



The Capricornian Ltd

ABN 54 087 650 940

Interim report

for the half-year ended 31 December 2020

The Capricornian Ltd ABN 54 087 650 940
Interim report – 31 December 2020

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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 2020 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 22nd March 2021. The credit union has the power to amend and reissue the financial statements.

Directors	George Anthony Edwards <i>Chairman</i> John Francis Siganto <i>Deputy Chairman</i> Vicki Anne Bastin-Byrne Peter Graham Olrich Janette Linda Davis Ian John Mill
Company Secretaries	Dale Frederick Grounds Michelle Ann Alexander
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 Phonefast 1300 654 654 Online Banking www.capricornian.com.au
Branches	157 East Street, Rockhampton Stockland Rockhampton, Yaamba Road, North Rockhampton 2 James Street, Yeppoon 115 Egerton Street, Emerald Blomfield Street, Miriam Vale 174 Goondoon Street, Gladstone 29 Eclipse Street, Springsure
ATM's	Automatic Teller Machines (ATM's) are located at all locations listed above with the exception of Gladstone and Springsure Branches
External Auditor	BDO Audit Pty Ltd
Internal Auditor	KPMG
Solicitors	Gadens Lawyers (Brisbane) Daniels Bengtsson Pty Ltd (Sydney) Results Legal Solutions (Brisbane)
Affiliations	Cuscal Ltd Australian Settlements Limited Customer Owned Banking Association
Website address	www.capricornian.com.au
Regulatory Disclosures	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 2020.

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

Chris Bernard O'BRIEN (resigned 30th September 2020)

Peter Graham OLRICH

Janette Linda DAVIS

Ian John MILL (appointed 24th August 2020)

Review of operations

The 31 December 2020 post-tax result of \$852,446 reflects a 25% increase on the prior half year profit and can be attributed in part to the prudent management of the credit union's net interest margin in the face of an unprecedented low interest rate environment coupled with the receipt of various government economic stimulus benefits made available during the half year as part of the economic response to the COVID-19 pandemic situation.

This strong half-year result has allowed the credit union to significantly increase the level of impairment provision held from the prior year with \$240,000 in additional provision expensed given the uncertainty surrounding the pandemic events of 2020. At the date of this report, three loans remain under the approved repayments deferral program first implemented in March 2020, with a total value of \$1,769,119 reflecting 0.60% of the credit union's total loans and advances. This result is testament to both the prudent lending and credit management practices of your credit union as well as the strength and prosperity of the Central Queensland region in which we are proud to operate in.

Despite the uncertainty raised by the events of 2020 your credit union has not rested on its laurels and instead has proceeded to continue to invest in its people and technology throughout the half year. Recently several new staff were welcomed into various roles throughout the credit union to ensure our growing membership base remains well serviced throughout the region. Similarly, our investment in technology remains paramount, ensuring we continue to offer the most current and sought after technological solutions for our member's banking needs.

Lastly, our substantial financial commitment in Central Queensland via sponsorships and the Community Grants program has continued throughout the half year. Highlights of our sponsorships and grants in the half-year include:

- 2020 Rockhampton Basketball Junior Representative and Development Program Sponsorship
- Community Grant awarded to Narnia Kindergarten and Preschool to create an all-weather learning and play area
- RACQ Capricorn Helicopter Rescue Service Rescue 300 membership
- Community Grant awarded to Springsure Community Kindergarten to upgrade facilities

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.

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

G. A. Edwards
Director

J. F. Siganto
Director

Rockhampton
22nd March 2021

DECLARATION OF INDEPENDENCE BY M CUTRI TO THE DIRECTORS OF THE CAPRICORNIAN LTD

As lead auditor for the review of The Capricornian Ltd for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

M Cutri
Director

BDO Audit Pty Ltd

Brisbane, 22 March 2021

The Capricornian Ltd
Statement of Comprehensive Income
For the half-year ended 31 December 2020

	Notes	Half-year	
		2020 \$	2019 \$
Interest revenue	3	5,899,950	6,913,937
Interest expense	3	<u>(1,334,718)</u>	<u>(2,592,497)</u>
Net interest revenue		4,565,232	4,321,440
Fee and commission revenue	4	651,625	672,269
Other revenue	4	137,713	89,890
		<hr/>	<hr/>
Total net interest income and other revenue		5,354,570	5,083,599
Impairment expense on loans and advances		(240,000)	(43,881)
Other expenses	5	(3,962,616)	(4,104,626)
		<hr/>	<hr/>
Total expenses		<u>(4,202,616)</u>	<u>(4,148,507)</u>
Profit before income tax expense		<u>1,151,954</u>	<u>935,092</u>
Income tax expense		(299,508)	(255,175)
		<hr/>	<hr/>
Profit for the half-year attributable to members		852,446	679,917
Other comprehensive income, net of income tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the half-year attributable to members		<u>852,446</u>	<u>679,917</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 2020

	Notes	31 December 2020 \$	30 June 2020 \$
ASSETS			
Cash and cash equivalents	2	66,803,068	39,642,308
Receivables		601,314	459,458
Other assets	8	51,958	106,126
Due from other financial institutions		42,501,606	29,454,886
Loans and advances		294,903,676	292,125,057
Property, plant and equipment		3,449,577	2,924,468
Intangible Assets		991,094	572,839
Deferred tax assets		386,763	386,763
Total assets		409,689,056	365,671,905
LIABILITIES			
Deposits and borrowings		378,439,591	335,112,299
Other liabilities		2,742,513	3,067,865
Provision for income tax		299,505	182,169
Provisions		688,357	607,390
Total liabilities		382,169,966	338,969,723
Net assets		27,519,090	26,702,182
EQUITY			
Contributed equity		2,508,579	2,508,579
Reserves		964,472	971,547
Retained earnings		24,046,039	23,222,056
Total equity		27,519,090	26,702,182

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 2020

	Contributed Equity \$	Asset Revaluation Reserve \$	Credit Loss Reserve \$	Retained Earnings \$	Total \$
Balance 1 July 2019	2,508,579	398,253	594,291	21,635,678	25,136,801
Profit for the half-year as reported in the 2019 interim report	-	-	-	679,917	679,917
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	679,917	679,917
Transfer to / from reserve for credit losses	-	-	(27,160)	27,160	-
Total transfers to / from retained earnings	-	-	(27,160)	27,160	-
Transactions with investment shareholders					
Dividend provided for	-	-	-	(49,650)	(49,650)
	-	-	-	(49,650)	(49,650)
Balance half-year ended 31 December 2019	2,508,579	398,253	567,131	22,293,105	25,767,068
Balance 1 July 2020	2,508,579	398,253	573,294	23,222,056	26,702,182
Profit for the half-year as reported in the 2020 interim report	-	-	-	852,446	852,446
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	852,446	852,446
Transfer to / from reserve for credit losses	-	-	(7,075)	7,075	-
Total transfers to / from retained earnings	-	-	(7,075)	7,075	-
Transactions with investment shareholders					
Dividend provided for	-	-	-	(35,540)	(35,540)
	-	-	-	(35,540)	(35,540)
Balance half-year ended 31 December 2020	2,508,579	398,253	566,219	24,046,039	27,519,090

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 2020

	Half-year	
	2020	2019
	\$	\$
Cash flows from operating activities		
Interest received	5,805,747	6,940,494
Interest paid	(1,335,136)	(2,443,883)
Loans and advances funded	(41,789,570)	(25,193,415)
Loans repaid excluding overdrafts	38,983,060	25,625,809
Net inflow in member deposits	43,327,292	857,092
Non interest revenue received	740,385	406,682
Payments to suppliers and employees	(3,970,082)	(3,523,118)
Income taxes paid	(182,169)	42,594
Net cash inflow from operating activities	41,579,527	2,712,255
Cash flows from investing activities		
Payments for investments measured at amortised cost with a maturity of more than 3 months	(14,196,310)	1,934,562
Payments for property, plant and equipment and intangible assets	(48,725)	(553,602)
Proceeds from sale of property, plant and equipment	-	100,000
Net cash outflow from investing activities	(14,245,035)	(2,388,164)
Cash flows from financing activities		
Principal payments of lease liabilities	(127,087)	-
Dividends paid	(46,646)	(60,103)
Net cash outflow from financing activities	(173,733)	(60,103)
Net increase in cash and cash equivalents	27,160,760	263,988
Cash and cash equivalents at the beginning of the half-year	39,642,308	36,634,813
Cash and cash equivalents at end of the half-year	66,803,068	36,898,801

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 2020 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 2020 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 Cash and cash equivalents

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Half-year	
	2020	2019
	\$	\$
Cash on hand and at bank	33,835,292	18,449,136
Investments measured at amortised cost with a maturity of less than 3 months	32,967,776	18,449,665
	66,803,068	36,898,801

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.

	Half-year	
	2020	2019
	\$	\$
Interest Revenue		
Cash and cash equivalents	53,062	198,084
Investment securities	169,921	186,339
Loans and advances	5,676,967	6,529,514
	5,899,950	6,913,937
Interest Expense		
Member deposits	1,312,420	2,582,848
Borrowings	8,942	3,357
Lease liabilities – finance costs	13,356	6,292
	1,334,718	2,592,497

4 Fee, Commission and Other Revenue

	Half-year	
	2020	2019
	\$	\$
Non-Interest Revenue		
Fees and commissions		
-loan fee income	103,425	81,014
-other fee income	272,771	300,063
-insurance commissions	188,376	189,090
-other commissions	87,053	102,102
Subtotal	651,625	672,269
Bad debts recovered	7,582	1,620
Other revenue	130,131	88,270
Subtotal	137,713	89,890
Total non-interest revenue	789,338	762,159

5 Other Expenses

	Half-year	
	2020	2019
	\$	\$
Depreciation and amortisation		
-plant and equipment	106,630	83,586
-buildings	20,125	20,125
-intangible assets	33,955	33,289
-Right of use asset – amortisation expenses	128,501	110,410
General and administration		
-personnel costs	1,425,002	1,795,356
-superannuation costs	151,470	121,803
-other	1,281,075	1,126,637
Other expenses		
-operating lease expenses	(18,697)	9,225
-information technology and communication expenses	580,103	502,262
-other	254,452	301,933
Total Other Expenses	3,962,616	4,104,626

6 Dividends

	Half-year	
	2020	2019
	\$	\$
Investment Shares		
Final dividend for the year ended 30 June 2020 (paid on 14 th December 2020)	46,646	60,103
Interim dividend for the half year ended 31 December 2020 (paid on 5 th February 2021)	35,540	49,650

7 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 2020	30 June 2020
	\$	\$
Guarantees	238,531	209,372

8 Other Assets

	31 December 2020	30 June 2020
	\$	\$
Other Assets	51,958	106,126
	<u>51,958</u>	<u>106,126</u>

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

9 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.

10 Fair Values

(a) Fair value hierarchy

The Capricornian measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
 - o quoted market prices in active markets for similar instruments;
 - o quoted prices for identical or similar instruments in markets that are considered less than active; or;
 - o other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

(a) Fair value hierarchy (continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(b) Fair value estimates

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

Cash and cash equivalents and other receivables

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans and advances is net of provisions for impairment. For variable rate loans, the carrying amount is a reasonable estimate of the net fair value.

Financial assets measured at amortised cost

The carrying values of financial assets measured at amortised cost approximate their net fair value due to short-term maturities of these securities.

Deposits from members

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. The fair value of fixed rate term deposits was calculated using the present value of estimated future cash flows as at 31 December 2020.

Borrowings

The Term Funding Facility is a fixed rate borrowing and its fair value was calculated by utilising discounted cash flow models based on the maturity of the borrowing. The discount rates applied were based on the current benchmark rate offered for the remaining term of the borrowing as at 31 December 2020.

(c) Financial instruments measured at fair value - Fair value hierarchy

The table below categorises assets measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	\$	\$	\$	\$	\$
December 2020					
Financial liabilities					
Deposits	-	370,382,773	-	370,382,773	369,845,269
Borrowings	-	8,537,836	-	8,537,836	8,502,682
June 2020					
Financial liabilities					
Deposits	-	327,157,999	-	327,157,999	326,524,727
Borrowings	-	-	-	-	-

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 *Interim Financial Reporting*, 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 2020 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
22nd March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Capricornian Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of The Capricornian Ltd (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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 Company is not in accordance with the *Corporations Act 2001* including:

- A. Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- B. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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 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 Company's financial position as at 31 December 2020 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 Company, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

M Cutri

Director

Brisbane, 22 March 2021