

# Financial Statements

For the Half Year Ended 31 December 2019

# Capricorn Society Limited and Controlled Entities

ABN: 29 008 347 313

Half Year Ended 31 December 2019

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# Capricorn Society Limited and Controlled Entities

## Directors' Report

31 December 2019

Your directors submit the financial report of Capricorn Society Limited ("the Company") and its controlled entities ("the Group") for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of the directors in office at any time during, or since the end of the half year, to the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

#### Names

Mark Cooper  
Mario Pirone  
Russell Becker  
Phil Saxton  
Julie Wadley  
David Kemp  
Peter Stewart  
Bruce Rathie  
Donna Vinci

#### Position

Chairman  
Independent Director/Vice Chairman  
Member Director  
Member Director  
Member Director  
Member Director  
Member Director  
Independent Director  
Independent Director

### Review and results of operations

The consolidated profit of the Group for the half year after providing for income tax amounted to \$13,795,000 (2018: \$6,541,000).

Total purchases by Members of the Group increased to \$1,098,781,000 being 10.6% higher than the same time last year (2018: \$993,504,000). Net collections were \$52,553,000 (2018: \$48,634,000), an increase of 7.7%.

The Board has adopted a balanced investment strategy with investments in market-based securities, property and term deposits.

As a Member-owned business the Group puts the Member at the centre of everything it does and commits to making their business rewarding and easier.

Fundamental to the Group's strategic plan is growing Member numbers and increasing the amount Members spend through their Member Accounts as well as enhancing and adding to existing offerings outside of the established business of operating an automotive parts and accessories buying company.

Investment in processes, systems and capability required to drive continued growth in Capricorn's established business of operating an automotive parts and accessories buying company operating along cooperative principles and in the Capricorn Risk Services business are the key strategic focus areas.

The Group recognises the potential risk associated with its Members operating solely within the automotive and allied industries. The automotive industry is dynamic with industry consolidation, changes in technology, changes in market preferences and operating models.

The Group will therefore continue to identify and assess potential diversification opportunities that may allow it to leverage its current resources and capabilities to both reduce overall risk through diversification and improve returns to Members.

No options to acquire shares in the Company have been granted during the period and there were no options outstanding at the end of the reporting period.

# Capricorn Society Limited and Controlled Entities

## Directors' Report

31 December 2019

### Dividends

There are no interim dividends paid or recommended at the date of this report.

The dividends of \$15,593,000 for the year ended 30 June 2019 were declared and paid during the half year ended 31 December 2019. See Note 13 for further details.

### Rounding

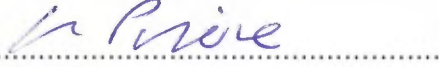
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) and where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the class order applies.

### Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the half year ended 31 December 2019 is set out on page 3.

Signed in accordance with a resolution of the Board of Directors:

Director:   
.....  
Mark Cooper

Director:   
.....  
Mario Pirone

Dated this 18<sup>th</sup> day of February 2020



**Building a better  
working world**

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## **Auditor's independence declaration to the directors of Capricorn Society Limited**

As lead auditor for the review of Capricorn Society Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review.
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Capricorn Society Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'T G Dachs'.

T G Dachs  
Partner  
18 February 2020

# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Profit or Loss

For the Half Year Ended 31 December 2019

	Note	December 2019 \$'000	December 2018 \$'000
Revenue from contracts with customers	3(a)	12,238	10,282
Trade account revenue		52,553	48,790
Less: rewards points arising from Member purchases		(16,259)	(14,762)
Interest revenue	3(b)	4,661	4,328
Other revenue	3(b)	3,980	3,377
<b>Total revenue</b>		<b>57,173</b>	52,015
<b>Other operating income</b>	3(c)	<b>3,541</b>	82
<b>Expenses</b>			
Employee benefit expense		(24,439)	(21,606)
Reward points issued under Member trading rebate	4	-	(5,005)
Depreciation and amortisation expense		(2,532)	(1,604)
Marketing and advertising expense		(1,764)	(1,414)
Other expenses	3(d)	(12,150)	(13,499)
<b>Total expenses</b>		<b>(40,885)</b>	(43,128)
<b>Profit before tax</b>		<b>19,829</b>	8,969
Income tax expense	5	(4,771)	(2,428)
<b>Profit for the period</b>		<b>15,058</b>	6,541
<b>Profit attributable to:</b>			
Members of the parent entity		15,058	6,541
		<b>15,058</b>	6,541

*The accompanying notes form part of these financial statements*

# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Other Comprehensive Income

For the Half Year Ended 31 December 2019

	December 2019 \$'000	December 2018 \$'000
<b>Profit for the period</b>	<b>15,058</b>	6,541
<b>Other comprehensive income:</b>		
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translating foreign controlled entities	<b>381</b>	775
Other comprehensive income for the period, net of tax	<b>381</b>	775
<b>Total comprehensive income for the period, net of tax</b>	<b>15,439</b>	7,316
<b>Total comprehensive income, net of tax, attributable to:</b>		
Members of the parent entity	<b>15,439</b>	7,316
Non-controlling interests	-	-
	<b>15,439</b>	7,316

*The accompanying notes form part of these financial statements*

# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Financial Position

As at 31 December 2019

	Note	December 2019 \$'000	June 2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	66,568	58,763
Trade account advances and other receivables		176,440	196,695
Financial assets	7	32,100	32,100
Other current assets	8	4,991	3,240
<b>Total current assets</b>		<b>280,099</b>	<b>290,798</b>
<b>Non-current assets</b>			
Long term trade account advances		11,349	10,856
Financial assets	7	68,327	67,705
Investment properties		3,580	3,580
Right of use assets	9	4,974	-
Intangibles	10	13,071	13,732
Property, plant and equipment	11	17,826	18,066
Deferred tax assets		9,740	9,990
<b>Total non-current assets</b>		<b>128,867</b>	<b>123,929</b>
<b>Total assets</b>		<b>408,966</b>	<b>414,727</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		117,240	144,664
Reward points liability	4	55,994	49,976
Lease liabilities	9	1,390	-
Current tax liabilities		1,854	3,929
Employee benefits		3,429	2,984
<b>Total current liabilities</b>		<b>179,907</b>	<b>201,553</b>
<b>Non-current liabilities</b>			
Lease Liabilities	9	3,637	-
Employee benefits		1,160	1,110
<b>Total non-current liabilities</b>		<b>4,797</b>	<b>1,110</b>
<b>Total liabilities</b>		<b>184,704</b>	<b>202,663</b>
<b>Net assets</b>		<b>224,262</b>	<b>212,064</b>
<b>Equity</b>			
Issued capital	12	151,843	139,491
Reserves		2,631	2,250
Retained earnings		69,788	70,323
Equity attributable to equity holders of the parent		224,262	212,064
<b>Total equity</b>		<b>224,262</b>	<b>212,064</b>

The accompanying notes form part of these financial statements.



# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2019

2020	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Sub-Total \$'000	Non- controlling Interests \$'000	Total \$'000
<b>Balance at 1 July 2019</b>	<b>139,491</b>	<b>70,323</b>	<b>2,250</b>	<b>212,064</b>	-	<b>212,064</b>
Profit for the period	-	15,058	-	15,058	-	15,058
Other comprehensive income	-	-	381	381	-	381
<b>Total comprehensive income</b>	-	<b>15,058</b>	<b>382</b>	<b>15,439</b>	-	<b>15,439</b>
Shares issued during the period	17,954	-	-	17,954	-	17,954
Shares bought back during the period	(5,602)	-	-	(5,602)	-	(5,602)
Dividends paid	-	(15,593)	-	(15,593)	-	(15,593)
<b>Balance at 31 December 2019</b>	<b>151,843</b>	<b>69,788</b>	<b>2,631</b>	<b>224,262</b>	-	<b>224,262</b>

2019	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Sub-Total \$'000	Non- controlling Interests \$'000	Total \$'000
<b>Balance at 1 July 2018</b>	<b>122,975</b>	<b>64,321</b>	<b>1,248</b>	<b>188,544</b>	<b>(460)</b>	<b>188,084</b>
Profit for the period	-	6,541	-	6,541	-	6,541
Other comprehensive income	-	-	775	775	-	775
<b>Total comprehensive income</b>	-	<b>6,541</b>	<b>775</b>	<b>7,316</b>	-	<b>7,316</b>
Shares issued during the period	15,672	-	-	15,672	-	15,672
Shares bought back during the period	(5,721)	-	-	(5,721)	-	(5,721)
Dividends paid	-	(13,680)	-	(13,680)	-	(13,680)
<b>Balance at 31 December 2018</b>	<b>132,926</b>	<b>57,182</b>	<b>2,023</b>	<b>192,131</b>	<b>(460)</b>	<b>191,671</b>

The accompanying notes form part of these financial statements.

# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2019

	December 2019 \$'000	December 2018 \$'000
<b>Cash flows from operating activities:</b>		
Receipts from Members	<b>1,109,783</b>	1,012,968
Payments to suppliers and employees	<b>(1,111,613)</b>	(1,008,342)
Management fees received	3(a) <b>10,471</b>	9,001
Other income received	<b>3,227</b>	40
Interest received	<b>1,728</b>	1,633
Investment income received	3(b) <b>2,355</b>	1,987
Taxes paid	<b>(6,598)</b>	(6,757)
<b>Net cash provided by operating activities</b>	<b>9,353</b>	10,530
<b>Cash flows from investing activities:</b>		
Purchase of property plant and equipment	<b>(467)</b>	(819)
Proceeds from sale of property plant and equipment	<b>7</b>	11
Purchase of intangible assets	<b>(396)</b>	(12)
Funds transferred from term deposits	<b>32,100</b>	4,500
Funds transferred to term deposits	<b>(32,100)</b>	(15,000)
Purchase of investments	<b>(5,140)</b>	(3,264)
Proceeds from investments	<b>8,023</b>	6,716
<b>Net cash (used in)/provided by investing activities</b>	<b>2,027</b>	(7,868)
<b>Cash flows from financing activities:</b>		
Proceeds from issue of shares	<b>3,249</b>	2,727
Re-purchase of shares	<b>(5,725)</b>	(5,723)
Dividends paid by parent entity	<b>(765)</b>	(736)
Repayment of Lease liabilities	<b>(715)</b>	-
<b>Net cash used in financing activities</b>	<b>(3,956)</b>	(3,732)
<b>Net (decrease)/increase in cash held</b>	<b>7,424</b>	(1,070)
Cash at beginning of financial year	<b>58,763</b>	46,345
Effect of exchange rates changes on the balance of cash held in foreign currencies	<b>381</b>	775
<b>Cash at end of financial period</b>	6 <b>66,568</b>	46,050

The accompanying notes form part of these financial statements.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 1 Corporate information

The interim consolidated financial statements Capricorn Society Limited (the "Parent") and its subsidiaries (collectively, the "Consolidated Entity" or "Group") for the half year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 18<sup>th</sup> of February 2020.

The Parent is a non-listed public company, incorporated in Australia and operating in Australia and New Zealand. The principal activity of the Group during the half year was the operation of an automotive parts and accessories buying cooperative. Other entities provide travel, business risk services including the management of Capricorn Mutual Limited ("the Mutual"), financial services and technology services.

### 2 Basis of preparation and changes to the Group's accounting policies

#### A) Basis of preparation

The interim consolidated financial statements for the half year ended 31 December 2019 are condensed general purpose financial statements prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2019.

The company has determined for the purposes of preparing the interim consolidated financial statements it is a for-profit entity.

#### B) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 16 Leases, applying the modified retrospective approach.

Several other amendments and interpretations apply for the first time in the half year ended 31 December 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### AASB 16 Leases

AASB 16 supersedes AASB 117 Leases. AASB 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has applied, for the first time, AASB 16 from 1 July 2019, and has not restated comparatives for the prior period as permitted under the specific transition provisions in AASB 16. As required by AASB 134 the nature and effect of these changes are disclosed below.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition relief allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 2 Basis of preparation and changes to the Group's accounting policies (Continued)

The group has used the following practical expedients permitted by the standard:

- the measuring the right-of-use asset on transition as being equal to the amount of the lease liability initially recognised on transition;
- exemption for short-term leases that have a remaining lease term of less than 12 months as at 1 Jul 2019 and low value leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### The effect of adoption of AASB 16 is as follows:

The impact on the consolidated statement of financial position as at 1 July 2019 is an increase in Right of Use Assets of \$4,908,050 and an increase in the lease liability of \$4,908,050.

#### Nature of the effect of adoption of AASB 16:

The Group has lease contracts for motor vehicles, Sydney and Perth office space and office equipment. Before the adoption of AASB 16, the Group classified this lease (as lessee) at the inception date as an operating lease (as it held no finance leases). In an operating lease, the leased property was not capitalised and the lease payments were recognised as an expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases of which it is the lessee. Using the modified retrospective method of adoption of AASB 16 and applying the practical expedients listed above, the Group applied AASB 16 at the date of initial application by measuring the right-of-use assets based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

#### Set out below are the Group's new accounting policies upon adoption of AASB 16:

##### *Lease Liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

##### *Short-term lease and leases of low-value assets*

The Group applies the short-term and lease of low-value assets recognition exemptions to new leases that are considered short-term or of low value (i.e. those leases that have a lease term of 12 months or less or are below \$10,000 when new). Lease payments on short-term leases and leases of low-value assets are expensed over the lease term.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 2 Basis of preparation and changes to the Group's accounting policies (Continued)

#### *Right-of-use asset*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term. Right-of-use asset are assessed for impairment.

#### **The effect of adopting AASB 16 is as follows;**

Impact on statement of financial position increase as at 1 July 2019;

	\$000's
<b>Non-Current Assets</b>	
Right of Use Assets	4,908
<b>Total Non-Current Assets</b>	<b>4,908</b>
<b>Current Liabilities</b>	
Lease Liabilities	1,153
<b>Total Current Liabilities</b>	<b>1,153</b>
<b>Non-Current Liabilities</b>	
Lease Liabilities	3,755
<b>Total Non-Current Liabilities</b>	<b>3,755</b>
<b>Total Liabilities</b>	<b>4,908</b>

#### **C) Reclassification of comparatives**

During the half year ended 31 December 2019, the Group determined to classify the liability for reward points as a financial liability and not as a contract liability, with no impact on measurement. The reclassification occurred as a result of continued consideration of the terms and conditions of the reward system in place and the determination that CSL's obligation under the arrangement meets the definition of a financial liability. Prior period comparatives have been reclassified to enable comparability.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 3 Revenue and expenses

#### a) Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

#### For the 6 months ended 31 December 2019

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
<b>Geographical markets</b>				
Australia	9,789	1,118	490	11,397
New Zealand	682	94	65	841
<b>Total revenue from contracts with customers</b>	<b>10,471</b>	<b>1,212</b>	<b>555</b>	<b>12,238</b>

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
<b>Timing of revenue recognition</b>				
Revenue earned at a point in time	-	-	555	555
Revenue earned over time	10,471	1,212	-	11,683
<b>Total revenue from contracts with customers</b>	<b>10,471</b>	<b>1,212</b>	<b>555</b>	<b>12,238</b>

#### For the 6 months ended 31 December 2018

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
<b>Geographical markets</b>				
Australia	8,431	735	424	9,590
New Zealand	570	74	48	692
<b>Total revenue from contracts with customers</b>	<b>9,001</b>	<b>809</b>	<b>472</b>	<b>10,282</b>

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
<b>Timing of revenue recognition</b>				
Revenue earned at a point in time	-	-	472	472
Revenue earned over time	9,001	809	-	9,810
<b>Total revenue from contracts with customers</b>	<b>9,001</b>	<b>809</b>	<b>472</b>	<b>10,282</b>

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 3 Revenue and expenses (continued)

#### b) Interest and Other revenue

	December 2019 \$'000	December 2018 \$'000
Interest	4,615	4,217
Interest - related parties	46	111
Interest revenue	<u>4,661</u>	<u>4,328</u>
Rent received	87	86
Other Income	1,538	1,304
Investment income received	<u>2,355</u>	<u>1,987</u>
<b>Other revenue</b>	<u><b>3,980</b></u>	<u><b>3,377</b></u>

#### c) Other operating income

	December 2019 \$'000	December 2018 \$'000
Fair value gain on financial assets at fair value through profit or loss	3,112	-
Profit on disposal of financial assets	393	-
Foreign exchange gain realised	29	-
Foreign exchange gain unrealised	-	71
Profit from sale of plant and equipment	7	11
	<u>3,541</u>	<u>82</u>

#### d) Other expenses

	December 2019 \$'000	December 2018 \$'000
Bad and doubtful debts	832	546
Travel expenses	1,172	912
Information technology and communication expenses	1,716	1,530
Operating lease rental expenses	132	832
Fair value loss on financial assets at fair value through profit or loss	-	2,203
Foreign exchange loss unrealised	194	-
Other expenses	<u>8,104</u>	<u>7,476</u>
	<u><b>12,150</b></u>	<u><b>13,499</b></u>

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 4 Liability for unredeemed reward points

	December 2019 \$'000	December 2018 \$'000
<b>Reward points</b>		
Opening Balance – Liability for unredeemed Reward points	49,976	46,824
Reward points issued	16,259	14,762
Reward points issued - Member trading rebate	-	5,005
Reward points redeemed	(10,241)	(13,820)
<b>Closing Balance – Liability for unredeemed Reward Points</b>	<b>55,994</b>	<b>52,771</b>

### 5 Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the half year statement of profit or loss are:

	December 2019 \$'000	December 2018 \$'000
<b>Income taxes</b>		
Current income tax expense	4,401	4,443
Deferred income tax expense relating to origination and reversal of temporary differences	370	(2,015)
<b>Income tax expense recognised in the statement of profit or loss</b>	<b>4,771</b>	<b>2,428</b>

### 6 Cash and cash equivalents

	December 2019 \$'000	June 2019 \$'000
Cash at bank	57,582	44,983
Short term deposits	8,986	13,780
	<b>66,568</b>	<b>58,763</b>

#### (a) Cash at bank and on hand

Cash at bank earns interest at floating rates based on daily bank deposit rates.

#### (b) Short-term deposits

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.



# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 7 Financial assets

Set out below is an overview of financial assets, other than cash and trade account and other receivables, held by the Group:

	December 2019 \$'000	June 2019 \$'000
<b>Current</b>		
Term deposits (a)	<u>32,100</u>	<u>32,100</u>
<b>Non-current</b>		
Loan to Capricorn Mutual Limited - at fair value through profit and loss (b)	-	2,500
Investments in unit trusts – at fair value through profit and loss (c)	48,443	43,831
Investments in hybrid securities – at fair value through profit and loss (d)	18,533	16,097
Investment in property trust – at fair value through profit and loss (e)	-	4,033
Listed securities – at fair value through profit and loss	1,342	1,233
Unlisted securities – at fair value through profit and loss	9	11
	<u>68,327</u>	<u>67,705</u>

#### (a) Term deposits

Term deposits are made for varying periods of between four and twelve months, depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates.

#### (b) Loan to Capricorn Mutual Limited

The Group previously provided a loan to the Mutual which has now been fully repaid (2019: \$4,903,000).

#### (c) Investments in unit trusts

Investments in unit trusts comprise managed portfolio investments, where the underlying portfolio investment consists of shares traded in active markets. The investment strategy is “balanced growth” yielding both a return of income and capital. The portfolio managers may alter the asset class weighting in accordance with the investment strategy. This may result in investment in other classes of assets other than equity. The portfolio manager may weight asset classes by investing in equity vehicles where the underlying assets better reflect the investment objective.

#### (d) Investment in hybrid securities

Investments in hybrid securities comprise of income producing preference notes offered by Australian financial institutions. The investment strategy is “balanced growth” yielding both a return of income and capital. It is valued on a mark to market basis using the bid price at the close of trading.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 7 Financial assets (continued)

#### (e) Investment in property trust

The investment in property trust comprises of a managed property investment, where the underlying assets are two offices in the Perth Central Business District. The investment strategy is "balanced growth" yielding both a return of income and capital. There is no established secondary market or other redemption facility for Units in the Trust and there are no early withdrawal rights for the Trust. The investment has a seven year term whereby the trust will sell the underlying real property assets within the seven years giving investors a clear exit strategy.

### 8 Other current assets

	December 2019 \$'000	June 2019 \$'000
Accrued income	179	245
Other assets	4,812	2,995
	<b>4,991</b>	<b>3,240</b>

Other assets are non-interest bearing.

### 9 Leases

	For the 6 months ended 31 December 2019			
	Office Premises \$000's	Equipment \$000's	Motor Vehicles \$000's	Total \$000's
<b><u>Right of Use Assets</u></b>				
Impact of adopting AASB16 - 1 July 2019	3,102	118	1,688	4,908
Additions	75	-	727	802
Other Movements <sup>(1)</sup>	-	-	32	32
Accumulated depreciation	(184)	(32)	(552)	(768)
Net Book Value	<b>2,993</b>	<b>86</b>	<b>1,895</b>	<b>4,974</b>
Depreciation for the period	184	32	552	768

<sup>(1)</sup> Relates to adjustments to lease payments on motor vehicle contracts.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 9 Leases (continued)

#### Amounts recognised in the Consolidated Statement of Profit or Loss

	December 2019 \$'000
Depreciation expense on right of use assets	767
Interest expense on lease liabilities	112
Expenses on short term leases	103

The cash outflow for leases during the period amounted to \$930,000.

#### Lease Liabilities

	December 2019 \$'000
Current	1,390
Non-Current	3,637
	<hr/> 5,027 <hr/>

#### Maturity analysis of lease liabilities

	December 2019 \$'000
Undiscounted Cash flows	
Less than and including 1 year	1,604
Between 1 and 5 years	2,407
Five years and more	1,697
	<hr/> 5,708 <hr/>

#### Reconciliation between AASB 16 right of use assets and lease commitments as at 30 June 2019

	December 2019 \$'000
Lease commitments at 30 June 2019	3,648
Re-valuation of lease length	2,110
Expenses on short term leases	(148)
Discounting of lease liabilities	(702)
	<hr/> 4,908 <hr/>

The weighted average incremental borrowing rate at the date of initial application of Office premises is 3.41% and equipment 3.05%. The interest rate implicit in the lease at the initial application of Motor Vehicles is 8.00%.

### 10 Intangibles

During the half year ended 31 December 2019, the Group had acquired no intangible assets (2018: \$12,000).

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 11 Property, plant and equipment

During the half year ended 31 December 2019, the Group acquired plant and equipment with a cost of \$585,000 (2018: \$819,000).

There were no property purchases during the half year ended 31 December 2019 (2018: Nil).

During the half year ended 31 December 2019 the Group disposed of assets with a written down value of \$7,000 (2017: \$Nil).

### 12 Issued capital

	December 2019 No.	June 2019 No.	December 2019 \$'000	June 2019 \$'000
Ordinary shares issued and fully paid:				
Member shares	155,345,444	142,876,865	151,532	139,221
All region shares	310,717	271,067	311	270
	<b>155,656,161</b>	<b>143,147,932</b>	<b>151,843</b>	<b>139,491</b>

### 13 Dividends

#### a) Distributions paid for the half year ended

	December 2019 \$'000	December 2018 \$'000
2019 fully franked ordinary dividend of 11 cents per share declared and paid in the period to 31 December 2019	15,593	-
2018 fully franked ordinary dividend of 11 cents per share declared and paid in the period to 31 December 2018	-	13,680
	<b>15,593</b>	<b>13,680</b>

#### b) Proposed dividends

The directors have not proposed any dividends for the half year to 31 December 2019.

### 14 Seasonality of operations

Trade debtors and creditors are lower in December than June as Member transactions are lower during the Christmas period.

This information is provided to allow for a proper appreciation of the results, however management have concluded that this does not constitute "highly seasonal" as considered by AASB 134 *Interim Financial Reporting*.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 15 Related party disclosure

The interim consolidated financial statements include Capricorn Society Limited and the subsidiaries listed in the following table:

	% Equity Interest		Investment	
	December 2019	June 2019	December 2019	June 2019
	%	%	\$	\$
Capricorn Insurance Services Pty Limited	100	100	1,350,000	1,350,000
Capricorn Travel Australia Pty Limited	100	100	137,500	137,500
Capricorn Society Financial Services Pty Limited	100	100	10	10
Capricorn Technology Services Pty Limited	100	100	10	10
Capricorn Risk Services Pty Limited	100	100	250,000	250,000
Capricorn Mutual Management Pty Limited	100	100	10	10
Capricorn 1974 Pty Ltd	100	100	1	1
INEEDASERVICE Pty Limited	0	51	0	280,000

#### Transactions with related parties

In 2003 Capricorn Society Limited established Capricorn Mutual Limited ("the Mutual") in response to the desire by some Members to access a separate and unique offering of risk protection services. Risk protection services create exposure to an inherently different set of risks and returns to the Capricorn business. As these risks and services were not attractive to all Members of the Group, the Mutual was created.

The Group is one Member out of approximately 8,121 of the Mutual's Members. The Mutual's constitution requires CSL to hold a majority of seats on the Mutual's Board of Directors (the Board) although the Mutual's Members do have the ability to amend the constitution to remove the Board.

Whilst the Mutual is not a related party to CSL under the Corporations Act, Capricorn Mutual Management Pty Ltd and Capricorn Risk Services Pty Ltd which are both a subsidiary of CSL are engaged by the Mutual to manage the day to day operations of the mutual on behalf of the Mutual's board. As a result, in the interest of disclosure, the following transactions have been noted.

The Mutual provides benefits to the Mutual's Members by the way of protection services provided with competitive prices and/or expansion of services when possible. The Mutual is unable to pay dividends given the structure of the Mutual.

The Group provides the Mutual with payment, settlement and distribution services. It has also provided loans and other finance required for the establishment and growth of the Mutual.

The Mutual repaid its loan from the Group on 20<sup>th</sup> December 2019 (2018: \$4,903,000). The loan was advanced in 3 payments during the years ended 30 June 2004 to 2006. The Mutual has been profitable in recent years resulting in the strengthening of the Mutual's balance sheet to a point where current and forecast capital is now well within APRA suggested Capital Adequacy Multiple ("CAM") range. As such the loan was able to be repaid.

An amount of \$6,336,000 was outstanding at 31 December 2019 (2018: \$4,814,000) in relation to trade payables to the Mutual which will be settled within normal trade terms.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 15 Related party disclosure (continued)

The Group therefore carries no assets and \$5,238,000 of liabilities in respect of the Mutual. CSL is not significantly exposed to further net liabilities of the Mutual other than payment of the above trade payable.

During the half year the Group earned interest on the loan of \$46,000 (2018: \$111,000) and fees for providing services to the Mutual of \$10,471,000 (2018: \$9,002,000). All charges are based on either recovery of costs or benchmarked market rates ensuring remuneration is on an arm's length basis and and reasonable.

The nature of the cost recoveries, lack of ability to pay dividends and the Mutual's objective of constant improvement of services to the Mutual's Members when financially prudent, minimises further returns for the Group.

In view of the above the Capricorn Society Limited Board considers that the relationship between the Group and the Mutual is that of the Group acting as an agent and hence under AASB 10 does not control the Mutual and is not required to consolidate the Mutual.

Directors Russell Becker, Mark Cooper and Bruce Rathie were directors of Capricorn Mutual Limited during the half year. The Mutual paid a total of \$107,000 in directors' fees to these directors during the half year ended 31 December 2019 (2018: \$111,000).

All directors of the parent entity, other than independent non-Member directors, are Members of the Group and conduct Member accounts. The terms and conditions of all Member accounts operated by directors are the same as accounts provided to other Members. Reward points earned by directors for the year were \$66,000 (2018: \$64,000) and the reward point balances owing to Member directors at 31 December 2019 were \$54,000 (2018: \$45,000).

The Group was engaged in a venture with Anthem Software Pty Ltd in the company INeedAService Pty Ltd. The venture was closed down in August 2019. Anthem Software Pty Ltd held a minority interest of 49%, which is disclosed in Note 14. CSL was responsible for the day-to-day management and decision making of the venture and is considered to have control of INeedAService Pty Ltd under the terms of AASB 10.

### 16 Financial instruments

The fair value of the Group's financial assets and liabilities is impacted by movements in interest rates, foreign exchange rates and equity prices.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 17 Fair value measurement

Set out below is an overview of financial instruments, other than cash, held by the Group at 31 December 2019:

	Loans and receivables/ amortised cost \$'000	Fair value through profit or loss \$'000
<b>Financial assets:</b>		
Investments in unit trusts	-	48,443
Investment in hybrid securities	-	18,533
Unlisted securities	-	9
Listed securities	-	1,342
Trade account advances and other receivables	11,349	-
<b>Total non-current</b>	<b>11,349</b>	<b>68,327</b>
Trade account advances and other receivables	176,440	-
Term deposits	32,100	-
<b>Total current</b>	<b>208,540</b>	<b>-</b>
<b>Total</b>	<b>219,889</b>	<b>68,327</b>
<b>Financial liabilities</b>		
Trade and other payables	117,240	-
Reward points liability	55,994	-
<b>Total current</b>	<b>173,234</b>	<b>-</b>
<b>Total</b>	<b>173,234</b>	<b>-</b>

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 17 Fair value measurement (continued)

Set out below is an overview of financial instruments, other than cash, held by the Group at 30 June 2019:

	Loans and receivables/ amortised cost Restated \$'000	Fair value through profit or loss \$'000
<b>Financial assets:</b>		
Investments in unit trusts	-	43,831
Investment in hybrid securities	-	16,097
Investment in property trust	-	4,032
Unlisted securities	-	9
Listed securities	-	1,236
Loan to Capricorn Mutual Limited	-	2,500
Trade account advances and other receivables	10,856	-
<b>Total non-current</b>	<b>10,856</b>	<b>67,705</b>
Trade account advances and other receivables	196,695	-
Term deposits	32,100	-
<b>Total current</b>	<b>228,795</b>	<b>-</b>
<b>Total</b>	<b>239,651</b>	<b>67,705</b>
<b>Financial liabilities</b>		
Trade and other payables	144,664	-
Reward points liability	49,976	-
<b>Total current</b>	<b>194,640</b>	<b>-</b>
<b>Total</b>	<b>194,640</b>	<b>-</b>



# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 17 Fair value measurement (continued)

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities, other than cash and cash equivalents, as at 31 December 2019 and 30 June 2019:

	Carrying Amount		Fair Value	
	December 2019	June 2019	December 2019	June 2019
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets:</b>				
Investments in unit trusts	<b>48,443</b>	43,831	<b>48,443</b>	43,831
Investment in hybrid securities	<b>18,533</b>	16,097	<b>18,533</b>	16,097
Investment in property trust	-	4,032	-	4,032
Investment in listed securities	<b>1,342</b>	1,236	<b>1,342</b>	1,236
Unlisted securities	<b>9</b>	9	<b>9</b>	9
Trade account advances	<b>11,349</b>	10,856	<b>11,349</b>	10,856
Loan to Capricorn Mutual Limited	-	2,500	-	2,500
<b>Total non-current</b>	<b>79,676</b>	78,561	<b>79,676</b>	78,561
Trade account advances and other receivables	<b>176,440</b>	196,695	<b>176,440</b>	196,695
Term deposits	<b>32,100</b>	32,100	<b>32,100</b>	32,100
<b>Total current</b>	<b>208,540</b>	228,795	<b>208,540</b>	228,795
<b>Total</b>	<b>288,216</b>	307,356	<b>288,216</b>	307,356
<b>Financial liabilities</b>				
Trade and other payables	<b>117,240</b>	144,664	<b>117,240</b>	144,664
Reward points liability	<b>55,994</b>	49,976	<b>55,994</b>	49,976
<b>Total current</b>	<b>173,234</b>	194,640	<b>173,234</b>	194,640
<b>Total</b>	<b>173,234</b>	194,640	<b>173,234</b>	194,640

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 17 Fair value measurement (continued)

As at 31 December 2019, the Group held the following classes of financial instruments measured at fair value:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets measured at fair value:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial assets (Note 5)				
Investments in unit trusts	48,443	-	48,443	-
Investment in hybrid securities	18,533	18,533	-	-
Investments in listed securities	1,342	1,342	-	-
Unlisted securities	9	-	-	9
Investment Properties	3,580	-	-	3,580
	<b>71,907</b>	<b>19,875</b>	<b>48,443</b>	<b>3,589</b>

As at 30 June 2019, the Group held the following classes of financial instruments measured at fair value:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets measured at fair value:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Restated</b>
Financial assets (Note 5)				
Investments in unit trusts	43,831	-	43,831	-
Investments in property trusts	4,032	-	-	4,032
Investment in hybrid securities	16,097	16,097	-	-
Investments in listed securities	1,236	1,236	-	-
Unlisted securities	9	-	-	9
Investment Properties	3,580	-	-	3,580
	<b>68,785</b>	<b>17,333</b>	<b>43,831</b>	<b>7,621</b>

During the period ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

During the period ended 31 December 2019, there were no transfers from level 2 to level 3.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

17 Fair value measurement (continued)

For assets that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Movements of significant assets in Level 3

	Property Trusts \$'000	Investment Properties \$'000
<b>At 1 July 2018</b>	<b>5,800</b>	<b>3,450</b>
Return of Capital – Property Trusts	(2,297)	-
Revaluation gain recognised in other operating income	529	130
<b>At 30 June 2019</b>	<b>4,032</b>	<b>3,580</b>
Return of Capital – Property Trusts	(1,750)	-
Expected Proceeds of Trust Asset Sale	(1,842)	-
Revaluation loss recognised in other operating income	(440)	-
<b>At 31 December 2019</b>	<b>-</b>	<b>3,580</b>

### Valuation techniques

The fair value of units in trusts is determined by reference to published bid prices at the close of business on the reporting date, being the redemption price as established by the underlying trust's responsible entity.

The fair value of the hybrid securities is based on price quotations in an active market at the reporting date.

The fair value of the property trust is based on the valuation of the underlying properties at the reporting date adjusted for secured debt over the properties, capital additions and excess working capital in the trust. The underlying properties have been either valued by independent licenced valuers or internal valuations performed by the fund manager during the year using the capitalisation approach and discounted cash flow analysis. Properties sold in the last six months have been valued at the arm's length sale price less acquisition costs.

Valuation technique	Significant unobservable inputs	Range
Capitalisation approach	Capitalisation rate	7.00% - 8.25%
Discounted cash flow analysis	Discount rate	7.50% - 8.25%

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2019

### 18 Commitments

The Group has no commitments for the purchase of property, plant, and equipment at 31 December 2019.

### 19 Events subsequent to balance date

Since the end of the reporting period, there have been no other significant events which may impact on the results for the period ended 31 December 2019.

# Capricorn Society Limited and Controlled Entities

## Directors' Declaration

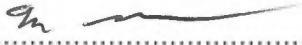
For the Half Year Ended 31 December 2019

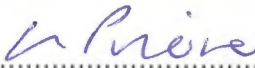
In accordance with a resolution of the directors of Capricorn Society Limited, we state that:

In the opinion of the directors:

- 1) The financial statements and notes of Capricorn Society Limited and Controlled Entities for the half year ended 31 December 2019 are in accordance with the Corporations Act 2001, including:
  - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date; and
  - b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 2) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Director:   
.....  
Mark Cooper

Director:   
.....  
Mario Pirone

Dated this 18<sup>th</sup> day of February 2020



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## **Independent Auditor's Review Report to the Members of Capricorn Society Limited**

### **Report on the Half-Year Financial Report**

#### **Conclusion**

We have reviewed the accompanying half-year financial report of Capricorn Society Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### **Directors' Responsibility for the Half-Year Financial Report**

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

#### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

## **Independence**

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

A stylized, handwritten-style logo for Ernst &amp; Young, featuring the words 'Ernst &amp; Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'T G Dachs', written over a horizontal line.

T G Dachs  
Partner  
Perth  
18 February 2020