



The Capricornian Ltd

ABN 54 087 650 940

Interim report

for the half-year ended 31 December 2015

The Capricornian Ltd ABN 54 087 650 940
Interim report – 31 December 2015

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by The Capricornian Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements were authorised for issue by the directors on 29th March 2016. The credit union has the power to amend and reissue the financial statements.

Directors	George Anthony Edwards <i>Chairman</i> Ian John Mill <i>Deputy-Chairman</i> Vicki Anne Bastin-Byrne 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 Online Banking www.capricornian.com.au
Branches	Stockland Rockhampton, Yaamba Road, North Rockhampton 2 James Street, Yeppoon 115 Egerton Street, Emerald Blomfield Street, Miriam Vale 174 Goondoon Street, Gladstone
ATM's	Automatic Teller Machines (ATM's) are located at all locations listed above
External Auditor	PricewaterhouseCoopers
Internal Auditor	KPMG
Solicitors	Gadens Lawyers (Brisbane) Daniels Bengtsson Pty Ltd (Sydney)
Affiliations	Cuscal Ltd Australian Settlements Limited Customer Owned Banking Association
Website address	www.capricornian.com.au
Regulatory Disclosures	www.capricornian.com.au/About-Us/CorplInfo/Prudential-Disclosure.aspx

Directors' report

Your directors present their report on the operations of The Capricornian Ltd for the half-year ended 31 December 2015.

Directors

The following persons were directors of The Capricornian Ltd during the whole of the half-year and up to the date of this report:

George Anthony EDWARDS (Chairman)

Ian John MILL (Deputy-Chairman)

Vicki Anne BASTIN-BYRNE

Christopher Bernard O'BRIEN

John Francis SIGANTO

Review of operations

The Capricornian Ltd continues to perform well despite significant impacts on a number of key industries within the regional market by economic influences over the half year.

The results reflect another consecutive half year of positive growth and sound profitability. A pre-tax profit of \$1,264,763 represents an increase of \$214,048 (20%) on the same period last year.

The sale of the Financial Planning relationships held by the credit union for \$175,000 during the half year is included in the above result. Despite these sale proceeds, pre-tax profit increased 3.7% on the previous half year. The credit union is committed to providing members with solutions for investment, savings and risk management needs and has partnered with Bridges Financial Services Pty Ltd to continue to provide professional financial planning advice.

Following on from the introduction of our new lending product suite in 2014, a full review of our deposit product suite is currently underway. This new deposit product suite commenced during the half year with the introduction of our new Youth Access Account designed for 5 to 16 year olds. This will be followed by our new Student and Apprentice Account designed for 16 to 25 year olds. This new deposit product suite will further enhance our product offering available to members.

Community involvement for The Capricornian remains a major component of our presence in all of our regions. Highlights of our community participation in the last half year have been:

- Disability action week
- Anglicare Adopt-a-Family
- Heart Foundation Christmas wrapping
- C2C School events

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 4.

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
29th March 2016



Auditor's Independence Declaration

As lead auditor for the review of The Capricornian Ltd for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Michael O'Donnell
Partner
PricewaterhouseCoopers

Brisbane
29 March 2016

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The Capricornian Ltd
Statement of Comprehensive Income
For the half-year ended 31 December 2015

	Notes	Half-year	
		2015 \$	2014 \$
Interest revenue	2	6,601,997	7,197,962
Interest expense	2	<u>(2,838,044)</u>	<u>(3,547,158)</u>
Net interest revenue		3,763,953	3,650,804
Fee and commission revenue	3	849,871	977,937
Other revenue	3	258,476	64,749
Total net interest income and other revenue		4,872,300	4,693,490
Bad and doubtful debts (expense)/revenue		(34,998)	(49,998)
Other expenses	4	(3,572,539)	(3,592,777)
Total expenses		<u>(3,607,537)</u>	<u>(3,642,775)</u>
Profit before income tax expense		<u>1,264,763</u>	<u>1,050,715</u>
Income tax expense		(379,429)	(315,214)
Profit for the half-year attributable to members		885,334	735,501
Other comprehensive income, net of income tax			
Revaluation of land and buildings		-	-
Total comprehensive income for the half-year attributable to members		<u>885,334</u>	<u>735,501</u>

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

The Capricornian Ltd
Statement of Financial Position
As at 31 December 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Cash and cash equivalents		14,680,934	9,111,925
Receivables		506,905	458,386
Held-to-maturity investments		32,811,930	38,809,802
Loans and advances		234,907,541	230,291,825
Property, plant and equipment		3,321,727	3,173,912
Deferred tax assets		449,240	449,240
Other assets	7	631,865	582,383
Total assets		287,310,142	282,877,473
LIABILITIES			
Deposits and borrowings		263,907,403	260,364,993
Other liabilities		1,615,182	1,475,357
Provision for income tax		252,681	259,318
Provisions		458,413	523,436
Total liabilities		266,233,679	262,623,104
Net assets		21,076,463	20,254,369
EQUITY			
Contributed equity		2,508,579	2,508,579
Reserves		1,237,191	1,227,839
Retained profits		17,330,693	16,517,951
Total equity		21,076,463	20,254,369

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

The Capricornian Ltd
Statement of Changes in Equity
For the half-year ended 31 December 2015

	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total \$
Balance 1 July 2014	2,508,579	1,043,998	15,358,119	17,898,841
Profit for the half-year as reported in the 2013 interim report	-	-	735,501	735,501
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	735,501	735,501
Transfer to / from reserve for credit losses	-	-	-	-
Total transfers to / from retained earnings	-	-	-	-
Transactions with investment shareholders				
Contributions of equity, net of transaction costs	-	-	-	-
Dividend provided for	-	-	(69,291)	(69,291)
	-	-	(69,291)	(69,291)
Balance half-year ended 31 December 2014	2,508,579	1,043,106	16,024,329	19,576,014
Balance 1 July 2015	2,508,579	1,227,839	16,517,951	20,254,369
Profit for the half-year as reported in the 2015 interim report	-	-	885,334	885,334
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	885,334	885,334
Transfer to / from reserve for credit losses	-	9,352	(9,352)	-
Total transfers to / from retained earnings	-	9,352	(9,352)	-
Transactions with investment shareholders				
Contributions of equity, net of transaction costs	-	-	-	-
Dividend provided for	-	-	(63,240)	(63,240)
	-	-	(63,240)	(63,240)
Balance half-year ended 31 December 2015	2,508,579	1,237,191	17,330,693	21,076,463

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

The Capricornian Ltd
Statement of Cash Flows
For the half-year ended 31 December 2015

	Half-year	
	2015	2014
	\$	\$
Cash flows from operating activities		
Interest received	6,616,510	7,270,549
Interest paid	(2,595,802)	(3,521,718)
Loans and advances funded	(27,581,100)	(22,835,475)
Loans repaid excluding overdrafts	22,931,119	20,703,350
Net inflow / (outflow) in member deposits	3,542,410	(7,150,048)
Non interest revenue received	1,325,150	850,767
Cash paid to suppliers and employees	(3,648,041)	(3,679,600)
Income taxes paid	(386,066)	(162,538)
Net cash inflow / (outflow) from operating activities	204,180	(8,524,713)
Cash flows from investing activities		
Payments for property, plant and equipment	(569,632)	(101,667)
Proceeds from sale of property, plant and equipment	6,100	-
Net cash inflow / (outflow) from investing activities	(563,532)	(101,667)
Cash flows from financing activities		
Dividends paid	(69,511)	(67,159)
Net cash inflow / (outflow) from financing activities	(69,511)	(67,159)
Net increase / (decrease) in cash and cash equivalents	(428,863)	(8,693,539)
Cash and cash equivalents at the beginning of the half- year	47,921,727	50,022,522
Cash and cash equivalents at end of the half-year	47,492,864	41,328,983

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

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by The Capricornian Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The credit union's assessment of the impact of these new standards and interpretations is set out below.

(i) IFRS 16 *Leases* eliminates the classification of leases as either operating leases or finance leases and introduces a single lease accounting model. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The model also requires that a lessee recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The standard was published in January 2016, however it only applies to annual periods beginning on or after 1 January 2019. The credit union is yet to assess how the standard will impact on its financial reporting.

2 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.

	Half-year	
	2015	2014
	\$	\$
Interest Revenue		
Cash and cash equivalents	114,752	152,197
Investment securities	419,115	463,664
Loans and advances	6,068,130	6,582,101
	6,601,997	7,197,962
 Interest Expense		
Member deposits	2,712,101	3,376,400
Investment bonds	125,790	170,602
Borrowings	153	156
	2,838,044	3,547,158

3 Fee, Commission and Other Revenue

	Half-year	
	2015	2014
	\$	\$
Non-Interest Revenue		
Fees and commissions		
-loan fee income	145,981	144,720
-other fee income	336,500	372,837
-insurance commissions	186,576	229,740
-other commissions	180,814	230,640
Subtotal	849,871	977,937
Bad debts recovered	4,224	2,364
Other revenue		
-sale of financial planning relationships	175,000	-
-other	79,252	62,385
Subtotal	258,476	64,749
Total non-interest revenue	1,108,347	1,042,686

4 Other Expenses

	Half-year	
	2015	2014
	\$	\$
Depreciation and amortisation		
-plant and equipment	119,923	104,344
-buildings	27,640	27,032
General and administration		
-personnel costs	1,677,010	1,655,549
-other	936,383	969,146
Other provisions		
-provision for employee entitlements	(58,751)	17,538
Other expenses		
-operating lease expenses	107,666	103,319
-IT & C expenses	449,290	455,650
-other	313,378	260,199
Total Other Expenses	3,572,539	3,592,777

5 Dividends

	Half-year	
	2015	2014
	\$	\$
Investment Shares		
Final dividend for the year ended 30 June 2015 (paid on 26 th October 2015)	69,511	67,159
Interim dividend for the year ended 30 June 2016 (paid on 1 st February 2016)	63,240	69,291

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

6 Contingent Liabilities

Guarantees

The Capricornian 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 Capricornian's normal lending policies.

	31 December 2015	30 June 2015
	\$	\$
Guarantees	255,274	157,262

7 Other Assets

	31 December 2015	30 June 2015
	\$	\$
Intangible Assets	352,387	-
Other Assets	279,478	582,383
	<u>631,865</u>	<u>582,383</u>

Intangible assets include internet and mobile banking platforms capitalised during the half year.

8 Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the half-year which would be likely to have a significant affect on the operations of the credit union, the results of these operations or the state of affairs of the credit union in subsequent financial periods.

9 Tax-Effect Accounting

The Capricornian Ltd has applied the effective tax rate in determining the income tax expense of The Capricornian Ltd for the half-year ending 31 December 2015. The current tax payable from the prior balance sheet date has been adjusted for payments made to taxation authorities and the income tax expense for the current period. Movements in deferred tax assets and deferred tax liabilities are not considered to be significant for the half-year period and accordingly have not been updated. These balances will be calculated and updated for the full-year period ending 30 June 2016.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 11 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 Capricornian Ltd's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that The Capricornian Ltd will be able to pay its debts as and when they become due and payable

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

G. A. Edwards
Director

I. J. Mill
Director

Rockhampton
29th March 2016



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Capricornian Ltd (the company), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Capricornian Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Capricornian Ltd is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

PricewaterhouseCoopers

Michael O'Donnell
Partner

Brisbane
29th March 2016