

Centuria Life Limited And Controlled Entities

ABN 79 087 649 054

**Consolidated financial report
For the year ended 30 June 2021**

Directors' Report For the year ended 30 June 2021

The directors present their report together with the consolidated financial statements of Centuria Life Limited ("the Society") for the financial year ended 30 June 2021 and the auditor's report thereon.

Directors

The following persons were directors of Centuria Life Limited during the whole of the financial year and up to the date of this report:

Mr Garry S. Charny
Mr Peter J. Done
Mr John R. Slater
Mr John E. McBain
Mr Jason C. Huljich
Ms Susan Wheeldon-Steele (resigned from the Board 28 July 2020)
Ms Natalie Collins (appointed to the Board 28 July 2020)

The above named directors held office during the entire financial year and up to the date of this report, unless otherwise noted.

Company secretary

Anna Kovarik was appointed to the position of company secretary in 5 July 2018.

Principal activities

The principal activities of the Society during the financial year were the marketing and management of investment products, principally friendly society investment bonds. There was no significant change in the nature of these activities during the year.

Operating and financial review

The net profit for the year was \$640,000 (2020: net profit \$1,121,000) after providing for income tax expense relating to shareholders of \$369,000 (2020: \$807,000).

Change in state of affairs

There were no significant changes in the state of affairs of the Society during the financial year.

Dividends

A dividend of \$1,000,000 during the financial year ended 30 June 2021 was paid to Centuria Capital Limited (2020: \$1,100,000).

Directors' Report

For the year ended 30 June 2021

Events subsequent to the reporting date

Since balance date, an Extraordinary General Meeting of Policyholders held on 8 July 2021 has passed the resolutions that three capital guaranteed benefit funds, being Centuria Income Accumulation Fund, Centuria Capital Guaranteed Bond Fund, and Funeral Benefit Fund to be converted from bonus fund to unitised fund in FY2022. After the conversion, no capital guaranteed nature is required to be maintained for these three funds, and Centuria Life Limited as the management fund is not required to inject additional capital or give management fee rebates to those funds to maintain their capital adequacy. The Centuria Life Limited Board approved the conversion on 22 September 2021. The request of conversion was submitted to APRA for approval on 22 September 2021. Nothing has come to management's attention that APRA approval will not be granted as of the date of signing of this financial report.

Management estimates the conversion will not result in significant impact on financial results of Centuria Life Limited but will improve the future financial return of the three benefit funds.

Other than the above, there have not arisen in the interval between 30 June 2021 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Society, to affect significantly the operations of the Society, the results of those operations, or the state of affairs of the Society, in future financial years.

Likely developments

The Society's key focus continues to be on growing Funds Under Management through creating new and innovative products that meet market demand, prudent investment decision making and maintaining informative and regular policyholder communication.

The Society is currently in the process of increasing its product offering to policyholders to provide further investment choice and flexibility, to attract new policyholder investment as well as organically increase existing Funds Under Management.

Environmental regulation

The Society's operations are not subject to any significant environmental regulations under a law of the Commonwealth or of a State or Territory legislation.

Indemnification of officers and auditors

Centuria Capital Limited ("CCL") has agreed to indemnify all current directors and Executive Officers of the Society against liabilities (including liability for costs and expenses) for an act or omission in the capacity of director or Executive Officer of the Society. This agreement does not apply to the extent that the Corporations Act expressly prohibits or limits the indemnification of directors or Executive Officers.

Subject to any limitations imposed by the Corporations Act, CCL will continue to indemnify each director or Executive Officer for a period of seven years after the date on which the person ceases to be a director or Executive Officer of the Society.

The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the Directors' and Officers' Liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts. CCL has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Society or any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report
For the year ended 30 June 2021

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the year ended 30 June 2021.

Rounding of amounts to the nearest thousand dollars

The Society is an entity of a kind referred to in the ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

This Directors' Report is signed in accordance with a resolution of the Directors.



Mr Garry S. Charny
Director
Sydney



Mr Peter J. Done
Director

Sydney
28 September 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Centuria Life Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Life Limited for the financial year ended 30 June 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Leann Yuen

Leann Yuen

Partner

Sydney

28 September 2021

Consolidated statement of comprehensive income

For the year end 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue	C1(a)	14,800	13,259
Profit/(Loss) on investments	C1(b)	20,348	(16,732)
		<u>35,148</u>	<u>(3,473)</u>
Application income - benefit fund with DPF	C4	1,441	1,759
Total income		<u>36,589</u>	<u>(1,714)</u>
Employee benefits expense	C2	(3,677)	(3,691)
Administration fees		(1,134)	(1,368)
Other expenses	C3	(2,263)	(2,587)
Redemption expenses - benefit funds with DPF	C4	(26,804)	(29,205)
Net movement in policyholders funds - benefits funds	C4	5,788	36,203
Profit/(loss) before tax		<u>8,499</u>	<u>(2,362)</u>
Income tax (expense) relating to shareholders		(369)	(807)
Income tax (expense)/benefit relating to Benefit Funds		(7,490)	4,290
Total income tax (expense)/benefit	C6(a)	<u>(7,859)</u>	<u>3,483</u>
Profit for the year		<u>640</u>	<u>1,121</u>
Other comprehensive income			
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>640</u>	<u>1,121</u>

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
ASSETS			
Cash and cash equivalents		29,483	29,552
Trade and other receivables	D1	6,056	3,836
Financial assets at fair value through profit or loss	D2	288,148	289,315
Prepayments		64	102
Plant and equipment		33	95
Property held for development	D3	20,489	-
Deferred tax assets	C6(c)	72	943
TOTAL ASSETS		344,345	323,843
LIABILITIES			
Trade and other payables	D4	1,867	1,975
Deferred tax liabilities	C6(c)	6,325	282
Income tax payable	C6(b)	740	2,908
Provisions		380	380
Policyholders funds	D5	303,644	311,549
TOTAL LIABILITIES		312,956	317,094
NET ASSETS		31,389	6,749
EQUITY			
Contributed equity	D6	30,000	5,000
Retained earnings		1,389	1,749
TOTAL EQUITY		31,389	6,749

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Issued capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019		5,000	1,728	6,728
Profit for the period		-	1,121	1,121
Contributions of equity, net of transaction costs and tax		-	-	-
Dividend paid		-	(1,100)	(1,100)
Balance at 30 June 2020		5,000	1,749	6,749
Balance at 1 July 2020		5,000	1,749	6,749
Profit for the period		-	640	640
Contributions of equity, net of transaction costs and tax	D6	25,000	-	25,000
Dividend paid		-	(1,000)	(1,000)
Balance at 30 June 2021		30,000	1,389	31,389

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2021

	2021	2020
Note	\$'000	\$'000
Cash flows from operating activities		
Applications received by unit linked funds (no DPF)	14,193	18,701
Applications received by bonus funds (with DPF)	1,427	1,759
Interest received	850	2,767
Management fees received	4,712	5,330
Dividends received	6,221	8,133
Other income received	630	514
Redemption paid from bonus funds (with DPF)	(26,718)	(29,205)
Redemption paid from unit linked funds (no DPF)	(16,135)	(12,534)
Cash paid to suppliers and employees	(7,540)	(8,852)
Income tax paid	(3,114)	(829)
Net cash used in operating activities	E2 (25,474)	(14,216)
Cash flows from investing activities		
Payments for plant and equipment	(125)	(178)
Payments for property held for development	(20,489)	-
Net inflows for disposal of financial assets	21,476	7,300
Net cash provided by investing activities	862	7,122
Cash flows from financing activities		
Net receipts from related parties	543	(718)
Proceeds from issues of shares	25,000	-
Dividends paid	(1,000)	(1,100)
Net cash provided by/(used in) financing activities	24,543	(1,818)
Net (decrease) in cash and cash equivalents		
	(69)	(8,912)
Cash and cash equivalents at the beginning of the financial year	29,552	38,464
Cash and cash equivalents at end of year	E1 29,483	29,552

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements For the year ended 30 June 2021

A1 General information

Centuria Life Limited ("the Society") is a for-profit public entity, limited by shares and guarantee, incorporated and operating in Australia. The Society's registered office and its principal place of business is as follows:

Level 32
120 Collins Street
Melbourne VIC 3000
Tel: 1300 50 50 50

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the directors on 28 September 2021.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for derivative financial instruments, financial assets at fair value through profit or loss and other financial assets, which have been measured at fair value at the end of each reporting period. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the company's functional currency, unless otherwise noted.

The consolidated statement of financial position is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Society and entities controlled by the Society (subsidiaries). The Society controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Society, as prescribed by AASB 10 *Consolidated Financial Statements* is required to recognise the assets, liabilities, income, expenses and equity of the Benefit Funds which it manages, in its consolidated financial statements.

The accounting policies of the Benefits Funds have been changed where necessary to align them with the policies adopted by the Society. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The Benefit Fund operations of the Society comprise the issue and administration of contracts governed under the Life Insurance Act 1995 (Life Act). For the purposes of the consolidated financial statements these are classified as either Benefit Funds with discretionary participation features (bonus funds), which are classified as insurance contracts under AASB 1038 Life Insurance Contracts, or Benefit Funds without discretionary participation features (unit linked funds), which are classified as investment contracts under AASB 1038.

For the purposes of this financial report, holders of both bonus and unit linked funds are referred to as policyholders. Monies held in the Benefit Funds are subject to distribution and transfer restrictions pursuant to the Life Act.

Information concerning the management fund on a standalone basis is included in Note B Segment information.

A1 General information (continued)

Going concern

The financial report has been prepared on a going-concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The COVID-19 pandemic has created uncertainty on the global and local financial markets and may impact on the ability of funds managed by the Society to meet their obligations. The Society has completed an extensive assessment on key investments and receivables and remains confident that it will be able to continue as a going concern.

Rounding of amounts

The Society is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated financial statements are consistent with those adopted in the previous financial year ended 30 June 2020 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated financial statements.

When the presentation or classification of items in the consolidated financial statements has been amended, comparative amounts are also reclassified, unless it is impractical. Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

These financial statements contain all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate, unless included below.

Unit prices

Unit prices, for the unitised Benefit Funds, are determined in accordance with the Benefit Fund's rules and are calculated as the net assets attributable to unit holders of the fund, divided by the number of units on issue.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income (OCI):

- an investment in equity securities designated as at Fair value through OCI (FVOCI) (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

A2 Significant accounting policies (continued)

Foreign currency transactions (continued)

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

A3 Other new Accounting Standards and Interpretations

The AASB has issued new or amendments to standards that are first effective from 1 July 2020.

The following amended standards and interpretations that have been adopted do not have a significant impact on the Society's consolidated financial statements.

Standards now effective:

AASB 2018-6

Clarifies the definition of a business as per AASB 3 Business Combinations and is applied prospectively to future acquisitions. This Standard applies to annual reporting periods beginning on or after 1 January 2020.

AASB 2018-7

Clarifies the definition of material as applied across all reporting standards as per AASB 101 Presentation of Financial Statements with intention of increasing a user's focus on the material items in a financial report. This Standard applies prospectively to annual reporting periods beginning on or after 1 January 2020.

AASB 2014-10

Clarifies the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture.

Standards not yet effective:

AASB 17 Insurance Contracts

AASB 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity. The Society is currently assessing the impact of AASB 17 Insurance Contracts but does not believe the standard will have a material impact on the financial statements of the Society. This Standard is applicable to annual reporting periods beginning on or after 1 January 2021.

AASB 2020-1

Amendments to Australian Accounting Standards - Classification of liabilities as current or non-current (Amendments to AASB 101) Under existing AASB 101 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. It is expected that the changes will unlikely to have material impact to the Society.

AASB 2020-3

Amendments to Australian Accounting Standards Annual Improvements 2018-2020 and Other Amendments This amendment adds to AASB 3 a requirement that, for transactions and other events within the scope of AASB 137 or IFRIC 21, an acquirer applies AASB 137 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. It is expected that the changes will not likely have material impact to the Society.

A4 Critical accounting judgements and key sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense that are not readily apparent from other sources. The judgements, estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note G2.

Summary of significant actuarial methods and assumptions

A Financial Condition Report was prepared by the Society's Appointed Actuary, Mr Sean McGing. This report covers Benefit Fund liabilities and prudential reserves. The effective date of the report is 30 June 2021. The amount of the Benefit Fund liabilities has been determined in accordance with the methods and assumptions disclosed in the Financial Condition Report, described below. The Appointed Actuary is satisfied as to the accuracy of the data from which the amount of the policyholder's fund liabilities has been determined.

The policy liabilities for Benefit Funds are determined in accordance with Prudential Standard LPS 340 issued by APRA under the Life Insurance Act 1995.

Policy liabilities for Benefit Funds, other than the Funeral Benefit Fund, are valued using the accumulation method and are equal to the contributions made by members, net of fees, together with bonus additions to date. The balance of the fund is the unvested policyholder benefit liabilities (or surplus). Each year's bonus declaration results in a movement from unvested policyholder benefit liabilities to the vested policy liability. The bonus rate is limited to ensure that the amount vesting is no more than the distributable portion of unvested policyholder benefit liabilities.

For the Funeral Benefit Fund, the policyholder liability has been taken to be the value of assets of the fund net of other liabilities less the value of the current period bonus. This liability represents the present value of guaranteed benefits (pre-bonus) plus the present value of future bonuses. Following declaration of the bonus, there would then be no surplus under this arrangement. The Society is entitled to deduct 1.5% of the fund's assets from investment earnings for expense allowances. It has been assumed that interest will be earned in future years at rates after tax sufficient at least to meet the level of expense.

The main variables that determine the bonus rate for a Benefit Fund are the value of the net assets of each Benefit Fund at the end of the year, the amounts standing to the credit of each investment account through the previous year and the investment return (net of fees and taxes where applicable) earned by the fund throughout the year. The excess of the net assets of the Benefit Fund over the liabilities after meeting the prudential standards is the surplus that is generally able to be distributed to members as a bonus.

There is no provision in the Benefit Funds' rules for any surplus to be transferred to the Management Fund. The Management Fund receives specified fee transfers from the funds to cover expenses. All remaining assets are to be used to provide benefits to members. Hence there is no profit and consequently, no need for a profit carrier.

Changes in economic conditions and demographics will alter the unallocated surplus. The Capital Requirements, as set by APRA, aim to ensure there is sufficient unallocated surplus to cover the effect of these changes.

Expense Margin

The expenses of the Benefit Funds are equal to the management allowances transferred to the Management Fund.

A4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Summary of significant actuarial methods and assumptions (continued)

Solvency and Capital Adequacy

Friendly Societies are required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of reserves required to be held is laid down by the Life Insurance Act 1995 and accompanying standards. These standards are Prudential Standards LPS 100 and LPS 110. These standards have been met for the Benefit Funds as at 30 June 2021.

Involvement with unconsolidated structured entities

The Society has concluded that unlisted unit trusts in which it invests, but does not consolidate, meet the definition of structured entities because:

- The voting rights in the trusts are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- Each trust's activities are restricted by its prospectus; and
- The trusts have narrow and well-defined objectives to provide investment opportunities to investors.

B Segment information

The Society's reportable segments have been presented based on product groupings used by the chief operating decision maker of the Society in making resource allocation decisions. The accounting policies of reportable segments are the same as the Society's accounting policies.

Following is an analysis of the Society's revenue and results by reportable segment.

30 June 2021	Bonus Rated Benefit Funds (1) \$'000	Unitised Benefit Funds Investment Bonds (2) \$'000	Unitised Benefit Funds Life Goals (3)(4) \$'000	Management Fund \$'000	Eliminations \$'000	Total \$'000
Other income	10	63	-	630	-	703
Application income	1,441	-	-	-	-	1,441
Investment income	1,214	26,475	2,239	20	-	29,948
Management fees	-	-	-	7,433	(2,936)	4,497
Total revenue	2,665	26,538	2,239	8,083	(2,936)	36,589
Redemption expense	(26,804)	-	-	-	-	(26,804)
Investment management expenses	(984)	(1,763)	(189)	(1,134)	2,936	(1,134)
Other expenses (5)	25,123	(17,862)	(1,473)	(5,940)	-	(152)
Total expenses	(2,665)	(19,625)	(1,662)	(7,074)	2,936	(28,090)
Profit before tax	-	6,913	577	1,009	-	8,499
Income tax expense	-	(6,913)	(577)	(369)	-	(7,859)
Profit after income tax and financing costs	-	-	-	640	-	640

Segment information

(1) Centuria Capital Guaranteed Bond Fund, Centuria Income Accumulation Bond Fund, Centuria Funeral Benefit Fund, Deferred Annuity Fund

(2) Centuria Growth Bond Fund, Centuria Balanced Bond Fund, Centuria Australian Shares Bond Fund, Centuria Implemented Portfolios Bond Fund, Centuria Cash Plus Fund, Centuria Providence Fund

(3) Centuria AB Managed Volatility Equities Fund, Centuria Antipodes Global Fund - Long, Centuria Bennelong Concentrated Aus Equities Fund, Centuria BetaShares Aus Inv Grade Corp Bond ETF, Centuria BetaShares Geared Aus Equity Fund (hf), Centuria Fidelity Future Leaders Fund, Centuria Firetrail Australian High Conviction Fund, Centuria Magellan Global Fund, Centuria Magellan Infrastructure Fund, Centuria MLC WHL Horizon 4 Balanced Portfolio, Centuria MLC WHL Horizon 5 Growth Portfolio, Centuria Russell Investments Balanced Fund, Centuria Russell Investments Growth Fund, Centuria Schroder Real Return CPI + 5% Fund, Centuria T.Rowe Price Global Equity Fund, Centuria Vanguard Aus Fixed Interest Index Fund, Centuria Vanguard Aus Prop Securities Index Fund, Centuria Vanguard Australian Shares Index Fund, Centuria Vanguard Diversified Balanced Index Fund, Centuria Vanguard Diversified Growth Index Fund, Centuria Vanguard International Shares Index Fund

(4) Centuria Pental Enhanced Cash Fund has been presented within the Unitised Benefit Funds Investment Bonds segment, consolidated with the Centuria Cash Plus Fund

(5) Other Expenses includes the movement in net policyholder liabilities for the Bonus Rated Benefit Funds, Unitised Benefit Funds Investment Bonds and Unitised Benefit Funds Life Goals

Segment information

30 June 2020	Bonus Rated Benefit Funds(1) \$'000	Unitised Benefit Funds Investment Bonds (2) \$'000	Unitised Benefit Funds Life Goals (3)(4) \$'000	Management Fund \$'000	Eliminations \$'000	Total \$'000
Other income	14	85	-	415	-	514
Application income	1,759	-	-	-	-	1,759
Investment income	2,284	(11,458)	501	42	-	(8,631)
Management fees	-	-	-	9,667	(5,023)	4,644
Total revenue	4,057	(11,373)	501	10,124	(5,023)	(1,714)
Redemption expense	(29,205)	-	-	-	-	(29,205)
Investment management expenses	(2,888)	(2,089)	(46)	(1,368)	5,023	(1,368)
Other expenses(5)	27,778	9,310	(335)	(6,828)	-	29,925
Total expenses	(4,315)	7,221	(381)	(8,196)	5,023	(648)
Profit before tax	(258)	(4,152)	120	1,928	-	(2,362)
Income tax expense	258	4,152	(120)	(807)	-	3,483
Profit after income tax and financing costs	-	-	-	1,121	-	1,121

Segment information

30 June 2021	Unitised Benefit Funds	Investment Bonds	Unitised Benefit Funds	Life Goals	Management Fund	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment assets	132,153	128,899	27,096	-	-	-	288,148
Cash assets	8,056	8,488	335	12,604	-	-	29,483
Other assets	743	4,232	502	541	135	-	6,153
Property held for development	-	-	-	20,489	-	-	20,489
Deferred tax assets	-	-	70	2	-	-	72
Total assets	140,952	141,619	28,003	33,636	135	135	344,345
Other liabilities	320	(161)	(24)	(2,247)	(135)	-	(2,247)
Current tax liabilities	70	(577)	(233)	-	-	-	(740)
Deferred tax liabilities	(103)	(5,859)	(363)	-	-	-	(6,325)
Policyholders' funds	(141,239)	(135,022)	(27,383)	-	-	-	(303,644)
Total liabilities	(140,952)	(141,619)	(28,003)	(2,247)	(135)	(135)	(312,956)
Net assets	-	-	-	31,389	-	-	31,389
Policyholder funds liabilities							
Balance at beginning of the financial year	(166,361)	(134,431)	(10,757)	-	-	-	(311,549)
Applications received	-	(6,042)	(19,084)	-	-	-	(25,126)
Redemptions paid	-	23,313	3,931	-	-	-	27,244
Allocation of surplus to policyholders	25,362	-	-	-	-	-	25,362
Seed capital	-	-	-	-	-	-	-
Undistributed profit	(240)	(17,862)	(1,473)	-	-	-	(19,575)
	(141,239)	(135,022)	(27,383)	-	-	-	(303,644)
Total policyholders' funds at end of financial year	(141,239)	(135,022)	(27,383)	-	-	-	(303,644)

Segment information

30 June 2020	Unitised Benefit Funds		Unitised Benefit Funds		Management Fund	Eliminations \$'000	Total \$'000
	Bonus Rated Benefit Funds \$'000	Investment Bonds \$'000	Life Goals \$'000		\$'000		
Investment assets	146,814	132,008	10,493		-	-	289,315
Cash assets	19,102	3,289	235		6,926	-	29,552
Other assets	935	2,008	191		2,016	(1,117)	4,033
Tax receivables	-	-	-		-	-	-
Deferred tax assets	36	765	36		106	-	943
Total assets	166,887	138,070	10,955		9,048	(1,117)	323,843
Other liabilities	(981)	(158)	(34)		(2,299)	1,117	(2,355)
Tax liabilities	455	(3,298)	(65)		-	-	(2,908)
Deferred tax liabilities	-	(183)	(99)		-	-	(282)
Policyholders' funds	(166,361)	(134,431)	(10,757)		-	-	(311,549)
Total liabilities	(166,887)	(138,070)	(10,955)		(2,299)	1,117	(317,094)
Net assets	-	-	-		6,749	-	6,749
Policyholder funds liabilities							
Balance at beginning of the financial year	(193,589)	(146,768)	(1,228)		-	-	(341,585)
Applications received	-	(9,382)	(9,319)		-	-	(18,701)
Redemptions paid	-	12,409	125		-	-	12,534
Allocation of surplus to policyholders	27,446	-	-		-	-	27,446
Seed capital	(550)	-	-		-	-	(550)
Undistributed profit	332	9,310	(335)		-	-	9,307
	(166,361)	(134,431)	(10,757)		-	-	(311,549)
Total policyholders' funds at end of financial year	(166,361)	(134,431)	(10,757)		-	-	(311,549)

C Income and Expenses

C1 Income

(a) Revenue

	2021 \$'000	2020 \$'000
Interest received	787	2,394
Dividends/distributions received	8,813	5,707
Management fees	4,497	4,644
Other income	703	514
	<u>14,800</u>	<u>13,259</u>

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Management fees

Management fees are recognised on an accruals basis when the Society has the right to receive payment.

Dividend and distribution revenue

Dividend and distribution revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Society and the amount of revenue can be measured reliably).

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Society and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

(b) Gain/(Loss) on Investments

	2021 \$'000	2020 \$'000
Net unrealised gain/(loss) on financial assets	21,912	(22,766)
Net (loss)/gain on sale of financial assets	(1,564)	6,034
	<u>20,348</u>	<u>(16,732)</u>

Income and Expenses

C2 Employee benefit expenses

	2021 \$'000	2020 \$'000
Wages and salaries	3,276	3,352
Payroll taxes	181	142
Other associated personnel expenses	220	197
	3,677	3,691

Recognition and measurement

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

C3 Other expenses

	2021 \$'000	2020 \$'000
Consulting and professional fees	822	929
Information systems expenses	379	360
Insurance expenses	91	80
Office administration expenses	59	75
Travel expenses	12	54
Rental expense	337	416
Recruitment and temporary staff	31	38
Depreciation and amortisation expense	187	239
Advertising and marketing expense	229	284
Other general expenses	116	112
	2,263	2,587

C4 Net movement in policyholders' funds

	2021 \$'000	2020 \$'000
Redemption expenses - benefit funds with DPF	(26,804)	(29,205)
Net profit attributed to fund members with DPF	240	(332)
Seed capital - benefit funds with DPF	-	550
Application income from benefit funds with DPF	1,441	1,759
Net movement in benefit funds with no DPF	19,335	(8,975)
Net movement in policyholders' funds - benefit funds	5,788	36,203

C4 Net movement in policyholders' funds (continued)

Recognition and measurement

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

(i) Insurance contracts

Insurance contracts are those containing significant risk at the inception, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Applications and redemptions on insurance contracts with a Discretionary Participation Feature ("DPF") are accounted for through the consolidated statement of comprehensive income. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is also recognised through the consolidated statement of comprehensive income.

(ii) Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a DPF. A DPF means a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- (a) that are likely to be a significant portion of the total contractual benefits;
- (b) whose amount or timing is contractually at the discretion of the issuer; and
- (c) that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the Society, fund or other entity that issues the contract.

Within the bonus funds, annual bonus rates are declared by the Society with guidance of the Appointed Actuary and within the restrictions pursuant to the Life Act; this is considered a DPF.

The value of policyholders' funds in the unit linked funds is solely dependent on the market valuation of the underlying assets therefore there is no discretionary participation feature.

Applications and redemptions on investment contracts without a DPF are accounted for through the statement of financial position as a movement in policyholder liabilities. Distributions on these contracts are charged to the consolidated statement of comprehensive income as a movement in the policyholder liability. Premiums and claims relating to the investment component are accounted for as a deposit through the consolidated statement of financial position.

Income and Expenses

C5 Dividends

	2021 Cents per share	2021 Total \$'000	2020 Cents per share	2020 Total \$'000
Recognised amounts				
Total Dividend (fully franked)	20	1,000	22	1,100

Dividends of \$1,000,000 in respect of the financial year ended 30 June 2021 were paid to parent company, Centuria Capital Limited (2020: \$1,100,000).

C6 Taxation

(a) Income tax recognised in profit or loss

	Notes	2021 \$'000	2020 \$'000
Profit before tax		8,499	(2,362)
Less net revenue relating to Benefit Funds included in profit before tax		(7,490)	4,290
Profit before tax attributable to the management fund		1,009	1,928
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)		303	578
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Expenses relating to exempt income and non-allowable expenses		66	229
Income tax expense relating to Benefit Funds		7,490	(4,290)
Income tax expense		7,859	(3,483)
Current tax on profits for the year		945	2,985
Deferred tax expense relating to the origination and reversal of temporary differences		6,914	(6,468)
Income tax expense/(benefit)		7,859	(3,483)

(b) Current tax assets and liabilities

	2021 \$'000	2020 \$'000
Current tax liabilities	740	2,908
Income tax payable (to Centuria Capital Limited)	740	2,908

Income and Expenses

C6 Taxation (continued)

(c) Deferred tax balances

	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
Financial year ended 30 June 2021			
Deferred tax assets			
Unrealised loss on financial assets	837	(767)	70
Other	106	(104)	2
Deferred tax liabilities			
Unrealised gain on financial assets	(282)	(6,043)	(6,325)
Presented in the statement of financial position as follows:			
Deferred tax assets			72
Deferred tax liabilities			(6,325)
			(6,253)
Financial year ended 30 June 2020			
Deferred tax assets			
Unrealised loss on financial assets	66	771	837
Other	113	(7)	106
Deferred tax liabilities			
Unrealised gain on financial assets	(5,986)	5,704	(282)
Presented in the statement of financial position as follows:			
Deferred tax assets			943
Deferred tax liabilities			(282)
			661

Recognition and measurement

Income tax expense represents the sum of the tax currently payable and payable on a deferred basis.

The Society is part of a tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the Head Company which is the ultimate parent entity, Centuria Capital Limited.

(i) Current tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Society's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

C6 Taxation (continued)

Recognition and measurement (continued)

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets arising are generally recognised for all deductible temporary differences to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Society expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Society intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the consolidated statement of comprehensive income, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

D Assets and Liabilities

D1 Trade and other receivables

	2021 \$'000	2020 \$'000
Amount owing by related entities (current assets)	-	22
Sundry debtors (current assets)	1,273	1,426
Unsettled trades (current assets)	176	383
Accrued income (current assets)	4,607	2,005
	<u>6,056</u>	<u>3,836</u>

Recognition and measurement

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method less impairment.

The Society does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Society to the counterparty.

D2 Financial assets at fair value through profit and loss

	2021 \$'000	2020 \$'000
Floating rate notes (current assets)	127,223	137,479
Investments in unit trusts and shares (current assets)	158,802	149,580
Investments in unlisted property trusts (non-current assets)	942	1,061
Cashline loans (non-current assets)	1,181	1,195
	<u>288,148</u>	<u>289,315</u>

Investments in unit trusts

Financial year ended 30 June 2021	Fair value \$'000	Exposure %	Maximum exposure to loss \$'000
Type of structured entities			
Unlisted property trusts	942	-%	942
Listed property trusts	21,210	7.00%	21,210
Fixed interest trusts	23,807	8.00%	23,807
Equity trusts	108,400	38.00%	108,400
Other unlisted trusts	5,385	2.00%	5,385
Investments in unit trusts and shares	<u>159,744</u>	<u>55.00%</u>	<u>159,744</u>

Assets and Liabilities

D2 Financial assets at fair value through profit and loss (continued)

Investments in unit trusts (continued)

Financial year ended 30 June 2020	Fair value \$'000	Exposure %	Maximum exposure to loss \$'000
Type of structured entities			
Unlisted property trusts	1,061	-%	1,061
Listed property trusts	22,493	8.00%	22,493
Fixed interest trusts	36,425	13.00%	36,425
Equity trusts	88,617	31.00%	88,617
Other unlisted trusts	2,045	1.00%	2,045
Investments in unit trusts and shares	150,641	53.00%	150,641

The fair value of the exposure changes daily throughout the period and in subsequent periods and will cease once the investments are disposed.

The unconsolidated structured entities are managed in accordance with the investment strategy of the respective fund managers. The return of the unconsolidated structured entities is exposed to the variability of performance of the investment strategies. The fund managers receive a fee for undertaking the management services.

The Society holds investments which are listed on the ASX and are therefore exposed to volatility in the equity capital markets. This volatility has resulted in fair value losses being recognised in the financial year in respect of these investments.

In addition, the Society also holds stakes in other unlisted funds. As these funds are unlisted, they are not exposed to volatility in equity capital markets to the same extent as listed securities, however they are exposed to changes in underlying property values and potential impacts on future cashflows.

Recognition and measurement

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets recognised at FVTPL include mortgage loan receivables and investments in trusts.

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Society has determined that all financial assets held are assets backing the policy liabilities of the life insurance business under AASB 1038 Life Insurance Contracts. As these assets are managed on a fair value basis and are reported to the Board on this basis, they have been valued at fair value through profit or loss wherever the applicable standard allows.

Derecognition of financial assets

The Society derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Society neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Society recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Society retains substantially all the risks and rewards of ownership of a transferred financial asset, the Society continues to recognise the financial asset.

Assets and Liabilities

D3 Property held for development

Property	2021 \$'000	2020 \$'000
209 Cotham Road, Victoria, Australia*	20,489	-
	<u>20,489</u>	<u>-</u>
Opening Balance	-	-
Acquisitions*	20,000	-
Capital expenditure	489	-
Closing balance	<u>20,489</u>	<u>-</u>

*In May 2021, the Society commenced development of 209 Cotham Road, Kew VIC, a surgical short-stay private hospital.

Recognition and measurement

Property held for development relates to land and property developments that are held for sale or development and sale in the normal course of the Society's business. The property held for development is carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. The property held for development is classified as non-current asset unless it is contracted to be sold within 12 months of the end of the reporting period, in which case it is classified as current assets.

D4 Trade and other payables

	2021 \$'000	2020 \$'000
Amounts payable to ultimate parent entity	630	-
Sundry creditors ⁽ⁱ⁾	1,237	1,975
	<u>1,867</u>	<u>1,975</u>

⁽ⁱ⁾ Sundry creditors are non-interest bearing current liabilities, payable on commercial terms of 7 to 60 days.

D5 Policyholders' funds

(a) Movement in policyholders' funds

	2021 \$'000	2020 \$'000
Bonus Rated Benefit Funds (with Discretionary Participation Features)		
Opening balance	166,361	193,589
Net change in policyholders' funds	(25,362)	(27,446)
Seed capital	-	550
Undistributed profit	240	(332)
Closing balance	<u>141,239</u>	<u>166,361</u>
Unitised Benefit Funds (non Discretionary Participation Features)		
Opening balance	145,188	147,996
Applications received	25,126	18,701
Redemptions paid	(27,244)	(12,534)
Undistributed profit	19,335	(8,975)
Closing balance	<u>162,405</u>	<u>145,188</u>
Total policyholders' funds	<u>303,644</u>	<u>311,549</u>

Assets and Liabilities

D5 Policyholders' funds (continued)

(a) Movement in policyholders' funds (continued)

Recognition and measurement

Assets held by the Benefit Funds are included in total assets in the consolidated statement of financial position of the Society in accordance with AASB 1038. A corresponding liability labelled "policyholders' funds" is shown in total liabilities in the consolidated statement of financial position. Movement in policyholders' funds shows the movement in bonus funds (with DPF) and unit linked funds (without DPF).

The liability to bonus fund policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets after tax. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders of the fund. In accordance with AASB 1038 applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

The policyholders' funds liabilities for unit linked funds are equal to the number of units held, multiplied by the unit redemption price based on market value of the fund's investments as at the valuation date. Applications to these funds are not recorded as income, redemptions from these funds are not recorded separately as expenses but amounts distributable to policyholders are recorded as an expense. No guarantees are provided by the Society in respect of the unit linked funds.

Claims incurred in respect of the Benefit Funds represent investment withdrawals (redemptions) and are recognised as a reduction in policyholders' funds. Redemptions in respect of bonus funds are also disclosed as an expense as set out above.

(b) Solvency and capital adequacy

Friendly Societies are required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of reserves required to be held is laid down by the Life Insurance Act 1995 and accompanying standards.

	2021 \$'000	2020 \$'000
Capital Base	31,387	6,643
Prescribed Capital Amount	<u>(16,387)</u>	<u>(1,429)</u>
Capital in excess of Prescribed Capital Amount	<u>15,000</u>	<u>5,214</u>
Capital Adequacy Multiple (%)	<u>192.00%</u>	465.00%
Capital Base comprises:		
Net Assets	31,389	6,749
Regulatory Adjustments applied in calculation of Additional Tier 1 Capital	<u>(2)</u>	<u>(106)</u>
Common Equity Tier 1 Capital	<u>31,387</u>	<u>6,643</u>
Total Capital Base	<u>31,387</u>	<u>6,643</u>

Assets and Liabilities

D6 Contributed equity

	2021		2020	
	No. of Shares	\$'000	No. of Shares	\$'000
Balance at beginning of the period	5,000,000	5,000	5,000,000	5,000
Shares issued	19,379,845	25,000	-	-
Balance at end of the period	<u>24,379,845</u>	<u>30,000</u>	<u>5,000,000</u>	<u>5,000</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

On 25 May 2021, Centuria Life Limited issued 19,379,845 (2020: Nil) ordinary shares to its parent, Centuria Capital Limited, in relation to a \$25,000,000 equity raising. The proceeds have been used to fund the acquisition and development of 209 Cotham Road, Kew, VIC, a surgical short-stay private hospital.

E Notes to the statement of cash flows

E1 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	2021 \$'000	2020 \$'000
Cash and cash equivalents	<u>29,483</u>	29,552

E2 Reconciliation of profit for the period to net cash flows from operating activities

	2021 \$'000	2020 \$'000
Profit for the period	640	1,121
Adjustment for		
Depreciation	187	239
Net movements in policyholders' funds	(7,905)	(30,036)
Net gain on sale of financial assets	1,564	(6,034)
Net unrealised loss on financial assets	(21,912)	22,766
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:		
Trade and other receivables	(2,220)	2,224
Prepayments	38	(10)
Deferred tax assets	871	(764)
Trade and other payables	(612)	(174)
Deferred tax liabilities	6,043	(5,704)
Increase in income taxes payable	(2,168)	2,156
Net cash inflow (outflow) from operating activities	<u>(25,474)</u>	(14,216)

F Group Structure

F1 Parent entity disclosure

As at, and throughout the current and previous financial year, the parent entity of the Society was Centuria Life Limited.

	2021	2020
	\$'000	\$'000
Result of parent entity		
Profit for the period	640	1,121
Total comprehensive income for the period	640	1,121
Financial position of parent entity at year end		
Total current assets	321,628	320,549
Total non-current assets	22,717	3,294
Total assets	344,345	323,843
Total current liabilities	306,631	316,812
Total non-current liabilities	6,325	282
Total liabilities	312,956	317,094
Net assets	31,389	6,749
Total equity of the parent entity comprising of:		
Share capital	30,000	5,000
Retained earnings	1,389	1,749
Total equity	31,389	6,749

G Other

G1 Guarantees to Benefit Fund policyholders

Centuria Life Limited ("CLL") provides a guarantee to policyholders of two of its Benefit Funds, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Fund (collectively "Funds") as described below.

If CLL is required under the bond rules to pay policy benefits to a policy owner as a consequence of the termination of a bond or the maturity or surrender of a policy, and CLL determines that the sums to be paid to the policy owner from the bonds shall be less than the amounts standing to the credit of the relevant accumulation account balance (or in the case of a partial surrender, the relevant proportion of the accumulation account balance), CLL guarantees to take all action within its control, including making payment from its management fund to the policy owner to ensure that the total sums received by the policy owner as a consequence of the termination, maturity or surrender equal the relevant accumulation account balance, or in the case of a partial surrender, the relevant proportion thereof.

No provision has been raised in respect of these guarantees at this time for the following reasons:

- The Funds follow an investment strategy that is appropriate for the liabilities of the Funds. The Funds cannot alter their investment strategy without the approval of the members and APRA, following a report from the appointed actuary;
- The Funds must meet the capital adequacy standards of APRA which results in additional reserves being held within the Funds to enable the Funds to withstand a "shock" in the market value of assets. If the Funds can withstand a shock in asset values and still meet their liabilities from their own reserves, then this further reduces the likelihood of the Funds calling on the guarantee provided; and
- CLL also continues to meet the ongoing capital requirements set by APRA.

G2 Financial instruments

(a) Management of financial instruments

The Board is ultimately responsible for the Risk Management Framework of the Society.

The Society employs a cascading approach to managing risk, facilitated through delegation to specialist committees and individuals within the Society.

The Society has also established an Investment Committee. The Investment Committee's function is to manage and oversee the Society's investments in accordance with the investment objectives and framework as set down by the Board. Specifically, it has responsibility for setting and reviewing strategic asset allocations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of the investment risk management policy and performing risk management procedures in respect of the investments.

The Society is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Society's risk management and investment policies, approved by the Board, seek to minimise the potential adverse effects of these risks on the Society's financial performance. These policies may include the use of certain derivative financial instruments.

The Society outsources the investment management of the Benefit Funds to specialist investment managers, who provide services to the Society, co-ordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the Society in accordance with an investment mandate set out in the Society's constitution and the Benefit Funds' product disclosure statements. The Benefit Funds' investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

G2 Financial instruments (continued)**(b) Capital risk management**

The Society manages its capital to ensure that entities in the Society will be able to continue as a going concern while adhering to applicable prudential requirements and Internal Capital Adequacy Assessment Processes (ICAAP's). This overall strategy remains unchanged from the prior year.

The capital structure of the Society consists of cash and cash equivalents, policyholders' funds and equity (comprising issued capital and retained earnings). The Benefit Funds also hold a range of financial assets for investment purposes including investments in unit trusts, equity and floating rate notes. The Investment Committee aims to ensure that there is sufficient capital for possible redemptions by unit holders of the Benefit Funds. The Benefit Funds have no restrictions or specific capital requirements on the application and redemption of units. The Benefit Funds' overall investment strategy remains unchanged from the prior year.

Operating cash flows are used to maintain and, where appropriate, expand the Society's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Society reviews regularly its anticipated funding requirements.

The operations of the Society are regulated by APRA and the management fund of the Society has a minimum Prescribed Capital Amount ("PCA") that must be maintained at all times. The PCA is calculated monthly and these results are reported to the Board each month. The Directors believe that for the foreseeable future the PCA will continue to be met. The Benefit Funds are also subject to solvency and capital adequacy requirements. Refer to Note A4 for further discussion.

(c) Fair value of financial instruments*(i) Valuation techniques and assumptions applied in determining fair value*

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- 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 fund's responsible entity.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

G2 Financial instruments (continued)**(c) Fair value of financial instruments (continued)**

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between level 1, 2 and 3 in the period.

	Level 1 \$'000	2021 Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit and loss				
Floating rate notes (current assets)	127,223	-	-	127,223
Investments in unit trust and shares (current assets)	21,210	137,592	-	158,802
Investments in unlisted property trusts (non-current assets)	-	942	-	942
Cashline loans (non-current assets)	-	-	1,181	1,181
Total	148,433	138,534	1,181	288,148

	Level 1 \$'000	2020 Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit and loss				
Floating rate notes (current assets)	137,479	-	-	137,479
Investments in unit trust and shares (current assets)	22,493	127,087	-	149,580
Investments in unlisted property trusts (non-current assets)	-	1,061	-	1,061
Cashline loans (non-current assets)	-	-	1,195	1,195
Total	159,972	128,148	1,195	289,315

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Society. The Society has adopted a policy of primarily dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Society recognised in the consolidated statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties.

(i) Credit risk of loans

Loans are carried at fair value. Concentration of credit risk in relation to loans is demonstrated by the following bands:

G2 Financial instruments (continued)**(d) Credit risk (continued)***(i) Credit risk of loans (continued)*

	2021		2020	
	Number	Balance \$'000	Number	Balance \$'000
Loan balance outstanding				
\$0 - \$250,000	-	-	1	14
\$250,001 - \$500,000	-	-	-	-
\$500,001 - \$1,000,000	-	-	-	-
\$1,000,001 - plus	1	1,181	1	1,181
		<u>1,181</u>		<u>1,195</u>

The Directors believe that these loans are not at risk of impairment, hence no expected credit losses are recognised with respect to these loans.

(ii) Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate notes, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well-known rating agencies. The exposure of credit risk in respect of financial assets is minimal.

The Society does not have any significant credit risk exposure to any single entity in other financial assets or any group of counterparties having similar characteristics. No individual investment exceeds 5% of net assets at either 30 June 2021 or 30 June 2020.

(iii) Credit risk of the Management Fund

The Management Fund has credit risk exposure to the extent that there are outstanding receivables from the ultimate parent entity and other related parties. This risk is covered by recourse to the assets of the related parties. The Management Fund does not have any financial assets that are past due and not impaired.

(e) Liquidity risk

The Society's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The unit holders in the Benefit Funds are able to withdraw their units at any time and the Benefit Funds are therefore exposed to the liquidity risk of meeting unit holders' withdrawals at any time.

The Benefit Funds' listed securities, listed managed investment schemes and unlisted management investment schemes are considered to be readily realisable. The Benefit Funds' other investments included investments in unlisted investments and mortgage loans, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the Benefit Funds may not be able to liquidate all of these investments at their fair value in order to meet their liquidity requirements.

The Benefit Funds' liquidity risks are managed in accordance with the funds' investment strategies. The funds also manage liquidity risk by maintaining adequate banking facilities and through continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The funds overall strategy to liquidity risk management remains unchanged from 2020.

The following tables summarise the maturity profile of the Society's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the funds can be required to pay. The tables include both interest and principal cash flows.

G2 Financial instruments (continued)**(e) Liquidity risk (continued)**

	On Demand \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	Total \$'000
2021						
Trade and other payables	-	1,867	-	-	-	1,867
Life Insurance Contracts (with DPF)	141,239	-	-	-	-	141,239
Life Insurance Contracts (no DPF)	162,405	-	-	-	-	162,405
Total financial liabilities	303,644	1,867	-	-	-	305,511
2020						
Trade and other payables	-	1,975	-	-	-	1,975
Life Insurance Contracts (with DPF)	166,361	-	-	-	-	166,361
Life Insurance Contracts (no DPF)	145,188	-	-	-	-	145,188
Total financial liabilities	311,549	1,975	-	-	-	313,524

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and price risk. The Society manages the market risk associated with its Benefit Funds by outsourcing its investment management. The Investment Manager manages the financial risks relating to the operations of the Benefit Funds in accordance with an investment mandate set out in the Benefit Funds' constitution and product disclosure statement. There has been no change to the Society's exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk management

The Society's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the funds to cash flow risk, whereas fixed interest rate instruments expose the funds to fair value interest rate risk. The Society monitors the Benefit Funds' exposures to interest rate risk.

The tables below detail the Society's interest-bearing financial assets. There were no interest bearing liabilities subject to interest rate risk during the financial period.

	Variable rate \$'000	Fixed rate \$'000	Total \$'000
2021			
Financial assets			
Cash and cash equivalents	29,483	-	29,483
Standard discount securities	127,223	-	127,223
Fixed interest trusts	-	23,807	23,807
Cashline loans	-	1,181	1,181
Total	156,706	24,988	181,694

G2 Financial instruments (continued)**(f) Market risk (continued)****(i) Interest rate risk management (continued)**

2020	Variable rate \$'000	Fixed rate \$'000	Total \$'000
Financial assets			
Cash and cash equivalents	29,552	-	29,552
Floating rate notes	137,479	-	137,479
Fixed interest trusts	-	36,425	36,425
Cashline loans	-	1,195	1,195
Total	<u>167,031</u>	<u>37,620</u>	<u>204,651</u>

(ii) Interest rate sensitivity

The sensitivity analyses below have been determined based on the Society's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period. A 100-basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the consolidated net profit after tax would increase or decrease by \$88,000 (2020: increase or decrease by \$11,920) and there would be no impact on other equity reserves (2020: nil).

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The Benefit Funds' cash, floating rate notes, standard discount securities and mortgage loans expose the Benefit Funds to cash flow and fair value interest rate risk

(g) Foreign currency risk management

The Management Fund is not exposed to foreign exchange risk.

The Benefit Funds may have indirect foreign exchange risk to the United States dollar, Great British pound, Japanese yen, European euro and some other foreign currencies. The sensitivity of this indirect foreign exchange exposure has not been calculated as it is not attributable to the shareholders.

(h) Other price risk

Other price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Benefit Funds have investments in unlisted managed investment schemes, which expose them to price risk. Sensitivity of these amounts to other price risk impacts policyholder liabilities rather than profit and other equity reserve attributable to shareholders.

G3 Remuneration of auditors

	2021 \$	2020 \$
Audit of the financial report and related services	<u>105,895</u>	104,389

G4 Related party transactions

The ultimate parent entity of the Society is Centuria Capital Limited. The Society is the sole beneficiary of Over 50s Mutual Benefit Funds Trust.

(a) Equity interests in related parties

There were no equity interests in related parties held at 30 June 2021.

G4 Related party transactions (continued)**(b) Directors and director-related entities**

The directors named in the Directors' Report each held office as a director of the Society for the entire year ended 30 June 2021 unless otherwise stated.

During the year, Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater, was paid a total of \$254,373 (inclusive of GST) (2020: \$271,558) for consulting and investment management services.

There was no remuneration received or receivable by the key management personnel from the Society for services in their capacity as directors.

(c) Transactions with other related parties

All transactions were on normal commercial terms and conditions unless stated otherwise.

(i) Administration and investment services fees

The Society receives fees for administration and investment services that it provides to the Over Fifty Guardian Friendly Society Limited as set out below.

	2021 \$	2020 \$
Administration and investment services fees received from:		
Over Fifty Guardian Friendly Society	4,497,203	4,474,097
Centuria Property Funds Limited	178,487	176,745

(ii) Distributions

The following cash distributions were received from investments in related parties during the current financial year:

Centuria Growth Bond Fund received:

- \$1,172,969 (2020: \$1,496,785) from Centuria Office REIT (previously Centuria Metropolitan REIT)
- \$152,182 (2020: \$131,784) from Centuria Industrial REIT
- Nil (2020: \$82,089) from Centuria Iskia Development Fund
- Nil (2020: \$18,433) from Centuria Rouse Hill Debt Fund

Centuria Balanced Bond Fund received:

- \$160,956 (2020: \$173,638) from Centuria Office REIT (previously Centuria Metropolitan REIT)
- \$82,599 (2020: \$71,528) from Centuria Industrial REIT
- \$45,583 (2020: \$55,208) from Centuria Sydney Olympic Park Fund
- \$58,850 (2020: \$130,763) from Centuria Corporate Bond
- Nil (2020: \$47,158) from Centuria Iskia Development Fund
- Nil (2020: \$18,433) from Centuria Rouse Hill Debt Fund

(iii) Dividend

Dividends of \$1,000,000 in respect of the financial year ended 30 June 2021 were paid to parent company, Centuria Capital Limited (2020: \$1,100,000).

(d) Related party balances

The following table details related party investments carried at fair value through profit or loss:

	Fair Value	Units Held	Ownership %
Financial year ended 30 June 2021			
Centuria Growth Bond Fund			
Centuria Office REIT(1)	13,592,840	5,808,906	1.13
Centuria Industrial REIT	3,330,111	895,191	0.16
		Centuria Life Limited	38
		30 June 2021	

G4 Related party transactions (continued)**(d) Related party balances (continued)**

	Fair Value	Units Held	Ownership %
Centuria Balanced Bond			
Centuria Office REIT(1)	2,282,654	975,493	0.19
Centuria Industrial REIT	1,807,470	485,879	0.09
Centuria SOP Fund	1,072,000	1,000,000	3.28
Centuria Corporate Bond	1,187,499	1,177,000	0.08
Financial year ended 30 June 2020			
Centuria Growth Bond Fund			
Centuria Office REIT(1)	16,985,990	8,408,906	1.63
Centuria Industrial REIT	2,233,978	704,725	0.18
Centuria Balanced Bond			
Centuria Office REIT(1)	1,970,496	975,493	0.19
Centuria Industrial REIT	1,212,528	382,501	0.10
Centuria SOP Fund	1,064,474	1,000,000	3.28
Centuria Corporate Bond	1,177,294	1,177,000	0.11

(1) Previously Centuria Metropolitan REIT.

G5 Contingent liabilities and commitments

The Society has no material contractual capital commitments, nor any material contingent liabilities at 30 June 2021.

G6 Events subsequent to the reporting date

Since balance date, an Extraordinary General Meeting of Policyholders held on 8 July 2021 has passed the resolutions that three capital guaranteed benefit funds, being Centuria Income Accumulation Fund, Centuria Capital Guaranteed Bond Fund, and Funeral Benefit Fund to be converted from bonus fund to unitised fund in FY2022. After the conversion, no guaranteed nature are required to be maintained for these three funds, and Centuria Life Limited as the management fund is not required to inject additional capital or give management fee rebates to those funds to maintain their capital adequacy. The Centuria Life Limited Board approved the conversion on 22 September 2021. The request of conversion was submitted to APRA for approval on 22 September 2021. Nothing has come to management's attention that APRA approval will not be granted as of the date of signing of this financial report.

Management estimates the conversion will not result in significant impact on financial results of Centuria Life Limited but will improve the future financial return of the three benefit funds.

Other than the above, there have not arisen in the interval between 30 June 2021 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Society, to affect significantly the operations of the Society, the results of those operations, or the state of affairs of the Society, in future financial years.

Directors' declaration For the year ended 30 June 2021

In the opinion of the directors of Centuria Life Limited:

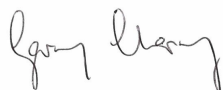
- (a) the consolidated financial statements and notes set out on pages 9 to 39 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated Society's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended on 30 June 2021.

The directors draw attention to Note A1 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

For and on behalf of the Board



Mr Garry S. Charny
Director
Sydney



Mr Peter J. Done
Director
Sydney
28 September 2021



Independent Auditor's Report

To the members of Centuria Life Limited

Opinion

We have audited the **Financial Report** of Centuria Life Limited ("the Society").

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Society's** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of financial position as at 30 June 2021;
- Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Society in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Centuria Life Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other



Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Society's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Leann Yuen

Partner

Sydney

28 September 2021