

# Financial Statements

For the Half Year Ended 31 December 2020

# Capricorn Society Limited and Controlled Entities

ABN: 29 008 347 313

Half Year Ended 31 December 2020

## CONTENTS

	<u>Page</u>
<b>Financial Statements</b>	
Directors' Report	1
Auditor's Independence Declaration	3
Consolidated Statement of Profit or Loss	4
Consolidated Statement of Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	22
Independent Auditor's Review Report	23

# Capricorn Society Limited and Controlled Entities

## Directors' Report

31 December 2020

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 2020. 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.

<b>Names</b>	<b>Position</b>
Mark Cooper	Chairman
Mario Pirone	Independent Director/Vice Chairman
Russell Becker	Member Director
Philip Saxton	Member Director
Julie Wadley	Member Director
David Kemp	Member Director
Peter Stewart	Member Director
Bruce Rathie	Independent Director
Donna Vinci	Independent Director

### Review and results of operations

The consolidated profit of the Group for the half year after providing for income tax amounted to \$17,168,000 (2019: \$15,058,000).

Total purchases by Members of the Group increased to \$1,237,932,000 being 12.7% higher than the same time last year (2019: \$1,098,781,000). Net collections were \$58,736,000 (2019: \$52,553,000), an increase of 11.8%.

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 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.

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 2020

### Dividends

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

The dividends of \$10,952,000 for the year ended 30 June 2020 were declared in June 2020 and paid during the half year ended 31 December 2020. 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 2020 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 19th day of February 2021



**Building a better  
working world**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

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

As lead auditor for the review of the financial report of Capricorn Society Limited for the half-year ended 31 December 2020, 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; and
- 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' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'T G Dachs' in a cursive style.

T G Dachs  
Partner

19 February 2021

# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Profit or Loss

For the Half Year Ended 31 December 2020

	Note	December 2020 \$'000	December 2019 \$'000
Revenue from contracts with customers	3(a)	12,674	12,238
Trade account revenue calculated using the effective interest rate method		40,323	36,294
Other interest revenue	3(b)	3,205	4,661
Other income	3(b)	698	888
<b>Total revenue</b>		<b>56,900</b>	54,081
<b>Other operating income</b>	3(c)	<b>6,636</b>	5,895
<b>Expenses</b>			
Employee benefit expense		(24,810)	(24,439)
Depreciation and amortisation expense		(2,743)	(2,532)
Marketing and advertising expense		(662)	(1,764)
Other expenses	3(d)	(11,401)	(11,412)
<b>Total expenses</b>		<b>(39,616)</b>	(40,147)
<b>Profit before tax</b>		<b>23,920</b>	19,829
Income tax expense	5	(6,752)	(4,771)
<b>Profit for the period</b>		<b>17,168</b>	15,058
<b>Profit attributable to:</b>			
Members of the parent entity		17,168	15,058
		<b>17,168</b>	15,058

*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 2020

	<b>December 2020 \$'000</b>	December 2019 \$'000
	<b>Note</b>	
<b>Profit for the period</b>	<b>17,168</b>	15,058
<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>112</b>	381
<b>Other comprehensive income for the period, net of tax</b>	<b>17,280</b>	15,439
<b>Total comprehensive income for the period, net of tax</b>	<b>17,280</b>	15,439
<b>Total comprehensive income, net of tax, attributable to:</b>		
Members of the parent entity	<b>17,280</b>	15,439
	<b>17,280</b>	15,439

*The accompanying notes form part of these financial statements*

# Capricorn Society Limited and Controlled Entities

## Consolidated Statement of Financial Position

As at 31 December 2020

	December 2020 \$'000	June 2020 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	6 <b>123,880</b>	111,292
Trade account advances and other receivables	<b>206,546</b>	230,286
Other current assets	8 <b>3,361</b>	3,762
<b>Total current assets</b>	<b>333,787</b>	345,340
<b>Non-current assets</b>		
Long term trade account advances	<b>11,649</b>	11,115
Financial assets	7 <b>66,575</b>	58,278
Investment properties	<b>3,655</b>	3,975
Right of use assets	9 <b>4,439</b>	4,454
Intangibles	10 <b>12,624</b>	12,003
Property, plant and equipment	11 <b>16,375</b>	18,489
Deferred tax assets	<b>17,200</b>	17,598
<b>Total non-current assets</b>	<b>132,517</b>	125,912
<b>Total assets</b>	<b>466,304</b>	471,252
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	<b>142,084</b>	190,276
Reward points liability	4 <b>69,265</b>	53,458
Lease liabilities	9 <b>1,237</b>	1,306
Current tax liabilities	<b>3,609</b>	4,916
Employee benefits	<b>4,025</b>	3,345
<b>Total current liabilities</b>	<b>220,220</b>	253,301
<b>Non-current liabilities</b>		
Lease Liabilities	9 <b>3,377</b>	3,291
Employee benefits	<b>1,129</b>	1,038
<b>Total non-current liabilities</b>	<b>4,506</b>	4,329
<b>Total liabilities</b>	<b>224,726</b>	257,630
<b>Net assets</b>	<b>241,578</b>	213,622
<b>Equity</b>		
Issued capital	12 <b>165,205</b>	154,527
Reserves	<b>2,282</b>	2,170
Retained earnings	<b>74,091</b>	56,925
Parent interest	<b>241,578</b>	213,622
<b>Total equity</b>	<b>241,578</b>	213,622

*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 2020

2021	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Sub-Total \$'000	Non- controlling Interests \$'000	Total \$'000
<b>Balance at 1 July 2020</b>	<b>154,527</b>	<b>56,925</b>	<b>2,170</b>	<b>213,622</b>	-	<b>213,622</b>
Profit for the period	-	17,168	-	17,168	-	17,168
Other comprehensive income	-	-	112	112	-	112
<b>Total comprehensive income</b>	-	<b>17,168</b>	<b>112</b>	<b>17,280</b>	-	<b>17,280</b>
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)
<b>Balance at 31 December 2020</b>	<b>165,205</b>	<b>74,091</b>	<b>2,282</b>	<b>241,578</b>	-	<b>241,578</b>

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>381</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 during the year	-	(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>

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 2020

	<b>December 2020</b>	December 2019
<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities:</b>		
Receipts from Members	<b>1,259,577</b>	1,109,783
Payments to suppliers and employees	<b>(1,259,024)</b>	(1,111,613)
Management fees received	3(a) <b>10,988</b>	10,471
Other income received	<b>8,616</b>	3,227
Interest received	<b>252</b>	1,728
Investment income received	3(c) <b>1,121</b>	2,355
Taxes paid	<b>(7,662)</b>	(6,598)
<b>Net cash provided by operating activities</b>	<b>13,868</b>	9,353
<b>Cash flows from investing activities:</b>		
Purchase of property plant and equipment	<b>(206)</b>	(467)
Proceeds from sale of property plant and equipment	-	7
Purchase of intangible assets	<b>(187)</b>	(396)
Funds transferred from term deposits	-	32,100
Funds transferred to term deposits	-	(32,100)
Purchase of investments	<b>(21,246)</b>	(5,140)
Proceeds from investments	<b>19,737</b>	8,023
<b>Net cash (used in)/provided by investing activities</b>	<b>(1,902)</b>	2,027
<b>Cash flows from financing activities:</b>		
Proceeds from issue of shares	<b>5,931</b>	3,249
Re-purchase of shares	<b>(2,378)</b>	(5,725)
Dividends paid by parent entity	<b>(2,214)</b>	(765)
Repayment of lease liabilities	<b>(829)</b>	(715)
<b>Net cash used in financing activities</b>	<b>510</b>	(3,956)
<b>Net increase in cash held</b>	<b>12,476</b>	7,424
Cash at beginning of financial year	<b>111,292</b>	58,763
Effect of exchange rates changes on the balance of cash held in foreign currencies	<b>112</b>	381
<b>Cash at end of financial period</b>	6 <b>123,880</b>	66,568

*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 2020

### 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 2020 were authorised for issue in accordance with a resolution of the directors on 18<sup>th</sup> of February 2021.

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 2020 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 2020.

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 2020. 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 2020, 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 2020

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

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 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
<b>Timing of revenue recognition</b>				
Revenue earned at a point in time	-	1,145	541	1,686
Revenue earned over time	10,988	-	-	10,988
<b>Total revenue from contracts with customers</b>	<b>10,988</b>	<b>1,145</b>	<b>541</b>	<b>12,674</b>

#### 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	-	1,212	555	1,767
Revenue earned over time	10,471	-	-	10,471
<b>Total revenue from contracts with customers</b>	<b>10,471</b>	<b>1,212</b>	<b>555</b>	<b>12,238</b>

#### b) Interest and Other income

	December 2020 \$'000	December 2019 \$'000
Interest on financial assets at amortised cost	3,205	4,615
Interest - related parties	-	46
Interest revenue	<b>3,205</b>	<b>4,661</b>
Rent received	59	87
Other income	639	801
<b>Other revenue</b>	<b>698</b>	<b>888</b>

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 3 Revenue and expenses (continued)

#### c) Other operating income

	<b>December 2020 \$'000</b>	December 2019 \$'000
Profit from sale of financial assets	-	393
Fair value gain on financial assets at fair value through profit or loss	<b>5,481</b>	3,112
Foreign exchange gain realised	<b>18</b>	29
Investment income received	<b>1,121</b>	2,354
Foreign exchange gain unrealised	<b>16</b>	-
Profit from sale of plant and equipment	-	7
	<b>6,636</b>	5,895

#### d) Other expenses

	<b>December 2020 \$'000</b>	December 2019 \$'000
Bad and doubtful debts	<b>1,569</b>	832
Travel expenses	<b>271</b>	1,172
Information technology and communication expenses	<b>3,954</b>	2,761
Lease rental expenses	<b>3</b>	132
Fair value loss on financial assets at fair value through profit or loss	<b>23</b>	-
Foreign exchange loss unrealised	-	194
Consulting expenses	<b>841</b>	1,318
Trade commissions	<b>593</b>	670
Insurance, legal & accounting fees	<b>1,104</b>	840
Credit card fee expense	<b>379</b>	219
Other operating expenses	<b>2,664</b>	3,274
	<b>11,401</b>	11,412

### 4 Liability for unredeemed reward points

	<b>December 2020 \$'000</b>	December 2019 \$'000
<b>Reward points</b>		
Opening Balance – Liability for unredeemed Reward points	<b>53,458</b>	49,976
Reward points issued	<b>18,413</b>	16,259
Rewards points issued – Member trading rebate	<b>13,427</b>	-
Reward points redeemed	<b>(16,033)</b>	(10,241)
<b>Closing Balance – Liability for unredeemed Reward Points</b>	<b>69,265</b>	55,994

A Member trading rebate of \$13,398,000 was declared in the 2020 financial year, of which \$13,427,000 was allocated to Members during the half year ended 31 December 2020 in the form of Reward Points on a pro-rata basis based on total Member spend in the 2020 financial year.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 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:

	<b>December 2020 \$'000</b>	December 2019 \$'000
<b>Income taxes</b>		
Current income tax expense	<b>6,178</b>	4,401
Deferred income tax expense relating to origination and reversal of temporary differences	<b>574</b>	370
<b>Income tax expense recognised in the statement of profit or loss</b>	<b>6,752</b>	4,771

### 6 Cash and cash equivalents

	<b>December 2020 \$'000</b>	June 2020 \$'000
Cash at bank	<b>103,955</b>	99,155
Short term deposits	<b>19,925</b>	12,137
	<b>123,880</b>	111,292

#### (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:

	<b>December 2020 \$'000</b>	June 2020 \$'000
<b>Non-current</b>		
Investments in unit trusts – at fair value through profit and loss (a)	<b>48,330</b>	35,841
Investments in hybrid securities – at fair value through profit and loss (b)	<b>9,962</b>	15,044
Listed securities – at fair value through profit and loss (c)	<b>8,274</b>	7,384
Unlisted securities – at fair value through profit and loss	<b>9</b>	9
	<b>66,575</b>	58,278

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 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. It is valued on a mark to market basis using the bid price at the close of trading. 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 and options in ASX listed companies. The investment strategy is "capital growth". It is valued on a mark to market basis using the bid price at the close of trading. The investments in listed securities are classified and measured at fair value through profit or loss.

### 8 Other current assets

	<b>December</b>	June
	<b>2020</b>	2020
	<b>\$'000</b>	\$'000
Accrued income	<b>18</b>	400
Other assets	<b>3,343</b>	3,362
	<b>3,361</b>	3,762

Other assets are non-interest bearing.

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 9 Leases

	Office Premises \$000's	Equipment \$000's	Motor Vehicles \$000's	Total \$000's
<b>Right of Use Assets</b>				
1 July 2020	2,810	54	1,590	4,454
Additions	-	-	848	848
Other Movements <sup>(1)</sup>	-	-	(6)	(6)
Depreciation for the period	(184)	(32)	(641)	(857)
Net Book Value	<b>2,626</b>	<b>22</b>	<b>1,791</b>	<b>4,439</b>
Accumulated Depreciation	(551)	(96)	(1,399)	(2,046)

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

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

The cash outflow for leases during the period amounted to \$938,000.

#### Lease Liabilities

	December 2020 \$'000
Current	1,237
Non-Current	3,377
	<u>4,614</u>

#### Maturity analysis of lease liabilities

	December 2020 \$'000
Undiscounted Cash flows	
Less than and including 1 year	1,436
Between 1 and 5 years	2,895
Five years and more	865
	<u>5,196</u>

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 2020, the Group acquired intangible assets with a cost of \$1,800,000 (2019: Nil).



# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 11 Property, plant and equipment

During the half year ended 31 December 2020, the Group acquired plant and equipment with a cost of \$206,000 (2019: \$585,000).

There were no property purchases during the half year ended 31 December 2020 (2019: Nil).

During the half year ended 31 December 2020 the Group disposed of assets with a written down value of Nil (2019: \$7,000).

### 12 Issued capital

	<b>December 2020 No.</b>	June 2020 No.	<b>December 2020 \$'000</b>	June 2020 \$'000
Ordinary shares issued and fully paid:				
Member shares	<b>168,645,867</b>	157,889,337	<b>164,715</b>	154,086
All region shares	<b>490,128</b>	441,303	<b>490</b>	441
	<b>169,135,995</b>	158,330,640	<b>165,205</b>	154,527

### 13 Dividends

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

	<b>December 2020 \$'000</b>	December 2019 \$'000
2020 fully franked ordinary dividend of 7 cents per share declared in June 2020 and paid in the period to 31 December 2020	<b>10,952</b>	-
2019 fully franked ordinary dividend of 11 cents per share declared and paid in the period to 31 December 2019	-	15,593
	<b>10,952</b>	15,593

#### b) Proposed dividends

The directors have not proposed any dividends for the half year to 31 December 2020.

### 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 2020

### 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 2020 %	June 2020 %	December 2020 \$	June 2020 \$
Capricorn Insurance Services Pty Limited	<b>100</b>	100	<b>850,000</b>	850,000
Capricorn Travel Australia Pty Limited	<b>100</b>	100	<b>137,500</b>	137,500
Capricorn Society Financial Services Pty Limited	<b>100</b>	100	<b>10</b>	10
Capricorn Technology Services Pty Limited	<b>100</b>	100	<b>10</b>	10
Capricorn Risk Services Pty Limited	<b>100</b>	100	<b>250,000</b>	250,000
Capricorn Mutual Management Pty Limited	<b>100</b>	100	<b>10</b>	10
Capricorn 1974 Pty Ltd	<b>100</b>	100	<b>1</b>	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 8,537 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 20th December 2019 (2019: \$2,500,000). 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 \$7,322,000 was outstanding at 31 December 2020 (2020: \$6,810,000) in relation to trade payables to the Mutual which will be settled within normal trade terms.

The Group therefore carries no assets and \$7,322,000 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 2020

### 15 Related party disclosure (continued)

During the half year the Group earned interest on the loan of Nil (2019: \$46,000) and fees for providing services to the Mutual of \$10,988,000 (2019: \$10,471,000). All charges are based on either recovery of costs or benchmarked market rates ensuring remuneration is on an arm's length basis 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 year. The Mutual paid a total of \$110,000 in directors' fees to these directors during the half year ended 31 December 2020 (2019: \$107,000).

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 \$97,000 (2020: \$66,000) and the Reward Point balances owing to Member directors at 31 December 2020 were \$98,000 (2020: \$54,000).

### 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 2020:

	<b>Financial assets and liabilities at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets:</b>		
Investment in hybrid securities	-	9,962
Investment in listed securities	-	8,274
Investments in unit trusts	-	48,330
Unlisted securities	-	9
Trade account advances and other receivables	11,649	
<b>Total non-current</b>	<b>11,649</b>	<b>66,575</b>
Trade account advances and other receivables	206,546	-
<b>Total current</b>	<b>206,546</b>	<b>-</b>
<b>Total</b>	<b>218,195</b>	<b>66,575</b>

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 17 Fair value measurement (continued)

	Financial assets and financial liabilities at amortised cost \$'000	Financial assets at fair value through profit or loss \$'000
<b>Financial liabilities:</b>		
Trade and other payables	142,084	-
Reward points liability	69,265	-
<b>Total current</b>	<b>211,349</b>	-
<b>Total</b>	<b>211,349</b>	-

Set out below is an overview of financial instruments, other than cash, held by the Group at 30 June 2020:

	Financial assets and financial liabilities at amortised cost \$'000	Financial assets at fair value through profit or loss \$'000
<b>Financial assets:</b>		
Investment in hybrid securities	-	15,044
Investment in listed securities	-	7,384
Investments in unit trusts	-	35,841
Unlisted securities	-	9
Trade account advances and other receivables	11,115	-
<b>Total non-current</b>	<b>11,115</b>	<b>58,278</b>
Trade account advances and other receivables	230,286	-
Term deposits	-	-
<b>Total current</b>	<b>230,286</b>	-
<b>Total</b>	<b>241,401</b>	<b>58,278</b>
<b>Financial liabilities</b>		
Trade and other payables	190,276	-
Reward points liability	53,458	-
<b>Total current</b>	<b>243,734</b>	-
<b>Total</b>	<b>243,734</b>	-

# Capricorn Society Limited and Controlled Entities

## Notes to the Financial Statements

For the Half Year Ended 31 December 2020

### 17 Fair value measurement (continued)

As at 31 December 2020, 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 7)				
Investment in hybrid securities	9,962	9,962	-	-
Investments in listed securities	8,274	8,274	-	-
Investments in unit trusts	48,330	-	48,330	-
Unlisted securities	9	-	-	9
Investment Properties	3,655	-	-	3,655
	<b>70,230</b>	<b>18,236</b>	<b>48,330</b>	<b>3,664</b>

During the half year ended 31 December 2020, 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 2020.

	<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 7)				
Investment in hybrid securities	15,044	15,044	-	-
Investments in listed securities	7,384	7,384	-	-
Investments in unit trusts	35,841	-	35,841	-
Unlisted securities	9	-	-	9
Investment Properties	3,975	-	-	3,975
	<b>62,253</b>	<b>22,428</b>	<b>35,841</b>	<b>3,984</b>

During the year ended 30 June 2020, 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 2020

### 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

	<b>Property Trusts \$'000</b>	<b>Investment Properties \$'000</b>
<b>At 1 July 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) / gain recognised in other operating income	(440)	395
<b>At 30 June 2020</b>	<b>-</b>	<b>3,975</b>
Revaluation loss recognised in other operating income	-	(320)
<b>At 31 December 2020</b>	<b>-</b>	<b>3,655</b>

#### 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.

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 have been valued at the arm's length sale price less acquisition costs.

As at 31 December 2020 the Group holds no property trusts, with the warranty expiring in November 2020 at which point the trust was wound up. The expectation is that no further distribution will be received from the property trust.

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>
Capitalisation approach	Capitalisation rate	6.75% - 7.75%
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 2020

### **18 Commitments**

The Group has no commitments for the purchase of property, plant, and equipment at 31 December 2020.

### **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 2020.

# Capricorn Society Limited and Controlled Entities

## Directors' Declaration

For the Half Year Ended 31 December 2020

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 2020 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 2020 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 19th day of February 2021





**Building a better  
working world**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## **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 2020, 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 2020 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 2020 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.

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*.



Ernst & Young



T G Dachs  
Partner  
Perth

19 February 2021