2024

ANNUAL FINANCIAL REPORT

the capricornian
savings | loans | insurance

Annual Financial Report for the year ended 30 June 2024

The Capricornian Ltd
ABN 54 087 650 940

Part of the local community for 65 years.

The Capricornian Ltd
ABN 54 087 650 940
AFSL / Australian Credit Licence 246780
BSB 813 049

Phone:
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Email:
info@capricornian.com.au

Registered Office:
157 East Street
Rockhampton QLD 4700

www.capricornian.com.au

Contents

Directors	John Francis Siganto *Chairman*
	George Anthony Edwards
	Peter Graham Olrich
	Janette Linda Davis
	Ian John Mill
	Narelle Lisa Pearse
	Bronwyn Dale Davies
Company Secretary	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 4 Conran Street, Capella
ATM's	Automatic Teller Machines (ATM's) are located at all branches listed above with the exception of Gladstone, Springsure and Capella Branches
External Auditor	BDO Audit Pty Ltd
Internal Auditor	KPMG
Solicitors	Gadens Lawyers (Brisbane) Daniels Bengtsson Pty Ltd (Sydney) Results Legal Solutions (Brisbane) Purcell Partners (Melbourne)
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/

Over the past few years the Central Queensland economy has seen strong employment growth, growing economic activity and a booming local real estate market for current owners. Central Queensland year on year house price increases (to end June 2024) were as follows;

- 27% (postcode 4701 North Rockhampton),
- 22% (postcode 4700 Rockhampton),
- 12% (postcode 4703 Capricorn Coast),
- 7% (postcode 4720 Emerald),
- 13% (postcode 4680 Gladstone).
- South Rockhampton and Yeppoon recorded significant growth in house rental prices of 21% and 14% respectively from June 2023 to June 2024.

People wanting to buy and local renters were not so lucky as both increasing house prices, and increasing rents, put further financial pressure on people already suffering an erosion of the standard of living. The average vacancy rate of 0.90% meant that as at June 2024 there are only 190 vacant rental properties out of the 21,500 available rental properties in Central Queensland.

Financially, the 2023/24 year was an extremely difficult year for The Capricornian Ltd. While nationally we saw interest rates rise 10 times over 12 months, your Credit Union chose to hold back two of those increases to soften the blow on borrowers. This significantly reduced our interest income. When this is added to rising interest rate costs; increased costs associated with raising the sophistication of our cyber security; and broader information technology costs, this meant that The Capricornian Ltd has produced an after-tax profit of $682,242.

Outside of the financial result, there were a number of positive highlights from the past financial year:

- Our Capital position is solid with a Common Equity Tier 1 Capital Ratio (%RWA) of 18.15%, well above the minimum requirements set by our regulator.
- Our level of Liquidity at 17.29% is also well above the Prudential minimum.
- The loan portfolio increased in size by 7.66%, well above targeted growth.

The loan portfolio growth was generated notwithstanding continuing high levels of house sales in Central Queensland. Funding of new loan applications totalled just over $77.03M, while loan repayments of $54.3M were recorded. The Capricornian continues to see a reasonable level of loan applications for the current Financial Year, facilitated by our investment in a digital loan application system.

From a strategic perspective the Board remains committed to six keys areas of focus so as to work towards our corporate vision. That is:-

"Provide trusted, financially sustainable and quality financial services
to our members and our communities now and for future generations"

These six areas of strategic intent are to:

1. Focus on our members. This means providing the products, services and access required by our members in a financially and socially sustainable way via both physical and digital access.
2. Focus on our staff. This means ensuring our staff have the support, training, resources and leadership necessary to meet our member's needs, satisfy stakeholder requirements and properly manage the Credit Union.
3. Build capability. This means enhancing efficient and effective processes, systems and technology. Not an end in themselves, but so as to create and maintain innovative products, services and channels that cost effectively add (financial) value to our members' lives.
4. Work with our stakeholders. This means The Capricornian is a well regarded organisation that operates in a way that is appropriate to our size, scale and complexity. That TCL will be noted as always giving due regard to effective Risk Management; Prudential Standards; Legal Obligations; Governance and Cultural best practice; and remaining focused on the best interest of the Customer Owned Banking sector and our members.
5. Enrich our communities. This will be achieved by operating within community expectations, providing financial support and equitable access and acting in a way that acknowledges our social licence for banking services.
6. Ensure Resilience. This will be achieved by ensuring TCL aligns its Information Security Management Systems (ISMS), Risk Management, Business Continuity Plan (BCP) and Financial structures to prudential guides, industry best practice and accounting standards.

The Capricornian's community engagement focuses on strengthening relationships whilst supporting worthy not-for-profit organisations throughout Central Queensland. Our revised community engagement strategy has focused on leveraging the grass roots level relationships of our branches with community groups, engaging higher level corporate sponsorships aligning with our first values and partnering with innovative community projects. Through our sponsorship channels and community grants program. The Capricornian has invested over $100,000 in local community groups and not-for-profit organisations throughout the 2023 – 2024 financial year. As a proud supporter of the CQ Community for over 64 years, we look forward to the continuation of our strong partnerships.

A total of 37 community groups received funding via sponsorships or community grants, these include, but are not limited to:

- *Capella Show*
- *7rocky River Run*
- *Fitzroy Frogs Triathlon Club*
- *Rockhampton Basketball Inc.*
- *Rockhampton Symphony Orchestra*
- *Rockhampton Panthers AFC*
- *Headspace Emerald*
- *Bella the Brave – run for a cure*
- *Miriam Vale Junior Golf Championships*
- *Springsure Show*
- *Caribeae Swimming Club*
- *Tigers Junior Rugby League Club*
- *Yeppoon Choral Society*
- *Apex Club of Capricorn West*
- *Capricorn Toy Library inc*
- *Central Highlands Development Corporation*
- *Clinton State School P&C Association*
- *Frenchville State School P&C Association*
- *Miriam Vale Golf Club*

During this last financial year, your Board continued to work hard for your Credit Union and refine their oversight of The Capricornian, through updating and enhancing their skills and knowledge from appropriate training opportunities. The Board will continue to work hard to ensure The Capricornian is structurally strong to meet the ongoing challenges we have in the environment in which we operate, focusing on the needs of the members.

However, it is with much sadness that I announce the Retirement from the Board of Tony Edwards. Tony was a long serving Chairman of The Capricornian and is a stalwart of the local business community. I would like to thank Tony for his many years of service and we look forward to remaining in close contact with him.

I would like to pay tribute to and express my thanks, on behalf of the Board, to each and every member of staff and management for their efforts last financial year. Helping to maintain The Capricornian as a strong member-focused Financial Institution. The CEO Mr. Grounds and his Management team in particular have undertaken a difficult job in challenging times with good humour and diligence.

I would also like to thank my fellow Board Members for their dedication, diligence, hard work, and support to me, throughout the past year.

Notwithstanding our excellent products and service, it remains without doubt that our main point of difference to our competitors is our high level of personal and professional service, delivered by our extremely dedicated, knowledgeable and efficient staff and management.

Our members are at the heart of what we do and they are the foundation of The Capricornian's future.

I would like to thank you, our members, for your continued support, without which, The Capricornian would not exist.

We as a Board, are extremely confident this next year will show a continuation and enhancement of The Capricornian's success.

J. F. Siganto
Chairman

28th October 2024

Your directors present their report on the financial report of The Capricornian Ltd for the year ended 30 June 2024.

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:

John Francis SIGANTO, L.L.B, Grad Dip Fin Plan.
(Chair)

Experience and expertise
Solicitor and Partner of Grant and Simpson Lawyers. Director for 16 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
None.
Special responsibilities
Ex Officio of all Committees.

George Anthony EDWARDS, B.Bus, FCA.

Experience and expertise
Principal and Director of Evans Edwards and Associates Chartered Accountants for 44 years. Director for 23 years.
Other current directorships
Director of 7 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), Capehead Superannuation Pty Ltd (director since 2012), 452 Advice Pty Ltd (director since 2017) and 452 Finance Pty Ltd (director since 2018).
Former directorships in last 3 years
None.
Special responsibilities
Member of the Audit Committee.
Member of the Governance and Remuneration Committee.

Peter Graham OLRICH, Dip FS, Dip FS CUD, FAICD, FAMI.

Experience and expertise
Management Consultant. Former CEO of Credit Union Australia. Director for 7 years.
Other current directorships
Director of 1 public company: Regional Australia Bank Ltd (director since 2011).
Former directorships in last 3 years
None.
Special responsibilities
Chair of the Risk Committee.
Member of the Governance and Remuneration Committee.

Janette Linda DAVIS, B.Bus (Accounting), CIA, GAICD.

Experience and expertise
Council Member CQUniversity Council for 7 years. Senior Internal Auditor of CQUniversity for 13 years. Director for 5 years.
Other current directorships
None.
Former directorships in last 3 years
None.
Special responsibilities
Member of the Audit Committee.
Chair of the Governance and Remuneration Committee.

Ian John MILL, Dip H.A.

Experience and expertise
Chief Executive Officer, Rockhampton Jockey Club, August 2021 to 28th July 2023. Chief Executive Officer, Beef Australia, 2019 to 2022. Chief Executive Officer, Mercy Health and Aged Care CQ Ltd 1997 to 2017. Director of The Capricornian Ltd 2005 to 2016. Reappointed as a Director since 2020.
Other current directorships
Director of 1 public company: Fitzroy Community Hospice Ltd (director since 2023).
Former directorships in last 3 years
None.
Special responsibilities
Member of the Risk Committee.
Member of the Governance and Remuneration Committee.

Narelle Lisa PEARSE, BComm, MComm, EMBA, Grad Dip Psychology, Grad Cert Economic Development, FCA, GAICD.

Experience and expertise
Chief Operating Officer and Chief Financial Officer of CQUniversity for 10 years. Fellow of Chartered Accountants Australia & New Zealand. Former Council Member CQUniversity for 6 years. Director for 2 years.
Other current directorships
Director of 3 proprietary companies: CQU Travel Centre Pty Ltd (director since 2014), Mask-Ed International Pty Ltd (director since 2014), Datamuster Pty Ltd (director since 2018). Other directorships include: Central Queensland Hospital Foundation (director since 2023), PT CQU Executive Business Training Centre (Indonesia) (director since 2019).
Former directorships in last 3 years
Director of Capricorn Tourism and Economic Development Limited (December 2016 – October 2021).
Special responsibilities
Chair of the Audit Committee.
Member of the Risk Committee.

Bronwyn Dale DAVIES, B.Ec, Grad Cert Technology (Business Systems), CPA, CIA, GAICD.

Experience and expertise
Chief Auditor Airservices Australia. Former Head of Risk, Audit & Compliance and designated Anti-Money Laundering & Counter Terrorism Finance Officer at Heritage Bank. Appointed as a Director 14th December 2023.
Other current directorships
Director of 1 proprietary company: Aviation Australia Pty Ltd (director since 2021). Other directorships include: TAFE Queensland (director since 2021).
Former directorships in last 3 years
Director of Railways Credit Union (November 2012 – February 2024) and The Institute of Internal Auditors Australia (May 2018 – July 2021).
Special responsibilities
Member of the Audit Committee.
Member of the Risk Committee.

Company secretaries

Dale Frederick GROUNDS, M.B.A., Grad Dip Fin Adm, Grad Dip Bus, B.A. (Econ), MAMI. Appointed 1st November 2017.

Experience and expertise
Chief Executive Officer. Former CEO of Family First Credit Union.

Michelle Ann ALEXANDER, B.Bus (Accounting), CPA. Appointed 9th April 2019.

Experience and expertise
Chief Financial Officer. Former Finance Manager of The Capricornian Ltd.

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.

No significant changes in the nature of these activities occurred during the year.

Results
The profit from ordinary activities, after related income tax of $200,172, was $682,242, (2023 net profit of $1,871,299, after recording an income tax expense of $596,680).

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.

Events after the end of the financial year
No other matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of The Capricornian Ltd in subsequent 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
The numbers of meetings of the credit union's board of directors and of each board committee held during the year ended 30 June 2024, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees: Audit		Risk		Governance and Remuneration	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
J.F.Siganto	10	9	-	3	2	4	1	3
G.A. Edwards	10	9	2	2	-	2	2	3
P.G. Olrich	10	9	4	3	4	4	3	3
J.L. Davis	10	9	4	3	2	4	3	3
I.J. Mill	10	8	3	3	4	3	3	2
N.L. Pearse	10	10	4	4	4	4	-	-
B.D. Davies	6	6	3	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. Committee meetings may be attended by all Directors irrespective of committee membership. Attendance by Directors at committee meetings of which they are not a member is reported despite non-eligibility.
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 committee is to:
- Provide objective, independent and non-executive reviews of The Capricornian's Prudential Risk Management Framework.

The role of the governance and remuneration committee is to:
- Assist the board in ensuring that The Capricornian Ltd operates in accordance with a clear, consistent and effective corporate governance framework that conforms to the credit union's legal and governance obligations and the required standards of corporate behaviour as determined by the board.
- 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 J.L. Davis retires by rotation and is eligible for re-election.
Mrs N.L. Pearse retires by rotation and is eligible for re-election.

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 BDO Audit Pty Ltd for audit and non-audit services provided during the year are set out in Note 20.

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
BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

J. F. Siganto Director	J. L. Davis Director

Rockhampton
28th October 2024

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GPO Box 457 Brisbane QLD 4001
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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF THE CAPRICORNIAN LTD

As lead auditor of The Capricornian Ltd for the year ended 30 June 2024, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

C R Jenkins

Director

BDO Audit Pty Ltd

Brisbane, 28 October 2024

Contents

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 7 to 10.

The financial statements were authorised for issue by the directors on 28th October 2024. The credit union has the power to amend and reissue the financial statements.

	Notes	**2024 $**	2023 $
Interest revenue	3	18,399,680	15,138,874
Interest expense	3	(7,556,830)	(3,691,922)
Net interest revenue		10,842,850	11,446,952
Fee and commission revenue	4	1,211,160	1,257,637
Other income	4	224,252	211,192
Total net interest revenue, fee and commission revenue and other income		12,278,262	12,915,781
Impairment expense on loan and advances	11(b)	-	-
Other expenses	5	(11,395,848)	(10,447,802)
Total expenses		(11,395,848)	(10,447,802)
Profit before income tax expense		882,414	2,467,979
Income tax expense	6	(200,172)	(596,680)
Profit for the year attributable to members		682,242	1,871,299
Other comprehensive income/(loss), that will not be reclassified to profit or loss Revaluation of land and buildings (net of tax)		106,821	188,495
Total comprehensive income for the year attributable to members		789,063	2,059,794

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

The Capricornian Ltd
Statement of Financial Position
As at 30 June 2023

	Notes	**2024** **$**	2023 $
ASSETS			
Cash and cash equivalents	7	36,336,469	60,412,450
Receivables	8	993,525	954,120
Investments due from other financial institutions	9	38,003,201	50,758,741
Loans and advances	10	319,412,823	296,597,819
Property, plant and equipment	12	3,406,503	3,498,443
Intangible assets	13	758,452	1,007,563
Income tax receivable		76,761	-
Deferred tax assets	14	111,511	12,903
Other assets		852,654	734,149
Total assets		399,951,899	413,976,188
LIABILITIES			
Deposits	16	365,166,262	374,580,403
Borrowings	16	-	5,828,858
Other liabilities	15	4,426,029	3,897,357
Deferred tax liabilities	14	-	-
Provision for income tax		-	146,219
Provisions	17	782,176	734,982
Total liabilities		370,374,467	385,187,819
Net assets		29,577,432	28,788,369
EQUITY			
Reserves	18	970,778	863,957
Retained earnings		28,606,654	27,924,412
Total equity		29,577,432	28,788,369

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

The Capricornian Ltd
Statement of Changes in Equity
As at 30 June 2024

	Notes	Contributed Equity $	Asset Revaluation Reserve $	Credit Loss Reserve $	Retained Earnings $	Total $
Balance 1 July 2022		-	675,462	-	26,053,113	26,728,575
Profit for the year		-	-	-	1,871,299	1,871,299
Other comprehensive income, net of tax		-	188,495	-	-	188,495
Total comprehensive income for the year		-	188,495	-	1,871,299	2,059,794
Transfer to/from other provisions		-	-	-	-	-
Total transfers to/from retained earnings		-	-	-	-	-
Balance 30 June 2023		-	863,957		27,924,412	28,788,369
Balance 1 July 2023						
Profit for the year		-	-	-	682,242	682,242
Other comprehensive income/(loss), net of tax		-	106,821	-	-	106,821
Total comprehensive income for the year		-	106,821	-	682,242	789,063
Transfer to/from other provisions			-	-	-	-
Total transfers to/from retained earnings		-	-	-	-	-
Balance 30 June 2024		-	970,778	-	28,606,654	29,577,432

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

	Notes	**2024** **$**	2023 $
Cash flows from operating activities			
Interest received		18,644,486	14,757,586
Interest paid		(6,723,051)	(1,940,069)
Loans and advances funded		(77,028,377)	(72,228,342)
Loans repaid excluding overdrafts		54,257,548	64,657,730
Net movement in member deposits		(9,414,141)	14,353,366
Net movement in investments due from other financial institutions		10,755,534	(1,514,467)
Non interest revenue received		1,461,971	1,449,387
Payments to suppliers and employees		(8,975,012)	(10,084,442)
Income taxes paid		(521,760)	(439,371)
Net cash inflow from operating activities	25	(17,542,802)	9,011,378
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(421,292)	(313,998)
Proceeds from sale of property, plant and equipment		40,500	4,000
Net cash intflow from investing activities		(380,792)	(309,998)
Cash flows from financing activities			
Principal payments of lease liabilities	15	(323,529)	(287,813)
Principal repayment of borrowings		(5,828,858)	-
Net cash outflow from financing activities		(6,152,387)	(287,813)
Net increase/(decrease) in cash and cash equivalents		(24,057,981)	8,413,567
Cash and cash equivalents at the beginning of the financial year		60,412,450	51,998,883
Cash and cash equivalents at the end of the financial year	26	36,336,469	60,412,450

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

Contents

1 Summary of material accounting policies

The material 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 (the "credit union").

(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 and the *Corporations Act 2001.*

For the purposes of preparing the financial statements The Capricornian Ltd is a for-profit entity.

Compliance with IFRS and APRA
The financial statements of The Capricornian Ltd also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the Prudential Standards set down by the Australian Prudential Regulation Authority (APRA).

Historical cost convention
These financial statements have been prepared on an accruals basis and are based on historical cost convention except for certain classes of property, plant and equipment.

(b) New and amended accounting standards and interpretations adopted during the year

There are no new or amended accounting standards and interpretations that became effective as of 1 July 2023 that have a material impact to the credit union.

(c) Fee and commission revenue

Fees and commissions are generally recognised over the period the service is provided except for loan establishment fees which are deferred and recognised as an adjustment to the effective interest rate on the loan. Fees and commissions generally relate to loan brokerage, insurance, asset management and financial planning services that are continuously provided over an extended period of time.

(d) Income tax

The income tax expense 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.

(e) Leases

Lease liabilities

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments to be made over the term of the lease. These payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the credit union's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

1 Summary of material accounting policies (continued)

(e) Leases (continued)

To determine the incremental borrowing rate, the credit union uses recent third-party financing received by the credit union as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, making adjustments specific to the lease (e.g. term, security).

Lease payments comprise of the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid by the credit union under residual value guarantees;
- the exercise price of a purchase option when the exercise of the option is reasonably certain to occur; and
- payments of penalties for terminating lease, if the lease term reflects the lessee exercising an option to terminate the lease termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

On the statement of financial position, lease liabilities have been included in other liabilities.

Short-term leases

The credit union has elected to account for short-term leases using the practical expedient. The payments in are recognised as an expense in profit or loss on a straight-line basis over the lease term instead of recognising a right-of-use asset and lease liability.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the credit union expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

(f) Financial assets and financial liabilities

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the credit union becomes a party to the contractual provisions of the financial instruments. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the profit or loss.

(ii) Classification and subsequent recognition and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL.

1 Summary of material accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the credit union may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the credit union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

The credit union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

(iii) De-recognition

Financial assets

The credit union derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the credit union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the credit union is recognised as a separate asset or liability.

In transactions in which the credit union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the credit union continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the credit union retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The credit union periodically enters into asset transfer agreements with third parties including securitisation of residential mortgages into special purpose entities. All securitisation transactions are reviewed and assessed based on the above-noted derecognition criteria. In instances where the credit union's securitisations do not qualify for derecognition based on the above criteria, the credit union does not derecognise the transferred financial assets but records a secured borrowing with respect to any consideration received. For details of the credit union's policy on securitisation refer to Note 10.

Financial liabilities

The credit union de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iv) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the credit union has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a credit union of similar transactions.

1 Summary of material accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(v) Fair Value Measurement

Refer to Note 1 (g) for information regarding the credit union's fair value measurements.

(vi) Impairment

The credit union applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at FVTPL:

- financial assets that are debt instruments carried at amortised cost (loans and advances to members);
- loan commitments issued; and
- financial guarantee contracts issued.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

Stage	Measurement Basis
12-months ECL (Stage 1)	The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
Lifetime ECL – not credit impaired (Stage 2)	ECL associated with the probability of default events occurring throughout the life of an instrument.
Lifetime ECL – credit impaired (Stage 3)	Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

At each reporting date, the credit union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3.

The credit union considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis. Refer to Note 2 (b).

The credit union measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- other financial assets measured as amortised cost that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The credit union considers 'cash and cash equivalents' and 'due from other financial institutions' classified as financial assets at amortised cost to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. For other non-graded investments, these are considered to be low credit risk and consist of settlement balances held by Australian Settlements Limited on behalf of the credit union and non-significant investments placed with non-rated domestic financial institutions.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- loans and advances that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the credit union in accordance with the contract and the cash flows that the credit union expects to receive); and
- loans and advances assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

1 Summary of material accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Credit Quality of financial assets

The credit union's internally developed credit rating system utilises historical default data drawn from a number of sources to assess the potential default risk of lending, or other financial services products, provided to counterparties or customers. The credit union has defined counterparty probabilities of default across retail and non-retail loans and advances. For non-retail, these can be broadly mapped to external credit rating agencies and comprise performing (pre-default) and non-performing (post-default) rating grades.

Credit-impaired loans and advances

At each reporting date, the credit union assesses whether loans and advances carried at amortised cost are credit-impaired. A loan is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the loans have occurred. Refer to Note 2 (b) for further details on the identification of credit risk.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Amounts arising from ECL – Inputs, assumptions and techniques used for estimating impairment

(i) *Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the credit union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the credit union's historical experience and expert credit assessment and includes forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

<u>Credit Risk Portfolios</u> – the credit union allocates each exposure to a credit risk portfolio based on the types of facility and security held, for example mortgage secured lending, personal term lending, and unsecured revolving credit. These portfolios are defined based on qualitative and quantitative factors that are indicative of risk of default. All exposures start as performing facilities. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different expected credit loss stage. The monitoring typically involves use of the following data:

- Internally collected data on customer behaviour
- Payment records which includes overdue status
- Requests for and granting of hardship
- Existing and forecast changes in business, financial and economic conditions

<u>Generating the term structure of PD</u> – Credit risk portfolios are a primary input into the determination of the term structure of PD for exposures. The credit union collects performance default information about its credit risk exposures analysed by type of product.

The credit union employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Where possible, this analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic indicators including unemployment rates and in the case of mortgage secured facilities, real estate prices.

The credit union formulates a 'base case' view of the future direction of relevant economic variables and uses this to adjust its estimate to determine the 12-month loss PD.

<u>Determining whether credit risk has increased significantly</u> – The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the credit union may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the credit union considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

1 Summary of material accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

The credit union monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that;

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowances from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

(ii) *Definition of default*

The credit union considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the credit union in full, without recourse by the credit union to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the credit union (excluding hardship relief granted pursuant to the credit union's approved policies);
- the borrower has breached an advised limit for more than 90 days for overdrafts;
- the credit union has files for the borrower's bankruptcy in connection with the credit obligation; or
- the borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing.

(iii) *Incorporation of forward-looking information*

The credit union incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of internal and external actual and forecast information, the credit union formulates a 'base case' view of the future direction of the relevant economic variables which is incorporated into the determination of the 12-month PD (stage 1).

The base case represents a most-likely outcome and is aligned with information used by the credit union for other purposes such as strategic planning and budgeting. Periodically the credit union carries out stress testing of more extreme shocks to calibrate its determination of other scenarios.

The credit union assessed available market data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for retail portfolios include unemployment rates and where applicable, real estate prices.

As at 30 June 2024, the current Central Queensland unemployment rate of 4.40% (2023: 3.90%) was utilised to calculate the 12-month ECL (Stage 1). The lifetime ECL for Stage 2 and 3 impaired assets included a 25% reduction in secured property values where a mortgage over real estate security was held (2023: 25%).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost; as a deduction from the gross carrying amount of the assets; and
- where a financial instrument includes both a drawn and an undrawn component, and the credit union cannot identify the ECL on the loan commitment component separately from those on the drawn component: the credit union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write off

Loans and advances are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the credit union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, loans that are written off could still be subject to enforcement activities in order to comply with the credit union's procedures for recovery of amounts due.

(g) Fair value measurement

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the credit union.

1 Summary of material accounting policies (continued)

(g) Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the credit union uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.
Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(h) Interest receivable

The interest receivable on cash equivalents and financial assets due from other financial institutions are recognised in the statement of financial position, with all investments expected to be held until maturity and interest received within 12 months.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of change in their value, and are used by The Capricornian Ltd in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(j) Interest income and interest expense

Interest Income and Interest Expense

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the credit union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method on any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.
In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

1 Summary of material accounting policies (continued)

(j) Interest income and interest expense (continued)

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.
For information on when financial asset are credit-impaired, see Note 2 (b).

(k) Loans and advances

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

Refer to Note 1 (f) on the accounting policy regarding the impairment of loans and advances.

(l) 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 asset revaluation reserves to the extent of the remaining asset revaluation 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 asset 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%
- 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 asset revaluation reserves in respect of those assets to retained earnings.

(m) Intangible Assets

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the credit union are recognised as intangible assets when the following criteria are met:

1 Summary of material accounting policies (continued)

(m) Intangible assets (continued)

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- there is a definite useful life expected of the software
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliable measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation of intangible assets is calculated using the straight-line method. The rates used are as follows:

- Core Banking System (licenses and installation costs)	25.0%
- General Computer Software	33.3%

The amortisation expense is recorded as other expenses in the statement of comprehensive income.

(n) Member deposits

Member's deposits are brought to account at the gross value of the outstanding balance and measured at amortised cost. Interest on deposits is brought to account on an accrual basis using the effective interest rate method. Interest accrued at reporting date is included in accrued expenses.

(o) Borrowings

Borrowings comprise the Term Funding Facility (TFF) that was established in March 2021 by the Reserve Bank of Australia (RBA) as part of a comprehensive policy package to support the Australian economy in the face of economic and financial disruptions resulting from the COVID-19 pandemic. The TFF provided a source of low cost funding for the banking system, with funding available for three year terms at an initial fixed interest rate of 0.25%, with further borrowing at 0.10%. The TFF borrowings were secured by several floating rate investments and was repaid in full to the RBA in June 2024.

(p) 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.

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

(q) 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, e.g. 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.

1 Summary of material accounting policies (continued)

(r) 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 reporting date.

(s) 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.

(t) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS 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 of expected credit loss relating to loans to members. Refer to Note 1 (f) and Note 2 (b) for further information regarding such estimates.

(u) New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period and have not been early adopted by the credit union. None of these are expected to have a material effect on the financial statements of the credit union.

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) Interest rate risk

Market risk is the potential adverse change in the credit union's income or the value of its net assets arising from the movement in interest rates or other market prices. The credit union is not exposed to currency risk and other price risk. The credit union does not trade in financial instruments it holds on its books.

The credit union is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing dates of assets and liabilities. The Board monitors these risks through quarterly reporting.

The credit union manages its interest rate risk using the following methods:

Value at Risk (VaR)

The policy of the credit union is to maintain a balanced strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. This is measured and monitored using the Value at Risk methodology (VaR). The credit union's policy limit in respect of VaR is to keep this measurement below 2% of capital. The VaR is measured quarterly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposit liabilities to rectify the imbalance to within acceptable levels.

As at 30 June 2024, the credit union's Value at Risk was calculated at $492,152 or 1.83% of capital (30 June 2023: $1,310,492 or 4.64% of capital).

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 and cash equivalents (*Note 7*)
   - Other liabilities (*Note 15*)

2 Financial risk management (continued)

(a) Market Risk (continued)

2) Financial assets and liabilities where the period to contractual repricing is equivalent to the maturity analysis:
- Investments due from other financial institutions *(Note 9)*
- Deposits and borrowings – member call deposits and member term deposits (*Note 16)*

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

	2024 **$**	2023 $
No longer than 1 month	117,019,246	90,595,008
More than 1 month and less than 3 months	28,050,915	13,765,965
More than 3 months and less than 12 months	81,652,826	54,913,286
More than 12 months and less than 5 years	93,033,664	137,730,573
	319,756,651	297,004,831

4) The credit union's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

	Floating interest rate $	Fixed interest rate maturing within 1 year $	Fixed interest rate maturing 1 - 5 years $	Fixed interest rate maturing in more than 5 years $	Non-interest sensitive $	Total $	Effective interest rate %
2024							
Cash and Cash Equivalents	15,802,683	19,819,808	-	-	713,978	36,336,469	4.30
Investments due from other financial institutions	12,856,761	5,086,649	20,060,791	-	-	38,003,201	3.74
Loans and advances	111,306,626	115,417,361	93,033,664	-	-	319,756,651	5.22
Other payables	-	-	-	-	(4,426,029)	(4,426,029)	-
Deposits	(160,708,893)	(159,490,830)	(933,741)	-	(44,032,798)	(365,166,262)	(2.21)
Borrowings	-	-	-	-	-	-	-
	(20,744,823)	**(19,167,012)**	**112,160,714**	**-**	**(47,744,849)**	**24,504,030**	**2.81**
2023							
Cash and Cash Equivalents	14,671,820	45,173,580	-	-	567,050	60,412,450	4.11
Investments due from other financial institutions	23,329,725	2,672,504	22,512,715	2,243,797	-	50,758,741	3.96
Loans and advances	87,348,964	71,925,294	137,730,573	-	-	297,004,831	4.50
Other payables	-	-	-	-	(3,897,357)	(3,897,357)	-
Deposits	(172,396,599)	(150,749,540)	(5,098,850	-	(46,335,414)	(374,580,403)	(1.62)
Borrowings	-	-	(5,828,858)	-	-	(5,828,858)	(0.10)
	(47,046,090)	**(30,978,162)**	**149,315,580**	**2,243,797**	**(49,665,721)**	**23,869,404**	**2.81**

5) Sensitivity

Interest sensitivity of interest bearing assets and liabilities 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.

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.

2 Financial risk management (continued)

(a) Market Risk (continued)

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

Sensitivity	**2024** **$**	2023 $
Sensitivity to 1% rate fall on profit and equity	738,800	1,329,700

The results of the interest sensitivity analysis reported provides that the credit union's exposure to loss as at 30 June 2024 is to a decrease in interest rates.

(b) Credit Risk

Credit risk is the risk of financial loss as a result of a default by counterparties to satisfy contractual obligations. The credit union's credit risk largely arises from its lending activities which includes residential mortgages and off-balance sheet financial instruments such as loan commitments and from the financial instruments held for liquidity purposes.

(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*)
- Investments due from other financial institutions *(Note 9)*

(ii) Credit Risk – Loans and advances

The credit risk associated with loans and advances to members has been minimised through the implementation of credit assessment policies and procedures before these loans and advances are approved. The credit union's Board of Directors has delegated responsibility for the management of credit risk to the Risk Committee. The Board has developed policies and procedures designed to ensure strong lending practices which comply with credit legislation. Policies and procedures reduce the risk of credit loss by providing clarity and guidance relating to:

- Credit assessment and approval of loans and facilities;
- Compliance with regulatory and statutory requirements;
- Security requirements in respect to the acceptable types of security and maximum loan to security valuation ratios;
- Limiting concentrations of exposures to individual borrowers, industry groups and geographic locations;
- Establishing and maintaining lending approval delegations for new and renewing credit facilities;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances; and
- Debt recovery procedures.

The risk of losses from loans to members is primarily reduced by the nature and quality of the security taken. The Board Policy is to maintain at least 50% of total assets in residential mortgages.

The credit union manages its exposures to credit risk by adhering to its lending policies which require assessment of the quality of security offered and the capacity of the member to repay the loan in accordance with the terms and conditions of the loan.

Loans and Advances – Collateral held

The credit union holds collateral in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. To mitigate credit risk, the credit union can take possession of the security held against the loans and advances as a result of default. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance.

2 Financial risk management (continued)

(b) Credit Risk (continued)

The principal types of collateral held against loans and advances is shown below.

Loans and advances	**2024** **$**	2023 $
Mortgage over Residential Property	311,673,889	287,043,452
Mortgage over Other Property	5,242,726	6,392,512
Personal Loans and overdrafts	2,840,036	3,568,867
	319,756,651	297,004,831

(iii) 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. Total loans due from members located in Central Queensland form 74% ($235,767,734) of the credit union's total loans and advances. 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:

	2024 **$**	2023 $
Authorised Deposit-Taking Institutions Aggregate Amount	46,258,199	85,419,269
Number of financial assets	22	57

The credit policy is that investments are only made to institutions that are creditworthy. Directors have established policies that stipulate a maximum percentage that can be invested in any one financial institution at a time. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the The Capricornian Ltd compared to the industry is relatively low such that the risk of loss is reduced.

(iv) External credit assessment for institutional investments

The Capricornian Ltd uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Standard 112.0 The credit quality assessment scale within this standard has been complied with.

The carrying values associated with each credit quality step for The Capricornian Ltd are as follows:

	2024 **$**	2023 $
ADIs – rated AA- and above	31,701,404	46,011,754
ADIs – rated below AA-	28,813,021	39,160,659
Unrated institutions - ADIs	13,111,263	25,431,949
	73,625,688	110,604,362

(v) 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.

2 Financial risk management (continued)

(b) Credit Risk (continued)

- Credit assessment and provisioning procedures are periodically validated to ensure that policy settings remain appropriate.
- Provisions and reserves 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	**2024 $**	2023 $
Investment Grade	4,691,423	3,230,026
Non-investment Grade	10,111,283	11,442,019
Total current accounts with ADI's	14,802,706	14,672,045

Due from other financial institutions	**2024 $**	2023 $
Investment Grade	55,823,008	81,942,389
Non-investment Grade	3,000,000	13,989,930
Total due from other financial institutions	58,823,008	95,932,319

Lifetime expected credit losses	**2024 $**	2023 $
Credit impaired	2,813,231	1,083,725
Non-credit impaired	316,943,420	295,921,106
Unamortised setup costs	233,285	213,574
Unamortised establishment fees	(335,667)	(360,130)
Expected credit losses		
-Stage 1	(214,623)	(134,151)
-Stage 2	-	(31,309)
-Stage 3	(26,823)	(94,996)
Net loans and advances	319,412,823	296,597,819

Collateral held and other credit enhancements

The credit union holds collateral against loans and advances to customers as detailed below:

	2024 $	2023 $
Loans and advances with no collateral	2,840,036	3,954,935
Loans and advances with collateral	316,916,615	293,049,896
Gross loans and advances	319,756,651	297,004,831

2 Financial risk management (continued)

(b) Credit Risk (continued)

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and in the case where property is to be held as collateral the valuation is required to be no less than 100% of the loan or advance. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. In assessing credit risk, the credit union considers Personal Loans and Overdrafts reported above as unsecured. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions. Collateral is usually not held against investment securities.

As at 30th June 2024, the fair value of collateral held against those loans and advances that have been individually assessed as Stage 3 credit impaired is $4,685,000 (2023: $1,810,000) and Stage 2 life time credit loss is $5,311,429 (2023: $4,663,500). It is not practicable to determine the fair value of collateral held as security against Stage 1 loans.

Credit Quality

The table below shows the distribution of loans and advances by credit quality and the exposure to credit risk based on the credit union's credit rating system and the year-end stage classification. The amounts are presented gross of impairment allowances.

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
2024				
Residential Mortgage loans	303,805,282	3,404,684	2,790,507	310,000,473
Commercial loans	5,791,484	-	-	5,791,484
Personal loans and Overdrafts	3,941,970	-	22,724	3,964,694
Total gross loans and advances	313,538,736	3,404,684	2,813,231	319,756,651
2023				
Residential Mortgage loans	279,916,266	4,662,268	727,182	285,305,716
Commercial loans	7,020,863	-	318,719	7,339,582
Personal loans and Overdrafts	4,213,483	108,226	37,824	4,359,533
Total gross loans and advances	291,150,612	4,770,494	1,083,725	297,004,831

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of financial assets under the ECL model, the credit union defines default in accordance with its Credit Policy and Procedures, which includes defaulted assets and impaired assets as described below. Default occurs when a loan obligation is 90 days or more past due, or when it is considered unlikely that the credit obligation to the credit union will be paid in full without recourse to actions, such as realisation of security.

Impaired exposures under the expected credit loss model consist of:

- Retail loans which are contractually 90 days or more past due.
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Forward-looking information

Forward-looking information is used in the measurement of ECLs through probability weighted scenarios and includes macroeconomic variables that influence credit losses such as unemployment rates and changing house prices.

2 Financial risk management (continued)

(b) Credit Risk (continued)

Assessment of significant increase in credit risk

The credit union will assess whether there has been a significant increase in credit risk (SICR) for financial assets by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date to the corresponding risk of default at origination. In assessing whether there has been a SICR, the credit union considers reasonable and supportable information that is relevant and available without undue cost or effort. The credit risk assessment is carried out on an individual and collective basis. The credit union considers contractual payments that are 30 days past due, financial hardship or default events (e.g. 90 days past due) as primary indicators of SICR. The determination of SICR also takes into consideration various qualitative and quantitative factors, including past due arrears information, hardship and the status of any facilities currently monitored by inclusion on the credit union's lending watch-list.

Credit-impaired financial assets

At each reporting date, the credit union assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the credit union on terms that the credit union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Write off

Loans and advances are written off when there is no realistic prospect of recovery. This is generally the case when the credit union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the credit union's procedures for recovery of amounts due.

Significant accounting judgements and estimates

In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macro-economic variables used in these scenarios, include unemployment rates, GDP growth rates and residential and commercial property price indices. When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the credit union's historical loss experience.

Credit risk grades

The credit union allocates each exposure to a credit risk category based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on the type of loan on issue as well as the LVR. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of the following data:

Commercial exposures

- Information obtained during an annual review of member files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, debt service coverage and compliance with covenants.
- Data from credit reference agencies and press articles.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

2 Financial risk management (continued)

(b) Credit Risk (continued)

Retail exposures

- Internally collected data on customer behaviour – e.g. utilisation of transaction account facilities.
- Affordability metrics.

All exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Utilisation of the approved limit.
- Requests for and granting of forbearance.
- Existing and forecast changes in business, financial and economic conditions.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased varies by portfolio and include quantitative changes in Probability of Default (PDs) and qualitative factors, including a backstop based on delinquency, of which this would be taken into consideration for the watch-list of loans identified for monitoring by the credit union. Another factor which deems the portfolio's credit risk to have increased significantly since initial recognition is if, based on the credit union's model, the LVR of the loan has increased past the threshold for it to be deemed a risk as identified above.

As a backstop, the credit union considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for overlimit overdrafts and overdrawn accounts with no approved facility, more than 14 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The credit union monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default which is seen when the LVR changes thresholds; and
- the criteria do not align with the point in time when an asset becomes 30 days past due.

Definition of default

The credit union considers a loan to be in default when:

- the borrower is unlikely to pay its credit obligations to the credit union in full, without recourse by the credit union to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the credit union.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding;

- the credit union agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments of repayments of amount owing;
- the credit union has files for the borrower's bankruptcy in connection with the credit obligation; or
- the borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing.

In assessing whether a borrower is in default, the credit union considers indicators that are:

- qualitative – e.g. breaches of covenant'
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the credit union; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a loan is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the credit union for regulatory capital purposes (see Note 2 (d)).

2 Financial risk management (continued)

(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:

(a) The credit union has, at all times, ready access to unencumbered, high quality liquid assets to meet any call on its liabilities.
(b) The credit union's provisioning for liquid assets is both appropriate and proportional to the risk of any likely call on its liabilities.
(c) The credit union does not create any exposure to any single or associated group of members that could create an undue liquidity risk.
(d) Such liquid assets are held in a form and with persons acceptable to APRA and the Board.
(e) 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.

2024	Within 1 month $	1–3 months $	3-12 months $	1-5 years $	At Call $	Total $
Liabilities						
Deposits	24,704,216	43,521,243	94,086,081	933,741	204,741,693	-
Borrowings	-	-	-	-	-	-
Lease liabilities	18,272	36,638	167,538	109,391	-	331,839
Total Financial Liabilities	**24,722,488**	**43,557,881**	**94,253,619**	**1,043,132**	**204,741,693**	**368,318,813**

2023	Within 1 month $	1–3 months $	3-12 months $	1-5 years $	At Call $	Total $
Liabilities						
Deposits	22,613,856	46,104,843	85,684,889	5,435,301	218,732,014	378,570,903
Borrowings	-	-	-	5,843,430	-	5,843,430
Lease liabilities	19,758	39,580	161,747	242,360	-	463,445
Total Financial Liabilities	**22,633,614**	**46,144,423**	**85,846,636**	**11,521,091**	**218,732,014**	**384,877,778**

(iii) Liquid funds

The ratio of liquid funds over the past year is set out below:

Liquid funds to total adjusted liabilities	**2024 %**	2023 %
As at 30 June	17.29	22.58
Average for the year	19.17	22.67
Minimum during the year	15.24	20.94

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Liquid funds to total deposits	**2024 %**	2023 %
As at 30 June	18.72	23.98

(iv) Fair Value Measurements

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

AASB 7 *Financial Instruments: Disclosures* 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).

(d) Capital risk

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for The Capricornian Ltd under Australian Prudential Standard 110 Capital Adequacy. Under the Standard The Capricornian Ltd must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits. Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings;
- Rank behind claims of depositors and other creditors in the event of winding up.

The Capricornian Ltd's Tier 1 capital includes retained earnings and reserves, adjusted by regulatory adjustments. Deductions from Tier 1 capital as prescribed by APRA include deferred tax assets (if applicable), unrealised fair value losses on the credit union's debt securities portfolio and the carrying value of any software.

Tier 2 capital comprises capital instruments that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of The Capricornian Ltd as a going concern.

Capital in The Capricornian Ltd is made up as follows:

	2024 $	2023 $
Tier 1 capital		
Revaluation reserve	970,778	863,957
Retained earnings	28,606,654	27,924,412
Prescribed deductions	(2,660,231)	(3,339,749)
Net Tier 1 Capital	26,917,201	25,448,620

The Capricornian Ltd is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time in accordance with APRA Prudential Standards. The Capricornian Ltd has complied with all externally imposed capital requirements throughout the period.

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The capital ratios as at the end of each reporting period, for the past 5 years follows:

2 Financial risk management (continued)

(d) Capital risk (continued)

	2024	2023	2021	2020	2019
Capital ratio	18.42%	16.96%	14.95%	14.50%	14.69%

The Capricornian Ltd's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage The Capricornian Ltd's capital, The Capricornian Ltd reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and to the regulator if the capital ratio falls below 15.75%. Further, a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

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.

	2024 $	2023 $
Interest Revenue		
Cash and cash equivalents	2,062,064	2,134,094
Investments due from other financial institutions	977,104	807,218
Loans and advances	15,360,512	12,197,562
	18,399,680	15,138,874
Interest Expense		
Member deposits	7,533,363	3,655,292
Borrowings	8,406	15,052
Lease liabilities	15,061	21,578
	7,556,830	3,691,922

4 Fee, commission and other revenue

	2024 $	2023 $
Non-interest revenue		
Fees and commissions		
-loan fee income	156,597	196,528
-other fee income	580,728	532,062
-insurance commissions	429,872	450,779
-other commissions	43,963	78,268
Subtotal	1,211,160	1,257,637
Bad debts recovered	7,212	8,208
Other revenue	217,040	202,984
Subtotal	224,252	211,192
Total non-interest revenue	1,435,412	1,468,829

5 Other expenses

	2024 **$**	2023 $
Depreciation and amortisation		
-plant and equipment	243,471	258,055
-buildings	43,313	-
-intangible assets	434,613	455,468
-right of use asset – amortisation expense	222,411	226,695
General and administration		
-personnel costs	4,736,552	4,440,130
-superannuation costs	452,304	415,239
-audit costs	308,582	287,514
-subscriptions and affiliation costs	289,487	303,409
-member transactional banking costs	757,347	836,140
-other	1,361,710	1,157,877
Other expenses		
-lease expenses	86,271	45,139
-information technology and communication expenses	1,909,620	1,449,385
-other	550,167	572,751
Total other expenses	11,395,848	10,447,802

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:

	2024 **$**	2023 $
Profit before income tax	882,414	2,467,979
Prima facie tax payable on profit at 25% (2023: 25%)	220,604	616,995
Add Tax effect of:		
Non-deductible entertainment	1,761	1,807
Non-deductible depreciation and amortisation	(10,829)	-
Other Non-deductible items	-	-
Change in company tax rate	-	-
	211,536	618,802
Tax Building depreciation/building allowance	(11,033)	(11,033)
Overprovision for income tax	-	-
Technology and Skills Training Boosts	(331)	(11,089)
Income tax expense attributable to profit before income tax.	200,172	596,680
The applicable weighted average effective tax rates are as follows:	25%	25%
(b) The components of tax expense comprise:		
Current income tax	298,780	656,521
Deferred income tax	(98,608)	(59,841)
Change in company tax rate	-	-
	200,172	596,680
Deferred income tax (income) expense included in income tax expense comprises:		
(Decrease) / increase in deferred tax assets	98,608	59,841
Total deferred tax assets/(liabilities) (Note 14)	111,511	12,903

6 Income tax expense (continued)

(c) 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 25% (2023: 25%)	9,442,579	9,249,679

7 Cash and cash equivalents

	2024 $	2023 $
Cash on hand	713,956	566,825
Current accounts due from other financial institutions	14,802,706	14,672,045
Investments due from other financial institutions with original maturity of less than 3 months	20,819,807	45,173,580
	36,336,469	60,412,450

8 Receivables

	2024 $	2023 $
Accrued Interest – to be settled within 12 months	414,658	659,464
Prepayments	578,867	294,656
	993,525	954,120

9 Investments due from other financial institutions

	2024 $	2023 $
Debt securities – at amortised cost:		
Investments due from other financial institutions with original maturity of more than 3 months	1,000,000	3,000,000
Investments due from other financial institutions with original maturity of more than 12 months	37,003,201	47,758,741
	38,003,201	50,758,741

10 Loans and advances

	2024 $	2023 $
Overdrafts	2,076,908	2,139,800
Term loans	317,679,743	294,865,031
Gross loans and advances	319,756,651	297,004,831
Unamortised setup costs	233,285	213,574
Unamortised establishment fees	(335,667)	(360,130)
Provision for impairment (Note 11)	(241,446)	(260,456)
Net loans and advances	319,412,823	296,597,819
Principal amount of loans and advances expected to be recovered more than 12 months after the reporting date	309,099,170	285,350,966

10 Loans and advances (continued)

Maturity Analysis

	2024 **$**	2023 $
Amount expected to be recovered no more than 12 months after the reporting date		
Overdrafts	2,076,908	2,139,800
Not longer than 3 months	2,787,449	3,168,957
Longer than 3 months and not longer than 12 months	7,767,650	8,338,352
Amount expected to be recovered more than 12 months after the reporting date		
Longer than 1 year and not longer than 5 years	42,302,875	43,293,110
Longer than 5 years	264,821,769	240,064,612
	319,756,651	297,004,831

Securitisation

From time to time the credit union transferred loans into a securitisation vehicle for the purpose of liquidity and capital management. All securitised loans were repurchased by the credit union on 7th June 2023 and the credit union has no plans at this time of securitising any further loans.

11 Impairment of financial assets

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

	2024 **$**	2023 $
(a) Provisions for impairment		
Opening balance	260,456	321,850
Impairment expense	-	-
Bad debts written off from provision	(19,010)	(61,394)
Closing balance	241,446	260,456
(b) Provision for expected credit loss		
Increase / (decrease) in provision for impairment	-	-
Bad debts written off	(19,010)	(61,394)
	-	-
(c) Impairment measurement for loans and advances at amortised cost		
Specific provision - Credit-impaired	26,823	94,996
Collective provision – Lifetime ECL	-	31,309
Collective provision – 12 Months ECL	214,623	134,151
Total collective provision for impairment	214,623	165,460
Total provision for impairment	241,446	260,456

11 Impairment of financial assets (continued)

(d) Impairment measurement for loans and advances at amortised cost

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Credit-impaired $	Total provision $
At 1 July 2022	57,041	38,852	225,957	321,850
Changes due to loans and advances recognised in the opening balance that have:				
- Transferred to 12-month ECL	-	-	-	-
- Transferred to lifetime ECL not credit-impaired	-	-	-	-
- Transferred to lifetime ECL credit-impaired	(23,377)	17,217	6,160	-
Net re-measurement of loss allowance	100,487	(24,760)	(137,121)	(61,394)
Balance at 30 June 2023	134,151	31,309	94,996	260,456
At 1 July 2023	134,151	31,309	94,996	260,456
Changes due to loans and advances recognised in the opening balance that have:				
- Transferred to 12-month ECL	-	-	-	-
- Transferred to lifetime ECL not credit-impaired	-	-	-	-
- Transferred to lifetime ECL credit-impaired	(4,929)	(9,276)	14,205	-
Net re-measurement of loss allowance	85,401	(22,033)	(82,378)	(19,010)
Balance at 30 June 2024	214,623	-	26,823	241,446

As shown in the above table, the overall provision for credit impairment for loans and advances decreased from $260,456 at 30 June 2023 to $241,446 at 30 June 2024. This reduction was due to the write off of loans totalling $19,010 during the year. Of this total written off during the year, $10,133 was previously reported as Stage 3 lifetime ECL credit—impaired and $8,877 reported as Stage 1 12-month ECL at 30 June 2023.

12 Property, plant and equipment

	Freehold land and Buildings $	Plant and Equipment $	Right-Of-Use Assets $	Assets in Progress $	Total $
At 1 July 2022					
Cost or fair value	2,155,646	2,772,618	1,158,501	60,013	6,146,778
Accumulated depreciation	(44,141)	(2,054,142)	(405,817)	-	(2,504,100)
Carrying amount	2,111,505	718,476	752,684	60,013	3,642,678
Year ended 30 June 2023					
Carrying amount at 1 July 2022	2,111,505	718,476	752,684	60,013	3,642,678
Additions	-	147,765	70,314	68,685	286,764
Disposals	-	(2,100)	(132,644)	-	(134,744)
Transfers from Work in Progress accounts	-	126,580	-	(126,580)	-
Revaluation increments	188,495	-	-	-	188,495
Depreciation	-	(258,055)	(226,695)	-	(484,750)
Carrying amount at 30 June 2023	2,300,000	732,666	463,659	2,118	3,498,443
At 30 June 2023					
Cost or fair value	2,300,000	3,044,863	1,096,171	2,118	6,443,152
Accumulated depreciation	-	(2,312,197)	(632,512)	-	(2,944,709)
Carrying amount	2,300,000	732,666	463,659	2,118	3,498,443

12 Property, plant and equipment (continued)

	Freehold land and Buildings $	Plant and Equipment $	Right-Of-Use Assets $	Assets in Progress $	Total $
Year ended 30 June 2024					
Carrying amount at 1 July 2023	2,300,000	732,666	463,659	2,118	3,498,443
Additions	26,491	209,300	168,059	-	403,850
Disposals	-	(15,949)	(77,468)	-	(93,417)
Transfers from Work in Progress accounts	-	-	-	-	-
Revaluation increments	106,822	-	-	-	106,822
Depreciation	(43,313)	(243,471)	(222,411)	-	(509,195)
Carrying amount at 30 June 2024	2,390,000	682,546	331,839	2,118	3,406,503
At 30 June 2024					
Cost or fair value	2,390,000	3,238,214	1,018,704	2,118	6,649,036
Accumulated depreciation	-	(2,555,668)	(686,865)	-	(3,242,533)
Carrying amount	2,390,000	682,546	331,839	2,118	3,406,503

Fair value hierarchy

Refer to Note 23 for the credit union's Fair Value Hierarchy measurements.

The table below categorises assets and liabilities 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 $
2024				
Recurring fair value measurements				
Land and buildings	-	-	2,390,000	2,390,000
2023				
Recurring fair value measurements				
Land and buildings	-	-	2,300,000	2,300,000

The fair value measurement for the owner occupied properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used. Details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value follow:

Description	Valuation approach	Unobservable inputs	Range of inputs 2024	Range of inputs (per previous valuation performed in 2023)
Buildings (Property, plant and equipment)	Direct comparison approach	Rate per square metre of building area basis	$3,000 per sqm	$2,900 per sqm

12 Property, plant and equipment (continued)

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 the credit union's properties at least every three years. The revaluation of freehold land and buildings at 157 East Street, Rockhampton was based on the independent revaluation performed by IPN Valuers – Rockhampton/Gladstone on 14 June 2024. The market value of the freehold properties was assessed at $2,390,000, comprising $420,000 in relation to the value of the land and $1,970,000 in relation to the value of the building. It is the opinion of the directors that the fair values are appropriate as at 30 June 2024.

13 Intangible assets

	Software $	Asset in Progress $	Total $
At 1 July 2022			
Cost	3,730,221	162,742	3,892,963
Accumulated amortisation	(2,527,480)	-	(2,527,480)
Carrying amount	1,202,741	162,742	1,365,483
Year ended 30 June 2023			
Carrying amount at 1 July 2022			
Additions	1,202,741	162,742	1,365,483
Transfers from Work in Progress accounts	-	97,548	97,548
Amortisation	14,606	(14,606)	-
Carrying amount at 30 June 2023	(455,468)	-	(455,468)
	761,879	245,684	1,007,563
At 30 June 2023			
Cost	3,744,827	245,684	3,990,511
Accumulated amortisation	(2,982,948)	-	(2,982,948)
Carrying amount	761,879	245,684	1,007,563
Year ended 30 June 2024			
Carrying amount at 1 July 2023	761,879	245,684	1,007,563
Additions	37,869	147,633	185,502
Transfers from Work in Progress accounts	268,507	(268,507)	-
Amortisation	(434,613)	-	(434,613)
Carrying amount at 30 June 2024	633,642	124,810	758,452
At 30 June 2024			
Cost	4,051,203	124,810	4,176,013
Accumulated amortisation	(3,417,561)	-	(3,417,561)
Carrying amount	633,642	124,810	758,452

14 Deferred tax assets/(liabilities)

	2024 **$**	2023 $
Deferred tax assets/(liabilities) comprise temporary differences attributable to:		
Provision for expected credit losses	60,362	65,114
Employee benefits	195,543	183,746
Accruals	4,284	8,159
Depreciation	(92,303)	(248,545)
Prepayments (expense account)	46,725	45,859
Prepayments (asset account)	(103,100)	(41,430)
	111,511	12,903

Movements:		
Opening balance 1 July	12,903	(46,938)
Credited/(charged) to profit or loss	98,608	59,841
Closing balance 30 June	111,511	12,903
Deferred tax assets/(liabilities) to be recovered within 12 months	111,511	12,903

15 Other liabilities

	2024 **$**	2023 $
Amount expected to be paid no more than twelve months after the reporting period		
Accrued expenses	3,057,146	2,280,252
Lease Liabilities	222,448	221,085
Other liabilities	975,770	1,092,415
Amount expected to be paid more than twelve months after the reporting period		
Lease Liabilities	109,391	242,360
Other liabilities	61,274	61,245
	4,426,029	3,897,357

Lease liabilities

	$
As at July 2022	746,871
Additions	25,965
Interest expense	(21,578)
Lease payments	(287,813)
Balance at 30 June 2023	463,445
As at July 2023	463,445
Additions	206,984
Interest expense	(15,061)
Lease payments	(323,529)
Balance at 30 June 2024	331,839

(i) Nature of leasing activities (in the capacity as lessee)

The credit union leases a number of properties relating to the branches which it operates. It is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some property leases the periodic rent is fixed over the lease term. The credit union also leases certain items of plant and equipment. Leases of plant and equipment comprise only fixed payments over the lease terms.

16 Deposits and borrowings

	2024 **$**	2023 $
Unsecured deposits		
Member call deposits (including withdrawable shares)	204,741,691	218,732,013
Member term deposits	160,424,571	155,848,390
Total deposits	365,166,262	374,580,403
Secured borrowings		
RBA Term Funding Facility	-	5,828,858
Total borrowings	-	5,828,858
Amount expected to be paid no more than 12 months after the reporting period	364,232,521	369,481,553
Amount expected to be paid more than 12 months after the reporting period	933,741	10,927,708
	365,166,262	380,409,261

Concentration of Deposits

The credit union's operations are predominately in the Central Queensland region with 92% ($334,863,787) of deposits held originating from members located in Central Queensland. 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 Provisions

	2024 **$**	2023 $
Amount expected to be paid more than 12 months after the reporting date		
Provision for employee benefits – long service leave	19,577	27,997
Amount expected to be paid no more than 12 months after the reporting date		
Provision for employee benefits – annual leave	315,697	321,143
Provision for employee benefits – long service leave	446,902	385,842
	782,176	734,982

18 Reserves and retained earnings

	2024 $	2023 $
Reserves		
Asset revaluation reserve – opening balance	863,957	675,462
Movements:		
Increase on revaluation – gross (Note 12)	106,821	188,495
Total reserves 30 June	970,778	863,957

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 (l).

19 Key management personnel disclosures

(a) Key management personnel compensation

	2024 $	2023 $
Short-term employee benefits	950,561	875,479
Post-employment benefits	127,615	113,127
Long-term benefits	18,308	17,484
	1,096,484	1,006,090

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.

(b) Loans to key management personnel and close family members

(i) The aggregate value of loans as at balance date amounted to:

	2024 $	2023 $
Secured loans	1,570,096	1,462,668
Overdrafts	68,000	68,000
	1,638,096	1,530,668

(c) Other transactions with key management personnel

There were no transactions with key management personnel during the year ended 30 June 2024.

20 Remuneration of auditors

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

	2024 **$**	2023 $
(a) Assurance services		
Audit services		
BDO Audit Pty Ltd		
Auditing or reviewing the accounts, including regulatory reporting	149,527	139,032
(b) Taxation services		
BDO Services Pty Ltd		
Tax compliance services, including company income tax returns	21,585	19,367
(c) Advisory services		
KPMG		
Internal audit work	105,936	90,706

21 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.

	2024 **$**	2023 $
Guarantees	145,562	162,979

22 Commitments

(a) Outstanding loan commitments

	2024 **$**	2023 $
Loans and credit facilities approved but not yet funded or drawn at the end of the financial year:		
Loans approved but not funded	9,611,826	8,121,162
Undrawn overdraft and lines of credit	2,297,592	3,226,542
	11,909,418	11,347,704

23 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:
    - quoted market prices in active markets for similar instruments;
    - quoted prices for identical or similar instruments in markets that are considered less than active; or;
    - 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.

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 and fixed 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

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June.

23 Fair values (continued)

(b) Fair value estimates (continued)

	2024		2023	
	Total fair values $	**Carrying amount $**	**Total fair values $**	**Carrying amount $**
Financial assets for which fair values are disclosed				
Cash and cash equivalents	36,336,469	36,336,469	60,412,450	60,412,450
Due from other financial institutions	38,003,201	38,003,201	50,758,741	50,758,741
Other receivables	993,525	993,525	954,120	954,120
Loans and advances	319,412,823	319,412,823	297,004,831	297,004,831
Financial liabilities for which fair values are disclosed				
Deposits	365,166,262	365,166,262	374,580,403	374,580,403
Payables and other liabilities	4,094,192	4,094,192	3,897,357	3,897,357
Lease Liabilities	331,839	331,839	463,445	463,445
Borrowings	-	-	5,828,858	5,828,858

The credit union's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

24 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) TransAction Solutions Ltd (trading as experteq)

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

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

	2024 $	2023 $
Profit for the year	682,242	1,871,299
Depreciation	943,808	940,218
Provision for doubtful debts	-	-
Bad debts written off from provision	(19,010)	(61,394)
Net (gain) loss on sale of non-current assets	(24,527)	(1,900)
Net movement in investments due from other financial institutions	10,755,534	(1,514,467)
Change in operating assets and liabilities		
(Increase) decrease in loans	(22,751,820)	(7,419,847)
(Decrease) increase in member deposits	(9,414,141)	14,353,366
(Increase) decrease in deferred tax assets	(98,608)	(59,841)
(Increase) decrease in other assets	(118,508)	(323,690)
(Decrease) increase in creditors	2,678,014	966,567
Increase (decrease) in provision for income tax	(222,980)	217,147
(Decrease) increase in other provisions	47,191	43,920
Net cash inflow from operating activities	(17,542,802)	9,011,378

26 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.

	2024 **$**	2023 $
Cash at the end of the financial year as shown in the Statement of Cash Flows consists of:		
Cash on hand and at bank	15,516,662	15,238,870
Cash equivalents	20,819,807	45,173,580
Cash at the end of the financial year	36,336,469	60,412,450

27 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

(b) Transactions with other related parties

Disclosures relating to transactions with related parties are set out in Note 19.

(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 19.

28 Events subsequent to reporting date

Since 30 June 2024 The Capricornian Ltd has had no other matter or circumstance arise that has significantly affected or may significantly affect the credit union's operations in future financial years, or the results of those operations in future financial years, or the credit union's state of affairs in future financial years.

The Capricornian Ltd has no controlled entities and, therefore, is not required by the Australian Accounting Standards to prepare consolidated financial statements. As a result, section 295(3A)(a) of the *Corporations Act 2001* does not apply to The Capricornian Ltd.

The directors of The Capricornian Ltd declare that:

In the opinion of the directors:

(a) the financial statements and notes set out on pages 14-51 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 entity's financial position as at 30 June 2024 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

(c) the information disclosed in the attached Consolidated Entity Disclosure Statement is true and correct.

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.

J. F. Siganto
Director

J. L. Davis
Director

Rockhampton
28th October 2024

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INDEPENDENT AUDITOR'S REPORT

To the members of The Capricornian Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Capricornian Ltd (the Company), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of The Capricornian Ltd, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards*) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001;*

b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf
This description forms part of our auditor's report.

BDO Audit Pty Ltd

C R Jenkins
Director

Brisbane, 28 October 2024

NOTES:

the capricornian savings | loans | insurance

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the capricornian
savings | loans | insurance

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Vision

Provide trusted, financially sustainable and quality financial services to our members and our communities, now and for future generations.

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