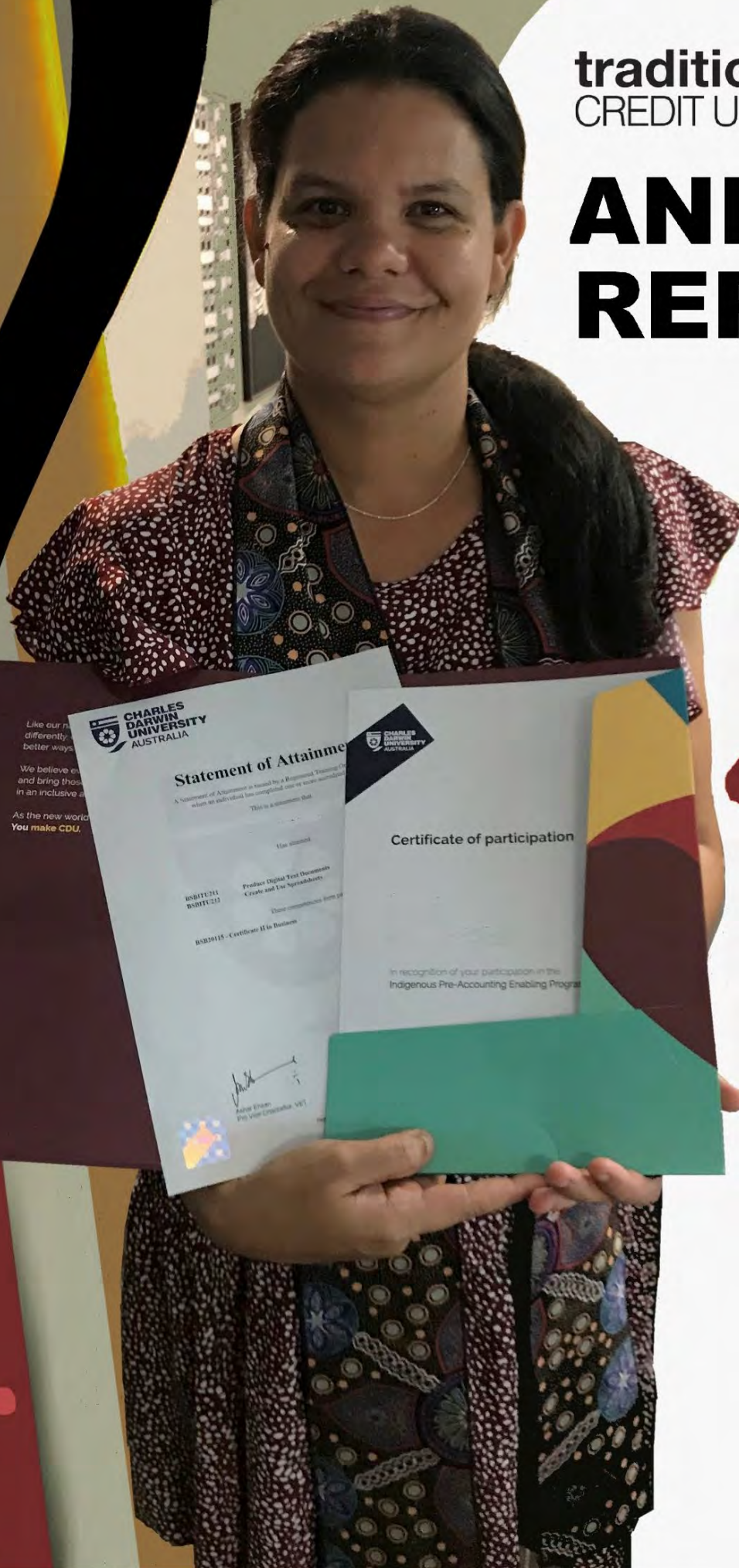


ANNUAL REPORT

20-
21



Like our members,
we believe in better ways
of doing things.

We believe in
and bring those
in an inclusive
and sustainable way.

As the new world
You make CDU.

CHARLES
DARWIN
UNIVERSITY
AUSTRALIA

Statement of Attainment

A Statement of Attainment is issued by a Registered Training Organisation when an individual has completed one or more units of competency.

This is a document that

Has issued

BSBITC211
BSBITC212

Produce Digital Text Documents
Create and Use Spreadsheets

These competencies form part

BSB20115 - Certificate II in Business


Peter Egan
Principal, Learning Services VET

CHARLES
DARWIN
UNIVERSITY
AUSTRALIA

Certificate of participation

In recognition of your participation in the
Indigenous Pre-Accounting Enabling Program

traditional
CREDIT UNION

ANNUAL REPORT

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Money \$tories

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“We provide banking on country”

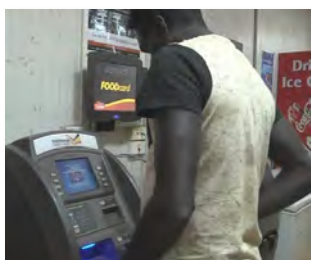
The Traditional Credit Union (TCU) provides essential banking services to Indigenous people living in remote communities. We understand Indigenous culture because we are an Indigenous organisation. We are owned by our Indigenous customers (members) and guided by Indigenous leaders who sit on our Board. We understand the needs of the people in these communities because we employ Indigenous staff from the same communities we support.

We provide banking services, delivered through our network of remote community Branches, 12 in total, supported by a Service Centre in Katherine and our Head office in Casuarina, Darwin. We are trusted by our members because we provide ‘face to face’ services on country, by Indigenous staff, speaking the language of the community.

We provide a fleet of over 25 ATMs that are located in shopping areas within remote communities. We provide our members with free transactions on these ATMs including free access to account balance information. We complement our ‘face to face’ and ‘cash’ services in communities with an Indigenous staffed Call Centre that works closely with our Branch staff.

Although banking in the Indigenous communities is heavily dependent on trust and strong relationships gained through personal contact, our members also require the advantages and convenience of point-of-sale purchasing and 24/7 digital technologies. To facilitate this, TCU provides a Website, which is fully screen responsive, enabling access to all TCU information via Mobile devices. Our Mobile Phone App is Web based allowing it to be securely and privately accessed on family share phones. TCU being a fully licenced Authorised Deposit-taking Institution (ADI), issues VISA and ATM Cards and provides access to the Australian electronic payments system, through services such as BPay and Direct Entry.

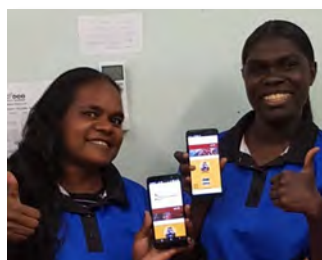
Providing services in remote communities is not easy and requires cooperation and partnering to be successful. To this end, we acknowledge the Arnhem Land Progress Aboriginal Corporation (ALPA) for their ongoing support in providing ATM locations within their Stores. Other Indigenous organisations are also critical to our success in community, the Murrinhpatha Nimmipa Store in Wadeye supports TCU across a broad range of services. Local councils in remote communities also assist TCU with Branch accommodation, in particular the West Arnhem Council has provided generous support over many years.



ATMs



eftpos



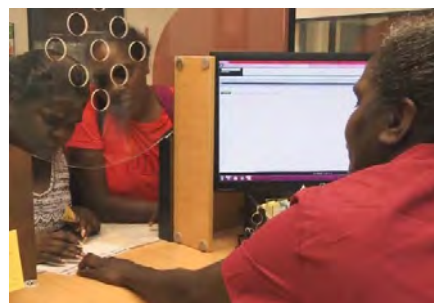
Mobile



Internet



Phone



Branch

Coronavirus (COVID-19) Pandemic

TCU is an essential service and as such must continue to provide banking services to our members during COVID-19 'lockdowns'. This has been a challenge as many of our members rely on 'verbal' and 'face to face' interactions. However, we have successfully achieved this continuity of service through the following:

- Branches remaining open in communities and supported by Head office through remote technologies.
- Virtualising our 'Call Centre' so that it is not dependent on one physical location.
- Promoting good staff hygiene, wearing masks, social distancing in the office and ensuring secure physical barriers are in place between staff and member areas.
- Staff working from home where possible.
- Restricting travel, especially to and from remote communities.
- Conducting meetings remotely via teleconference or video conference.
- Visitor and Member registers and QR code check-in.

During 'lockdowns' we have also been providing masks to members and their families to ensure their safety when moving between home and essential services.

TCU has a comprehensive COVID-19 Plan to mitigate COVID-19 risk, however, we acknowledge that the only sustainable way forward is through vaccination. Vaccination is an individual decision, however, the Board has resolved that TCU support staff are not to physically attend a community Branch without being fully vaccinated.

During the year Board meetings were largely undertaken via video-conferencing. However, we were able to have one Board meeting where all Directors were able to travel to our Darwin Head office. This is important as in Indigenous culture, decision making is a consensus process and physical interaction assists in building trust.



All TCU Offices are COVID safe



CEO, Tony Hampton gets the COVID Vaccine at the Arafura Medical Centre, Casuarina



Dinner with the Board - Left to Right: Left to Right: Director, Richard Bandalil, CEO - Tony Hampton, Directors - David Knights, David Marpiyawuy, Iain Summers, Chair - Micky Wunungmurra, Directors - Elsbeth Torelli, Sharyn Innes and Bunug Galaminda



Virtual Board Meeting

Our Members

Members and the number of active transaction accounts remained consistent with previous years at approximately 7,500.

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. This has been especially important during periods of remote community 'lockdowns'.



Documents



Enquiries



Cash Transactions

Our people

Approximately 80% of our total workforce of 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.

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

Although our primary purpose is to provide essential banking services, our Board believes that services to Indigenous people in remote communities should be provided by Indigenous organisations where possible. This focus creates valuable employment in communities and introduces another layer of education for Indigenous people. Importantly, our staff are proud to be working and believe this provides role models for the younger people in communities.



Milingimbi Branch



Ramingining Branch

Supporting our communities

Unfortunately, due to COVID-19, travel over the financial year was significantly restricted. However, our Indigenous Directors and Indigenous Remote Communities Branch staff continue to be our ambassadors in their communities.

During the year some of our Board Directors were able to have one remote committee meeting in Wurrumiyanga, Tiwi Islands. This gave the opportunity to take in the unique culture of the Tiwi Islands, engage with the local Indigenous businesses, visit the TCU Branch and talk to people in the community about their banking needs.

Our Chair, Micky Wunungmurra was invited to participate in the KPMG Publication – '30 Voices on 2030: New Reality for Financial Services', where Micky outlined the future of financial services support in remote communities being that of a 'money business' hub where all Banks and other 'Money Business' providers, including Government, work together, employing Indigenous people, to provide a holistic range of financial services.

Our CEO, Tony Hampton was privileged to have attended the NT 'Australian of the Year' Awards. Congratulations to those inspiring individuals who were nominated. We were extremely proud of Erica Gibson who won the 'Local Hero' category for her work in remote communities and acknowledge her support of TCU and other Indigenous businesses in Wadeye. Erica tirelessly works to support vulnerable people exposed to domestic violence and other forms of abuse.



Sergeant Erica Gibson NT's Local Hero for 2021 with TCU CEO, Tony Hampton

Our performance

Our financial performance continues to be solid and consistent with the previous two financial year despite the continuing impact of COVID-19 and lack of Grant funding.

With our remote Branch staff living on country, we were able to keep Branches open and provide 'face to face' banking services despite NT remote communities being in 'lockdown' on several occasions. Although our head office staff were not able to regularly 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 continues to test our resilience but remains manageable.



Chair, Micky Wunungmurra

We are projecting a reduction in profitability for the 2021/22 financial year due to the ongoing COVID-19 impact on our operations and a continuing low interest rate environment. Additionally, we continue to be challenged by increasing compliance requirements and costs.

Notwithstanding, we have been able to freeze member fees and charges at existing levels and sustain solid, albeit reduced, profitability going forward.

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.



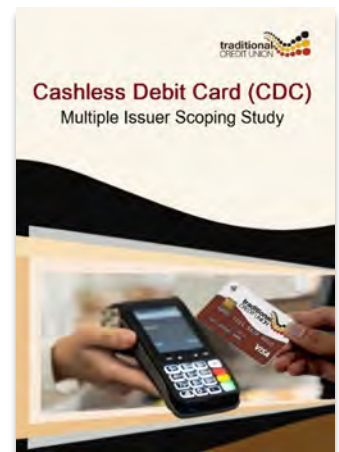
TCU has identified 4 significant Strategic Pathways, which can be leveraged to introduce operational excellence and business growth and thereby secure TCU as a viable entity over the next 3 years and beyond.

During the financial year 2020/21 the strategic focus has been on the following 3 Pathways:

Establishing Strong Foundations - this Strategic Pathway has a focus on upgrading technology systems to ensure that TCU continues to meet all our regulatory obligations and has the capability to continue to offer appropriate products and access channels including a full range of digital services.

Developing a sustainable future - this Strategic Pathway 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' needs. During the year we have undertaken a feasibility study with the Department of Social Services to assess the viability of an ADI such as TCU being involved in the issuing and management of Government welfare cards.

Building internal capacity and capability - this Strategic Pathway 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.



Report to Government on
Banking in Communities

During the year, TCU sponsored and provided a participant in a Charles Darwin University (CDU) initiated Indigenous Pre-Accounting Enabling Program. The aim of the program was to break down barriers for Indigenous people undertaking tertiary studies with a focus on entering the accounting profession. TCU's Accounts Officer, Joeline successfully completed the course and is now undertaking further tertiary studies.



Joeline with CDU, Vice Chancellor – Simon Maddocks, Dean of the College of Business and Law – David Low, Pro Vice-Chancellor Indigenous Leadership – Reuben Bolt, and TCU CEO, Tony Hampton



Participant in the Indigenous Pre-Accounting Enabling Program at CDU

Board and corporate governance


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
Chair


Tony Hampton
Chief Executive Officer



Katherine Branch



Gapuwiyak Branch

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 2021 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

QUALIFICATIONS & EXPERIENCE



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
- Chairman of Bukmak Constructions



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

DIRECTOR

QUALIFICATION & EXPERIENCE



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.

- Senior Executive with National Australia Bank
- Degree in Engineering
- Masters of Business Administration **MBA**
- Director and Company Secretary of the Australian Custodial Services Association
- Graduate of the Australian Institute of Company Directors **GAICD**



Elsbeth Torelli

Non-Executive Director,
Company Secretary,
Member of the Audit &
Finance Committee and
Member of the Board Risk
Committee.

Director since 2016.

Company Secretary

since February 2018

- Chief Operating Officer at G & C Mutual Bank
- Fellow of the Institute of Public Accountants
- Fellow of the Governance Institute of Australia
- Director of Customer Owned Banking Association (COBA)

DIRECTOR

QUALIFICATION & EXPERIENCE



Iain Summers

Non-Executive Director,
Chair of the Audit &
Finance Committee and
Member of the Board Risk
Committee.

Director since 2005.

- Bachelor of Commerce
- Bachelor of Laws
- Chartered Accountant **FCA**
- Fellow of the Australian Institute of Company Directors **FAICD**
- Independent Chair of Risk Management and Audit Committees
- Self-employed Consultancy Business



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

Chief Executive Officer



Tony Hampton

CEO since May 2018

- Bachelor of Arts in Accountancy **BA (Acc)**
- Fellow of the Australian Society of Certified Practising Accountants **F CPA**
- Graduate of the Australian Institute of Company Directors **GAICD**

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 2021.

Dividends

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

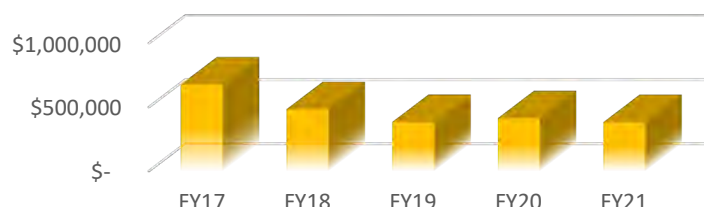
Review of operations

Profitability

The Credit Union recorded a profit after tax for the year ended 30 June 2021 of \$382k (FY19/20: \$413k).

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

PROFIT

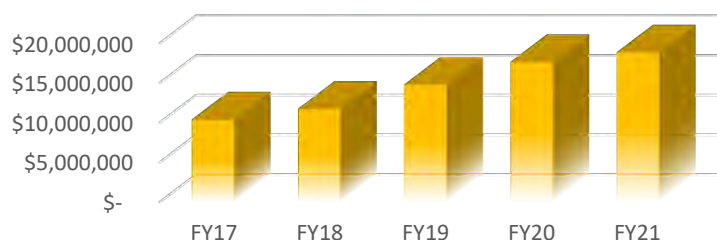


Assets

The total assets of the Credit Union were \$18.8 million (FY19/20: \$17.6 million), representing an increase of \$1.2 million (7%).

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

ASSETS

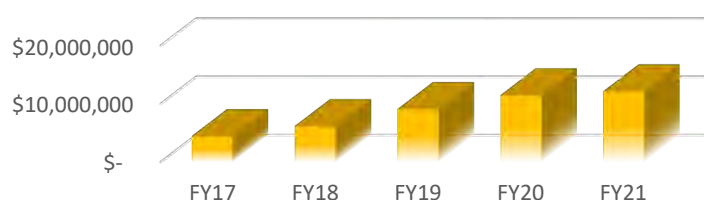


Deposits

Total deposits increased to \$12.2 million (FY19/20: \$11.5 million), representing a portfolio increase of \$0.7 million (6%).

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

DEPOSITS

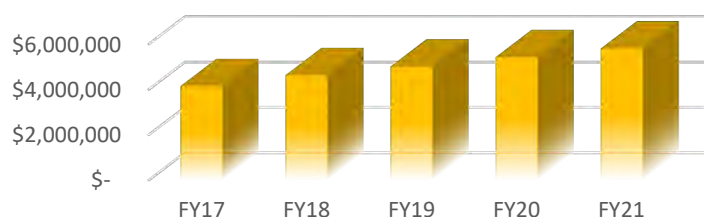


Capital

Capital increased to \$5.8 million (FY19/20: \$5.42 million) representing an increase of \$0.38 million (7%).

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

CAPITAL



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 2021 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	4	4	6	4
David Djalangi	4	4	-	-
David Marpiyawuy	4	4	-	-
Bunug Galaminda	4	3	-	-
Richard Bandalil	4	3	-	-
David Knights	4	4	12	12
Iain Summers	4	4	10	9
Elsbeth Torelli	4	4	12	12
Sharyn Innes	4	4	6	6

* 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

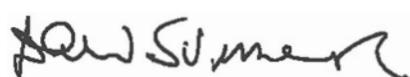
A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is attached as a separate document.

Signed in Darwin this 21st day of September, 2021

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



Micky Wunungmurra
Chair



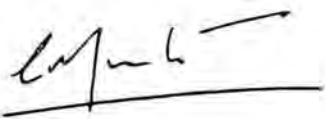
Iain Summers
Director

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 2021, 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

21 September 2021



Financial Statements for the year ended 30 June 2021

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Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Interest income		64,071	172,659
Interest expense		19,723	59,915
Net interest income		44,348	112,744
Non-interest income	3	5,460,032	5,276,784
Net income before expenses		5,504,380	5,389,528
Depreciation and amortisation expense	4(a)	172,623	244,267
Salaries and related expenses	4(b)	2,278,773	2,216,836
Other expenses	4(c)	2,537,322	2,377,524
Total expenses		4,988,718	4,838,627
Profit before income tax		515,662	550,901
Income tax expense	5	133,355	137,748
Profit for the year		382,307	413,153
Other comprehensive income		-	-
Total comprehensive income attributed to Members		382,307	413,153

Statement of Financial Position

as at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Cash and cash equivalents	7	8,529,995	6,597,876
Trade and other receivables	8	9,711	22,845
Investments	9	9,681,839	10,560,432
Loans and advances	10	34,456	33,973
Deferred tax assets	6(b)	222,731	225,177
Property, plant and equipment	11	193,981	54,795
Other assets	12	192,434	147,398
Total assets		18,865,147	17,642,496
LIABILITIES			
Trade and other payables	13	355,182	378,280
Deposits	14	12,161,157	11,492,745
Current tax payable	6(a)	45,723	71,288
Provisions	15	325,920	255,911
Lease liabilities	16	173,881	17,245
Other liabilities	17	-	6,050
Total liabilities		13,061,863	12,221,519
Net assets		5,803,284	5,420,977
EQUITY			
Redeemable preference share reserve	18	46,944	43,522
Reserves	19	575,000	575,000
Retained earnings		5,181,340	4,802,455
Total equity		5,803,284	5,420,977

Statement of Changes in Equity

For the year ended 30 June 2021

	Redeemable Preference Share Reserve \$	Retained Earnings \$	Capital Reserve \$	Total \$
Opening balance at 1 July 2020	43,522	4,802,455	575,000	5,420,977
Profit attributable to Members of the entity	-	382,307	-	382,307
Transfer from retained earnings to reserves	3,422	(3,422)	-	-
Closing balance at 30 June 2021	46,944	5,181,340	575,000	5,803,284

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

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received		5,179,268	4,982,059
Other income received		271,499	206,266
Interest received		80,420	207,878
Dividends received		-	3,270
Net increase in on-call deposits and withdrawable members' shares		696,638	2,850,338
Net (increase) / decrease in loans and advances		(483)	36,869
Payment to employee and suppliers		(4,809,716)	(4,564,545)
Interest paid		(24,227)	(89,230)
Income tax paid		(156,474)	(23,065)
Net cash provided from / (used by) operating activities	20	1,236,925	3,609,840
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in investment		(780,008)	(331,046)
Payment for property, plant and equipment and intangibles		(311,809)	(35,000)
Proceeds from sale of property plant and equipment		-	32,500
Net cash provided from / (used by) investing activities		(1,091,817)	(333,546)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in term deposits		(28,227)	(482,486)
Changes in lease liabilities		156,636	(199,332)
Net cash provided from / (used by) financing activities		128,409	(681,818)
Net increase / (decrease) in cash and cash equivalents held		273,517	2,594,476
Cash and cash equivalents at beginning of financial year		12,130,092	9,535,616
Cash and cash equivalents at end of financial year	7	12,403,609	12,130,092

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 2021 were authorised for issue on 21 September 2021 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 has adopted any relevant new standards and interpretations which are effective for annual period beginning 1 July 2020. These standards and interpretations have no financial reporting impact to the Credit Union.

(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 2021 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. These are not expected to have 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

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 assesses 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)

(a) Income 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.

Expected Credit 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

	2021	2020
	\$	\$
3 NON-INTEREST INCOME		
Grant recognised		
Commonwealth - grant recognised	6,050	60,425
Total	6,050	60,425
Other non interest income		
Revenue from fees and commission	5,179,268	4,982,059
Recoveries of bad and doubtful debts	-	12,895
Other operating revenue	274,714	221,405
Total	5,453,982	5,216,359
Total non interest income	5,460,032	5,276,784
4 EXPENDITURE		
(a) Depreciation and amortisation		
Depreciation	172,623	244,267
Total	172,623	244,267
(b) Salaries and related expenses		
Salaries and wages	2,009,057	1,935,743
Superannuation	190,432	191,563
Other expenses	35,713	46,367
Total employee benefits	2,235,202	2,173,673
Payroll tax	38,271	36,183
Workers compensation insurance	5,300	6,980
Total	2,278,773	2,216,836

Notes to the Financial Statements

	2021	2020
	\$	\$
4 EXPENDITURE (continued)		
(c) Other expenses		
Administration	303,785	309,493
Audit fees	73,367	68,675
Business development	-	123
Computer costs	813,559	677,272
Fees and commission	724,748	695,252
Insurance	154,845	130,626
Other occupancy costs	145,274	162,284
Short-term leases	151,605	140,971
Travel and accommodation	128,382	150,270
Other	41,757	42,558
Total	2,537,322	2,377,524

5 INCOME TAX EXPENSES**(a) The components of tax expenses comprise:**

Current income tax expense	130,909	121,538
Deferred tax relating to origination and reversal of temporary differences	2,446	16,210
Total income tax expense	133,355	137,748

(b) Reconciliation of income tax to accounting profit

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

Profit before tax	515,662	550,901
Tax at the tax rate of 26.0% (2020: 27.5%)	134,072	151,498
<i>Adjust for tax effect of:</i>		
Tax free cashflow boost	(13,000)	(13,750)
Change in tax rate	12,283	-
Income tax expense	133,355	137,748

Notes to the Financial Statements

	2021	2020
	\$	\$

6 CURRENT AND DEFERRED TAX

(a) Current tax (liabilities)/assets

Current tax (payable)/receivable	(45,723)	(71,288)
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(b) Deferred tax assets

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

Payables and accruals

Opening balance	60,496	77,808
Change in tax rate from 27.5% to 26%	(3,300)	-
Debited from the Statement of Comprehensive Income	34,853	(17,312)
Closing balance	92,049	60,496

Doubtful debts

Opening balance	12,011	17,459
Change in tax rate from 27.5% to 26%	(655)	-
(Debited from) / credited to the Statement of Comprehensive Income	(2,064)	(5,448)
Closing balance	9,292	12,011

Employee entitlements

Opening balance	70,376	63,820
Change in tax rate from 27.5% to 26%	(3,839)	-
Credited to / (debited from) the Statement of Comprehensive Income	18,202	6,556
Closing balance	84,739	70,376

Accelerated capital allowance for tax purposes

Opening balance	82,294	82,300
Change in tax rate from 27.5% to 26%	(4,489)	-
(Debited from) / credited to the Statement of Comprehensive Income	(41,154)	(6)
Closing balance	36,651	82,294

Total deferred tax assets

	222,731	225,177
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Notes to the Financial Statements

	2021 \$	2020 \$
7 CASH AND CASH EQUIVALENTS		
Cash on hand	568,112	736,256
Deposits at call	7,961,883	5,861,620
Total	8,529,995	6,597,876
(a) Reconciliation of cash		
Cash and liquid assets	8,529,995	6,597,876
Held-to-maturity investments – short term	3,873,615	5,532,216
Balance as per Statement of Cash Flows	12,403,609	12,130,092
8 TRADE AND OTHER RECEIVABLES		
Interest receivable	6,138	22,487
Other receivables	3,573	358
Total	9,711	22,845
All trade and other receivables balance are currently within accepted trading terms.		
9 INVESTMENTS		
(a) Investments		
Investments at amortised cost	9,636,839	10,515,432
Shares in Indue Ltd	45,000	45,000
Total	9,681,839	10,560,432
Held-to-maturity investments are held with Australian Banks and an Australian registered ADI.		
The Credit Union is required to hold share capital in Indue Ltd as Special Services Provider. These shares are not quoted on any stock exchange and therefore do not have a recognised market value. The shares are redeemable at par subject to the rules of Indue Ltd.		
(b) Maturity analysis		
No longer than 3 months	3,873,615	5,532,216
Longer than 3 months and not longer than 6 months	5,680,269	3,500,573
Longer than 6 months	82,955	1,482,643
No maturity specified	45,000	45,000
Total	9,681,839	10,560,432
10 LOANS AND ADVANCES		
(a) Details		
Term loans to third parties	3,685	3,201
Overdrawn accounts	66,509	74,449
	70,194	77,650
Provision for expected credit losses (ECLs)	(35,738)	(43,677)
Total	34,456	33,973

Notes to the Financial Statements

2021
\$

2020
\$

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.

No longer than 3 months	66,971	74,449
Longer than 3 months and not longer than 6 months	462	-
Longer than 6 months not longer than 1 year	128	-
Longer than 1 year and not longer than 5 years	2,633	3,201
Total	70,194	77,650

(c) Ageing of loans and advances

0 - 30 days	34,456	33,973
31 - 60 days	-	-
61 - 90 days	21,004	15,144
Over 90 days	14,734	28,533
Total	70,194	77,650

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

(d) Provision for ECLs

Overdue savings accounts	35,738	43,677
Total	35,738	43,677

(e) Movements in provision for ECLs

Opening balance	43,677	63,485
Bad debts (recovered) / provided for during the year	(7,939)	(19,808)
Closing Balance	35,738	43,677

(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:

Darwin	3,685	3,201
Total	3,685	3,201

Notes to the Financial Statements

	2021 \$	2020 \$
11 PROPERTY, PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	261,522	261,522
Accumulated depreciation	(261,522)	(261,522)
Net carrying value	-	-
Motor vehicles		
At cost	65,253	65,253
Accumulated depreciation	(40,168)	(27,118)
Net carrying value	25,085	38,135
Computer equipment		
At cost	275,338	275,338
Accumulated depreciation	(275,338)	(275,338)
Net carrying value	-	-
ATM equipment		
At cost	188,408	188,408
Accumulated depreciation	(188,408)	(188,408)
Net carrying value	-	-
Leasehold improvements		
At cost	411,755	411,755
Accumulated depreciation	(411,755)	(411,755)
Net carrying value	-	-
Right-of-use assets		
At cost	311,809	216,577
Accumulated depreciation	(142,913)	(199,917)
Net carrying value	168,896	16,660
Total property, plant and equipment	193,981	54,795

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 2020	-	38,135	-	38,135	16,660	54,795
Additions	-	-	-	-	311,809	311,809
Disposals	-	-	-	-	-	-
Depreciation expense	-	(13,050)	-	(13,050)	(159,573)	(172,623)
Balance at 30 June 2021	-	25,085	-	25,085	168,896	193,981

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

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

	2021	2020
	\$	\$

12 OTHER ASSETS

GST	27,727	26,146
Prepayments	125,096	112,944
ATM equipment	31,303	-
Leasehold property bond	8,308	8,308
Total	192,434	147,398

13 TRADE AND OTHER PAYABLES

Other payables	354,985	373,579
Accrued interest payable	197	4,701
Total	355,182	378,280

Notes to the Financial Statements

	2021 \$	2020 \$
14 DEPOSITS		
Term deposits	2,154,188	2,182,415
Call deposits	9,988,291	9,291,562
Members' shares	18,678	18,768
Total	12,161,157	11,492,745
(a) Maturity analysis		
On call	10,006,969	9,310,330
No longer than 3 months	71,036	2,030,216
Longer than 3 months not longer than 6 months	1,000,000	69,997
6 months or longer	1,083,152	82,202
Total	12,161,157	11,492,745
(b) Concentration of deposits (including overdrawn accounts in Note 10)		
Alice Springs	22,577	32,344
Angurugu	621,179	1,058,328
Borrooloola	10,864	16,945
Darwin	2,888,305	3,206,001
Galiwinku	296,498	306,458
Gapuwiyak	97,466	87,493
Gunbalanya	11,359	45,102
Hermannsburg	3,117	3,314
Katherine	44,750	108,895
Lajamanu	1,306	3,651
Manningrida	125,863	204,731
Milingimbi	222,745	121,401
Minyerri	34,932	532,430
Ngukurr	371,944	48,843
Numbulwar	28,694	69,646
Ramingining	43,154	104,571
Tennant Creek	102,228	101,689
Wurrumiyanga	35,190	46,592
Wadeye	7,082,136	5,243,241
Warruwi	16,484	28,442
Other	15,179	29,411
Total	12,075,970	11,399,528

Notes to the Financial Statements

	2021 \$	2020 \$
15 PROVISIONS		
Employee entitlements	325,920	255,911
Total	325,920	255,911
Analysis of total provisions		
Current – employee entitlements	303,347	243,465
Non current – employee entitlements	22,573	12,446
Total	325,920	255,911
16 LEASE LIABILITIES		
Current - lease liabilities	160,070	17,245
Non-current - lease liabilities	13,811	-
Total	173,881	17,245
The lease of Head-office building in Casuarina is a two-year lease term with renewal option.		
Amount recognised in the income statement		
Interest on lease liabilities	14,915	8,807
Expenses relating to short-term leases	151,605	140,971
Total	166,520	149,778
Maturity analysis		
One year or less	106,448	106,448
Total undiscounted contractual cash flows	106,448	106,448
17 OTHER LIABILITIES		
Unexpended grants	-	6,050
Total	-	6,050

Notes to the Financial Statements

	2021 \$	2020 \$
18 REDEEMABLE PREFERENCE SHARE RESERVE		
At the beginning of the reporting period	43,522	40,194
Transfer from retained earnings on share redemption	3,422	3,328
At the end of the reporting period	46,944	43,522

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 flows from operating activities

Profit for the period	382,307	413,153
Adjustments for (non cash flows in profit):		
Depreciation	172,623	244,267
Net gain on sale of property, plant and equipment	-	(10,488)
Change in assets and liabilities:		
Decrease in trade and other receivables	13,133	35,239
(Increase) / decrease in loans and advances	(483)	23,975
Increase in other assets	(45,035)	(28,661)
Decrease in deferred tax assets	2,446	16,210
Decrease in income tax receivable	-	25,784
Increase / (decrease) in income tax payable	(25,565)	71,288
Increase / (decrease) in trade and other payables	(23,098)	5,322
Increase in deposits	696,638	2,850,338
Increase in provision for employee benefits	70,009	23,839
Decrease in other liabilities	(6,050)	(60,426)
Net cash flows from operating activities	1,236,925	3,609,840

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		Over 1 year		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Deposits	12,161,157	11,492,745	-	-	12,161,157	11,492,745
Trade and other payables	355,182	378,280	-	-	355,182	378,280
Total contractual outflows	12,516,339	11,871,025	-	-	12,516,339	11,871,025

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.

(d) 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 are:

	2021	2020
	%	%
Financial assets		
Cash and cash equivalents	0.33	1.68
Short term investments:		
Held to maturity investments	0.71	1.64
Loans receivable	1.02	6.13

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 \$	
	2021	2020	2021	2020
Financial assets + 1%				
Cash in bank	58,918	42,497	58,918	42,497
Loans and advances	255	246	255	246
Investments	71,646	76,563	71,646	76,563
Financial liabilities				
Deposits	-89,993	-83,322	-89,993	-83,322
Post tax earnings at risk	40,826	35,984	40,826	35,984
Financial assets - 1%				
Cash in bank	-58,918	-42,497	-58,918	-42,497
Loans and advances	-255	-246	-255	-246
Investments	-71,646	-76,563	-71,646	-76,563
Financial liabilities				
Deposits	89,993	83,322	89,993	83,322
Post tax earnings at risk	-40,826	-35,984	-40,826	-35,984

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's 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 2020 and 2021.

Notes to the Financial Statements

21 FINANCIAL RISK MANAGEMENT (continued)

	Note	Carrying amount \$	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Balance at 30 June 2021						
Loans and advances	10	34,456	-	-	34,456	34,456
Held to maturity investments	9	9,681,839	-	9,681,839	-	9,681,839
Total financial assets		9,716,295	-	9,681,839	34,456	9,716,295
Term deposits	14	2,154,188	-	-	2,154,188	2,154,188
Call deposits	14	9,988,291	-	9,988,291	-	9,988,291
Total financial liabilities		12,142,479	-	9,988,291	2,154,188	12,142,479
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	0	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	0	9,291,562	2,182,415	11,473,977

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 Marpiyawuy | • Micky Wunungmurra (Chair) |
| • David Djalangi | • Elsbeth Torelli * | • Richard Bandalil |
| • David Knights * | • Iain Summers * | • 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 | Chief Operating Officer (Ongoing) |
| • Lily Ang | Chief Financial Officer (Ongoing) |

(c) KMP remuneration

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

	2021	2020
	\$	\$
Short term employee benefits – salaries and director fees	461,380	466,243
Long term benefits – long service leave	14,660	9,854
Post employment benefits – superannuation	38,768	42,223
Total	514,808	518,320

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

Notes to the Financial Statements

	2021	2020
	\$	\$

23 AUDITOR'S REMUNERATION

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 OCCURRING 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.

25 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 if necessary.

Financial Impact

- \$50k was provided by the Australian Government through the Australian Taxation Office's cash flow boosts program in both financial years.
- There has been no impairment to the Credit Union's assets due COVID-19

26 BRANCH LOCATION

- | | |
|--------------|----------------|
| • Darwin | • Minyerri |
| • Galiwinku | • Ngukurr |
| • Gapuwiyak | • Numbulwar |
| • Gunbalanya | • Ramingining |
| • Katherine | • Wurrumiyanga |
| • Maningrida | • Wadeye |
| • Milingimbi | • 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 2021 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 21st day of September, 2021

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


Micky Wunungmurra
Chair


Iain Summers
Director

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 2021, 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 2021 and of the Credit Union's performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

The Responsibility of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

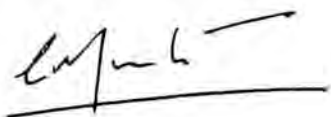
As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Merit Partners

Merit Partners



MunLi Chee
Partner

Darwin

21 September 2021

traditional CREDIT UNION

Providing financial services to remote Indigenous communities since 1995



Care

Respect
Culture

Walk
Together

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