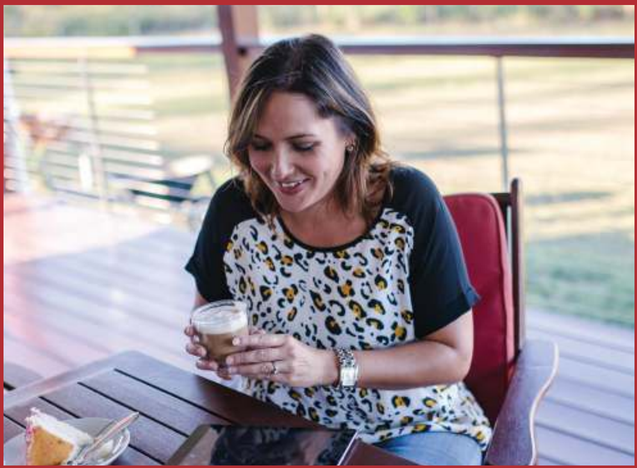
2015 Annual Financial Report



the capricornian

community owned banking

Our Mission

As a credit union, it is our mission to provide trusted, sustainable and fairer financial services to our members and our communities.

Our Vision

There is a vision held by all staff and our Directors, which is to provide a quality banking alternative. We want to be our members' financial institution of choice and grow with them throughout their lives.

Our Values

- Integrity
- Respect
- Fairness

The Capricornian Ltd

ABN 54 087 650 940

Annual financial report for the year ended 30 June 2015

Contents

Directors	George Anthony Edwards *Chairman*
	Ian John Mill *Deputy-Chairman*
	Vicki Anne Bastin-Byrne
	James Richard Mason
	Christopher Bernard O'Brien
	John Francis Siganto
Secretary	Andrew John Robertson
Registered office	157 East Street, Rockhampton Qld 4700 A.F.S.L 246 780 A.B.N. 54 087 650 940 Telephone (07) 4931 4900 Facsimile (07) 4931 4970 Email info@capricornian.com.au Phonefa$t 1300 654 654 Netfa$t www.capricornian.com.au
Branches	Northside Plaza, Musgrave Street, North Rockhampton 2 James Street, Yeppoon 115 Egerton Street, Emerald Blomfield Street, Miriam Vale Valley Shopping Centre, Goondoon Street, Gladstone
ATM's	Automatic Teller Machines (ATM's) are located at all branches listed above
External Auditor	PricewaterhouseCoopers
Internal Auditor	KPMG
Solicitors	Gadens Lawyers (Brisbane) Daniels Bengtsson Pty Ltd (Sydney) Hunt & Hunt (Adelaide)
Affiliations	Cuscal Ltd Australian Settlements Limited Customer Owned Banking Association
Website address	www.capricornian.com.au
Regulatory Disclosures	www.capricornian.com.au/About-Us/CorpInfo/Prudential-Disclosure.aspx

Following on from a very sound 2014 financial year, 2015 has provided an even better result for the Credit Union and its members.

It is with much satisfaction that I share this result with you and present the Chairman's report for The Capricornian Ltd for the 2014/2015 financial year.

Results from both years have come out of considered strategic planning by the Board, in conjunction with the management of our Credit Union and the subsequent achievement of the objectives contained within that plan.

The financial year just gone saw our Credit Union complete a number of strategic objectives designed to continually improve member experience. The upgrade to our core banking system completed in October 2014 was a major project some four months in planning and a further four months in implementation. It was delivered on time with no disruption to member services. A huge task and the Board acknowledges the efforts of every single person involved in this project.

The requirement for mutual financial institutions to ensure they are technologically relevant to the needs of their members is a vital component of the planning. At The Capricornian, improvements to our systems and processes have been a major component of our strategic plan over the last few years.

Along with the upgrade of the core banking system we will shortly roll out an easier to use and better internet and mobile banking platform. This will be fully integrated to our banking system and provide members with improved accesses and functionality.

A new banking app will follow early next year, which will provide members with complete flexibility and access via their tablets and phones to all of their savings and loan accounts.

Prior to the launch of our banking app our new website will be delivered. This will provide a modern and comprehensive means for our members to research the products and services that our Credit Union offers. It will be our online branch.

Product development has been part of our planning and during the year a new suite of personal and housing loan products were introduced. These have proved extremely popular and have supported sound loan growth for our Credit Union in both these key areas. We have also spent a significant amount of time and energy improving our loan processes. The timely delivery of our products, particularly our personal loans, is now leading edge, with our ability to accept, approve and settle personal loans in under one hour. We have similarly improved the processes around our home loan lending and the increase in the volume from both these areas is, no doubt due in part to process improvement.

In the next few months we will roll out a new suite of savings accounts and an associated fee structure. We anticipate being able to provide fee free transaction banking to all members. We also expect to reward those members who support our Credit Union, with their savings and or deposits, by not charging them an account keeping fee. This fee structure will also acknowledge and provide for the youth and aged in our community. Please don't hesitate to share this good news with your families and friends so that they too can benefit from having their financial affairs professionally attended to by our community owned financial institution.

There is no doubt that all of Central Queensland has borne the impact of the downturn in the mining sector.

Once again we have been able to absorb the effects this has had on our economy and produce good lending growth. Our lending portfolio grew by some 2.5% during the year, with our home loan portfolio up 5.6%. This is an extremely pleasing result, particularly with two of our key branches (Emerald and Gladstone) impacted significantly by the mining sector issues. Our personal lending also grew significantly with a 5.5% increase on last year's result.

These results produced a record pre tax profit for our Credit Union of $2.1 million and importantly resulted in member's equity increasing to $20.3 million, an increase of 7%. Our member's equity must continue to grow in order to satisfy the Government Regulators mandated levels of capital for lending institutions. The Credit Union also experienced good asset growth and our assets now stand at $282.9 million.

As you are well aware, key to many of our Strategic Goals was improving and increasing our community presence. We are a community owned financial institution, and last year we returned approximately $90,000 back to our communities in the form of sponsorships and donations to community organisations including but not limited to, Rockhampton Basketball Association, Cancer Council Queensland, Rockhampton Jockey Club, Red Shield Appeal and RACQ Helicopter Rescue.

Mr Jim Mason, a Director of our Credit Union for four years retired from the Board at the end of September. Jim brought a strong banking background to the Board table. On behalf of the Board, Management and Staff of the Credit Union I acknowledge and thank Jim for his contribution and wish him all the best for the future.

To my fellow Directors, the Executive Management and our Staff, thank you for your support and contribution to our Credit Union over the past year.

To our Members thank you for your continued patronage of your locally owned financial institution, which is serving you well. If there is any way in which we can serve you better, please do not hesitate to let us know.

We look forward with confidence to the next year and look forward to again being able to present a positive result for your Credit Union.

G. A. Edwards
Chairman

24th September 2015

Directors' report

Your directors present their report on the financial report of The Capricornian Ltd for the year ended 30 June 2015.

Directors
The following persons were non-executive directors of The Capricornian Ltd during the whole of the financial year and up to the date of this report, or as otherwise noted:

George Anthony EDWARDS, B.Bus, FCA.
(Chairman)
Experience and expertise
Principal and Director of Evans Edwards and Associates Chartered Accountants for 35 years. Director for 14 years.
Other current directorships
Director of 9 proprietary companies: Capehead Pty Ltd (director since 1981), Evans Edwards & Associates Pty Ltd (director since 2001), Manlex Pty Ltd (director since 1983), Keppel Cruises Pty Ltd (director since 2005), Meled Pty Ltd (formerly Capricornia Rockblock Pty Ltd, director since 2009), Daroto Pty Ltd (director since 2010), Capehead Superannuation Pty Ltd (director since 2012).
Former directorships in last 3 years
Director of Hughes St Pty Ltd from 2005–2012.
Special responsibilities
Chairman of the Remuneration Committee.
Member of the Governance Committee.

Ian John MILL, Dip H.A.
(Deputy-Chairman)
Experience and expertise
Chief Executive Officer, Mercy Health and Aged Care Central Queensland Ltd. Director for 10 years.
Other current directorships
None.
Former directorships in last 3 years
Director of Brigwood Pty Ltd from 2004- 2014 and Capricorn Tourism and Economic Development Ltd from 2014-2015.
Special responsibilities
Chairman of the Governance Committee.
Member of the Risk Management Committee.
Member of the Remuneration Committee.

Vicki Anne BASTIN-BYRNE, MAICD

Experience and expertise
Business Proprietor. Local Government Councillor for 11 years. Director for 12 years.
Other current directorships
Director of 2 public companies: Iwasaki Foundation Ltd (director since 2010) and Keppel and Fitzroy Delta Alliance (director since 2012).
Former directorships in last 3 years
None.
Special responsibilities
Member of the Audit Committee.

James Richard MASON

Experience and expertise
Business Proprietor. Director for 4 years.
Other current directorships
Director of 4 proprietary companies: Mosville Pty Ltd (director since 2002), Jamarla Nominees Pty Ltd (director since 2005), Beldav Pty Ltd (director since 2007).
Former directorships in last 3 years
Director of Rockhampton Racing Pty Ltd from 2010-2014.
Special responsibilities
Member of the Risk Management Committee.
Member of the Remuneration Committee.

Christopher Bernard O'BRIEN, B.Bus, CPA

Experience and expertise
Business Manager. Director for 4 years.
Other current directorships
None.
Former directorships in last 3 years
None.
Special responsibilities
Member of the Audit Committee.
Chairman of the Risk Management Committee.

John Francis SIGANTO, L.L.B, Grad Dip Fin Plan.

Experience and expertise
Solicitor and Financial Planner. Director for 7 years.
Other current directorships
Director of 3 proprietary companies: Grant and Simpson Service Co. Pty Ltd (director since 1997), Otnagis Pty Ltd (director since 2006), Basildon Pty Ltd (director since 2008).
Former directorships in last 3 years
Director of Skillsforce Ltd from 2008-2012 and Capricornia Training Company Ltd from 2007-2014.
Special responsibilities
Chairman of the Audit Committee.
Member of the Governance Committee.

Company secretary
Andrew John ROBERTSON, B.Bus. (Acc), CPA, MAMI, GIA (Cert)
Appointed December 2007.

Principal activities
During the year the principal continuing activities of the credit union were:
(a) to raise funds by subscription, deposit or otherwise, as authorised by the Corporations Law and Banking Act 1959 (Cth);
(b) to apply the funds in providing financial accommodation to members, subject to the Corporations Law and Banking Act 1959 (Cth);
(c) to encourage savings amongst members;
(d) to promote co-operative enterprise;
(e) to provide programs and services to members to assist them to meet their financial, economic, and social needs;
(f) to promote, encourage and bring about human and social development among individual members and within the larger community within which members work and reside; and
(g) to further the interests of members and the communities within which they work and live through co-operation with:
(i) other credit unions and co-operatives; and
(ii) associations of credit unions and co-operatives, locally and internationally.

Results
The profit from ordinary activities, after related income tax of $618,214, was $1,483,324, (2014 net profit of $1,149,570, after recording an income tax expense of $475,195).

Dividends
Dividends paid to members during the financial year were as follows:

Capricornian Investment Shares	2015 $	2014 $
Final ordinary dividend for the year ended 30 June 2014 equivalent to the maximum dividend benchmark rate 5.18% p.a. per share fully franked. Paid on 3rd November 2014.	67,160	71,079
Interim ordinary dividend for the year ended 30 June 2015 equivalent to the maximum dividend benchmark rate 5.26% p.a. per share fully franked. Paid on 9th February 2015.	69,291	70,556

The directors have provided for the payment of a final ordinary dividend of $69,512 paid out of retained profits at 30 June 2015 on issued Investment Shares as at that date. The dividend per share provided for equates to the maximum dividend benchmark rate of 5.36% p.a. fully franked for the period ended 30 June 2015. Payment is subject to confirmation of members at the Annual General Meeting.

Review of operations
Information on the operations and financial position of the credit union and its business strategies and prospects is set out in the Chairman's Report on pages 4-5 of this annual report.

Significant changes in the state of affairs
During the year under review there was no significant change in the affairs of the credit union other than the matters mentioned elsewhere in this report or in the financial statements.

Matters subsequent to the end of the financial year
Since 30 June 2015 The Capricornian Ltd has had no other matter or circumstance arise that has significantly affected or may significantly affect:

(a) the credit union's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the credit union's state of affairs in future financial years.

Likely developments and expected results of operations
Additional comments on expected results of operations of the credit union are included in this annual report under the Chairman's Report.

Performance in relation to environmental regulations
The credit union has complied with all environmental regulations applicable to a credit union.

Directors benefits
Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract that:-

- the director; or
- a firm of which the director is a member; or
- an entity in which the director has a substantial financial interest;

has made, during that or any other financial year, with the credit union or an entity related to the credit union at the time of making the contract.

Meetings of directors
(a) The numbers of meetings of the credit union's board of directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees							
			Audit		Risk Management		Remuneration		Governance	
	A	B	A	B	A	B	A	B	A	B
G.A. Edwards	11	9	-	2	-	3	1	1	1	1
I.J. Mill	11	10	-	-	4	2	1	1	1	1
V.A. Bastin-Byrne	11	10	3	3	-	-	-	-	-	-
J.R. Mason	11	10	-	-	4	3	1	1	-	-
C.B. O'Brien	11	8	3	2	4	4	-	-	-	-
J.F. Siganto	11	9	3	2	-	-	-	-	1	-

A = Number of meetings held during the time the director held office or was a member of the committee during the year
B = Number of meetings attended

The role of the audit committee is to:

- Monitor compliance with board policies as well as prudential and statutory requirements.
- Oversee financial reporting, external and internal audits, and appointment of the external auditor.

The role of the risk management committee is to:

- Provide objective, independent and non-executive reviews of The Capricornian's Prudential Risk Management Framework.

The role of the remuneration committee is to:

- Provide the board with independent and non-executive advice relating to The Capricornian's Remuneration Policy, including an assessment of the policy's effectiveness in relation to requirements of the Prudential Standards.
- Provide advice relating to the remuneration of the Chief Executive Officer, direct reports of the Chief Executive Officer, other persons whose actions may affect the financial soundness of the credit union and any other person specified by APRA.
- Provide advice relating to the remuneration of the categories of persons covered by the credit union's Remuneration Policy (except those persons included above).

Retirement, election and continuation in office of directors
Mrs V.A. Bastin-Byrne retires by rotation and is eligible for re-election.

Remuneration report
The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration
The objective of the credit union's executive remuneration policy is to ensure reward for performance is competitive and appropriate for the results delivered. The policy aligns executive reward with achievement of strategic objectives and the creation of value for members, and conforms with industry practice for delivery of reward based on an independent survey of industry remuneration practices.

In keeping with the credit union's origin as a voluntary community service organization, directors' fees do not fully reflect their responsibilities.

The Board recommends an aggregate amount to members at the Annual General Meeting. The amount recommended is consistent with credit union industry standards.

Directors allocate the approved amount between themselves. Generally all directors receive the same base fee, with the chairman, deputy chairman and chairmen of committees awarded an additional loading in recognition of added duties and responsibilities.

Where applicable, "superannuation guarantee" payments are made on behalf of directors to an eligible fund. Superannuation contributions are included in aggregate remuneration approved by members.

There are no retirement allowances made for directors.

There are no formal short term or long term incentive schemes for either directors or executives.

B Details of remuneration
Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of The Capricornian Ltd are set out in the following tables. All other conditions of employment are as set out in the Banking, Finance and Insurance Award 2010.

No directors or key management personnel of The Capricornian Ltd are remunerated by way of Investment Shares in The Capricornian Ltd. All Investment Shares purchased and held by directors and key management personnel, including their personally related parties, and are set out in Note 22.

The key management personnel of the credit union are the directors (see pages 6 to 7 above), the Chief Executive Officer and those executives who report directly to the Chief Executive Officer. This includes the 5 executives who received the highest remuneration for the year ended 30 June 2015. The executives are:

- John William Collins Brown – *Chief Executive Officer*
- Graeme Walter Kemp – *General Manager Lending*
- Andrew John Robertson – *Chief Financial Officer*
- Bradley Stuart Cook – *General Manager Operations* (Resigned 3rd November 2014)
- Leslie James Spencer – *General Manager Operations* (Appointed 19th January 2015)

Key management personnel of The Capricornian Ltd

2015	Short-term employee benefits		Post-employment benefits	Long-term benefits	
Name	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Long service leave $	Total $
Directors					
G.A. Edwards *Chairman*	2,311		33,217		35,528
I. J. Mill *Deputy-Chairman*	25,050		2,380		27,430
V.A. Bastin-Byrne	-		20,786		20,786
J.R. Mason	2,099		18,687		20,786
C.B. O'Brien	3,652		19,676		23,328
J.F. Siganto	21,304		2,024		23,328
Sub-total directors	**54,416**		**96,770**		**151,186**
Other key management personnel					
J.W.C. Brown	318,393	13,167	18,780	-	350,340
G.W. Kemp	125,363	1,553	23,649	2,802	153,367
A.J. Robertson	150,479	2,162	29,880	3,731	186,252
B.S. Cook*	49,522	4,428	14,302	(7,514)	60,738
L.J. Spencer***	44,307	1,442	4,209	-	49,958
Sub-total (other key management personnel)	**688,064**	**22,752**	**90,820**	**(981)**	**800,655**
Totals	**742,480**	**22,752**	**187,590**	**(981)**	**951,841**

2014	Short-term employee benefits		Post employment benefits	Long-term benefits	
Name	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Long service leave $	Total $
Directors					
G.A. Edwards *Chairman*	8,108		22,812		30,920
I.J. Mill *Deputy-Chairman*	21,671		2,004		23,675
V.A. Bastin-Byrne	-		17,515		17,515
J.R. Mason	-		17,515		17,515
C.B. O'Brien	7,691		11,874		19,565
J.F. Siganto	17,908		1,657		19,565
R. Strelow**	-		8,186		8,186
Sub-total directors	**55,378**		**81,563**		**136,941**
Other key management personnel					
J.W.C. Brown	280,469	7,869	23,667	-	312,015
G.W. Kemp	122,353	2,013	23,223	2,438	150,027
A.J. Robertson	146,689	2,041	24,964	2,905	176,599
B.S. Cook*	84,186	7,114	12,510	7,514	111,324
Sub-total (other key management personnel)	**633,697**	**19,037**	**84,374**	**12,857**	**749,965**
Totals	**689,075**	**19,037**	**165,937**	**12,857**	**886,906**

* B.S. Cook resigned 3rd November 2014

** R. Strelow retired 31st December 2013.

*** L.J. Spencer commenced 19th January 2015.

Loans to key management personnel

Information on loans to key management personnel, including amounts, interest rates and repayment terms are set out in Note 22 to the financial statements.

Insurance of officers

During the financial year, The Capricornian Ltd paid a premium to insure the directors and secretaries of the credit union and its executive officers and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the credit union.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the credit union with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services

The credit union may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the credit union are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 23.

The Directors have considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by directors to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

G. A. Edwards
Director

I. J. Mill
Director

Rockhampton
24th September 2015

Auditor's Independence Declaration

As lead auditor for the audit of The Capricornian Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Michael O'Donnell
Partner
PricewaterhouseCoopers

Brisbane
24th September 2015

PricewaterhouseCoopers, ABN 52 780 433 757
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These financial statements cover The Capricornian Ltd (‘the credit union’) as an individual entity. The financial statements are presented in the Australian currency.

The credit union is a company limited by shares, incorporated and domiciled in Australia and operating under the “principles of mutuality” as set out in the preamble to the constitution. Its registered office and principal place of business is:

157 East Street
Rockhampton QLD 4700

A description of the nature of the credit union’s operations and its principal activities is included in the directors’ report on pages 6 to 11.

The financial statements were authorised for issue by the directors on 24th September 2015. The credit union has the power to amend and reissue the financial statements.

	Notes	**2015** **$**	2014 $
Interest revenue	3	14,064,671	15,146,369
Interest expense	3	(6,792,700)	(8,141,894)
Net interest revenue		7,271,971	7,004,475
Fee and commission revenue	4	1,919,040	2,263,255
Other revenue	4	168,890	154,754
Total net interest income and other revenue		9,359,901	9,422,484
Bad and doubtful debts (expense)/revenue	11(b)	21,649	(244,559)
Other expenses	5	(7,280,012)	(7,553,160)
Total expenses		(7,258,363)	(7,797,719)
Profit before income tax expense		2,101,538	1,624,765
Income tax expense	6	(618,214)	(475,195)
Profit for the year attributable to members		1,483,324	1,149,570
Other comprehensive income, net of income tax			
Revaluation of land and buildings		-	(892)
Total comprehensive income for the year attributable to members		1,483,324	1,148,678

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**2015 $**	2014 $
ASSETS			
Cash and cash equivalents	7	9,111,925	11,862,737
Receivables	8	458,386	474,260
Held-to-maturity investments	9	38,809,802	38,159,786
Loans and advances	10,11	230,291,825	224,453,538
Property, plant and equipment	12	3,173,912	3,190,195
Deferred tax assets	13,17	449,240	443,902
Other assets	14	582,383	229,931
Total assets		282,877,473	278,814,349
LIABILITIES			
Deposits and borrowings	16	260,364,993	257,611,594
Other liabilities	15	1,475,357	1,540,524
Provision for income tax		259,318	244,685
Provisions	18	523,436	507,742
Total liabilities		262,623,104	259,904,545
Net assets		20,254,369	18,909,804
EQUITY			
Contributed equity	19	2,508,579	2,508,579
Reserves	20(a)	1,227,839	1,043,106
Retained earnings	20(b)	16,517,951	15,358,119
Total equity		20,254,369	18,909,804

The above statement of financial position should be read in conjunction with the accompanying notes.

	Notes	Contributed Equity $	Reserves $	Retained Earnings $	Total $
Balance 1 July 2013		2,508,579	1,043,998	14,346,264	17,898,841
Profit for the year as reported in the 2014 financial statements	20(b)	-	-	1,149,570	1,149,570
Other comprehensive income		-	(892)	-	(892)
Total comprehensive income for the year		-	(892)	1,149,570	1,148,678
Transfer to / from reserve for credit losses	20(b)	-	-	-	-
Total transfers to / from retained earnings		-	-	-	-
Transactions with investment shareholders					
Contributions of equity, net of transaction costs	19	-	-	-	-
Dividend provided for	20(b)	-	-	(137,715)	(137,715)
		-	-	(137,715)	(137,715)
Balance 30 June 2014		2,508,579	1,043,106	15,358,119	18,909,804
Profit for the year	20(b)	-	-	1,483,325	1,483,325
Other comprehensive income	20(a)	-	-	-	-
Total comprehensive income for the year		-	-	1,483,325	1,483,325
Transfer to / from reserve for credit losses	20(b)	-	184,733	(184,733)	-
Total transfers to / from retained earnings		-	184,733	(184,733)	-
Transactions with investment shareholders					
Contributions of equity, net of transaction costs	19	-	-	-	-
Dividend provided for	20(b)	-	-	(138,760)	(138,760)
		-	-	(138,760)	(138,760)
Balance 30 June 2015		2,508,579	1,227,839	16,517,951	20,254,369

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	**2015 $**	2014 $
Cash flows from operating activities			
Interest received		14,155,568	15,358,162
Interest paid		(6,528,911)	(8,319,394)
Loans and advances funded		(46,496,357)	(45,084,608)
Loans repaid excluding overdrafts		40,643,685	41,683,763
Net inflow / (outflow) in member deposits		2,753,398	(19,800,496)
Non interest revenue received		1,827,066	2,291,558
Cash paid to suppliers and employees		(7,442,244)	(7,195,569)
Income taxes paid		(608,919)	(285,080)
Net cash (outflow) / inflow from operating activities	28	(1,696,714)	(21,351,664)
Cash flows from investing activities			
Payments for property, plant and equipment		(267,748)	(208,313)
Proceeds from sale of property, plant and equipment		75	-
Net cash (outflow) / inflow from investing activities		(267,673)	(208,313)
Cash flows from financing activities			
Dividends paid		(136,408)	(141,635)
Net cash (outflow) / inflow from financing activities		(136,408)	(141,635)
Net increase / (decrease) in cash and cash equivalents		(2,100,795)	(21,701,612)
Cash and cash equivalents at the beginning of the financial year		50,022,522	71,724,134
Cash and cash equivalents at the end of the financial year	29	47,921,727	50,022,522

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for The Capricornian Ltd.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, *Corporations Act 2001* and the reporting requirements of the Prudential Standards.

Compliance with IFRS
The financial statements of The Capricornian Ltd also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through the statement of comprehensive income, certain classes of property, plant and equipment and investment property.

(b) Fee and commission revenue

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan establishment fees are deferred and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees are recognised over the period the service is provided. This principle is applied to loan brokerage, insurance, asset management and financial planning services that are continuously provided over an extended period of time.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the company income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the credit union has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 25(a)). Payments made under operating leases (net of any incentives received by the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

(e) Investments and other financial assets

Classification
The credit union classifies its investments in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The directors determine the classification of investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluate this designation at each reporting date.

(i) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the credit union provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and advances are included in the statement of financial position (note 10).

(ii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the credit union's management has the positive intention and ability to hold to maturity.

Recognition and derecognition
Regular purchases and sales of investments are recognised on the date on which the credit union commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the credit union has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the credit union establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where the fair value cannot be reliably measured, available-for-sale assets are accounted for at cost.

Impairment
The credit union assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the credit union's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the credit union for similar financial instruments.

(g) Interest Receivable

The interest receivable on cash equivalents and held to maturity investments is recognised in the statement of comprehensive income, with all investments expected to be held until maturity and interest received within 12 months.

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with banks.

(i) Interest income on loans

Loan interest is calculated on the daily loan balance outstanding and is charged to the members' loan account monthly in arrears.

(j) Loans and advances

Loans and advances to members are recognised at the recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is objective evidence that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

During the year ended 30 June 2015 the credit union's provision for impairment policy consisted of the following components:

- The provision for impairment is calculated monthly according to Prudential Standard AGN220.3. Additional specific provision on individual credit exposures is included as directed by the Board.
- The Prudential Standards require that a "credit loss reserve" be maintained as part of members' equity to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

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 been previously recognised, write offs for bad debts are recognised as an expense in the statement of comprehensive income.

(k) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the credit union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to asset revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is first recognised in the statement of comprehensive income. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method. The rates used are as follows:

- Buildings	2.5%
- Computer Hardware	25.0%
- Core banking system (licenses and installation costs)	20.0%
- General computer software	33.3%
- Leasehold improvements	10.0% (or the unexpired term of the lease whichever is shorter)
- Motor Vehicles	20.0%
- Office Furniture and Equipment	15.0%
- "Low value pool" depreciable assets whose individual acquisition cost is less than $1,000	25.0%

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is credit union policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Member deposits

Member's deposits are brought to account at the gross value of the outstanding balance. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is included in accrued expenses.

(m) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and measured in accordance with the paragraph above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

(iii) Retirement benefit obligations
Contributions are made by the credit union to employee superannuation funds and are charged as expenses when incurred.

(n) Contributed equity

"Investment Shares", which are Irredeemable, Non-cumulative, Non-participating preference shares are classified as equity.

If the credit union reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the statement of comprehensive income and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(o) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the credit union, on or before the end of the financial year but not distributed at balance date.

(p) Goods and Services Tax (GST)

As a financial institution providing input taxed supplies, the credit union is unable to claim back all GST paid and thus amounts shown in these financial statements are inclusive of any non-recoverable GST.

(q) Deferral of fees and transaction costs

The deferral of the fees and transaction costs under the effective interest rate method results in the deferral of income to subsequent years.

(r) Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the credit union's accounting policies. Accounting estimates are used in the calculation of the provision for bad and doubtful debts relating to loans to members. Refer to Note 1(j) for further information regarding such estimates.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015. The credit union's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces an 'expected loss' impairment model and a revised approach to micro-hedge accounting, replacing the guidance in AASB 139. The standard is applicable for reporting periods after 1 January 2018 but is available for early adoption.

When adopted, the standard will affect in particular the credit union's accounting for impairment of loans and advances, as the new approach to accounting for impairment will require more timely recognition of expected credit losses. There will be no material impact on the credit union's accounting for financial assets or liabilities, as the new requirements for classification and measurement only affect the accounting for gains and losses on available for sale debt instruments and financial liabilities that are designated at fair value through profit and loss and the credit union does not have any such assets or liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The revisions to hedge accounting align the accounting treatment with risk management activities which will require enhanced disclosures about risk management activity however the credit union does not currently apply hedge accounting. The credit union has not yet decided when to adopt AASB 9.

(ii) IFRS 15 *Revenue from contracts with customers* is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The standard is applicable for reporting periods after 1 January 2017. The credit union is yet to assess how the standard will impact on its financial reporting.

2 Financial risk management

The credit union's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including fair value interest rate risk and price risk). The credit union's overall risk management program focuses on the unpredictability of financial markets and seeks to manage potential adverse effects on the financial performance of the credit union.

Risk management is carried out by applying policies approved by the board of directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risks and investing excess liquidity.

(a) Market Risk

(i) Price risk

Equity securities price risk arises from investments held by the credit union and classified on the statement of financial position as available-for-sale. The credit union is not exposed to significant price risk. The credit union is not exposed to commodity price risk.

(ii) Interest rate risk

The credit union is subject to risk arising from the effects of future changes in the prevailing level of interest rates. The extent of any exposure to interest rate risk is described by the period to contractual repricing as follows:

1) Financial assets and liabilities not exposed to interest rate risk:
   - Cash on hand (*Note 7*)
   - Prepayments (*Note 8*)
   - Other liabilities (*Note 15*)
   - Provisions (*Note 18*)

2) Financial assets and liabilities where the period to contractual repricing is equivalent to the maturity analysis:
   - Held-to-maturity investments (*Note 9*)
   - Deposits and borrowings – member call deposits and member term deposits (*Note 2c*)

3) Unsecured notes (*Refer Note 2c*) are issued for a five or seven year term with repayment of principal and outstanding. interest subordinated to the rights of depositors, secured and unsecured creditors and any other payments required by the law to be made in priority.

Contractual terms provide for the repricing of unsecured notes every 3 months, as indicated in the following schedule:-

	2015 **$**	2014 $
No longer than 1 month	757,185	965,285
More than 1 month and less than 3 months	4,255,940	5,010,561
	5,013,125	5,975,846

4) Loans and advances will potentially reprice in accordance with the following schedule:-

	2015 **$**	2014 $
No longer than 1 month	182,756,549	196,309,162
More than 1 month and less than 3 months	1,276,779	675,857
More than 3 months and less than 12 months	9,968,642	9,892,931
More than 12 months and less than 5 years	36,522,453	17,964,045
	230,524,423	224,841,995

5) Sensitivity.

Interest sensitivity of the book is a measure of the change in the present value of an asset or liability due to a change in interest rates.

Sensitivity has been measured to a 100 basis point parallel downward shift in interest rates out to the last repricing period of the book. This figure is found by summing the present values of the exposures across the different maturity periods. A positive figure means the portfolio will be adversely affected by a rate rise.

The use of 100 basis points sensitivity allows the credit union to compare movements in its risk position on a quarterly basis. This provides an estimate of changes to accrued income should rates move in a certain direction. In practice though, exact parallel shifts in rates are unlikely to occur in the market. The analysis is done on a quarterly basis to verify that the maximum loss potential to the statement of comprehensive income is within the limit set by the board.

The analysis and aggregation of the credit union's statement of financial position gives rise to the following interest rate sensitivities:

Sensitivity	**2015** **$**	2014 $
Sensitivity to 1% rate fall on profit and equity	(393,800)	(365,711)

The results of the interest sensitivity analysis reported provides that the credit union's exposure as at 30 June 2015 is to a decrease in interest rates. This is demonstrated by the resulting change to accrued income recording a negative result.

(b) Credit risk

(i) Maximum credit risk exposure

The maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event counterparties fail to perform their obligations under financial instruments is equivalent to the amounts reported in the statement of financial position or notes to and forming part of the accounts for the following financial assets:

- Cash and cash equivalents – current accounts with Authorised Deposit –Taking Institutions (*Note 7*)
- Receivables (*Note 8*)
- Loans and advances (*Note 10*)
- Held-to-maturity investments *(Note 9)*

(ii) Concentration of credit risk

The credit union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of members. Credit risk is currently managed in accordance with the Prudential Standards to reduce the credit union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The credit union's operations are predominately in the Central Queensland region. There is no significant exposure to a particular industry or customer group.

The following groups represent concentrations of financial assets in excess of 10% of capital:

	2015 **$**	2014 $
• Authorised Deposit-Taking Institutions Aggregate Amount	37,945,487	39,544,560

(iii) Credit Risk Management System

The credit risk management system ensures that:

- Rigorous ongoing monitoring of credit quality is undertaken.
- Impaired facilities are identified, measured and acted on in a timely manner.
- Inherent credit risk in the credit union's business is realistically estimated and factored into business planning, capital and credit systems.
- Recognition of collateral as a mitigant to credit risk is based on sound and prudent valuation of security.
- Credit facilities which are deemed to be uncollectible are routinely written down or written off.
- Credit assessment and provisioning procedures are periodically validated to ensure that policy settings remain appropriate.
- Provisions and reserves, including the specific provision for doubtful debts and the general reserve for credit losses, are adequate.
- Data is generated to fully and adequately assess the credit union's credit risk exposures and levels of impairment and to prepare various reports including internal reports, general purpose financial reports and reports to Australian Prudential Regulatory Authority (APRA).
- Credit exposures, including non-lending exposures, are sensibly diversified and limited such that changing market conditions do not unduly impact on the credit union's net worth or viability.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or, in the instance of loans to members, consideration of the structure of the loan and any collateral held.

Current accounts with ADI's	**2015** **$**	2014 $
Investment Grade	5,553,934	8,363,463
Non-investment Grade	3,089,909	3,040,897
Total current accounts with ADI's	8,643,843	11,404,360

Held to maturity investments	**2015** **$**	2014 $
Investment Grade	37,809,802	38,159,786
Non-investment Grade	1,000,000	-
Total held to maturity investments	38,809,802	38,159,786

Loans and advances	**2015** **$**	2014 $
Mortgage over Residential Property	200,191,722	193,179,171
Mortgage over Other Property	19,845,267	21,760,731
Personal Loans	10,108,896	9,527,735
Unsecured overdrafts	378,538	374,358
	230,524,423	224,841,995

2015

Ageing analysis of Loans in Arrears

	Category 1 loans $	Category 2 loans $	Category 3 loans $
less than 30 days	1,657,299	478,212	824,322
30 days and less than 90 days	233,979	181,022	186,484
90 days and less than 182 days	-	-	35,124
182 days and less than 365 days	-	-	439,487
365 days and over	-	-	37,156
	1,891,278	659,234	1,522,573

	Category 4 loans $
less than 14 days	28,607
14 days and less than 90 days	12,743
90 days and less than 182 days	1,098
182 days and over	5,999
	48,447

	Category 1 loans $	Category 2 loans $	Category 3 loans $	Category 4 loans $
Value of collateral held	3,607,000	725,000	2,089,000	-

2014

Ageing analysis of Loans in Arrears

	Category 1 loans $	Category 2 loans $	Category 3 loans $
less than 30 days	2,027,020	197,214	222,393
30 days and less than 90 days	190,090	-	453,924
90 days and less than 182 days	229,444	-	28,998
182 days and less than 365 days	-	-	1,612
365 days and over	-	-	574,863
	2,446,554	197,214	1,281,790

	Category 4 loans $
less than 14 days	19,152
14 days and less than 90 days	6,065
90 days and less than 182 days	2,416
182 days and over	5,708
	33,341

	Category 1 loans $	Category 2 loans $	Category 3 loans $	Category 4 loans $
Value of collateral held	5,148,000	215,000	2,199,400	-

The value of mortgaged property held as collateral is determined by reference to most recent valuer's valuation report. The valuation report must be dated not more than six months prior to the date of the lending decision. Where the credit union has collateral via bill of sale over a vehicle, the value of the collateral is determined by reference to Glass's Information Services value. Loan to valuation ratio is calculated using total loan balances as well as available redraw and is referred to as 'LVR' throughout The Capricornian's annual report.

- Category 1 loans – Loans with eligible residential mortgage held as collateral with LVR less than 80%. Where LVR is greater than 80% there is mortgage insurance in place.
- Category 2 loans – Loans with eligible residential mortgage held as collateral with LVR greater than 80% and no mortgage insurance is in place.
- Category 3 loans – Loans with no collateral or collateral other than eligible residential mortgage or loans with eligible residential mortgage held as collateral with LVR greater than 100% and no mortgage insurance in place.
- Category 4 loans – Overdrafts which are over limit, or savings accounts without overdraft which are overdrawn.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the credit union aims at maintaining flexibility in funding by keeping committed credit lines available.

(i) Liquidity Management Strategy

The liquidity management strategy ensures, irrespective of any contemporary or contingent, internal or external risk, event or calamity, and across a wide range of operating circumstances, that:

- The credit union has, at all times, ready access to unencumbered, high quality liquid assets to meet any call on its liabilities.
- The credit union's provisioning for liquid assets is both appropriate and proportional to the risk of any likely call on its liabilities.
- The credit union does not create any exposure to any single or associated group of members that could create an undue liquidity risk.
- Such liquid assets are held in a form and with persons acceptable to APRA and the Board.
- Minimum liquidity ratios, as may be prescribed from time to time, are easily exceeded.

(ii) Maturity Profile of Financial Liabilities

The associated table shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

2015	Within 1 month $	1–3 months $	3-12 months $	1-5 years $	At Call $	Total $
Liabilities						
Deposits and borrowings	23,667,430	25,845,943	61,035,274	4,117,140	145,612,716	260,278,503
Interest payable	326,620	167,395	499,726	-	-	993,741
Total Financial Liabilities	**23,994,050**	**26,013,338**	**61,535,000**	**4,117,140**	**145,612,716**	**261,272,244**

2014	Within 1 month $	1–3 months $	3-12 months $	1-5 years $	At Call $	Total $
Liabilities						
Deposits and borrowings	25,457,746	35,489,004	37,736,989	5,013,125	153,827,350	257,524,214
Interest payable	373,880	200,132	155,940	-	-	729,952
Total Financial Liabilities	**25,831,626**	**35,689,136**	**37,892,929**	**5,013,125**	**153,827,350**	**258,254,166**

(iii) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Capricornian Ltd has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Capricornian Ltd holds unlisted securities which are valued at cost as the fair value cannot be reliably measured in accordance with the accounting policy described in note 1(e). The credit union does not hold any other financial instruments measured at fair value.

(d) Capital risk

The credit union's objectives when managing capital is to optimise member value through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements and continuing to operate as a going concern.

The credit union assesses its capital management approach as a key part of the credit union's overall strategy and is continuously reviewed by management and the board.

The credit union is required by the Australian Prudential Regulation Authority (APRA) to comply with certain minimum standards in respect of capital management. APRA sets certain minimum benchmarks ratios in these standards with which the credit union must comply. The credit union has complied with these minimum standards throughout the reporting period.

3 Interest revenue and interest expense

The following table shows the amount of interest revenue or expense for each of the major categories of interest bearing assets and liabilities.

	2015 $	2014 $
Interest Revenue		
Cash and cash equivalents	305,225	351,242
Investment securities	851,224	1,334,177
Loans and advances	12,908,222	13,460,950
	14,064,671	15,146,369
Interest Expense		
Member deposits	6,467,176	7,762,441
Investment Bonds	323,816	377,547
Borrowings	1,708	1,906
	6,792,700	8,141,894

4 Fee, commission and other revenue

	2015 $	2014 $
Non-interest revenue		
Fees and commissions		
-loan fee income	274,948	264,620
-other fee income	723,885	800,433
-insurance commissions	443,191	466,684
-other commissions	477,016	731,518
Subtotal	1,919,040	2,263,255
Bad debts recovered	5,775	3,449
Other revenue	163,115	151,305
Subtotal	168,890	154,754
Total non-interest revenue	2,087,930	2,418,009

5 Other expenses

	2015 $	2014 $
Depreciation and amortization		
-plant and equipment	229,561	316,411
-buildings	54,472	55,373
General and administration		
-personnel costs	3,398,964	3,465,114
-other	1,901,660	2,097,435
Other provisions		
-provision for employee entitlements	13,342	24,356
Other expenses		
-operating lease expenses	203,590	213,477
-other	1,478,423	1,380,994
Total other expenses	7,280,012	7,553,160

6 Income tax expense

(a) The prima facie tax on profit before income tax is reconciled to the income tax expense provided in the financial statements as follows:

	2015 $	2014 $
Profit from continuing operations before income tax	2,101,538	1,624,764
Prima facie tax payable on profit at 30% (2014: 30%)	630,461	487,429
Add Tax effect of:		
Non-deductible entertainment	992	1,005
	631,453	488,434
Less Tax effect of:		
Tax Building depreciation/building allowance	(13,239)	(13,239)
Income tax expense attributable to profit before income tax.	618,214	475,195
The applicable weighted average effective tax rates are as follows:	29%	29%

	2015 $	2014 $
(b) The components of tax expense comprise:		
Current tax	623,552	493,160
Deferred tax	(5,338)	(17,965)
	618,214	475,195
Income tax is attributable to:		
Profit from continuing operations	623,552	493,160
Aggregate income tax expense	623,552	493,160
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 13)	(21,083)	(17,965)
(Decrease) / increase in deferred tax liabilities (note 17)	15,745	-
	618,214	475,195

	2015 $	2014 $
(c) Tax expense (income) relating to items of other Comprehensive income		
Gains on revaluation of land and buildings	-	(383)
(d) Balance of franking account at year end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the reporting date based on a tax rate of 30% (2014: 30%)	5,518,934	4,953,842

7 Cash and cash equivalents

	2015 $	2014 $
Cash on Hand	468,082	458,376
Current accounts with Authorised Deposit-Taking Institutions	8,643,843	11,404,360
	9,111,925	11,862,736

8 Receivables

	2015 $	2014 $
Interest Receivables – to be settled within 12 months	123,145	214,042
Prepayments	335,241	260,218
	458,386	474,260

9 Held-to-maturity investments

	2015 $	2014 $
Debt securities – at amortised cost:		
Deposits with Authorised Deposit-Taking Institutions	38,809,802	38,159,786
	38,809,802	38,159,786

10 Loans and advances

	2015 $	2014 $
Overdrafts	6,421,548	6,648,091
Term loans	224,102,875	218,193,904
Unamortised setup costs	41,009	26,447
Unamortised establishment fees	(129,831)	(79,235)
Gross loans and advances	230,435,601	224,789,207
Provision for impairment (note 11)	(143,776)	(335,669)
Net loans and advances	230,291,825	224,453,538

Maturity Analysis

	2015 **$**	2014 $
Unamortised setup costs	41,009	26,447
Unamortised establishment fees	(129,831)	(79,235)
Current accounts		
Overdrafts	6,421,548	6,648,091
Not longer than 3 months	2,755,921	2,745,282
Longer than 3 months and not longer than 12 months	7,645,348	7,459,076
Non-current accounts		
Longer than 1 year and not longer than 5 years	35,600,354	34,185,823
Longer than 5 years	178,101,252	173,803,723
	230,435,601	224,789,207

Concentration of loans

The credit union's operations are predominately in the Central Queensland region. There is no significant exposure to a particular industry or customer group. Refer Note 2 for detailed analysis of loans and advances and collateral held.

Securitisation

From time to time the credit union transfers loans into a securitisation vehicle for the purpose of liquidity and capital management. The credit union considers this securitisation vehicle to be an unconsolidated structured entity.

At 30 June 2015, the fair value of securitised loans under management is $21,864,140 (2014: $30,194,673). These loans have been derecognised from the credit union's balance sheet. The credit union's interest in the securitisation vehicle is limited to a margin entitlement earned from servicing these securitised loans. During 2015, the credit union earned $288,415 (2014: $451,450) income from these activities.

The credit union's maximum exposure to loss associated with structured entities is the loss of the margin entitlement earned in servicing securitised loans.

There are no additional off balance sheet arrangements which would expose the credit union to potential loss. Once the securitised loans have been repaid, the credit union ceases to be exposed to any risk from the securitisation vehicle.

The credit union's last transfer of loans into a securitisation vehicle occurred in 2012 and the credit union has no plans at this time of securitising any further loans.

11 Impairment of loans and advances

These provisions have been determined in accordance with the policies as set out in Note 1(e).

	2015 **$**	2014 $
(a) Provisions for impairment		
Opening balance	335,669	285,727
Expense to(from) provision	(21,649)	244,559
Bad debts written off from provision	(170,244)	(194,617)
Closing balance	143,776	335,669
(b) Bad and doubtful debts expense/(revenue)		
Provision for impairment	(21,649)	244,559
Bad debts written off directly	-	-
	(21,649)	244,559
(c) Impaired loans and past due loans		
Non-accrual loans	93,140	637,132
Provision for non-accrual loans	(63,420)	(235,621)
Net carrying value	29,720	401,511
Interest forgone on non-accrual loans	1,865	18,095
Balance of past-due loans	438,414	229,444

12 Property, plant and equipment

	Freehold land and Buildings $	Plant and Equipment $	Total $
At 1 July 2013			
Cost	2,839,916	4,141,806	6,981,722
Accumulated depreciation	(24,769)	(3,602,012)	(3,626,781)
Carrying amount	2,815,147	539,794	3,354,941
Year ended 30 June 2014			
Carrying amount at 1 July 2013	2,815,147	539,794	3,354,941
Additions	-	214,131	214,131
Disposals	-	(34,558)	(34,558)
Transfers from Work in Progress accounts	-	28,741	28,741
Revaluation increments	(1,275)	-	(1,275)
Depreciation	(55,372)	(316,413)	(371,785)
Carrying amount at 30 June 2014	2,758,500	431,695	3,190,195
At 30 June 2014			
Cost	2,810,000	3,011,974	5,821,974
Accumulated depreciation	(51,500)	(2,580,279)	(2,631,779)
Carrying amount	2,758,500	431,695	3,190,195
Year ended 30 June 2014			
Carrying amount at 1 July 2014	2,758,500	431,695	3,190,195
Additions	51,208	202,017	253,225
Transfers from Work in Progress accounts	-	14,525	14,525
Depreciation	(54,471)	(229,562)	(284,033)
Carrying amount at 30 June 2015	2,755,237	418,675	3,173,912
At 30 June 2015			
Cost	2,861,208	3,224,663	6,085,871
Accumulated depreciation	(105,971)	(2,805,988)	(2,911,959)
Carrying amount	2,755,237	418,675	3,173,912

(a) Recognised fair value measurements

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

All resulting fair value estimates for properties are included in level 3 of the fair value hierarchy levels prescribed under the accounting standards as one or more of the significant inputs required to fair value the credit union's properties is not based on observable market data.

The credit union engages external, independent and qualified valuers to determine the fair value of credit union's properties at least every three years. A revaluation of freehold land and buildings at 157 East Street, Rockhampton was performed by directors as at 4th June 2013, based on an assessment of the current market value. In performing the revaluation, directors referred to an independent valuation by Herron Todd White (Central Queensland) Pty Ltd. The current carrying value of property held in Emerald was based on an independent valuation as at 26th May 2014 by Herron Todd White (Central Queensland) Pty Ltd. Current market value of freehold properties as at 30th June 2015 was assessed at $2,861,208 and it is the opinion of the directors that this current carrying value is appropriate.

13 Deferred tax assets

	2015 $	2014 $
Deferred tax assets comprise temporary differences attributable to:		
Doubtful debts	43,133	100,700
Employee benefits	136,177	132,175
Accruals	3,836	3,836
Depreciation	174,367	121,339
Excess FBT accounting over tax deduction	(175)	(41)
Prepayments (expense account)	74,808	52,865
Prepayments (asset account)	(1,059)	(870)
Deferred tax liabilities (note 17)	18,153	33,898
	449,240	443,902
Movements:		
Opening balance 1 July	443,902	425,554
Credited/(charged) to the income statement	21,083	17,965
Credited/(charged) from deferred tax liabilities	(15,745)	383
Closing balance 30 June	449,240	443,902
Deferred tax assets to be recovered within 12 months	449,240	443,902
	449,240	443,902

14 Other Assets

	2015 $	2014 $
Other assets	582,383	229,931
	582,383	229,931

15 Other Liabilities

	2015 $	2014 $
Accrued expenses – to be settled within 12 months	1,083,898	829,398
Other liabilities – to be settled within 12 months	391,459	711,126
	1,475,357	1,540,524

16 Deposits and Borrowings

	2015 $	2014 $
Unsecured deposits and borrowings		
Member call deposits (including withdrawable shares)	145,699,207	153,914,730
Member term deposits	109,652,661	97,721,018
Member unsecured notes	5,013,125	5,975,846
Total deposits and borrowings	260,364,993	257,611,594
Current	256,247,853	252,598,470
Non-current	4,117,140	5,013,124
	260,364,993	257,611,594

Concentration of Deposits

The credit union's operations are predominately in the Central Queensland region. There is no significant exposure to a particular industry or customer group. There are no deposits lodged by individual depositors or related groups which exceed 10% of liabilities.

17 Deferred tax liabilities

	2015 **$**	2014 $
Deferred tax liabilities comprise temporary differences attributable to:		
Property, plant and equipment	(18,153)	(33,898)
Deferred tax assets	18,153	33,898
Total deferred tax liability	-	-

18 Provisions

	2015 **$**	2014 $
Non-current provisions		
Provision for employee benefits – long service leave	57,230	50,478
Current provisions		
Provision for employee benefits – annual leave	194,484	200,556
Provision for employee benefits – long service leave	202,210	189,548
Provision for dividends	69,512	67,160
	523,436	507,742

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	2015 **$**	2014 $
Carrying amount at start of year	67,160	71,079
Charged/(credited) to the income statement		
- additional provisions recognised	138,760	137,715
Dividends paid	(136,408)	(141,634)
Closing Balance as at 30 June	69,512	67,160

19 Contributed equity

	Number of Shares	$
(a) Movements in Share Capital		
Investment Shares		
Opening balance 1 July 2014	2,613,190	2,613,190
Balance 30 June 2015	2,613,190	2,613,190
Less: Transaction costs arising on share issue		(104,611)
30 June 2015 Total contributed equity	2,613,190	2,508,579

Investment Shares are irredeemable, non-cumulative non-participating preference shares issued under Division 2 of Appendix 3 to the credit union's constitution.

20 Reserves and retained profits

	2015 $	2014 $
(a) Reserves		
Asset revaluation reserve – opening balance	747,978	748,870
Movements:		
Decrease on revaluation – gross (note 12)	-	(1,275)
Decrease on revaluation – deferred tax (note 17)	-	383
Balance 30 June 2015	747,978	747,978
Credit loss reserve – opening balance	295,128	295,128
Movements:		
Increment on transfer from retained earnings	184,733	-
Balance 30 June 2015	479,861	295,128
Total reserves 30 June 2015	1,227,839	1,043,106

Nature and purpose of reserves

(i) Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of assets, as described in accounting policy Note 1(k).

(ii) Credit loss reserve
The credit loss reserve replaces the former general provision for doubtful debts, as described in Note 1(j). It is an equity reserve established in accordance with the Prudential Standards to provide for credit losses inherent in the loan portfolio but not yet identified.

(b) Retained profits

	2015 $	2014 $
Retained profits at the beginning of the financial year	15,358,119	14,346,264
Profit for the year	1,483,325	1,149,570
Dividends	(138,760)	(137,715)
Transfer to credit loss reserve	(184,733)	-
Retained profits at the end of the financial year	16,517,951	15,358,119

21 Dividends

(a) Investment shares

	2015 $	2014 $
Final dividend for the year ended 30 June 2014 equivalent to the maximum dividend benchmark rate 5.18% p.a. per share (2013 – 5.49% p.a. per share fully franked). Paid on 3rd November 2014 (2013 – 15th November 2013).	67,160	71,079
Interim dividend for the year ended 30 June 2015 equivalent to the maximum dividend benchmark rate 5.26% p.a. per share (2014 – 5.36% p.a. per share fully franked). Paid on 9th February 2015 (2014 – 6th February 2014).	69,248	70,556

The directors have provided for the payment of a final ordinary dividend of $69,512 paid out of retained profits at 30 June 2015 on Investment Shares issued as at that date. The dividend per share provided for equates to the maximum dividend benchmark rate of 5.36% p.a. fully franked for the period ended 30 June 2015. Payment is subject to confirmation of members at the Annual General Meeting.

22 Key management personnel disclosures

(a) Key management personnel compensation

	2015 $	2014 $
Short-term employee benefits	765,232	708,112
Post-employment benefits	187,590	165,937
Long-term benefits	(981)	12,857
	951,841	886,906

Detailed remuneration disclosures are provided in sections A-B of the remuneration report on pages 9-10.

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of Investment Shares in the credit union held during the financial year by each director of The Capricornian Ltd and other key management personnel of the credit union, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation. There were no shares sold or purchased by key management personnel during the year.

2015 Name	Balance at the start of the year	Balance at the end of the year
Directors of The Capricornian Ltd **Investment Shares.**		
George Anthony Edwards	50,500	50,500
Ian John Mill	Nil	Nil
Vicki Anne Bastin-Byrne	2,000	2,000
James Richard Mason	Nil	Nil
Christopher Bernard O'Brien	Nil	Nil
John Francis Siganto	4,000	4,000
Other key management personnel of The Capricornian Ltd **Investment Shares.**		
John William Collins Brown	Nil	Nil
Graeme Walter Kemp	2,000	2,000
Andrew John Robertson	2,000	2,000
Bradley Stuart Cook**	Nil	Nil
Leslie James Spencer***	Nil	Nil

2014 Name	Balance at the start of the year	Balance at the end of the year
Directors of The Capricornian Ltd **Investment Shares.**		
George Anthony Edwards	50,500	50,500
Ian John Mill	Nil	Nil
Vicki Anne Bastin-Byrne	2,000	2,000
James Richard Mason	Nil	Nil
Christopher Bernard O'Brien	Nil	Nil
John Francis Siganto	4,000	4,000
Ross Strelow*	31,000	31,000
Other key management personnel of The Capricornian Ltd **Investment Shares.**		
John William Collins Brown	Nil	Nil
Graeme Walter Kemp	2,000	2,000
Andrew John Robertson	2,000	2,000
Bradley Stuart Cook**	Nil	Nil

All of the above persons also hold one $10 member share or held a $10 member share whilst key management personnel of the credit union.

* R Strelow retired 31st December 2013.

** B.S. Cook resigned 3rd November 2014.

*** L.J. Spencer commenced 19th January 2015.

(c) Loans to key management personnel

Details of loans made to key management personnel of The Capricornian Ltd, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

	Balance at the start of the year $	Interest paid and payable for the year $	Balance at the end of the year $	Number in Group at the end of the year
2015	**225,880**	**4,931**	**57,210**	**1**
2014	279,381	14,403	225,880	3

(ii) Key management personnel with loans above $100,000

2015 Name	Balance at the start of the year $	Interest paid and payable for the year $	Balance at the end of the year $	Highest Indebtedness during the year $
B S Cook**	147,049	2,098	-	147,049

2014 Name	Balance at the start of the year $	Interest paid and payable for the year $	Balance at the end of the year $	Highest Indebtedness during the year $
R Strelow*	186,242	12,090	229,643	231,542
B S Cook**	-	4,309	147,049	150,560

* R Strelow retired on 31st December 2013. Balances disclosed are for the period 1 July 2013 to 31 December 2013.

** B S Book resigned 3rd November 2014. Balances disclosed are for the period 1 July 2014 to 3 November 2014.

Loans are provided to key management personnel and their related entities on the same terms and conditions as members. There are no benefits or concessional terms and conditions applicable.

Loans outstanding at the end of the current and prior year include overdraft and term loans secured by first mortgages over residences. Interest is payable on the facilities at the standard rate for each facility.

All other loans to key management personnel are unsecured overdraft facilities at standard interest rates for each facility.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(d) Other transactions with key management personnel

There were no transactions with key management personnel during the year ended 30 June 2015.

23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the credit union:

	2015 **$**	2014 $
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australia		
Auditing or reviewing the accounts, including half year report and regulatory reporting	135,943	122,398
(b) Taxation services		
BDO Kendalls		
Tax compliance services, including company income tax returns	18,672	15,847
(c) Advisory services		
KPMG (2015)/BDO Kendalls (2014)		
Internal audit work	86,040	59,405

24 Contingent Liabilities

Guarantees
The credit union has issued guarantees to support the obligations of certain members. The guarantees are for limited amounts and limited terms. Security is taken from the member whose obligation is guaranteed in accordance with the credit union’s normal lending policies.

	2015 **$**	2014 $
Guarantees	157,262	231,941

25 Commitments

(a) Operating lease commitments

	2015 **$**	2014 $
Non cancellable operating leases contracted for but not capitalised in the accounts, payable:		
Within one year	121,691	167,258
Later than one year but not later than five years	422,551	39,270
Later than five years	3,425	-
	547,667	206,528

(i) Operating Leases

The credit union leases various office and retail premises under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(b) Outstanding loan commitments

	2015 **$**	2014 $
Loans and credit facilities approved but not yet funded or drawn at the end of the financial year:		
Loans approved but not funded	2,943,333	1,846,466
Undrawn overdraft and lines of credit	4,391,977	5,123,284
	7,335,310	6,969,750

26 Fair Value of Financial Instruments

The fair value estimates were determined by the following methodologies and assumptions:

Cash equivalents

The carrying amount of cash and cash equivalents approximate their fair value as they are short term in nature or are receivable on demand.

Securities

Held to maturity investments are carried at amortised cost as these assets are intended to be held until maturity.

Loans and advances

The carrying value of loans and advances is net of specific provisions for impairment. This is a reasonable estimate of the fair value.

Short term borrowings

The fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repriced within twelve months is the carrying value as at 30 June 2015.

	2015		2014	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Assets				
Cash and cash equivalents	9,111,925	9,111,925	11,862,737	11,862,737
Receivables	458,386	458,386	474,260	474,260
Held to maturity investments	38,809,802	38,809,802	38,159,786	38,159,786
Loans and advances	230,291,825	230,291,825	224,453,538	224,453,538
Liabilities				
Deposits and borrowings	260,364,993	260,364,993	257,611,594	257,611,594
Accrued Interest Expense and other liabilities	1,475,357	1,475,357	1,540,524	1,540,524
Provisions	523,436	523,436	507,742	507,742

27 Operational dependency

The credit union has an operational dependency on the following suppliers of services:-

(a) Industry service companies

The credit union is a member of Australian Settlements Limited and a customer of Cuscal Ltd. These entities provide cheque clearing, card and electronic transaction clearing and banking facilities to the credit union.

(b) Ultradata Australia Pty Ltd

This entity is the provider of support and maintenance for the retail banking application software utilised by the credit union.

(c) The System Works Pty Ltd

This entity is the provider of facilities management, bureau support, managed desktop support and Netteller software utilised by the credit union.

28 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015	2014
	$	$
Profit for the year	1,483,324	1,149,570
Depreciation	284,033	371,785
Provision for doubtful debts	(21,649)	244,559
Bad debts written off from provision	(170,244)	(194,617)
Net (gain) loss on sale of non-current assets	(75)	-
Change in operating assets and liabilities		
(Increase) decrease in loans	(5,682,428)	(3,206,228)
(Decrease) increase in member deposits	2,753,398	(19,800,496)
(Increase) decrease in deferred tax assets	(5,338)	(18,348)
(Increase) decrease in other assets	(351,142)	85,343
(Decrease) increase in creditors	(14,568)	(216,049)
Increase (decrease) in provision for income tax	14,633	208,079
(Decrease) increase in other provisions	13,342	24,355
(Decrease) increase in deferred tax liabilities	-	383
Net cash (outflow) inflow from operating activities	(1,696,714)	(21,351,664)

29 Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash is defined as currency, on call deposits with a financial institution net of overdrafts, and short term deposits used in the credit union's cash management function on a day to day basis.

	2015	2014
Cash at the end of the financial year as shown in the Statement of Cash Flows consists of:	**$**	$
Cash on hand at bank	9,111,925	11,862,736
Short term deposits	38,809,802	38,159,786
Cash at the end of the financial year	47,921,727	50,022,522

30 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

(b) Transactions with other related parties

Disclosures relating to transactions with related parties are set out in Note 22.

(c) Outstanding balances arising from sales/purchases of goods and services

There are no balances outstanding at the end of the reporting period in relation to transactions with related parties.

(d) Loans to/from related parties

There are no loans to/from related parties other than those disclosed in Note 22.

31 Events occurring after reporting period

Subsequent to the end of the financial year, the credit union entered into a contract with ACCUMUL8 Wealth Management Pty Ltd to sell all Financial Planning client relationships maintained by The Capricornian Ltd for an amount of $175,548 with potential additional consideration of $50,157.

In the directors' opinion:

(a) the financial statements and notes set out on pages 14-42 are in accordance with the *Corporations Act 2001,* including:
 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

G.A. Edwards
Director

I. J. Mill
Director

Rockhampton
24th September 2015

Independent auditor's report to the members of The Capricornian Ltd

Report on the financial report

We have audited the accompanying financial report of Capricornian Ltd (the 'credit union'), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the credit union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), 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.

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. These 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 judgement, 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*.

Auditor's opinion

In our opinion:

(a) the financial report of The Capricornian Ltd is in accordance with the *Corporations Act 2001*, including:

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(i) giving a true and fair view of the credit union's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the credit union's financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 9-10 of the directors' report for the year ended 30 June 2015. The directors of the credit union are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of The Capricornian Ltd for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Michael O'Donnell
Partner

Brisbane
24th September 2015

NOTES

NOTES

Our People, Our Community

The Capricornian plays an active role in supporting local events, organisations and charities.
Thanks to all of our members, we can give back to our local communities.

the capricornian
community owned banking

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