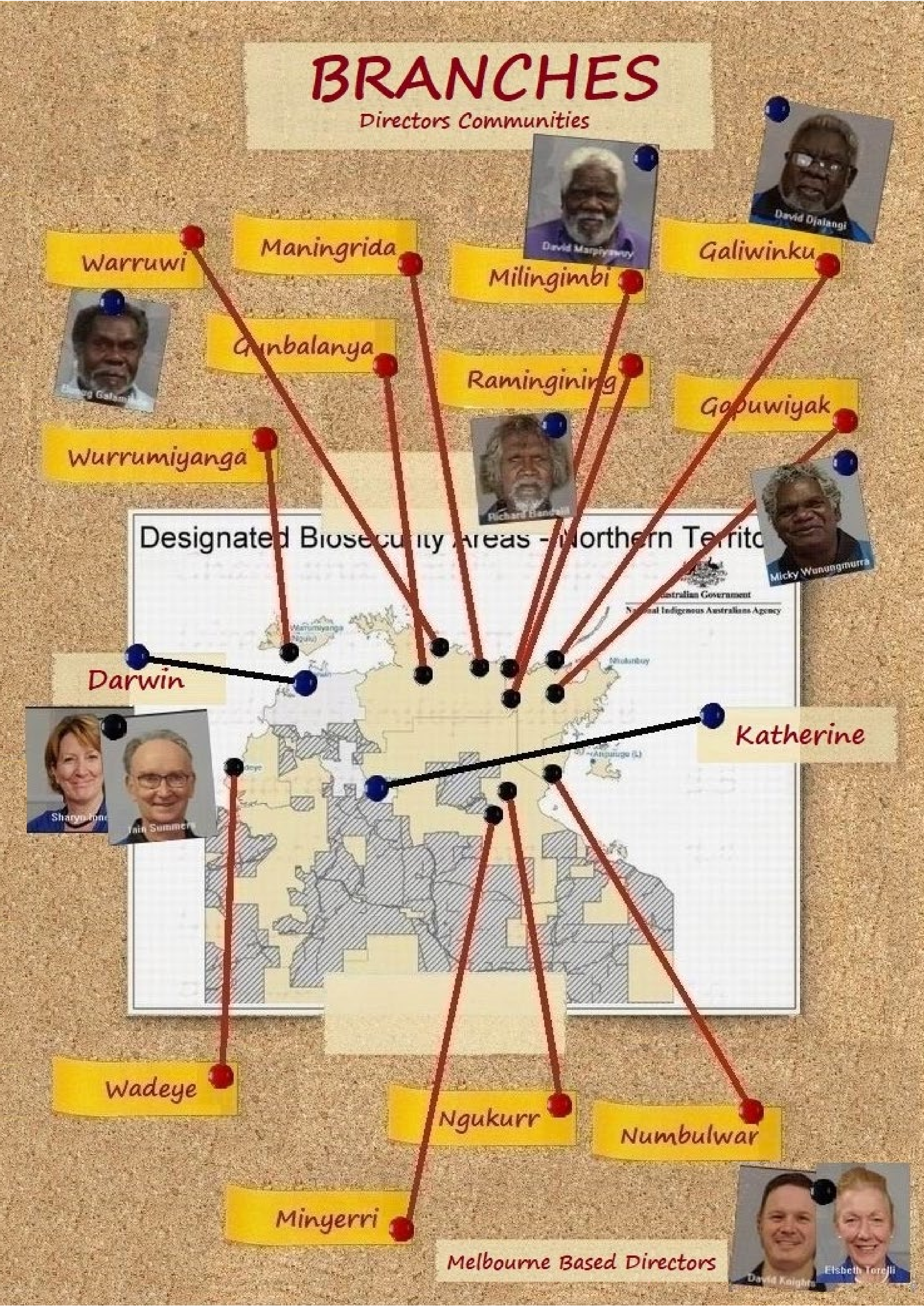
tcu
traditional
CREDIT UNION

ANNUAL REPORT

2019 - 20



BRANCHES
Directors Communities
Warruwi
Maningrida
Milingimbi
Galiwinku
David Djalangi
Gunbalanya
Ramingining
Gapuwiyak
Wurrumiyanga
Micky Wunungmurra
Nhulunbuy
Darwin
Katherine
Iain Summers
Wadeye
Ngukurr
Numbulwar
Minyerri
Melbourne Based Directors
David Knights
Elsbeth Torelli


Coronavirus (COVID-19)
KEEP OUR MOB SAFE, STOP THE SPREAD.
Practise good hygiene, keep hands clean and keep your distance from other people to protect our communities.
Find out more about coronavirus at australia.gov.au
DOWNLOAD THE APP
VISIT AUSTRALIA.GOV.AU
Australian Government

CONTENTS

Above: The Chair, Micky Wunungmurra and CEO, Tony Hampton catching up in Micky's community, Gapuwiyak.

"We provide banking on country"

Locally based 'face to face' essential banking services provided to Indigenous people living in remote communities – that is what we do.

The Traditional Credit Union (TCU) supports remote communities because mainstream Banks simply don't. We work in the communities, we understand the culture of the people in the communities and we provide employment and support for communities. Why do we do what others don't – because we are owned by our Indigenous customers (which we call Members) and guided by Indigenous leaders who sit on our Board.

We provide 'face to face' banking services, delivered through our network of Remote Community Branches, 12 in total. We also support our customers when they need to travel to urban centres through our Headoffice in Casuarina, Darwin and our Service Centre in Katherine NT. It is difficult to afford Branch accommodation in communities. Local councils provide most Branch sites at reasonable costs, however we acknowledge the West Arnhem Council for its very generous support over many years.

We complement our Branches with a fleet of 22 ATMs that are predominantly located in shopping areas within these remote communities. We acknowledge the Arnhem Land Progress Aboriginal Corporation (ALPA) for their ongoing support in providing ATM locations within their Stores. In February 2020 we rolled out 3 new ATM's to the Murrinhpatha Nimmipa Store in Wadeye, replacing those previously provided by a commercial ATM deployer. The Murrinhpatha Nimmipa Store are another highly valued supporter of TCU.

Although our Members prefer cash services we also provide a Website, which is fully screen responsive, enabling access to all TCU information via their Mobile phone. Our Mobile Phone App is Web based allowing it to be securely and privately accessed on family share phones. It is also important to note that TCU is a fully licenced Authorised Deposit-taking Institution (ADI) which enables us to provide access to VISA and ATM Cards, Loans and the Australian electronic payments market. And if there is something special we need to do, our Call Centre is staffed with people that know our communities and are expert in banking.




Left Above: Jonathan, Cathy and Elouise (at Back with Auditor) in the Casuarina Branch.
Left Middle Above: TCU has ATMs in most ALPA Stores in NT. Right Middle Above: Three new ATMs for the Wadeye Store.
Right Above: The Credit Union's Website and Mobile Banking App now fully screen responsive, Wurrumiyanga Branch, Suzanne.

Coronavirus (COVID-19) Pandemic

At TCU the wellbeing of our people, both staff and members, remains our top priority. It is also important that we can continue to provide essential financial services to our communities, as measures are taken to contain and treat the coronavirus (COVID-19) outbreak.

We are encouraging and assisting all staff to practice safe, healthy, hygiene for their own wellbeing, as well as the wellbeing of others, consistent with the advice from the Australian Government Department of Health. We are also facilitating business practices to comply with Federal, Territory and Community Authorities regarding travel and social - separation.

For the safety and wellbeing of our staff, all business travel that is not considered essential has been cancelled. Meetings will instead be conducted remotely via teleconference or video conference.

We have not closed our offices nor are we planning to at this time. Like all businesses we are monitoring and preparing for the possibility of further restrictions on the ability of our staff to attend our offices. TCU has a range of technologies available that are enabled to facilitate continuity of services including members accessing our Call Centre, Internet and Mobile banking, ATMs and EFTPoS.

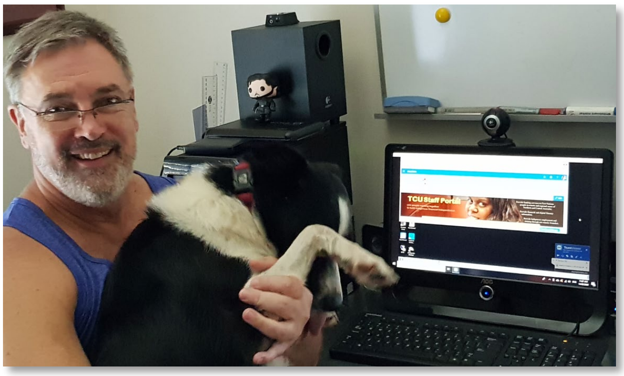
We have not had any positive cases of COVID-19 amongst our staff. To help maintain this status external visitor access to secured back-office areas has not be permitted at any TCU office location without prior arrangement.

We have 'Work from Home' technologies in place should staff need to undertake isolation.

The Head Office has been split into two areas that can be totally isolated from each other. This allows for two teams operating as one, but capable of running the business through a single team should COVID-19 impacting the other.

TCU provides internships for Charles Darwin University (CDU) completing their Masters in Accountancy. Normally we provide 2 places but this year we have provided 6 places. This has given us additional capacity across the business.

We do not believe that the coronavirus will change our ability to continue to provide services, however we continue to monitor all financial indicators and monitor Branch staff feedback.



Above: Tony Hampton, CEO testing that all work systems can be accessed from home.

Above: Video-conferencing replaces physical meetings.

Above: New temporary secondary Headoffice established to enable the staff to be split into two isolated separate locations.

Above: CDU Students being trained by Cathy while undertaking their internship with TCU

Our Members



Left & Middle Above: Members at our Casuarina Branch *Right Above: BBQ for Members at our Casuarina Branch*

Our number of Members and active Transaction Accounts remain consistent with previous years with greater than 7,000 Members with active accounts. This year we revised all of our products to ensure we have accounts that are relevant for all needs of community people - children, student, adults and family groups. We have also tailored our pricing for those members that are either Branch focussed or are looking for a lower cost electronic approach.

Our Members being largely welfare dependent, residing in remote communities and with limited knowledge of Banking, tell us that without the services of TCU they would feel excluded from the nation's financial system. We believe consistent and regular interaction with our locally based Indigenous staff is the key to our Members understanding their banking options and continuing their banking literacy journey.

Our people





Left to Right Above: Some of Headoffice Operations staff; Elouise, Jonathan, Manoka, Raelene and Tanya

More than 75% of our total workforce of approximately 50 staff are Indigenous people. All staff employed in our Branches are Indigenous people, generally life-long residents of the community in which they work.

This year we have taken on two young Indigenous people that have recently completed year 12 at school in Darwin. We believe that Indigenous people making the effort to complete High School should be rewarded with meaningful employment and opportunities to develop a career. We are also working with CDU to introduce up to 2 Indigenous staff to University through the newly developed Indigenous pre-accounting course. All other staff undertake regular and supported banking compliance training.

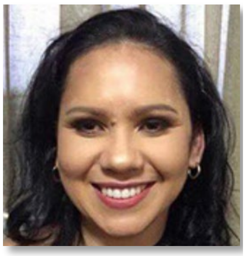
Most organisations have an Indigenous employment target of 1% to 3%, our target is 75% to 85% and we do this with no federal or territory government support.

Supporting our communities

Above: Jack Thompson with CEO,Tony Hampton at Garma *Above: Garma Festival 2019*

In 2019 our CEO, Tony Hampton, had the unique experience of attending the Garma Festival in East Arnhem Land. Garma is attended by Federal Politicians and the most senior business people in Australia that have business interests with Indigenous people, Indigenous business, Indigenous culture or Indigenous lands. Tony was able to present to many interested parties on the merits of TCU and the support it provides to remote Indigenous communities.

During the year we relocated our HR Officer, Kylie Boyd to Wadeye. Kylie continues to lead our HR function and additionally support one of our largest remote community Branches. Kylie has family connections in Wadeye and is embedding herself into community life.



Above, HR and Wadeye Officer, Kylie Boyd

Our CEO, Tony Hampton and our Communities Liaison Officer regularly travel to remote communities to visit our Branches and engage with community leaders and organisations. Unfortunately due to COVID-19, travel over the period January to June 2020, was significantly restricted. Our Indigenous Directors continue to be our ambassadors in their communities. This was extremely important during the Biosecurity lockdown period.

Our performance

Our financial performance continues to be solid and consistent with the previous financial year despite the impact of COVID-19. With our remote Branch staff living on country we were able to keep Branches open and provide ‘face to face’ banking services despite all NT remote communities being locked down under a federal biosecurity directive. Although our headoffice staff were not able to visit the remote Branches our Branch Coordinators attended to issues and training using telephone, video and remote computer access technologies. The impact of COVID-19 on our costs to-date has been manageable due to a deferral of travel and associated costs. Going forward, support costs of remote Branches will increase with visitations resuming and travel and transportation costs materially increasing.

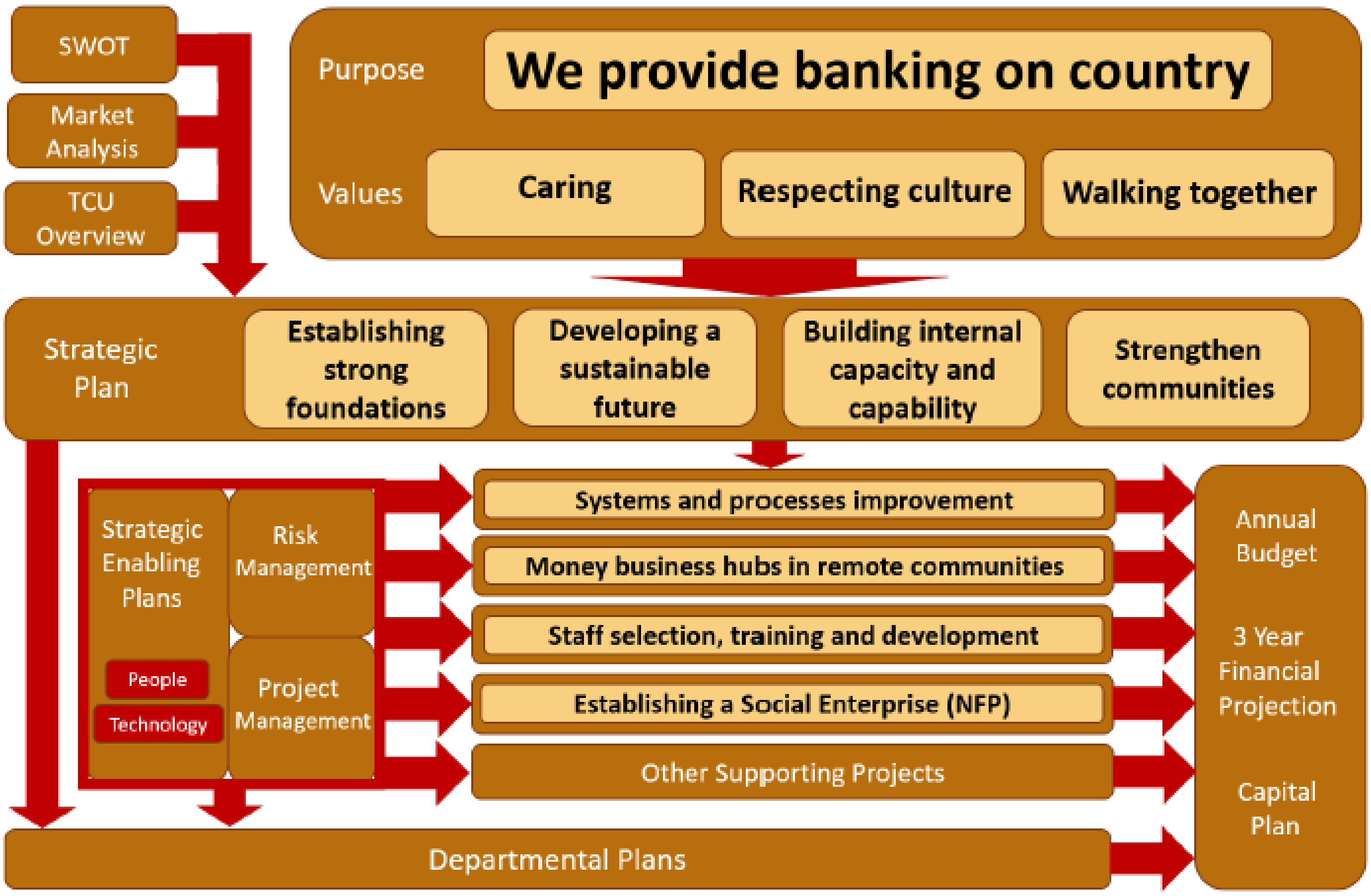
We are projecting a sustained reduction in profitability for the 2020/21 financial year and the immediate future due to declining economic conditions associated with a low interest rate environment and the impact of COVID-19. Additionally, we continue to be laden with additional compliance costs and pass-on costs from major suppliers such as technology and card service providers. Notwithstanding, our performance projections identify a sustainable, albeit, reduced level of profitability going forward.

Now more than ever it is important to deliver upon our Strategic goals related to process improvement and leveraging the advantages of having a remote communities footprint.

Strategic blueprint for the future

TCU occupies a unique position as the only customer-owned Banking organisation in Australia, working in two worlds to deliver both employment opportunities and real financial services to Indigenous people in remote communities. We are proud of where we have come from and who we are, and we are passionate about where we are going.

TCU has identified four significant Strategic Goals, which can be leveraged to introduce operational excellence and business growth and thereby secure TCU as a viable entity over the next 4 years and beyond.



Establishing strong foundations - this Strategic Goal improves our core business by introducing further efficiencies and generating further revenues from traditional activities. This is all achieved in an environment of strong risk and compliance practices *(commencing financial year 2020/21)*.

Developing a sustainable future - this Strategic Goal introduces a money hub approach where we partner with other finance/money related businesses and government agencies to create a 'one-stop-shop' for people within the communities to deal with all their 'money business'. With sufficient scale of like activities we are able to continue to have physical presence in Indigenous remote communities *(commencing financial year 2021/22)*.

Building internal capacity and capability - this Strategic Goal has a focus on developing our Indigenous staff so that they are not only able to continue to power the organisation through its business evolution but are proud to build a career at TCU *(commencing financial year 2020/21)*.

Strengthen communities - this Strategic Goal embeds our organisation within the communities by giving them ownership and a voice of direction. Indigenous people residing in remote communities should be able to determine how they want to manage their money and have the support to do so *(commencing financial year 2021/22)*.

Board and corporate governance

Above: AGM 2019 (left to right) Chair - Micky Wunungmurra and Directors - David Knights, Richard Bandalil and David Djalangi
Above: AGM 2019 (left to right) Directors - Bunug Galaminda, Iain Summers, Elsbeth Torelli, COO – John Appleby, Risk & Compliance Officer – Cathy Hunt, Director – Sharyn Innes and CFO – Lily Ang

Our Board of nine directors includes a majority of five Indigenous directors. Our Board and the Executive Team are committed to managing our business ethically and maintaining high standards of corporate governance. Our Board has adopted practices and process to ensure the sound management and oversight of TCU within the legal and regulatory framework we operate under.

We are protected by the same safeguards that apply equally to all ADIs and we are regulated by the same authorities. We act in accordance with the laws, regulations, standards and codes of conduct applicable to us.

The Board has a formal Charter setting out its role and responsibilities. The interests of the Members are paramount to our operations. These interests are best protected when TCU stays strongly focused on its objectives and legal obligations. In fulfilling this role the Board is responsible for setting the overall governance framework. This includes:

- providing strategic guidance
- establishing and monitoring our performance against our objectives
- ensuring the integrity of internal controls and information systems
- ensuring regulatory compliance
- setting our appetite and tolerance for risk
- maintaining sound financial and risk management systems oversight

To assist in the execution of these 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 TCU to the CEO, Tony Hampton.

Micky Wunungmurra

Micky Wunungmurra
Chair

Tony Hampton
Chief Executive Officer

The Directors present their report together with the financial report of Traditional Credit Union Limited (TCU or the Credit Union), for the year ended 30 June 2020 and the Auditor's Report thereon.

Corporate information

The Credit Union is an Australian Public Company and registered under the Corporations Act 2001. It is a mutual entity with the core purpose of benefiting 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 Services 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.

DIRECTOR	QUALIFICATION
Micky Wunungmurra Non-Executive Director, Chair of the Board and Member of the Audit & Finance Committee. Director since 2003.	• Community Representative from Gapuwiyak, Lake Evella • Deputy Chair of Arnhem Land Progress Aboriginal Corporation (ALPA) • Director of Aboriginal Housing NT Aboriginal Corporation
David Djalangi Non-Executive Director. Director since 2002.	• Traditional Owner from Galiwinku, Elcho Island • Member of the Full Council of the Northern Land Council • Member of the Advisory Council of East Arnhem Regional Council • Employed by ALPA
David Marpiyawuy Non-Executive Director Director since 2007	• Traditional Owner from the Milingimbi Community
Bunug Galaminda Non-Executive Director. Director since 2010.	• Traditional Owner from Warruwi Community, Goulburn Island • Member of the Full Council of the Northern Land Council • Chair of the Yagbani Aboriginal Corporation • Member of the Ajurumu Store Committee
Richard Bandalil Non-Executive Director. Director since 2016.	• Traditional Owner from Ramingining Community • Member of the Committee for Dinybulu Regional Services • Member of the Committee for ALPA Stores
David Knights Non-Executive Director, Chair of the Board Risk Committee and Member of the Audit & Finance Committee. Director since 2009.	• Degree in Engineering and a Masters of Business Administration • Senior Executive with National Australia Bank • Chair and Company Secretary of the Australian Custodial Services Association
Sharyn Innes Non-Executive Director and Member of the Board Risk Committee. Director since 2016.	• Director of Sharyn Innes Consultancies • Director of Palmerston Golf and Country Club • Director of Cazalys Palmerston Club

DIRECTOR	QUALIFICATION
Iain Summers Non-Executive Director, Chair of the Audit & Finance Committee and Member of the Board Risk Committee. Director since 2005.	• Chartered Accountant • Fellow of the Australian Institute of Company Directors (AICD) • Independent Chair of Risk Management and Audit Committees for a number of local government Councils • Self-employed Consultancy Business • Director of Health Network Northern Territory Limited
Elsbeth Torelli Non-Executive Director, Company Secretary, Member of the Audit & Finance Committee and Member of the Board Risk Committee. Director since 2016. In addition: **Company Secretary** since February 2018	• Fellow of the Institute of Public Accountants • Fellow of the Governance Institute of Australia • Director of Customer Owned Banking Association (COBA) • Chief Risk Officer at Bank First

Chief Executive Officer

Tony Hampton

CEO since May 2018

- Bachelor of Arts in Accountancy
- Fellow of the Australian Society of Certified Practicing Accountants
- Graduate of the Australian Institute of Company Directors

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 2020.

Dividends

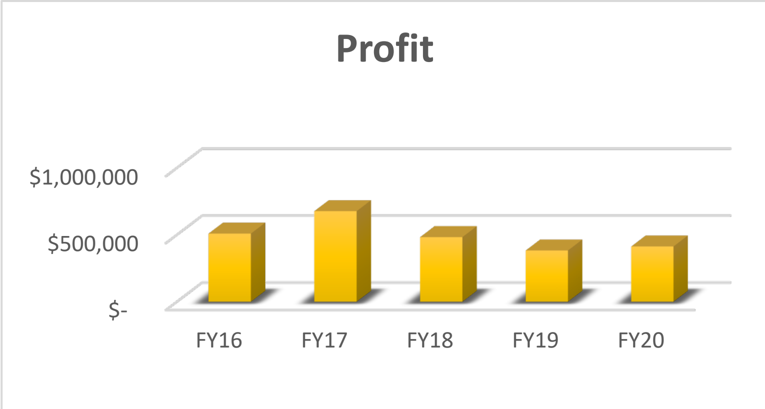
The Credit Union's Constitution prohibits the payment of dividends on Member shares.

Review of operations

Profitability

The Credit Union recorded a profit after tax for the year ended 30 June 2020 of $413k (FY18/19: $383k).

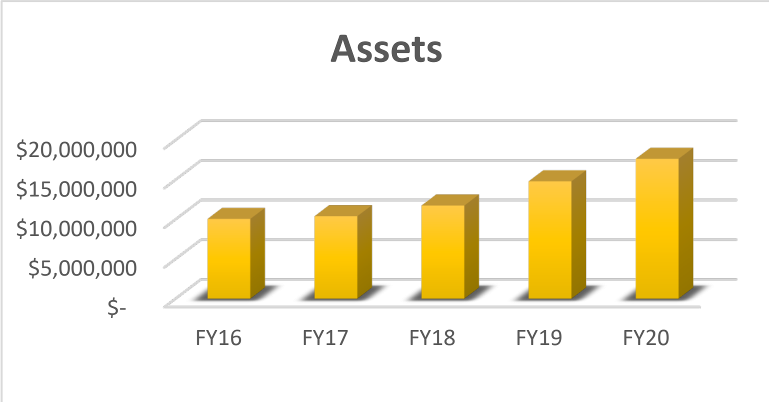
From FY10/11 to FY17/18 the Credit Union received significant grant funding. The Credit Union is now operating with solid profitably under a self-funded business model.



Assets

The total assets of the Credit Union were $17.6 million (FY18/19:$14.8 million), representing an increase of $2.8 million (19%).

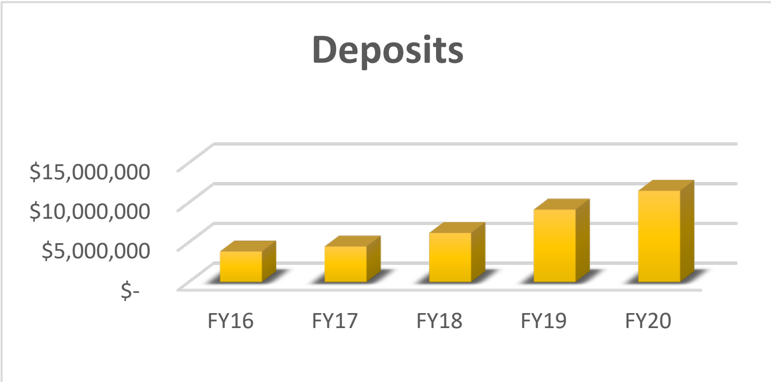
The Credit Union's assets are largely driven by the investment of Member deposits.



Deposits

Total deposits increased to $11.5 million (FY18/19: $9.12 million), representing a portfolio increase of $2.3 million (26%).

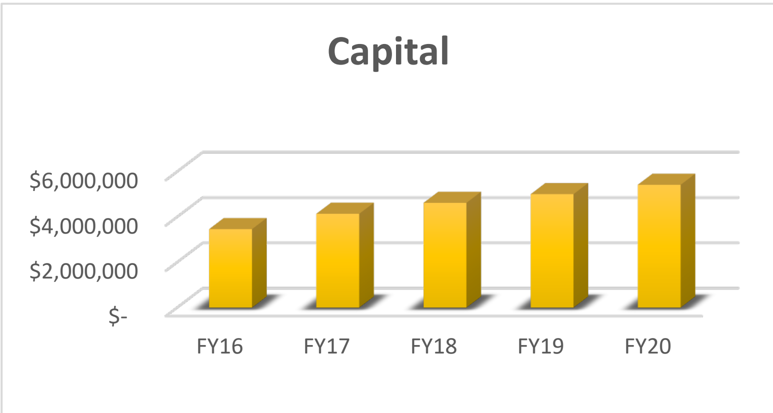
The increase related to a focus on raising investments from corporate Members.



Capital

Capital increased to $5.42 million (FY18/19: $5.01 million) representing an increase of $0.4 million (8%).

The Credit Union continues to be well capitalised. This provides protection of Members' funds while enabling investment into the Credit Union's strategic direction.



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 be prejudicial 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 2020 and to the date of this report.

Director's 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.

Director's indemnification and insurance

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Company 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 Credit Union.

Director's meetings

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

Directors	Eligible to Attend Board Meetings	Attended Board Meetings	Eligible to Attend Committee* Meetings	Attended Committee* Meetings
Micky Wunungmurra	5	5	5	4
David Djalangi	5	4	-	-
David Marpiyawuy	5	4	-	-
Bunug Galaminda	5	5	-	-
Richard Bandalil	5	4	-	-
David Knights	5	5	11	11
Iain Summers	5	4	9	7
Elsbeth Torelli	5	5	11	10
Sharyn Innes	5	5	4	4

* Committees include: Audit & Finance Committee, Board Risk Committee and Nominations & Remunerations Committee (The Nominations & Remunerations Committee members are all Directors and the frequency of meetings of the committee is determined by the Board of Directors. The Board, Audit & Finance Committee and Board Risk Committee have four scheduled meeting a year.)

Auditors' independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is attached as a separate document**.**

Signed in Darwin this 17th day of September, 2020
in accordance with a resolution of the Board of Directors of the Credit Union.

Micky Wunungmurra
Chair

Iain Summers
Director

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 2020, 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

MunLi Chee
Partner

Darwin

17 September 2020

Financial Statements

for the year ended 30 June 2020

Contents

Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Interest income		172,659	258,714
Interest expense		59,915	97,698
Net interest income		112,744	161,016
Non-interest income	3	5,276,784	5,595,194
Net income before expenses		5,389,528	5,756,210
Bad debt recovery	4(a)	-	(4,106)
Depreciation and amortisation expense	4(b)	244,267	221,976
Salaries and related expenses	4(c)	2,216,836	2,316,314
Other expenses	4(d)	2,377,524	2,694,887
Total expenses		4,838,627	5,229,071
Profit before income tax		550,901	527,139
Income tax expense	5	137,748	143,948
Profit for the year		413,153	383,191
Other comprehensive income		-	-
Total comprehensive income attributed to Members		413,153	383,191

Statement of Financial Position

as at 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Cash and cash equivalents	7	**6,597,876**	6,135,616
Trade and other receivables	8	**22,845**	58,084
Investments	9	**10,560,432**	8,097,171
Loans and advances	10	**33,973**	57,948
Current tax receivable	6(a)	**-**	25,784
Deferred tax assets	6(b)	**225,177**	241,387
Property, plant and equipment	11	**54,795**	69,496
Other assets	12	**147,398**	118,737
Total assets		**17,642,496**	14,804,223
LIABILITIES			
Trade and other payables	13	**378,280**	372,957
Deposits	14	**11,492,745**	9,124,893
Current tax payable	6(a)	**71,288**	-
Provisions	15	**255,911**	232,073
Lease liabilities	16	**17,245**	-
Other liabilities	17	**6,050**	66,476
Total liabilities		**12,221,519**	9,796,399
Net assets		**5,420,977**	5,007,824
EQUITY			
Redeemable preference share reserve	18	**43,522**	40,194
Reserves	19	**575,000**	575,000
Retained earnings		**4,802,455**	4,392,630
Total equity		**5,420,977**	5,007,824

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	Redeemable Preference Share Reserve	Retained Earnings	Capital Reserve	Total
	$	$	$	$
Opening balance at 1 July 2019	**40,194**	**4,392,630**	**575,000**	**5,007,824**
Profit attributable to Members of the entity	**-**	**413,153**	**-**	**413,153**
Transfer from retained earnings to reserves	**3,328**	**(3,328)**	**-**	**-**
Closing balance at 30 June 2020	**43,522**	**4,802,455**	**575,000**	**5,420,977**
Opening balance at 1 July 2018	35,910	4,013,723	575,000	4,624,633
Profit attributable to Members of the entity	-	383,191	-	383,191
Transfer from retained earnings to reserves	4,284	(4,284)	-	-
Closing balance at 30 June 2019	40,194	4,392,630	575,000	5,007,824

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received		**4,982,059**	5,104,526
Other income received		**206,266**	216,561
Interest received		**207,878**	236,999
Dividends received		**3,270**	3,270
Net increase in on-call deposits and withdrawable members' shares		**2,850,338**	406,478
Net decrease in loans and advances		**36,869**	26,029
Payment to employee and suppliers		**(4,564,545)**	(4,922,674)
Interest paid		**(89,230)**	(73,344)
Income tax paid		**(23,065)**	(14,384)
Net cash provided for / by operating activities	20	**3,609,840**	983,461
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (increase) / decrease in investment		**(331,046)**	1,174,811
Payment for property, plant and equipment and intangibles		**(35,000)**	-
Proceeds from sale of property plant and equipment		**32,500**	-
Net cash used in investing activities		**(333,546)**	1,174,811
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) / increase in term deposits		**(482,486)**	2,538,520
Repayment of lease liabilities		**(199,332)**	-
Net cash provided for / by financing activities		**(681,818)**	2,538,520
Net increase / (decrease) in cash and cash equivalents held		**2,594,476**	4,696,792
Cash and cash equivalents at beginning of year		**9,535,616**	4,838,824
Cash and cash equivalents at end of financial year	7	**12,130,092**	9,535,616

Notes to the Financial Statements

1 GENERAL INFORMATION

The financial statements of Traditional Credit Union Limited (the "Credit Union") for the year ended 30 June 2020 were authorised for issue on 17 September 2020 in accordance with a resolution of the directors.

The Credit Union is domiciled in Australia.

The Credit Union is primarily involved in the provision of a range of financial products and services to members. There was no significant change in the nature of these activities during the year.

The registered office and principal place of business is 9 Rowling Street, Casuarina, Northern Territory, Australia 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 which has been prepared in accordance with Australian Accounting Standards ("AAS"), including Australian Accounting Interpretations, adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Credit Union is a for-profit entity for the purpose of preparing these general purpose financial statements.

(b) Basis of measurement

The financial statements have been prepared in accordance with the historical cost convention, except for derivative financial assets and liabilities which are measured at their fair value.

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

(c) Functional and presentation currency

The financial statements are presented in Australian dollars and all 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) Use of judgements and estimates

The preparation of the Credit Union's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of income, expenses, assets and liabilities. The estimates and associated assumptions 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(e) Use of judgements and estimates (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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 period beginning 1 July 2019.

AASB 16 Leases
This standard introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
The Credit Union has adopted the standard using the modified retrospective approach for its leases previously classified as operating leases under AASB 117, and elected to measure a right-of-use asset at an amount equal to the lease liability at the date of initial application.

On transition to AASB 16 the incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 6.97%.

(b) Standards and interpretations issued but not yet effective

A number of new amendments and interpretations to standards are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these financial statements.

The Credit Union has elected not to early adopt any other standards, interpretations or amendments that have been issued but not yet effective, and these are not expected to have a material financial reporting impact.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue recognition

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 it accrues using the effective interest rate ("EIR") method. The EIR is the rate that exactly discounts estimated future cash flows through 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

Dividends are recognised when the right to receive the dividend has been established.

(c) Fees and commissions

Fees and commissions are recognised on an accruals basis when control of a right to be compensated for services is attained, which is usually upon provision of services.

(d) Government grants

Grant revenue is recognised when control of the grant is obtained, 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 revenue over the periods necessary to match the grant to the expenses which 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 the Statement of Financial Position.

2.4 Leases

Accounting policy applicable until 30 June 2019

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Accounting policy applicable from 1 July 2019
Accounting of leases – AASB 16 – as a lessee

For any new contracts entered into on or after 1 July 2019, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Leases (continued)

- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

In contracts where the Credit Union is a lessee, the Credit Union recognises a right-of-use asset and a lease liability at the commencement date of the lease, unless the short-term or low-value exemption is applied.

Right-of-use asset
A right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to be the condition required by the terms and conditions of the lease.

In the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been presented as a separate line item.

Lease Liabilities
Lease liabilities are initially measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the weighted average incremental borrowing rate. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

2.5 Income taxes and other taxes

(a) Income taxes

The income tax expense comprises current and deferred tax.

Current income tax expense charged to the Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Income taxes and other taxes (continued)

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 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

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 payables are stated inclusive of GST. 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 classified as operating cash flows.

2.6 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and 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 dates and readily converted to cash are included in the Investments. Cash and cash equivalents are stated at the gross value of the outstanding balance.

For the purposes of the Statement of Cash Flows the 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 Statement of Comprehensive Income.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(b) Subsequent measurement

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

- Financial assets at amortised cost (Loans & receivables and investments)
- Financial assets designated at fair value through Statement of Comprehensive Income (FVOCI)

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. Loans and receivables comprise of deposits held with other ADIs, term loans to members, members' overdrawn savings accounts and sundry debtors.

Loans and receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, net of any provision for impairment losses.

The EIR method is used to allocate interest income or expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees and other transaction costs) 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 Statement of Comprehensive Income.

(ii) Investments at amortised cost

Investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and its intention is 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 EIR method. Gains or losses are recognised in Statement of Comprehensive Income through the amortisation process and when the financial asset is derecognised. Investments of the Credit Union include term deposits, refer to Note 9.

(iii) Equity instruments designated at FVOCI

Equity instruments designated at FVOCI 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. Investments of the Credit Union consist of shares in non-listed entity, which is set out in Note 9.

Equity instruments are subsequently measured at fair value with changes in such fair value recognised in other comprehensive income. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at FVOCI are not subject to impairment assessment.

(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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(c) Impairment of financial assets (continued)

Financial assets at amortised cost

If there is objective evidence that an impairment loss 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 EIR.

(i) Loans and receivables

Impairment on loans and receivables is reduced through the use of provision accounts, all other impairment losses on financial assets at amortised cost are taken directly to the Statement of Comprehensive Income.

Impairment Losses

The Credit Union recognises an allowance for expected credit losses (ECLs) for loans and advances and trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Credit Union expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For loans and advances and trade and other receivables, the Credit Union applies a simplified approach in calculating ECLs. Therefore, the Credit Union does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Credit Union has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Credit Union considers a trade and other receivables in default when contractual payments are 30 days past due. However, in certain cases, the Credit Union may also consider a financial asset to be in default when internal or external information indicates that the Credit Union is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Credit Union. A loan and advances and trade and other receivables is written off when there is no reasonable expectation of recovering the contractual cash flows.

(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 Statement of Comprehensive Income.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

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

Fixed assets are measured at cost less accumulated 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:

- ATM equipment	3 years	- Computer equipment	3 - 10 years
- Furniture, fixtures and fittings	3 – 20 years	- Motor vehicles	5 years
- Leasehold improvements	‘the lease term’	- Right-of-use assets	‘the lease term’

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 Comprehensive Income.

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. All have estimated useful lives of three years. Intangible assets of the Credit Union consist of a fully amortised software and licences.

Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation of computer software is recognised in Statement of Comprehensive Income 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 where appropriate.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets

At the end of each reporting period the Credit Union determines whether there is any 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 Statement of Comprehensive Income. 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 EIR method. The Credit Union derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Gains or losses are recognised in Statement of Comprehensive Income 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 twelve 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 thirty days of recognition of the liability.

(c) Members' share deposits

Share deposits are classified as liabilities 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. The benefit is 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 twelve 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 Comprehensive Income.

Notes to the Financial Statements

	2020 $	2019 $
3 NON-INTEREST INCOME		
Grant recognised		
Commonwealth - grant recognised	**60,425**	268,155
Total	**60,425**	**268,155**
Other non interest income		
Revenue from fees and commission	**4,982,059**	5,104,526
Recoveries of bad and doubtful debts	**12,895**	7,181
Other operating revenue	**221,405**	215,332
Total	**5,216,359**	5,327,039
Total non interest income	**5,276,784**	5,595,194
4 EXPENDITURE		
(a) Bad debt (recovery) / expense		
Bad debts – loans	**-**	610
Doubtful debt (recovery) / expense	**-**	(4,716)
Total	**-**	(4,106)
(b) Depreciation and amortisation		
Depreciation	**244,267**	127,236
Amortisation	**-**	94,740
Total	**244,267**	221,976
(c) Salaries and related expenses		
Salaries and wages	**1,935,743**	2,006,524
Superannuation	**191,563**	198,761
Other expenses	**46,367**	47,097
Total employee benefits	**2,173,673**	2,252,382
Payroll tax	**36,183**	55,707
Workers compensation insurance	**6,980**	8,225
Total	**2,216,836**	2,316,314

Notes to the Financial Statements

	2020	2019
	$	$
4 EXPENDITURE (continued)		
(d) Other expenses		
Administration	**309,493**	368,233
Audit fees	**68,675**	95,643
Business development	**123**	2,156
Computer costs	**677,272**	568,385
Fees and commission	**695,252**	663,473
Insurance	**130,626**	136,727
Other occupancy costs	**162,284**	163,033
Short-term leases	**140,971**	396,561
Travel and accommodation	**150,270**	145,415
Other	**42,558**	155,261
Total	**2,377,524**	2,694,887

5 INCOME TAX EXPENSES

(a) The components of tax expenses comprise:

	2020	2019
Current income tax expense	**121,538**	62,033
Deferred tax relating to origination and reversal of temporary differences	**16,210**	81,915
Total income tax expense	**137,748**	143,948

(b) Reconciliation of income tax to accounting profit

A reconciliation of income tax expense to prima facie tax payable are as follows:

	2020	2019
Profit before tax	**550,901**	527,139
Tax at the tax rate of 27.5%	**151,498**	144,964
Adjust for tax effect of:		
Tax free cashflow boost	**(13,750)**	-
Non-refundable non-carry forward tax offset	**-**	(1,401)
Rebates from fully franked dividends	**-**	385
Income tax expense	**137,748**	143,948

Notes to the Financial Statements

	2020	2019
	$	$

6 CURRENT AND DEFERRED TAX

(a) Current tax (liabilities)/assets

	2020	2019
Current tax (payable)/receivable	**(71,288)**	25,784

(b) Deferred tax assets

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

	2020	2019
Payables and accruals		
Opening balance	**77,808**	144,961
Debited from the Statement of Comprehensive Income	**(17,312)**	(67,153)
Closing balance	**60,496**	77,808
Doubtful debts		
Opening balance	**17,459**	18,756
(Debited from) / credited to the Statement of Comprehensive Income	**(5,448)**	(1,297)
Closing balance	**12,011**	17,459
Employee entitlements		
Opening balance	**63,820**	58,187
Credited to / (debited from) the Statement of Comprehensive Income	**6,556**	5,633
Closing balance	**70,376**	63,820
Accelerated capital allowance for tax purposes		
Opening balance	**82,300**	101,398
Prior year under provision	**-**	-
(Debited from) / credited to the Statement of Comprehensive Income	**(6)**	(19,098)
Closing balance	**82,294**	82,300
Total deferred tax assets	**225,177**	241,387

Notes to the Financial Statements

	2020 $	2019 $
7 CASH AND CASH EQUIVALENTS		
Cash on hand	**736,256**	647,320
Deposits at call	**5,861,620**	5,488,296
Total	**6,597,876**	6,135,616
(a) Reconciliation of cash		
Cash and liquid assets	**6,597,876**	6,135,616
Held-to-maturity investments – short term	**5,532,216**	3,400,000
Balance as per Statement of Cash Flows	**12,130,092**	9,535,616
8 TRADE AND OTHER RECEIVABLES		
Interest receivable	**22,487**	57,706
Other receivables	**358**	378
Total	**22,845**	58,084

All trade and other receivables balance are currently within accepted trading terms.

	2020 $	2019 $
9 INVESTMENTS		
(a) Investments		
Investments at amortised cost	**10,515,432**	8,052,171
Shares in Indue Ltd	**45,000**	45,000
Total	**10,560,432**	8,097,171

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.

	2020 $	2019 $
(b) Maturity analysis		
No longer than 3 months	**5,532,216**	3,400,000
Longer than 3 months and not longer than 6 months	**3,500,573**	4,570,948
Longer than 6 months	**1,482,643**	81,223
No maturity specified	**45,000**	45,000
Total	**10,560,432**	8,097,171
10 LOANS AND ADVANCES		
(a) Details		
Term loans to third parties	**3,201**	14,510
Overdrawn accounts	**74,449**	106,923
	77,650	121,433
Provision for expected credit losses (ECLs)	**(43,677)**	(63,485)
Total	**33,973**	57,948

Notes to the Financial Statements

	2020 $	2019 $

10 LOANS AND ADVANCES (continued)

(b) Term loans maturity analysis

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

	2020 $	2019 $
No longer than 3 months	**74,449**	110,954
Longer than 3 months and not longer than 6 months	**-**	3,142
Longer than 6 months not longer than 1 year	**-**	3,619
Longer than 1 year and not longer than 5 years	**3,201**	3,718
Total	**77,650**	121,433

(c) Ageing of loans and advances

	2020 $	2019 $
0 - 30 days	**33,973**	55,750
31 - 60 days	**-**	3,663
61 - 90 days	**15,144**	25,083
Over 90 days	**28,533**	36,937
Total	**77,650**	121,433

All over 60 days overdue accounts were provided with provision for ECLs.

(d) Provision for ECLs

	2020 $	2019 $
Past due loans	**-**	1,465
Overdue savings accounts	**43,677**	62,020
Total	**43,677**	63,485

(e) Movements in provision for ECLs

	2020 $	2019 $
Opening balance	**63,485**	68,201
Bad debts (recovered) / written-off during the year	**(19,808)**	(4,716)
Closing Balance	**43,677**	63,485

(f) 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. The Credit Union has credit risk exposures in Darwin and remote regional Australia.

The following credit risk for term loans to third parties in the regions are:

	2020 $	2019 $
Darwin	**3,201**	5,986
Gapuwiyak	**-**	3,663
Minyerri	**-**	1,892
Ramingining	**-**	1,886
Wurrumiyanga	**-**	1,083
Total	**3,201**	14,510

Notes to the Financial Statements

	2020 $	2019 $
11 PROPERTY, PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	**261,522**	261,522
Accumulated depreciation	**(261,522)**	(258,501)
Net carrying value	**-**	3,021
Motor vehicles		
At cost	**65,253**	90,085
Accumulated depreciation	**(27,118)**	(54,051)
Net carrying value	**38,135**	36,034
Computer equipment		
At cost	**275,338**	275,338
Accumulated depreciation	**(275,338)**	(275,338)
Net carrying value	**-**	-
ATM equipment		
At cost	**188,408**	214,383
Accumulated depreciation	**(188,408)**	(183,942)
Net carrying value	**-**	30,441
Leasehold improvements		
At cost	**411,755**	411,755
Accumulated depreciation	**(411,755)**	(411,755)
Net carrying value	**-**	-
Right-of-use assets		
At cost	**216,577**	-
Accumulated depreciation	**(199,917)**	-
Net carrying value	**16,660**	-
Total property, plant and equipment	**54,795**	69,496

Notes to the Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Furniture, Fixtures and Fittings	Motor Vehicles	ATM Equipment	Subtotal Property, plant and equipment (owned)	Right-of-use Assets*	Total
	$	$	$	$	$	$
Balance at 1 July 2019	**3,021**	**36,034**	**30,441**	**69,496**	**-**	**69,496**
Additions	**-**	**35,000**	**-**	**35,000**	**216,577**	**251,577**
Disposals	**-**	**(16,952)**	**(5,059)**	**(22,011)**	**-**	**(22,011)**
Depreciation expense	**(3,021)**	**(15,947)**	**(25,382)**	**(44,350)**	**(199,917)**	**(244,267)**
Balance at 30 June 2020	**-**	**38,135**	**-**	**38,135**	**16,660**	**54,795**
Balance at 1 July 2018	25,555	67,564	91,732	184,851	-	184,851
Additions	-	-	-	-	-	-
Disposals	(11,927)	-	-	(11,927)	-	(11,927)
Depreciation expense	(10,607)	(31,530)	(61,291)	(103,428)	-	(103,428)
Balance at 30 June 2019	3,021	36,034	30,441	69,496	-	69,496

*Right-of-use assets is for head-office building

	2020	2019
	$	$
12 OTHER ASSETS		
GST	**26,146**	5,850
Prepayments	**112,944**	105,579
Leasehold property bond	**8,308**	7,308
Total	**147,398**	118,737
13 TRADE AND OTHER PAYABLES		
Other payables	**373,579**	347,749
Accrued interest payable	**4,701**	25,208
Total	**378,280**	372,957

Notes to the Financial Statements

14 DEPOSITS

	2020 $	2019 $
Term deposits	**2,182,415**	2,664,901
Call deposits	**9,291,562**	6,440,886
Members' shares	**18,768**	19,106
Total	**11,492,745**	9,124,893

(a) Maturity analysis

	2020 $	2019 $
On call	**9,310,330**	6,459,992
No longer than 3 months	**2,030,216**	2,515,538
Longer than 3 months not longer than 6 months	**69,997**	70,675
6 months or longer	**82,202**	78,688
Total	**11,492,745**	9,124,893

(b) Concentration of deposits (including overdrawn accounts in Note 10)

	2020 $	2019 $
Alice Springs	**32,344**	18,244
Angurugu	**1,058,328**	628,863
Borroloola	**16,945**	16,510
Darwin	**3,206,001**	3,418,429
Galiwinku	**306,458**	249,502
Gapuwiyak	**87,493**	34,767
Gunbalanya	**45,102**	13,042
Hermannsburg	**3,314**	3,254
Katherine	**108,895**	69,363
Lajamanu	**3,651**	3,007
Maningrida	**204,731**	51,650
Milingimbi	**121,401**	64,099
Minyerri	**532,430**	28,166
Ngukurr	**48,843**	473,513
Numbulwar	**69,646**	313,589
Ramingining	**104,571**	57,666
Tennant Creek	**101,689**	74,340
Wurrumiyanga	**46,592**	12,426
Wadeye	**5,243,241**	3,474,046
Warruwi	**28,442**	13,049
Other	**29,411**	445
Total	**11,399,528**	9,017,970

Notes to the Financial Statements

	2020 $	2019 $
15 PROVISIONS		
Employee entitlements	**255,911**	**232,073**
Total	**255,911**	232,073
Analysis of total provisions		
Current – employee entitlements	**243,465**	151,540
Non current – employee entitlements	**12,446**	80,533
Total	**255,911**	232,073
16 LEASE LIABILITIES - CURRENT		
Lease liabilities	**17,245**	-
Total	**17,245**	-

The lease of Head-office building in Casuarina is a two-year lease term with renewal option.

	2020 $	2019 $
Amount recognised in the income statement		
Interest on lease liabilities	**8,807**	
Expenses relating to short-term leases	**140,971**	
Total	**149,778**	
Maturity analysis for short-term leases		
Less than one year	**106,448**	
One to five years	**-**	
Total undiscounted contractual cash flows	**106,448**	

	2020 $	2019 $
17 OTHER LIABILITIES		
Unexpended grants	**6,050**	66,476
Total	**6,050**	66,476

Notes to the Financial Statements

18 REDEEMABLE PREFERENCE SHARE RESERVE

	2020 $	2019 $
At the beginning of the reporting period	**40,194**	35,910
Transfer from retained earnings on share redemption	**3,328**	4,284
At the end of the reporting period	**43,522**	40,194

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 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 14.

19 RESERVES

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

20 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit after income tax to net cash from operating activities

	2020 $	2019 $
Profit for the period	**413,153**	383,191
Adjustments for (non cash flows in profit):		
Amortisation	**-**	94,740
Depreciation	**244,267**	127,236
Net (gain)/ loss on sale of property, plant and equipment	**(10,488)**	88,748
Change in assets and liabilities:		
Decrease / (Increase) in trade and other receivables	**35,239**	(17,216)
Decrease in loans and advances	**23,975**	14,742
(Increase) / Decrease in other assets	**(28,661)**	30,832
Decrease in deferred tax assets	**16,210**	81,915
Decrease in income tax receivable	**25,784**	47,649
Increase in income tax payable	**71,288**	-
Increase / (Decrease) in trade and other payables	**5,322**	(27,185)
Increase in deposits	**2,850,338**	406,478
Increase in provision for employee benefits	**23,839**	20,486
Decrease in other liabilities	**(60,426)**	(268,155)
Net cash from operating activities	**3,609,840**	983,461

Notes to the Financial Statements

21 FINANCIAL RISK MANAGEMENT

Financial risk management policies

The Credit Union's daily operations are exposed to a range of risks. To manage these risk exposures the Credit Union has a framework to identify risks, quantify the risk exposure, implement procedures to control and mitigate the risks, report risks, and provide ongoing oversight. The Board has a designated Chief Risk Officer and a Board Risk Committee to manage and oversee the risk management framework supported by risk management policies and strategies, internal controls and procedures. A risk register is maintained as part of the risk management framework which enables structured and logical assessment and reporting of identified risks, including their consequences and likelihood and the assessment of risk mitigation controls.

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 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 their contractual obligations that could lead to a financial loss to the Credit Union. The Credit Union manages credit risk by having credit worthy investment counterparties and setting limits on the amount of risk it is willing to accept for individuals and related counterparties.

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 counter party 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 nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

(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.

The Australian Prudential Regulation Authority's 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 Credit Union exceeded the minimum requirements at all times during the financial year.

The available funds to the Credit Union are disclosed in Note 7.

The table below reflects an undiscounted contractual maturity analysis for financial 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 may not equal the balances in the Statement of Financial Position.

Notes to the Financial Statements

21 FINANCIAL RISK MANAGEMENT (continued)

Financial liability maturity analysis:

Financial liabilities due for payment	Within 1 year 2020 $	Within 1 year 2019 $	Over 1 year 2020 $	Over 1 year 2019 $	Total 2020 $	Total 2019 $
Deposits	11,492,745	9,124,893	-	-	11,492,745	9,124,893
Trade and other payables	375,720	344,428	-	-	375,720	344,428
Total contractual outflows	**11,868,465**	**9,469,321**	**-**	**-**	**11,868,465**	**9,469,321**

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

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

Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at year end, 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 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 is:

	2020 %	2019 %
Financial assets		
Cash and cash equivalents	**1.68**	2.28
Short term investments:		
Held to maturity investments	**1.64**	1.95
Loans receivable	**6.13**	11.61

Notes to the Financial Statements

21 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 $	
	2020	**2019**	**2020**	**2019**
Financial assets + 1%				
Cash in bank	**42,497**	39,790	**42,497**	39,790
Loans and advances	**246**	420	**246**	420
Investments	**76,563**	58,704	**76,563**	58,704
Financial liabilities				
Deposits	**-83,322**	-66,155	**-83,322**	-66,155
Post tax earnings at risk	**35,984**	32,759	**35,984**	32,759
Financial assets - 1%				
Cash in bank	**-42,497**	-39,790	**-42,497**	-39,790
Loans and advances	**-246**	-420	**-246**	-420
Investments	**-76,563**	-58,704	**-76,563**	-58,704
Financial liabilities				
Deposits	**83,322**	66,155	**83,322**	66,155
Post tax earnings at risk	**-35,984**	-32,759	**-35,984**	-32,759

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 the prior period.

Fair market value measurement / fair value estimation

The fair value of the financial assets and liabilities is presented 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 table below provides an analysis of the Credit Union' assets grouped into Levels 1 to 3. The levels are 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. The fair value for each level is:

- Level 1 - calculated using quoted prices in active markets
- Level 2 - 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 - estimated using inputs for the asset or liability that are not based on observable market data

There are no transfers between levels in financial year 2019 and 2020.

Notes to the Financial Statements

21 FINANCIAL RISK MANAGEMENT (continued)

	Note	Carrying amount $	Level 1 $	Level 2 $	Level 3 $	Total $
Balance at 30 June 2020						
Loans and advances	10	**33,973**	**-**	**-**	**33,973**	**33,973**
Held to maturity investments	9	**10,560,432**	**-**	**10,560,432**	**-**	**10,560,432**
Total financial assets		**10,594,405**	**-**	**10,560,432**	**33,973**	**10,594,405**
Term deposits	14	**2,182,415**	**-**	**-**	**2,182,415**	**2,182,415**
Call deposits	14	**9,291,562**	**-**	**9,291,562**	**-**	**9,291,562**
Total financial liabilities		**11,473,977**	**-**	**9,291,562**	**2,182,415**	**11,473,977**
Balance at 30 June 2019						
Loans and advances	10	57,948	-	-	57,948	57,948
Held to maturity investments	9	8,097,171	-	8,097,171	-	8,097,171
Total financial assets		8,155,119	-	8,097,171	57,948	8,155,119
Term deposits	14	2,664,901	-	-	2,664,901	2,664,901
Call deposits	14	6,440,886	-	6,440,886	-	6,440,886
Total financial liabilities		9,105,787	-	6,440,886	2,664,901	9,105,787

The carrying value of loans is net of provision for impairment. All loans have variable rates, therefore the carrying amount at the Statement of Financial Position 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 approximates 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

22 RELATED PARTY TRANSACTIONS

The related parties of the Credit Union include:

- the key management personnel ("KMP") because they have authority and responsibility for planning, directing and controlling the activities of the Credit Union directly;
- spouses, children and dependants who are close family members of the KMP; and
- any entities controlled or jointly controlled by KMP's or controlled or jointly controlled by their close family members.

KMP

KMP of the Credit Union are those persons having authority and responsibility for planning, directing and controlling the activities of Credit Union. These include the directors and executives as listed below.

(a) Directors

The following were directors of the Credit Union from the beginning of the financial year to the date of this report.

- Bunug Galaminda
- David Djalangi
- David Knights *
- David Marpiyawuy
- Elsbeth Torelli *
- Iain Summers *
- Micky Wunungmurra (Chair)
- Richard Bandalil
- Sharyn Innes *

** The following directors elected not to receive remuneration.*

(b) Other KMP

The following persons (executive management) employed by the Credit Union also had authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, during the financial year:

• Anthony Hampton	Chief Executive Officer (Ongoing)
• John Appleby	General Manager Operations (Ongoing)
• Alexandra Henggeler	Chief Financial Officer (Ceased 30 Aug 2019)
• Lily Ang	Chief Financial Officer (Commenced 2 July 2019)

(c) KMP remuneration

The total remuneration paid to the KMP of the Credit Union during the financial year is as follows:

	2020	2019
	$	$
Short term employee benefits – salaries and director fees	**466,243**	439,158
Long term benefits – long service leave	**9,854**	6,596
Post employment benefits – superannuation	**42,223**	36,746
Total	**518,320**	482,500

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

Notes to the Financial Statements

	2020 $	2019 $

23 AUDITOR'S REMUNERATION

	2020 $	2019 $
Amounts paid or payable to the external auditors – Merit Partners		
Auditing the financial statements	**19,500**	19,500
Audit of Australian Financial Services Licence	**3,500**	3,500
Audit of prudential reports	**10,000**	10,000
Total	**33,000**	33,000

24 EVENT OCCURING AFTER THE REPORTING DATE

No events have occurred between the end of the financial year and the date of this report that require adjustment to or disclosure of these financial statements.

Covid-19
The World Health Organization declared a world-wide pandemic on 11 March 2020 with the Australian Federal Government subsequently implementing the Australian Health Management Plan for Pandemic Influenza and the Australian Health Sector Emergency Response Plan for Novel Coronavirus. From noon on 5 June 2020 Northern Territory (NT) is on Stage 3 of the roadmap to the new normal. The designated biosecurity zones were lifted.

In conjunction with the Australia Prudential Reporting Authority (APRA) mandate, the Credit Union developed a Pandemic Plan – Covid-19. Business Continuity Plan was invoked, and regular updates were/are communicated to staff and APRA. Service to our members has not been impacted to date, the Credit Union continues to provide face to face services with social distancing and other recommended Covid-19 health and safety measures in place.

Financial Impact
- Additional funding of $50k was provided by the Australian Government through the Australian Taxation Office's cash flow boosts program
- There has been no impairment to the Credit Union's assets due COVID-19

25 BRANCH LOCATION

- Darwin
- Galiwinku
- Gapuwiyak
- Gunbalanya
- Katherine
- Maningrida
- Milingimbi
- Minyerri
- Ngukurr
- Numbulwar
- Ramingining
- Wurrumiyanga
- 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 2020 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 17th day of September, 2020

in accordance with a resolution of the Board of Directors of the Credit Union.

Micky Wunungmurra

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 2020, 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 2020 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.

Emphasis of Matter – COVID-19 Pandemic Impact

We draw attention to Note 21 to the financial report, which describes the impact of the COVID-19 pandemic on the Company. Our opinion is not modified in respect of this matter.

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.

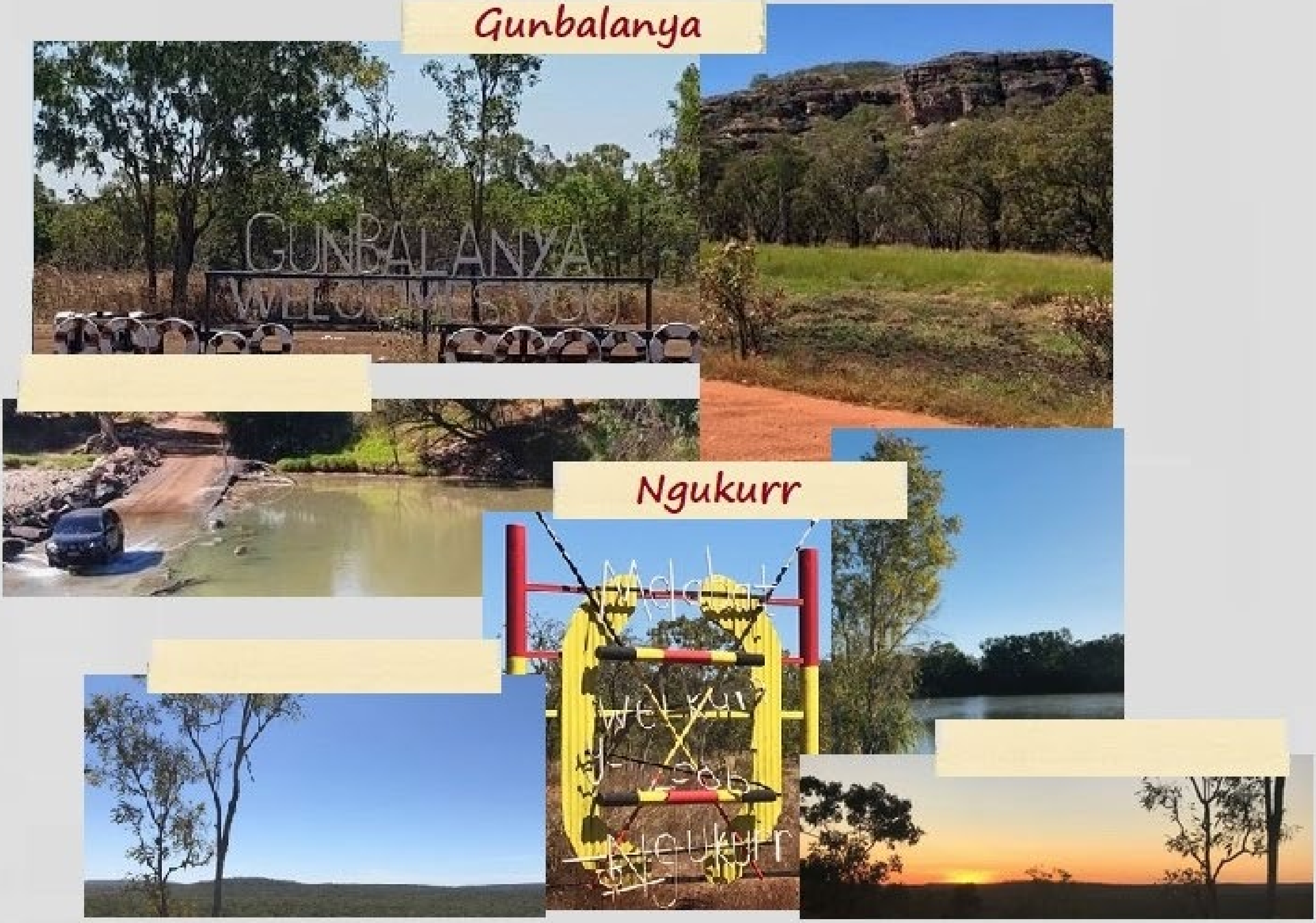
Merit Partners

Merit Partners

MunLi Chee
Partner

DARWIN

17 September 2020


Gunbalanya
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ROPER GULF REGION

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Gunbalanya
Minyerri
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Ramingining
Ngukurr
Galiwinku
Gapuwiyak
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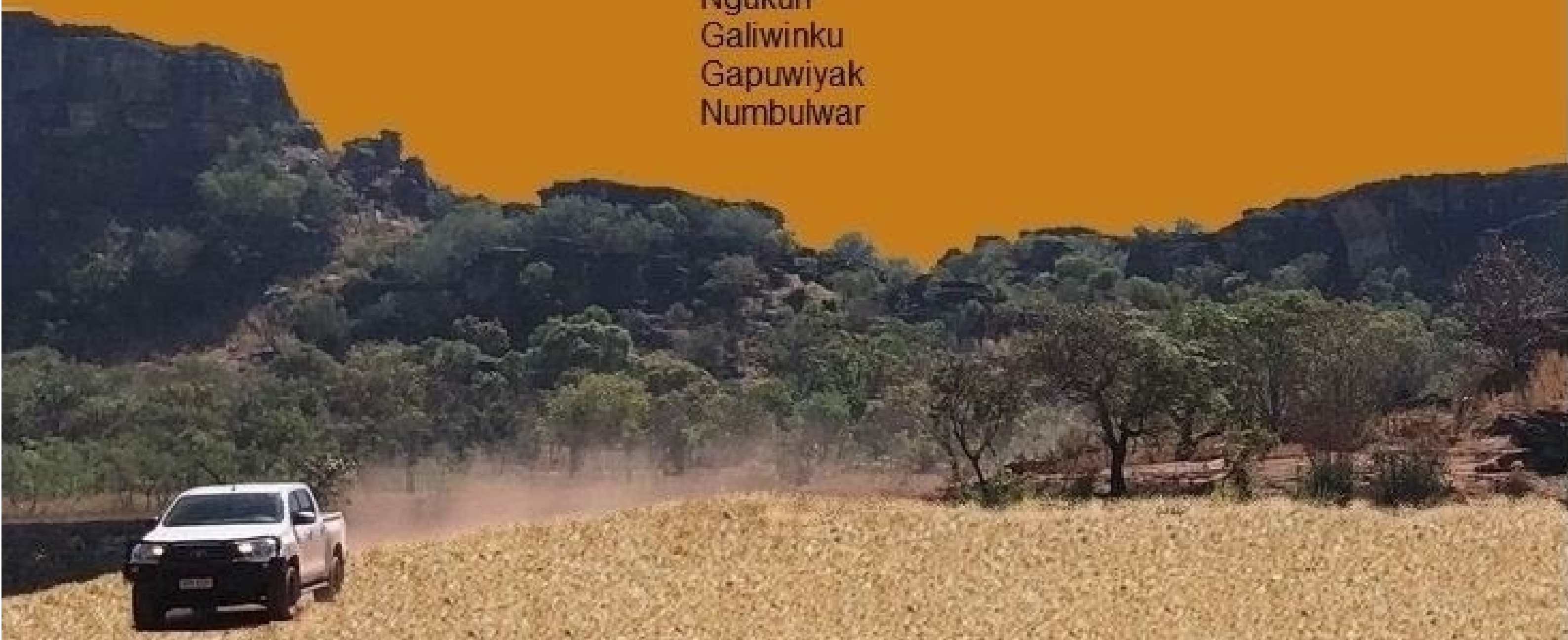

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