**	6,804,172	**-**	-	**-**	-	**4,173,139**	6,804,172

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

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   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 terms.

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

	2016 %	2015 %
Financial Assets		
Cash and cash equivalents	**0.93**	0.93
Short-term investments		-
- held-to-maturity investments	**2.60**	3.15
Loans receivable	**8.48**	11.13

Notes to the Financial Statements

For the Year Ended 30 June 2016

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	
	2016	**2015**	**2016**	**2015**
100 basis point increase				
Financial assets				
Cash and cash equivalents	**25,060**	**38,268**	**25,060**	**38,268**
Loans and advances	**751**	**1,198**	**751**	**1,198**
Investments held to maturity	**59,393**	**52,734**	**59,393**	**52,734**
Financial liabilities				
Deposits	**(38,494)**	**(63,717)**	**(38,494)**	**(63,717)**
Net exposure	**46,710**	**28,483**	**46,710**	**28,483**

	Equity		Profit or loss	
	2016	**2015**	**2016**	**2015**
100 basis points decrease				
Financial assets				
Cash and cash equivalents	**(25,060)**	**(38,268)**	**(25,060)**	**(38,268)**
Loans and advances	**(751)**	**(1,198)**	**(751)**	**(1,198)**
Investments held to maturity	**(59,393)**	**(52,734)**	**(59,393)**	**(52,734)**
Financial liabilities				
Deposits	**38,494**	**63,717**	**38,494**	**63,717**
Net exposure	**(46,710)**	**(28,483)**	**(46,710)**	**(28,483)**

The net exposure at the end of the reporting period is a measure of the change in the Credit Union's earnings over a full year due to a 1% increase or decrease in interest rates assuming assets, liabilities and capital remain constant over the period. The interest rates on the major proportion of these assets and liabilities can be adjusted in the short-term to minimise any significant impact.

The sensitivity analysis is performed on the same basis as in 2015.

Notes to the Financial Statements
For the Year Ended 30 June 2016

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 the 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 in 2015 and 2016.

	Note	Carrying amount $	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2016						
Financial assets						
Loans and advances	Note 10	75,079	-		75,079	75,079
Held-to-maturity investments	Note 9	5,894,275	-	5,894,275	-	5,894,275
Total financial assets		**5,969,354**	**-**	5,894,275	75,079	**5,969,354**
Financial liabilities						
Term deposits	Note 15	132,933	-	-	132,933	132,933
Call deposits	Note 15	3,697,023	-	3,697,023	-	3,697,023
Total financial liabilities		**3,829,956**	**-**	3,697,023	132,933	**3,829,956**
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		**5,348,251**	-	**5,228,424**	**119,827**	**5,348,251**
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**

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.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

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	Esther Pearce (resigned on 6 Nov 2015)
David Djalangi	David Marpiyawuy	
Iain Summers	Elsbeth Torelli (appointed on 27 Feb 2016)	
David Knights	Sharyn Innes (appointed on 27 Feb 2016)	

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 Credit Union Limited during the year are as follows:

	2016 $	2015 $
Short-term employee benefits - salaries	**258,588**	247,132
Long-term benefits – long service leave	**6,588**	2,368
Post-employment benefits – superannuation	**24,125**	23,816
Total	**289,301**	273,316

(c) Transactions with Key Management Personnel

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

Loans and advances

	2016 $	2015 $
Loans to directors:		
- beginning of the year	-	990
- loans repayment received	-	(1,011)
- interest charged	-	21
- end of the year	-	-

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

24 Auditors' Remuneration

	2016 $	2015 $
Remuneration of the auditor of the Company, Merit Partners, for:		
- auditing or reviewing the financial statements	**25,000**	24,250
- audit of Australian Financial Services Licence	**6,500**	6,500
- audit of ABA acquittal reports	**1,000**	1,000
- audit of prudential reports	**12,500**	12,000
Total	**45,000**	43,750

25 Events Occurring After the Reporting Date

There are no transactions or circumstances have arisen since the end of the financial year which 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.

Notes to the Financial Statements
For the Year Ended 30 June 2016

26 Branch 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 Credit Union declare that:

1. the financial statements and notes of the Credit Union for the year ended 30 June 2016 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 Credit Union;

2. In the directors' opinion, there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

Signed in Darwin this 26th day of October, 2016
in accordance with a resolution of the Board of Directors of the Credit Union.

Micky Wunungmurra
Chair

Iain Summers
Director

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 2016, 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.

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 2016 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: 26 October 2016