tcu

traditional credit union

2023 ANNUAL REPORT

BANKING
FOR
THE BUSH

PROVIDING JOBS

CONTENT

“We provide banking on country”

Traditional Credit Union (TCU) occupies a unique position as the only Indigenous-owned credit union in Australia. It has been delivering employment opportunities and financial services in remote Indigenous communities since December 1994, when traditional owners formed it as a replacement for banks that were closing branches and exiting remote areas.

As an Indigenous organisation, owned by Indigenous customers and guided by Indigenous leaders, who form the majority of the Board, TCU has a strong understanding of the culture of Australia’s First Nations peoples. We understand the needs of the communities we support because we employ Indigenous staff from those communities.

TCU Branch Network

Banking in Indigenous communities is dependent on trust and strong relationships gained through personal contact. TCU maintains a network of 12 remote community branches in northern Australia, supported by a service centre in Katherine and our Head office in Casuarina, Darwin. We are trusted by our customers because we provide ‘face-to-face’ services on Country, delivered by Indigenous staff and speaking the language of the community. The branch network is supported by a fleet of ATMs in remote community stores, where members receive free transactions, and by an Indigenous call centre that works closely with branch staff.

To support our face-to-face services, we have a suite of 24/7 digital technologies. 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.

TCU would be unable to exist without the ongoing support from key service suppliers. We acknowledge the Arnhem Land Progress Aboriginal Corporation (ALPA) and the Murrinhpatha Nimmipa Store in Wadeye for their ongoing support in providing ATM locations within their Stores. Local councils in remote communities also assist TCU with Branch accommodation, in particular the West Arnhem Regional Council has provided generous support over many years. Technology, compliance and training is key to our strong foundations, we thank, GRC Solutions for providing us with their Salt compliance and training suite and Frollo with assistance in Open Banking compliance, all supplied at concessional pricing.

Brock, Katherine Branch Supervisor and TCU CEO, Tony Hampton

Government Welfare Payments

TCU believes that ‘enhanced Income Management’ and the use of a SmartCard is a valuable tool for many people to manage their finances and to better utilise their welfare benefits. TCU does not believe that ‘Income Management’ using the BasicsCard and ‘enhanced Income Management’ with the new SmartCard, should be mandatory across a board base of welfare recipients purely based on long-term unemployment. We however, do support voluntary and also targeted ‘enhanced Income Management’ for groups of people that have demonstrated that they are unable to manage and use their welfare benefits in a way that supports their wellbeing.

TCU is actively working with the Federal Government to consult with Indigenous people impacted by ‘Income Management’ and ‘enhanced Income Management’ in the Northern Territory, to determine a mutually agreed and beneficial approach into the future.

As of 4 September 2023 welfare recipients currently using a BasicsCard are eligible to transition from their BasicsCard to a SmartCard and benefit from the superior access and security of a VISA Card with support through either Services Australia or TCU.

All Cashless Debit Cards have changed to SmartCards

People on a BasicsCard are now eligible to move to a SmartCard (as of 4 September 2023)

Operational Resilience

Demonstrating our ‘Pop-up’ Branch and Call Centre with TCU customers

TCU operates in some of Australia’s harshest and most remote locations, which are frequently cut off from roads during the wet season and regularly experience cyclones and other damaging weather. For this reason, TCU incorporates dual data and voice connectivity into branches via different technologies and can ‘pop up’ a branch, back-office functions, or call centre in almost any location with minimal set-up time.

Our Katherine Service Centre is also part of our virtual call centre with two fulltime call centre staff. Therefore, should anything happen to our Head office, our Katherine staff continue to answer customers calls without any service interruption.

In addition, our core computer systems are hosted in earthquake and other catastrophic events proof Data Centres that are duplicated across other locations.

Our Members and Customers

TCU's first SmartCard customer

The number of Members with active transaction accounts remained consistent with previous years, at approximately 7,500. This year we introduced the SmartCard restricted transaction welfare product into our product suite transferring over 800 existing CDC customers to SmartCards on 6 March 2023.

Members and customers of TCU, being largely welfare dependent and with limited knowledge of digital / electronic banking, have indicated that without our services they would feel excluded from the nation's financial system and struggle to understand where their welfare funds are located and how their spending is tracking. Consistent and regular interaction with TCU's locally based Indigenous staff and Indigenous-operated call centre helps our customers understand their banking options and continue their banking literacy journey.

Our customers preference for a 'face-to-face' experience has resulted in the popularity of our access channel usage being the reverse of what other ADIs experience. Our customers prefer our branch and call centre channels over digital channels. Of our digital channels they prefer the automated phone banking to Internet and mobile banking channels. Cash remains 'king' in remote communities with ATMs usage as important as eftpos.

Our people

Of the 85 staff TCU employs, over 70 are Indigenous and over 60 of these reside in remote communities. This focus on employing staff from remote communities creates valuable employment, training and financial education for Indigenous people. TCU believes that where possible services to Indigenous people in remote communities should be provided by Indigenous organisations staffed by Indigenous people.

This year we were able to increase our Indigenous employment ratio by being able to promote several of our Indigenous staff into key management positions such as HR and Operations management. Importantly, the progression of Indigenous staff into management roles provides role models for the younger Indigenous people in the organisation and in communities generally.

Joeline, HR Manager

Tanya, Operations Manager

Code of Practice

Low-Cost Basic accounts - TCU has a low-cost basic account available for eligible recipients of Centrelink payments such as Youth Allowance, Newstart or Pensions. As at the close of business 30 June 2023, TCU had 145 Low-Cost Basic accounts.

Complaints - TCU has a robust complaint handling system that aligns with RG 271 and AS/NZS 10002:2014. TCU received 13 complaints in the financial year, 12 of these complaints were resolved as at 30 June 2023.

Supporting our communities and influencing policy

Mike Lawrence COBA CEO with Tony Hampton TCU CEO travelling to the Wadeye Community

Being an essential component of remote community services and having a voice to Territory and Federal politicians, Government departments, Regulators and Indigenous support organisations, allows TCU to be a part of the solution and self-determination for Indigenous people living on Country. Our Chair, Micky Wunungmurra and other Indigenous Directors are active in several Indigenous organisations and help to coordinate a focused and effective approach to improvement.

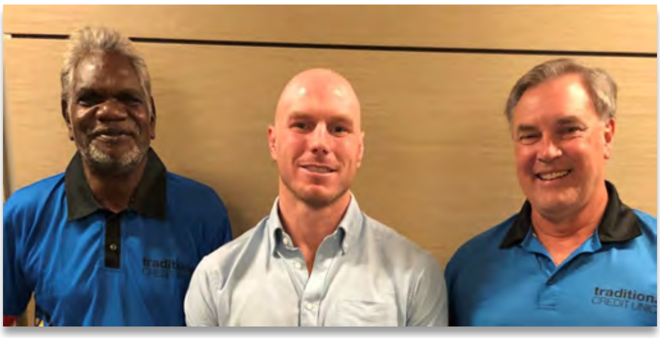
This year TCU hosted Mike Lawrence, CEO of the Customer Owned Banking Association (COBA) at a TCU Board strategic planning session and a visit to the Wadeye remote community. This enabled Mike to witness firsthand the discussion around the 'Voice' debate and challenges of Indigenous people living in remote communities. Mike regularly meets with Federal Ministers and is now able to speak about remote communities with a good level of understanding.

TCU was also able to make submissions to two Senate Committee Inquiries, the first relating to 'Income Management' and the second related to bank branch closures. TCU regularly finds that we are the only ADI providing banking support in remote locations.

Micky Wunungmurra, Chair with:

Linda Burny, Labor Minister
Minister for Indigenous Australians

Micky Wunungmurra, Chair and Tony Hampton, CEO with:



David Pocock, Independent Senator

Micky Wunungmurra, Chair with:

Jacinta Price, Country Liberal Senator
Shadow Minister for Indigenous Australians

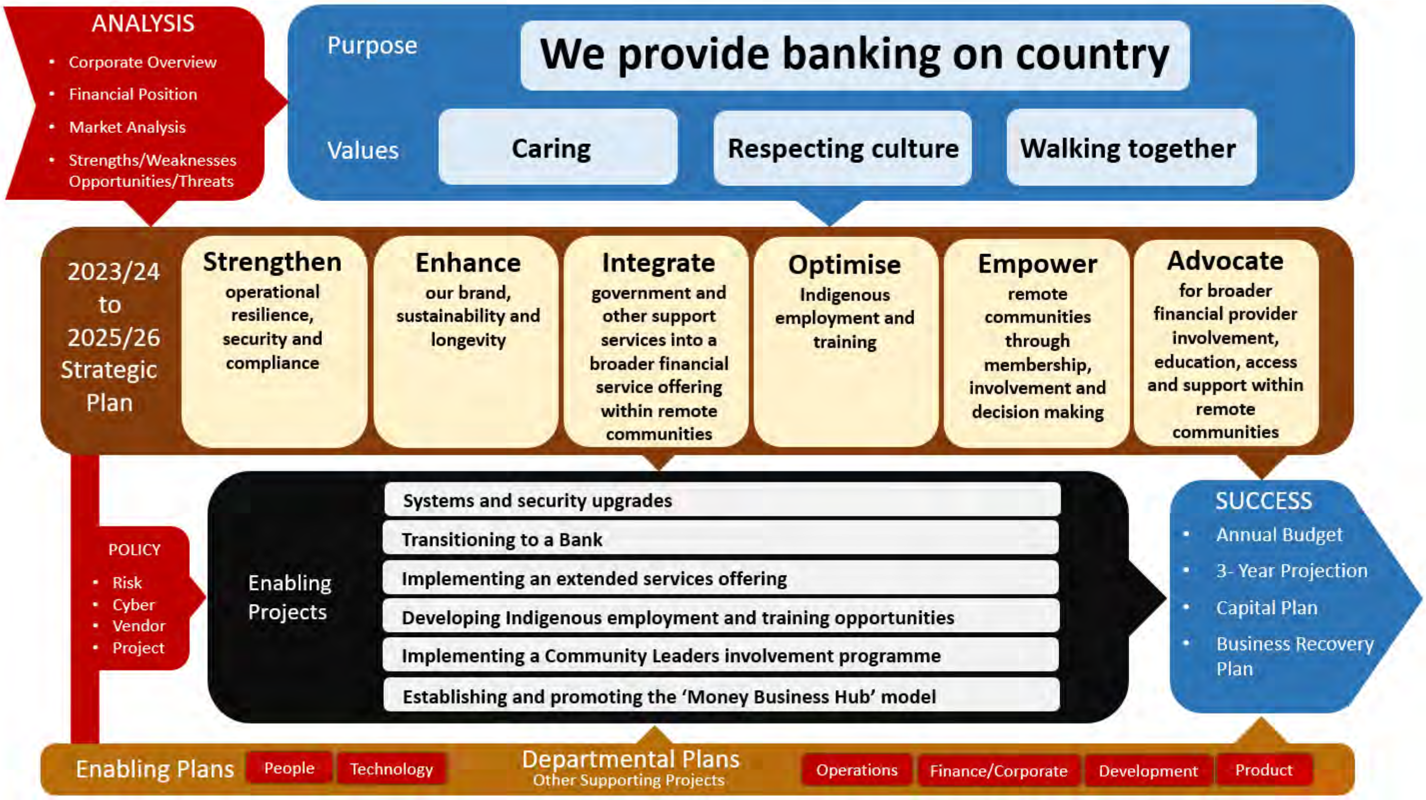
Our performance

Over the past two financial years TCU has experienced increased profitability and capital growth as a result of being involved with Services Australia, supporting the delivery of 'Income Management'. This additional business line, together with strong retention of customers in our traditional banking services has enabled TCU to confirm our longevity, provide confidence around our permanence of presence in remote communities and ongoing meaningful Indigenous employment.

Strategic blueprint for the future

TCU occupies a unique position, working in two worlds, to deliver both employment opportunities and real financial services to Indigenous people in remote communities.

The diagram below provides a summary of our Strategic Direction and business planning methodology.



STRENGTHEN – Improving our compliance practices with a strong focus on cyber security. This strategy leverages the solid systems infrastructure currently in place but recognises that all systems, both staff facing and member facing, must include the latest industry appropriate security controls.

ENHANCE – Transitioning TCU from a 'Credit Union' to a 'Bank'. This strategy ensures Indigenous people choosing to live on Country, have access to culturally appropriate and 'face-to-face' financial services and support.

INTEGRATE – Moving TCU beyond essential banking and into a broader financial support role. This strategy recognises the broadening of 'Money Business' related Agencies, the continued partnership with Services Australia to provide an Indigenous owned and culturally appropriate welfare support option and developing a structure to provide greater financial literacy capabilities in remote communities.

OPTIMISE – Staying true to our broader objectives of employment and training of Indigenous people. This strategy enables Indigenous employees to transition to more senior and specialist roles.

EMPOWER – Our success is irrelevant if it does not add to the empowering of the communities we support. This strategy embeds our organisation into these communities and provides community leaders a voice.

ADVOCATE –This strategy represents the aspiration of every Indigenous remote community having access to all the banking and government 'Money Business' services taken for granted in large Urban Centres. This is a 'Money Business Hub' owned and managed by indigenous people to significantly broaden the availability of financial services on Country.

Board and corporate governance

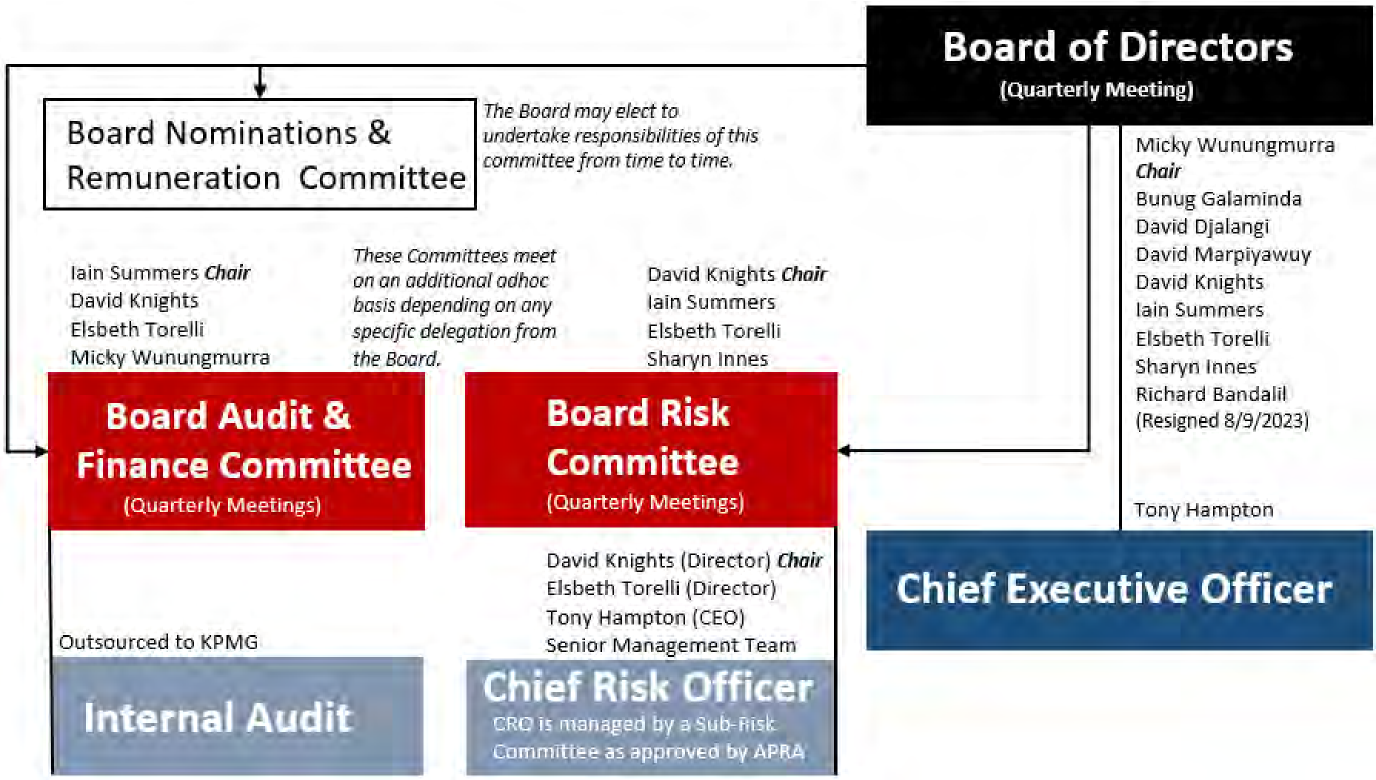
Our Board of nine directors includes a majority of five Indigenous directors. Our Board and Senior Management are committed to managing our business ethically and maintaining high standards of corporate governance. Our Board has adopted practices and process to ensure the sound management and oversight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

We are protected by the same safeguards that apply equally to all Approved Deposit-taking Institutions (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 our Members and customers 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 2023 and the Auditor's Report thereon.

Corporate information

TCU is an Australian Public Company and registered under the Corporations Act 2001 (ABN 50 087 650 922). It is a mutual entity with the core purpose of benefiting its Members. TCU is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. TCU 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 & 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. Resigned on 8 September 2023	• 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 • Master 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 Risk Officer at First Option Bank • Fellow of the Institute of Public Accountants • Fellow of the Governance Institute of Australia • Director of the Customer Owned Banking Association (COBA) • Member of the Australian Institute of Company Directors **MAICD**

	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 • Fellow of Chartered Accountants Australia and New Zealand • Fellow of CPA Australia • Fellow of the Australian Institute of Company Directors • Independent Chair of Risk Management and Audit Committees • Self-employed Consultant
	**Sharyn Innes** Non-Executive Director and Member of the Board Risk Committee. Director since 2016.	• Director of Sharyn Innes Consultancies Pty Ltd • Director of Palmerston Golf and Country Club Inc • Director of Cazalys Palmerston Club Inc • President of the Down Under Craft Group • Member of the Sunshine Coast Community Cooperative Ltd.

Chief Executive Officer

	**Tony Hampton** CEO since May 2018	• Bachelor of Arts in Accountancy **BA (Acc)** • Fellow of the Australian Society of Certified Practicing Accountants **FCPA** • 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 and customers. There has been no significant change in the nature of these activities during the year ended 30 June 2023.

Dividends

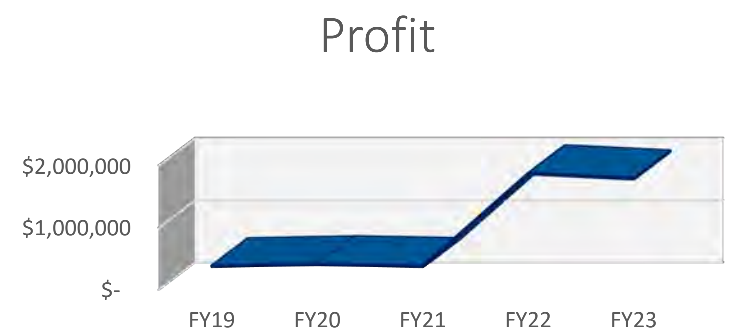
The Credit Union's Constitution prohibits the payment of dividends on Member shares.

Review of operations

Profitability

The Credit Union recorded a profit after tax for the year ended 30 June 2023 of $1.8m (FY21/22 $1.9m).

This profit is consistent with the previous year and reflects the ongoing funding from the Federal Government related to the TCU Cashless Debit Card (CDC) product and the subsequent establishment of the new SmartCard replacing the CDC.



Assets

The total assets of the Credit Union were $20.7 million (FY21/22: $21.9m), representing a decrease of $1.2 million (-6%).

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

Deposits

Total deposits decreased to $9.5 million (FY21/22: $12.9m), representing a portfolio decrease of $3.4 million (-26%).

The decrease related to a corporate Member's investment rationalisation regarding to strategic expansion.

Capital

Capital increased to $9.5 million (FY21/22: $7.7m) representing an increase of $1.8 million (23%).

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 2023 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	4	4
David Djalangi	4	4	-	-
David Marpiyawuy	4	3	-	-
Bunug Galaminda	4	4	-	-
Richard Bandalil	4	4	-	-
David Knights	4	4	8	8
Iain Summers	4	4	8	8
Elsbeth Torelli	4	4	8	8
Sharyn Innes	4	3	4	3

* Committees include: Audit & Finance Committee, Board Risk Committee and Nominations & Remuneration Committee (The Nominations & Remuneration 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 each have four scheduled meetings 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 22nd day of September 2023
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

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 2023, 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

22 September 2023

Level 2, 9 Cavenagh Street Darwin NT 0800 GPO Box 3470 Darwin NT 0801
+ 61 8 8982 1444 meritpartners.com.au ABN 93 737 127 437

CHARTERED ACCOUNTANTS
AUSTRALIA · NEW ZEALAND

Financial Statements

for the year ended 30 June 2023

Statement of Comprehensive Income

for the year ended 30 June 2023

	Note	2023 $	2022 $
Interest income		641,085	56,416
Interest expense		112,317	14,708
Net interest income		528,768	41,708
Non-interest income	3	8,862,120	8,804,764
Net income before expenses		9,390,888	8,846,472
Depreciation and amortisation expense	4(a)	313,083	162,905
Salaries and related expenses	4(b)	3,528,613	3,150,465
Other expenses	4(c)	3,163,253	3,016,648
Total expenses		7,004,949	6,330,018
Profit before income tax		2,385,939	2,516,454
Income tax expense	5	589,338	640,757
Profit for the year		1,796,601	1,875,697
Other comprehensive income		-	-
Total comprehensive income attributed to Members		1,796,601	1,875,697

Statement of Financial Position

as at 30 June 2023

	Note	2023 $	2022 $
ASSETS			
Cash and cash equivalents	7	**4,659,412**	7,119,533
Trade and other receivables	8	**822,284**	374,657
Investments	9	**14,457,103**	13,906,490
Loans and advances	10	**47,961**	53,682
Deferred tax assets	6(b)	**159,935**	94,299
Property, plant and equipment	11	**241,083**	170,830
Other assets	12	**296,901**	203,388
Total assets		**20,684,679**	21,922,879
LIABILITIES			
Trade and other payables	13	**667,450**	471,779
Deposits	14	**9,466,079**	12,943,917
Current tax payable	6(a)	**489,038**	414,451
Provisions	15	**405,240**	399,940
Lease liabilities	16	**181,290**	13,811
Total liabilities		**11,209,097**	14,243,898
Net assets		**9,475,582**	7,678,981
EQUITY			
Redeemable preference share reserve	17	**54,322**	51,202
Retained earnings		**9,421,260**	7,627,779
Total equity		**9,475,582**	7,678,981

Statement of Changes in Equity

for the year ended 30 June 2023

	Redeemable Preference Share Reserve	Retained Earnings	Capital Reserve	Total
	$	$	$	$
Opening balance at 1 July 2022	**51,202**	**7,627,779**	-	**7,678,981**
Profit attributable to Members of the entity	-	**1,796,601**	-	**1,796,601**
Transfer from retained earnings to reserves	**3,120**	**(3,120)**	-	-
Closing balance at 30 June 2023	**54,322**	**9,421,260**	-	**9,475,582**
Opening balance at 1 July 2021	46,944	5,181,340	575,000	5,803,284
Profit attributable to Members of the entity	-	1,875,697	-	1,875,697
Transfer from retained earnings to reserves	4,258	570,742	(575,000)	-
Closing balance at 30 June 2022	51,202	7,627,779	-	7,678,981

Statement of Cash Flow

for the year ended 30 June 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received		**4,731,490**	4,836,556
Other income received		**3,748,879**	3,624,165
Interest received		**545,316**	35,512
Net (decrease)/increase in on-call deposits and withdrawable members' shares		**(3,478,488)**	782,495
Net increase in loans and advances		**5,721**	(19,226)
Payment to employee and suppliers		**(6,610,007)**	(5,989,977)
Interest paid		**(86,718)**	(12,181)
Income tax paid		**(580,387)**	(143,597)
Net cash (used by) / provided from operating activities	18	**(1,724,194)**	3,113,747
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in investment		**3,849,386**	(2,196,265)
Payment for property, plant and equipment and intangibles		**(70,644)**	(139,754)
Proceeds from sale of property plant and equipment		**42,726**	-
Net cash provided from / (used by) investing activities		**3,821,468**	(2,336,019)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in term deposits		**650**	266
Payment of lease liabilities		**(158,045)**	(160,070)
Net cash provided from / (used by) financing activities		**(157,395)**	(159,804)
Net increase in cash and cash equivalents held		**1,939,879**	617,924
Cash and cash equivalents at beginning of financial year		**13,021,533**	12,403,609
Cash and cash equivalents at end of financial year	7	**14,961,412**	13,021,533

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 2023 were authorised for issue on 22nd of September 2023 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 2.9 Intangibles
- Note 2.10 Impairment of non-financial assets
- 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 2022. 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 2023 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 accrual 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 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)

(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 the 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.

The threshold to capitalise property, plant and equipment is $10,000.

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	2 - 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.

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 'Deposits' 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

	2023 $	2022 $
3 NON-INTEREST INCOME		
Other non-interest income		
Revenue from fees and commission	**4,731,490**	4,836,556
Other operating revenue	**4,130,630**	3,968,208
Total non-interest income	**8,862,120**	8,804,764
4 EXPENDITURE		
(a) Depreciation and amortisation		
Depreciation	**313,083**	162,905
Total	**313,083**	162,905
(b) Salaries and related expenses		
Salaries and wages	**2,991,756**	2,699,695
Superannuation	**328,608**	276,760
Other expenses	**72,590**	66,152
Total employee benefits	**3,392,954**	3,042,607
Payroll tax	**124,674**	100,013
Workers compensation insurance	**10,985**	7,845
Total	**3,528,613**	3,150,465
(c) Other expenses		
Administration	**330,760**	447,727
Internal & external audit fees	**84,995**	73,962
Computer costs	**1,152,577**	920,744
Fees and commission	**665,574**	660,107
Insurance	**241,101**	180,033
Other occupancy costs	**225,592**	255,496
Short-term leases	**166,185**	168,328
Travel and accommodation	**222,291**	193,393
Loss on sale of assets	-	12,300
Other	**74,177**	104,558
Total	**3,163,253**	3,016,648

Notes to the Financial Statements

5 INCOME TAX EXPENSES

(a) The components of tax expenses comprise:

	2023 $	2022 $
Current income tax expense	**654,974**	512,325
Changed in tax rate	-	8,568
Deferred tax relating to origination and reversal of temporary differences	**(65,636)**	119,864
Total income tax expense	**589,338**	640,757

(b) Reconciliation of income tax to accounting profit

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

	2023 $	2022 $
Profit before tax	**2,385,939**	2,516,454
Tax at the tax rate of 25.0% (2022: 25.0%)	**596,485**	629,114
Adjust for tax effect of:		
Capital loss on disposal of investment	-	3,075
IT Expenditure boost	**(7,147)**	-
Change in tax rate	-	8,568
Income tax expense	**589,338**	640,757

Notes to the Financial Statements

6 CURRENT AND DEFERRED TAX

(a) Current tax liabilities

	2023 $	2022 $
Current tax payable	**489,038**	414,451

(b) Deferred tax assets

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

	2023 $	2022 $
Receivables		
Opening balance	**(83,898)**	-
Credited to / (debited from) the Statement of Comprehensive Income	**53,195**	(83,898)
Closing balance	**(30,703)**	(83,898)
Payables and accruals		
Opening balance	**36,113**	92,049
Change in tax rate from 26% to 25% in 2022	**-**	(3,540)
Credited to / (debited from) the Statement of Comprehensive Income	**35,117**	(52,396)
Closing balance	**71,230**	36,113
Doubtful debts		
Opening balance	**6,375**	9,292
Change in tax rate from 26% to 25% in 2022	**-**	(357)
Credited to / (debited from) the Statement of Comprehensive Income	**614**	(2,560)
Closing balance	**6,989**	6,375
Employee entitlements		
Opening balance	**99,984**	84,739
Change in tax rate from 26% to 25% in 2022	**-**	(3,260)
Credited to the Statement of Comprehensive Income	**1,325**	18,505
Closing balance	**101,309**	99,984
Accelerated capital allowance for tax purposes		
Opening balance	**35,725**	36,651
Change in tax rate from 26% to 25% in 2022	**-**	(1,410)
(Debited from) / credited to the Statement of Comprehensive Income	**(24,615)**	484
Closing balance	**11,110**	35,725
Total deferred tax assets	**159,935**	94,299

Notes to the Financial Statements

	2023 $	2022 $
7 CASH AND CASH EQUIVALENTS		
Cash on hand	**1,309,094**	820,879
Deposits at call	**3,350,318**	6,298,654
Total	**4,659,412**	7,119,533
(a) Reconciliation of cash		
Cash and liquid assets	**4,659,412**	7,119,533
Held-to-maturity investments – short term	**10,302,000**	5,902,000
Balance as per Statement of Cash Flows	**14,961,412**	13,021,533
8 TRADE AND OTHER RECEIVABLES		
Interest receivable	**122,811**	27,042
Other receivables	**699,473**	347,615
Total	**822,284**	374,657

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

	2023 $	2022 $
9 INVESTMENTS		
(a) Investments		
Investments at amortised cost	**14,457,103**	13,906,490
Total	**14,457,103**	13,906,490

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

	2023 $	2022 $
(b) Maturity analysis		
No longer than 3 months	**10,302,000**	5,902,000
Longer than 3 months and not longer than 6 months	**4,071,321**	5,771,080
Longer than 6 months	**83,782**	2,233,410
No maturity specified	**-**	-
Total	**14,457,103**	13,906,490
10 LOANS AND ADVANCES		
(a) Details		
Term loans to third parties	**7,129**	27,355
Overdrawn accounts	**68,786**	51,827
	75,915	79,182
Provision for expected credit losses (ECLs)	**(27,954)**	(25,500)
Total	**47,961**	53,682

Notes to the Financial Statements

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.

	2023 $	2022 $
No longer than 3 months	**68,786**	51,827
Longer than 3 months and not longer than 6 months	**5,363**	606
Longer than 6 months not longer than 1 year	**1,766**	314
Longer than 1 year and not longer than 5 years	-	26,435
Total	**75,915**	79,182

(c) Ageing of loans and advances

	2023 $	2022 $
0 - 30 days	**40,832**	26,327
31 - 60 days	-	-
61 - 90 days	**16,687**	12,769
Over 90 days	**18,396**	40,086
Total	**75,915**	79,182

All over 60 days overdue accounts were included in the provision for ECLs

(d) Provision for ECLs

	2023 $	2022 $
Overdue savings accounts	**27,954**	25,500
Total	**27,954**	25,500

(e) Movements in provision for ECLs

	2023 $	2022 $
Opening balance	**25,500**	35,738
Bad debts (recovered) / provided for during the year	**2,454**	(10,238)
Closing Balance	**27,954**	25,500

(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:

	2023 $	2022 $
Darwin	**1,766**	4,197
Gapuwiyak	**5,363**	22,844
Wurrumiyanga	-	314
Total	**7,129**	27,355

Notes to the Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT

	2023 $	2022 $
Motor vehicles		
At cost	**210,399**	205,007
Accumulated depreciation	**(145,642)**	(47,169)
Net carrying value	**64,757**	157,838
Leasehold improvements		
At cost	**411,755**	411,755
Accumulated depreciation	**(411,755)**	(411,755)
Net carrying value	**-**	-
Right-of-use assets		
At cost	**325,524**	311,809
Accumulated depreciation	**(149,198)**	(298,817)
Net carrying value	**176,326**	12,992
Total property, plant and equipment	**241,083**	170,830

Notes to the Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Motor Vehicles	Leasehold Improvements	Right-of-use Assets*	Total
	$	$	$	$
Balance at 1 July 2022	**157,838**	-	**12,992**	**170,830**
Additions	**70,644**	-	**325,524**	**396,168**
Disposals	**(12,833)**	-	-	**(12,833)**
Depreciation expense	**(150,892)**	-	**(162,191)**	**(313,083)**
Balance at 30 June 2023	**64,757**	-	**176,325**	**241,082**
Balance at 1 July 2021	25,085	-	168,896	193,981
Additions	139,753	-	-	139,753
Disposals	-	-	-	-
Depreciation expense	(7,000)	-	(155,904)	(162,904)
Balance at 30 June 2022	157,838	-	12,992	170,830

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

Most of the fully depreciated assets have been disposed of or are obsolete. The remaining fully depreciated assets which are of low value are removed from the property, plant and equipment register. They are maintained in a portable assets register.

	2023	2022
	$	$
12 OTHER ASSETS		
Prepayments	**288,593**	156,088
ATM equipment	-	38,992
Leasehold property bond	**8,308**	8,308
Total	**296,901**	203,388
13 TRADE AND OTHER PAYABLES		
Trade & other payables	**550,219**	438,812
GST	**88,908**	30,243
Accrued interest payable	**28,323**	2,724
Total	**667,450**	471,779

Notes to the Financial Statements

	2023 $	2022 $
14 DEPOSITS		
Term deposits	**2,155,103**	2,154,453
Call deposits	**7,292,894**	10,771,870
Members' shares	**18,082**	17,594
Total	**9,466,079**	12,943,917
(a) Maturity analysis		
On call	**7,310,976**	10,789,464
No longer than 3 months	**1,000,000**	1,060,247
Longer than 3 months not longer than 6 months	**1,071,321**	1,071,080
6 months or longer	**83,782**	23,126
Total	**9,466,079**	12,943,917
(b) Concentration of deposits (including overdrawn accounts in Note 10)		
Alice Springs	**15,786**	25,904
Angurugu	**764,689**	1,035,608
Borroloola	**12,955**	22,780
Darwin	**4,466,564**	2,954,171
Galiwinku	**197,913**	334,318
Gapuwiyak	**53,786**	43,493
Gunbalanya	**36,416**	44,568
Hermannsburg	**1,996**	2,018
Katherine	**57,559**	56,879
Maningrida	**83,140**	82,503
Milingimbi	**144,992**	175,481
Minyerri	**11,390**	4,845
Ngukurr	**186,875**	266,172
Numbulwar	**13,202**	19,639
Ramingining	**55,733**	55,898
Tennant Creek	**145,277**	132,740
Wurrumiyanga	**22,737**	18,385
Wadeye	**3,004,606**	7,485,283
Warruwi	**13,941**	16,591
Other	**23,612**	27,617
eIM Card deposit	**66,042**	69,603
Total	**9,379,211**	12,874,496

Notes to the Financial Statements

		2023 $	2022 $
15	**PROVISIONS**		
	Employee entitlements	**405,240**	399,940
	Total	**405,240**	399,940
	Analysis of total provisions		
	Current – employee entitlements	**363,499**	369,469
	Non-current – employee entitlements	**41,741**	30,471
	Total	**405,240**	399,940
16	**LEASE LIABILITIES**		
	Current - lease liabilities	**181,290**	13,811
	Non-Current - lease liabilities	**-**	-
	Total	**181,290**	13,811

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

	2023 $	2022 $
Amount recognised in the income statement		
Interest on lease liabilities	**17,979**	6,559
Expenses relating to short-term leases	**166,185**	168,328
Total	**184,164**	174,887
Maturity analysis		
One year or less	**108,686**	94,689
Total undiscounted contractual cash flows	**108,686**	94,689

Notes to the Financial Statements

	2023 $	2022 $
17 REDEEMABLE PREFERENCE SHARE RESERVE		
At the beginning of the reporting period	**51,202**	46,944
Transfer from retained earnings on share redemption	**3,120**	4,258
At the end of the reporting period	**54,322**	51,202

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.

18 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2023 $	2022 $
Profit for the period	**1,796,601**	1,875,697
Adjustments for (non-cash flows in profit):		
Depreciation	**313,083**	162,905
Net gain on sale of property, plant and equipment	**(29,893)**	-
Change in assets and liabilities:		
(Increase) in trade and other receivables	**(447,627)**	(364,947)
(Increase) / decrease in loans and advances	**5,721**	(19,226)
Increase in other assets	**(93,513)**	(10,954)
Decrease / (increase) in deferred tax assets	**(65,636)**	128,431
Increase in income tax payable	**74,587**	368,728
Increase in trade and other payables	**195,671**	116,598
Increase / (decrease) in deposits	**(3,478,488)**	782,495
Increase in provision for employee benefits	**5,300**	74,020
Net cash flows from operating activities	**(1,724,194)**	3,113,747

Notes to the Financial Statements

19 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, liquidity, 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 counterparty 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

19 FINANCIAL RISK MANAGEMENT (continued)

Financial liability maturity analysis:

Financial liabilities due for payment	Within 1 year 2023 $	Within 1 year 2022 $	Over 1 year 2023 $	Over 1 year 2022 $	Total 2023 $	Total 2022 $
Deposits	9,466,079	12,943,917	-	-	9,466,079	12,943,917
Trade and other payables	578,542	441,536	-	-	578,542	441,536
Total contractual outflows	10,044,621	13,385,453	-	-	10,044,621	13,385,453

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:

	2023 %	2022 %
Financial assets		
Cash and cash equivalents	2.72	0.45
Short-term investments:		
Held-to-maturity investments	3.50	0.65
Loans receivable	2.03	2.22

Notes to the Financial Statements

19 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 $	
	2023	**2022**	**2023**	**2022**
Financial assets + 1%				
Cash in bank	**25,127**	47,240	**25,127**	47,240
Loans and advances	**360**	403	**360**	403
Investments	**108,428**	104,299	**108,428**	104,299
Financial liabilities				
Deposits	**(70,996)**	(97,079)	**(70,996)**	(97,079)
Post tax earnings at risk	**62,919**	54,862	**62,919**	54,862
Financial assets - 1%				
Cash in bank	**(25,127)**	(47,240)	**(25,127)**	(47,240)
Loans and advances	**(360)**	(403)	**(360)**	(403)
Investments	**(108,428)**	(104,299)	**(108,428)**	(104,299)
Financial liabilities				
Deposits	**70,996**	97,079	**70,996**	97,079
Post tax earnings at risk	**(62,919)**	(54,862)	**(62,919)**	(54,862)

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 2022 and 2023.

Notes to the Financial Statements

19 FINANCIAL RISK MANAGEMENT (continued)

	Note	Carrying amount $	Level 1 $	Level 2 $	Level 3 $	Total $
Balance at 30 June 2023						
Loans and advances	10	**47,961**	-	-	**47,961**	**47,961**
Held to maturity investments	9	**14,457,103**	-	**14,457,103**	-	**14,457,103**
Total financial assets		**14,505,064**	-	**14,457,103**	**47,961**	**14,505,064**
Term deposits	14	**2,155,103**	-	-	**2,155,103**	**2,155,103**
Call deposits	14	**7,292,894**	-	**7,292,894**	-	**7,292,894**
Total financial liabilities		**9,447,997**	-	**7,292,894**	**2,155,103**	**9,447,997**
Balance at 30 June 2022						
Loans and advances	10	53,682	-	-	53,682	53,682
Held to maturity investments	9	13,906,490	-	13,906,490	-	13,906,490
Total financial assets		13,960,171	-	13,906,490	53,682	13,960,171
Term deposits	14	2,154,453	-	-	2,154,453	2,154,453
Call deposits	14	10,771,870	-	10,771,870	-	10,771,870
Total financial liabilities		12,926,323	-	10,771,870	2,154,453	12,926,323

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

20 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)
- Lily Ang — Chief Financial Officer (Ceased 16 March 2023)
- James Dracopoulos — Chief Financial Officer (Commenced 16 March 2023)

(c) KMP remuneration

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

	2023	2022
	$	$
Short-term employee benefits – salaries and director fees	447,492	411,804
Long-term benefits – long service leave	18,516	7,666
Post-employment benefits – superannuation	44,155	33,417
Total	510,163	452,887

A KMP of the Credit Union has in place a personal loan at commercial rates with a balance at 30 June 2023 of $5,363 (2022 $22,844).

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

Notes to the Financial Statements

	2023 $	2022 $
21 AUDITOR'S REMUNERATION		
Amounts paid or payable to the external auditors – Merit Partners		
Auditing the financial statements	**25,000**	23,500
Audit of Australian Financial Services Licence	**4,800**	4,500
Audit of prudential reports	**12,500**	12,000
Total	**42,300**	40,000

22 EVENTS 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.

23 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 2023 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 22nd day of September 2023

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 2023, 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 2023 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

22 September 2023

RESPONDING TO PEOPLE'S NEEDS

IN A CULTURAL WAY

traditional credit union

9 Rowling Street
Casuarina NT 0810

www.tcu.com.au
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