Transcomm Credit Co-operative Limited

ABN 54 087 651 750

AFSL 245 606

Australian Credit Licence 245 606

Annual Report

For the year ended 30 June 2013

CHAIRMAN'S REPORT

YEAR IN REVIEW

To the Members.

I am pleased to provide you, the members of Transcomm Credit Co-operative Ltd, with my report for the 2012/13 financial year. It has been another challenging year for a small institution in the highly competitive financial services sector. It has been a year of economic uncertainty both in Australia, and around the world, which has made consumers very cautious and wary about increasing their levels of debt. Accordingly, lending has been difficult and this weak consumer sentiment has been a major contributing factor in the decline in our overall loan portfolio which has fallen by 8.93% to finish the year at $36.15M ($39.69M 2011/12). However, the quality of our loan portfolio was once again demonstrated during the year with delinquent loans and write-offs continuing at extremely low levels thereby demonstrating the fundamental strength of your credit union.

The other challenge that has had a significant impact on our performance is the fall in official interest rates. The Reserve Bank of Australia's official cash rate started the financial year at 3.50% and finished the financial year at 2.75%. An environment of declining interest rates, although great news for those members with mortgage loans, poses particular challenges for financial institutions, such as Transcomm, which relies heavily on term deposits to fund our loan book. Loans reprice relatively quickly (1 or 2 weeks) after changes in the cash rate whereas term deposits reprice over a much longer period (1 to 12 months). This places pressures on loan margins and this is the most significant reason for the credit union recording a trading loss for the year of ($84,478) compared to last financial year's surplus of $156,359.

Nevertheless, in these circumstances, this is a reasonable result. Management have rigorously controlled other operating costs and at the same time have managed to continue to provide members with a range of competitive savings and loans products and to deliver high levels of member service. This is a very sound performance during what has been a challenging period for all financial institutions and we are well placed to return to profitability when the economic circumstances rebound and consumers regain their risk appetite and regain their enthusiasm for prudent borrowing.

Member deposits finished the year at $58.08M down very slightly (0.67%) from last financial year's figure of $58.47M. We thank our members for their continued support during this time of historically low deposit rates – we appreciate that they are causing a number of our depositors some concern. Our total equity now stands at $5.60M down slightly from last year' figure of $5.68M and, with your support, we look forward to rebuilding it in the future.

Additionally, your Board has devoted considerable attention during the financial year to considering the longer term strategic future of Transcomm. We want to position the credit union for a brighter future with access to a larger membership base and an ability to acquire the capital required to support future growth. Work continues on these initiatives and we will communicate and consult with our members as matters evolve further.

The Board and management have, and will continue to apply a prudent and balanced approach to the stewardship of your credit co-operative. We will continue to focus on assuring our strategic future, delivering excellent corporate governance, well applied risk management and the provision of attractive products and exceptional service, to you, our members.

I acknowledge, and I am very grateful for the ongoing contribution of my fellow Directors and the CEO and his hard working staff for their professional and personal input to the credit union during the 2012/13 financial year.

Andrew L Blyth
CHAIRMAN

DIRECTORS' REPORT

Your Directors herewith present the financial report of the holding entity and its controlled entities for the year ended 30 June 2013, and in accordance with a resolution of Directors, report as follows:

Directors

Directors in office during the year and up to the date of the Report are:

Mr B.E. Dohnt - A Director since 2007. Retired. Member of Audit Committee and Remuneration Committee. Director of Transcomm Financial Planning Services Pty. Ltd. and Transcomm Financial Services Pty. Ltd.

Mr A.L. Blyth (Chairman) – A Director since June 2012. Consultant/Board advisor. Member of Audit Committee and Remuneration Committee.

Mr M.A. Elliott – A Director since 2005. Self employed. Member of Audit Committee.

Mr P. S. Constantinou (Vice Chairman) – A Director since 2010. Chairman of Quest Serviced Apartments. Member of Audit Committee and Remuneration Committee.

Mr A.J. Gribble – A Director since 2010. Retired. Chairman of Audit Committee. Director of Transcomm Financial Planning Services Pty. Ltd. and Transcomm Financial Services Pty. Ltd.

Mr R.I. Faorlin – Appointed 1st August 2013. Senior Executive. Member of Audit Commitee.

Mr D.A. Vaughan – Appointed 29th August 2013. Corporate Consultant.

As members, each Director holds 5 $2.00 shares in the Credit Union.

Principal Activities

The principal activity of Transcomm Credit Co-operative Ltd during the year was to raise funds from Members for the purpose of making loans to Members. There were no significant changes in the nature of these activities during the financial year.

Operating Results

The net loss of the economic entity for the financial year after providing for income tax amounted to $84,478 (2012:profit $156,359).

Dividends

No dividends were recommended, paid or declared during the year.

Review of Operations

A review of the operations of the economic entity during the financial year and the results of those operations are contained in the Chairman's report and in the financial statements. The activities of the economic and holding entities during the year have been consistent with those of the previous years.

Significant Change in State of Affairs

No significant changes have occurred during the year.

After Balance Date Events

No matters or circumstances have arisen since 30 June 2013 that have significantly affected or may significantly affect the:

(i) Operations of the economic entity
(ii) Results of those operations; or
(iii) State of affairs of the economic entity, in financial years subsequent to 30 June 2013.

Likely Developments and Results

There are no developments likely to change the operations of the economic entity and the expected results of those operations in financial years subsequent to 30 June 2013.

Indemnities

No indemnities have been given during the year to any person who is or has been an officer or auditor of the Credit Union. During the year however, the Credit Union paid an insurance premium in respect of a Directors' and Officers' Liability and Reimbursement Insurance Policy for any past, present or future Director or officer of the Credit Union and its controlled entities. The policy does not contain details of the premium paid in respect of individual Directors or Officers. The insurance premiums relate to the costs and expenses which could be incurred in defending proceedings and/or payments made arising out of a claim made against any Director or Officer by reason of any wrongful act in their capacity as a Director or Officer.

DIRECTORS' REPORT

Share Options

No options over issued shares or interests in the Credit Union were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental Regulations

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Other Matters

No person has applied for leave of court to bring proceedings on behalf of the Credit Union or to intervene in any proceedings to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or any part of those proceedings. The Credit Union was not subject to any such proceedings during the year.

Company Secretary

The following person held the position as company secretary as at the end of the financial year:

R Ramanathan CA, F FIN

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out in page 7.

	Directors' Meetings		**Audit Committee**	
	A	**B**	**A**	**B**
M.A.Elliott	10	9	9	9
A.L.Blyth	10	10	9	9
B.E.Dohnt	10	10	9	9
P.S.Constantinou	10	9	9	7
A.J.Gribble	10	8	9	8

A Number of meetings Directors are eligible to attend during the year.

B Number of meetings attended.

As at the date of this report, the members of the Audit Committee are M.A.Elliot, B.E.Dohnt, A.J.Gribble and R.I.Faorlin.

Signed at Melbourne 26th day of September 2013, in accordance with a resolution of Directors.

A.L. Blyth
Director

A.J. Gribble
Director

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

The Directors of the Credit Union declare that:

1. The financial statements and notes, as set out on pages 8 to 32 are in accordance with the Corporations Act 2001;

   (a) comply with Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Credit Union and economic entity.

2. In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A.L. Blyth
Director

A.J. Gribble
Director

Melbourne 26th September, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Transcomm Credit Co-operative Limited

Report on the financial report

We have audited the accompanying financial report of Transcomm Credit Co-operative Limited (the company) and the consolidated entity which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in members' equity, statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* provided to the directors of Transcomm Credit Co-operative Limited on the 26 September 2013 would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

a. the financial report of Transcomm Credit Co-operative Limited and the consolidated entity is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date;
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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Chartered Accountants:
Harold Lourie
Richard J Lindner
Rodney H Hutton
Adam G Roberts
Joella F Gould

ABN 48 259 373 375

INDEPENDENT AUDITOR'S DECLARATION

Emphasis of Matter

We draw attention to Note 1 (g) to the financial statements which describe the assumptions surrounding the future realisation of deferred tax assets. These assumptions are that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised whilst continuing to comply with the conditions of deductibility imposed by the income tax legislation. Our opinion is not modified in respect to the matter.

Matters relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Transcomm Credit Co-operative Limited and the consolidated entity for the year ended 30 June 2013 included both in Transcomm's annual report and on the website. The Board Members of Transcomm Credit Co-operative Limited are responsible for the integrity of Transcomm's website. I have not been engaged to report on the integrity of Transcomm's website. The auditor's report refers only to the subject matter described above.

It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

UHY Haines Norton

UHY Haines Norton
Chartered Accountants

R. J. Lindner
Partner

Melbourne
27 September 2013

INDEPENDENT AUDITOR'S DECLARATION

To the Board of Directors of Transcomm Credit Co-operative Limited.

As engagement partner for the audit of Transcomm Credit Co-operative Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief,

there have been:

1. No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

R. J. Lindner
Partner

UHY Haines Norton
Chartered Accountants

Melbourne

26 September 2013

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		Notes	2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
4,414,207	4,414,327	Interest revenue	2	3,767,459	3,767,579
(2,018,362)	(2,025,244)	Borrowing costs	2	(1,688,757)	(1,695,296)
2,395,845	2,389,083	Net interest revenue	2	2,078,702	2,072,283
551,200	555,074	Non-interest revenue from ordinary activities	3	521,643	512,492
4,706	4,706	Impairment losses on Loans and Advances	3	(13,381)	(13,381)
(1,381,187)	(1,381,187)	Employee benefits expense	3	(1,437,130)	(1,437,130)
(265,174)	(265,174)	Rental expense on operating lease	3	(277,195)	(277,195)
(150,842)	(150,842)	Depreciation and amortisation expenses	3	(150,951)	(150,951)
(920,851)	(919,797)	Other expenses from ordinary activities		(842,238)	(841,178)
224,285	222,451	Profit / (Loss) before income tax		(120,550)	(135,060)
(67,926)	(66,494)	Income tax (expense) / benefit	4	36,072	40,425
156,359	155,957	Profit / (Loss) after income tax		(84,478)	(94,635)
-	-	Other Comprehensive income		-	-
156,359	155,957	Total Comprehensive income	18	(84,478)	(94,635)

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

		ECONOMIC ENTITY			
		Share Capital	General Reserve	Retained Profits	Total
	Notes	$	$	$	$
Total at 1 July 2011		16,082	155,682	5,355,228	5,526,992
Net Profit for the year		-	-	156,359	156,359
Transfers to/(from)	**18**	1,680	(11,280)	9,600	-
Total at 30 June 2012		17,762	144,402	5,521,187	5,683,351
Total at 1 July 2012		17,762	144,402	5,521,187	5,683,351
Net Loss for the year		-	-	(84,478)	(84,478)
Transfers to/(from)	**18**	1,490	(21,606)	20,116	-
Total at 30 June 2013		19,252	122,796	5,456,825	5,598,873

		HOLDING ENTITY			
		Share Capital	General Reserve	Retained Profits	Total
	Notes	$	$	$	$
Total at 1 July 2011		16,082	155,682	5,035,849	5,207,613
Net Profit for the year		-	-	155,957	155,957
Transfers to/(from)	**18**	1,680	(11,280)	9,600	-
Total at 30 June 2012		17,762	144,402	5,201,406	5,363,570
Total at 1 July 2012		17,762	144,402	5,201,406	5,363,570
Net Loss for the year		-	-	(94,635)	(94,635)
Transfers to/(from)	**18**	1,490	(21,606)	20,116	-
Total at 30 June 2013		19,252	122,796	5,126,887	5,268,935

The Statement of Changes in Members' Equity is to be read in conjunction with the accompanying notes to the financial statements.

BALANCE SHEET AS AT 30 JUNE 2013

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		Notes	2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$			$	$
		Assets			
4,592,466	4,592,462	Cash and Cash equivalents	5	2,999,216	2,999,212
19,709,486	19,709,486	Advances to other financial institutions	6	24,926,700	24,926,700
764,979	766,954	Trade and other receivables	7	379,809	379,608
39,689,387	39,689,387	Loans and advances	8	36,145,331	36,145,331
9,150	109,150	Financial assets	9	6,600	106,600
363,933	363,933	Property, plant and equipment	10	284,135	284,135
197,186	197,186	Other assets	12	179,702	179,702
43,797	43,797	Intangible assets	13	28,449	28,449
444,038	444,207	Tax assets	11	450,996	450,996
65,814,422	**65,916,562**	**Total Assets**		**65,400,938**	**65,500,733**
		Liabilities			
58,471,235	58,887,514	Deposits and short term borrowings	14	58,081,471	58,511,598
981,396	987,038	Payables and other liabilities	15	991,396	994,010
-	-	Tax liabilities	16	3,008	-
678,440	678,440	Provisions	17	726,190	726,190
60,131,071	**60,552,992**	**Total Liabilities**		**59,802,065**	**60,231,798**
5,683,351	**5,363,570**	**Net Assets**		**5,598,873**	**5,268,935**
		Equity			
162,164	162,164	Reserves	18	142,048	142,048
5,521,187	5,201,406	Retained profits	18	5,456,825	5,126,887
5,683,351	**5,363,570**	**Total Equity**		**5,598,873**	**5,268,935**

The Balance Sheet is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		Notes	2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Cash Flows From Operating Activities			
3,063,796	3,063,917	Interest received from loans		2,693,707	2,693,707
1,324,388	1,324,388	Interest received from investments		1,444,877	1,444,997
542,270	546,144	Fees and commissions received		525,026	543,332
1,650	1,650	Other income		1,409	1,409
(1,897,847)	(1,904,749)	Interest paid to Members		(1,806,044)	(1,812,872)
(2,528,003)	(2,526,505)	Payments to employees and suppliers		(2,381,558)	(2,383,237)
17,650,287	17,650,287	Members Loans repaid		17,711,291	17,711,291
(16,506,721)	(16,506,721)	Member Loans granted		(14,180,616)	(14,180,616)
		Net increase/(decrease) in Member		-	-
4,822,730	4,817,191	Savings and Deposits		(389,764)	(375,916)
(390,273)	(389,340)	Income tax paid/(refunded) net		32,122	33,636
6,082,277	**6,076,262**	**Net Cash Provided by/(Used In) Operating**	**19b**	**3,650,450**	**3,675,731**
		Cash Flows From Investing Activities			
		Redemption of / (payment for)			
(3,456,550)	(3,456,550)	deposits in other financial institutions		(5,217,214)	(5,217,214)
		Proceeds from sale of financial planning			
-	-	business in subsidiary		27,400	-
		Redemption of Perpetual Subordinated Debts			
-	-	Instruments		2,550	2,550
(215,493)	(215,493)	Payment for property, plant and equipment		(56,436)	(56,436)
(5,938)	(5,938)	Payment for intangibles		-	-
		Proceeds from sale of property, plant and			
12,770	12,770	equipment		-	-
(3,665,211)	**(3,665,211)**	**Net Cash Provided by/(Used in) Investing Activities**		**(5,243,700)**	**(5,271,100)**
		Cash Flows From Financing Activities			
-	6,015	Current account with controlled entity		-	2,119
-	**6,015**	**Net Cash Provided by/(Used in) Financing Activities**		-	2,119
2,417,066	2,417,066	Net increase/(decrease) in cash held		(1,593,250)	(1,593,250)
		Cash and cash equivalents at the beginning			
2,175,400	2,175,396	of the financial year		4,592,466	4,592,462
		Cash and cash equivalents at the End			
4,592,466	**4,592,462**	**of the Financial Year**	**19a**	**2,999,216**	**2,999,212**

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Transcomm Credit Co-operative Limited has applied ASIC Class Order CO 10/654 effective 29 July 2011 which allows the inclusion of the parent entity's financial statements in this financial report.

The financial report therefore covers the economic entity of Transcomm Credit Co-operative Limited and controlled entities, and Transcomm Credit Co-operative Limited as an individual parent entity. Transcomm Credit Co-operative Limited is a financial institution, incorporated and domiciled in Australia.

The financial report has also been prepared on the accruals basis and is based on historical costs and does not take into account changing money values or the current value of non-monetary assets (except where specifically indicated). Cost is based on the fair values of the consideration given in exchange for assets.

Unless otherwise stated, the accounting policies adopted by the economic entity are consistent with those adopted in the previous financial year.

Where necessary, the comparative figures for the previous financial year have been reclassified to conform to changes in presentation in the current year.

Set out below is a summary of the significant accounting policies adopted by the economic entity in the preparation of the financial report:

(a) Principles of Consolidation

The economic entity's financial report comprise the financial statements of Transcomm Credit Co-operative Ltd and of its controlled entities. Details of the controlled entities are contained in note 21(f).

A controlled entity is an entity controlled by Transcomm Credit Co-operative Ltd. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits, have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Revenue

(i) Interest charged to members is brought to account as income on a monthly basis.
(ii) Loan fees are brought to account in the year the loan is advanced and are not amortised over the life of the loan.
(iii) Interest on investments is brought to account on an accrual basis.
(iv) Fees and commissions are recognised upon the rendering of the service to the member.

(c) Interest Paid

Interest on 'At Call Deposits' and 'Term Deposits/Investment Accounts' is brought to account on an accrual basis.

(d) Loans and Advances

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income. The provision for impairment is calculated in accordance with the formula prescribed under the Prudential Standards.

(e) Lease Costs

Costs associated with leased premises are capitalised and amortised over the life of the relevant lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lesser, are charged as expenses in the periods in which they are incurred.

(f) Depreciation

Property, plant and equipment are carried at cost less where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of those assets.

The depreciable amounts of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the economic entity.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	*Depreciation Rate*
Motor vehicles	20%
Office equipment, furniture & fittings	15%
Computer equipment	25% - 33.3%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued…

(g) Income Tax

The charge for current income tax expense (benefit) is based on the operating profit or loss for the year adjusted for any non-assessable or disallowed items.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited in the statement of comprehensive income except when it relates to items that may be credited directly into equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that Transcomm Credit Co-operative Ltd will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees at balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(j) Financial Instruments

(i) Financial Assets

Loans and Advances

Loan interest is calculated on a daily balance outstanding and is charged in arrears to a member's account on the first day of the following month. Loans and advances are recorded at their recoverable amount. Further details on the classification for loans are included in note 1(d). All housing, investment and commercial loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

Accrued Receivables

Receivables are recognised as amounts owed to the economic entity for interest accrued on investments, accrued insurance commissions and amounts due on the sale of fixed assets. Accrued receivables include interest on investments which is received on maturity. Other amounts due are normally settled on 30 day terms.

Interest Earning Deposits

Interest earning deposits are stated at cost. Interest is recognised on an accrual basis. Interest earning deposits have an average maturity of 101 days with effective interest rates of between 2.79% to 4.35% (2012: 191 days with effective interest rates of between 3.82% to 6.5%).

Unlisted Shares

Unlisted shares are carried at cost less any provision for impairment. Changes in the value of unlisted shares are not taken into account unless the changes are permanent.

Listed Shares

Investments in securities are brought to account at cost less any provision for impairment and dividend income is recognised in the Income Statement when control to the dividend right is obtained. Changes in the value of listed securities are not taken into account unless the changes are permanent.

(ii) Financial Liabilities

Standby Facilities

The standby facility of $50,000 is an off-balance sheet line of credit which was undrawn at balance date. Fees for the standby facility are charged on a monthly basis. Interest is charged as the funds are drawn.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued…

Payables and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade liabilities are normally settled on 30 day terms.

Member Deposits

Member deposits are recorded at the principal amount. Details of maturity terms are set out in Note 14. Interest is calculated on a daily basis on the balance outstanding.

(k) Intangible Assets

Under the AIFRS, items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as Intangible Assets, not as part of Plant and Equipment.

Computer software held as intangible assets are amortised over the expected useful life of the software. These lives range from 2 to 5 years.

(l) Risk Management Objectives and Policies

The Credit Union has taken the following strategies to minimise the risks arising from financial instruments.

Market Risk and Hedging Policy

The Credit Union is not exposed to currency risk, or any other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate margin between assets and liabilities are not excessive. The margin is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks.

The Board monitors these risks through management reports.

Credit Risk – Loans

The risk losses from the loans undertaken are primarily reduced by the nature and quality of the security taken.

The loans are geographically spread to retail borrowers throughout the country and any concentration within an industry is considered acceptable on the basis that the industry is State Government supported. The economic entity is not exposed to groupings of individual loans which concentrate risk and create exposure to particular segments. Credit risk in loans receivable is managed through a risk assessment process used for all members, and credit insurance is obtained for high risk loans. Loan provisions are calculated as disclosed in note 1(d).

Credit Risk – Liquid Investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

Credit Risk – Equity Investments

All investments in the instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in entities set up for the provision of services such as IT solutions, treasury and settlement services. The holdings of these investments are not material in nature. Further details of the investments are set out in note 9.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued…

Liquidity Risk

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under APRA Prudential standards. The Credit Union policy is to apply 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked monthly. Should the liquidity ratio fall below this level, then management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and borrowing facilities available. Note 27 describes the borrowing facilities as at the balance date.

2. INTEREST REVENUE AND BORROWING COSTS

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are daily averages. Weekly or month-end averages are also used provided they are representative of the entity's operations during the period.

	ECONOMIC ENTITY		
	Average Balance	Interest	Average Interest Rate
	$	$	%
Interest Revenue 2013			
Deposits with other financial institutions	26,538,048	1,111,923	4.19
Loans and advances (other than commercial loans)	37,479,210	2,608,905	6.96
Commercial loans	606,748	46,631	7.68
		3,767,459	
Borrowing Costs 2013			
Customer deposits	58,965,557	1,688,757	2.86
Net Interest Income 2013		**2,078,702**	
Interest Revenue 2012			
Deposits with other financial institutions	25,009,710	1,376,393	5.50
Loans and advances (other than commercial loans)	38,924,529	2,954,619	7.59
Commercial loans	861,923	83,195	9.65
		4,414,207	
Borrowing Costs 2012			
Customer deposits	59,534,762	2,018,362	3.39
Net Interest Income 2012		**2,395,845**	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. PROFIT FROM ORDINARY ACTIVITIES

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Profit from ordinary activities before income tax expense has been determined		
		Interest revenue (note 2)		
1,376,393	1,376,393	Deposits with other financial institutions	1,111,923	1,112,043
2,954,619	2,954,739	Loans and advances (other than commercial loans)	2,608,905	2,608,905
83,195	83,195	Commercial loans	46,631	46,631
4,414,207	**4,414,327**	**Total Interest Revenue**	**3,767,459**	**3,767,579**
		Non-interest revenue:		
970	970	Bad debts recovered	617	617
29,345	29,345	Loan fee income	18,741	18,741
455,490	469,410	Other fee income	443,130	464,550
41,945	31,899	Insurance commissions	11,716	8,545
6,465	6,465	Other commissions	19,878	19,878
-	-	Net Gain on sale of financial planning business in subsidiary	27,400	-
16,985	16,985	Other revenue	161	161
551,200	**555,074**	**Total Non-Interest Revenue**	**521,643**	**512,492**
4,965,407	**4,969,401**	**Total Income**	**4,289,102**	**4,280,071**
2,018,362	2,025,244	Borrowing costs (note 2)	1,688,757	1,695,296
		Impaired losses		
(4,706)	(4,706)	Unsecured loans and advances	13,381	13,381
		Other Expenses		
133,421	133,421	Depreciation of property, plant & equipment	135,603	135,603
1,381,187	1,381,187	Employee benefits expense	1,437,130	1,437,130
17,421	17,421	Amortisation of intangibles	15,348	15,348
265,174	265,174	Rental and occupancy costs	277,195	277,195
155,418	155,418	Supervision levies and service agreements	149,472	149,472
19,288	19,288	Advertising and marketing expenses	29,584	29,584
211,368	211,368	Branch administrative costs	198,746	198,746
51,114	51,114	Motor vehicle expenses	48,797	48,797
163,607	163,007	Consulting and management fees	156,071	156,071
56,454	56,454	Communication and postage expenses	59,864	59,264
104,656	104,656	Taxable Supply - RITC	80,096	80,096
158,946	158,492	Other administrative costs	119,607	119,148
2,718,054	**2,717,000**	**Total Other Expenses**	**2,707,513**	**2,706,454**
4,731,710	**4,737,538**	**Total Expenses**	**4,409,651**	**4,415,131**
15,335	**15,335**	**Net Gain/(Loss) on Disposal of Property, Plant and Equipment Included in other revenue above**	**(631)**	**(631)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. INCOME TAX

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $			2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
			Major components of tax expense/(benefit)		
77,252	75,820		Current tax expense	4,353	-
(9,326)	(9,326)		Deferred tax expense/(benefit) relating to the organisation and reversal of temporary differences	(40,425)	(40,425)
67,926	66,494		Income Tax Expense/(benefit)	(36,072)	(40,425)
		(a)	Prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax in the accounts as follows:		
67,286	66,735		Prima facie tax on profit/(loss) from ordinary activities at 30% (2012 30%)	(36,165)	(40,518)
			Tax effect of:		
254	254	(i)	Non-allowable items	190	190
212	212	(ii)	Other taxable income	102	102
-	-	(iii)	Adjustment to deferred tax asset	140	140
881	-	(iv)	Tax loss transferred from controlled entity	-	-
(707)	(707)	(v)	Rebateable fully franked dividends	(339)	(339)
67,926	66,494		Income Tax Expense/(benefit)	(36,072)	(40,425)
		(b)	Tax asset not brought to account, the benefit of which will only be realised if the conditions for deductibility set out below occur:		
314,792	11,250		Provision for diminution in value of investment	314,792	11,250
23,108	-		Tax losses - capital losses	23,108	-
337,900	11,250			337,900	11,250
1,294,244	1,187,836	(c)	The amount of franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of tax payable as at the end of the financial year is:	1,298,598	1,187,836

The benefit for tax losses will only be obtained if:

(i) The economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) The economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) No changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
208,135	208,131	Cash on hand and at bank	456,073	456,069
4,384,331	4,384,331	Deposits at call	2,543,143	2,543,143
4,592,466	**4,592,462**		**2,999,216**	**2,999,212**

6. ADVANCES TO OTHER FINANCIAL INSTITUTIONS

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
19,709,486	**19,709,486**	**Interest Earning Deposits**	**24,926,700**	**24,926,700**
		Maturity analysis		
13,627,868	13,627,868	No longer than 3 months	10,519,560	10,519,560
6,079,218	6,079,218	From 3 months to 12 months	14,407,140	14,407,140
-	-	From 1 year to 5 years	-	-
2,400	2,400	No maturity specified	-	-
19,709,486	**19,709,486**		**24,926,700**	**24,926,700**

7. TRADE AND OTHER RECEIVABLES

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
741,259	741,259	Interest receivable	370,134	370,134
23,720	23,576	Other	9,675	9,474
-	2,119	Related party	-	-
764,979	**766,954**		**379,809**	**379,608**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. LOANS AND ADVANCES

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
778,870	778,870	Line of credit	687,542	687,542
38,910,724	38,910,724	Term loans	35,463,238	35,463,238
8,428	8,428	Loans to Directors	8,968	8,968
39,698,022	39,698,022		36,159,748	36,159,748
(8,635)	(8,635)	Provision for impairment	(14,417)	(14,417)
39,689,387	**39,689,387**		**36,145,331**	**36,145,331**
		(a) Maturity analysis:		
783,433	783,433	Line of credit	691,762	691,762
1,055,298	1,055,298	Up to 3 months	174,076	174,076
1,886,734	1,886,734	3 months to 12 months	1,049,554	1,049,554
14,376,917	14,376,917	1 year to 5 years	13,482,295	13,482,295
21,595,640	21,595,640	Later than 5 years	20,762,061	20,762,061
39,698,022	**39,698,022**		**36,159,748**	**36,159,748**
		(b) Purpose of loans:		
3,694,619	3,694,619	Personal	3,174,620	3,174,620
35,373,766	35,373,766	Residential	32,393,189	32,393,189
629,637	629,637	Commercial	591,939	591,939
39,698,022	**39,698,022**		**36,159,748**	**36,159,748**
		(c) Related parties:		
8,428	8,428	Loans to Directors	8,968	8,968
-	-	Provision for impairment	-	-
8,428	**8,428**		**8,968**	**8,968**

(d) Concentration of risk:

The Credit Union has no exposures to groupings of individual loans which concentrate risk and create exposure to particular segments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. LOANS AND ADVANCES continued…

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		(e) Provision for impairment:		
4,550	4,550	Opening balance	8,635	8,635
4,706	4,706	Amount provided in current year	13,381	13,381
(621)	(621)	Bad debts written off	(7,599)	(7,599)
8,635	**8,635**	**Provision for impairment**	**14,417**	**14,417**
		(f) Performance		
-	-	Aggregate amount of loans on which interest is no longer being accrued	13,407	13,407
-	-	Specific provision for impairment	(11,925)	(11,925)
-	-	**Net Non Accrual Loans**	**25,332**	**25,332**
NIL	**NIL**	**Restructured Loans**	**NIL**	**NIL**
121,357	121,357	Aggregate amount of loans past due 90 days where interest is being accrued	152,622	152,662
-	-	Provision for impairment	-	-
121,357	**121,357**	**Net Past-Due Loans**	**152,622**	**152,662**
8,979	**8,979**	**Interest Revenue on Non-Accrual Loans and Restructured Loans**	**181**	**181**
56	**56**	**Interest Forgone on Non-Accrual Loans and Restructured Loans**	**820**	**820**
-	-	**Net Fair Value of Assets Acquired through the Enforcement of Security during the Financial Year**	-	-

Key assumptions in determining the provision for impairment

In the course of the preparation of the Annual Report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

Period of impairment	**% of**
Up to 90 days	0
90 days to 181 days	40
181 days to 270 days	60
270 days to 365 days	80
Over 365 days	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9. FINANCIAL ASSETS

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
1,182,223	25,000	Listed shares at cost	1,182,223	25,000
(1,182,223)	(25,000)	Provision for impairment	(1,182,223)	(25,000)
9,150	9,150	Unlisted shares at cost	6,600	6,600
-	100,000	Shares in controlled entities	-	100,000
9,150	**109,150**		**6,600**	**106,600**

Disclosures on Unlisted Shares held at cost

Indue Ltd
The shareholding in Indue Ltd is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services. The shares are not able to be traded and are not redeemable.

The Credit Union is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

10. PROPERTY, PLANT AND EQUIPMENT

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
176,132	176,132	Motor vehicles – at cost	186,331	186,331
(84,947)	(84,947)	Accumulated depreciation	(83,624)	(83,624)
91,185	91,185		102,707	102,707
309,507	309,507	Office equipment, furniture and fittings – at cost	315,049	315,049
(288,433)	(288,433)	Accumulated depreciation	(298,806)	(298,806)
21,074	21,074		16,243	16,243
474,620	474,620	Computer equipment – at cost	488,342	488,342
(222,946)	(222,946)	Accumulated depreciation	(323,157)	(323,157)
251,674	251,674		165,185	165,185
363,933	**363,933**		**284,135**	**284,135**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Motor Vehicles	Office Equipment, Furniture & Fittings	Computer Equipment	Total
	$	$	$	$
Economic entity **2013**				
Balance at the beginning of the year	91,185	21,074	251,674	363,933
Additions	48,180	3,623	13,723	65,526
Disposal adjustments	(9,721)	-	-	(9,721)
Depreciation expense	(26,936)	(8,455)	(100,212)	(135,603)
Carrying amount at the end of the year	102,708	16,242	165,185	284,135

	Motor Vehicles	Office Equipment, Furniture & Fittings	Computer Equipment	Total
	$	$	$	$
Economic entity **2012**				
Balance at the beginning of the year	82,809	28,819	167,668	279,296
Additions	60,593	599	178,394	239,586
Disposal adjustments	(21,528)	-	-	(21,528)
Depreciation expense	(30,689)	(8,344)	(94,388)	(133,421)
Carrying amount at the end of the year	91,185	21,074	251,674	363,933

11. TAX ASSETS

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	**$**		**$**	**$**
144,600	144,769	Tax Asset	111,133	111,133
299,438	299,438	Deferred tax asset	339,863	339,863
444,038	**444,207**		**450,996**	**450,996**

12. OTHER ASSETS

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	**$**		**$**	**$**
197,186	**197,186**	Prepaid expenses	**179,702**	**179,702**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
243,242	243,242	Operational Licences	243,242	243,242
(199,445)	(199,445)	Accumulated amortisation	(214,793)	(214,793)
43,797	**43,797**		**28,449**	**28,449**
55,280	55,280	Balance at the beginning of the year	43,797	43,797
5,938	5,938	Additions	-	-
(17,421)	(17,421)	Amortisation expense	(15,348)	(15,348)
43,797	**43,797**	Carrying amount at the end of the year	**28,449**	**28,449**

14. DEPOSITS AND SHORT TERM BORROWINGS

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
21,809,204	22,225,485	At call	24,958,500	25,388,627
36,633,821	36,633,819	Term deposits	33,096,011	33,096,011
28,210	28,210	Withdrawable shares	26,960	26,960
58,471,235	**58,887,514**		**58,081,471**	**58,511,598**
		Maturity analysis		
21,837,409	22,253,688	- At call (including withdrawable shares)	24,985,460	25,415,587
20,422,453	20,422,453	- Up to 3 months (excluding “on call”)	19,109,421	19,109,421
8,922,768	8,922,768	- From 3 months to 6 months	7,544,916	7,544,916
5,221,296	5,221,296	- From 6 months to 12 months	5,177,756	5,177,756
2,067,309	2,067,309	- From 1 year to 5 years	1,263,918	1,263,918
58,471,235	**58,887,514**		**58,081,471**	**58,511,598**

15. PAYABLES AND OTHER LIABILITIES

2012 ECONOMIC ENTITY	2012 HOLDING ENTITY		2013 ECONOMIC ENTITY	2013 HOLDING ENTITY
$	$		$	$
380,276	380,276	Trade creditors	507,563	504,824
601,120	606,762	Accrued interest payable	483,833	489,186
981,396	**987,038**		**991,396**	**994,010**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

16. TAX LIABILITIES

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
-	-	**Income Tax Liabilities**	**3,008**	-

17. PROVISIONS

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
678,440	**678,440**	**Employee Entitlements**	**726,190**	**726,190**
611,364	611,364	Balance at beginning of the financial year	678,440	678,440
67,076	67,076	Amount provided for the year	63,463	63,463
-	-	Amount used	(15,713)	(15,713)
678,440	**678,440**	**Balance at end of the financial year**	**726,190**	**726,190**
No.	**No.**		**No.**	**No.**
12	**12**	**Number of employees as at Year End**	**12**	**12**

Provisions for employee entitlements are expected to be settled within one year with the exception of the provisions for long service leave which amounted to $429,284 (2012 : $399,058)

18. RESERVES AND RETAINED PROFITS

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Share capital		
16,082	16,082	Balance at the beginning of financial year	17,762	17,762
1,680	1,680	Transfer from retained profits	1,490	1,490
17,762	**17,762**	**Balance at the End of Financial Year**	**19,252**	**19,252**
		Reserves for credit losses		
155,682	155,682	Balance at the beginning of financial year	144,402	144,402
(11,280)	(11,280)	Transfer from/(to) retained profits	(21,606)	(21,606)
144,402	**144,402**	**Balance at the end of the finiancial year**	**122,796**	**122,796**
162,164	**162,164**	**Total Reserves**	**142,048**	**142,048**

The capital and general reserves are used to meet minimum statutory capital and Prudential Standards requirements.

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Retained profits:		
5,355,228	5,035,849	Retained profits at the beginning of the financial year	5,521,187	5,201,406
156,359	155,957	Net profit attributable to members of the company	(84,478)	(94,635)
9,600	9,600	Transfer from/(to)	20,116	20,116
5,521,187	**5,201,406**	**Retained Profits at the End of the Financial Year**	**5,456,825**	**5,126,887**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. CASH FLOW INFORMATION

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		(a) RECONCILIATION OF CASH & CASH EQUIVALENTS		
		For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the income statement of comprehensive income as follows:		
208,135	208,131	Cash on hand and at bank	456,073	456,069
4,384,331	4,384,331	Deposits at call	2,543,143	2,543,143
4,592,466	**4,592,462**		**2,999,216**	**2,999,212**
		(b) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER TAX		
156,359	155,957	Profit/(Loss) from ordinary activities after income tax	(84,478)	(94,635)
133,421	133,421	Depreciation	135,603	135,603
17,421	17,421	Amortisation	15,348	15,348
-	-	Profit on sale of financial planning business in subsidiary	(27,400)	-
(15,335)	(15,335)	Loss/(Profit) on disposal of plant and equipment	631	631
67,076	67,076	Provision for annual and long service leave	47,750	47,750
4,085	4,085	Provision for doubtful debts	5,782	5,782
		Increase/(decrease) in:		
4,817,968	4,812,426	Members savings and deposits	(389,764)	(375,916)
(313,021)	(313,520)	Income tax (liabilities)/assets	36,475	33,636
55,844	56,268	Creditors	10,000	6,972
		(Increase)/decrease in:		
1,144,187	1,144,187	Loans and advances	3,538,274	3,528,274
(9,326)	(9,326)	Deferred tax asset	(40,425)	(40,425)
21,013	21,017	Debtors	385,170	385,227
2,585	2,585	Prepayments	17,484	17,484
6,082,277	**6,076,262**	**Net Cash Provided by/(Used in) Operating Activities**	**3,650,450**	**3,665,731**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. REMUNERATION OF AUDITORS

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Amounts received or due and receivable by auditors of the holding entity:		
43,000	43,000	Auditing the financial statements	43,020	43,020
5,400	5,400	Other services	4,540	4,540
48,400	**48,400**		**47,560**	**47,560**

The Auditors received no other benefits.

21. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL

(a) Names of Directors

During the course of the financial year the following directors held office:- B.E. Dohnt, M.A. Elliott, A.J. Gribble P.S. Constantinou and A.L. Blyth.

(b) Remuneration of Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the credit union, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key Management Personnel has been taken to comprise the directors and the 5 members of the executive management responsible for the day to day financial and operational management of the credit union.

The aggregate Compensation of Key Management Personnel during the year comprising amounts paid or payable or provided for was as follows:

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
878,321	878,321	(a) short term employee benefits	918,246	918,246
		(b) post employment benefits		
96,164	96,164	- superannuation contributions	69,087	69,087
		(c) other long term benefits		
45,775	45,775	- net increases in long service leave	913	913
-	-	(d) termination benefits	-	-
-	-	(e) share-based payment	-	-
1,020,260	**1,020,260**	**Total**	**988,246**	**988,246**

In the table, remuneration shown as Short Term benefits includes (where applicable**)** wages, salaries and superannuation contributions, paid annual leave and paid sick leave, profit sharing and bonuses, value of Fringe Benefits received, but excludes out of pocket expense reimbursements.

All remuneration to directors was approved by the members at the previous Annual General Meeting of the Credit Union.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(c) Loans to Directors and other Key Management Personnel

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Loans to Directors and other Key Management Personnel		
1,001,317	1,001,317	(i) The aggregate value of loans to Directors and other Key Management Personnel as at Balance date amounted to	928,502	928,502
10,000	10,000	(ii) The total value of revolving credit facilities to Directors and other Key Management Personnel, as at Balance date amounted to	10,000	10,000
7,236	7,236	Less amounts drawn down and included in (i)	6,981	6,981
2,764	2,764	Net balance	3,019	3,019
		(iii) During the year the aggregate value of loans disbursed to Directors and other Key Management Personnel amounted to		
12,667	12,667	Revolving credit facilities	1,500	1,500
15,920	15,920	Personal Loans	2,501	2,501
47,000	47,000	Term Loans	20,000	20,000
75,587	75,587		24,001	24,001
-	-	(iv) During the year the aggregate value of Revolving Credit Facility limits granted or increased to Directors and other Key Management Personnel amounted to	-	-
64,839	64,839	(v) Interest and other revenue earned on loans and revolving credit facilities to Directors and Key Management Personnel	44,690	44,690

The Credit Union's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit with the exception of loans to Key Management Personnel who are not directors. There are no loans which are impaired in relation to the loan balances with Director's or other Key Management Personnel.

Key Management Personnel who are not directors receive a concessional rate of interest on their loans and facilities. These benefits, that were subject to Fringe Benefits Tax, are included in the remuneration in 21(b).

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Personnel. There are no loans which are impaired in relation to the loan balances with close family relatives of directors and Key Management Personnel.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(d) Other Transactions with Related Parties

Other transactions between related parties include deposits from directors, other KMP and their directly related entities or close family members.
The Credit Union's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.
There are no benefits paid or payable to the close family members of the Key Management Personnel.
There are no service contracts to which Key Management Personnel or their close family members are an interested party.

(e) Directors' Shareholding

Each of the directors of the Credit Union hold five $2 shares as a member of the company. No dividends have been declared or paid by the Credit Union.

(f) Controlled Entities

The economic entity financial statements include the financial statements of all controlled entities. Details are as follows:

	Transcomm Financial Services Pty Ltd		Transcomm Financial Planning Services Pty Ltd		Transcomm Credit Co-Operative Ltd	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Country of Incorporation	Australia	Australia	Australia	Australia	Australia	Australia
Class of share	Ord.	Ord.	Ord.	Ord.	Ord	Ord
Cost $	100,000	100,000	212,001	212,001	-	-
% Holding	100	100	100	100	-	-

(g) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Transactions between the parties consist of fees and charges to and/or from Transcomm Credit Co-Operative Ltd to the entities, for the ongoing administration and operation of the entities.

(i) Fees charged by Transcomm Credit Co-Operative Ltd to Transcomm Financial Services Pty Ltd for referral fees and the management of the company $NIL (2012 $NIL).

(ii) Rental charged by Transcomm Credit Co-Operative Ltd to Transcomm Financial Planning Services Pty Ltd $13,920 (2012 $13,920)

(iii) Transcomm Financial Services Pty Ltd and Transcomm Financial Planning Services Pty Ltd hold bank accounts which are operated by Transcomm Credit Co-operative Ltd.

(iv) Fees charged by Transcomm Financial Services Pty Ltd for the management of a related company $NIL (2012 $NIL).

(v) The parent entity is Transcomm Credit Co-operative Limited.

22. REGISTERED CHARGE

The Equitable change over the assets of the holding entity held in favour of the Customer Owned Banking Association ("COBA"), was released on 2 August 2012.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. EXPENDITURE COMMITMENTS

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
		Operating Lease Commitments		
		Lease expenditure contracted for at balance date, but not provided for in the accounts.		
		Amounts payable under non-cancellable operating leases-		
		- Buildings		
234,678	234,678	Due within 1 year	243,194	243,194
243,194	243,194	Due within 1-5 years	-	-
477,872	**477,872**		**243,194**	**243,194**

The term of the two leases is for a 3 year period each, expiring on the 30 June 2014. Contingent rental provisions within each lease agreement require the minimum lease payments be increased by 4 per cent per annum respectively. Negotiations for a further extension to the lease of the premises have commenced but remains unresolved.

24. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

(a) Guarantees

i) The Commonwealth Bank of Australia has given a guarantee in relation to a Payroll Service Facility to the value of $330,000 for and on behalf of the Credit Union.
ii) The Credit Union has provided a guarantee to a third party in relation to the obligations of a borrower in respect to property lease rentals. The guarantee is for the term of the lease which commenced on the 13 December 2005 and expires on 13 December 2015.

(b) Loan Commitments

2012 ECONOMIC ENTITY $	2012 HOLDING ENTITY $		2013 ECONOMIC ENTITY $	2013 HOLDING ENTITY $
1,617,895	1,617,895	Approved but undrawn loans	1,374,653	1,374,653
1,230,129	1,230,129	Undrawn lines of credit	1,236,114	1,236,114
2,848,024	**2,848,024**		**2,610,767**	**2,610,767**

25. SEGMENT INFORMATION

The economic entity operates in the finance industry in Australia.

26. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services:

(a) Commonwealth Bank of Australia Ltd
The Bank supplies the Credit Union with rights to use the banking services in the form of cheque clearing, ATM and EFT card transactions and settlement facilities.

(b) First Data Resources Australia Ltd
This company operates the switching computer used to link ATM and EFT suppliers to the Credit Union's EDP systems.

(c) Indue Limited
This company provides direct entry services to the Credit Union.

(d) The System Works Pty. Ltd
This company provides the internet banking services to the Credit Union.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. FINANCING FACILITIES

Overdraft facility of $50,000 (2012 - $50,000) with the Commonwealth Bank of Australia. As at the end of the financial year this facility remained undrawn.

28. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Management

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

Economic Entity	Floating interest rate	Fixed interest rate maturing in: 1 year or less	1 to 5 years	Non-interest bearing	Weighted average effective interest rate
2013	$	$	$	$	
(i) Financial Assets					
Cash and cash equivalents	2,823,708	-	-	175,508	2.39%
Advances to other financial institutions	-	24,926,700	-	-	3.90%
Trade and other receivables	-	-	-	379,809	n/a
Loans and advances	35,688,867	470,881	-	-	7.34%
Unlisted shares	-	-	-	6,600	n/a
Total Financial Assets	38,512,575	25,397,581	-	561,917	
(ii) Financial Liabilities					
Deposits	24,958,500	31,832,093	1,263,918	26,960	2.91%
Payables and other liabilities	-	-	-	986,771	n/a
Total Financial Liabilities	24,958,500	31,832,093	1,263,918	1,013,731	
Total Net Financial Assets/(Liabilities)	13,554,075	(6,434,512)	(1,263,918)	(451,814)	

Economic Entity	Floating interest rate	Fixed interest rate maturing in: 1 year or less	1 to 5 years	Non-interest bearing	Weighted average effective interest rate
2012	$	$	$	$	
(i) Financial Assets					
Cash and cash equivalents	4,409,610	-	-	182,856	3.61%
Advances to other financial institutions	2,400	19,707,086	-	-	5.67%
Trade and other receivables	-	-	-	764,979	n/a
Loans and advances	39,218,161	479,862	-	-	7.65%
Unlisted shares	-	-	-	9,150	n/a
Total Financial Assets	43,630,171	20,186,948	-	956,985	
(ii) Financial Liabilities					
Deposits	21,809,204	34,566,512	2,067,309	28,210	3.45%
Payables and other liabilities	-	-	-	981,396	n/a
Total Financial Liabilities	21,809,204	34,566,512	2,067,309	1,009,606	
Total Net Financial Assets/(Liabilities)	21,820,967	(14,379,564)	(2,067,309)	(52,621)	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(b) Net fair values

The aggregate net fair values of financial assets and financial liabilities at balance date are as follows:

Economic Entity	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Financial Assets				
Cash and cash equivalents	2,999,216	4,592,466	2,999,216	4,592,466
Due from other financial institutions	24,926,700	19,709,486	24,956,125	19,746,121
Trade and other receivables	379,809	764,979	379,809	764,979
Loans and advances	36,159,748	39,698,387	**36,159,748**	39,698,387
Unlisted shares	6,600	9,150	6,600	9,150
Total financial assets	64,472,073	64,774,468	64,501,498	64,811,103
Financial Liabilities				
Deposits	58,054,511	58,443,025	58,192,086	58,415,752
Payables and other liabilities	989,511	981,396	959,511	981,396
Total financial liabilities	59,044,022	59,424,421	59,151,597	59,397,148

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- For cash and cash equivalents the net fair value approximates their carrying value. Due from other financial institutions are determined by valuing them at cost plus interest accrued at balance date.
- The carrying amounts of receivables, listed shares, unlisted shares and trade creditors and accruals approximate fair value.
- The net fair value of loans and advances and members' deposits represents the carrying amount plus interest accrued at balance date.

(c) Credit Risk Exposures

The Economic Entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet. (The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event of other entities/parties fail to perform their obligations under the financial instruments in question.)

Concentrations of Credit Risk

The Economic Entity minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified category. However, the majority of customers are concentrated in Australia. Refer also to Note 25 – Segment Information

There is no concentrations of credit risk on loans receivable to any particular industry or groups of people.

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all customers: and
- credit insurance is obtained for high risk customers

Market Risk Sensitivity Analysis

The Credit Union does not hold any financial instruments for trading purposes.

Financial Assets primarily consist of cash and cash equivalent including term deposits placed with other ADIs for a period of less than 36 months and loans and advances to members. The Credit Union's loans and advances consist of variable rate loans and advances. All loans are on balance sheet.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Financial Liabilities consists of member deposits. Taking into account the previous year's performance, the current economic environment, competitor behaviour, management experience, budget expectations and forecasts, the Credit Union believes that any movement of rates plus or minus 0.5% in the forth coming year will have an overall potential impact on profit or loss and equity as illustrated in the table below.

		Interest Rate Risk	
		0.5%	-0.5%
	Carrying Amount	Profit/Equity	Profit/Equity
2013	$	$	$
Financial Assets			
Cash and cash equivalents	2,823,708	14,119	(14,119)
Advances to other financial institutions	24,926,700	124,634	(124,634)
Loans and advances	36,159,748	180,799	(180,799)
Financial Liabilities			
Deposits & Short Term Borrowings	58,054,511	(290,273)	290,273
2012			
Financial Assets			
Cash and cash equivalents	4,409,610	22,048	(22,048)
Advances to other financial institutions	19,709,486	98,547	(98,547)
Loans and advances	39,698,023	198,490	(198,490)
Financial Liabilities			
Deposits & Short Term Borrowings	58,443,025	(292,215)	292,215

29. Events occurring after balance date

After year end, a deposit of $10 million was received. As at the date of this report, APRA has restricted the use of these funds for non-operating purposes.

30. COMPANY DETAILS

The registered office of the company is:
Level 2, 535 Bourke Street,
Melbourne 3000
Phone: (03) 9629 4484
Fax: (03) 9629 4905

Affiliations
Australasian Mutuals Institute
COBA – Customer Owned Banking Association

Auditors
UHY Haines Norton – Chartered Accountants

Solicitors
Pearce Webster Dugdales
Wisewould Mahonys

Bankers
Commonwealth Bank of Australia