



## **The Capricornian Ltd**

ABN 54 087 650 940

### **Interim report**

**for the half-year ended 31 December 2016**

**The Capricornian Ltd** ABN 54 087 650 940  
**Interim report – 31 December 2016**

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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 2016 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 28<sup>th</sup> March 2017. The credit union has the power to amend and reissue the financial statements.

**Directors**

George Anthony Edwards  
*Chairman*

John Francis Siganto  
*Deputy Chairman*

Vicki Anne Bastin-Byrne

Christopher Bernard O'Brien

Ian John Mill (resigned 5<sup>th</sup> December 2016)

Peter Graham Olrich (appointed 14<sup>th</sup> December 2016)

**Secretary**

Andrew John Robertson

**Registered office**

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**Branches**

Stockland Rockhampton, Yaamba Road, North Rockhampton  
2 James Street, Yeppoon  
115 Egerton Street, Emerald  
Blomfield Street, Miriam Vale  
174 Goonoon 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](http://www.capricornian.com.au)

**Regulatory Disclosures**

[www.capricornian.com.au/About-Us/Prudential-Disclosures/](http://www.capricornian.com.au/About-Us/Prudential-Disclosures/)

## Directors' report

Your directors present their report on the operations of The Capricornian Ltd for the half-year ended 31 December 2016.

### 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)

John Francis SIGANTO (Deputy Chairman)

Vicki Anne BASTIN-BYRNE

Christopher Bernard O'BRIEN

Ian John MILL (resigned 5<sup>th</sup> December 2016)

Peter Graham Olrich (appointed 14<sup>th</sup> December 2016)

### Review of operations

The Capricornian Ltd continues to perform satisfactorily despite significant impacts on a number of key industries within the Central Queensland region. Locally, Building Approvals are down 40% on longer term averages and economic influences over the half year have been patchy at best. Within that context the Credit Union results reflect another consecutive half year of sound profitability and modest growth. A pre-tax profit of \$963,478 represents a decrease of 23.8% on the same period last year, with the comparative period in the previous financial year including \$175,000 proceeds from sale of Financial Planning (note 3). In the face of ongoing low loan rates it is pleasing to note that the Cost to Income ratio of the Credit Union for the first six months of the financial year was 76.3%, which reflects ongoing efforts to manage expenses.

Within the Credit Union, staff engagement has been a top focus of the new CEO and a range of initiatives have been introduced to support, motivate and better equip staff to focus on their primary function of meeting the increasingly challenging financial realities of our members. In the face of a crowded financial services landscape we seek to remain relevant to our members and the introduction of the 'Cap App' is an example of ensuring our members receive access to best of breed banking products and services. Continual improvement in IT infrastructure is both a challenge and an opportunity for the Credit Union and we will continue to seek to obtain a positive return for our 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
- Yeppoon Tropical Pinefest
- Rockhampton Christmas Parade
- Junior Football Academy Season Final and Presentation

### 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

J. F. Siganto  
Director

Rockhampton  
28<sup>th</sup> March 2017



### **Auditor's Independence Declaration**

As lead auditor for the review of The Capricornian Ltd for the half-year ended 31 December 2016, 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  
28<sup>th</sup> March 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

**The Capricornian Ltd**  
**Statement of Comprehensive Income**  
For the half-year ended 31 December 2016

		<b>Half-year</b>	
	Notes	<b>2016</b>	2015
		\$	\$
Interest revenue	2	6,496,443	6,650,968
Interest expense	2	<u>(2,669,737)</u>	<u>(2,838,044)</u>
Net interest revenue		3,826,706	3,812,924
Fee and commission revenue	3	831,416	800,900
Other revenue	3	80,019	258,476
Total net interest income and other revenue		4,738,141	4,872,300
Bad and doubtful debts (expense)/revenue		(159,462)	(34,998)
Other expenses	4	(3,615,201)	(3,572,539)
Total expenses		<u>(3,774,663)</u>	<u>(3,607,537)</u>
Profit before income tax expense		<u>963,478</u>	<u>1,264,763</u>
Income tax expense		(289,044)	(379,429)
Profit for the half-year attributable to members		674,434	885,334
Other comprehensive income, net of income tax			
Revaluation of land and buildings		-	-
Total comprehensive income for the half-year attributable to members		<u>674,434</u>	<u>885,334</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 2016

	Notes	31 December 2016 \$	30 June 2016 \$
<b>ASSETS</b>			
Cash and cash equivalents		17,554,630	12,099,451
Receivables		564,535	468,739
Held-to-maturity investments		29,852,152	28,826,948
Loans and advances		246,616,977	246,201,584
Property, plant and equipment		3,051,152	3,042,057
Intangible Assets		458,605	513,953
Deferred tax assets		486,287	486,287
Other assets	7	301,109	168,998
<b>Total assets</b>		298,885,447	291,808,017
<b>LIABILITIES</b>			
Deposits and borrowings		274,480,486	267,695,780
Other liabilities		1,750,741	2,122,008
Provision for income tax		122,975	112,592
Provisions		478,663	438,101
<b>Total liabilities</b>		276,832,865	270,368,481
<b>Net assets</b>		22,052,582	21,439,536
<b>EQUITY</b>			
Contributed equity		2,508,579	2,508,579
Reserves		1,219,087	1,223,721
Retained profits		18,324,916	17,707,236
<b>Total equity</b>		22,052,582	21,439,536

*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 2016

	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total \$
<b>Balance 1 July 2015</b>	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	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	885,334	885,334
Transfer to / from reserve for credit losses	-	9,352	(9,352)	-
<b>Total transfers to / from retained earnings</b>	-	9,352	(9,352)	-
<b>Transactions with investment shareholders</b>				
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
Balance 1 July 2016	2,508,579	1,223,721	17,707,236	21,439,536
Profit for the half-year as reported in the 2016 interim report	-	-	674,434	674,434
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	674,434	674,434
Transfer to / from reserve for credit losses	-	(4,634)	4,634	-
<b>Total transfers to / from retained earnings</b>	-	(4,634)	4,634	-
<b>Transactions with investment shareholders</b>				
Contributions of equity, net of transaction costs	-	-	-	-
Dividend provided for	-	-	(61,388)	(61,388)
	-	-	(61,388)	(61,388)
Balance half-year ended 31 December 2016	2,508,579	1,219,087	18,324,916	22,052,582

*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 2016

	<b>Half-year</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Interest received	6,499,520	6,616,510
Interest paid	(2,431,695)	(2,595,802)
Loans and advances funded	(24,962,336)	(27,581,100)
Loans repaid excluding overdrafts	24,384,142	22,931,119
Net inflow/(outflow) in member deposits	6,784,708	3,542,410
Non interest revenue received	716,396	1,325,150
Cash paid to suppliers and employees	(4,000,936)	(3,648,041)
Income taxes paid	(278,662)	(386,066)
<b>Net cash inflow from operating activities</b>	<b>6,711,137</b>	<b>204,180</b>
<b>Cash flows from investing activities</b>		
Payments for held-to-maturity investments	(1,000,000)	-
Payments for property, plant and equipment and Intangible assets	(165,424)	(569,632)
Proceeds from sale of property, plant and equipment	-	6,100
<b>Net cash outflow from investing activities</b>	<b>(1,165,424)</b>	<b>(563,532)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(65,330)	(69,511)
<b>Net cash outflow from financing activities</b>	<b>(65,330)</b>	<b>(69,511)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,480,383</b>	<b>(428,863)</b>
Cash and cash equivalents at the beginning of the half- year	40,926,399	47,921,727
<b>Cash and cash equivalents at end of the half-year</b>	<b>46,406,782</b>	<b>47,492,864</b>

*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 2016 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 2016 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) New and amended standards adopted by The Capricornian Ltd

A number of new or amended standards became applicable for the current reporting period, however The Capricornian Ltd did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## 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	
	2016	2015
	\$	\$
<b>Interest Revenue</b>		
Cash and cash equivalents	82,053	114,752
Investment securities	328,838	419,115
Loans and advances	6,085,552	6,117,101
	6,496,443	6,650,968
 <b>Interest Expense</b>		
Member deposits	2,558,694	2,712,101
Investment bonds	110,417	125,790
Borrowings	626	153
	2,669,737	2,838,044

### 3 Fee, Commission and Other Revenue

	<b>Half-year</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Non-Interest Revenue		
Fees and commissions		
-loan fee income	100,862	97,010
-other fee income	410,171	336,500
-insurance commissions	196,026	186,576
-other commissions	124,357	180,814
Subtotal	831,416	800,900
Bad debts recovered	1,890	4,224
Other revenue		
-sale of financial planning relationships	-	175,000
-other	78,129	79,252
Subtotal	80,019	258,476
Total non-interest revenue	911,435	1,059,376

### 4 Other Expenses

	<b>Half-year</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Depreciation and amortisation		
-plant and equipment	66,601	65,943
-buildings	26,000	27,640
-intangible assets	119,076	53,980
General and administration		
-personnel costs	1,645,569	1,618,259
-other	980,516	936,383
Other expenses		
-operating lease expenses	126,395	107,666
-other	651,044	762,668
Total Other Expenses	3,615,201	3,572,539

### 5 Dividends

	<b>Half-year</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Investment Shares</b>		
Final dividend for the year ended 30 June 2016 (paid on 1 <sup>st</sup> December 2016)	65,330	69,512
Interim dividend for the year ended 30 June 2017 (paid on 30 <sup>th</sup> January 2017)	61,410	63,239

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.

	<b>31 December 2016</b>	30 June 2016
	\$	\$
Guarantees	325,424	296,684

## 7 Other Assets

	<b>31 December 2016</b>	30 June 2016
	\$	\$
Other Assets	301,109	168,998
	<u>301,109</u>	<u>168,998</u>

The balance of other assets consists of clearing accounts that are expected to settle within one month.

## 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 2016. 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 2016 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

J. F. Siganto  
Director

Rockhampton  
28<sup>th</sup> March 2017



## **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 2016, 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 2016 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 2016 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  
28<sup>th</sup> March 2017