

UCA Cash Management Fund Limited

ABN 41 075 948 444

Annual report for the year ended 30 June 2023

UCA Cash Management Fund Limited

ABN 41 075 948 444

A company limited by guarantee, domiciled in the State of Victoria in Australia.

The company is incorporated in Australia.

The Manager of the Company is: Uniting Ethical Investors Limited
ABN 46 102 469 821
AFSL 294147

The Responsible Entity of the Company is wholly owned
by The Uniting Church in Australia Property Trust
(Victoria) & The Uniting Church in Australia Property
Trust (Tas.)

The Manager's registered office is: Level 6, 130 Lonsdale Street
Melbourne
Victoria 3000
Australia

Auditor: Deloitte Touche Tohmatsu
477 Collins Street
Melbourne
Victoria 3000
Australia

Custodian & Administrator: Northern Trust Corporation
Level 12, 120 Collins Street
Melbourne
Victoria 3000
Australia

Unit Registry: Iress Limited
Level 16, 385 Bourke Street
Melbourne
Victoria 3000
Australia

Directors' report

The directors' present their report on the financial statements of UCA Cash Management Fund Limited ("the Company") for the year ended 30 June 2023 ("the reporting period").

The Company became a registered company under the *Corporations Act 2001* on 11 October 1996. The Company has no share capital since it is a public company limited by guarantee, incorporated and operating in Australia.

Every member of the Company undertakes to contribute an amount not exceeding \$2 to the property of the Company in the event of it being wound up while the member is a member or within 1 year after the member ceases to be a member, if required, for payment:

- (1) of the debts and liabilities of the Company (contracted before the member ceases to be a member);
- (2) of the costs, charges and expenses of winding up; and
- (3) for the adjustment of the rights of the contributories among themselves.

Directors

The following directors held office at the date of this report and have held office throughout the year (except where indicated) and up to the date of this report.

Mathew Browning	Executive director and Chief Executive Officer
Robin Burns	Non-executive director
Annette King	Non-executive director
Lindsay Mann	Non-executive director - Chairperson
Terry McCredden	Non-executive director
Zameen Pavri	Non-executive director Audit, risk and compliance committee chairperson
Kris Peach	Non-executive director
Fiona Pearse	Non-executive director People and nominations committee chairperson
Kerrie Williams	Non-executive director Investment committee chairperson

General Information

Investment in the Company is available to U Ethical Cash Management Trust Wholesale and U Ethical Enhanced Income Trust (Wholesale). The Company seeks to operate at a low cost and to provide both competitive returns to debenture holders and an annual grant to The Uniting Church in Australia, Synod of Victoria and Tasmania. All investments are made within the ethical investment policy of Uniting Ethical Investors Limited (U Ethical).

Principal activities

The Company's principal and continuing activities during the period consisted of:

- (a) Providing an investment medium for congregations, programs, presbyteries and agencies of The Uniting Church in Australia; and
- (b) Providing an investment medium for other non-profit organisations with a religious, charitable or educational purpose.

There were no significant changes in the nature of the Company's activities during the year.

Company Constitution/Investment Strategy

The Company may hold cash at bank and term deposits.

Review of Operations

Funds under management decreased by 37% during the year to \$168,768,000 at 30 June 2023 (2022: \$265,864,000). All income available was distributed to the U Ethical Cash Management Trust Wholesale and U Ethical Enhanced Income Trust (Wholesale) over the year to 30 June 2023.

Significant changes in state of affairs

In the directors' opinion, there were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

Environmental Regulation

The Company is not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory law.

Information on Directors

Mr Mathew Browning BSc GAICD

Executive Director, Chief Executive Officer. Prior to joining U Ethical, Mathew spent 10 years with The Myer Family Company, most recently as general manager and previously as chief operating officer and head of investment. He has over 30 years' experience in financial, property and professional services across Australia, Asia and the UK. Mathew's executive and non-executive director experience includes both commercial and for-purpose organisations.

Mr Robin Burns FAICD

Non-executive Director. He is a lead independent member of the External Compliance Committee of PIMCO Australia Management Ltd, a non-executive director of Defence Health, BT Funds Management Ltd and Westpac Securities Administration Ltd. He has more than 30 years of executive experience in financial services, including as Managing Director of Equity Trustees Ltd and prior CEO roles in superannuation, life and health insurance and stockbroking.

Ms Annette King BEc – Actuarial, FAICD, FIAA

Non-executive Director. She has extensive experience leading significant financial institutions and developing businesses with a focus on sustainable growth through technology. She has over 20 years' experience in directorship appointments, and 10 years in CEO or general manager roles in Australia, New Zealand and Asia. Annette has served large multi-national companies including Swiss Re, AXA, Manulife and Mercer and MLC Super, and fintech companies (AFG, FNZ, Galileo Platforms). She has a focus on client experience, culture and innovation. She is a qualified actuary, a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women (CEW). She was President and Chair at the Actuaries Institute in Australia, President of the Life Insurance Association for Singapore, member of the Hong Kong Advisory Committee of AICD. She currently serves on the boards of Australian Finance Group (AFG), Swiss Re, HCF.

Mr Lindsay Mann BA, FIAA, GAICD

Non-executive Director. He is a Fellow of the Actuaries Institute and brings over 45 years financial services experience to the role. He has held a number of senior executive positions in funds management, wealth management and life insurance across Asia, Australia and New Zealand. Since retiring as Regional Head, Asia, of First State Investments in 2010, he has been a Non-executive Director for a number of investment companies and funds in Asia and Australia. He is currently a director of ASX listed companies WAM Capital Limited and WAM Leaders Limited and is a member of the Audit and Risk Committees of both of those companies. He is a member of Glen Waverley congregation of The Uniting Church in Australia.

Mr Terry McCredden B Com (Honours)

Non-executive Director. He has undertaken management courses at Wharton Business School USA and London Business School. He is a former CEO of UniSuper and Telstra Super. He is Chairman of Infradebt, an infrastructure debt manager. He is also a Council member of the University of Divinity and a director of 3MBS, Melbourne's classical community radio station. Terry is a member of Castlemaine Uniting Church and is the Chair of the Parish Council.

Ms Zameen Pavri BCom, ACA

Non-Executive Director. She brings over 28 years' financial services experience, specifically within the funds management industry, specialising in the areas of sustainability, responsible and impact investments, venture capital, climate tech and has international development experience. She currently is a Partner and Chief Impact Officer at SDGx - a technology venture capital and advisory group and further holds the position as the Oceania Regional Senior Advisor to the Global Impact Investing Network. She serves on various advisory boards, including Chair of Apostle Funds management People and Planet Fund and member of JANA Investors Sustainability Council.

Ms Kris Peach AM MBACFCA GAICD

Non-executive Director. She has strong financial and strategic skills, developed during her 5.5 years as Chair and CEO of the Australian Accounting Standards Board (AASB), 28 years with KPMG as a technical accounting expert, Director of Goulburn Murray Rural Water Corporation, genU and Permanent Care and Adoptive Families (PCA Families), Chair of International Financial Reporting for Non-Profit Organisations Governance Group as well as an independent member of the Victorian Department of Families, Fairness and Housing Audit and Risk Management Committee. As past AASB and PCA Families CEO, Open Gardens Australia Board member and Audit Committee Chair, and YHA Bushwalking Victoria President she has extensive experience in developing and implementing strategies, policies and processes for small organisations, including managing risk, corporate governance and compliance.

Ms Fiona Pearse B. Ec. MBA FCPA FAICD

Non-executive Director. She has extensive commercial and financial expertise gained from a broad career spanning almost two decades at ASX-listed, global companies BHP Billiton and BlueScope Steel followed by many non-executive director roles. She is currently a non-executive director of ASX-listed Smart Parking, a leading developer of Smart Cities technology and car park manager with global operations; Monash Health, Victoria's largest public health network; Scotch College, one of Australia's leading boys' schools; and she is an independent member of the Victorian Parliament Audit Committee. Her previous roles have included being a non-executive director of City West Water, a water utility, and of World Vision Australia, one of the largest charities in Australia; and she was an Advisory Board member to a fintech in Stone & Chalk, developing leading-edge governance, risk and compliance solutions for the financial services sector.

Ms Kerrie Williams BSc, MBA, FFin, GAICD

Non-Executive Director. She has over 30 years' experience in the financial services and retail sectors focused on business strategy and operational leadership, most recently as Director of Strategy and People for Frontier Advisors. During this time she has been a professional adviser to large institutional investors on investments, risk and governance-related issues. She is currently an independent board member of the Municipal Association of Victoria Insurance Board, a non-executive director of The Winston Churchill Memorial Trust and a member of the Sisters of St John of God Finance Advisory Committee.

Directors' shareholdings

No director holds shares in the Company.

Meetings of Directors

	Meeting of Directors		Audit, Risk & Compliance Committee		Investment Committee		People & Nominations Committee	
	A	B	A	B	A	B	A	B
Mathew Browning	4	4	*	*	*	*	*	*
Robin Burns	4	4	*	*	4	4	4	4
Annette King	3	3	2	1	2	2	*	*
Lindsay Mann	4	4	*	*	4	4	4	2
Terry McCredden	4	3	*	*	4	3	3	3
Zarmeen Pavri	4	4	4	4	4	4	*	*
Kris Peach	4	3	4	4	*	*	*	*
Fiona Pearse	4	3	4	4	*	*	4	4
Kerrie Williams	4	4	4	3	4	4	4	3

A = Number of meetings held during the time the director held office or was a member of the committee during the year

B = Number of meetings attended

* = Not a member of the relevant committee during the year.

Information on Company Secretary

Leeanne Lukaitis B Bus, ASA

Company secretary Leeanne Lukaitis also performs the role of Director Finance (non statutory director).

Matters subsequent to the end of the year

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Likely developments and expected results

The Company will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Company and in accordance with the provision of the Company's constitution.

The results of the Company's operations will be affected by a number of factors, including the performance of investment markets in which the Company invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on other likely developments in the operations of the Company and the expected results of operations of the Company has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Economic impact

Inflation remained elevated over the last financial year, which has led to central banks significantly increasing interest rates around the globe. While inflation appears to have peaked, central banks may continue to increase interest rates to get inflation to target levels. This increases the near-term risks of higher yields on fixed income securities and lower prices, as well as lower valuation multiples on equity securities.

At the same time, there are signs that economic growth is slowing and a growing risk that major developed economies will enter a recession over the next financial year. This may lead to weaker corporate earnings, which could impact equity securities. There are also heightened geopolitical risks given the ongoing war in Ukraine and tensions over Taiwan.

If inflation continues to reduce as economic growth slows, central banks may reduce interest rates later in the financial year. This could potentially be positive for fixed income and equity securities, although would reduce yield for the term deposits.

Climate risk

Climate risk is managed as follows:

(i) Exclusions

All securities currently held by the Company are issued by ADIs that comply with U Ethical's ethical investment policy and are therefore not excluded from the Company's investable universe.

(ii) Company/issuer and portfolio analysis

U Ethical uses MSCI ESG Manager to monitor greenhouse gas emission trends, science-based targets, target coverage and progress on targets by issuers.

(iii) Engagement and advocacy

U Ethical's engagement with cash issuers on climate risk issues (such as fossil fuel financing) is limited to where there is an overlap with holdings in equity portfolios.

This engagement may be carried out directly or collaboratively with investment peers, industry bodies or civil society organisations, such as the UN Principles for Responsible Investment and the Responsible Investment Association of Australasia.

Indemnification and insurance of officers and auditors

No insurance premiums are paid out of the assets of the Company in relation to the insurance over the period to either the officers of the manager of the Company or the Auditor of the Company.

Subject to relevant laws, pursuant to Regulation 4.11.2 of The Uniting Church in Australia, a member of a Church Council or other body responsible for the management and administration of property shall be indemnified against liability for any matter or thing done or liability incurred in the performance of functions as a member thereof except in the case of fraud, criminal act, gross negligence or willful misconduct.

As at the date of this report, Uniting Ethical Investors Limited has paid a premium in respect of a contract insuring the Directors and Officers of the Company (as named above) and of any other related body corporate against any liability incurred as such a Director or Officer to the extent permitted by the *Corporations Act 2001* and any other legislation. Due to the confidentiality undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.

The Company has not otherwise, during or since the end of the reporting period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the directors' reports and financial statements. Amounts have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

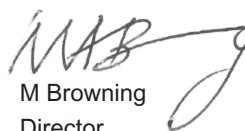
Auditor's Independence Declaration

Auditor's Independence Declaration as required by section 307C of the *Corporations Act 2001* is set out on page 7.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporation Act 2001*.



L Mann
Director



M Browning
Director

Melbourne
28 September 2023

28 September 2023

The Board of Directors
Uniting Ethical Investors Limited
130 Lonsdale Street
MELBOURNE VIC 3000

Dear Board Members

Auditor's Independence Declaration to UCA Cash Management Fund Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Uniting Ethical Investors Limited, the Trustee of UCA Cash Management Fund Limited.

As lead audit partner for the audit of the financial statements of UCA Cash Management Fund Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully



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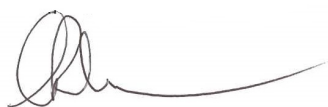
Mark Stretton
Partner
Chartered Accountants

Directors' declaration

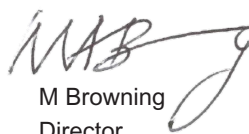
In the directors' opinion:

- (a) The financial statements and notes of UCA Cash Management Fund Limited set out on pages 9 to 24:
 - (i) comply with Australian Accounting Standards, the *Australian Charities and Not-for-profits Commission Act 2012* and other mandatory professional reporting requirements; and
 - (ii) present fairly the Company's financial position as at 30 June 2023 and its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant with subsection 60.15 (2) of the Australian Charities and Not-for-profit Commission Regulation 2013.



L Mann
Director



M Browning
Director

Melbourne
28 September 2023

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 \$'000	2022 \$'000
Investment income			
Interest income	3	6,337	1,301
Other income		<u>2</u>	<u>1</u>
Total investment income/(loss)		<u>6,339</u>	<u>1,302</u>
Expenses			
Other expenses		<u>-</u>	<u>628</u>
Total expenses		<u>-</u>	<u>628</u>
Net operating profit/(loss) for the year		<u>6,339</u>	<u>674</u>
Financing costs attributable to debenture holders			
Income to debenture holders	5	6,339	7,906
Increase/(decrease) in net assets attributable to debenture holders		<u>-</u>	<u>(7,232)</u>
Total financing costs attributable to debenture holders	5	<u>6,339</u>	<u>674</u>
Net profit/(loss) for the year		<u>-</u>	<u>-</u>
Other comprehensive income for the year			
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Statement of Financial Position

		As at	
		30 June 2023	30 June 2022
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		24,099	124,774
Applications receivable		112	196
Income receivable		2,057	394
Term Deposits		142,500	140,500
Total assets		<u>168,768</u>	<u>265,864</u>
Liabilities			
Interest payable to debenture holders	5	4,113	759
Redemption payable		146	339
Other payables		-	628
Total liabilities (excluding net assets attributable to debenture holders)		<u>4,259</u>	<u>1,726</u>
Net assets attributable to debenture holders - liability	4	<u>164,509</u>	<u>264,138</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Cash Flows

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Proceeds from sale of term deposits		297,500	614,500
Payments for purchase of term deposits		(299,500)	(562,000)
Interest income received		4,674	1,041
Other income received		<u>2</u>	<u>1</u>
Net cash inflow/(outflow) from operating activities	9(b)	<u>2,676</u>	<u>53,542</u>
Cash flows from financing activities			
Debenture holders applications received		218,929	194,304
Debenture holders redemptions paid		(318,667)	(350,044)
Interest paid to debenture holders		<u>(3,613)</u>	<u>(8,070)</u>
Net cash inflow/(outflow) from financing activities		<u>(103,351)</u>	<u>(163,810)</u>
Net change in cash and cash equivalents		<u>(100,675)</u>	<u>(110,268)</u>
Cash and cash equivalents at beginning of the year	9(a)	<u>124,774</u>	<u>235,042</u>
Cash and cash equivalents at end of the year	9(a)	<u><u>24,099</u></u>	<u><u>124,774</u></u>
 Non-cash operating and financing activities - Distribution reinvested	 9(c)	 -	 -

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Statement of Changes in Equity

	2023 \$'000	2022 \$'000
Total equity at the beginning of the year	-	-
Comprehensive income for the year		
Net profit for the year	-	-
Other comprehensive income for the year attributable to debenture holders	-	-
Total comprehensive income for the year	-	-
Total equity at the end of the year	-	-

'Net assets attributable to debenture holders' is classified as a financial liability rather than equity. As a result there was no equity at the start or end of the year.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Note 1: General Information

The general purpose financial report covers UCA Cash Management Fund Limited (the "Company") as an individual company.

Every member of the Company undertakes to contribute an amount not exceeding \$2 to the property of the Company in the event of it being wound up while the member is a member or within 1 year after the member ceases to be a member if required for payment:

- (1) of the debts and liabilities of the Company (contracted before the member ceases to be a member);
- (2) of the costs, charges and expenses of winding up; and
- (3) for the adjustment of the rights of the contributories among themselves.

The financial statements were authorised for issue on the date the Directors' declaration was signed. The Directors have the power to amend and re-issue the financial report.

Uniting Ethical Investors Limited (U Ethical) is the Investment Manager.

The Company is a registered charity and not-for-profit company for the purpose of preparing the financial statements.

Note 2: Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for-profit oriented entities.

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities held at fair value recognised through the Statement of Profit or Loss and Other Comprehensive Income.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All material balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to debenture holders. The Company manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at balance date.

(b) Investment Income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash, cash equivalents and term deposits.

(c) Expenses

All expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call at banks and other short-term highly liquid investments (term deposits). Cash and cash equivalents are highly liquid investments that generally have original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Company operates. The Australian dollar is also the Company's presentation currency.

(f) Interest paid to debenture holders

The Company pays interest to debenture holders. Interest is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income. Interest is payable to debenture holders on 30 June and 31 December.

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Interest income is accrued at the balance sheet date from the date of last payment, using the effective interest rate method.

The impairment allowance for financial assets (other than those measured at fair value through profit and loss) is measured using the simplified approach based on its lifetime credit loss.

(h) Payables

Payables include liabilities and accrued expenses owing by the Company which are unpaid as at the end of the reporting period.

Trades are recorded on trade date and normally settled in line with market conventions. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The interest amount payables to debenture holders as at the end of each reporting period is recognised separately on the statement of financial position when debenture holders are presently entitled to the distributable income.

(i) Net assets attributable to debenture holders - liability

Units are redeemable at the debenture holders' option; however, applications and redemptions may be suspended if it is in the best interests of the debenture holders.

The units can be put back to the Company at any time for cash based on the redemption price, which is equal to a proportionate share of the Company's net asset value attributable to the debenture holders.

The units are carried at the redemption amount that is payable at balance sheet date if the debenture holder exercised the right to put the unit back to the Company. This amount represents the expected cash flows on redemption of these units.

Units classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- The puttable financial instrument entitles the holder to a pro-rata share of the net assets in the event of the Company's liquidation;
- The puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- The puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Company, and it is not a contract settled in the Company's own equity instruments; and
- The total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The units issued by the Company do not meet the criteria. Consequently, net assets attributable to debenture holders are classified as financial liabilities.

(j) Goods and services tax (GST)

Where applicable, GST incurred by the Company, that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST in their value.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as a receivable or payable in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(k) Income tax

Under current legislation, the Company is not subject to income tax provided it attributes the entirety of its taxable income to its debenture holders.

(l) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

For the majority of the Company's financial instruments, current observable prices are readily available. When current observable prices are not readily available, the fair value of such financial instruments is determined by using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel independent of the area that created them. Where models are relied upon, they use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of the Company's financial instruments.

(m) Rounding of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

(n) New accounting standards and interpretations

(i) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Company.

(o) Reclassification of comparatives

Where applicable the comparative information has been reclassified to conform to the current periods presentation.

Note 3: Interest Income

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	1,092	500
Term deposits	5,245	801
Total	<u>6,337</u>	<u>1,301</u>

Note 4: Net Assets Attributable to Debenture holders - liability

Movements in debenture holders' funds during the year were:

	2023		2022	
	No. of	\$'000	No. of	\$'000
	Units		Units	
Opening balance*	264,391	264,138	420,748	427,264
Applications	218,845	218,845	194,500	194,500
Redemptions	(318,727)	(318,727)	(350,857)	(350,141)
Distributions reinvested	-	253	-	(253)
Increase/(decrease) in net assets attributable to debenture holders	-	-	-	(7,232)
Closing balance	<u>164,509</u>	<u>164,509</u>	<u>264,391</u>	<u>264,138</u>

*The difference in the opening units and the dollar value is an accrual that is fully distributed at the end of the reporting period.

Note 5: Interest Paid and Payable to Debenture holders

Interest paid and payable for the year were as follows:

	2023	2022
	\$'000	\$'000
Interest paid	2,226	7,147
Interest payable	4,113	759
Total for the year	<u>6,339</u>	<u>7,906</u>

Note 6: Related Parties

(a) Management fee

U Ethical is the manager of the Company and is responsible for the management of all aspects of the Company, including being responsible for, if considered to be appropriate, appointing an external party for custodial and administration services. U Ethical provided these services free of charge.

(b) Investments in UCA Cash Management Fund Limited

U Ethical Enhanced Income Trust (Wholesale) and U Ethical Cash Management Trust Wholesale invest their cash holdings in UCA Cash Management Fund Limited.

Funds Invested	As at			
	30 June 2023 \$'000	Interest held %	30 June 2022 \$'000	Interest held %
U Ethical Enhanced Income Trust (Wholesale)	24,684	15	97,692	37
U Ethical Cash Management Trust Wholesale	139,825	85	166,446	63
Total	<u>164,509</u>	<u>100</u>	<u>264,138</u>	<u>100</u>

(c) Interest paid/payable

Interest paid/payable to related entities:	2023 \$'000	2022 [#] \$'000
UCA Growth Fund Limited	-	327
U Ethical Australian Equities Trust	-	46
U Ethical Enhanced Income Trust (Wholesale)	1,300	587
U Ethical Funeral Fund	-	43
U Ethical Cash Management Trust Wholesale	5,039	787
U Ethical Cash Management Trust	-	1,462
Total	<u>6,339</u>	<u>3,252</u>

[#]In the prior reporting period, the Company distributed the balance of the accumulated reserve to UCA Growth Fund Limited, U Ethical Australian Equities Trust, U Ethical Enhanced Income Trust (Wholesale), U Ethical Funeral Fund, and U Ethical Cash Management Trust.

(d) Key Management Personnel Compensation

The Company has no employees. All directors are employed by Uniting Ethical Investors Limited in the current reporting year.

(e) Directors

The names of the persons who were the directors of the Company at any time during the year and up to the date of this report were:

Mathew Browning	Executive director and Chief Executive Officer
Robin Burns	Non-executive director
Annette King	Non-executive director
Lindsay Mann	Non-executive director - Chairperson
Terry McCredden	Non-executive director
Zameen Pavri	Non-executive director
	Audit, risk and compliance committee chairperson
Kris Peach	Non-executive director
Fiona Pearce	Non-executive director
	People and nominations committee chairperson
Kerrie Williams	Non-executive director
	Investment committee chairperson

Directors' remuneration is paid by Uniting Ethical Investors Limited, which in turn provides management services to UCA Cash Management Fund Limited and UCA Growth Fund Limited.

(f) Other key management personnel

There were no other persons with responsibility for directing and controlling the activities of the Company, directly or indirectly during the year. During the year, no director held a financial interest in the Company (2022: nil).

Note 7: Financial Risk Management

Inflation remained elevated over the last financial year, which has led to central banks significantly increasing interest rates around the globe. While inflation appears to have peaked, central banks may continue to increase interest rates to get inflation to target levels. This increases the near-term risks of higher yields on fixed income securities and lower prices, as well as lower valuation multiples on equity securities.

At the same time, there are signs that economic growth is slowing and a growing risk that major developed economies will enter a recession over the next financial year. This may lead to weaker corporate earnings, which could impact equity securities. There are also heightened geopolitical risks given the ongoing war in Ukraine and tensions over Taiwan.

If inflation continues to reduce as economic growth slows, central banks may reduce interest rates later in the financial year. This could potentially be positive for fixed income and equity securities, although would reduce yield for the term deposits.

The Company's principal activity is to hold cash and cash equivalents and term deposits on behalf of the U Ethical Cash Management Trust Wholesale and the U Ethical Enhanced Income Trust Wholesale.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk, liquidity risk and climate risk. Financial risk management is the responsibility of the Investment Manager. This responsibility is discharged having regard to the policies of the Investment Manager.

All aspects of risk management are monitored and reviewed on behalf of the board by the Investment Manager's investment committee at its regular meetings.

(a) Market risk

Market risk is the risk that the value of the Company's investments will fluctuate as a result of changes in interest rates.

Market risk is an inherent part of investing and is moderated through the use of credit rating and duration guidelines, diversification and security selection.

(i) Interest rate risk

The Company's interest-bearing assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest rate risk is managed by focusing on the average duration of the U Ethical Cash Management and Enhanced Income Trust's. The average duration of the Company's investments is the residual of this process.

The table in note 7(f) summarises the impact of an increase/decrease in interest rates on the Company's net assets attributable to debenture holders. The analysis is based on the assumption that interest rates increase/decrease by 100bps with all other variables held constant. The outlook for interest rates is uncertain given the potential for inflation to remain elevated and slowing economic growth.

The table below sets out the Company's exposure to interest rate risks:

2023	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	24,099	-	-	24,099
Applications receivable	-	-	112	112
Accrued income	-	-	2,057	2,057
Term deposits	-	142,500	-	142,500
Total	24,099	142,500	2,169	168,768

2022	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	124,774	-	-	124,774
Applications receivable	-	-	196	196
Accrued income	-	-	394	394
Term deposits	-	140,500	-	140,500
Total	124,774	140,500	590	265,864

The weighted average interest earned on investments for the year ended 30 June 2023 was 3.34% (2022: 0.33%).

The table below analyses the Company's financial assets into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

2023	<u>Maturity analysis</u>				Total
	3 months or less	4 to 12 months	1 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	24,099	-	-	-	24,099
Applications receivable	112	-	-	-	112
Accrued income	2,057	-	-	-	2,057
Term deposits	72,000	70,500	-	-	142,500
Total	<u>98,268</u>	<u>70,500</u>	<u>-</u>	<u>-</u>	<u>168,768</u>

2022	<u>Maturity analysis</u>				Total
	3 months or less	4 to 12 months	1 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	124,774	-	-	-	124,774
Applications receivable	196	-	-	-	196
Accrued income	394	-	-	-	394
Term deposits	75,500	65,000	-	-	140,500
Total	<u>200,864</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>265,864</u>

(b) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Company.

The Company's credit position is monitored on a regular basis. All contracts are with approved counterparties.

The maximum credit risk on Company financial assets is the carrying value of these assets on the Statement of Financial Position.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is exposed to daily cash redemptions of redeemable debentures. The funds required to meet redemptions are from the Company's investments, which are managed with a rolling liquidity profile to enable redemptions to be met.

30 June 2023	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
Payables	4,259	-	-	-
Net assets attributable to debenture holders	24,099	136,151	-	-
Total	28,358	136,151	-	-

30 June 2022	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
Payables	1,473	-	-	-
Net assets attributable to debenture holders	124,774	139,617	-	-
Total	126,247	139,617	-	-

(d) Climate Risk

The United Nations Framework Convention on Climate Change defines:

'Climate change' as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

The 'adverse effects of climate change' as changes in the physical environment or biota resulting from climate change which have significant deleterious effects on the composition, resilience or productivity of natural and managed ecosystems or on the operation of socio-economic systems or on human health and welfare.

Implications for businesses from physical risks include damage to assets and supply chain disruptions. Financial performance can also be affected by changes in resource availability and the effects of extreme temperatures on operations, transport needs and employee safety.

Increasingly, countries are adopting regulations that require companies to disclose how climate change financially impacts their business, in line with recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD) and more recently the International Sustainability Standards Board.

Australia is working toward requiring disclosures aligned with the ISSB standards.

Asset class/valuation risk

Cash, cash equivalents and term deposits are short duration assets. As 'fixed dollar' assets, their price is not currently affected by the risk of climate change.

Company/issuer risk

Climate change will increasingly pose a risk to the financial institutions that issue cash, cash equivalents and term deposits - generally authorised deposit-taking Institutions (ADIs) such as banks regulated by the Australian Prudential Regulation Authority.

It is likely that the value of ADI assets (loans, securities and reserves) will be affected over time by the adverse effects of climate change.

Climate risk is managed as follows:

(i) *Exclusions*

All securities currently held by the Company are issued by ADIs that comply with U Ethical's ethical investment policy and are therefore not excluded from the Company's investable universe.

(ii) *Company/issuer and portfolio analysis*

U Ethical uses MSCI ESG Manager to monitor greenhouse gas emission trends, science-based targets, target coverage and progress on targets by issuers.

(iii) *Engagement and advocacy*

U Ethical's engagement with cash issuers on climate risk issues (such as fossil fuel financing) is limited to where there is an overlap with holdings in equity portfolios.

This engagement may be carried out directly or collaboratively with investment peers, industry bodies or civil society organisations, such as the UN Principles for Responsible Investment or the Responsible Investment Association of Australasia.

(e) Fair values

The carrying amounts of all the Company's assets at balance sheet date approximated their fair values.

(f) Sensitivity analysis

The following table summarises the sensitivity of the Company's financial assets to interest rate risk. The possible movements in the risk variables have been determined based on the investment manager's reasonable estimate, having regard to a number of factors, including historical levels of changes in interest rates. However actual movements in the risk variables may be greater or less than anticipated due to a number of factors. The investment manager's assessment of sensitivity can vary from year to year and is reflective of market conditions in which the Company operates.

Sensitivity rates		Impact on profit/net assets attributable to debenture holders	
		30 June 2023 \$'000	30 June 2022 \$'000
Interest rate risk	+100bps	1,369	-
	-100bps	(1,369)	-
	+250bps	-	6,587

Note 8: Auditor's Remuneration

	2023	2022
	\$	\$
<i>Audit Services</i>		
Audit of financial report	14,163	12,875
	<u>14,163</u>	<u>12,875</u>

The auditor of the Company is Deloitte Touche Tohmatsu. The audit fees were paid by Uniting Ethical Investors Limited, on behalf of the Company.

Note 9: Note to Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes deposits held at call with a financial institution and amounts which are readily convertible to cash. Cash at the end of the year comprises the following cash and cash equivalents:

	As at	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Cash at bank	2,068	43,446
Short term deposit at call	22,031	81,328
Total cash & cash equivalents	<u>24,099</u>	<u>124,774</u>

(b) Reconciliation of net profit/(loss) for the period to net cash inflow/(outflow) from operating activities

	2023	2022
	\$'000	\$'000
Profit/(loss) attributable to debenture holders	6,339	674
Proceeds from sale of term deposits	297,500	614,500
Payments for purchase of term deposits	(299,500)	(562,000)
Change in income receivables	(1,663)	(260)
Change in other payables	-	628
Net cash inflow/(outflow) from operating activities	<u>2,676</u>	<u>53,542</u>

(c) Non-cash financing activities

No interest payments to debenture holders were satisfied through the reinvestment plan during the year (2022: nil). There were no in-specie transfer of assets which occurred during the year (2022: nil).

Note 10: Events occurring after balance sheet date

There were no matters or significant events that have occurred since balance sheet date which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 30 June 2023, or the results and cash flows of the Company for the year ended on that date.

Note 11: Contingent assets and liabilities and commitments

There were no outstanding contingent assets and liabilities or commitments as at 30 June 2023 and 30 June 2022.

Independent Auditor's Report to the Investors of UCA Cash Management Fund Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of UCA Cash Management Fund Limited (the "Entity") which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the Board of Directors.

In our opinion, the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

- (i) giving a true and fair view of the Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional & 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Report

The Board of Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation is appropriate to meet the requirements of the ACNC Act and the needs of the Chairperson. The Board of Directors' responsibility also includes such internal control as the Board of Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board of Directors are responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 28 September 2023