2017 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.

Traditional Credit Union is to us an essential "Social Enterprise" as well as a Credit Union; a place for our Members to access their cash and manage their funds.

Our Social Enterprise agenda strives to make a difference to the lives of people and particularly those in remote communities where they are financially disadvantaged. This means our cost of doing business is much higher than mainstream banking institutions and our income opportunities are much lower. Our Members prefer and want a face to face cash service and this is what we provide.

Our ATM network has spread further throughout this year with 33 TCU ATMs in communities that allow Members to withdraw cash with no fees. TCU and its Business Development Team continue to encourage member's use of internet banking and TCU's Mobile Banking app so Members can access their balances, pay bills, and transfer money to family conveniently on a computer, iPad or smartphone.

This year has seen a good financial result of an after tax profit of $677k and with the assistance of the Aboriginal Benefits account funding we can reinvest in the business to deliver value to our Members. Despite the tough economic environment, our team has continued to work toward our vision of being *"The First Nations banking specialists."*

Human Resources and Training

To support local employment TCU provides employment and training in remote Aboriginal communities where jobs are scarce. Our employees are proud doing a job that helps their whole community. They are our key asset and deliver culturally appropriate services in their own language to our Members. Branches are serviced by local people who want to work and live in their community and offer an essential service to their Members.

TCU employees participate in a wide variety of on-the-job training programs throughout the year to develop and maintain skills and knowledge that promotes professional development in financial services and enables internal promotion opportunities.

Remote employment improves the work skills of local people and circulates money through the community through disposable income and provides an opportunity for real employment where welfare may be the only option.

All employees have participated in on-going compliance program training, and 21 new employees engaged in structured and tailored Induction and Member Service Officer Skills training. 17 employees were awarded qualifications through the Traditional Credit Union Limited Registered Training Organisation (70208) - Certificate II in Financial Services x 8, Certificate III in Financial Services x 9, and a further 3 employees were awarded with Statements of Attainment for partial completion of the qualification.

Professional Development is promoted to support Managers and their delegates in keeping up to date with their qualifications and with industry developments.

Employees and our commitment to diversity

As at 30th June 2017, TCU had a workforce of 65 employees in following categories: 20 Full Time, 32 Part Time, and 13 Casual, 27% male and 72% female. Of these employees, 25% are mature age, 10% are long term (10+) years, and 69% of the workforce have been employed 2 years and over. 78% of employees identify as Aboriginal or Torres Strait Islander, with 100% local indigenous employment in remote branches.

Corporate Governance

The Board of Directors (the Board), the CEO and Senior Managers are committed to managing TCU's business ethically and maintaining high standards of corporate governance. The Board has adopted practices and processes to ensure the sound management and oversight of TCU within the legal and regulatory framework it operates under. TCU is protected by the same safeguards that apply to all ADIs (which includes all banks, credit unions, and building societies), and is regulated by the same authorities. TCU acts in accordance with the laws, regulations, standards and codes applicable to it; seeks to adopt proper standards of business practice; and act ethically and with integrity.

Role of the Board

The Board has a formal Board Charter setting out its role and responsibilities. The interests of Members are paramount to TCU's operations and the primary role of the Board is to protect its Members. In fulfilling this role, the Board is responsible for setting the overall governance framework of TCU. This includes providing strategic guidance; establishing and monitoring the performance of TCU against its objectives; ensuring the integrity of internal controls and information systems; and ensuring regulatory compliance; setting TCU's appetite and tolerance for risk; and maintaining sound financial and risk management systems oversight. To assist in the execution of its responsibilities the Board has established a number of key committees, each with its own charter. The Board has delegated responsibility for the day to day operations and management of the Credit Union to the CEO and the senior management team.

We thank all the staff and management for their hard work and commitment to TCU, the Board of Directors for their input and guidance in assuring good governance and the sound performance of TCU for its Membership, and importantly we thank our Members for their continued support.

Cathy Hunt
Chief Executive Officer

Micky Wunungmurra
Chairman

Director's report

The Directors present their report together with the financial report of Traditional Credit Union (the "Credit Union), for the year ended 30 June 2017 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 Galiwinku, 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.
Richard Bandalil Non-Executive Director	Richard is a Traditional Owner from Ramingining Community.
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 is the Executive Manager – Risk and Governance of Victoria Teachers Mutual Bank. She is a qualified accountant, and has over 30 years of experience in the banking sector and is actively involved in the mutual sector as a director of the leadership institute for Australian mutual ADI's, Instil.
Sharyn Innes Non-Executive Director	Sharyn is the Director of Shayne 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

David Knights, Bunug Galaminda, Elsbeth Torelli, Sharon Innes, Richard Bandalil, Micky Wunungmurra (Chair) Iain Summers.

Company Secretary

Cathy Hunt, the Credit Union's Chief Executive Officer is the appointed 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 2017.

Review of Operations

The Credit Union recorded a profit after tax for the year ended 30 June 2017 of $677k (2016: $509k).

The total balance sheet assets of the Credit Union were $10.40 million (2016:$10.06 million), representing an increase of $342k (3%) from 30 June 2016. Total balance sheet liabilities for year ended 30 June 2017 were $6.26 million (2016: $3.85 million), a decrease of $335k (5%) and member deposits increased to $4.47 million (2016: 6.372 million), representing a portfolio increase of 16%. For further analysis of the financial performance refer to the Chair's and Chief Executive Officer's report commencing on page 2.

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

On 3 July 2017, the Department of the Prime Minister and Cabinet conditionally approved the extension of end date of the Credit Union's Aboriginals Benefit Account (ABA) programme from 30 June 2017 to 31 March 2018, after which date the Credit Union intends to operate without the need for ABA grant funding.

Except for the above, 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 2017 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	4	4
David Djalangi	4	4
David Marpiyawuy	4	2
Bunug Galaminda	4	4
Iain Summers	4	4
David Knights	4	4
Elsbeth Torelli	4	4
Sharyn Innes	4	4
Richard Bandalil	3	3

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 16th day of October, 2017
in accordance with a resolution of the Board of Directors of the Credit Union.

Micky Wunungmurra
Chair

Iain Summers
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 2017, 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: 16 October 2017

Traditional Credit Union Limited

Financial Statements

For the Year Ended 30 June 2017

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For the Year Ended 30 June 2017

Traditional Credit Union Limited

Statement of Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 $	2016 $
Interest income		**169,989**	177,130
Interest expense		**(36,131)**	(58,827)
Net interest income		**133,858**	118,303
Non-interest income	3	**6,928,048**	6,899,022
Net income before expenses		**7,061,906**	7,017,325
Less			
Bad debt expense/(recovery)	4(a)	**(32,956)**	19,021
Depreciation and amortisation expense	4(b)	**303,858**	437,663
Salaries and related expenses	4(c)	**2,849,514**	2,916,288
Other expenses	4(d)	**2,936,137**	2,917,554
Total expenses		**6,056,553**	6,290,526
Profit before income tax		**1,005,353**	726,799
Income tax expense	5	**(328,347)**	(217,451)
Profit for the year		**677,006**	509,348
Other comprehensive income		**-**	-
Total comprehensive income attributed to members		**677,006**	509,348

Traditional Credit Union Limited

Statement of Financial Position
30 June 2017

	Note	2017 $	2016 $
ASSETS			
Cash and cash equivalents	7	**2,596,284**	2,506,003
Trade and other receivables	8	**30,881**	31,150
Investments	9	**6,419,143**	5,939,275
Loans and advances	10	**47,151**	75,079
Current tax receivable	6(a)	**65,115**	-
Deferred tax assets	6(b)	**391,638**	622,509
Property, plant and equipment	11	**353,858**	468,443
Intangible assets	12	**208,792**	230,503
Other assets	13	**292,441**	190,159
TOTAL ASSETS		**10,405,303**	10,063,121
LIABILITIES			
Deposits	15	**4,474,021**	3,849,430
Trade and other payables	14	**401,497**	574,182
Current tax liabilities	6(a)	**-**	153,487
Provisions	16	**303,887**	284,797
Other liabilities	17	**1,084,239**	1,736,572
TOTAL LIABILITIES		**6,263,644**	6,598,468
NET ASSETS		**4,141,659**	3,464,653
EQUITY			
Redeemable Preference Share Reserve	18	**32,674**	29,620
Reserves	19	**575,000**	575,000
Retained earnings		**3,533,985**	2,860,033
TOTAL EQUITY		**4,141,659**	3,464,653

The accompanying notes form part of these financial statements.

Traditional Credit Union Limited

Statement of Changes in Equity

For the Year Ended 30 June 2017

2017

	Redeemable Preference Share Reserve $	Retained Earnings $	Capital Reserve $	Total $
Balance at 1 July 2016	**29,620**	**2,860,033**	**575,000**	**3,464,653**
Profit attributable to members of the entity	**-**	**677,006**	**-**	**677,006**
Transfer from retained earnings to reserves	**3,054**	**(3,054)**	**-**	**-**
Balance at 30 June 2017	**32,674**	**3,533,985**	**575,000**	**4,141,659**

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

Traditional Credit Union Limited

Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Fees received		**5,119,454**	4,918,884
Grants received		**660,900**	2,693,887
Other income received		**463,389**	424,090
Interest received		**175,607**	180,630
Dividends received		**-**	1,962
Net increase in on-call deposits and withdrawable members' shares		**633,527**	11,598
Net decrease in loans and advances		**87,822**	22,989
Payment to employee and suppliers		**(6,038,584)**	(5,869,372)
Interest paid		**(36,282)**	(76,528)
Income tax paid		**(316,078)**	(87,421)
Net cash provided by operating activities	20	**749,755**	2,220,719
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease /(increase) in held-to-maturity investment		**(22,395)**	748,062
Acquisition of property, plant and equipment and intangibles		**(170,670)**	(396,841)
Proceeds from sale of property plant and equipment		**-**	55,000
Net cash provided by/(used in) investing a activities		**(193,065)**	406,221
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in term deposits		**(8,936)**	(2,533,886)
Net cash used in financing activities		**(8,936)**	(2,533,886)
Net increase in cash and cash equivalents held		**547,754**	93,054
Cash and cash equivalents at beginning of year		**6,845,751**	6,752,697
Cash and cash equivalents at end of financial year	7	**7,393,505**	6,845,751

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 Corporate Information

The financial statements of Traditional Credit Union Limited (the “Credit Union”), for the year ended 30 June 2017 were authorised in accordance with a resolution by the Directors on 16 October 2017.

The Credit Union is domiciled in Australia.

The principle activities of the Credit Union for the year ended 30 June 2017 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.

2 Summary of Significant Accounting Policies continued

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 2.5(a)	-	Deferred tax assets;
Note 2.7b(i)	-	Impairment of loans and receivables;
Note 2.8	-	Property, plant and equipment; and
Note 2.12	-	Provisions.

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 Credit Union applied for the first time certain standards and amendments, which are effective for annual periods beginning 1 July 2016. The Credit Union has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The list below primarily includes those standards and interpretations that are of relevance to the Credit Union:

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle – AASB7 and AASB119
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101 – Presentation of Financial statements

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 the Credit Union.

(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 2017, and have not been applied in preparing these financial statements.

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. The financial impact of adopting these standards/interpretations is not yet determinable at this stage.

Standards/Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
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
AASB 16 Leases	1 January 2019	30 June 2020

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.

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. Any unexpended grants are recognised as liability in Credit Union's statement of financial position.

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 assets are initially recognised at fair value plus directly attributable transactions costs, with the exception of financial assets at fair value through profit or loss.

(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 or 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 other 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. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. 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 the Credit Union consist of investment securities, 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 assets 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 2017

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 any buildings and capitalised leased assets, but excluding any 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 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. If any indication exists, or when annual impairment testing for an asset is required, the Credit Union estimates the asset's recoverable amount. 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 the Credit Union consist of trade and other payables, deposits and Members' shares.

Subsequent to initial recognition, these liabilities are measured at amortised cost using the 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.

(c) Members' share deposits

2 Summary of Significant Accounting Policies continued

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 probable that an outflow of economic benefits will result and that outflow can be reliably measured.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Employee benefits

(a) Short-term employee benefits

Liabilities for wages and salaries and accumulated 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the amounts expected to be paid when the liabilities are settled.

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 the statement of profit or loss.

Notes to the Financial Statements
For the Year Ended 30 June 2017

3 Non-interest income

	2017 $	2016 $
Grants received		
Commonwealth - ABA expansion	**1,257,310**	1,562,715
Commonwealth - ABA visa debit cards	**16,544**	11,898
NT Government - Indigenous response funding	**-**	23,440
NT Government - User choice program	**39,064**	81,609
Total grants received	**1,312,918**	1,679,662
Other non-interest income		
Revenue from fees and commission	**5,119,454**	4,899,032
Recoveries of bad and doubtful debts	**26,938**	17,114
Other operating revenue	**468,738**	303,214
Total Other non-interest income	**5,615,130**	5,219,360
Total non-interest income	**6,928,048**	6,899,022

Notes to the Financial Statements

For the Year Ended 30 June 2017

4 Expenditure

(a) Bad debt expense/(recovery)

	2017 $	2016 $
Bad debts – loans	**642**	5,423
Doubtful debts expense	**(33,598)**	13,598
Total bad debt expense/(recovery)	**(32,956)**	19,021

(b) Depreciation, impairment and amortisation

	2017 $	2016 $
Depreciation	**213,952**	402,532
Amortisation	**89,906**	35,131
Total Depreciation, impairment and amortisation	**303,858**	437,663

(c) Salaries and related expenses

	2017 $	2016 $
Employee benefits		
Salaries and wages	**2,451,428**	2,483,416
Superannuation	**251,753**	255,526
Other	**57,143**	82,227
Total employee benefits	**2,760,324**	2,821,169
Other employee expenses		
Payroll tax	**80,517**	83,661
Workers compensation insurance	**8,673**	11,458
Total employment expenses	**2,849,514**	2,916,288

(d) Other expenses

	2017 $	2016 $
Fees and commission	**747,055**	647,387
Computer costs	**455,895**	396,124
Rental - operating leases	**524,773**	579,781
Other occupancy costs	**187,393**	206,630
Administration	**350,657**	369,412
Insurance	**133,653**	130,071
Business development	**104,032**	135,380
Travel and Accomodation	**292,153**	305,920
Audit fees	**103,204**	99,136
Other	**37,322**	47,713
Total other expenses	**2,936,137**	2,917,554

Notes to the Financial Statements
For the Year Ended 30 June 2017

5 Income Tax Expense

(a) The components of tax expense comprise:

	2017 $	2016 $
Current income tax expense	**97,476**	275,244
Adjustment for income tax expense of previous years	**-**	67
Deferred tax relating to origination and reversal of temporary differences	**178,996**	(57,860)
Effect of change in income tax rate	**51,875**	-
Total income tax expense	**328,347**	217,451

(b) Reconciliation of income tax to accounting profit:

A reconciliation between income tax expense on net profit for the period before income tax reported in the statement of comprehensive income, and net profit for the period before income tax multiplied by the Credit Union's applicable income tax rate, is as follows

	2017 $	2016 $
Profit for the period before income tax	**1,005,353**	726,799
Income tax expense at the Credit Union's statutory income tax rate at 27.5% (2016: 30%)	**276,472**	218,040
Imputation credits	**-**	252
Effect of changes in income tax rate	**51,875**	-
Rebateable fully franked dividends	**-**	(841)
Income tax expense	**328,347**	217,451

Notes to the Financial Statements

For the Year Ended 30 June 2017

6 Current and Deferred Tax

(a) Current tax assets and liabilities

	2017 $	2016 $
Current tax receivables	**65,115**	-
Current tax receivables	**65,115**	-
Current tax liabilities	**-**	153,487
Current tax liabilities	**-**	153,487

(b) Deferred tax assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

	2017 $	2016 $
Payables and accruals		
Opening balance	**277,006**	272,716
Change in income tax rate	**(23,084)**	-
Credited to/(debited from) the Statement of Comprehensive Income	**(38,256)**	4,290
Closing balance	**215,666**	277,006
Doubtful debts		
Opening balance	**30,526**	26,447
Change in income tax rate	**(2,544)**	-
Credited to/(debited from) the Statement of Comprehensive Income	**(9,239)**	4,079
Closing balance	**18,743**	30,526
Employee entitlements		
Opening balance	**85,440**	81,198
Change in income tax rate	**(7,120)**	-
Credited to/(debited from) the Statement of Comprehensive Income	**5,250**	4,242
Closing balance	**83,570**	85,440
Accelerated capital allowance for tax purposes		
Opening balance	**229,537**	184,287
Change in income tax rate	**(19,127)**	-
Credited to/(debited from) the Statement of Comprehensive Income	**(136,751)**	45,250
Closing balance	**73,659**	229,537
Total deferred tax assets	**391,638**	622,509

Notes to the Financial Statements
For the Year Ended 30 June 2017

7 Cash and Cash Equivalents

	2017 $	2016 $
Cash on hand	**1,487,740**	803,354
Deposits at call	**1,108,544**	1,702,649
	2,596,284	2,506,003

(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	2017 $	2016 $
Cash and liquid assets		**2,596,284**	2,506,003
Held-to-maturity investments – short term	9(b)	**4,797,221**	4,339,748
Balance as per statement of cash flows		**7,393,505**	6,845,751

8 Trade and Other Receivables

	2017 $	2016 $
CURRENT		
Interest receivable	**21,038**	26,656
Other receivables	**9,843**	4,494
Total	**30,881**	31,150

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

9 Investments

(a) Investments

	2017 $	2016 $
Held-to-maturity investments	**6,374,143**	5,894,275
Shares in Indue Ltd	**45,000**	45,000
Total	**6,419,143**	5,939,275

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

	2017 $	2016 $
Not longer than 3 months	**4,797,221**	4,339,748
Longer than 3 months and not longer than 6 months	**1,000,000**	954,527
Longer than 6 months	**576,922**	600,000
No maturity specified	**45,000**	45,000
Total	**6,419,143**	5,939,275

Notes to the Financial Statements

For the Year Ended 30 June 2017

10 Loans and Advances

(a) Details

	2017 $	2016 $
Term loans to third parties	**25,486**	78,208
Overdrawn accounts	**89,820**	98,624
	115,306	176,832
Provision for impairment	**(68,155)**	(101,753)
Total	**47,151**	75,079

(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 members and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Credit Union.

	2017 $	2016 $
Not longer than 3 months	**98,502**	134,074
Longer than 3 months and not longer than 6 months	**4,490**	8,075
Longer than 6 months not longer than 1 year	**5,918**	12,589
Longer than 1 year and not longer than 5 years	**6,396**	22,094
Total	**115,306**	176,832

(c) Provision for impairment

	2017 $	2016 $
Past due loans	**3,853**	27,131
Overdue savings accounts	**64,302**	74,622
Total	**68,155**	101,753

Movements in provision for impairment

	2017 $	2016 $
Opening balance	**101,753**	88,156
Bad debts provided for/(recovered) during the year	**(33,598)**	13,597
Closing Balance	**68,155**	101,753

Notes to the Financial Statements

For the Year Ended 30 June 2017

10 Loans and Advances continued

(e) 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:

	2017 $	2016 $
Borroloola	**-**	1,524
Darwin	**10,678**	45,256
Gapuwiyak	**5,434**	7,319
Katherine	**-**	2,409
Minyerri	**1,052**	4,679
Ramingining	**1,722**	4,238
Wurrumiyanga	**1,645**	4,504
Wadeye	**1,688**	2,803
Warruwi	**3,267**	5,476
Total	**25,486**	78,208

Notes to the Financial Statements
For the Year Ended 30 June 2017

11 Property, Plant and Equipment

	2017 $	2016 $
Furniture, fixtures and fittings		
At cost	**475,785**	482,393
Accumulated depreciation	**(430,430)**	(403,349)
Net carrying value	**45,355**	79,044
Motor vehicles		
At cost	**173,971**	173,971
Accumulated depreciation	**(64,000)**	(39,268)
Net carrying value	**109,971**	134,703
Computer equipment		
At cost	**520,851**	510,897
Accumulated depreciation	**(485,294)**	(465,497)
Net carrying value	**35,557**	45,400
ATM equipment		
At cost	**413,551**	356,829
Accumulated depreciation	**(275,862)**	(234,889)
Net carrying value	**137,689**	121,940
Leasehold Improvements		
At cost	**715,141**	902,698
Accumulated amortisation	**(689,855)**	(815,342)
Net carrying value	**25,286**	87,356
Total Property, Plant and Equipment	**353,858**	468,443

Notes to the Financial Statements

For the Year Ended 30 June 2017

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 2017						
Balance at the beginning of year	**79,044**	**134,703**	**45,400**	**121,940**	**87,356**	**468,443**
Additions	**10,819**	**–**	**11,492**	**71,222**	**8,942**	**102,475**
Disposals	**(3,108)**	**–**	**–**	**–**	**–**	**(3,108)**
Depreciation expense	**(41,400)**	**(24,732)**	**(21,335)**	**(55,473)**	**(71,012)**	**(213,952)**
Balance at the end of the year	**45,355**	**109,971**	**35,557**	**137,689**	**25,286**	**353,858**
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	27,495	277,906
Disposals	-	(61,682)	-	-	-	(61,682)
Depreciation expense	(50,410)	(32,464)	(25,559)	(59,051)	(235,048)	(402,532)
Balance at the end of the year	79,044	134,703	45,400	121,940	87,356	468,443

Notes to the Financial Statements

For the Year Ended 30 June 2017

12 Intangible Assets

	2017 $	2016 $
Computer software		
Cost	**360,498**	361,877
Accumulated amortisation and impairment	**(300,089)**	(263,817)
Net carrying value	**60,409**	98,060
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	**(63,550)**	(57,590)
Net carrying value	**-**	5,960
Digital banking system		
Cost	**139,586**	79,528
Accumulated amortisation and impairment	**(59,398)**	(13,103)
Net carrying value	**80,188**	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	**68,195**	60,058
Net carrying value	**68,195**	60,058
Total Intangibles	**208,792**	230,503

Notes to the Financial Statements
For the Year Ended 30 June 2017

12 Intangible Assets continued

Intangibles Reconciliation

	Computer software $	Telephone banking system $	Digital banking system $	Work-in Progress $	Total $
Year ended 30 June 2017					
Opening balance	**98,060**	**5,960**	**66,425**	**60,058**	**230,503**
Additions	**-**	**-**	**-**	**68,195**	**68,195**
Transfers	**-**	**-**	**60,058**	**(60,058)**	**-**
Amortisation	**(37,651)**	**(5,960)**	**(46,295)**	**-**	**(89,906)**
Balance at 30 June 2017	**60,409**	**-**	**80,188**	**68,195**	**208,792**
Year ended 30 June 2016					
Opening balance	15,928	13,112	-	117,660	146,700
Additions	97,008	-	7,243	14,683	118,934
Transfer	-	-	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

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

	2017 $	2016 $
CURRENT		
GST receivable, net	**125,940**	-
Prepayments	**123,677**	125,068
Power tokens post GST	**22,427**	25,555
Deposit	**-**	20,000
Leasehold property bond	**20,324**	19,463
Other	**73**	73
Total	**292,441**	190,159

14 Trade and Other Payables

	2017 $	2016 $
CURRENT		
Other payables	**401,162**	573,696
Accrued interest payable	**335**	486
Total	**401,497**	574,182

Notes to the Financial Statements
For the Year Ended 30 June 2017

15 Deposits

	2017 $	2016 $
CURRENT		
Term deposits	**123,997**	132,933
Call deposits	**4,330,368**	3,697,023
Members' shares	**19,656**	19,474
Total	**4,474,021**	3,849,430

(a) Maturity analysis

	2017 $	2016 $
On call	**4,350,024**	3,716,497
No longer than 3 months	**46,846**	78,405
Longer than 3 months not longer than 6 months	**-**	54,528
6 months or longer	**77,151**	-
Total	**4,474,021**	3,849,430

(b) Concentration of deposits (including overdrawn accounts)

	2017 $	2016 $
Alice Springs	**19,737**	19,485
Angurugu	**-**	331,073
Barunga	**2591**	(50)
Beswick	**838**	119
Borroloola	**26,661**	11,285
Darwin	**1,223,846**	663,950
Galiwinku	**187,068**	326,238
Gapuwiyak	**84,840**	85,973
Gunbalanya	**11,070**	18,901
Hermannsburg	**881**	1,294
Katherine	**39,721**	42,787
Lajamanu	**2,034**	1,272
Maningrida	**80,447**	141,818
Milingimbi	**66,657**	101,802
Minyerri	**10,712**	11,606
Ngukurr	**27,443**	30,280
Numbulwar	**4,773**	112,827
Ramingining	**54,134**	50,576
Tennant Creek	**34,798**	51,249
Wurrumiyanga	**16,827**	23,883
Wadeye	**2,475,019**	1,704,769
Warruwi	**14,122**	19,753
Yuendemu	**(18)**	(84)
Total	**4,384,201**	3,750,806

Notes to the Financial Statements

For the Year Ended 30 June 2017

16 Provisions

	2017 $	2016 $
Employee entitlements	**303,887**	284,797
Total	**303,887**	284,797

Analysis of total provisions

	2017 $	2016 $
Current	**259,018**	202,170
Non-current	**44,869**	82,627
Total	**303,887**	284,797

17 Other Liabilities

	2017 $	2016 $
Unexpended grants	**1,084,239**	1,736,572
Total	**1,084,239**	1,736,572

18 Redeemable Preference Share Reserve

	2017 $	2016 $
At the beginning of the reporting period	**29,620**	25,584
Transfer from retained earnings on share redemption	**3,054**	4,036
At the end of the reporting period	**32,674**	29,620

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 2017

19 Reserves

	2017 $	2016 $
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:

	2017 $	2016 $
Profit for the year	**677,006**	509,348
Non-cash flows in profit:		
- amortisation	**89,906**	35,131
- depreciation	**213,952**	402,532
- loss on sale of property, plant and equipment	**3,108**	6,683
Changes in assets and liabilities:		
- decrease in trade and other receivables	**269**	126,338
- decrease in loans and advances	**27,928**	44,748
- decrease in other assets	**(102,282)**	6,277
- increase in deferred tax assets	**230,871**	(57,861)
- (decrease) in trade and other payables	**(173,000)**	(80,327)
- increase/(decrease) in income taxes payable	**(218,602)**	187,891
- increase in deposits	**633,527**	11,598
- increase in provision for employee benefits	**19,090**	14,136
- increase/(decrease) in other liabilities	**(652,018)**	1,014,225
Cashflow from operations	**749,755**	2,220,719

Notes to the Financial Statements

For the Year Ended 30 June 2017

21 Lease Commitments

(a) Operating lease commitments

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

	2017 $	2016 $
Payable - minimum lease payments:		
- - no later than one year	**415,424**	267,191
between 1 year and 5 years	**33,211**	111,913
Total	**448,635**	379,104

22 Financial Risk Management

Financial risk management policies

As part of its daily operations, the 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 Risk 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 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 does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Capital adequacy

The management of the Credit Union’s capital 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.

The Credit Union manages and controls credit risk dealing only with credit worthy counterparties and setting limits on the amount of risk it is willing to accept for individual and related counterparties and by monitoring exposures in relation to such limits.

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 deposit with banks and authorised deposit-taking institutions, which are detailed in Notes 7 and 9.

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 10.

22 Financial Risk Management continued

(b) Liquidity risk

Liquidity risk arises from the possibility that the Credit Union 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 management policies and processes, and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity management policy 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 the Credit Union in relation to liquidity risk. The Prudential Standards require the Credit Union to have a defined minimum liquidity holding.

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 Claims Scheme 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 they 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	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Financial liabilities due for payment								
Deposits	**4,474,021**	3,849,430	**-**	-	**-**	-	**4,474,021**	3,849,430
Trade and other payables	**277,130**	323,709	**-**	-	**-**	-	**277,130**	323,709
Total contractual outflows	**4,751,151**	4,173,139	**-**	-	**-**	-	**4,751,151**	4,173,139

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 the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk.

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 largely variable rate deposit and loan products.

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

	2017 %	2016 %
Financial Assets		
Cash and cash equivalents	**0.96**	0.93
Short-term investments	-	-
- held-to-maturity investments	**2.72**	2.60
Loans receivable	**13.69**	8.48

Notes to the Financial Statements
For the Year Ended 30 June 2017

22 **Financial Risk Management continued**

Sensitivity analysis

The information below shows the Credit Union's sensitivity to interest rates utilising Earnings at Risk sensitivity calculation (+/-1% change). This analysis assumes that other variables are held constant.

	Equity		Profit or loss	
	2017	**2016**	**2017**	**2016**
+1%				
Financial assets				
Cash in bank	**8,037**	12,344	**8,037**	12,344
Loans and advances	**342**	526	**342**	526
Investments held to maturity	**46,538**	41,575	**46,538**	41,575
Financial liabilities				
Deposits	**(32,437)**	(26,946)	**(32,437)**	(26,946)
Post tax earnings at risk	**22,480**	16,389	**22,480**	16,389

	Equity		Profit or loss	
	2017	**2016**	**2017**	**2016**
-1%				
Financial assets				
Cash in bank	**(8,037)**	(12,344)	**(8,037)**	(12,344)
Loans and advances	**(342)**	(526)	**(342)**	(526)
Investments held to maturity	**(46,538)**	(41,575)	**(46,538)**	(41,575)
Financial liabilities				
Deposits	**32,437**	26,946	**32,437**	26,946
Post tax earnings at risk	**(22,480)**	(16,389)	**(22,480)**	(16,389)

The post-tax earnings at risk 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 2016.

Notes to the Financial Statements

For the Year Ended 30 June 2017

22 Financial Risk Management continued

Fair market value measurement

Fair value estimation

The fair value of the financial assets and liabilities is shown as 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 2016 and 2017.

	Note	Carrying amount $	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2017						
Financial assets						
Loans and advances	Note 10	**47,151**	**-**	**-**	**47,151**	**47,151**
Held-to-maturity investments	Note 9	**6,419,143**	**-**	**6,419,143**	**-**	**6,419,143**
Total financial assets		**6,466,294**	**-**	**6,419,143**	**47,151**	**6,466,294**
Financial liabilities						
Term deposits	Note 15	**123,997**	**-**	**-**	**123,997**	**123,997**
Call deposits	Note 15	**4,330,368**	**-**	**4,330,368**	**-**	**4,330,368**
Total financial liabilities		**4,454,365**	**-**	**4,330,368**	**123,997**	**4,454,365**
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

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.

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
- David Djalangi
- Iain Summers
- David Knights
- Bunug Galaminda
- David Marpiyawuy
- Elsbeth Torelli
- Sharyn Innes
- Richard Bandalil (appointed on 19 Nov 2016)

Directors receive no 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 total remuneration paid to the key management personnel of the Credit Union during the year is as follows:

	2017 $	2016 $
Short-term employee benefits – salaries	**267,776**	258,588
Long-term benefits – long service leave	**(10,686)**	6,588
Post-employment benefits – superannuation	**24,955**	24,125
Total	**282,045**	289,301

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 2017

24 Auditors' Remuneration

	2017 $	2016 $
Remuneration of the auditor of the Company, Merit Partners, for:		
- auditing or reviewing the financial statements	**25,000**	25,000
- 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**	12,500
Total	**45,000**	45,000

25 Events Occurring After the Reporting Date

On 3 July 2017, the Department of the Prime Minister and Cabinet conditionally approved the extension of end date of the Credit Union's Aboriginals Benefit Account (ABA) programme from 30 June 2017 to 31 March 2018, after which date the Credit Union intends to operate without the need for ABA grant funding.

Except for the above, there are no other 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.

26 Branch Locations

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

- Alice Springs
- Borroloola
- Galiwinku
- Gapuwiyak
- Gunbalanya
- Katherine
- Maningrida
- Milingimbi
- Minyerri
- Ngukurr
- Numbulwar
- Ramingining
- Lajamanu
- Wurrumiyanga
- Wadeye
- Warruwi

Traditional Credit Union Limited

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 2017 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 16th day of October, 2017
in accordance with a resolution of the Board of Directors of the Credit Union.

Micky Wunungmurra
Chair

Iain Summers
Director

merit
chartered accountants

Independent audit report to members of Traditional Credit Union Limited

Report on the Audit of the Financial Report

We have audited the accompanying general purpose financial report of Traditional Credit Union Limited ("the Credit Union"), which comprises the statement of financial position as at 30 June 2017, 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, other explanatory notes and the directors' declaration.

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

(a) giving a true and fair view of the financial position of Traditional Credit Union Limited at 30 June 2017 and of the Credit Union's performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Credit Union in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the 'Code') that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

The Responsibility of the Directors for the Financial Report

The Directors of the Credit Union 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Merit Partners

Merit Partners

Matthew Kennon
Partner

DARWIN
16 October 2017