

Contents

CEO report	2
Something had to change	2
Restructure and realignment	2
Next challenges	3
Looking forward	3
About AIG	5
AIG history	8
Our vision	8
Unique design	10
Wealth creation	10
Wealth distribution	10
Partners and stakeholders	12
Aboriginal Investment Group (AIG)	13
AIG Board of Directors	15
Imperative perspective	
Chair report	18
Deputy Chair report	20

Chair of the Financial Audit Commitee	report22
Board members	24
Projects	27
Bagala Community Store	29
Wirib Store and Tourism Park	33
Katherine housing project	37
Bradshaw workers camp	41
AIG remote laundry project	45
Business support services	49
Strategic direction	53
Reflection and realignment	54
Strategic priorities	56
Wealth creation	58
Wealth distribution	59
Financials	61

CEO report



"Hello and welcome to the 2017/18
Annual Report for AIG. We have
had a busy year, and more
broadly a busy three years. To
put our work into context it's
important to explain where AIG
was and how that has influenced
AIG's direction today."



Something had to change

I came to AIG in late 2013 when the group was facing significant challenges. My opinion early on was that focus of the business was weighted too heavily on servicing the needs of individuals. After a few short weeks my suspicions were confirmed, and it was obvious to me the group was failing in its mandate of building stronger communities through wealth creation and wealth distribution.

Something had to change.

Restructure and realignment

In December 2015 the AIG Board of Directors acknowledged the failings of the group and started a journey to completely restructure and realign AIG.

Challenging entrenched workplace culture was perhaps the most difficult part of the restructure. AIG shrank from a large team down to just a few individuals, but those who remained agreed it was time for change. The vision of building stronger communities was shifted to the forefront of AIG's workplace culture and we restructured and realigned the entire group. A renewed purpose, focus and vision gave us space to pause and reflect on the primary objectives of AIG.

Objectives refocussed

I believe if the AIG Board had not taken control, AIG would have ceased to exist. After 30 years of operation, that was simply not an option and we remained determined to make it work. It wasn't all doom and gloom, there had been good work done but AIG had lost its way. The focus was centred around wealth creation for individual benefit. Our challenge was to bring the focus back to servicing whole communities. Fast forward to 2017/18 and I can confidently say our vision of building stronger communities sits front and centre for AIG.

Next challenges

The key challenge for me this financial year has been to build a strong and workable relationship with our major shareholder the Northern Land Council. This fractured relationship cannot continue and is one of key things we need to get right if we are to be successful in building stronger communities. I carry this challenge into 2018/19 financial year.

Another important challenge for AIG is to develop strong policy around wealth distribution. There has been considerable work done in redefining our strategic plan of wealth distribution and the next steps require a robust model to support decision making around how our wealth is spent in community.

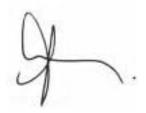
Looking forward

With a new vision, defined purpose and unified staff and board, AIG has begun to grow in strength and productivity. We are working hard and are proud of our recent achievements in wealth distribution through projects. Wealth creation through investments remains a strong part of AIG that is motivated by a clearly defined purpose of building stronger communities.

I thank AIG staff and board. Without their unresolved approach we would not have been able to make the journey this far. Their drive and passion to support vulnerable people living in communities means that we will achieve great things and influence positive change. I also thank the team at Deloitte Private as their continuing support has been fundamental to our success.

"Something had to change" – and it surely has.

Steve Smith



CEO Aboriginal Investment Group





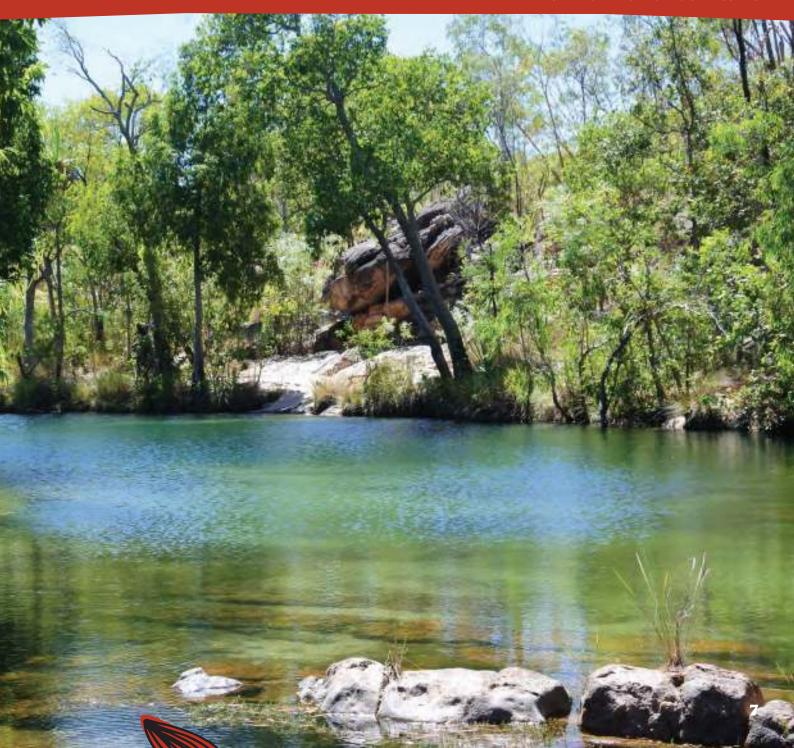
Building momentum has defined AIG's 2017/18 financial year. This report details the exciting projects completed and provides an opportunity to articulate our vision for the coming years



of wealth creation and

wealth distribution.





History

AIG was set up as an Aboriginal Corporation in 1988 to manage Northern Land Council's (NLC) assets. It was against NLC's mandate to hold assets so AIG was created to ensure money from Aboriginal assets made its way back to Aboriginal people in the seven northern regions of the NT.

AIG's mandate was to reinvest Aboriginal money and support community projects in the same regions as the NLC. It was a vision of empowerment; Aboriginal people using their own money to meet their own needs.

Aboriginal Investment Group was registered as a business name in 1991 and described legal entities which fall under the AIG umbrella. The entities have changed since 1991, and today the operating entities are:

- North Australia Aboriginal Corporation (NAAC)
- Northern Australia Aboriginal Developments (NAAD)
- Northern Aboriginal Investment Corporation Pty Ltd (NAIC)
- Northern Australian Aboriginal Charitable Trust (NAACT)
- Create Housing and Construction Pty Ltd (CHC)

NLC remains a primary stakeholder for AIG. The AIG Board is made up of NLC's Executive Council Members and we

continue to both operate in the seven northern regions of the NT. The AIG Board acts as trustees of NAACT because NLC is the majority shareholder.

Our vision

AIG's steadfast vision is to engage in sustainable development to enable prosperity in the lives of Aboriginal people in the Northern Territory. We achieve this by creating opportunities for people living in community.

We are guided by our strategic objectives:

- Economic development in regional and remote Australia.
- Social dividend and community benefits to regional and remote Aboriginal communities in the northern part of the Northern Territory.
- Ecological development and sustainability in regional and remote Australia.

Our unique design

AIG operates using a unique design where investment (wealth creation) drives social advancement (wealth creation).





We are 100%
Aboriginal owned and self-funded.
Our vision is
Aboriginal social advancement in the Northern Territory.





Unique design



In 2017/18 financial year AIG had an asset portfolio with a value of \$22 million. The majority of AIG's income (81%) is rent from property assets. The remaining 19% comes from the business support services.

Wealth creation

AlG's history provides important context of our wealth creation model. In the 1990's NLC's mandate stated it couldn't hold assets and AlG was set up as an investment arm to manage assets on NLC's behalf. This arrangement created a way for equity to be re-invested to make actual financial returns.

Returns from assets in AIG's investment portfolio were used in two ways. Firstly to be reinvested, and secondly to be distributed to Aboriginal communities in the seven northern regions of the NT. This is the same process that governs AIG's policy today.

In 2017/18 financial year AIG had an asset portfolio with

a net value of \$21.5 million. The majority of AIG's income (81%) is rent from property assets. The remaining 19% comes from the business support services.

Wealth distribution

The unique design of AIG is highlighted by our wealth distribution model. Wealth distribution comes in the form of support for community projects such as stores and workers accommodation camps or our laundromat project.

Support has a variety of definitions and includes investment of money, project management of the construction of community assets, business support services, advice and mentoring. AIG is heavily involved in supporting Aboriginal corporations in their daily activies.

WEALTH CREATION

Commercial buildings

Residental buildings

Business support services

Cash & term deposits

WEALTH DISTRIBUTION





Wealth creation enables wealth distribution

Project management

Funding applications

Business support services

Advice & mentoring





AIG acts as an umbrella organisation

Acting as an umbrella organisation, Aboriginal Investment Group houses businesses, a trust and an Indigenous corporation registered under the CATSI Act. Each entity has different functions making it possible for AIG to make intelligent investment choices that bring maximum social and economic returns.

Partners and stakeholders

Our important stakeholder groups and collaborating partners are Aboriginal corporations, Aboriginal owned businesses, local and federal government agencies, the Northern Land Council and private enterprise. We work together to pursue innovative and cost-effective solutions for economic and property development projects to address the social and economic disadvantages that effect remote Aboriginal communities across Northern Australia.

Aboriginal Investment Group (AIG)

North Australia Aboriginal Corporation (NAAC)

Northern
Aboriginal
Investment
Corporation (NAIC)

Northern Australian Aboriginal Charitable Trust (NAACT)

Create Housing & Construction Pty. Ltd. (CHC)

Northern Australia Aboriginal Developments (NAAD)

AIG structure









Imperative perspective



Each board member represents a region and provides an imperative perspective on the needs of the people living in each of those regions.



The AIG Board of Directors have a very important role to play in advocating the needs of Aboriginal people in the seven northern regions of the NT. Direction and insights from each board member provides imperative perspective to understand the real needs of people living in community.

AIG believes strongly in upskilling the board by providing training and mentoring at each board meeting. Using Deliotte Private as a partner in board training and development demonstrates the value placed on building skills.

The board has met four times this year, and training topics covered have been:

- Roles and responsibilities
- Risk
- Business decision making
- Benchmarking
- Financial literacy

This financial year AIG management and board have worked exceptionally hard to ensure all directors are united in AIG's goals and the strategies required for future growth.







Chair report



"AIG was set up to put money back into Aboriginal communities in the same seven regions where the NLC functions. It has a long history of being guided by the principles of sustainable development and needs to be committed to giving people in community opportunities to take control of their own future. Employment is very important for sustainability, AIG understands this, and we are working towards making this happen."



Projects like the Bradshaw workers accommodation is a good example of how AIG has created sustainable economic development for our people. This project has meant that Aboriginal people have somewhere to stay when they are working in the Timber Creek region and has improved the jobs Aboriginal people can apply for. Another example is Bagala Community Store, it has all Indigenous staff and that equals jobs for people in community.

Things have changed a lot at AIG in the last four years and good progress has been made in how the money is spent in community. AIG has an important role in making sure money is made from investments and then profits are spent providing services for the people in the seven northern regions of the NT.

AIG has had serious financial issues in the past, but this last financial year has shown a significant turnaround in financial position, our net assets have grown over \$2 million and we have a healthy cash balance. Overall AIG is now in a strong financial position and is healthier than we have ever been. The direction of the work is in line with the vision of the organisation. This is a good thing, and the hard work of the AIG staff and contractors has

meant things have really turned around financially. There is now money available to spend on important projects.

Health is an issue that requires support from AIG, so is creating jobs and supporting Aboriginal owned businesses so they can grow strong. AIG needs to better communicate about what they can do for people on the ground in community. There are a lot of people who don't know about what AIG does and how it can support them. Looking forward, the board and the staff of AIG need to better communicate the goals of AIG.

In the last financial year, the board has met four times. It is a big effort for everyone to come together and I believe it is important that we use the time well to learn as much as we can about business and investments so that we can be involved in making decision for the future of AIG. The board has an important role in advising AIG in the best projects for the communities that we represent.

Samuel Bush Blanasi

Chair of the Board of Directors



Deputy Chair report



"To talk about AIG today requires a look at the history and understand why it was originally established by the Northern Land Council over 20 years ago. I was around then, and the vision was to establish an economic facility to put money back into the community."





We wanted to establish an economic base for an Aboriginal owned investment company to make sure money was spent on community.

The community was and still remains the focus for AIG. We are looking beyond individuals and keep focused on community groups. The work of AIG must be about the community. This is why we are doing things like building stores, investing in housing and building laundries. These projects are for the community and they provide employment.

Financially we have managed to turn things around and are becoming viable. We were in the red and are now in the black and doing things that ought to have been done a while ago. It has taken a couple of years, but we have achieved this by making better decisions around spending.

In my opinion AIG is now doing what it was designed to do back then. Our debt has reduced, and we have established good relationships with other companies in the Territory. It stands to reason these achievements for AIG mean

benefits like sustainable development for communities.

Looking forward we are focussed on investments that meet the needs of community like dialysis machines for example. AIG's role is not to take away the responsibilities of the health department, but we can supplement those services with investments in our communities.

The AIG Board of Directors has improved, and I hope there will be further improvement when we attract independent directors who can contribute their skills in economics and business

Lastly, I believe there is work to be done in making sure AIG has a good working relationship with the Northern Land Council and that we're on the same track heading for the same outcomes for the people and for the country.

John Christophersen

Deputy Chair Board of Directors

Chair of the Financial Audit Commitee



"For me there are three key issues for AIG; making sure AIG dividends create better social and economic outcomes in the seven northern regions of the NT, investing in projects that meet the needs of the communities and lastly communicating better about what AIG does and how it can help Aboriginal people."



This year AIG built the Bagala Community Store which is owned by the Bagala Traditional Owner Group. All of the staff are Indigenous, and this is the type of investment we want because it creates employment opportunities for our people. We have a responsibility to provide social outcomes to the whole community, not just one family within the community.

The business support service provided by AIG could be better communicated. There are many Aboriginal corporations out there that don't know about AIG and could benefit from business support services. Going forward, communication to communities about AIG should be a priority.

Personally, I see it is time for our people to start taking ownership and start making money instead of being reliant on the welfare system. The majority of our mob are on CDP and are in poverty because there are no employment opportunities in community. AIG has a role to play here in letting people in community know about what we are and what we do. I believe AIG should use social media to encourage people to think of business ideas in their community. The idea of creating employment in community needs to be a reoccurring vision of AIG.

AIG should keep working to meet the needs of the community by investing in what is needed. For example, kidney dialysis units. Why should our people have to come up to Darwin to learn how to dilate themselves? We should be working with health service providers in our regions to see if we can help those that need dialysis. The profits that AIG makes should be going back into communities and health is a big issue, especially kidney disease.

Helen Lee

Chair of the Financial Audit Committee





Board members



Elizabeth Sullivan

Darwin/Daly/ Wagait Region Wagiman woman



Peter Lansen

Ngukurr RegionAlawa and
Marrra man



West Arnhem Region

Mayurrulibj man



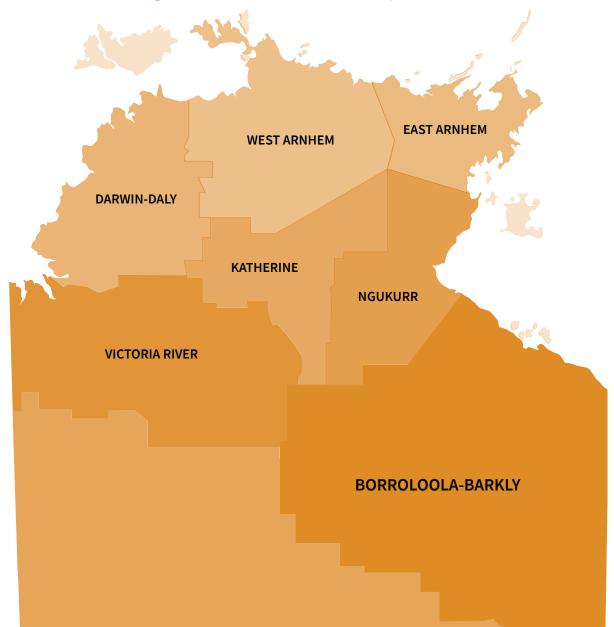
Raymond Hector

Victoria River District

Billarna man



The seven northern regions of the Northern Territory











Bagala Community Store



Bagala Community Store is proudly the only store in the NT that is 100% Indigenous staffed and 100% Indigenous owned. This is successful project from a construction, operations and social benefits perspective. There is no better example of these outcomes and it is a beacon of light for the future of community stores.





Background

In 2017 the Bagala Community Store was identified by Outback Stores as needing renovations. After negotiations it was decided instead of a renovation, a new store would be built.

Bagala Aboriginal Corporation asked AIG to assist in securing funding from the Department of Prime

Minister and Cabinet, building the store, and acquitting the funds at the end of the project. This was an exciting time for the Barunga community.

Project partners

AIG, Department of Prime Minister and Cabinet, Australian Portable Camps (construction company), Roper Gulf Shire Council, Bagala Aboriginal Corporation.



Store design

Project partners were tasked with designing a store that met their needs but more importantly met the needs of the Barunga community.

AIG designed modular construction was chosen as the most cost effective because it allowed most of the construction work to be done in a factory, removing community site variables and resulting in better outcomes.

Another important consideration for choosing modular design was that Bagala Community Store was going to be the prototype for other stores. Every store built by AIG in the future would have the same design and key elements. For example, the fridge, freezer and commercial kitchen elements would always be the same and then depending on community size, additional modules would be added or taken away to increase or decrease shop floor space.

Roadworks

The Roper Gulf Shire Council was involved in building a ring road to improve access to the store. AIG's relationship with the council was strong within the region and were able to liaise with them about securing funding from Indigenous Construction Development Fund to support the development of a ring road.

Wins

The length of time for construction was a real win. The modular construction team was on site for about 14 weeks

which is arguably the fastest build of any store in the NT and also the cheapest. This highlighted and reinforced our belief that modular designs are the best way to build in remote NT communities. Not just because of the speed of the build but also because of the efficiencies and the cost

Cultural input

Accommodating and facilitating Bagala community's cultural requirements for the shop was a priority and influenced the design of the store's exterior.

A water theme design with Indigenous art on the outside of the store was chosen and AIG worked hard to be innovative about options for outside artwork. Instead of painting the walls, the store was wrapped in a skin that can be refreshed every few years to account for general wear and tear and graffiti of the store.

Challenges

Remote construction is always challenging and for this project difficulties with land tenure and connecting utilities were significant. We went overbudget on power and water, telecommunications and sewerage connection. It took longer than expected to negotiate the upgrades for supporting infrastructure and the process for upgrading the infrastructure.





Wirib Store and Tourism Park



Gunamu Aboriginal Corporation had a vision of creating a fully serviced supermarket instead of a corner store with petrol.

This project was a prime example of wealth distribution through project management support.

Background

The Wirib Store and Tourism Park provides essential services in Timber Creek such as accommodation, fuel and general store for the community and tourists . It is a commercial business (Wirib Pty Ltd) and the only income source for the Gunamu Aboriginal Corporation. In 2016 the store component of the park was identified as needing renovations by Outback Stores.

Gunamu Aboriginal Corporation asked AIG to provide high level project management support which included applying for funding, managing the store build process and acquitting the funds at the end of the project. Because of the long standing relationship between AIG and Gunamu Aboriginal Corporation, the project fitted into our mandate of supporting community projects so we agreed.

The Department of Prime Minister and Cabinet provided the funding for the general store project through the Aboriginals Benefit Account in 2017.

Project partners

AIG, Department of Prime Minister and Cabinet, Australian Portable Camps (construction company), Gunamu Aboriginal Corporation and Wirib Pty Ltd.

Store design

The project began with project partner negotiations about the benefits of renovating versus building a new store. The most important consideration was that the old store was too small given the tourist traffic through the store and the size of the community.

It was also lacking fundamental elements such as big freezer and fridge capacity which meant only a small range of fresh produce could be stocked.

As with Bagala Community Store, research indicated it was cheaper and more efficient to build a new store than renovate the old one. The stakeholder group decided to use AIG's modular design, and have identical core elements (kitchen, fridge and freezers) as the Bagala Community Store, with additional modular pieces to expand the store floor space.

Tourist site

The Wirib Store and Tourism Park project was unique







because it was a tourist site and focussed on commercial outcomes, and servicing tourist customers. This was reflected in the design of the building; it has a large outdoor dining deck and bakery which was part of promoting the park as a tourist destination - not just a fuel stop.

Challenges

AIG was able to apply lessons learnt from building the Bagala Community Store to this project which meant utility connection negotiations (power, water, telecommunication, sewerage) went more smoothly. Nevertheless, they were challenges, such as the larger store size and the remoteness of Timber Creek.

Wins

The modular design and the efficiencies associated with using a pre-fabricated building was a resounding win on this project. The build time was relatively short when compared to similar sized stores using conventional building methods and it became clear that using a blueprint modular design was a successful approach to building in remote NT.

AIG were able to use local workers from Timber Creek to prepare the site, erect the modules and prepare the site for opening. AIG had made assurances to the Gunamu Aboriginal Corporation that local employment would be a priority and it was a win to deliver on that.









Katherine housing project



This was a successful commercial venture designed to enhance AIG's worth.
There were no immediate social benefits intended and is a great example of AIG's capacity for wealth creation.



Background

Katherine is a rapidly expanding region but offers very little executive styled housing. AIG saw the economic potential of buying land in Katherine, building and renting houses designed to meet the expanding need for executive accomondation, with particular focus on executive defence appointments.

Finance

This project cost AIG \$2.1 million and generates a gross yield of 6%. Fortuitously we are still getting higher than market rate in rent and return because of the decision to target the top end of the market and include specific design requirements to cater for defence personnel needs.

Design and build

AIG bought three individual blocks of land and designed three identical houses (except for the façade). This meant building and fitting out costs were influenced by economies of scale and reduced the overall build costs.

After a tender process, AIG engaged a local Katherine building contractor because there was a preference to use locals to the region and they had higher levels of Indigenous employment.

Future

This is an investment venture AIG intends to replicate in the future. It has been highly effective in adding to our asset base and given our knowledge of property design and development, it was a good use of the exsiting skills base in AIG.

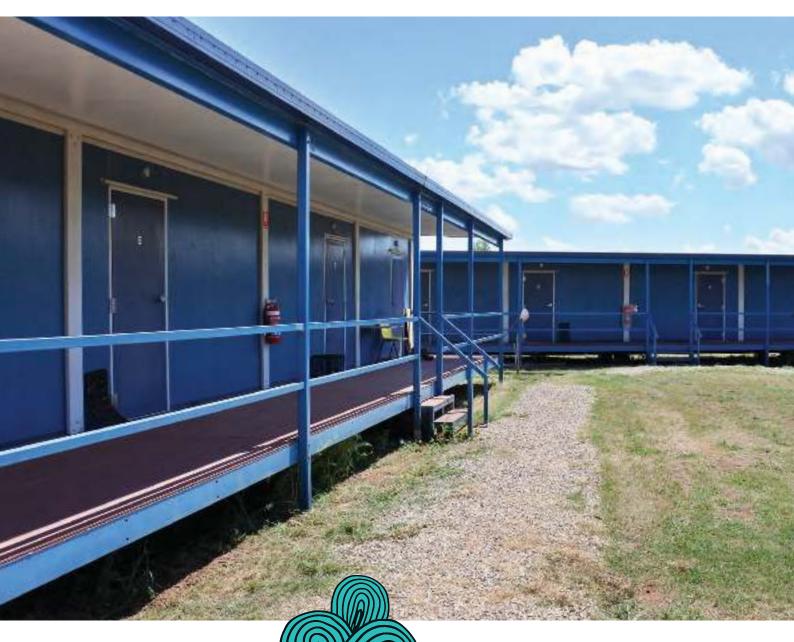














Bradshaw workers camp



AlG's preference is to support Aboriginal corporations in their own venture. This project was a really good example of Bradshaw Construction having a vision and a plan and AlG supporting them.



Background

Bradshaw and Timber Creek Contracting Construction and Resources Company (Bradshaw Construction) is a 100% Aboriginal owned business that operates in the Timber Creek region. AIG has a good relationship with Bradshaw Construction and when they expressed an interest in designing workers accommodation, AIG saw it as a great opportunity to support Bradshaw Construction as well as test out our modular house designs that we had been working on since 2016.

Contracts but no workers

Bradshaw Construction was in a difficult situation because the Australian Defence Force was offering them work contracts on the Bradshaw Training Field which they couldn't take on because of the difficulties in housing workers within the region.

Bradshaw Construction received \$2 million funding from the Aboriginals Benefit Account in 2015 for a worker's camp. Bradshaw Construction believed the camp would offer a workforce solution by housing workers, so they could be well rested, fed, washed and ready for work each working day for the duration of each contract.

AIG was contracted as a third party to build the camp and Australian Portable Homes were contracted to use AIG's modular housing design.

Project partners

Department of Prime Minster and Cabinet, AIG, Australian Portable Homes, Bradshaw and Timber Creek Contracting Construction and Resources Company.

Camp design

The workers accommodation has a separate manager's house with two bedrooms and a bathroom. There are and 12 single rooms with ensuites for the workers, a commercial kitchen and laundry.

Piloting the modular houses have indicated some areas that could be improved, but overall the functionality and durability of the accommodation has been good.

Wins

Bradshaw Construction has seen a sharp increase in work since they built the camp and have taken on larger contracts such as grading of roads and mowing of the roadsides as well as ongoing work with the Australian Defence Force. The camp has been instrumental

in strengthening Bradshaw Construction because of the availability of workers' accommodation.

The manager's residence was a flat pack house which was the fastest and cheapest way to build the home. As promised, there were high levels of Indigenous participation in putting up the house.

The worker's accommodation is not luxury accommodation, it is a purpose built construction crew camp that provides workers a place to relax, eat well, wash, sleep and be work ready. It has been very effective in fulfilling this objective.

Looking forward

AIG has invested over \$200,000 in remote housing designs since 2016 and intends to roll out the worker's camp concept in other places around the NT in the future. It is an effective way to support workers to participate in economic opportunities in their region. AIG's see's this project and others like it as great ways of wealth distribution through project management support, advice and mentoring.







AIG remote laundry project



AIG remote laundries will offer a service where people can wash their clothes, bedding and towels.

It is an important project because it satisfies AIG's mandate of wealth creation and wealth distribution.





Background

In early 2018 the AIG Board of Directors decided communal laundries with industrial sized machines would be an important project to target the challenges of overcrowding in community and health issues exacerbated by overcrowding.

Consultation

Barunga community (80km southeast of Katherine) was identified as the ideal pilot site for the design and roll out of the remote laundries. Extensive consultation with the Bagala Aboriginal Corporation identified the social and economic contributions the laundry will bring the community, such as employment, health benefits and quality of life for people living in community.

Orange Sky Laundry has been an important consultation partner by generously describing their experience in mobile laundromats throughout Australia, particularly in Aboriginal communities in QLD. Richard Jay Ltd Pty is one of the most experienced suppliers of laundromats nationally and has designed our first laundromat.

Project partners

Bagala Aboriginal Corporation, Richard Jay Pty Ltd and AIG.

Design

The laundry will be a 20-foot container with a motorised arm which effectively opens and closes the laundry. it will have up to 10 washers and dryers depending on the size of the community, with sitting and sorting areas. All laundries will be designed to be as self sufficient as possible.

The container will have cool room panel ceiling, vinyl floor, composite wall panelling, led lighting, general power points, stainless steel benches. An intermediate back wall will fit mop sink, hand basin, and chemical pumps and storage, hand wash dispenser, electrical switch board, hot water service, isolators for washer machines and clothes dryers, water connections and waste points.

Cost

The laundry in Barunga will cost \$180,000 of investment from AIG and operate on a fee for service costing \$4 for a

wash cycle and \$4 for a dry cycle. The cashless payment system will rely on Basics card and eftpos paywave.

Donations are an important part of this project because it offers buy in from people outside of Barunga community and could overcome the barrier for users having to pay \$4 for a wash or dry cycle. Via a laundries website, people will be able to donate washing and drying cycles to the laundry. Further planning around the details of how this will work is a task for AIG later in in 2018/19 financial year.

Next steps

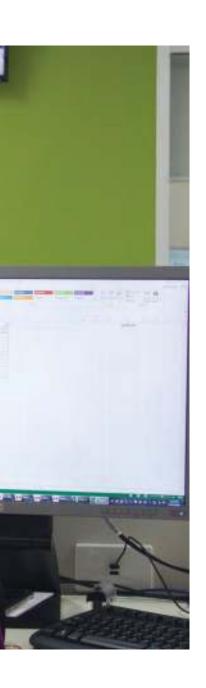
Finishing laundry construction, community engagement, installation in community and staff training will be priorities for the 2018/19 financial year.

There will be seven laundries rolled out in the seven northern regions of the NT. Our focus will be creating systems and processes that make rollouts efficient and effective. This is a truly exciting project that will require considerable attention from all AIG staff.









Business support services



We believe governance and bookkeeping support and training is fundamental to the success of many Aboriginal corporations.

Our service encourages success through strong governance and strategic direction.

Background

AIG has been supporting Aboriginal corporations since 1988 and over this time, failings around governance and income has consistently been their biggest threat to their success.

AIG saw an opportunity to provide professional services of governance and management of financial records in 2011. This service has grown exponentially and has become an important source of income for AIG.

Challenges

There are a lot of corporations that need support and the challenge for AIG is to make sure the balance is right. It is very expensive to supply professional business support services to clients with high needs and it's a juggling act for AIG to be viable and sustainable while being able to provide services to corporations that need it most.

A huge part of working with Aboriginal corporations is promoting the Office of the Register for Indigenous Corporation (ORIC) rules, regulations and requirements; namely decisions around appropriate and inappropriate use of money.

Commonly our services are responding to challenges within corporations such as lack of strong business foundations, access to professional business advice and service and strong governance.

Professional services

The business support service is provided for a fee for corporations that can afford it and at a subsidise rate for less financially able corporations.

Our priority is providing the necessary governance and financial support services to Aboriginal coporations to enable their success. This is particularly true for more vulnerable corporations.

Growing demand

Demand for our service is growing quicker than anticipated because our success stories have spread. This is great. The challenge however is to manage the demand.

Future

AIG believes our business support services are instrumental to corporations success because it provides access to independent advice and creates the framework to build a strong business foundation and strong governance. We believe these two elements allow for growth and economic development.

AIG is committed to the potential of creating positive change for corporations through business support services and aspire to support more Aboriginal corporations in the Northern Territory. Looking forward, business support services will remain a key part of wealth creation and wealth distribution for AIG.









Reflection and realignment

The last three years have been an intense period of reflection and realignment for AIG. A time for challenging the old AIG model, looking towards the future and being decisive about building the foundations for a new model.

Much of this financial year has involved critical analysis of past priorities of AIG and identifying historical

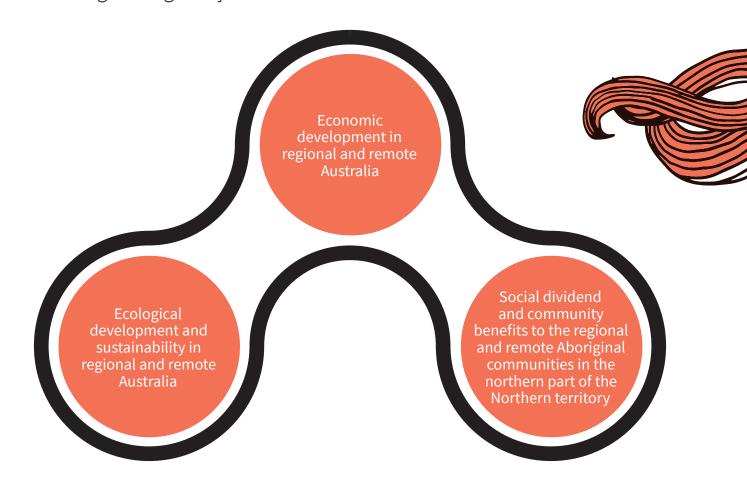
malalignment with our vision of building stronger communities. There is more work to be done here

Since 2015 there have been staff redundancies, court actions and debt recoveries – it's been eventful! We went from a staff of 10 to a two person team, and at times it felt like AIG was going backwards. We are beginning to build again and move forward and that is really exciting because we have been preparing for this momentum for years.



The long-term mandate of AIG is simple, make money and distribute it into meaningful projects that benefit Aboriginal communities. While the making money part has always been a strong component of AIG, the recent fundamental change is we are now working even harder to distribute our wealth to communities.

An important part of rebuilding and moving forward has been working with Deloitte Private and together we've focussed on defining strategic objectives:



Strategic priorities



Creating reform and policy robust enough to support a model where wealth creation and wealth distribution work harmoniously together is how we will achieve success in the future.

AIG will focus on six key priority areas.

- Investment strategy
- Governance.
- Leadership and management.

- Communication, marketing and branding.
- People and resources.
- Partnerships and collaborations.



Sound strategy that will maximise our investment returns and identify new opportunities is imperative to the vision of AIG.



Supports economic growth and achievement of our vision and objectives. Strong governance is critical to the success of AIG.



The AIG brand is more than just a name and as a group we need to get better at communicating what we do, why and how.



Measurable key performance indicators and strong strategic and operational plans are key to the accountability of management and the achievement of our objectives.



The right people and resources are central to the success of AIG and our organisational culture sits at the core of our unique design.



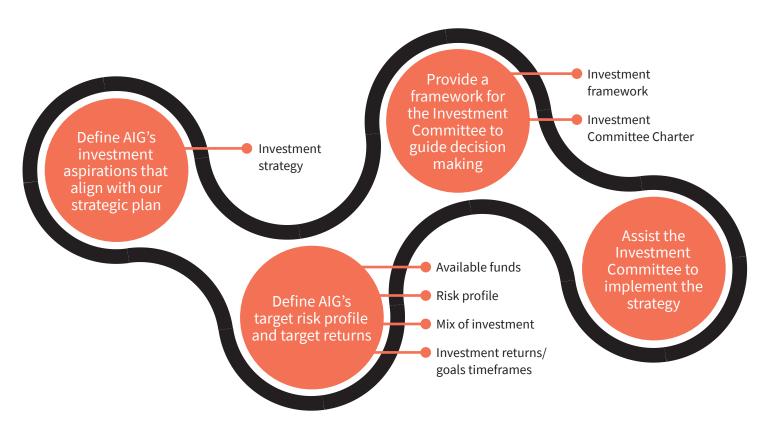
Collaboration and strong partnerships are paramount in achieving our vision of building stronger communities.

Policy to govern the future

Over the last 24 months AIG has been following a well mapped process of developing strategic objectives, strategic priorities and feasible key performance indicators. The next step is to create policy that will provide direction for how we create wealth and how we distribute wealth.

Wealth creation

The outlook for 2018/19 and beyond is really exciting. Our model for wealth creation is effective; as indicated by our strong investment base. We will continue strengthening our investment base to maximise our wealth creation potential.



To strengthen investments AIG has chosen to focus on four key areas:

- 1. Defining AIG's investment aspirations that align to our strategic plan.
- 2. Define AIG's risk and profile and target returns.
- 3. Provide a framework for the investment committee to guide decision making.
- 4. Assist the investment committee to implement strategy.

Wealth distribution

We are recharged, focussed and have the right foundation to redefine AIG's future wealth distribution.

Our next challenge is to develop policy that provides structure to ensure we spend our surplus income on the right projects with the greatest social and economic outcomes that meet the needs of the community.



To realise our vision, we need to look towards a structured and well managed future focussed on four key areas: investment aspirations, risk and target returns, frameworks for decision making and guided strategy implementation.





Financials

General Purpose Financial Statements -Reduced Disclosure

30 June 2018



AIG Group reporting

The AIG Group has a strong net asset position of \$18 million mainly consisting of a large commercial and residential property portfolio totalling over \$19 million. The group's net surplus of \$911,000 is primarily generated by the North Australia Aboriginal Corporation (NAAC) which holds most of the property portfolio and provides the business support services. NAAC has achieved a net

surplus of over \$1 million in the 2018 financial year. Other contributing AIG Group entities are Northern Australia Aboriginal Development Corporation Pty Ltd, Northern Australian Aboriginal Charitable Trust and Create Housing Construction Pty Ltd.

NAAC's 2018 audited financial statements have been provided as part of this annual report, because the main operating entity of AIG.

Content

Directors' declaration	3
Auditor's independence declaration	
Independent auditor's report	5
Statement of profit and loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	. 10
Notes to the financial statements	11

NORTH AUSTRALIA ABORIGINAL CORPORATION

ICN 1178

ABN 34 970 047 932 General Purpose Financial Statements -Reduced Disclosure

30 June 2018

Financial Statements for the year ended 30 June 2018

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:

Chair of the Balant of Directors

North Australia Aboriginal Corporation

Daswin

Date: 26/10/2018

Helen Lee

Chair of the Finance and Audit Committee

Fliker

North Australia Aboriginal Corporation

Darwin

Date: 26/10/2018



Auditors Independence Declaration to the Directors of North Australia Aboriginal Corporation

In relation to our audit of the financial report of North Australian Aboriginal Corporation for the financial year ended 30 June 2018, 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.

Matthew Kennon

Partner

DARWIN

Date: 26 October 2018





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 2018, 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 Australian Aboriginal Corporation as of 30 June 2018 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:
- 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.



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: 26 October 2018

Financial Statements for the year ended 30 June 2018

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018	2017
		\$	\$
Revenue Loss on disposal of property, plant and equipment	5	2,429,354	2,617,015 (250)
Employee benefits expenses	6	(350,246)	(505,401)
Finance costs	7	(162,927)	(102,802)
Depreciation on property, plant and equipment	27	(290,721)	(306,509)
Other expenses	9	(561,972)	(593,605)
Surplus for the year		1,063,488	1,108,448
Other comprehensive income Items that will not be reclassified subsequently to profit or loss: Gain on revaluation of land and buildings	10	1,596,875	
Total other comprehensive income		1,596,875	-
Total comprehensive income	:	2,660,363	1,108,448

Financial Statements for the year ended 30 June 2018

STATEMENT OF FINANCIAL POSITION

	Note	2018	2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	18	1,342,964	379,369
Prepayments		8,248	7,631
Trade and other receivables	11	51,310	117,638
Other assets	-	16,450	- F04 639
TOTAL CURRENT ASSETS	-	1,418,972	504,638
NON-CURRENT ASSETS			
Property, plant and equipment	12, 27	5,187,165	3,772,657
Investment property	13	12,809,456	11,724,760
TOTAL NON-CURRENT ASSETS	_	17,996,621	15,497,417
TOTAL ASSETS		19,415,593	16,002,055
	=	-, -,	
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	272,648	402,129
Provisions	15	30,470	16,718
Borrowings	16	394,477	
TOTAL CURRENT LIABILITIES	-	697,595	418,847
NON-CURRENT LIABILITIES			
Borrowings	16	5,453,315	4,978,888
TOTAL NON-CURRENT LIABILITIES	_	5,453,315	4,978,888
TOTAL LIABILITIES	-	6,150,910	5,397,735
	_		
NET ASSETS	=	13,264,683	10,604,320
EQUITY			
Asset revaluation reserve	17	3,471,594	1,874,719
Retained surplus	_	9,793,089	8,729,601
TOTAL EQUITY		13,264,683	10,604,320
	-		

Financial Statements for the year ended 30 June 2018

STATEMENT OF CHANGES IN EQUITY

Balance at 1 July 2016	Note	Asset revaluation reserve \$ 1,874,719	Retained surplus \$ 7,621,153	Total \$ 9,495,872
Surplus for the year		-	1,108,448	1,108,448
Other comprehensive surplus – revaluation of land and buildings		-	-	-
Total comprehensive surplus for the year	-	-	1,108,448	1,108,448
Balance at 30 June 2017		1,874,719	8,729,601	10,604,320
Balance at 1 July 2017		1,874,719	8,729,601	10,604,320
Surplus for the year		-	1,063,488	1,063,488
Other comprehensive surplus – revaluation of land and buildings	10	1,596,875	-	1,596,875
Total comprehensive surplus for the year	-	1,596,875	1,063,488	2,660,363
Balance at 30 June 2018		3,471,594	9,793,089	13,264,683

Financial Statements for the year ended 30 June 2018

STATEMENT OF CASH FLOWS

	Note	2018	2017
		\$	\$
Cash flows from operating activities		0.444.400	4 704 475
Receipts from operating activities Payments to suppliers and employees		2,444,186 (1,232,754)	1,701,175 (946,970)
Interest received		11.664	2.430
Borrowing costs paid		(162,927)	(102,802)
Net cash generated by operating activities	18(b)	1,060,169	653,833
Cash flows from investing activities			
Acquisition of property, plant and equipment		(108,354)	(114,954)
Acquisition of investment property		(857,124)	(964,760)
Net cash used in investing activities		(965,478)	(1,079,714)
Cash flows from financing activities			
Repayments of borrowings		(300,000)	(1,050,000)
Net advances from related parties		300,000	510,000
Advances from borrowings		868,904	1,039,988
Net cash generated by financing activities		868,904	499,988
Net increase in cash and cash equivalents		963,595	74,107
Cash and cash equivalents at beginning of year		379,369	305,262
Cash and cash equivalents at end of year	18(a)	1,342,964	379,369

Financial Statements for the year ended 30 June 2018

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 Dripstone 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, and iii) economic development projects that directly benefit Aboriginal people in the Northern Territory.

2 Application of new and revised accounting standards

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Corporation has applied the amendments to AASBs and a new interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2017, 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.

Effoctive for

	LITECTIVE TOT	Expected to be
Oten dend	annual reporting	initially applied
Standard	<u>periods</u>	in the financial
	beginning on or after	year ending
AACD O Financial Instruments and relevant amending	aitei	
AASB 9 Financial Instruments and relevant amending	1 January 2018	30 June 2019
standards AASB 15 Revenue from Contracts with Customers and		
	1 January 2019	30 June 2020
relevant amending standards		
AASB 16 Leases	1 January 2019	30 June 2020

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

Application of new and revised accounting standards (continued)
 2.2 Standards and Interpretations in issue not yet adopted (continued)

<u>Standard</u>	annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1058 Income of Not-for-Profit Entities and relevant amending standards	1 January 2019	30 June 2020
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2022 d	30 June 2023
AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022 d	30 June 2023
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 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019	30 June 2020

Effortive for

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.

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.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

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 and equipment hire.

Financial Statements for the year ended 30 June 2018

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, 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.

Financial Statements for the year ended 30 June 2018

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 investment property 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 asset are recognised against the fair value reserves directly in equity; all other decreases are recognised in profit and loss.

Property, 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.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

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 the end of each reporting period, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cashgenerating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Corporation commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

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 instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transactions costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Financial assets

Financial assets, are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at 'fair value through profit or loss'

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Corporation's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline of the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets held at amortised cost, loss events may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been passed due or impaired have been renegotiated, the Corporation recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition of financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, other than loans from related parties.

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 through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

(i) 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.

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:

Class of fixed asset:	<u>2018</u>	<u> 2017</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.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

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).

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

	NOTES TO THE FINANCIAE STATEMEN		
		2018	2017
		\$	\$
5.	REVENUE		
	Donations	_	311,100
	Other income	44,661	25,133
	Professional services	176,413	277,029
	Increase in fair value of investment	,	2,020
	property	244,022	560,000
	Government grants	530,520	43,470
	Investment income	1,433,738	1,400,283
	-	2,429,354	2,617,015
6.	EMPLOYEE BENEFITS EXPENSE		
•	Defined contribution plans	30,287	37,930
	Wages and salaries	300,904	382,850
	Other employee benefits	19,055	84,621
		350,246	505,401
			<u>.</u>
7.	FINANCE COSTS		
	Interest on borrowings	160,472	100,496
	Account fees and charges	2,455	2,306
	-	162,927	102,802
8.	DIRECT OPERATING EXPENSES ARISING FROM INVESTMENT P	ROPERTY	
	Direct operating expenses from		
	investment properties that generated rental income during the year	164,955	198,160
	These expenses have been reported in the Statement of Profit and Lo	ss as part of Other	Expenses.
	·	•	·
9.	OTHER EXPENSES		
	Consultants	41,684	66,578
	Insurance	49,537	41,675
	Board expenses Property maintenance	58,304 87,211	32,393 104,829
	Other expenses	151,535	204,204
	Administration	173,701	143,926
	-	561,972	593,605
	=	001,012	000,000
10.	OTHER COMPREHENSIVE INCOME		
	Revaluation of property, plant and		
	equipment	1,596,875	

Independent valuations of the properties at 45 Mitchell Street, Darwin were conducted by Integrated Valuation Services prior to 30 June 2018. 32 Dripstone Street was valued at \$5,000,000 (prior valuation net book value: \$3,403,125).

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

11.	TRADE AND OTHER RECEIVABLES	2018 \$	2017 \$
	Trade receivables Allowance for doubtful debts	52,010 (700)	70,594 (700)
	GST receivable	-	47,744
		51,310	117,638

(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 or expense payments made on behalf of Directors and are expected to be recovered in line with repayment plans.

Receivables are assessed for impairment by ascertaining the recoverability of the amounts, and are provided for when there is objective evidence indicating that the debt may not be fully recoverable to the Corporation.

The Corporation has recognised an allowance for doubtful debts of 100% against all receivables over 90 days because historical experience has been that receivables that are past due beyond 90 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Corporation has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2018	2017
	\$	\$
Age of receivables that are past due but not impaired		
60-90 days	-	-
Past due 90+ days	155	
	155	_
Movement in the allowance for doubtful debts		
Balance at beginning of year	700	2,030
Provision for impairment recognised during the year	-	-
Amounts written off during the year as uncollectible	-	-
Amounts recovered during the year		(1,330)
Balance at end of year	700	700
Ageing of impaired receivables		
60-90 days	-	-
Past due 90+ days	700	700
Total	700	700

(b) Lease commitment receivables

Operating leases relate to the investment properties owned by the Corporation with lease terms of between 1 to 5 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.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (continued)

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

	2018	2017
	\$	\$
Not later than one year	525,142	320,584
Later than one year and not later than five years	566,447	416,208
Later than five years	-	21,107
	1,091,589	757,899

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.

12. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Carrying amounts of:		
Land and buildings	4,984,148	3,517,437
Plant and equipment	80,503	102,210
Furniture and fittings	45,577	56,929
Office equipment	52,859	55,950
Motor vehicles	24,079	40,131
	5,187,166	3,772,657

See Note 27 for movements in carrying amounts.

13. INVESTMENT PROPERTY

Fair value Investment properties	12,809,456	11,724,760
Balance at beginning of year Additions	11,724,760 840,674	10,200,000 964,760
Gain on property revaluations - net	244,022	560,000
	12,809,456	11,724,760

Investment properties comprise of i) three commercial properties, and ii) three residential properties constructed during the year and leased to third parties.

The land purchase of 15, 17 and 19 Bradshaw Terrace, Katherine was settled on 31/10/2016. The construction of three residential properties which was contracted to a independent building construction company called Solar Living Homes was completed and paid for by the Corporation during the financial year 2018. Refer to Note 16 of the financial statements for details of the borrowings taken against this purchase and construction. The Directors have determined that there has been no significant change in value from the date of construction.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT PROPERTY (continued)

Independent valuations of the properties at 45 Mitchell Street, Darwin was conducted by Integrated Valuation Services prior to 30 June 2018. 45 Mitchell Street was valued at \$9,800,000 (2017 NBV: \$9,555,978).

The Directors determined the value of their properties at 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 from this date.

2018

2017

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

		2010	2017
		\$	\$
14.	TRADE AND OTHER PAYABLES		
	Current		
	Trade creditors	70,326	144,384
	Income received in advance	132,346	131,853
	Accrued expenses	66,847	118,817
	Other payables	3,129	7,075
		272,648	402,129
	Settlement of trade creditors is within payment terms of suppliers.		
15.	PROVISIONS		
	Employee benefits (i)	30,470	16,718
		30,470	16,718
	Current	30,470	16,718
	Non-current	-	-
		30,470	16,718
			_

⁽i) The provision for employee benefits includes annual leave entitlements accrued.

16. BORROWINGS

Secured - at amortised cost		
Bank loans (i)	2,958,892	2,389,988
Loans from related parties (ii)	2,888,900	2,588,900
	5,847,792	4,978,888
Current (iii)	394,477	-
Non-current	5,453,315	4,978,888
	5,847,792	4,978,888

(i) This amount includes:

The National Australia Bank ("NAB") market loan of \$1,500,000 is secured by a registered mortgage over the property situated at 45 Mitchell Street, Darwin NT. The approximate average interest applied to the borrowing from the NAB during the year was 5.95% (2017: 5.75%). In addition to repayment of interest, the Corporation is required to make principal repayments of \$25,000 (2017: \$25,000) per month. The market loan facility has been due for renegotiation on the 31 October 2018.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

16. BORROWINGS (continued)

The National Australia Bank ("NAB") home loans of \$479,927, \$479,927 and \$499,038 are secured by a registered mortgage over the properties situated at 15, 17 & 19 Bradshaw Crescent, Katherine Darwin NT. The approximate average interest applied to the borrowing from the NAB is 4.95%.

(ii)The borrowing from North Australia Aboriginal Charitable Trust (NAACT) is secured by a mortgage debenture in favour of the lender, as per the Memorandum of Standard Terms number 371903 registered at the Land Titles Office. The terms of the agreement state that interest will be based on the commercial interest rate on the remaining value of the borrowing and can be charged at the sole discretion of NAACT. For the year ended 30 June 2018, NAACT did not charge any interest on the borrowing (2017: NIL). The loan is repayable within 12 months from the date NAACT issues a written notice to the Corporation. As at 30 June 2018 and till the date of the approval of these financial statements, the Corporation did not receive a written notice from NAACT.

(iii) The current and non-current disclosure of the NAB market loan is based on the assumption that the same terms and conditions as outlined under (i) would have been renegotiated before the 31 October 2018. For further information refer to note 26 subsequent events.

17. ASSET REVALUATION RESERVE

	2018 \$	2017 \$
Balance at beginning of year Increase arising on revaluation of	1,874,719	1,874,719
Land and buildings	1,596,875	
	3,471,594	1,874,719

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:

	2018	2017
	\$	\$
Bank accounts	1,342,964	379,369
	1,342,964	379,369

b) Reconciliation of surplus for the year to net cash flows from	operating activities	
	2018 \$	2017 \$
Cash flows used in operating activities		
Surplus for the year	1,063,488	1,108,448
Contributions received	-	(311,100)
Loss on disposal of property, plant and equipment	-	250
Depreciation and amortisation of non-current assets	290,721	306,509
Net increase in fair value of investment property	(244,022)	(560,000)
	1,110,187	544,107

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

18. CASH AND CASH EQUIVALENTS (continued)

b) Reconciliation of surplus for the year to net cash flows from operation	ting activities (co	ntinued)
	2018	2017
	\$	\$
Movement in working capital		
Decrease/(Increase) in trade and other receivables	66,328	(56,780)
Decrease/(Increase) in prepayments	(617)	(437)
(Decrease)/increase in trade and other payables	(129,481)	165,190
(Decrease)/increase in provisions	13,752	1,753
Cash generated from operations	1,060,169	653,833
Net cash generated by operating activities	1,060,169	653,833

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	2018	2017
		\$	\$
	Audit of the financial statements	9,500	9,500

The auditor of North Australia Aboriginal Corporation is Merit Partners.

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
David Djalangi (resigned 29 Aug 17)	Bill Risk (resigned 29 Aug 17)
Leonard Norman (resigned 29 Aug 17)	Bobby Wunungmurra (resigned 24 May 18)
Elizabeth Sullivan (appointed 29 Aug 17)	Peter Lansen (appointed 28 Nov 17)
Wayne Wauchope (resigned 29 Aug 17)	Ronald Lami Lami (appointed 28 Nov 17)
Virginia Nundhirribala (resigned 29 Aug 17)	

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 management compensation information	2018	2017
Sitting fees and superannuation	\$ 20.750	\$ 17.938
Allowances paid	37,555	14,456
Director loans*	1,572	1,779

^{*} The loan relates to recovery of expense payments to directors.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS (continued)

Transactions with other related parties

North Australia Aboriginal Charitable Trust (NAACT) provided the Corporation with an additional \$300,000 loan during the year (2017: \$750,000) for the purpose of reducing the existing commercial bill of NAAC. During the reporting period, no repayments were made. In 2017 NAACT directors resolved to make a charitable donation of \$311,100 to the Corporation which resulted in a corresponding reduction in the loan amount.

			Purchase of g	•
	Sales of services		servic	es
	2018	2017	2018	2017
Related party	\$	\$	\$	\$
NAACT	1,618	139,695	-	87,303
Northern Australia Aboriginal				
Development Corporation Pty Ltd	-	1,282	-	-
Create Housing Constructions Ptd Ltd	19,910	40,291	9,464	9,411
	21,528	181,268	9,464	96,714

The investment properties owned by the Corporation are currently leased primarily to the Northern Land Council, based on normal commercial rates. Rental income earned for the period ended 30 June 2018 equates to \$1,135,072 (2017: \$1,126,167). The amount owing to the Corporation for the financial year ended 30 June 2018 in respect of the tenancies is NIL (2017: \$1,699).

Key Management Personnel Compensation

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

	2018	2017
	\$	\$
Short-term employee benefits*	177,621	239,998
b) Post-employment benefits	9,799	23,121
c) Other long-term benefits	-	-
d) Termination benefits		24,728
Total Key Management Personnel Compensation	187,420	287,847

^{*} 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:

	2018 \$	2017 \$
<u>Trade and other receivables</u>		
North Australia Aboriginal Charitable Trust	-	-
North Australia Aboriginal Development Corporation	-	-
Create Housing Constructions Pty Ltd	-	34,846
Trade and other payables		
North Australia Aboriginal Charitable Trust	-	(87,303)
Create Housing Constructions Pty Ltd	-	(9,411)

The above-mentioned entities are related parties by virtue of common key management

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS (continued)

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

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

Categories of financial instruments

Categories of infancial instruments	2018 \$	2017 \$
<u>Financial assets</u>		
Amortised cost		
Cash and bank balances	1,342,964	379,369
Trade and other receivables	51,310	117,638
	1,394,274	497,007
Financial liabilities Amortised cost		
Trade and other payables	244,822	402,129
Other financial assets measured at amortised cost	5,847,792	4,978,888
	6,092,614	5,381,017

The Corporation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Corporation.

23. MEASUREMENT OF FAIR VALUES

The Corporation measures the following assets at fair value on 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.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

23. MEASUREMENT OF FAIR VALUES (continued)

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:

- <u>Market approach:</u> valuation techniques that use price and other relevant information generated by market transactions for identical or similar assets or liabilities.
- <u>Income approach:</u> valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- <u>Cost approach</u>: 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.

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:

		2018	3	
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Freehold land and buildings				
 Owner Occupied 	-	4,984,148	-	4,984,148
Freehold land and buildings				
 Commercial Purposes 	-	12,809,456	-	12,809,456
Total non-financial assets				_
recognised at fair value	-	17,793,604	-	17,793,604
		2017	7	
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Freehold land and buildings				
 Owner Occupied 	-	3,517,437	-	3,517,437
Freehold land and buildings				
				11,724,760
 Commercial Purposes 		11,724,760	-	11,724,700
- Commercial Purposes Total non-financial assets recognised at fair value	-	11,/24,/60	<u>-</u>	15,242,197

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

23. MEASUREMENT OF FAIR VALUES (continued)

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 (2017: no transfers).

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

	Fair Value		Valuation		
Description	2018 \$	2017 \$	Technique*	Inputs Used	
Non-financial assets					
Freehold land and buildings- owner occupied	4,984,148	3,517,437	Capitalisation of net income approach, using observable market data for similar properties and relevant cash flows.	square-metre; market capitalisation	
Freehold land and buildings - commercial purposes	12,809,456	11,724,760	Capitalisation of net income approach, using observable market data for similar properties and relevant cash flows.	capitalisation	
	17,793,604	15,242,197	_		

^{*} No change in valuation technique during the year.

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.

Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS

24. CAPITAL EXPENDITURE COMMITMENTS

	2018	2017	
	\$	\$	
Investment property	65,800	836,733	

25. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities and contingent assets as at 30 June 2018.

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 the following event of a material or unusual nature that has been determined to be significant for information purposes of the users:

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.

Financial Statements for the year ended 30 June 2018

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
Cost or valuation						
Balance as 1 July 2016	3,700,000	160,798	91,065	322,855	-	4,274,718
Additions	2,547	39,549	24,834		48,025	114,955
Disposals	-	-	-	(12,101)	-	(12,101)
Revaluation increase	-	-	-	-	-	-
Balance as at 30 June 2017	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
Balance as at 30 June 2018	5,000,000	225,847	130,385	335,625	48,025	5,739,882
Accumulated depreciation						
Balance as 1 July 2016	-	(54,222)	(37,217)	(218,817)	-	(310,256)
Depreciation expense	(185,110)	(43,915)	(21,753)	(47,837)	(7,894)	(306,509)
Eliminated on disposal of assets	-	` - '		`11,850 [°]	-	11,850
Balance as at 30 June 2017	(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)
Eliminated on disposal of assets	-	-	-	-	-	-
Revaluation increase	342,919	-	-	-	-	342,919
Balance as at 30 June 2018	(15,852)	(145,344)	(84,808)	(282,766)	(23,946)	(552,717)
Net book value at 30 June 2017	3,517,437	102,210	56,930	55,950	40,132	3,772,657
Net book value at 30 June 2018	4,984,148	80,503	45,577	52,859	24,079	5,187,165

