

Financial Statements

For the Half Year Ended 31 December 2021

Capricorn Society Limited and Controlled Entities

ABN: 29 008 347 313

Half Year Ended 31 December 2021

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Capricorn Society Limited and Controlled Entities

Directors' Report

31 December 2021

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 2021. 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	Position
Mark Cooper	Chairman
Mario Pirone	Independent Director/Vice Chairman
Philip Saxton	Member Director
David Kemp	Member Director
Julie Wadley	Member Director
Peter Stewart	Member Director
Bruce Rathie	Independent Director
Donna Vinci	Independent Director
Russell Becker	Member Director (retired 29 October 2021)
Lydia Stjepanovic	Member Director (appointed 29 October 2021)

Review and results of operations

The consolidated profit of the Group for the half year after providing for income tax amounted to \$12,087,000 (2020: \$17,168,000).

Total purchases by Members of the Group increased to \$1,403,403,000 being 13.4% higher than the same time last year (2020: \$1,237,932,000). Net collections were \$67,628,000 (2020: \$58,736,000), an increase of 15.1%.

While the impact of the COVID-19 pandemic over recent years has resulted in favourable levels of activity within the automotive aftermarket, there are continued levels of uncertainty to the future as to longer term effects of the pandemic to Capricorn and its Members businesses.

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

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

Capricorn Society Limited and Controlled Entities

Directors' Report

31 December 2021

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.

Dividends

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

The dividends of \$12,458,000 for the year ended 30 June 2021 were declared in September 2021 and paid during the half year ended 31 December 2021. 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 2021 is set out on page 3.

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



.....
Mark Cooper
Director



.....
Mario Pirone
Director

Dated this 17th day of February 2022



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Capricorn Society Limited and its controlled entities

As lead auditor for the review of Capricorn Society Limited and its controlled entities for the half-year ended 31 December 2021, 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; and
- c. No non-audit services provided that contravene 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 & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Timothy Dachs', written in a cursive style.

Timothy Dachs
Partner
17 February 2022

Capricorn Society Limited and Controlled Entities

Consolidated Statement of Profit or Loss

For the Half Year Ended 31 December 2021

	Note	December 2021 \$'000	December 2020 \$'000
Revenue from contracts with customers	3(a)	15,815	12,674
Trade account revenue calculated using the effective interest rate method		46,846	40,323
Other interest revenue	3(b)	3,772	3,205
Other income	3(b)	945	698
Total revenue		67,378	56,900
Other operating income	3(c)	7,176	6,636
Expenses			
Employee benefit expense		(26,422)	(24,810)
Member trade rebate		(15,100)	-
Depreciation and amortisation expense		(2,712)	(2,743)
Marketing and advertising expense		(1,028)	(662)
Other expenses	3(d)	(12,755)	(11,401)
Total expenses		(58,017)	(39,616)
Profit before tax		16,537	23,920
Income tax expense	5	(4,450)	(6,752)
Profit for the period		12,087	17,168
Profit attributable to:			
Members of the parent entity		12,087	17,168
		12,087	17,168

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 2021

	December 2021 \$'000	December 2020 \$'000
	Note	
Profit for the period	12,087	17,168
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign controlled entities	388	112
Other comprehensive income for the period, net of tax	12,475	17,280
Total comprehensive income for the period, net of tax	12,475	17,280
Total comprehensive income, net of tax, attributable to:		
Members of the parent entity	12,475	17,280
	12,475	17,280

The accompanying notes form part of these financial statements

Capricorn Society Limited and Controlled Entities

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	December 2021 \$'000	June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	102,580	103,142
Trade account advances and other receivables		231,781	265,300
Assets held for sale	18	2,030	-
Other current assets	8	4,197	2,562
Total current assets		340,588	371,004
Non-current assets			
Long term trade account advances		12,868	13,026
Financial assets	7	140,181	116,007
Investment properties	17	1,625	3,655
Right of use assets	9	2,027	2,058
Intangibles	10	10,570	11,705
Property, plant and equipment	11	15,348	15,893
Deferred tax assets		19,682	16,607
Total non-current assets		202,301	178,951
Total assets		542,889	549,955
Liabilities			
Current liabilities			
Trade and other payables		160,825	194,366
Reward points liability	4	87,749	68,282
Lease liabilities	9	1,035	1,190
Current tax liabilities		4,020	8,423
Employee benefits		3,895	3,893
Total current liabilities		257,524	276,154
Non-current liabilities			
Lease Liabilities	9	1,053	937
Employee benefits		1,280	1,198
Total non-current liabilities		2,333	2,135
Total liabilities		259,857	278,289
Net assets		283,032	271,666
Equity			
Issued capital	12	186,482	175,120
Reserves		2,453	2,065
Retained earnings		94,097	94,481
Parent interest		283,032	271,666
Total equity		283,032	271,666

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 2021

2022	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Sub-Total \$'000	Non- controlling Interests \$'000	Total \$'000
Balance at 1 July 2021	175,120	94,481	2,065	271,666	-	271,666
Profit for the period	-	12,087	-	12,087	-	12,087
Other comprehensive income	-	-	388	388	-	388
Total comprehensive income	-	12,087	388	12,475	-	12,475
Shares issued during the period	15,996	-	-	15,996	-	15,996
Shares bought back during the period	(4,634)	-	-	(4,634)	-	(4,634)
Dividends paid during the year	-	(12,471)	-	(12,471)	-	(12,471)
Balance at 31 December 2021	186,482	94,097	2,453	283,032	-	283,032

2021	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Sub-Total \$'000	Non- controlling Interests \$'000	Total \$'000
Balance at 1 July 2020	154,527	56,925	2,170	213,622	-	213,622
Profit for the period	-	17,168	-	17,168	-	17,168
Other comprehensive income	-	-	112	112	-	112
Total comprehensive income	-	17,168	112	17,280	-	17,280
Shares issued during the period	14,570	-	-	14,570	-	14,570
Shares bought back during the period	(3,892)	-	-	(3,892)	-	(3,892)
Dividends paid during the year	-	(2)	-	(2)	-	(2)
Balance at 31 December 2020	165,205	74,091	2,282	241,578	-	241,578

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 2021

	December 2021	December 2020
Note	\$'000	\$'000
Cash flows from operating activities:		
Receipts from Members	1,422,515	1,259,577
Payments to suppliers and employees	(1,409,742)	(1,253,514)
Management fees received	3(a) 13,115	10,988
Other income received	4,488	3,106
Interest received	105	252
Investment income received	3(c) 3,022	1,121
Taxes paid	(12,280)	(7,662)
Net cash provided by operating activities	21,223	13,868
Cash flows from investing activities:		
Purchase of property plant and equipment	(142)	(206)
Purchase of intangible assets	(112)	(187)
Purchase of investments	(21,639)	(21,246)
Proceeds from investments	1,613	19,737
Net cash used in investing activities	(20,280)	(1,902)
Cash flows from financing activities:		
Proceeds from issue of shares	4,158	4,158
Re-purchase of shares	(4,702)	(2,378)
Dividends paid by parent entity	(565)	(441)
Repayment of lease liabilities	(784)	(829)
Net cash (used in)/provided by financing activities	(1,893)	510
Net (decrease) / increase in cash held	(950)	12,476
Cash at beginning of financial year	103,142	111,292
Effect of exchange rates changes on the balance of cash held in foreign currencies	388	112
Cash at end of financial period	6 102,580	123,880

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 2021

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 2021 were authorised for issue in accordance with a resolution of the directors on 17th of February 2022.

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 2021 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 2021.

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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in the half year ended 31 December 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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 2021

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
Geographical markets				
Australia	12,324	1,247	1,239	14,810
New Zealand	791	107	50	948
Total revenue from contracts with customers	13,115	1,354	1,289	15,758

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

3 Revenue and expenses (continued)

a) Revenue from contracts with customers (continued)

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
Timing of revenue recognition				
Revenue earned at a point in time	-	1,354	1,289	2,643
Revenue earned over time	13,115	-	-	13,115
Total revenue from contracts with customers	13,115	1,354	1,289	15,758

For the 6 months ended 31 December 2020

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
Geographical markets				
Australia	10,286	1,039	496	11,821
New Zealand	702	106	45	853
Total revenue from contracts with customers	10,988	1,145	541	12,674

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Total \$000's
Timing of revenue recognition				
Revenue earned at a point in time	-	1,145	541	1,686
Revenue earned over time	10,988	-	-	10,988
Total revenue from contracts with customers	10,988	1,145	541	12,674

b) Interest and Other income

	December 2021 \$'000	December 2020 \$'000
Interest on financial assets at amortised cost	3,772	3,205
Interest revenue	3,772	3,205
Rent received	89	59
Other income	855	639
Other revenue	944	698

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

3 Revenue and expenses (continued)

c) Other operating income

	December 2021 \$'000	December 2020 \$'000
Fair value gain on financial assets at fair value through profit or loss	4,154	5,481
Foreign exchange gain realised	-	18
Investment income received	3,022	1,121
Foreign exchange gain unrealised	-	16
	7,176	6,636

d) Other expenses

	December 2021 \$'000	December 2020 \$'000
Bad and doubtful debts	1,332	1,569
Travel expenses	252	271
Information technology and communication expenses	3,442	3,954
Lease rental expenses	24	3
Fair value loss on financial assets at fair value through profit or loss	6	23
Foreign exchange loss realised	3	-
Consulting expenses	1,261	841
Trade commissions	855	593
Insurance, legal & accounting fees	1,166	1,104
Credit card fee expense	314	379
Other operating expenses	4,100	2,664
	12,755	11,401

4 Liability for unredeemed reward points

	December 2021 \$'000	December 2020 \$'000
Reward points		
Opening Balance – Liability for unredeemed Reward points at 1 July	68,282	53,458
Reward points issued	20,783	18,413
Rewards points issued – Member trading rebate	15,100	13,427
Reward points redeemed	(16,416)	(16,033)
Closing Balance – Liability for unredeemed Reward Points	87,749	69,265

A Member trading rebate of \$15,000,000 was approved and declared by the Board in September 2021, this was allocated to Members during the half year ended 31 December 2021 in the form of Reward Points on a pro-rata basis based on total Member spend in the 2021 financial year.

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

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 2021 \$'000	December 2020 \$'000
Income taxes		
Current income tax expense	7,800	6,178
Deferred income tax expense relating to origination and reversal of temporary differences	(3,350)	574
Income tax expense recognised in the statement of profit or loss	4,450	6,752

6 Cash and cash equivalents

	December 2021 \$'000	June 2021 \$'000
Cash at bank	77,630	75,649
Short term deposits	24,950	27,493
	102,580	103,142

(a) Cash at bank

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. Due to the short term nature of these deposits, the Group determines that they are subject to an insignificant risk of changes in value.

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 2021 \$'000	June 2021 \$'000
Non-current		
Investments in unit trusts – at fair value through profit and loss (a)	102,292	84,850
Investments in hybrid securities – at fair value through profit and loss (b)	24,359	18,634
Listed securities – at fair value through profit and loss (c)	13,521	12,514
Unlisted securities – at fair value through profit and loss	9	9
	140,181	116,007

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

7 Financial assets (continued)

(a) 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. The investments in unit trusts are classified and measured at fair value through profit or loss.

(b) Investment in hybrid securities

Investments in hybrid securities comprise of income producing preference notes offered by Australian financial institutions, subordinated bonds in listed entities and investments in global managed funds, where the underlying portfolio investment consists of fixed interest securities. The investment strategy is "balanced growth" yielding both a return of income and capital. The investments in hybrid securities are classified and measured at fair value through profit or loss.

(c) Investment in listed securities

Investments in listed securities comprise of ordinary shares in ASX listed companies. The investment strategy is "capital growth". The investments in listed securities are classified and measured at fair value through profit or loss.

8 Other current assets

	December 2021 \$'000	June 2021 \$'000
Accrued income	32	16
Other assets	4,165	2,546
	4,197	2,562

Other assets are non-interest bearing.

9 Leases

	Office Premises \$000's	Equipment \$000's	Motor Vehicles \$000's	Total \$000's
Right of Use Assets				
1 July 2021	188	196	1,674	2,058
Additions	-	-	745	745
Lease Adjustments	-	-	3	3
Depreciation for the period	(161)	(28)	(590)	(779)
Net Book Value – 31 December 2021	27	168	1,832	2,027
Accumulated Depreciation	(802)	(76)	(1,733)	(2,611)

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

9 Leases (continued)

	Office Premises \$000's	Equipment \$000's	Motor Vehicles \$000's	Total \$000's
Right of Use Assets				
1 July 2020	2,810	54	1,590	4,454
Additions	-	203	1,325	1,528
Lease Adjustments	(2,302)	-	(4)	(2,306)
Depreciation for the period	(320)	(61)	(1,237)	(1,618)
Net Book Value – 30 June 2021	188	196	1,674	2,058
Accumulated Depreciation	(642)	(48)	(1,518)	(2,208)

Amounts recognised in the Consolidated Statement of Profit or Loss

	December 2021 \$'000	December 2020 \$'000
Depreciation expense on right of use assets	779	856
Interest expense on lease liabilities	82	114
Expenses on short term leases	4	-

The cash outflow for leases during the period amounted to \$867,000.

Lease Liabilities

	December 2021 \$'000	December 2020 \$'000
Current	1,035	1,237
Non-Current	1,053	3,377
	2,088	4,614

Maturity analysis of lease liabilities

	December 2021 \$'000	December 2020 \$'000
Undiscounted Cash flows		
Less than and including 1 year	1,154	1,436
Between 1 and 5 years	1,114	2,895
Five years and more	-	865
	2,268	5,196

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%.

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

10 Intangibles

There were no intangible assets acquired during the half year ended 31 December 2021 (2020: \$1,800,000).

11 Property, plant and equipment

During the half year ended 31 December 2021, the Group acquired plant and equipment with a cost of \$98,000 (2020: \$206,000).

There were no property purchases during the half year ended 31 December 2021 (2020: Nil).

No assets were disposed of during the half year ended 31 December 2021 (2020: Nil).

12 Issued capital

	December 2021 No.	June 2021 No.	December 2021 \$'000	June 2021 \$'000
Ordinary shares issued and fully paid:				
Member shares	189,917,796	178,612,733	185,831	174,562
All region shares	650,910	557,858	651	558
	190,568,706	179,170,591	186,482	175,120

13 Dividends

a) Distributions paid for the half year ended

	December 2021 \$'000	December 2020 \$'000
2021 fully franked ordinary dividend of 7 cents per share declared in September 2021 and paid in the period to 31 December 2021	12,471	-
2020 fully franked ordinary dividend of 7 cents per share declared in June 2020 and paid in the period to 31 December 2020	-	10,952
	12,471	10,952

b) Proposed dividends

The directors have not proposed any dividends for the half year to 31 December 2021.

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 2021

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 2021 %	June 2021 %	December 2021 \$	June 2021 \$
Capricorn Insurance Services Pty Limited	100	100	850,000	850,000
Capricorn Travel Australia Pty Limited	100	100	137,500	137,500
Capricorn Society Financial 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

Transactions with Capricorn Mutual Limited and 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 9,200 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.

In view of the above, while Capricorn Society Limited has the power over CML through a majority of Board positions, it has little exposure to variable returns. Therefore, 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 given the Group has minimal exposure to variable returns, it has not consolidated the Mutual.

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.

An amount of \$8,550,000 was outstanding at 31 December 2021 (2021: \$8,190,000) in relation to trade payables to the Mutual which will be settled within normal trade terms.

The Group therefore carries no assets and \$8,550,000 of liabilities in respect of the Mutual. CSL is not exposed to further net liabilities of the Mutual other than payment of the above trade payable.

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

15 Related party disclosure (continued)

During the half year the Group earned fees for providing services to the Mutual of \$13,115,000 (2020: \$10,988,000). All charges are based on recovery of costs plus a fixed benchmarked margin ensuring remuneration is on an arm's length basis and reasonable. Capricorn Mutual commissions independent benchmark analysis ensuring these charges are arm's length and comparable to market.

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.

Directors Mark Cooper, Bruce Rathie and Russell Becker (retired), were directors of Capricorn Mutual Limited during the half year. The Mutual paid a total of \$105,000 in directors' fees to these directors during the half year ended 31 December 2021 (2020: \$110,000).

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 half year were \$107,000 (2020: \$97,000) and the Reward Point balances owing to Member directors at 31 December 2021 were \$151,000 (2021: \$110,000).

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.

17 Fair value measurement

Set out below is an overview of financial instruments, other than cash, held by the Group at 31 December 2021:

	Financial assets and liabilities at amortised cost \$'000	Financial assets at fair value through profit or loss \$'000
Financial assets:		
Investment in hybrid securities	-	24,359
Investment in listed securities	-	13,521
Investments in unit trusts	-	102,292
Unlisted securities	-	9
Trade account advances and other receivables	12,868	
Total non-current	12,868	140,181
Trade account advances and other receivables	231,781	-
Total current	231,781	-
Total	244,649	140,181

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

17 Fair value measurement (continued)

	Financial assets and financial liabilities at amortised cost \$'000	Financial assets at fair value through profit or loss \$'000
Financial liabilities:		
Trade and other payables	160,825	-
Reward points liability	87,749	-
Total current	248,574	-
Total	248,574	-

Set out below is an overview of financial instruments, other than cash, held by the Group at 30 June 2021:

	Financial assets and financial liabilities at amortised cost \$'000	Financial assets at fair value through profit or loss \$'000
Financial assets:		
Investment in hybrid securities	-	18,634
Investment in listed securities	-	12,514
Investments in unit trusts	-	84,850
Unlisted securities	-	9
Trade account advances and other receivables	13,026	-
Total non-current	13,026	116,008
Trade account advances and other receivables	265,300	-
Term deposits	-	-
Total current	265,300	-
Total	278,326	116,008
Financial liabilities		
Trade and other payables	194,366	-
Reward points liability	68,283	-
Total current	262,649	-
Total	262,649	-

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

17 Fair value measurement (continued)

As at 31 December 2021, the Group held the following classes of financial instruments measured at fair value:

Assets measured at fair value:	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets (Note 7)				
Investment in hybrid securities	24,359	24,359	-	-
Investments in listed securities	13,521	13,521	-	-
Investments in unit trusts	102,292	-	102,292	-
Unlisted securities	9	-	-	9
Investment properties	1,625	-	-	1,625
Assets held for sale	2,030	-	-	2,030
	143,836	39,034	101,138	3,664

During the half year ended 31 December 2021, there were no transfers between Level 1 and Level 2 or Level 2 and Level 3 fair value measurements.

The following table provides the fair value measurement hierarchy of the Group's assets at 30 June 2021.

Assets measured at fair value:	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets (Note 7)				
Investment in hybrid securities	18,634	18,634	0	0
Investments in listed securities	12,514	12,514	0	0
Investments in unit trusts	84,850	0	84,850	0
Unlisted securities	9	0	0	9
Investment properties	3,655	0	0	3,655
	119,662	33,106	82,892	3,664

During the year ended 30 June 2021, there were no transfers between Level 1 and Level 2 or Level 2 and Level 3 fair value measurements.

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) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2021

17 Fair value measurement (continued)

For assets that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (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

	Investment Properties \$'000
At 1 July 2020	3,975
Revaluation loss recognised in other operating income	(320)
At 30 June 2021	3,655
Reclassification to assets held for sale	(2,030)
At 31 December 2021	1,625

Valuation techniques

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

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.

Valuation technique	Significant unobservable inputs	Range
Capitalisation approach	Capitalisation rate	6.75% - 7.75%
Discounted cash flow analysis	Discount rate	7.50% - 8.25%

18 Assets held for sale

During the half year ended 31 December 2021 the Group reclassified an asset from investment properties to assets held for sale. The sale of this property is deemed as highly probable.

19 Commitments

The Group has no commitments for the purchase of property, plant, and equipment at 31 December 2021.

20 Events subsequent to balance date

Since the end of the reporting period, there have been no significant events which may impact on the results for the period ended 31 December 2021.

Capricorn Society Limited and Controlled Entities

Directors' Declaration

For the Half Year Ended 31 December 2021

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 2021 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 2021 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:



.....
Mark Cooper
Director



.....
Mario Pirone
Director

Dated this 17th day of February 2022



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working world**

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Independent Auditor's Report to the Members of Capricorn Society Limited and its controlled entities

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 profit or loss, the consolidated statement of other comprehensive income, consolidated statement of financial position as at 31 December 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at [period date] 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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 annual 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 review report.

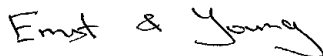
Directors' responsibilities for the half-year financial report

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



Ernst & Young



Timothy Dachs
Partner
Perth
17 February 2022