

Centuria Life Limited And Controlled Entities

ABN 79 087 649 054

**Consolidated financial report
For the year ended 30 June 2022**

Directors' Report

For the year ended 30 June 2022

The directors present their report together with the consolidated financial statements of Centuria Life Limited ("the Society") for the financial year ended 30 June 2022 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
Ms Natalie Collins
Mr Jason C. Huljich

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 on 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 \$6,603,000 (2021: net profit \$640,000) after providing for income tax expense relating to shareholders of \$2,496,000 (2021: \$369,000).

Change in state of affairs

In December 2021 the Australian Prudential Regulation Authority (APRA) approved the Society's request to convert three capital guaranteed bonus funds, being Centuria Capital Guaranteed Bond Fund, Centuria Income Accumulation Bond Fund and Centuria Funeral Bond Fund, into unitised funds. On the date of conversion, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Bond Fund changed their names to Centuria Capital Stable Fund No.1 and Centuria Capital Stable Fund No.2 respectively. In accordance with APRA requirements, the three previous capital guaranteed bonus funds are deemed as unitised funds from 1 July 2021. As a result, the three previous capital guaranteed bonus funds are classified and presented as unitised funds from 1 July 2021.

Other than the above, there were no significant changes in the state of affairs of the Society during the financial year.

Dividends

A dividend of \$5,500,000 during the financial year ended 30 June 2022 was paid to Centuria Capital Limited (CCL), the ultimate parent of the Society (2021: \$1,000,000).

Directors' Report

For the year ended 30 June 2022

Events subsequent to the reporting date

(1) In April 2022 the Society disposed of 209 Cotham Road, Victoria property development realising a \$1,075,000 gain. Following the disposal on 21 July 2022, APRA approved a capital return of \$25,000,000 from the Society to its parent, CCL, which amounted to the original capital injected by CCL to fund the acquisition of the property in 2021. The \$25,000,000 was paid to CCL on 21 August 2022.

(2) In July 2022, Centuria Agri Logistics III Fund (CARIII) changed its name to Centuria Agriculture Fund (CAF). As a result of CAF being open to new investors, the Society's ownership interest reduced from 50% to 38% by 14 September 2022.

Other than the above, there have not arisen in the interval between 30 June 2022 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 2022

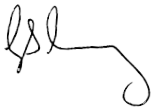
Lead auditor's independence declaration

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 2022.

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
20 September 2022



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 2022 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

Leann Yuen
Partner

Sydney
20 September 2022

Consolidated statement of comprehensive income

For the year end 30 June 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--|-------|----------------|----------------|
| Revenue | C1(a) | 13,834 | 14,800 |
| Net gain on property disposal | | 1,075 | - |
| (Loss)/Profit on investments | C1(b) | (24,848) | 20,348 |
| Share of profit from equity accounted associate | F1 | 1,766 | - |
| | | <u>(8,173)</u> | <u>35,148</u> |
| Application income - benefit fund with DPF | C4 | - | 1,441 |
| Total income | | <u>(8,173)</u> | <u>36,589</u> |
| Employee benefits expense | C2 | (3,648) | (3,677) |
| Administration fees | | (920) | (1,134) |
| Other expenses | C3 | (2,162) | (2,263) |
| Redemption expenses - benefit funds with DPF | C4 | (165) | (26,804) |
| Net movement in policyholders funds - benefits funds | C4 | 17,414 | 5,788 |
| Profit before tax | | <u>2,346</u> | <u>8,499</u> |
| Income tax (expense) relating to shareholders | | (2,496) | (369) |
| Income tax benefit/(expense) relating to Benefit Funds | | 6,753 | (7,490) |
| Total income tax (expense)/benefit | C6(a) | <u>4,257</u> | <u>(7,859)</u> |
| Profit for the year | | <u>6,603</u> | <u>640</u> |
| Other comprehensive income | | | |
| Other comprehensive income for the period, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period | | <u>6,603</u> | <u>640</u> |

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | | 46,919 | 29,483 |
| Trade and other receivables | D1 | 4,231 | 6,056 |
| Financial assets at fair value through profit or loss | D2 | 257,328 | 288,148 |
| Investments accounted for using the equity method | F1 | 35,416 | - |
| Prepayments | | 70 | 64 |
| Plant and equipment | | 18 | 33 |
| Property held for development | D3 | - | 20,489 |
| Deferred tax assets | C6(c) | 2,808 | 72 |
| TOTAL ASSETS | | 346,790 | 344,345 |
| LIABILITIES | | | |
| Trade and other payables | D4 | 5,808 | 1,867 |
| Income tax payable | C6(b) | 1,150 | 740 |
| Deferred tax liabilities | C6(c) | 1,002 | 6,325 |
| Provisions | | 380 | 380 |
| Policyholders funds | D5 | 270,558 | 303,644 |
| TOTAL LIABILITIES | | 278,898 | 312,956 |
| NET ASSETS | | 67,892 | 31,389 |
| EQUITY | | | |
| Contributed equity | D6 | 65,400 | 30,000 |
| Retained earnings | | 2,492 | 1,389 |
| TOTAL EQUITY | | 67,892 | 31,389 |

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2022

| | Note | Issued capital \$'000 | Retained earnings \$'000 | Total \$'000 |
|---|------|--------------------------|--------------------------------|-----------------|
| 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 | | 25,000 | - | 25,000 |
| Dividend paid | | - | (1,000) | (1,000) |
| Balance at 30 June 2021 | | 30,000 | 1,389 | 31,389 |
| | | | | |
| Balance at 1 July 2021 | | 30,000 | 1,389 | 31,389 |
| Profit for the period | | - | 6,603 | 6,603 |
| Contributions of equity, net of transaction costs and tax | D6 | 35,400 | - | 35,400 |
| Dividend paid | | - | (5,500) | (5,500) |
| Balance at 30 June 2022 | | 65,400 | 2,492 | 67,892 |

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2022

| | 2022 | 2021 |
|--|----------------|-----------------|
| Note | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Applications received by unit linked funds (no DPF) | 27,801 | 14,193 |
| Applications received by bonus funds (with DPF) | - | 1,427 |
| Interest received | 461 | 850 |
| Management fees received | 4,934 | 4,712 |
| Dividends received | 8,694 | 6,221 |
| Rental received | 441 | 78 |
| Coupon income received | 841 | - |
| Other income received | 584 | 552 |
| Redemption paid from bonus funds (with DPF) | (165) | (26,718) |
| Redemption paid from unit linked funds (no DPF) | (44,572) | (16,135) |
| Cash paid to suppliers and employees | (4,812) | (7,540) |
| Income tax paid | (3,260) | (3,114) |
| Net cash used in operating activities | (9,053) | (25,474) |
| E2 | | |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (90) | (125) |
| Payments for property held for development | (4,775) | (20,489) |
| Net inflows for disposal of financial assets | 6,474 | 21,476 |
| Distributions received from associates | 1,500 | - |
| Proceeds from sale of development property | 26,338 | - |
| Purchase of investments in associates | (35,400) | - |
| Net cash (used in)/provided by investing activities | (5,953) | 862 |
| Cash flows from financing activities | | |
| Net receipts from related parties | 2,542 | 543 |
| Proceeds from issues of shares | 35,400 | 25,000 |
| Dividends paid | (5,500) | (1,000) |
| Net cash provided by financing activities | 32,442 | 24,543 |
| Net increase (decrease) in cash and cash equivalents | | |
| | 17,436 | (69) |
| Cash and cash equivalents at the beginning of the financial year | 29,483 | 29,552 |
| Cash and cash equivalents at end of year | 46,919 | 29,483 |
| E1 | | |

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements For the year ended 30 June 2022

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 20 September 2022.

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. Recent volatilities in international and Australian markets have been experienced and may have 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 2021 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.

Capital Guaranteed Bonus Funds converted to Unitised Funds

Consistent with APRA regulatory requirements, the three Capital Guaranteed Bonus Rated Benefit Funds that converted to Unitised Benefit Funds during the financial period, are deemed as converted at the beginning of the financial period and are presented and disclosed as Unitised Benefit Funds from the beginning of the financial period in the financial report.

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.

Investments in associates

Associates are those entities in which the Society has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Society's share of the profit or loss and OCI of associates, until the date on which significant influence ceases.

A2 Significant accounting policies (continued)

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.

A3 Other new Accounting Standards and Interpretations

A number of new accounting standards have been published that are not effective for the 30 June 2022 reporting period. The Society has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Society's financial statements.

Standards now effective

AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2

AASB 2020-8 amends AASB 9 Financial Instruments, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts, AASB 16 Leases and AASB 139 Financial Instruments: Recognition and Measurement to introduce practical expedients in relation to accounting for modification of financial contracts and/or leases if a change results directly from IBOR reform. Amendments also allow a series of exemptions from the regular hedge accounting rules and introduce additional disclosures requirements.

AASB 2021-3 Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions beyond 30 June 2021

AASB 2021-3 extends the practical expedient introduced by AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19 - Related Rent Concessions by a further 12 months - permitting lessees to apply the relief to rent concessions for which reductions in lease payments were originally due on or before 30 June 2022.

Standards not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Society has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Society's consolidated financial statements.

A3 Other new Accounting Standards and Interpretations (continued)

Standards not yet effective (continued)

AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

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. As a result of the unitisation of the bonus funds that occurred during the year, the Society no longer holds investment contracts with discretionary participation features. As such, the Society 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 2023.

AASB 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts

AASB 2022-1 Amendments to Australian Accounting Standards - Initial application of AASB 17 and AASB 9 - Comparative Information

AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

AASB 2021-7(a-c) Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

Cash Received via Electronic Transfer as Settlement for a Financial Asset (AASB 9 Financial Instruments)

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 G1.

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 2022. 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.

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

Summary of significant actuarial methods and assumptions (continued)

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. Following the conversion from the bonus funds to unitised funds, no bonus is required going forward.

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.

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 2022.

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 2022 | Unitised | | | | Eliminations \$'000 | Total \$'000 |
|--|---|-----------------------------------|---|------------------------------|------------------------|-----------------|
| | Bonus Rated Benefit Funds (1) \$'000 | Investment Bonds (2) \$'000 | Unitised Benefit Funds Life Goals (3) \$'000 | Management Fund \$'000 | | |
| Other income | - | 42 | - | 1,632 | (1,056) | 618 |
| Rental income | - | - | - | 441 | - | 441 |
| Coupon income | - | - | - | 841 | - | 841 |
| Net gain of property disposal | - | - | - | 1,075 | - | 1,075 |
| Share of net profit of equity accounted investment | - | - | - | 1,766 | - | 1,766 |
| Application income | - | - | - | - | - | - |
| Investment income | - | (13,448) | (4,430) | 5 | - | (17,873) |
| Management fees | - | - | - | 10,068 | (5,109) | 4,959 |
| Total revenue and gains | - | (13,406) | (4,430) | 15,828 | (6,165) | (8,173) |
| Redemption expense | (165) | - | - | - | - | (165) |
| Investment management expenses | - | (4,810) | (299) | (920) | 5,109 | (920) |
| Other expenses (4) | 165 | 12,983 | 3,209 | (5,809) | 1,056 | 11,604 |
| Total expenses | - | 8,173 | 2,910 | (6,729) | 6,165 | 10,519 |
| Profit before tax | - | (5,233) | (1,520) | 9,099 | - | 2,346 |
| Income tax expense | - | 5,233 | 1,520 | (2,496) | - | 4,257 |
| Profit after income tax and financing costs | - | - | - | 6,603 | - | 6,603 |

Segment information

(1) In FY2021, there were four capital guaranteed bonus funds, being Centuria Capital Guaranteed Bond Fund, Centuria Income Accumulation Bond Fund, Centuria Funeral Benefit Fund and Deferred Annuity Fund. In December 2021, three of the capital guaranteed bonus funds, being Centuria Capital Guaranteed Bond Fund, Centuria Income Accumulation Bond Fund, Centuria Funeral Benefit Fund, converted from capital guaranteed bonus funds to unitised funds. From the date of conversion, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Bond Fund changed their names to Centuria Capital Stable Fund No.1 and Centuria Capital Stable Fund No.2 respectively. Deferred Annuity Fund is in the process of winding up and at 30 June 2022 there were no members left in this fund. In accordance with APRA requirements, the previous three capital guaranteed bonus funds are deemed as unitised funds from 1 July 2021. As a result, they are classified and presented as unitised funds from 1 July 2021. At 30 June 2022 only Deferred Annuity Fund was classified and presented as a bonus fund.

(2) Centuria Growth Bond Fund, Centuria Balanced Bond Fund, Centuria Australian Shares Bond Fund, Centuria Implemented Portfolios Bond Fund, Centuria Providence Investment Fund, RAM US Dollar High Yield Hybrid Income Fund, RAM Australia Credit Fund, RAM Australian Multi-Asset Growth Fund RAM Australian Property Fund, and three ex Bonus funds, being Centuria Capital Stable Fund No.1, Centuria Capital Stable Fund No. 2 and Centuria Funeral Benefit Fund.

(3) Centuria AB Managed Volatility Equities Fund, Centuria Alphinity Sustainable Share Fund, Centuria Bennelong Concentrated Aus Equities Fund, Centuria BetaShares Geared Aus Equity Fund (hf), Centuria Fidelity Future Leaders Fund, Centuria Firetrail Australian High Conviction Fund, Centuria Greencape Broadcap Fund, Centuria Vanguard Australian Shares Index Fund, Centuria BetaShares Aus Inv Grade Corp Bond ETF, Centuria Pandal Short Term Income Securities Fund, Centuria Pimco Australian Bond Fund, Centuria Pimco Global Bond Fund, Centuria Vanguard Aus Fixed Interest Index Fund, Centuria MLC WHL Horizon 4 Balanced Portfolio, Centuria Russell Investments Balanced Fund, Centuria Pandal Sustainable Balanced Fund, Centuria Vanguard Diversified Balanced Index Fund, Centuria MLC WHL Horizon 5 Growth Portfolio, Centuria Russell Investments Growth Fund, Centuria Schroder Real Return CPI + 5% Fund, Centuria Vanguard Diversified Growth Index Fund, Centuria Magellan Global Fund, Centuria T.Rowe Price Global Equity Fund, Centuria Vanguard International Shares Index Fund, Centuria Vanguard Int Small Companies Index Fund, Centuria Walter Scott Global Equity Fund Unhedged, Centuria Magellan Infrastructure Fund, Centuria Vanguard Aus Prop Securities Index Fund.

(4) 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 2021 | Bonus Benefit Funds(1) \$'000 | Unitised Investment Bonds (2) \$'000 | Unitised Benefit Funds Life Goals (3) \$'000 | Management Fund \$'000 | Eliminations \$'000 | Total \$'000 |
|--|--|---|---|------------------------------|------------------------|-----------------|
| Other income | 10 | 63 | - | 552 | - | 625 |
| Rental income | - | - | - | 78 | - | 78 |
| Coupon income | - | - | - | - | - | - |
| Net gain of property disposal | - | - | - | - | - | - |
| Share of net profit of equity accounted investment | - | - | - | - | - | - |
| 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(4) | 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

| 30 June 2022 | Unitised Benefit Funds | Investment Bonds | Unitised Benefit Funds | Life Goals | Management Fund | Eliminations | Total |
|--|---------------------------|---------------------|---------------------------|------------|--------------------|--------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment assets | - | 219,618 | 37,710 | - | - | - | 257,328 |
| Investment accounted for using equity method | - | - | - | - | 35,416 | - | 35,416 |
| Cash assets | 6 | 9,152 | 345 | - | 37,416 | - | 46,919 |
| Other assets | - | 1,911 | 1,539 | - | 1,149 | (281) | 4,318 |
| Tax receivable | - | 598 | 15 | - | - | - | 613 |
| Property held for development | - | - | - | - | - | - | - |
| Deferred tax assets | - | 1,119 | 1,591 | - | 98 | - | 2,808 |
| Total assets | 6 | 232,398 | 41,200 | - | 74,079 | (281) | 347,402 |
| Other liabilities | - | (254) | (27) | - | (6,187) | 281 | (6,187) |
| Current tax liabilities | - | (1,399) | (364) | - | - | - | (1,763) |
| Deferred tax liabilities | - | (994) | (8) | - | - | - | (1,002) |
| Policyholders' funds | (6) | (229,751) | (40,801) | - | - | - | (270,558) |
| Total liabilities | (6) | (232,398) | (41,200) | - | (6,187) | 281 | (279,510) |
| Net assets | - | - | - | - | 67,892 | - | 67,892 |
| Policyholder funds liabilities | | | | | | | |
| Balance at beginning of the financial year | (141,239) | (135,022) | (27,383) | - | - | - | (303,644) |
| Bonus funds opening balances converted to unitised funds | 141,068 | (141,068) | - | - | - | 1,056 | 1,056 |
| Applications received | - | (8,948) | (20,546) | - | - | - | (29,494) |
| Redemptions paid | - | 41,091 | 3,919 | - | - | - | 45,010 |
| Allocation of surplus to policyholders | 165 | - | - | - | - | - | 165 |
| Seed capital returned to Centuria Life Limited | - | 1,056 | - | - | - | (1,056) | - |
| Undistributed profit | - | 13,140 | 3,209 | - | - | - | 16,349 |
| Total policyholders' funds at end of financial year | (6) | (229,751) | (40,801) | - | - | - | (270,558) |

Segment information

| 30 June 2021 | Unitised Benefit Funds Unitised | | | | Eliminations \$'000 | Total \$'000 |
|--|--|-------------------------------|---------------------------------------|------------------------------|------------------------|------------------|
| | Bonus Rated Benefit Funds \$'000 | Investment Bonds \$'000 | Benefit Funds Life Goals \$'000 | Management Fund \$'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 | 344,345 |
| Other liabilities | 320 | (161) | (24) | (2,247) | (135) | (2,247) |
| 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) | (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 |
| 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) |

C Income and Expenses

C1 Income

(a) Revenue

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------------|----------------|----------------|
| Interest received | 434 | 787 |
| Dividends/distributions received | 6,541 | 8,813 |
| Management fees | 4,959 | 4,497 |
| Rent received* | 441 | 78 |
| Coupon income* | 841 | - |
| Other income | 618 | 625 |
| | <u>13,834</u> | <u>14,800</u> |

*Rental income and Coupon income are both related to 209 Cotham Road property development, which was sold during the year.

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.

Rental income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

Coupon income

Services are provided to property funds in accordance with the fund constitutions. The revenue is recognised when the specific service is delivered and consideration is due 30 days from invoice date.

(b) Gain/(Loss) on Investments

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------|----------------|
| Net unrealised (loss)/gain on financial assets | (29,020) | 21,912 |
| Net gain/(loss) on sale of financial assets | 4,172 | (1,564) |
| | <u>(24,848)</u> | <u>20,348</u> |

Income and Expenses

C2 Employee benefit expenses

| | 2022 \$'000 | 2021 \$'000 |
|-------------------------------------|----------------|----------------|
| Wages and salaries | 3,407 | 3,276 |
| Payroll taxes | 124 | 181 |
| Other associated personnel expenses | 117 | 220 |
| | <u>3,648</u> | <u>3,677</u> |

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.

Transactions with key management personnel

The following were considered key management personnel of the Company during the year:

- Garry Charny (Independent Non-Executive Director and Chairman)
- Peter Done (Independent Non-Executive Director)
- John Slater (Independent Non-Executive Director)
- Natalie Collins (Independent Non-Executive Director)
- Jason Huljich (Executive Director and Joint Chief Executive Officer)
- John McBain (Executive Director and Joint Chief Executive Officer)
- Simon Holt (Chief Financial Officer)

During the current financial year, the key management personnel compensation, was incurred in full by the immediate and ultimate parent entity Centuria Capital Limited. The amounts set out below relates to compensation received by key management personnel that has been allocated to the Society on a proportionate basis.

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Key management personnel compensation | | |
| Short term benefits | 583,319 | 484,832 |
| Post employment benefits | 94,340 | 81,543 |
| Other long term benefits | 2,936 | 140 |
| Share based payments | 117,525 | 84,007 |
| | <u>798,120</u> | <u>650,522</u> |

Income and Expenses

C3 Other expenses

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------------------|----------------|----------------|
| Consulting and professional fees | 781 | 822 |
| Information systems expenses | 345 | 379 |
| Insurance expenses | 231 | 91 |
| Office administration expenses | 36 | 59 |
| Travel expenses | 62 | 12 |
| Rental expense | 258 | 337 |
| Recruitment and temporary staff | 48 | 31 |
| Depreciation and amortisation expense | 104 | 187 |
| Advertising and marketing expense | 236 | 229 |
| Other general expenses | 61 | 116 |
| | 2,162 | 2,263 |

C4 Net movement in policyholders' funds

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------|-----------------|
| Redemption expenses - benefit funds with DPF | (165) | (26,804) |
| Net profit attributed to fund members with DPF | - | 240 |
| Seed capital - benefit funds with DPF | (1,056) | - |
| Application income from benefit funds with DPF | - | 1,441 |
| Net movement in benefit funds with DPF | (1,221) | (25,123) |
| Net movement in benefit funds with no DPF | (16,193) | 19,335 |
| Net movement in policyholders' funds - benefit funds | (17,414) | (5,788) |

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) | 11 | 5,500 | 20 | 1,000 |

Dividends of \$5,500,000 in respect of the financial year ended 30 June 2022 were paid to parent company, Centuria Capital Limited (2021: \$1,000,000).

C6 Taxation

(a) Income tax recognised in profit or loss

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|----------------|----------------|
| Profit before tax | | 2,346 | 8,499 |
| Less: Profit/(Loss) relating to Benefit Funds included in profit before tax | | 6,753 | (7,490) |
| Profit before tax attributable to the management fund | | 9,099 | 1,009 |
| | | - | - |
| Tax at the Australian tax rate of 30.0% (2021 - 30.0%) | | 2,730 | 303 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | |
| Expenses relating to exempt income and non-allowable expenses | | (234) | 66 |
| Income tax expense relating to Benefit Funds | | (6,753) | 7,490 |
| Income tax expense | | (4,257) | 7,859 |
| Current tax on profits for the year | | 3,802 | 945 |
| Deferred tax expense relating to the origination and reversal of temporary differences | | (8,059) | 6,914 |
| Income tax expense/(benefit) | | (4,257) | 7,859 |

(b) Current tax assets and liabilities

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Current tax liabilities | 1,150 | 740 |
| Income tax payable (to Centuria Capital Limited) | 1,150 | 740 |

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 2022 | | | |
| Deferred tax assets | | | |
| Unrealised loss on financial assets | 70 | 2,640 | 2,710 |
| Other | 2 | 96 | 98 |
| Deferred tax liabilities | | | |
| Unrealised gain on financial assets | (6,325) | 5,323 | (1,002) |
| | (6,253) | 8,059 | 1,806 |
| Presented in the statement of financial position as follows: | | | |
| Deferred tax assets | | | 2,808 |
| Deferred tax liabilities | | | (1,002) |
| | | | 1,806 |
| | | | |
| | 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) |
| | 661 | (6,914) | (6,253) |
| Presented in the statement of financial position as follows: | | | |
| Deferred tax assets | | | 72 |
| Deferred tax liabilities | | | (6,325) |
| | | | (6,253) |

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

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Amount owing by related entities (current assets) | 436 | - |
| Sundry debtors (current assets) | 1,076 | 1,273 |
| Unsettled trades (current assets) | - | 176 |
| Accrued income (current assets) | 2,719 | 4,607 |
| | <u>4,231</u> | <u>6,056</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

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Floating rate notes (current assets) | 10,713 | 127,223 |
| Investments in unit trusts and shares (current assets) | 242,279 | 158,802 |
| Investments in unlisted property trusts (non-current assets) | 1,395 | 942 |
| Cashline loans (non-current assets) | 1,181 | 1,181 |
| Other equity investments (non-current) | 1,760 | - |
| | <u>257,328</u> | <u>288,148</u> |

Investments in unit trusts, property trusts and shares

| Financial year ended 30 June 2022 | Fair value \$'000 | Exposure | Maximum exposure to loss \$'000 |
|---------------------------------------|----------------------|---------------|--|
| Type of structured entities | | | |
| Unlisted property trusts | 1,395 | 1.00% | 1,395 |
| Listed property trusts | 15,310 | 6.00% | 15,310 |
| Fixed interest trusts | 101,179 | 39.00% | 101,179 |
| Equity trusts | 86,616 | 34.00% | 86,616 |
| Other unlisted trusts | 39,174 | 15.00% | 39,174 |
| Investments in unit trusts and shares | <u>243,674</u> | <u>95.00%</u> | <u>243,674</u> |

Assets and Liabilities

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

Investments in unit trusts, property trusts and shares (continued)

| 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 | 159,744 | 55.00% | 159,744 |

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 | 2022 \$'000 | 2021 \$'000 |
|---------------------------------------|----------------|----------------|
| 209 Cotham Road, Victoria, Australia* | - | 20,489 |
| | - | 20,489 |
| Carrying amount movements | | |
| Opening Balance | 20,489 | - |
| Acquisitions* | - | 20,000 |
| Capital expenditure | 4,383 | 489 |
| Disposal* | (24,872) | - |
| Closing balance | - | 20,489 |

*In May 2021, the Society commenced development of 209 Cotham Road, Kew VIC, a surgical short-stay private hospital ("the Property"). In April 2022, the Society sold the land portion of the Property to a third party resulting with a net gain of \$1,075,000, and the development portion of the Property was sold at its book value to Centuria Developments Pty Ltd, a company controlled by the Society's ultimate parent, Centuria Capital Limited.

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

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Amounts payable to ultimate parent entity | 3,196 | 630 |
| Sundry creditors ⁽ⁱ⁾ | 2,612 | 1,237 |
| | 5,808 | 1,867 |

⁽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

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Bonus Rated Benefit Funds (with Discretionary Participation Features) | | |
| Opening balance | 141,239 | 166,361 |
| Net change in policyholders' funds | (165) | (25,362) |
| Seed capital | (1,056) | - |
| Undistributed profit | - | 240 |
| Bonus funds converted to Unitised funds* | (140,012) | - |
| Closing balance | 6 | 141,239 |

Assets and Liabilities

D5 Policyholders' funds (continued)

(a) Movement in policyholders' funds (continued)

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Unitised Benefit Funds (non Discretionary Participation Features) | | |
| Opening balance | 162,405 | 145,188 |
| Applications received | 29,494 | 25,126 |
| Redemptions paid | (45,010) | (27,244) |
| Undistributed profit | (16,349) | 19,335 |
| Unitised funds converted from Bonus funds* | 140,012 | - |
| Closing balance | 270,552 | 162,405 |
| Total policyholders' funds | 270,558 | 303,644 |

* In December 2022, three of four capital guaranteed bonus funds, being Centuria Capital Guaranteed Bond Fund, Centuria Income Accumulation Bond Fund, Centuria Funeral Benefit Fund, converted from capital guaranteed bonus funds to unitised funds. From the date of conversion, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Bond Fund changed their names to Centuria Capital Stable Fund No.1 and Centuria Capital Stable Fund No.2 respectively. In accordance with APRA requirements, the three previous capital guaranteed bonus funds are deemed as unitised funds from 1 July 2021. As a result, they are classified and presented as unitised funds from 1 July 2021. At 30 June 2022 only Deferred Annuity Fund was classified and presented as a bonus fund. This fund is in the process of winding up and no members left in this fund at 30 June 2022.

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.

Assets and Liabilities

D5 Policyholders' funds (continued)

(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.

| | 2022 | 2021 |
|--|-----------------|---------------|
| | \$'000 | \$'000 |
| Capital Base | 67,794 | 31,387 |
| Prescribed Capital Amount | (33,399) | (16,387) |
| Capital in excess of Prescribed Capital Amount | 34,395 | 15,000 |
| | | |
| Capital Adequacy Multiple (%) | 203.00% | 192.00% |
| | | |
| Capital Base comprises: | | |
| Net Assets | 67,892 | 31,389 |
| Regulatory Adjustments applied in calculation of Additional Tier 1 Capital | (98) | (2) |
| Common Equity Tier 1 Capital | 67,794 | 31,387 |
| | | |
| Total Capital Base | 67,794 | 31,387 |

D6 Contributed equity

| | 2022 | | 2021 | |
|------------------------------------|-------------------|---------------|---------------|--------|
| | No. of Shares | \$'000 | No. of Shares | \$'000 |
| Balance at beginning of the period | 24,379,845 | 30,000 | 5,000,000 | 5,000 |
| Shares issued | 24,081,633 | 35,400 | 19,379,845 | 25,000 |
| Balance at end of the period | 48,461,478 | 65,400 | 24,379,845 | 30,000 |

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

On 13 January 2022, the Board of Centuria Life Limited authorised to issue 24,081,633 ordinary shares to its parent, Centuria Capital Limited, in relation to a \$35,400,000 equity raising. All shares issued are fully paid. The proceeds have been used to fund the acquisition of 50% interest in Centuria Agri Logistics REIT III Trust.

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:

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | <u>46,919</u> | 29,483 |

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

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Profit for the period | 6,603 | 640 |
| Adjustment for | | |
| Depreciation | 104 | 187 |
| Net movements in policyholders' funds | (33,086) | (7,905) |
| Net gain on sale of financial assets | (4,172) | 1,564 |
| Net (gain) on property disposal | (1,075) | - |
| Equity accounted profit | (1,766) | - |
| Net unrealised loss on financial assets | 29,020 | (21,912) |
| Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division: | | |
| Trade and other receivables | 1,576 | (2,220) |
| Prepayments | (6) | 38 |
| Deferred tax assets | (2,736) | 871 |
| Trade and other payables | 1,398 | (612) |
| Deferred tax liabilities | (5,323) | 6,043 |
| Increase in income taxes payable | 410 | (2,168) |
| Net cash inflow (outflow) from operating activities | <u>(9,053)</u> | (25,474) |

F Group Structure

F1 Interest in associate

| Name of entity | % of ownership interest | | Principal activity | Carrying amount | |
|---|-------------------------|----------------------|---------------------|---------------------------|---------------------------|
| | 30 June 2022 % | 30 June 2021 % | | 30 June 2022 \$'000 | 30 June 2021 \$'000 |
| Centuria Agri Logistic III REIT* | 50 | - | Property Investment | 35,416 | - |
| Total equity accounted investments | | | | 35,416 | - |

Equity accounted investments are classified as non-current.

In February 2022, the Society acquired 50% of Centuria Agri Logistics III REIT (CARIII) for \$35,400,000. From the acquisition, the Society has equity accounted its interest in CARIII.

CARIII changed its name to Centuria Agriculture Fund (CAF) on 20 July 2022. CAF is an unlisted, open-ended agriculture fund, and invests in a selective Australian agricultural portfolio, and targets assets leased to experienced agricultural operators as well as associated agri-logistics assets with correspondingly favourable lease terms.

CAF's registered office and principal place of business is as follows:

Level 41, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

(a) Carrying amount movements

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2021 to 30 June 2022.

| Carrying amounts of equity accounted investments | Centuria Agri Logistic III REIT | |
|--|---------------------------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Opening balance as at 1 July | - | - |
| Acquisition of investments | 35,400 | - |
| Share of net profit | 1,766 | - |
| Distributions received / receivable | (1,750) | - |
| Closing balance as at 30 June | 35,416 | - |

(b) Summarised financial information for associates

The tables below provide summarised financial information for those associates at 100%. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associates.

Group Structure

F1 Interest in associate (continued)

Summarised statement of comprehensive income

Centuria Agri Logistic III REIT

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Revenue | 6,677 | - |
| (Loss) on fair value of Investment properties | (2,004) | - |
| Other expenses | (1,044) | - |
| Distribution received / receivable | (97) | - |
| Profit for the period | 3,532 | - |
| Other comprehensive income | - | - |
| Total comprehensive income | 3,532 | - |

(b) Summarised financial information for associates (continued)

Summarised balance sheet

Centuria Agri Logistic III REIT

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------------|----------------|----------------|
| Current assets | | |
| Cash and cash equivalents | 2,128 | - |
| | 2,128 | - |
| Non-current assets | | |
| Other non-current assets | 177,060 | - |
| | 177,060 | - |
| Current liabilities | | |
| Other current liabilities | 2,161 | - |
| | 2,161 | - |
| Non-current liabilities | | |
| Borrowings | 106,196 | - |
| | 106,196 | - |
| Net assets | 70,831 | - |
| Fund's share in % | 50% | - |
| Carrying amount | 35,416 | - |

F2 Parent entity disclosure

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

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Result of parent entity | | |
| Profit for the period | 6,603 | 640 |
| Total comprehensive income for the period | 6,603 | 640 |
| Financial position of parent entity at year end | | |
| Total current assets | 305,971 | 321,628 |
| Total non-current assets | 40,818 | 22,717 |
| Total assets | 346,789 | 344,345 |

Group Structure

F2 Parent entity disclosure (continued)

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Total current liabilities | 277,895 | 306,631 |
| Total non-current liabilities | 1,002 | 6,325 |
| Total liabilities | <u>278,897</u> | <u>312,956</u> |
| Net assets | 67,892 | 31,389 |
| Total equity of the parent entity comprising of: | | |
| Share capital | 65,400 | 30,000 |
| Retained earnings | 2,492 | 1,389 |
| Total equity | <u>67,892</u> | <u>31,389</u> |

G Other

G1 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.

(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).

G1 Financial instruments (continued)**(c) Fair value of financial instruments (continued)***(i) Valuation techniques and assumptions applied in determining fair value (continued)*

- 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;
- 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.

| | 2022 | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets at fair value through profit and loss | | | | |
| Floating rate notes (current assets) | 10,713 | - | - | 10,713 |
| Investments in unit trust and shares (current assets) | 15,310 | 226,969 | - | 242,279 |
| Investments in unlisted property trusts (non-current assets) | - | 1,395 | - | 1,395 |
| Cashline loans (non-current assets) | - | - | 1,181 | 1,181 |
| Other equity investments (non-current assets) | - | - | 1,760 | 1,760 |
| Total | 26,023 | 228,364 | 2,941 | 257,328 |

G1 Financial instruments (continued)**(c) Fair value of financial instruments (continued)***(i) Valuation techniques and assumptions applied in determining fair value (continued)*

| | 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 |

(ii) Reconciliation of Level 3 fair value measurements of financial assets

| 2022 | Cashline loans \$'000 | Other equity investment \$'000 | Total \$'000 |
|--------------------------------------|----------------------------------|---|-------------------------|
| Opening balance as at 1 July | 1,181 | - | 1,181 |
| Acquisitions | - | 1,760 | 1,760 |
| Closing balance as at 30 June | 1,181 | 1,760 | 2,941 |

| 2021 | Cashline loans \$'000 | Other Equity investments \$'000 | Total \$'000 |
|--------------------------------------|----------------------------------|--|-------------------------|
| Opening balance as at 1 July | 1,181 | - | 1,181 |
| Acquisitions | - | - | - |
| Closing balance as at 30 June | 1,181 | - | 1,181 |

(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:

G1 Financial instruments (continued)**(d) Credit risk (continued)***(i) Credit risk of loans (continued)*

| | 2022 | | 2021 | |
|---------------------------------|--------|-------------------|--------|-------------------|
| | Number | Balance \$'000 | Number | Balance \$'000 |
| Loan balance outstanding | | | | |
| \$0 - \$250,000 | - | - | - | - |
| \$250,001 - \$500,000 | - | - | - | - |
| \$500,001 - \$1,000,000 | - | - | - | - |
| \$1,000,001 - plus | 1 | 1,181 | 1 | 1,181 |
| | | <u>1,181</u> | | <u>1,181</u> |

(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. Other than cash and cash equivalents, no individual investment exceeds 5% of net assets at either 30 June 2022 or 30 June 2021. The ratings in the following table are the equivalent ratings of Standard & Poor's.

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------------|----------------|----------------|
| Cash and cash equivalents | | |
| AAA | - | - |
| AA- | 46,919 | 29,483 |
| A+ | - | - |
| | <u>46,919</u> | <u>29,483</u> |

(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 the expected credit loss is not considered material.

(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 2021.

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.

G1 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 |
|--|---------------------|---------------------------------|---------------------------------|-----------------------|--------------------|-----------------|
| 2022 | | | | | | |
| Trade and other payables | - | 5,807 | - | - | - | 5,807 |
| Life Insurance Contracts (with DPF) | 6 | - | - | - | - | 6 |
| Life Insurance Contracts (no DPF) | 270,553 | - | - | - | - | 270,553 |
| Total financial liabilities | 270,559 | 5,807 | - | - | - | 276,366 |
| 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 |

(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 |
|---------------------------|-------------------------|----------------------|-----------------|
| 2022 | | | |
| Financial assets | | | |
| Cash and cash equivalents | 46,919 | - | 46,919 |
| Floating rate notes | 10,713 | - | 10,713 |
| Fixed interest trusts | - | 101,179 | 101,179 |
| Cashline loans | - | 1,181 | 1,181 |
| Total | 57,632 | 102,360 | 159,992 |

G1 Financial instruments (continued)**(f) Market risk (continued)***(i) Interest rate risk management (continued)*

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

(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 \$262,000 (2021: increase or decrease by \$88,000) and there would be no impact on other equity reserves (2021: 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.

G2 Remuneration of auditors

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Audit of the financial reports | 101,552 | 96,016 |
| Other services including AFSL and APRA Return audits | 10,448 | 9,879 |
| | 112,000 | 105,895 |

G3 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

During FY2022, the Society invested \$35,400,000 in Centuria Agri logistics III REIT (CARIII) and acquired 50% of its ownership interest and has accounted for CARIII as an associate using the equity method. On 20 July 2022, CARIII changed its name as Centuria Agriculture Fund.

There were no other equity interests in related parties held at 30 June 2022.

(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 2022 unless otherwise stated.

Since 2021 the Board of Centuria Capital Limited, the Society's ultimate and immediate parent, adopted a policy that, as a matter of general principle, third party consultancy fees should not be paid to entities that are related to independent directors. Any directors who are associated with entities that received consulting fees have had their independence tested and confirmed by reference to ASIC guidelines on independence and through an external review. There were no consulting fees paid to directors during the year ended 30 June 2022. For the year ended 30 June 2021, Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater, was paid a total of \$254,373 inclusive of GST 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.

| | 2022 | 2021 |
|---|-----------|-----------|
| | \$ | \$ |
| Administration and investment services fees received from: | | |
| Over Fifty Guardian Friendly Society Limited | 4,958,694 | 4,497,203 |
| Centuria Property Funds Limited | 176,131 | 178,487 |

(ii) Distributions

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

Centuria Growth Bond Fund received:

- \$964,278 (2021: \$1,172,969) from Centuria Office REIT
- \$154,868 (2021: \$152,182) from Centuria Industrial REIT

Centuria Balanced Bond Fund received:

- \$180,158 (2021: \$160,956) from Centuria Office REIT
- \$79,700 (2021: \$82,599) from Centuria Industrial REIT
- \$65,001 (2021: \$45,583) from Centuria Sydney Olympic Park Fund
- \$58,850 (2021: \$58,850) from Centuria Corporate Bond

Centuria Life Limited received:

\$1,750,000 (2021: \$Nil) from Centuria Agri Logistics III REIT (changed name as "Centuria Agriculture Fund" on 20 July 2022)

G3 Related party transactions (continued)**(c) Transactions with other related parties (continued)***(iii) Dividend*

Dividends of \$5,500,000 in respect of the financial year ended 30 June 2022 were paid to parent company, Centuria Capital Limited (2021: \$1,000,000).

(iv) Property Development sale

During FY2022, the Society sold its 209 Cotham Road, Victoria, Australia property development work in progress at book value of \$4,846,332 to Centuria Developments Pty Ltd, a subsidiary of the Society's ultimate parent company, Centuria Capital Limited (2021: \$Nil).

(v) Capital Injection

In FY2022, the Society's ultimate parent company, Centuria Capital Limited, injected \$35,400,000 capital into the Society (2021: \$25,000,000).

(d) Related party balances*(i) Investment in related parties*

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 2022 | | | |
| Centuria Growth Bond Fund | | | |
| Centuria Office REIT | 9,875,140 | 5,808,906 | 1.13 |
| Centuria Industrial REIT | 2,515,487 | 895,191 | 0.16 |
| Centuria Balanced Bond | | | |
| Centuria Office REIT | 1,627,602 | 957,413 | 0.19 |
| Centuria Industrial REIT | 1,082,212 | 385,129 | 0.07 |
| Centuria SOP Fund | 1,140,900 | 1,000,000 | 3.28 |
| Centuria Corporate Bond | 1,210,262 | 1,177,000 | 3.85 |
| Financial year ended 30 June 2021 | | | |
| Centuria Growth Bond Fund | | | |
| Centuria Office REIT | 13,592,840 | 5,808,906 | 1.13 |
| Centuria Industrial REIT | 3,330,111 | 895,191 | 0.16 |
| Centuria Balanced Bond | | | |
| Centuria Office REIT | 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 | 3.85 |

(ii) Related party receivables/(payables) balances

| | 2022 \$ | 2021 \$ |
|--|----------------|------------|
| Receivable from related parties | | |
| Centuria Property Funds Limited | 102,134 | 251,429 |
| Over Fifty Senior Equity Release Pty Ltd | 19,729 | - |
| Over Fifty Guardian Friendly Society Limited | 297,929 | 431,432 |

G3 Related party transactions (continued)**(d) Related party balances (continued)****(ii) Related party receivables/(payables) balances (continued)**

| | 2022 | 2021 |
|---|--------------------|-------------|
| | \$ | \$ |
| (Payable) to related parties | | |
| Centuria Capital Limited | (3,185,129) | (542,986) |
| Centuria Property Services Pty Ltd | (10,958) | (21,916) |
| Centuria Funds Management Limited | (179,651) | - |
| Centuria Healthcare Property Services Pty Ltd | - | (197,024) |

G4 Contingent liabilities and commitments

The Society has no material contractual capital commitments, nor any material contingent liabilities at 30 June 2022.

G5 Events subsequent to the reporting date

(1) In April 2022 the Society disposed of 209 Cotham Road, Victoria property development realising a \$1,075,000 gain. Following the disposal on 21 July 2022, APRA approved a capital return of \$25,000,000 from the Society to its parent, CCL, which amounted to the original capital injected by CCL to fund the acquisition of the property in 2021. The \$25,000,000 was paid to CCL on 21 August 2022.

(2) In July 2022, Centuria Agri Logistics III Fund (CARIII) changed its name to Centuria Agriculture Fund (CAF). As a result of CAF being open to new investors, the Society's ownership interest reduced from 50% to 38% by 14 September 2022.

Other than the above, there have not arisen in the interval between 30 June 2022 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 2022

In the opinion of the directors of Centuria Life Limited:

- (a) the consolidated financial statements and notes set out on pages 9 to 43 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 2022 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 - General Purpose 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 2022.

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
20 September 2022



Independent Auditor's Report

To the shareholders 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 **Group's** financial position as at 30 June 2022 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 2022;
- 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.

The **Group** of the Company and the entities it controlled at the year-end or from time to time during the financial year.

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 Group 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 these requirements.

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
- assessing the Group and 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 Group and 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/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Leann Yuen
Partner

Sydney
20 September 2022