

# AIG Annual Report 2018-19

**INVESTING IN  
COMMUNITY**



**AIG** Aboriginal  
Investment  
Group  
BUILDING STRONGER COMMUNITIES



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# CEO report



Hello and welcome to our Annual Report for 2018/19. As the CEO I look back on this year with a sense of pride and amazement in what we achieved as a team during a busy and at times challenging period. I hope you enjoy this report as it takes you on the journey of our last 12 months.

I started this year with a clear vision to empower and energise the board and staff to ensure we had the resources to achieve our goals and to build our brand. I set out to do what some consider impossible, and that is the creation of sustainable, high impact businesses that have a social conscience. I wanted to foster an environment that prioritised building stronger communities and better outcomes for Aboriginal people over commercial returns.

## Building trust through relationships

I am immensely proud that we've continued to build trust within the northern regions of the NT and I regularly talk with community leaders about how AIG can help them to achieve their goals. It's a relief that we've continued to build and strengthen our reputation as a trustworthy, highly skilled and hard-working player in Aboriginal development and look forward to more of the same in the years to come.

We are not about making money, although we understand the concept that we need to generate income to deliver meaningful projects. Instead we are passionate, driven, focussed and invested in achieving sustainable economic development and importantly supporting our people in the regions. It's a real achievement to have fortified our mandate of investing in people and projects.



## A year of tangible achievement

Community store management is a topic I hold close to my heart. Quality food at reasonable prices must be available in community stores. Sure, it's a challenging space, but it also sits at the centre of our project's portfolio. While community store management is a priority for AIG, I have worked hard this year to make community stores a priority for Local and Federal Government, who I believe have dropped the ball on sustainable community store management.

Our Remote Laundries project has important economic and social outcomes by addressing poverty and disease through improved sanitation and employment in communities. While it is currently a relatively small project, it has massive

## I have worked hard this year to make community stores a priority for Local and Federal Government, who I believe have dropped the ball on sustainable community store management.

outcomes in the longer term. The pilot laundry in Barunga has been an outstanding success and we intend to replicate it in a further six sites throughout the northern regions of the NT in the coming years. Again, hard work but a necessary service that people in community need.

This year has been action packed and it feels good to have made tangible progress with the stores and laundry project. It is encouraging for the future direction of AIG to know what we can achieve.

### A year of challenges for the board and staff

It's been a challenging year for the AIG Board because of allegations of a conflict of interest regarding one of our property assets being leased to our major shareholder the Northern Land Council. A substantial enquiry cleared the AIG Board and staff of any wrongdoing, but it was stressful and disrupted our focus on core business.

People are still calling for a change in our structure, however I assert that our structure has been operating successfully for 30 years, we have approximately \$18 million in assets and we apply best practice governance controls.

AIG staff are an eight-person team and I am constantly amazed that such a small team can deliver such substantive outcomes. They have worked tirelessly to deliver projects in the regions which has made this year a success. Without the team's dedication, support and unresolved approach, AIG is certainly at risk of failure.

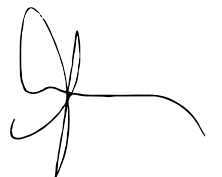
### My team is my greatest achievement

For me personally, my tenure at AIG has come to an end. The AIG structure, governance and financial controls are significant achievements, as are our projects. My greatest achievement however was bringing together a small group of business professionals that will continue to make AIG a leader in social advancement – those people who I call the AIG team.

To my team – stand tall, be proud you are amazing.

### Continue to add value

Next year we will continue to look where we can add the most value to our people and we invite Aboriginal groups to engage with us if they need support. AIG exists to help all Aboriginal people and whilst we have taken our first step, that notion is the key driver in the direction of our second step.



**Steve Smith LLB**  
Chief Executive Officer

# COO report



I started with AIG as the Chief Operations Officer in September 2018 but had been working with AIG as part of Deloitte Private for about two years. AIG is different from most Aboriginal corporations because of its reach into the regions through the board, and that was attractive for me.

I am passionate about sharing my knowledge to empower Indigenous people to make decisions that are right for them, their families, their communities and their businesses. AIG works with a range of Aboriginal corporations to facilitate economic development which privileges us with significant potential to make an impact. I want to be a part of that.

## Our board sets our direction

Facilitating our board to drive our strategic direction is an important part of my job. Training features strongly in our board meetings and the topics covered this year have been: financial reporting, strategic business planning, risk management, conflict resolution and investment strategies. I'll be sad to see our current board change but welcome the idea of working with a new team of Indigenous leaders.

**We have been action focussed this year but equally important is making sure we are efficient and effective in the way we work.**



## Strategy helps define success

AIG is an ambitious group and our strategy helps to define what success looks like and what needs to be done to achieve it. Strategy prioritises where efforts and resources are best spent, drives decisions and holds management accountable. This is particularly relevant now because later in 2019 its likely we'll have a new board. A clear strategy will give them a road map of what we are striving for.

We need to get better at measuring our social outcomes, so we can acknowledge and celebrate the achievements made.

### A small team of specialists

People think we are a big group, but we are only a team of eight specialists. I believe we deliver incredible outputs for a small team and we can do that because we are passionate and have a clear vision. My role has been to keep the team focussed, make sure our outputs are on track and our processes and structures are sound.

Our learning curve this year has been steep, taking on community store management and our Remote Laundries project, and it's important to stop, review and redesign if necessary. We've been action focussed this year, but equally important is making sure we are efficient and effective in the way we work.

### Our wealth enables our projects

AIG's focus on wealth distribution allowed us to venture into the space of community store management and the Remote Laundries project. This was in addition to the usual discounted service provision for business support services and discounted commercial rent to our Indigenous commercial tenants. Total expenses associated with wealth distribution are estimated to be around \$480,000 plus capital investments of \$170,000 for the Remote Laundries pilot in Barunga. Given the size of AIG and our turnover, this is an extraordinary commitment of investment into our communities and people.

### Going forward

My priority going forward is to have a strategy in place that allows us to do what we need for many years to come. We need to ensure that AIG's key operational activities are built on solid foundations and are designed for success. Protecting and growing our investments will remain a key enabler for this.



**Alexa Gutenberger MBA, CA**  
Chief Operation Officer

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# About AIG

We are guided by people in communities. They want better health outcomes for their people and they want a change in the way their community stores are managed.





# About AIG



AIG was founded in 1988 and is 100% Aboriginal owned and self funded.

## Interesting beginning

Formed in 1988 by the NLC, Aboriginal Investment Group was created to assure Aboriginal money from Aboriginal assets was spent on Aboriginal people. The NLC couldn't hold assets back then, and while that is no longer the case, the NLC remains AIG's largest shareholder.

The board of AIG is also the NLC's Executive Council and we continue to work in the same regions. AIG remains proudly 100% Indigenous owned and self funded.

## Vision

To engage in sustainable development to enable prosperity for Aboriginal people in the seven northern regions of the Northern Territory.

## Goal

Spending Aboriginal money on Aboriginal people remains our goal, and because of this, we have two distinct functions. Making money through investments and spending money on Aboriginal people through projects and sponsorship. We like to call this wealth creation and wealth distribution.

## Strategic objectives

We are guided by our strategic objectives:



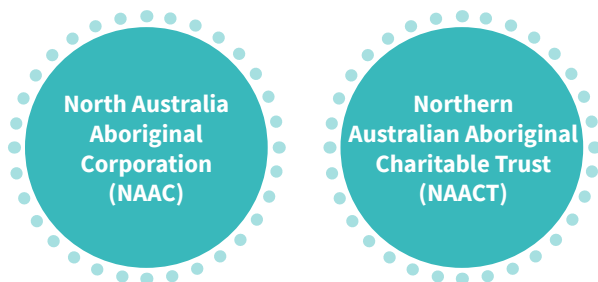






## AIG entities

Throughout this report we refer to Aboriginal Investment Group (AIG). Whilst AIG is the registered business name of the Northern Aboriginal Investment Corporation Pty Ltd it is used throughout this report to represent all of our operating entities. Two key entities define the day to day operations of AIG: North Australia Aboriginal Corporation (NAAC) and Northern Australian Aboriginal Charitable Trust (NAACT).



NAAC is the main operational arm of AIG and is responsible for all wealth creation activities. It owns our assets, employs AIG staff and provides services such as store management, business support services, governance support and mentoring services.

NAACT is the charitable arm of AIG and an avenue for wealth distribution. Our Remote Laundries project has been the focus for NAACT this year. It's through NAACT that AIG is able to offer tax deductions for our donors to the laundry.

## Stakeholders and partners

Our most important partners and stakeholders continue to be Aboriginal corporations, Aboriginal owned businesses, Federal and State Government agencies and the NLC.

Creating positive change in Indigenous affairs is challenging and relies on solid partnerships which is why AIG places great value on who we work with.

## Staff

AIG is made up of a small group of highly skilled and diverse professionals and specialists. We are united by a culture of passion to advocate for and drive change in the social advancement of Aboriginal people. We take pride in working hard and punching above our weight in performance. We are lucky to have a committed, skilled and driven group of people on board.



*L-R Steve Smith, Fiona Ainsworth, Talia Henriques, Elouis Thaiday, Lewis Knibbs, Alexa Gutenberger, Dominic Robbie, Louise Hill  
(absent: Jolene Peacock).*

# Unique design



Spending Aboriginal money on Aboriginal people remains our goal, and because of this, we have two distinct functions. Making money through investments and spending money through projects and sponsorship. We like to call this wealth creation and wealth distribution.

Simply put, the core business of AIG involves a balance of making money through investments and using the returns to spend money where it is needed in remote communities. Our unique design has worked for over 30 years and permitted us to remain 100% Aboriginal owned and self funded.

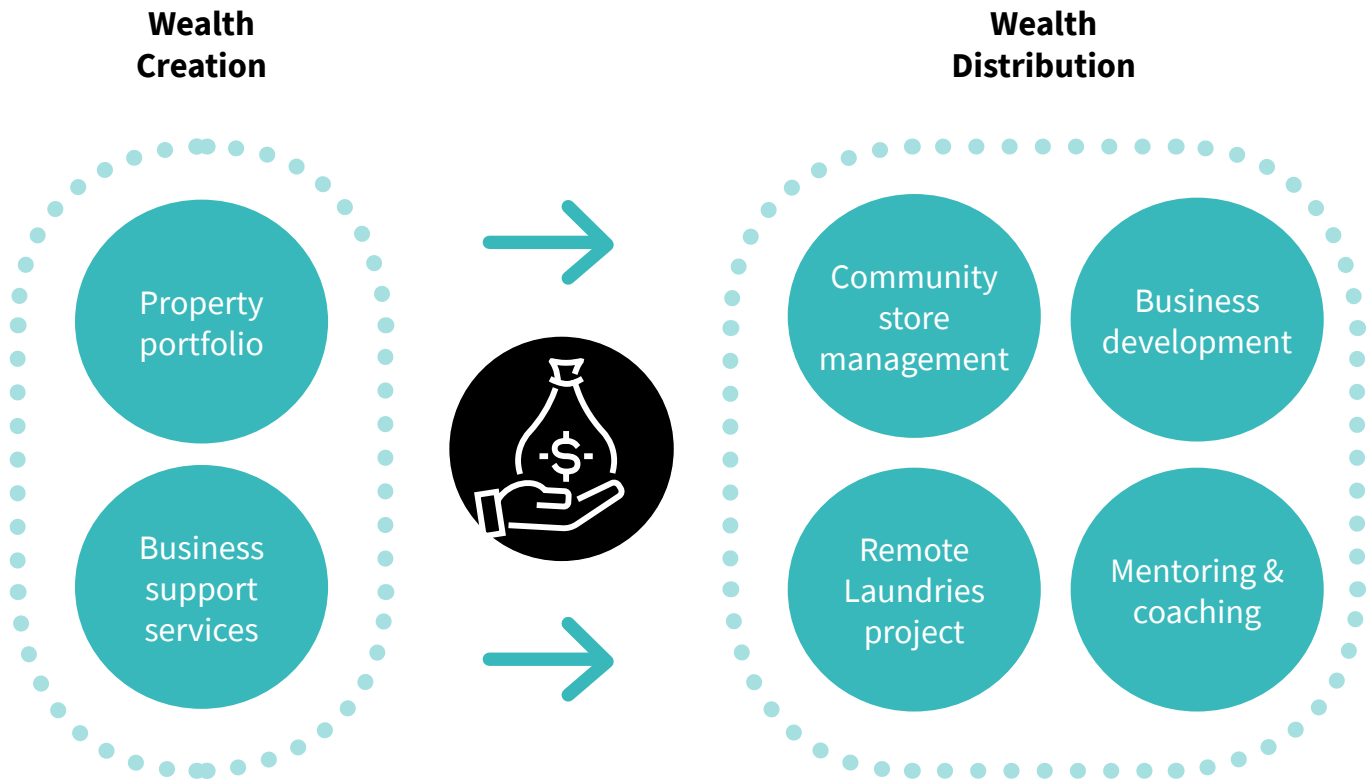
## Wealth creation

Wealth creation comes from our asset property portfolio which values \$18.1 million. Over 70% of our income comes from rent of our commercial and residential properties. Discounted business support services which involves bookkeeping and governance training for Aboriginal corporations and store management accounts for about 26% of our wealth.

## Wealth distribution

Wealth distribution is about how money is spent on Aboriginal people in our regions. The board has an important role to play in that. We have nine members who represent seven northern regions in the NT. Through them we are guided by how we can better spend Aboriginal money on Aboriginal people. Our strategic advantage is our connection to community through our board members who are elected as representatives for their region.

**Our assets enable our wealth distribution and our unique design relies on AIG protecting and fostering our assets.**



Wealth creation enables  
wealth distribution

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# **The AIG Board of Directors**

# Local knowledge

Elected by the people within the regions they represent, the board brings an understanding of the issues on the ground in communities. They are trusted to take action on what people need to make positive changes in their lives.

The AIG Board of Directors provide an essential connection between AIG and the people living in the seven northern regions of the NT.

Our board is made up of the same people as the NLC's Executive Council. This link between AIG and NLC has existed since the late 1980's. AIG is independent from the NLC however we share the same board.

Training continues to be a priority at board meetings, with focus on investment and financial planning. By keeping economics and development front and centre, it makes it easier for the board to brainstorm potential opportunities for growth in their regions.

## Training topics covered:

- Financial planning
- Strategic business planning
- Risk management
- Conflict resolution
- Investment strategies

*“We have to keep our focus. If we lose our focus, what is the point of being here?”*

Lizzie Sullivan



*L-R Helen Lee, Raymond Hector, Sam Bush-Blanas, Ronald Lami Lami, Lizzie Sullivan (absent: John Christophersen, Richard Dixon, Peter Lansen & Bobby Wunungmurra).*

## Chair report

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*“Our next step is to get into communities to talk to people about AIG. Physically being in community is an important part of awareness.”*



The board and staff have had a busy 12 months getting down to business. For me, the most important project has been the launch of our Remote Laundries project in Barunga. I've been involved in all stages of this project and I believe it is the best thing for trachoma, rheumatic heart disease and scabies prevention. Employment is key too. Working in the laundry not only provides income, but also makes people feel like they are an important part of their community. It encourages people to take ownership of the service and be involved in making the business work. We've seen this in Barunga.

The laundry was opened in February 2019 and support from local community in Barunga has had a lot to do with its success, particularly the clinic there. In the long term I would like to see a laundry in all seven regions.

Managing the stores has been a big step and it's a good thing that should continue. If you look at the Bagala Community Store as an example, since AIG started managing this store, the prices have dropped and lots of people have started shopping at the store. Power has been given back to the Traditional Owners and this means they are able to better support the community in providing reasonable food at affordable prices.

Last year I talked about improving our communication so that people in community know what AIG does and how they can talk to the staff working in the AIG office. Since then we have put effort into our Facebook page and more people know what we do. Next is to get into communities to talk to people about AIG. Physically being in community is an important part of awareness.

The board has met six times this year, and each meeting has had a focus on training about finance and investments. I think this is a good use of our time because our role is to represent the seven northern regions of the Northern Territory, the same regions as the NLC. We are elected by the people in our regions to represent them, and we know what the people in each of the regions want. Training in this area encourages us to think about what is economically possible in the regions. Support in accounting and bookkeeping for corporations is part of this process and this is something that AIG should continue with.

AIG should be involved in supporting the health needs in communities. Our 100 wheelchair project donated chairs to the Royal Darwin Hospital, Katherine Hospital, Palmerston Hospital and other health clinics in the regions.

There is an election for the AIG Board in November 2019. My advice for my successor is to have a level head and think about the seven regions. Your role is to try and improve AIG and help them to be successful in achieving our goals.

### **Sam Bush-Blanasi**

Chair of the Board of Directors

Katherine Region - Wugular

Mayilli man



## Deputy Chair report

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*“Our first remote laundry in Barunga is providing a community service that now needs to be replicated in other communities that need it.”*



As Deputy Chair of the AIG Board, the highlights for me in the last 12 months relate to health issues. The installation of the laundry and 100 wheelchairs that have been and will be distributed to health facilities including the Royal Darwin Hospital.

Our first remote laundry at Barunga is providing a community service that now needs to be replicated into other communities that need it. Not everyone in community has a washing machine and the laundry allows people to do washing while taking away the financial burden of maintenance and upkeep of the machines. Importantly the laundry provides jobs for local people.

There are other issues in communities that AIG will be investigating. One of those in particular is the issue of morgues. We will be investigating requirements for building morgues where needs are highest at this point in time and hopefully relieving some of the financial stress placed on families in relation to preparations for funerals that may not be able to take place in the short term.

We are also looking at diversifying business activities in communities and finding alternative income streams. At the moment people are hamstrung by mining, cattle industry or tourism. We want to look into horticulture, agriculture and aquaculture: vertical gardens, raising pigs, chooks and goats, breeding yabbies, that kind of thing.

We are currently going through a process of reviewing our relationship with the NLC and we expect that to be received in a positive manner that will allow both the NLC and AIG to perform their functions; which in my mind is about the

health and wellbeing of our people and our country.

There is going to be a change in the AIG board in November 2019 and that will see a new directorship. They ought to be encouraged to continue with the priorities of AIG and that is people and country.

I am looking forward to the next 12 months.

### **John Christophersen**

Deputy Chair Board of Directors

Kakadu Region

Murran man

## Chair of the Financial Audit Committee report

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*“The work of AIG should not be about what we think is good for the community. They need to be telling us what they expect of AIG.”*



I started as the Chair of the Financial Audit Committee in April 2019, and I hope to bring an understanding of the investment potential in communities to AIG. I want AIG to continue looking at the seven different regions and analyse where it can be involved in community based, projects that benefit the whole community.

Last financial year we started getting things moving with our involvement in the Remote Laundries project, store management and small community projects. It's unrealistic to expect lots to happen so it's important to start small and move slowly. I believe the stores and laundry are a good start.

In the future I hope Aboriginal corporations are more involved in the process of getting projects up and running in their communities. It's important people in community aren't sitting around waiting for things to happen, they must be a part of the process.

When deciding on which projects to be involved in, AIG needs to look and listen to how communities want to run things; how they want us to do projects in their communities. Another important thing is using resources that already exist in community when starting projects, not outsourcing, using our own people first.

If you look at the Remote Laundries project, we made sure that people from community were involved in setting up the laundry and working in the laundry. The same with the stores, making sure that people from the community are working in the stores. If we keep Traditional Owners involved every step of the way, we will have the full support of the community.

Instead of talking about it, we are creating jobs. Employment through the laundry gives people something that is tangible. The laundry is a pilot and we need to slowly ease into getting it set up, not just whack it in and expect everything to work first up. Further on down the track however when we put laundries in other communities, I think the model will work because of the need.

I would like to see training for people to work in the stores. If people are skilled properly, they will be more willing to work there and having locals working on our projects means the money stays in community and doesn't leave.

AIG is strong and I'm happy with the way things are financially. Currently we are concentrating on stores and laundromats, but I would also like other projects to come onboard; dialysis for example. There are a whole range of projects that we need to be looking at as an investment group, but we must make sure our investments are good.

We have some work to do on our property assets, but as soon as that is sorted out, its necessary to look at the future. There has been an economic downturn in the NT, but there is also a lot going on. Developing the North is happening, and AIG should be thinking about how we can invest to make financial gains. We are Aboriginal owned and it's time for us to be brave and upfront about what we need to make money that can be spent on our people.

### **Lizzie Sullivan**

Chair Financial Audit Committee

Darwin/Daly/Wagait Region

Wagiman woman

# Board members



**Raymond  
Hector**

**Victoria River District**

Billarna man



**Peter  
Lansen**

**Ngukurr Region**

Alawa and Marrra man



**Ronald  
Lami Lami**

**West Arnhem Region**

Mayurrulibj man



**Helen  
Lee**

**Katherine Region - Barunga**



**Bobby  
Wunungmurra**

**East Arnhem Region**

Yolngu man



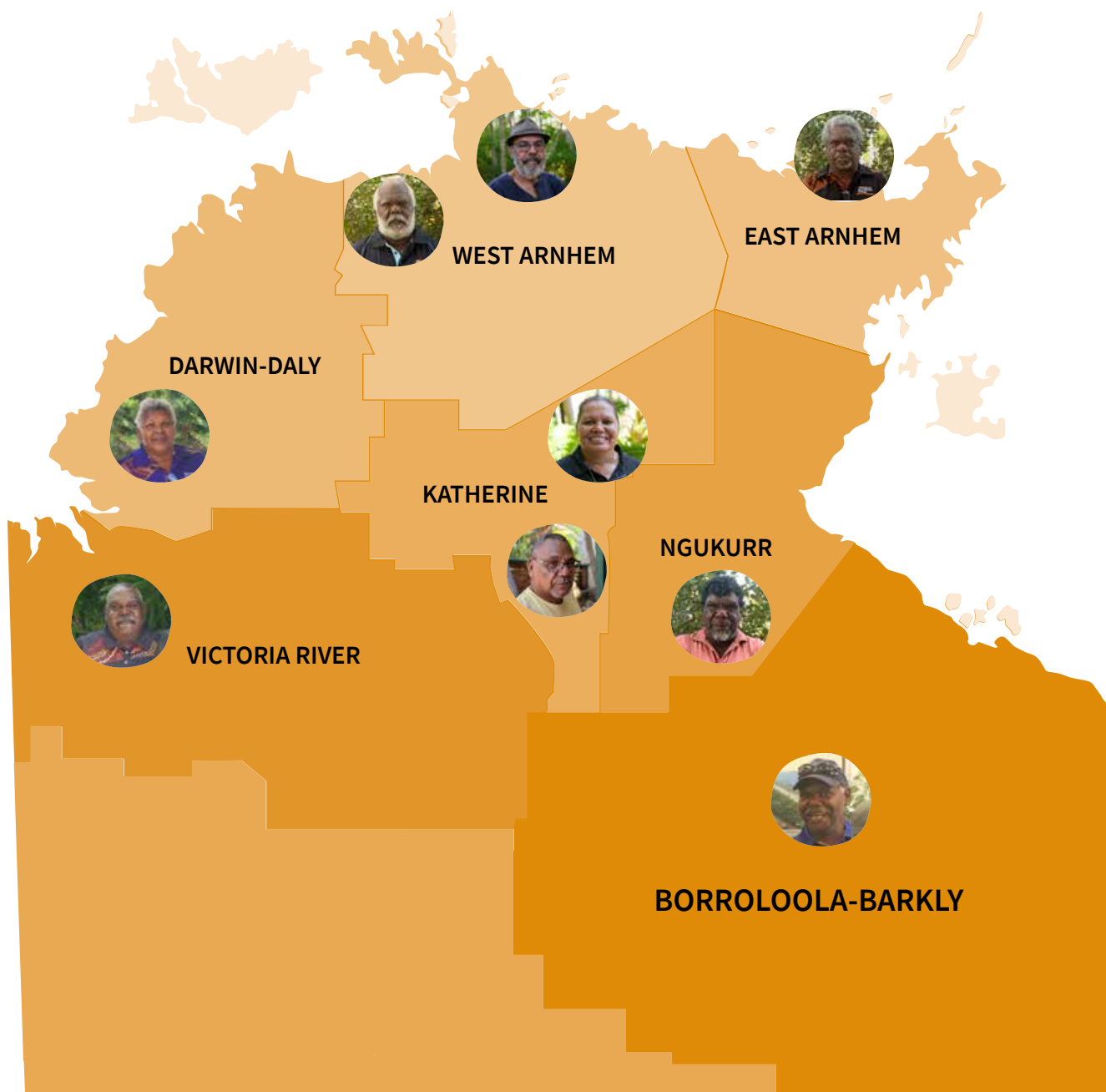
**Richard  
Dixon**

**Borroloola-Barkly Region  
Robinson River**

Garawa man



## The seven northern regions of the Northern Territory



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# Projects

Wealth distribution

# Remote Laundries



Seven in ten Indigenous children in the NT will get scabies at least once before they turn one. Scabies is a parasite that makes the skin very itchy and can lead to horrible bacterial infections and rheumatic heart disease. This is a health emergency and we want our laundries to be part of the solution.







## Background

In 2018 AIG facilitated a board meeting with Bagala Aboriginal Corporation about business ideas that would service community needs and introduce social and economic benefits to the region. The idea of a public laundry quickly stuck as a favourite because it was able to target social disadvantage and provide sustainable and meaningful employment.

Why stop at one? After consultation and investigation with the AIG Board it was decided that public laundries should be available to all people in community and the long-term aim of this project extending to six more sites after trialling in Barunga.

## Trial site community consultation

Community members from Barunga and Traditional Owners from Beswick and Barunga regions helped define the details of how the laundry would function in Barunga. An important person in this process was Esther Bulumbara, the Chairperson of the Bagala Aboriginal Corporation. Esther has been a keen advocate for the laundry to create employment and improve the health of the community.

Health centre staff, school staff, council workers and people shopping at the community store were consulted about the usefulness of a laundry in their community. The resounding response was that a laundry would add value to their community through improved health outcomes and jobs.



L-R Finicole Coleman, Lizzie Sullivan, Joyce Bulumbara, Freddy Scrubby, Wayne Runyu, Danielle Bush, Helen Lee, Veronica Moreen

The laundry is staffed entirely by local Indigenous staff and in the first quarter the Barunga laundry was open 89% of the advertised opening hours.

### Laundry design

The consultation identified a number of barriers to the success of the project. Ensuring people adopt the laundromat as an important service in their community was seen as critical to success.

Also important was laundry design. It needed to be cashless, fully automated, portable, contain heavy duty machines and be very tough.

After research and consultation with other laundromat providers like Orange Sky, the design was set. The laundry would go inside a 20-foot sea container with a hydraulic arm that secured the laundry. When the arm was down, the laundry would be indestructible!

Four 10kg washers and four 10kg dryers have been put up against the back wall leaving space at the front for loading and sorting washing. There is a little room at the end of the container to house the electric, chemicals and a sink.

### Running the laundry

The laundry is staffed entirely by local Indigenous staff and in the first quarter the Barunga laundry was open 89% of the advertised opening hours. This is an achievement rarely seen by locally run businesses who tackle daily challenges of living and working remotely. This is a clear demonstration of not only how important the laundry is to the community, but also how much the staff value their jobs.

### Heading towards free washing

At the start of the pilot we charged \$4 per wash and \$4 per dry. Our program is supported by a donations platform with an ultimate goal of offering free washing and drying. Part of the pilot was to assess if paying was a barrier to laundry usage.



*Freddy Scrubby - Laundry Attendant*



*Fiona Ainsworth - Business Development Manager and  
Esther Bulumbara - Chair of Bagala Aboriginal Corporation Board*



*Veronica Moreen - Laundry Attendant*

## Donation tap points

Donation tap points are portable tap and go facilities that are pre-programmed to send \$2 per tap to the Remote Laundries' bank account. AIG has six points throughout the NT and one in Cairns to support the collection of donations for the project.

## Remote Laundries website

The Remote Laundries website was launched in February 2019 and designed to offer transparency and insights about the social and economic benefits of the project. Its also a platform for people to support the project through donation.

## Corporate sponsorship

Corporate involvement and support is critical to financial viability and ongoing success and we'll continue to promote and offer corporate players the opportunity to be involved through sponsorships. Corporate interest and sponsorship locally and nationally has been exciting and we intend to nurture going forward.

## Looking forward

Remote Laundries is an ambitious project that will not stop at one laundry in Barunga. We aim to have at least two more operating laundries in the northern regions by the end of next financial year.



Alexa Gutenberg - COO and Steve Smith - CEO



# Community store management



Community stores require a fine balance of financial viability, sustainability and social outcomes to service the needs of the Aboriginal people in community.









*Dominic Robbie - Stores Coordinator*

Community stores are crucial for local employment and food security in Aboriginal communities. AIG believes stores should be 100% Indigenous owned and operated and stocked with quality products at reasonable prices. We support store owners in running their own stores so they can be involved in making decisions that are right for them.

### **AIG store management**

Unhappy with the product range, prices and engagement from existing store management, many Aboriginal corporations have asked for AIG's help to take over the management of their store. Following consultations, the AIG Board made the directive to enter the community store management space as the number one priority, with the initial objective of managing five stores within two years. At the time of this report, AIG is managing two stores: Bagala Community Store and Wirib Store and Tourism Park and are in consultation to take over the management of three other stores.

### **Disruption of status quo**

AIG wants to disrupt, improve and evolve the current status quo of store management and set a new standard where stores become sustainable social enterprises.

For us there are two key areas that need disrupting: unreasonably high prices in stores and profits leaving the community through external management groups accepting rebate incentives from suppliers.

We strongly believe that while stores need to be sustainable, they don't need to derive substantial profits, and any profits that are made should be reinvested in the store or community. We operate within a model that builds high impact businesses that have a social conscience. Stores we manage focus on building stronger communities that facilitate better outcomes for Aboriginal people.

### **Realistic expectations**

Both Bagala and Wirib Stores have been heavily underpinned by Federal Government funding only available under Outback Stores management. To convert a store that has been reliant on underpinning into a sustainable operation will not happen overnight and we anticipate the 2019/20 financial year will be an important indicator of what can be achieved in the stores we are managing.

### **Economies of scale**

The financial sustainability of community stores is a challenge for two reasons. The first is accessibility and serviceability which applies particularly to remote stores. Getting fresh supplies regularly to community is expensive. The second challenge is customer numbers. Even if the store is well used, small community populations mean there are low customer numbers and limited opportunities to cover costs. These challenges come with the territory and we are well placed to overcome them.

## Rebates put upward pressure on pricing and to rebate Coca Cola and tobacco in community is unconscionable.

### Wins

Despite managing only two stores, we can offer the same prices or lower than other service providers. Bringing prices down in both stores through greater brand variety has been the most significant success in our short journey with store management.

### AIG does not receive rebates

AIG believes it is unconscionable to receive financial incentives (rebates) for selling products in community stores. Rebates put upward pressure on pricing and AIG firmly believes rebating products like Coke and tobacco is unconscionable and should be stopped.

Because we do not receive any rebates from suppliers, we can lower the shelf prices of products. In addition, wavering freight costs for essential store items such as formula milk has improved shelf price.

### Creating a basic food range

Through community consultation AIG identified a range of essential products and called them the basic food range. The products in the basic food range are essential for a family in community. We have been successful lowering the prices of these products since taking over management.

Example of the prices gains are:

- Pauls Milk 2L was \$7.15 now \$3.75
- Flour 2kg was \$2.99 now \$2.35
- Corned beef was \$9.30 now \$7.00
- Supa Dupa icy poles were \$11.40 now \$6.99
- Orange juice 2L was \$9.90 now \$5.95
- Baby formula was \$31.50 now \$22.65
- Powdered milk 1kg was \$11.55 now \$8.65

### Local employment is important

Local employment through the store is an important aspect of store management for AIG. The Bagala Community Store is 100% Indigenous staffed except for the manager. More work is needed to encourage Timber Creek locals to work in their store. Building relationships and opportunities for training and support will be a priority going forward.



Brian Coleman-Broome - Bagala Community Store Attendant

## One off projects

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AIG is proud to fund one off projects that support people in community. When choosing the projects to fund, we are guided by our board, who as elected members know where support is needed on the ground. This year AIG supported three one-off projects and spent \$50,000.



*Alexa Gutenberger - COO, Cliff Lyons, and RDH nurse.*







## Nitjpurra School trip to Great Barrier Reef

In January 2019, the Nitjpurra (Pigeon Hole) School went on a school excursion to the Great Barrier Reef. Board member Raymond Hector, who represents the Victoria River District put forward a proposal to fund the trip, saying it was an important educational trip for the kids to see the reef. The group of 15 students aged seven to 11 spent six days in Cairns and for some of them, it was the first time on a plane.

Pigeon Hole is a tiny dirt road community 500km west of Katherine and opportunities of this kind are few and far between. AIG was happy to be involved in offering the students the opportunity to see the reef.



*Steve Smith - CEO with Nitjpurra School students and teacher*

## Waminari Youth Festival

AIG Board member and West Arnhem Region representative Ronald Lami Lami suggested AIG help fund the Waminari Youth Festival.

Targeting 12 to 24 year old's and their families, the festival aimed to bring people together to talk about youth suicide and self harm.

After visiting the Mayali Mulil Festival in Kakadu, people from Gunbalanya and Maningrida wanted to create their own festival – the Waminari Festival. Inspired by benefits of bringing people together, the festival organisers wanted to create a positive atmosphere and bring families together to discuss issues threatening the wellbeing of young people.

"We are deeply concerned our kids are taking their own lives. We want to show them we are here, and let them see leadership opportunities on our land." Ronald Lami Lami

## Mobility Project

Wheelchairs are expensive and essential in all clinics. In June 2019, AIG funded its Mobility Project which was simple in its approach – 100 wheelchairs to be distributed to Aboriginal Medical Services in our seven regions and the Royal Darwin Hospital, Palmerston Hospital and Katherine Hospital.

Rugby icon and Indigenous mentor Cliff Lyons agreed to be the ambassador and helped donate the chairs in Darwin and Katherine.

*"We identified there was a lack of wheelchairs in community, and those available were not suitable. On encouragement from the board, AIG identified a robust chair that was better suited to community and once we realised the cost it was clear we would need to donate the chairs."* Steve Smith, AIG CEO.

*"We are deeply concerned our kids are taking their own lives. We want to show them that we are here, and let them see leadership opportunities on our land."*

Ronald Lami Lami  
AIG Board of Directors



Cliff Lyons with Danila Dilba staff Darwin

# 4



# **Core business**

Wealth creation

# Property portfolio



Good management and maintenance of our property assets is a priority to protect our solid asset base and continue our mandate of meaningful wealth distributions.

AIG has a skilled property management team that manages our assets. We direct a substantial amount of time and energy to ensure we get the best returns possible.

## Significant upgrades in 2020

Good management and maintenance of our properties protect our solid asset base from which we fund our wealth distribution projects. This will be particularly relevant in the 2019/20 financial year with two of our corner stone properties requiring significant upgrades to bring them up to a five star energy rating.

We anticipate these upgrades will drain considerable resources both in money and time, but are necessary to keep our current model of operations working.

## Indigenous hub

A positive development of our Casuarina property is the creation of an Indigenous hub. Traditional Credit Union and North Australia Aboriginal Family Legal Services are housed at our Dripstone Road address. We are proud to offer these organisations subsidised rent to cultivate an environment where Aboriginal people can easily access the services they need.

AIG continues to support Aboriginal corporations and businesses that share our mandate and vision of social advancement for our people. In this coming year we will continue to find other like minded organisations with a view to including them in our Indigenous services hub.

## Residential and commercial properties

Our residential properties in Katherine and Tennant Creek continue to perform well. We continue to get a higher than market rental rate which is good wealth creation. This model is something AIG is looking to replicate in the future if the opportunity arises.

AIG was able to achieve market returns for their commercial property portfolio consistent with previous years. The reduced rent negotiation with the NLC for 45 Mitchell Street had an impact on the value of our property in the 2018/19 financial year. The value of the property decreased by 20% in line with the rent reduction.





# Business support services

.....

Our business support services requires a focussed, capable and fast moving team to meet client needs.



*Business support services team: Talia Henriques, Louise Hill, Jolene Peacock*



ck, Elouis Thaiday

## Helping clients since 2011

Governance and financial management continue to be a key point of vulnerability for many Aboriginal corporations. Since 2011, AIG has helped clients strengthen their governance framework and financial processes so they can stay viable. The long-term vision for this service is that Aboriginal corporations create economic growth for Aboriginal people.

## Governance training

Training corporation leaders to be able to stand alone and run a successful business is the goal for the team. This involves training sessions that focus on building the foundation of a strong business and financial management skills. A large part of governance training remains understanding the rules and regulations of the Office of the Register for Indigenous Organisations (ORIC) particularly around the inappropriate use of money, and director's duties.

## Bookkeeping

Bookkeeping remains a challenge for Aboriginal corporations and AIG offers bookkeeping services as a key part of their business support services.

Finding skilled staff and retaining them is always a challenge in community. Availability and reliability of bookkeeping data is critical for informed decision making and protecting the overall financial health of an organisation. Access to reliable bookkeeping services is one of the important foundations of successful businesses and invaluable to our clients.

To charge or not to charge remains a challenge. While this is a successful service, and fills a skills gap with Aboriginal corporations, it is expensive to provide professional business support services, and not all clients are in a position to pay for the service. A key challenge for us is to juggle being viable and sustainable while providing services to corporations who need it most.

## Independent advice

Affordable independent advice can be hard to find in the Northern Territory, particularly for corporations that are remote and struggling financially. Providing an independent perspective with new ideas about how to tackle governance challenges is valuable and a service AIG offers.







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# **Strategic direction**

Strategy prioritises where efforts and resources are best spent, it drives decisions and holds management accountable. We are guided by our three strategic objectives to achieve our vision to invest in Aboriginal people and uphold our values which are both functional and emotional.

### Economic development

#### What it means

Economic development is critical for Aboriginal communities to overcome disadvantage. Economic development is about equipping communities with tools to create sustainable change, and is the priority of every project we invest in.

#### How we do it

Our commitment to economic development is evident by:

- Employment with the Remote Laundries project
- Facilitation of project ideas through business support services
- New partnerships
- Alternative supply chains for community stores
- Revised pricing in community stores

### Ecological development and sustainability

Caring for country is at the core of Indigenous culture. It reflects the importance of land and sea and the impact it has on the cultural, environmental, physical and emotional wellbeing of our people.

AIG strives in its projects to be innovative about caring for country by:

- Decreasing the environmental footprint for our stores by implementing solar solutions
- Reducing pollution to sacred land in Timber Creek by installing an environmental sewage treatment system at the Wirib Tourism Park

### Social dividend and community benefit

Social enterprises are considered an agent of change and have a significant role in community development. They offer the community a sense of purpose, provide interconnectivity, develop local skills and most importantly are driven to achieve social outcomes which are desperately needed to overcome disadvantages in community.

Every project that AIG is involved in must have a social outcome component such as:

- Tackling skin diseases and providing access to facilities to wash clothes through the Remote Laundries project
- Facilitating access to affordable quality food as a basic human right through management of community stores
- Facilitating access to education through sponsoring educational activities





# Future priorities

Strategic objectives focus the work we do, and provide an assurance we are working towards a common goal.

Reflection on this financial year highlights six areas that AIG will aim to strengthen in order to support our overall strategic direction:

- Wealth creation
- Governance
- Policies and procedures
- Communication and marketing
- People and resources
- Partnerships and stakeholders

Workshops with the board are important to facilitate the process for thinking strategically about the future. This year we held sessions on financial reporting, strategic business planning, risk management, conflict resolution and investment strategies. Workshops during board meetings have featured strongly this year.



Helen Lee - AIG Board



Ronald Lami Lami and Lizzie Sullivan - AIG Board members





### Wealth creation

- Develop strategy to maximise investment returns
- Identify and action new investment opportunities
- Protect and grow our asset base



### Governance

- Board succession planning
- Strengthen financial and social outcome reporting
- Design and implementation of business planning for new projects
- Strong due diligence processes for our new projects



### Policies & procedure

- Risk management framework
- Review existing policies and define policies that align with best practice
- Review legal agreements to minimise risk



### Communication & marketing

- Continue to raise awareness of AIG service provisions
- Keep improving communication and marketing strategy
- Foster key relationships with government and community



### People & resources

- Develop succession plan for outgoing CEO
- Review staff skills and identify required training
- Develop Aboriginal employment strategy for key roles



### Partnerships & stakeholders

- Align with partners that share our vision and values
- Collaborate with Aboriginal organisations, communities and homelands to identify key areas of support
- Development stakeholder management plan



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# Financials



# Our finances

In 2018/19 AIG has delivered on its strategy to focus on wealth distribution whilst maintaining the status quo for AIG's wealth creation. This year was all about action, implementing our ideas and strategies to provide tangible social outcomes in community. As a result AIG has not generated a profit in 2018/19 unlike previous years. Instead we have broken even. This does not take into consideration the unrealised loss caused by revaluation of the NLC building in Darwin due to reduced negotiated rent.

## Group's financial position

The Group's net asset position has decreased compared to the previous year from \$18 million to \$16.4 million, which is mainly driven by our property portfolio. Whilst AIG was able to achieve market returns for our property portfolio consistent with previous years, the reduced rent negotiation with the NLC for the 45 Mitchell Street building had an impact on the value of our property in the 2019. This has led to an impairment of \$1.8 million which is the main contributor to the decrease in the group's net asset position.

Overall the asset property portfolio of the Group remains strong with \$18.1 million. AIG will re-invest in our two corner stone properties in the 2020 and 2021 financial years to ensure they will provide solid returns in the future to support our social enterprise projects.

## Where the money comes from

NAAC is the main operational arm of AIG and is responsible for all wealth creation activities. It owns our assets and employs all the AIG staff and provides the services such as store management, business support services, governance support and governance and mentoring services. Seventy two percent of NAAC's income is generated through our commercial and residential property portfolio while the remainder is derived through business support and community management services. NAAC's income has increased compared to previous years by taking on community store management in addition to our other core services.

## Where the money goes

In line with increasing our service offerings, our employee costs and investment in building a highly skilled workforce have increased.

Total group expenses associated with wealth distribution are estimated to be around \$480,000 plus capital investments of \$170,000 for the Remote Laundries pilot in Barunga. Given the size of AIG and our turnover, this is an extraordinary commitment of investment into our communities and people.

Further information about the finances of NAAC can be obtained on the following pages, which include the audited financial statements as of 30 June 2019. The Group consists of multiple operating entities of which NAAC is AIG's main operational arm.

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**NORTH AUSTRALIA ABORIGINAL  
CORPORATION**

**ICN 1178**

**ABN 34 970 047 932**

**General Purpose Financial Statements -  
Reduced Disclosure**

**30 June 2019**

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**NORTH AUSTRALIA ABORIGINAL CORPORATION**  
Financial Statements for the year ended 30 June 2019

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**NORTH AUSTRALIA ABORIGINAL CORPORATION**  
 Financial Statements for the year ended 30 June 2019

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**DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of North Australia Aboriginal Corporation, the Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations (Aboriginal and Torres Strait Islander) Regulations 2006 (CATSI Regulations), including compliance with the accounting standards and providing a true and fair view of the financial position and performance of the Corporation.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors by:

  
 Samuel Bush-Higgins  
 Chair of the Board of Directors  
 North Australia Aboriginal Corporation  
 Darwin  
 Date: 31 / October 2019

  
 Elizabeth Sullivan  
 Chair of the Finance and Audit Committee  
 North Australia Aboriginal Corporation  
 Darwin  
 Date: 31 / October / 2019



**Auditors Independence Declaration to the Directors of North Australia Aboriginal Corporation**

In relation to our audit of the financial report of North Australia Aboriginal Corporation for the financial year ended 30 June 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations (*Aboriginal and Torres Strait Islander*) Act 2006 or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read "Matthew Kennon".

Matthew Kennon  
Partner

DARWIN

Date: 31 October 2019

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Level 2, 9 Cavenagh Street Darwin NT 0800 GPO Box 3470 Darwin NT 0801  
+61 8 8982 1444 meritpartners.com.au ABN 16 107 240 522





### Independent Auditor's Report to the members of North Australia Aboriginal Corporation

#### *Opinion*

We have audited the accompanying general purpose financial report of North Australia Aboriginal Corporation (the "Corporation"), which comprises the statement of financial position as at 30 June 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

In our opinion,

- (a) the financial report presents fairly, in all material respects, the financial position of North Australia Aboriginal Corporation as of 30 June 2019 and of its financial performance and its cash flows for the year then ended in accordance with the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* and its Regulations and Australian Accounting Standards;
- (b) we have been provided all information and explanations required for the conduct of the audit;
- (c) financial records kept by the Corporation were sufficient for the financial report to be prepared and audited; and
- (d) other records and registers have been kept by the Corporation as required by the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*.

#### *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 Corporation in accordance with the independence requirements of the Australian professional accounting bodies. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

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 Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Corporation'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 Corporation or to cease operations, or have no realistic alternative but to do so.

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*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 Corporation'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 the Corporation'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 Corporation 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 those charged with governance 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



Matthew Kennon  
Partner

DARWIN

Date: 31 October 2019



**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	2019 \$	2018 \$
Revenue	5	2,117,057	2,429,354
Gain on disposal of property, plant and equipment		28,183	-
Employee benefits expenses	6	(929,425)	(350,246)
Finance costs	7	(124,739)	(162,927)
Depreciation on property, plant and equipment	27	(239,431)	(290,721)
Loss on remeasurement of investment property	13	(1,824,986)	-
Loss allowance on trade receivables	11	(30,004)	-
Other expenses	9	(753,375)	(561,972)
<b>(Deficit)/surplus for the year</b>		<b>(1,756,720)</b>	<b>1,063,488</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Gain on revaluation of land and buildings	10, 17	-	1,596,875
Total other comprehensive income		-	1,596,875
<b>Total comprehensive (loss)/ income</b>		<b>(1,756,720)</b>	<b>2,660,363</b>

The accompanying notes form part of these financial statements.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**STATEMENT OF FINANCIAL POSITION**

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	18	620,216	1,342,964
Prepayments		4,539	8,248
Trade and other receivables	11	339,987	51,310
Other assets		3,267	16,450
<b>TOTAL CURRENT ASSETS</b>		<u>968,009</u>	<u>1,418,972</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12, 27	5,029,755	5,187,165
Investment property	13	11,061,093	12,809,456
<b>TOTAL NON-CURRENT ASSETS</b>		<u>16,090,848</u>	<u>17,996,621</u>
<b>TOTAL ASSETS</b>		<u>17,058,857</u>	<u>19,415,593</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	344,435	272,648
Provisions	15	54,322	30,470
Borrowings	16	500,000	394,477
<b>TOTAL CURRENT LIABILITIES</b>		<u>898,757</u>	<u>697,595</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	16	4,652,137	5,453,315
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>4,652,137</u>	<u>5,453,315</u>
<b>TOTAL LIABILITIES</b>		<u>5,550,894</u>	<u>6,150,910</u>
<b>NET ASSETS</b>		<u>11,507,963</u>	<u>13,264,683</u>
<b>EQUITY</b>			
Asset revaluation reserve	17	3,471,594	3,471,594
Retained surplus		8,036,369	9,793,089
<b>TOTAL EQUITY</b>		<u>11,507,963</u>	<u>13,264,683</u>

The accompanying notes form part of these financial statements.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**STATEMENT OF CHANGES IN EQUITY**

	Note	Asset revaluation reserve \$	Retained surplus \$	Total \$
<b>Balance at 1 July 2017</b>		1,874,719	8,729,601	10,604,320
Surplus for the year		-	1,063,488	1,063,488
Other comprehensive income – revaluation of land and buildings		1,596,875	-	1,596,875
<b>Total comprehensive surplus for the year</b>		<u>1,596,875</u>	<u>1,063,488</u>	<u>2,660,363</u>
<b>Balance at 30 June 2018</b>		<u>3,471,594</u>	<u>9,793,089</u>	<u>13,264,683</u>
<b>Balance at 1 July 2018</b>		3,471,594	9,793,089	13,264,683
(Deficit) for the year		-	(1,756,720)	(1,756,720)
<b>Total comprehensive surplus for the year</b>		<u>-</u>	<u>(1,756,720)</u>	<u>(1,756,720)</u>
<b>Balance at 30 June 2019</b>		<u>3,471,594</u>	<u>8,036,369</u>	<u>11,507,963</u>

The accompanying notes form part of these financial statements.

# NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

## STATEMENT OF CASH FLOWS

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from operating activities		2,012,828	2,444,186
Payments to suppliers and employees		(1,823,249)	(1,232,754)
Interest received		6,187	11,664
Borrowing costs paid		(108,848)	(162,927)
<b>Net cash generated by operating activities</b>	<b>18(b)</b>	<b>86,918</b>	<b>1,060,169</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(96,838)	(108,354)
Acquisition of investment property		(60,173)	(857,124)
Proceeds from sale of property, plant and equipment		43,000	-
<b>Net cash used in investing activities</b>		<b>(114,011)</b>	<b>(965,478)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(241,892)	(300,000)
Net advances from related parties		-	300,000
Advances from borrowings		-	868,904
Repayments to related parties		(453,763)	-
<b>Net cash (used)/generated by financing activities</b>		<b>(695,655)</b>	<b>868,904</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(722,748)</b>	<b>963,595</b>
Cash and cash equivalents at beginning of year		1,342,964	379,369
<b>Cash and cash equivalents at end of year</b>	<b>18(a)</b>	<b>620,216</b>	<b>1,342,964</b>

The accompanying notes form part of these financial statements.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. General information**

North Australia Aboriginal Corporation (the Corporation) is an Aboriginal Corporation incorporated under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (the CATSI Act). The address of its registered office and principal place of business is as follows:

32 Dripline Road  
Casuarina NT 0810

The principal activities of the Corporation during the year were i) the rental of commercial and residential properties in the northern region of the Northern Territory, ii) the provision of business support services for Aboriginal organisations, iii) economic development projects that directly benefit Aboriginal people in the Northern Territory and iv) management of remote community stores.

**2. Application of new and revised accounting standards****2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements**

The Corporation has adopted all of the new and revised Standards and Interpretation issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2018, and therefore relevant for the current year end.

The application of these amendments does not have any material impact on the amounts recognised in the Corporation's financial statements.

**2.2 Standards and interpretations in issue not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

The reported results and position of the Corporation as well as disclosures may change on adoption of these pronouncements. The Corporation does not intend to adopt the pronouncements before their effective dates.

<u>Standard</u>	<u>Effective for annual reporting periods beginning on or after</u>	<u>Expected to be initially applied in the financial year ending</u>
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15.	1 January 2019	30 June 2020
AASB 16 Leases	1 January 2019	30 June 2020
AASB 1058 Income of Not-for-Profit Entities and relevant amending standards	1 January 2019	30 June 2020

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****2. Application of new and revised accounting standards (continued)**  
**2.2 Standards and interpretations in issue not yet adopted (continued)**

<u>Standard</u>	<u>Effective for annual reporting periods beginning on or after</u>	<u>Expected to be initially applied in the financial year ending</u>
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2019	30 June 2020
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	30 June 2020
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019	30 June 2020
AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	1 January 2019	30 June 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors	1 January 2019	30 June 2020
AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets for Not-for-Profit Entities	1 January 2019	30 June 2020

The potential effect of the revised Standards/Interpretations on the Corporation's financial statements has not yet been determined.

**3. Significant accounting policies*****Basis of preparation***

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act).

The North Australia Aboriginal Corporation is a not-for-profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards, the statement that this financial report complies with IFRS cannot be made.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar. Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.



**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****3. Significant accounting policies (continued)*****Basis of preparation (continued)***

The financial statements have been prepared on the historical basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**(a) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

**Service revenue**

Revenue from a contract to provide services is recognised by references to the stage of completion of the contract.

**Rent revenue**

The Corporation's policy for recognition of revenue as lessor is described in Note 3 (h).

**Interest revenue**

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Other revenue**

Other revenue typically relates to minor sales, venue hire, equipment hire and labour hire income.

## NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (b) Contributions - Government grants

A contribution occurs when the Corporation receives an asset, including the right to receive cash or other forms of asset without directly giving approximately equal value to the other party to the transfer; that is, when there is a non-reciprocal transfer. Contributions would include donations and government grants. Contributions that are income exclude contributions by owners.

Income from contributions is recognised when all the following conditions are satisfied:

- the Corporation obtains control of the contribution or right to receive the contribution;
- it is probable the economic benefits comprising the contribution will flow to the Corporation; and
- the amount of contribution can be measured reliably.

Income arising from contributions is measured at the fair value of the contributions received or receivable. For forgiveness of liabilities, the gross amount of a liability forgiven by a credit provider is recognised by the Corporation (the borrower) as income.

##### (c) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, bonuses, rostered day off leave, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

##### Short-term employee benefits

A liability is made for the Corporation's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

##### Other long-term employee provisions

A liability is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within twelve months after the end of the annual reporting period in which employees render the related service. Other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Corporation in respect of services provided by employees up to the reporting period.

##### Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognises any related restructuring costs.

##### Defined contribution plans

Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions.

##### (d) Income tax

No provision for income tax has been made in the financial statements as the Corporation is exempt from tax under the provisions of the Income Tax Assessment Act 1997 Subdivision 50-B. This situation will continue so long as the funds of the Corporation are being applied for the purpose for which it was established.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****3. Significant accounting policies (continued)****(e) Property, plant and equipment**

Freehold land and buildings are shown at their fair value (being the amount which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction), based on periodic (three to five years) valuations by external independent valuers who hold a recognised and relevant professional qualification and has recent experience in the location and category of the land and buildings being valued.

In the periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure that the land and buildings' carrying amount is not materially different to the fair value.

Increases to the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of asset are recognised against the fair value reserves directly in equity; all other decreases are recognised in profit and loss.

Plant and equipment are carried at cost. Depreciation is provided on the reducing balance basis on all property, plant and equipment at rates calculated to allocate the cost less estimated residual value, against revenue over the estimated useful lives of the assets to the Corporation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**(f) Investment properties**

Investment property, principally comprising of land, buildings and fixed plant and equipment, is held for long-term rental yields and is not occupied by the Corporation.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of the day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

## NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (f) *Investment properties (continue)*

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Corporation as an owner-occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under Property, Plant and Equipment (Note 3(e)) up to the date of change in use. When the Corporation completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

##### (g) *Impairment of tangible assets*

At each reporting date, the Corporation reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

##### (h) *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Corporation as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### (i) *Financial instruments*

Financial assets and financial liabilities are recognised in the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### **Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### Classification

(i) Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****3. Significant accounting policies (continued)****(i) Financial instruments (continued)**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is recognised in profit or loss and is included in the "Investment income" line item.

(ii) Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Impairment of financial assets

The Corporation recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Corporation recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI.

Derecognition of financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.



## NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (i) Financial instruments (continued)

###### (i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

###### (ii) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

###### Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Corporation exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

##### (j) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

##### (k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****4. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Corporation's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of property, plant and equipment

As described above, the Corporation reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

The following useful lives are used in the calculation of depreciation:

<u>Class of fixed asset:</u>	<u>2019</u>	<u>2018</u>
Buildings	40 years	40 years
Plant and equipment	5 years	5 years
Furniture and fittings	5 years	5 years
Office equipment	3-5 years	3-5 years
Motor vehicles	5 years	5 years

The Corporation reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The Corporation determined there was no change in useful lives in the current financial year.

Fair value measurements and valuation processes

The Corporation measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Corporation would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date. In estimating the fair value of an asset or a liability, the Corporation uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Corporation engages third party qualified valuers to perform the valuation. Please refer to the Investment properties note mentioned above as well as Note 13 Investment Property, Note 10 Other Comprehensive Income and Note 23 Fair Value Measurement.

Comparative figures

When required by Australian Accounting Standards comparative figures have been adjusted to confirm with changes in presentation for the current financial year.

In addition, prior year financial statement amounts have been reclassified to conform to current period presentation (where applicable).

# NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

## NOTES TO THE FINANCIAL STATEMENTS

	2019 \$	2018 \$
<b>5. REVENUE</b>		
Investment income	1,539,442	1,433,738
Store management fees	312,530	-
Professional services	254,494	176,413
Other income	6,955	44,661
Government grants	3,636	530,520
Increase in fair value of investment property	-	244,022
	<u>2,117,057</u>	<u>2,429,354</u>
<b>6. EMPLOYEE BENEFITS EXPENSES</b>		
Wages and salaries	800,366	300,904
Defined contribution plans	76,625	30,287
Other employee benefits	52,434	19,055
	<u>929,425</u>	<u>350,246</u>
<b>7. FINANCE COSTS</b>		
Interest on borrowings	122,018	160,472
Account fees and charges	2,721	2,455
	<u>124,739</u>	<u>162,927</u>
<b>8. DIRECT OPERATING EXPENSES ARISING FROM INVESTMENT PROPERTY</b>		
Direct operating expenses from investment properties that generated rental income during the year	<u>235,913</u>	<u>164,955</u>
These expenses have been reported in the statement of profit and loss as part of other comprehensive income.		
<b>9. OTHER EXPENSES</b>		
Administration	211,360	206,641
Property maintenance	146,313	87,211
Insurance	104,889	49,537
Other expenses	80,652	52,383
Consultants	67,406	41,684
Board expenses	59,598	58,304
Rates	57,163	55,489
Motor vehicle expenses	25,994	10,723
	<u>753,375</u>	<u>561,972</u>
<b>10. OTHER COMPREHENSIVE INCOME</b>		
Revaluation of property, plant and equipment	<u>-</u>	<u>1,596,875</u>

32 Dripstone Street was valued by Integrated Valuation Services prior to 30 June 2018 at \$5,000,000 (2017 valuation net book value: \$3,403,125).

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS**

	2019 \$	2018 \$
<b>11. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	369,991	52,010
Loss allowance	(30,004)	(700)
	<u>339,987</u>	<u>51,310</u>

**(a) Trade receivables**

Trade and other receivables are non-interest bearing and are generally due on receipt of invoice. They include Director loans that are over-payments made to and are expected to be recovered in line with repayment plans.

The Corporation always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Corporation has recognised a loss allowance of 20% against all receivables over 90 days past due because historical experience has indicated that these receivables over 90 days are less likely to be recoverable.

The following table shows the movement in lifetime expected credit loss that has been recognised for trade receivables in accordance with the simplified approach set out in AASB 9.

Balance at beginning of year under AASB 139	700
Adjustment upon application of AASB 9	-
Balance at 1 July 2018 - as restated	<u>700</u>
Net remeasurement of loss allowance	-
Amounts written off	(700)
Amounts recovered	-
Change in loss allowance due to new trade receivables originated net of those derecognised due to settlement	30,004
Balance as at 30 June 2019	<u>30,004</u>

**(b) Lease commitment receivables**

Operating leases relate to the investment properties and the buildings occupied by the Corporation owned by the Corporation with lease terms of between 1 to 4 years. Rental income earned by the Corporation from its investment property and direct operating expenses arising on the investment property for the year are set out in Notes 5 and 8 respectively.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to review.

The future minimum lease payments under non-cancellable operating leases are as follows:

Within one year	493,322	525,142
In the second to fifth years inclusive	141,254	566,447
After five years	-	-
	<u>634,576</u>	<u>1,091,589</u>

The lease commitments represent the non-cancellable portion of current leases of the Corporation's properties and amounts are exclusive of GST. There were no contingent rents recognised as income in the period.

# NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

## NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	\$	\$
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Carrying amounts of:</b>		
Land and buildings	4,840,331	4,984,148
Plant and equipment	67,675	80,503
Furniture and fittings	35,120	45,577
Office equipment	42,176	52,858
Motor vehicles	44,453	24,079
	<u>5,029,755</u>	<u>5,187,165</u>

See Note 27 for movements in carrying amounts.

## 13. INVESTMENT PROPERTY

### Fair value

Investment properties	11,061,093	12,809,456
Balance at beginning of year	12,809,456	11,724,760
Additions	76,623	840,674
Increase in fair value during the year	-	244,022
Decrease in fair value during the year	(1,824,986)	-
	<u>11,061,093</u>	<u>12,809,456</u>

Investment properties comprise of three commercial properties and four residential properties constructed during the year and leased to third parties. For details on fair value measurement, refer to Note 23.

In 2018 an independent valuation of the property at 45 Mitchell Street, Darwin was conducted by Integrated Valuation services resulting in a value of \$9,800,000 (2017 NBV: \$9,555,978). The lease for the building was renegotiated and signed in September 2019 reducing the annual rental amount by 21.5%. An internal calculation was performed using the net income approach similar to the one performed by the independent valuer resulting in an impairment of the value of the property by \$1,824,986.

The directors determined the value of their properties at Bradshaw Cres and Katherine Tce, Katherine and Scheelite Cres Tennant Creek, using objective evidence from independent valuations performed in June 2016 and an internal capitalisation of net income approach. The Directors have determined that there has been no significant change in value.

Net changes in fair value are recognised as gains or loss in profit or loss. All losses and gains are unrealised. For further details regarding measurement of fair value, refer Note 23.

## 14. TRADE AND OTHER PAYABLES

### Current

Trade creditors	68,380	70,326
Income received in advance	152,538	132,346
Accrued expenses	58,692	66,847
Other payables	64,825	3,129
	<u>344,435</u>	<u>272,648</u>

Settlement of trade creditors is within payment terms of suppliers.



**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS**

	2019 \$	2018 \$
<b>15. PROVISIONS</b>		
Employee benefits (i)	54,322	30,470
	<u>54,322</u>	<u>30,470</u>
Current	54,322	30,470
Non-current	-	-
	<u>54,322</u>	<u>30,470</u>

(i) The provision for employee benefits includes annual leave and rostered day off entitlements accrued.

**16. BORROWINGS****Secured - at amortised cost**

Bank loans (i)	2,717,000	2,958,892
Loans from related parties (ii)	2,435,137	2,888,900
	<u>5,152,137</u>	<u>5,847,792</u>
Current	500,000	394,477
Non-current	4,652,137	5,453,315
	<u>5,152,137</u>	<u>5,847,792</u>

(i) This amount includes:

Both NAB market and home loans have been re-negotiated and merged into one loan facility totalling \$2,967,000 effective from 18 October 2018. The new NAB corporate market loan is secured by a registered mortgage over the property situated at 32 Dripstone, Darwin NT. Registered mortgage holdings under the previous loans (45 Mitchell Street (Darwin) and 15,17 and 19 Bradshaw Crescent (Katherine)) have been released by the bank.

The length of the loan has been negotiated at 2 years which aligns the loan to the average lease terms on the security held. The loan will be re-negotiable upon expiry terms. The variable floating interest rate is set at the BBSY plus the drawn margin of 1.75% per annum. The quarterly principal repayment of the renegotiated loan is \$125,000.

(ii) For the year ended 30 June 2019, NAACT did not charge any interest on the borrowing (2018: nil). The loan is repayable within 12 months from the date NAACT issues a written notice to the Corporation. As at 30 June 2019 and till the date of the approval of these financial statements, the Corporation did not receive a written notice from NAACT.

**17. ASSET REVALUATION RESERVE**

Balance at beginning of year	3,471,594	1,874,719
Increase arising on revaluation of land and buildings	-	1,596,875
	<u>3,471,594</u>	<u>3,471,594</u>

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****18. CASH AND CASH EQUIVALENTS**

a) For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2019	2018
	\$	\$
Bank accounts	620,216	1,342,964
	<u>620,216</u>	<u>1,342,964</u>

b) Reconciliation of surplus for the year to net cash flows from operating activities

**Cash flows used in operating activities**

Surplus for the year	(1,756,720)	1,063,488
Gain on disposal of property, plant and equipment	(28,183)	-
Depreciation and amortisation of non-current assets	239,431	290,721
Net decrease/(increase) in fair value of investment property	1,824,986	(244,022)
Loss allowance on trade receivables	30,004	-
Movement in working capital		
(Increase)/Decrease in trade and other receivables	(318,681)	66,328
Decrease/(Increase) in prepayments	442	(617)
Increase/(Decrease) in trade and other payables	71,787	(129,481)
Increase in provisions	23,852	13,752
Net cash generated by operating activities	<u>86,918</u>	<u>1,060,169</u>

**19. NON-CASH TRANSACTIONS**

During the current year, the Corporation did not enter into any non-cash investing and financing activities which are not reflected in the statement of cash flows.

**20. AUDITOR'S REMUNERATION**

Audit of the financial statements	9,500	9,500
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The auditor of North Australia Aboriginal Corporation is Merit Partners.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****21. RELATED PARTY TRANSACTIONS**

The names of persons who were directors of the North Australian Aboriginal Corporation (NAAC) at any time during the financial year are as follows:

Samuel Bush-Blanasi	Raymond Hector
Helen Lee	John Christophersen
Elizabeth Sullivan	Peter Larsen
Ronald Lami Lami	Bobby Wunungmurra

The protocol has been that should the directors not be re-elected to the NLC executive then directors have resigned as members and directors of NAAC, at the conclusion of the AGM. It has not necessarily followed that they have also resigned from all affiliated companies, some have whilst others have not.

Remuneration and retirement benefits

No director has received, or has become entitled to receive a benefit other than a sitting fee and associated superannuation, and travel allowances, which are paid per event held.

Directors compensation information

	2019	2018
	\$	\$
Sitting fees and superannuation	21,600	20,750
Allowances paid	37,998	37,555
Director loans*	3,349	1,572

\* The loan relates to recovery of over payments to directors.

Transactions with other related parties

North Australia Aboriginal Charitable Trust (NAACT) did not provide additional loans to the Corporation during the year. During the reporting period, repayments of \$453,763 (2018:nil) were made.

Related party	Sales of services		Purchase of goods and services	
	2019	2018	2019	2018
	\$	\$	\$	\$
North Australia Aboriginal Charitable Trust (i)	-	1,618	-	-
Create Housing Constructions Pty Ltd (i)	-	19,910	-	9,464
Northern Land Council (ii)	1,135,072	1,135,072	-	-
	<u>1,135,072</u>	<u>1,156,600</u>	<u>-</u>	<u>9,464</u>

(i) The above-mentioned entities are related parties by virtue of common key management personnel.

(ii) The investment properties owned by the Corporation are currently leased primarily to the Northern Land Council, based on normal commercial rates. Northern Land Council is a related party by virtue of having the right to appoint Executive Council members to the Board of the Corporation.

# NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 21. RELATED PARTY TRANSACTIONS (continued)

#### Key management personnel compensation

During the year, key management personnel received the following compensation:

	2019 \$	2018 \$
a) Short-term employee benefits*	319,097	177,621
b) Post-employment benefits	26,550	9,799
Total key management personnel compensation	<u>345,647</u>	<u>187,420</u>

\* NOTE: Short - term employee benefits include salaries, leave and business related and/or contracted expense payments

#### Amounts receivable from / (payable to) related parties

Included in trade and other receivables and trade and other payables are the following related party balances:

#### Trade and other receivables

North Australia Aboriginal Charitable Trust	3,005	-
Create Housing Constructions Pty Ltd	18,370	-
Northern Land Council	3,232	-

#### Trade and other payables

North Australia Aboriginal Charitable Trust	2,726	-
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All outstanding balances with related parties are priced on an arm's length basis and are to be settled in cash within three months of the reporting date. None of the above mentioned balances are secured. No expense has been recognised in the current year for bad debts in respect of the amounts owed by related parties.

### 22. FINANCIAL INSTRUMENTS

The Corporation holds the following financial instruments:

#### Financial assets

##### Amortised cost

Cash and bank balances	620,216	1,342,964
Trade and other receivables	339,987	51,310
	<u>960,203</u>	<u>1,394,274</u>

#### Financial liabilities

##### Amortised cost

Trade and other payables	68,380	244,822
Other financial liabilities measured at amortised cost	5,152,137	5,847,792
	<u>5,220,517</u>	<u>6,092,614</u>

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****23. MEASUREMENT OF FAIR VALUES**

The Corporation measures the following assets at fair value on a recurring basis after initial recognition:

- Property, plant and equipment (freehold land and building) and
- Investment property.

*Fair value hierarchy*

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised, as follows:

- Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can access at the measurement date.
- Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

*Valuation technique and significant unobservable inputs*

The Corporation selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Corporation are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use price and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Valuer gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.



# NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 23. MEASUREMENT OF FAIR VALUES (continued)

The following tables provide the fair values of the Corporation's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Non-financial assets</b>				
Freehold land and buildings				
- Owner Occupied	-	4,840,331	-	4,840,331
Freehold land and buildings				
- Commercial Purposes	-	11,061,093	-	11,061,093
<b>Total non-financial assets recognised at fair value</b>	-	15,901,424	-	15,901,424
	2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Non-financial assets</b>				
Freehold land and buildings				
- Owner Occupied	-	4,984,148	-	4,984,148
Freehold land and buildings				
- Commercial Purposes	-	12,809,456	-	12,809,456
<b>Total non-financial assets recognised at fair value</b>	-	17,793,604	-	17,793,604

The Directors consider that the freehold land and buildings' current use is its highest and best use. There were no transfers between levels for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

#### a) Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value		Valuation Technique*	Inputs Used
	2019	2018		
	\$	\$		
Non-financial assets				
Freehold land and buildings- Owner Occupied	4,840,331	4,984,148	Capitalisation of net income approach, using observable market data for similar properties and relevant cash flows.	Rental price per square-metre; market capitalisation rates.
Freehold land and buildings - Commercial Purposes	11,061,093	12,809,456	Capitalisation of net income approach, using observable market data for similar properties and relevant cash flows.	Rental price per square-metre; market capitalisation rates.
	15,901,424	17,793,604		

\* No change in valuation technique during the year.

**NORTH AUSTRALIA ABORIGINAL CORPORATION**

Financial Statements for the year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS****23. MEASUREMENT OF FAIR VALUES (continued)**

The fair value of freehold land and buildings is determined at least every three to five years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data.

There were no changes during the period in the valuation techniques used by the Corporation to determine Level 2 fair values. The Director valuation used for the current period was based on a combination of independent valuations from June 2016 and May and June 2018 and an internal capitalisation of net income approach.

**b) Disclosed Fair Value Measurements**

No other assets or liabilities are measured at fair value either in the Statement of Financial Position or the Notes to the Financial Statements.

**24. CAPITAL EXPENDITURE COMMITMENTS**

	2019 \$	2018 \$
Investment property	32,900	65,800

**25. CONTINGENT ASSETS AND LIABILITIES**

There are no contingent liabilities and contingent assets as at 30 June 2019.

**26. EVENTS AFTER THE REPORTING PERIOD**

In the interval between the end of the financial year and the date of this report, there has been no material or unusual nature that has been determined to be significant for information purposes of the users.

# NORTH AUSTRALIA ABORIGINAL CORPORATION

Financial Statements for the year ended 30 June 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 27. MOVEMENT IN CARRYING AMOUNTS

	Land and buildings at revaluation	Plant and equipment at cost	Furniture and fittings at cost	Office equipment at cost	Motor vehicles at cost	Total
<b>Cost or valuation</b>						
<b>Balance as 1 July 2017</b>	3,702,547	200,347	115,899	310,754	48,025	4,377,572
Additions	43,497	25,500	14,486	24,871	-	108,354
Disposals	-	-	-	-	-	-
Revaluation increase	1,253,956	-	-	-	-	1,253,956
<b>Balance as at 30 June 2018</b>	<b>5,000,000</b>	<b>225,847</b>	<b>130,385</b>	<b>335,625</b>	<b>48,025</b>	<b>5,739,882</b>
Additions	-	26,806	9,636	14,170	46,225	96,838
Disposals	-	-	-	-	(48,025)	(48,025)
<b>Balance as at 30 June 2019</b>	<b>5,000,000</b>	<b>252,653</b>	<b>140,021</b>	<b>349,795</b>	<b>46,225</b>	<b>5,788,694</b>
<b>Accumulated depreciation</b>						
<b>Balance as 1 July 2017</b>	(185,110)	(98,137)	(58,970)	(254,804)	(7,894)	(604,915)
Depreciation expense	(173,661)	(47,207)	(25,838)	(27,962)	(16,052)	(290,721)
Revaluation increase	342,919	-	-	-	-	342,919
<b>Balance as at 30 June 2018</b>	<b>(15,852)</b>	<b>(145,344)</b>	<b>(84,808)</b>	<b>(282,766)</b>	<b>(23,946)</b>	<b>(552,717)</b>
Depreciation expense	(143,816)	(39,633)	(20,093)	(24,853)	(11,035)	(239,431)
Eliminated on disposal of assets	-	-	-	-	33,209	33,209
<b>Balance as at 30 June 2019</b>	<b>(159,669)</b>	<b>(184,978)</b>	<b>(104,901)</b>	<b>(307,619)</b>	<b>(1,772)</b>	<b>(758,939)</b>
Net book value at 30 June 2018	4,984,148	80,503	45,577	52,859	24,080	5,187,165
Net book value at 30 June 2019	<b>4,840,331</b>	<b>67,675</b>	<b>35,120</b>	<b>42,176</b>	<b>44,453</b>	<b>5,029,755</b>



**Aboriginal  
Investment  
Group**



32 Dripstone Road, Casuarina, NT 0810  
Phone: 08 8922 2666  
Email: [info@aiggroup.org.au](mailto:info@aiggroup.org.au)  
Website: [aiggroup.org.au](http://aiggroup.org.au)