

Financial Statements

For the Half Year Ended 31 December 2022

Capricorn Society Limited and Controlled Entities

ABN: 29 008 347 313

Half Year Ended 31 December 2022

CONTENTS

	<u>Page</u>
Financial Statements	
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 2022

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 2022. 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
Peter Stewart	Member Director
Bruce Rathie	Independent Director
Donna Vinci	Independent Director
Lydia Stjepanovic	Member Director
David Kemp	Member Director (retired 18 October 2022)
Julie Wadley	Member Director (retired 18 October 2022)
Mark Rowe	Member Director (appointed 19 October 2022)
Nigel Osborne	Member Director (appointed 19 October 2022)

Review and results of operations

The consolidated profit of the Group for the half year after providing for income tax amounted to \$7,438,000 (2021: \$12,087,000).

Total purchases by Members of the Group increased to \$1,635,054,000 being 16.5% higher than the same time last year (2021: \$1,403,403,000). Net collections were \$77,415,000 (2021: \$67,628,000), an increase of 14.5%.

The board has maintained a conservative investment strategy recognising volatility in capital markets and as such has retained significant cash reserves during the half year ended 31 December 2022

Capricorn's strategic plan is to drive profitable growth in Capricorn's principal business activities.

In the short to medium term, Capricorn continues to recognise technology as a key enabler to support its business strategy and objectives. This is a constant challenge in the ever-changing digital landscape of today's business world and Capricorn is looking to expand the current limited choice of digital interactions for its Members and Suppliers.

Development of a digital platform will leverage existing assets and add new capability that will deliver value through easier integration with partners, improve the Member and Supplier experience and facilitate exciting new future projects and programs.

Capricorn has and will 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. To this end Capricorn's General Manager of Innovation and Corporate Development has dedicated deliverables within this area.

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 2022

Dividends

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

The dividends of \$9,872,000 for the year ended 30 June 2022 were declared in September 2022 and paid during the half year ended 31 December 2022. 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 2022 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 16th day of February 2023



**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 and its controlled entities

As lead auditor for the review of the half-year financial report of Capricorn Society Limited and its controlled entities for the half-year ended 31 December 2022, 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.

Ernst & Young

Timothy G Dachs
Partner
16 February 2023

Capricorn Society Limited and Controlled Entities

Consolidated Statement of Profit or Loss

For the Half Year Ended 31 December 2022

	Note	December 2022 \$'000	December 2021 \$'000
Revenue from contracts with customers	3(a)	26,144	22,593
Trade account revenue calculated using the effective interest rate method		53,329	46,846
Other interest revenue	3(b)	5,903	3,772
Other income	3(b)	1,059	945
Total revenue		86,435	74,156
Other operating income	3(c)	5,889	7,176
Expenses			
Employee benefit expense		(30,297)	(26,422)
Member trade rebate		(14,857)	(15,100)
Depreciation and amortisation expense		(2,688)	(2,712)
Marketing and advertising expense		(1,678)	(1,028)
Other expenses	3(d)	(31,930)	(19,533)
Total expenses		(81,450)	(64,795)
Profit before tax		10,874	16,537
Income tax expense	5	(3,436)	(4,450)
Profit for the period		7,438	12,087
Profit attributable to:			
Members of the parent entity		7,438	12,087
		7,438	12,087

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 2022

	December 2022 \$'000	December 2021 \$'000
	Note	
Profit for the period	7,438	12,087
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign controlled entities	1,525	388
Other comprehensive income for the period, net of tax	8,963	12,475
Total comprehensive income for the period, net of tax	8,963	12,475
Total comprehensive income, net of tax, attributable to:		
Members of the parent entity	8,963	12,475
	8,963	12,475

The accompanying notes form part of these financial statements

Capricorn Society Limited and Controlled Entities

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	December 2022 \$'000	June 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	98,217	90,222
Trade account advances and equipment loans		264,111	299,438
Other current assets	8	5,739	3,619
Inventories		4,206	3,725
Total current assets		372,273	397,004
Non-current assets			
Equipment loans		17,308	14,703
Financial assets	7	152,222	151,291
Right of use assets	9	2,006	2,019
Intangibles	10	7,640	8,886
Property, plant & equipment	11	15,318	15,563
Deferred tax asset		29,984	24,467
Total non-current assets		224,478	216,929
Total assets		596,751	613,933
Liabilities			
Current liabilities			
Trade and other payables		185,274	220,312
Reward Points Liability	4	96,627	82,112
Lease Liability	9	1,118	1,111
Current tax liabilities		2,960	6,332
Employee benefits		4,083	3,980
Total current liabilities		290,062	313,847
Non-current liabilities			
Lease Liabilities	9	955	974
Employee benefit liabilities		1,365	1,372
Total non-current liabilities		2,320	2,346
Total liabilities		292,382	316,193
Net assets		304,369	297,740
Equity			
Issued capital	12	204,783	197,245
Reserves		2,623	1,098
Retained earnings		96,963	99,397
Parent interest		304,369	297,740
Total equity		304,369	297,740

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 2022

2023	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Total \$'000
Balance at 1 July 2022	197,245	99,397	1,098	297,740
Profit for the period	-	7,438	-	7,438
Other comprehensive income	-	-	1,525	1,525
Total comprehensive income	-	7,438	1,525	8,963
Shares issued during the period	14,894	-	-	14,894
Shares bought back during the period	(7,355)	-	-	(7,355)
Dividends paid during the year	-	(9,872)	-	(9,872)
Balance at 31 December 2022	204,783	96,963	2,623	304,369

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

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 2022

	December 2022	December 2021
Note	\$'000	\$'000
Cash flows from operating activities:		
Receipts from Members	1,651,265	1,422,515
Payments to suppliers and employees	(1,642,194)	(1,409,742)
Management fees received	3(a) 15,407	13,115
Other income received	1,679	4,488
Taxes paid	(12,637)	(12,280)
Net cash provided by operating activities	13,520	18,096
Cash flows from investing activities:		
Interest received	956	105
Investment income received	3(c) 5,706	3,022
Purchase of property plant and equipment	(418)	(142)
Purchase of intangible assets	-	(112)
Proceeds from sale of plant & equipment	3	-
Purchase of investments	(43,386)	(21,639)
Proceeds from disposal of investments	34,616	1,613
Net cash used in investing activities	(2,523)	(17,153)
Cash flows from financing activities:		
Proceeds from issue of shares	5,920	4,158
Buy-back of shares	(7,719)	(4,702)
Dividends paid by parent entity	(452)	(565)
Repayment of lease liabilities	(881)	(784)
Net cash used in financing activities	(3,132)	(1,893)
Net increase / (decrease) in cash held	7,865	(950)
Cash at beginning of financial year	90,222	103,142
Effect of exchange rates changes on the balance of cash held in foreign currencies	130	388
Cash at end of financial period	6 98,217	102,580

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 2022

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 2022 were authorised for issue in accordance with a resolution of the directors on 16th of February 2023.

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 2022 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 2022.

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 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

c) Reclassification of comparative numbers

During the half year ended 31 December 2022, the following reclassifications occurred:

The Group has reclassified the merchandise income and expense arisen from the redemption of reward points amounting to \$8,501,000 and \$8,471,000 respectively as revenue from contracts with customers and merchandise expense, and not netted off as marketing and advertising costs, with no impact on measurement. The re-classification occurred as a result of continued consideration of the terms and conditions of the reward points program in place and the determination that the Group acts as a principal under the arrangement. Prior period comparative numbers have been reclassified to enable comparability.

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

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 2022

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Merchandise income \$000's	Total \$000's
Geographical markets					
Australia	14,584	1,480	570	7,108	23,742
New Zealand	823	133	53	1,393	2,402
Total revenue from contracts with customers	15,407	1,613	623	8,501	26,144

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Merchandise income \$000's	Total \$000's
Timing of revenue recognition					
Revenue earned at a point in time	-	1,613	623	8,501	10,737
Revenue earned over time	15,407	-	-	-	15,407
Total revenue from contracts with customers	15,407	1,613	623	8,501	26,144

For the 6 months ended 31 December 2021

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Merchandise income \$000's	Total \$000's
Geographical markets					
Australia	12,324	1,247	1,296	5,659	20,526
New Zealand	791	107	50	1,119	2,067
Total revenue from contracts with customers	13,115	1,354	1,346	6,778	22,593

	Management fee \$000's	Commission income \$000's	Advertising income \$000's	Merchandise income \$000's	Total \$000's
Timing of revenue recognition					
Revenue earned at a point in time	-	1,354	1,346	6,778	9,478
Revenue earned over time	13,115	-	-	-	13,115
Total revenue from contracts with customers	13,115	1,354	1,346	6,778	22,593

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

3 Revenue and expenses (continued)

b) Interest and Other income

	December 2022 \$'000	December 2021 \$'000
Interest on financial assets at amortised cost	5,903	3,772
Other Interest revenue	5,903	3,772
Rent received	-	89
Other income	1,059	856
Total - Other income	1,059	945

c) Other operating income

	December 2022 \$'000	December 2021 \$'000
Remeasurement gain on financial assets at fair value through profit or loss	-	4,154
Profit from sale of financial assets	150	-
Foreign exchange gain realised	4	-
Investment income received	5,706	3,022
Profit from sale of plant & equipment	29	-
	5,889	7,176

d) Other expenses

	December 2022 \$'000	December 2021 \$'000
Bad and doubtful debts	1,066	1,332
Travel expenses	1,225	252
Information technology and communication expenses	4,292	3,442
Lease rental expenses	89	24
Remeasurement loss on financial assets at fair value through profit or loss	7,989	6
Foreign exchange loss realised	-	3
Consulting expenses	1,304	1,261
Trade commissions	984	855
Insurance, legal & accounting fees	1,495	1,166
Reward merchandise expense	8,471	6,778
Credit card fee expense	-	314
Other operating expenses	5,015	4,100
	31,930	19,533

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

4 Liability for unredeemed reward points

	December 2022 \$'000	December 2021 \$'000
Reward points		
Opening Balance – Liability for unredeemed Reward points at 1 July	82,112	68,282
Reward points issued	24,085	20,783
Rewards points issued – Member trading rebate	14,857	15,100
Reward points redeemed	(24,427)	(16,416)
Closing Balance – Liability for unredeemed Reward Points	96,627	87,749

A Member trading rebate of \$15,000,000 was approved and declared by the Board in September 2022, \$14,857,000 inclusive of a foreign exchange adjustment was allocated to Members during the half year ended 31 December 2022 in the form of Reward Points on a pro-rata basis based on total Member spend in the 2022 financial year.

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 2022 \$'000	December 2021 \$'000
Income taxes		
Current income tax expense	8,940	7,800
Deferred income tax expense relating to origination and reversal of temporary differences	(5,504)	(3,350)
Income tax expense recognised in the statement of profit or loss	3,436	4,450

6 Cash and cash equivalents

	December 2022 \$'000	June 2022 \$'000
Cash at bank	79,950	58,728
Short-term deposits	18,267	31,494
	98,217	90,222

(a) Cash at bank

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

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

6 Cash and cash equivalents (continued)

(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 at fair value through profit and loss

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

	December 2022 \$'000	June 2022 \$'000
Non-current		
Investments in unit trusts (a)	79,785	108,177
Investment in government bonds (b)	16,439	12,870
Investment in fixed interest securities (c)	9,012	7,526
Investments in hybrid securities (d)	34,531	3,012
Listed securities (e)	12,446	19,697
Unlisted securities	9	9
	152,222	151,291

(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 Government bonds

Investments in government and other bonds comprise of income producing bonds offered by Federal and State treasury corporations and other government entities, 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 government and other bonds are classified and measured at fair value through profit or loss.

(c) Investment in fixed interest securities

Investments in fixed interest securities comprise of income producing bonds offered by listed and other private entities, 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 fixed interest securities are classified and measured at fair value through profit or loss.

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

7 Financial assets (continued)

(d) 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.

(e) 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	June
	2022	2022
	\$'000	\$'000
Accrued income	218	51
Other assets	5,521	3,568
	5,739	3,619

Other assets are non-interest bearing.

9 Leases

	Office Premises	Equipment	Motor Vehicles	Total
	\$000's	\$000's	\$000's	\$000's
Right of Use Assets				
1 July 2022	113	180	1,726	2,019
Additions	140	17	696	853
Lease Adjustments	(84)	-	-	(84)
Depreciation for the period	(169)	(31)	(582)	(782)
Net Book Value – 31 December 2022	-	166	1,840	2,006
Accumulated Depreciation	(140)	(95)	(1,748)	(1,983)

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

9 Leases (continued)

	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	252	40	1,255	1,547
Lease Adjustments	-	-	2	2
Depreciation for the period	(327)	(56)	(1,205)	(1,588)
Net Book Value – 30 June 2022	113	180	1,726	2,019
Accumulated Depreciation	(140)	(63)	(1,985)	(2,188)

Amounts recognised in the Consolidated Statement of Profit or Loss

	December 2022 \$'000	December 2021 \$'000
Depreciation expense on right of use assets	782	779
Interest expense on lease liabilities	67	82
Expenses on short term leases	-	4

The cash outflow for leases during the period amounted to \$881,000 (2021: \$784,000)

Lease Liabilities

	December 2022 \$'000	June 2022 \$'000
Current	1,118	1,111
Non-Current	955	974
	2,073	2,085

Maturity analysis of lease liabilities

	December 2022 \$'000	June 2022 \$'000
Undiscounted Cash flows		
Less than and including 1 year	1,725	1,574
Between 1 and 5 years	2,174	1,550
	3,899	3,124

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 2022

10 Intangibles

There were no intangible assets acquired during the half year ended 31 December 2022 (2021: Nil).

11 Property, plant and equipment

During the half year ended 31 December 2022, the Group acquired plant and equipment with a cost of \$418,000 (2021: \$98,000).

There were no property purchases during the half year ended 31 December 2022 (2021: Nil).

During the half year ended 31 December 2022, the Group disposed of assets with a written down value of \$Nil (2021: Nil).

12 Issued capital

	December 2022 No.	June 2022 No.	December 2022 \$'000	June 2022 \$'000
Ordinary shares issued and fully paid:				
Member shares	208,349,076	200,748,912	204,008	196,541
All region shares	774,582	703,862	775	704
	209,123,658	201,452,774	204,783	197,245

13 Dividends

a) Distributions paid for the half year ended

	December 2022 \$'000	December 2021 \$'000
2022 fully franked ordinary dividend of 5 cents per share declared in September 2022 and paid in the period to 31 December 2022	9,872	-
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
	9,872	12,471

b) Proposed dividends

The directors have not proposed any dividends for the half year to 31 December 2022.

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 2022

15 Related party disclosure

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

	% Equity Interest	
	December 2022	June 2022
	%	%
Capricorn Insurance Services Pty Limited	100	100
Capricorn Travel Australia Pty Limited	100	100
Capricorn Society Financial Services Pty Limited	100	100
Capricorn Risk Services Pty Limited	100	100
Capricorn Mutual Management Pty Limited	100	100
Capricorn 1974 Pty Ltd	100	100

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 10,679 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 \$10,224,000 was outstanding at 31 December 2022 (2021: \$8,550,000) in relation to trade payables to the Mutual which will be settled within normal trade terms.

The Group therefore carries no assets and \$10,224,000 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 2022

15 Related party disclosure (continued)

During the half year the Group earned fees for providing services to the Mutual of \$15,407,000 (2021: \$13,115,000). All charges are based on recovery of costs ensuring remuneration is on an arm's length basis and reasonable. Additionally, the Mutual also has payments made to it by CSL benchmarked externally to ensure arm's length commercial terms.

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 Mario Pirone, were directors of Capricorn Mutual Limited during the half year. The Mutual paid a total of \$139,000 in directors' fees to these directors during the half year ended 31 December 2022 (2021: \$105,000).

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 \$129,000 (2021: \$107,000) and the Reward Point balances owing to Member directors at 31 December 2022 were \$130,000 (2021: \$151,000).

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 2022:

	Financial assets and liabilities at amortised cost	Financial assets at fair value through profit or loss
	\$'000	\$'000
Financial assets:		
Investment in hybrid securities	-	34,531
Investment in government bonds	-	16,439
Investment in fixed interest securities	-	9,012
Investment in listed securities	-	12,446
Investments in unit trusts	-	79,785
Unlisted securities	-	9
Equipment loans	17,308	
Total non-current	17,308	152,222
Trade account advances and equipment loans	264,111	-
Total current	264,111	-
Total	281,419	152,222

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

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	185,274	-
Reward points liability	96,627	-
Total current	281,901	-
Total	281,901	-

Set out below is an overview of financial instruments, other than cash, held by the Group at 30 June 2022:

	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	-	3,012
Investment in government bonds	-	12,870
Investment in fixed interest securities	-	7,526
Investment in listed securities	-	19,697
Investments in unit trusts	-	108,177
Unlisted securities	-	9
Equipment loans	14,703	-
Total non-current	14,703	151,291
Trade account advances and equipment loans	299,438	-
Total current	299,438	-
Total	314,141	151,291
Financial liabilities		
Trade and other payables	220,312	-
Reward points liability	82,112	-
Total current	302,424	-
Total	302,424	-

Capricorn Society Limited and Controlled Entities

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

17 Fair value measurement (continued)

As at 31 December 2022, 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	34,531	34,531	-	-
Investments in listed securities	12,446	12,446	-	-
Investments in unit trusts	79,785	-	79,785	-
Unlisted securities	9	-	-	9
Investment in government bonds	16,439	-	16,439	-
Investment in fixed interest securities	9,012	-	9,012	-
	152,222	46,977	105,236	9

During the half year ended 31 December 2022, 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 2022.

Assets measured at fair value:	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets (Note 7)				
Investment in hybrid securities	3,012	3,012	-	-
Investments in listed securities	19,697	19,697	-	-
Investments in unit trusts	108,177	-	108,177	-
Unlisted securities	9	-	-	9
Investment in government bonds	12,870	-	12,870	-
Investment in fixed interest securities	7,526	-	7,526	-
	151,291	22,709	128,573	9

During the year ended 30 June 2022, 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 2022

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 2021	3,655
Disposal of investment property	(2,030)
Revaluation gain recognised in other operating income	1,275
Reclassification to inventory	(2,900)
At 30 June 2022	-
At 31 December 2022	-

Valuation techniques

The fair value of the hybrid securities, government bonds 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 techniques for unlisted securities are based on the directors' assessment of fair value at reporting date.

18 Commitments

The Group has no commitments for the purchase of property, plant, and equipment at 31 December 2022.

19 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 2022.

Capricorn Society Limited and Controlled Entities

Directors' Declaration

For the Half Year Ended 31 December 2022

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 2022 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 2022 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 16th day of February 2023



**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 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 2022, 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 31 December 2022 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.

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 2022 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.

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'Timothy G Dachs'.

Timothy G Dachs
Partner
Perth
16 February 2023