

**UCA Cash Management Fund Limited**

**ABN 41 075 948 444**

**Annual report for the year ended 30 June 2022**

# **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 2022 (the "reporting period").

The Company became 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.

M Browning	Executive director and Chief Executive Officer
R Burns	Non-executive director - appointed 1 January 2022
D Cousins	Non-executive director - retired 31 August 2021
A King	Non-executive director - appointed 1 January 2022
L Mann	Non-executive director - Chairperson
T McCredden	Non-executive director Investment committee - retired as chairperson 31 March 2022
Z Pavri	Non-executive director Audit, risk and compliance committee - appointed as chairperson 1 January 2022
K Peach	Non-executive director - appointed 1 July 2022
F Pearce	Non-executive director People and nominations committee - Chairperson
D Watson	Non-executive director - retired 31 December 2021 Audit, risk and compliance committee - retired as chairperson 31 December 2021
K Williams	Non-executive director Investment committee - appointed as chairperson 1 April 2022

### 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).

The Company is exempt from the fundraising, managed investment and licensing provisions of the *Corporations Act 2001* under Class Order 02/184 as extended by the Australian Securities and Investments Commission (ASIC) Instrument 2016/813. The Company has been accordingly registered by the Australian Securities and Investments Commission. The Company is also exempt from the *Banking Act 1959* by virtue of APRA Banking Exemption No 1 of 2006.

### 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.

## Results

Net operating profit of the Company for the year ended 30 June 2022 was \$674,000 (2021: \$9,830,000) prior to distributing \$7,906,000 (2021: \$9,455,000) to debenture holders.

## Review of Operations

Funds under management decreased by 38% during the year to \$265,864,000 at 30 June 2022 (2021: \$428,188,000). 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 2022.

## Significant changes in state of affairs

On 1 July 2021, loans were transferred out of the Company to U Ethical Enhanced Income Trust (Wholesale).

In September 2021, unit registry operations were transitioned from being performed internally to a third-party external service provider, Iress Limited.

In the Directors' opinion, there were no other 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 FFin MRICS 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 – appointed 1 January 2022

Non-executive Director. Robin is an independent member of the External Compliance Committee of PIMCO Australia Management Ltd, a non-executive director of Defence Health Ltd., BT Funds Management Ltd. and Westpac Securities Administration Ltd. He has more than 30 years of senior executive experience in financial services, including as Managing Director of Equity Trustees Ltd from 2010 to 2016 and prior CEO roles in superannuation, life and health insurance and stockbroking. His earlier executive roles were as a CFO.

### Dr David Cousins AM Ph.d M. Ec Dip.Ed. Fellow IPAA GAICD – retired 31 August 2021

Non-executive Director. David has worked in the public sector, universities and private consulting. Previous positions have included Director of Consumer Affairs Victoria, Commissioner of the Australian Competition and Consumer Commission, and Chairman of the Prices Surveillance Authority. He is currently a member of the independent Panel appointed by the Victorian Government to review the regulation of social housing, Chair of the Clean Energy Council's independent Accreditation Review Panel, Deputy Chair of the Consumer Policy Research Centre, and a member of the Finance Committee of the UCA Synod Vic/Tas. He is an active member of The Uniting Church in Australia.

### Ms Annette King BEc – Actuarial, FAICD, FIAA – appointed 1 January 2022

Non-executive Director. Annette has extensive experience leading significant financial institutions and developing businesses with a focus on sustainable growth through technology. She has over 18 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 of the Life Insurance Association for Singapore during a significant review of regulations (FAIR), has been a council member for the Singapore Actuarial Society, member of the Hong Kong Advisory Committee of AICD and is now President and Chair at the Actuaries Institute in Australia. She currently serves on the boards of Australian Finance Group (AFG), Swiss Re, Galileo Platforms and Actuaries Institute.

**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 Northern Community Church of Christ.

**Ms Zarmeen Pavri BCom, ACA**

Non-Executive Director. She has over 26 years' experience in the funds management industry within responsible investments, venture capital, impact investing sectors and includes international development experience. She currently is a Partner and Chief Impact Officer at SDGx - a technology venture capital and advisory group. She also holds the position as the Oceania Regional Senior Advisor to the Global Impact Investing Network and serves on various advisory boards and ethical committee panels.

**Ms Kris Peach B Com FCA FAICD – appointed 1 July 2022**

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) 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. She has subsequently served in a number of non-executive positions, and she is currently a non-executive director of ASX-listed Smart Parking, a leading developer of Smart Cities technology 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.

**Mr David Watson B Com FCA GAICD – retired 31 December 2021**

Non-executive Director. David has been a Chartered Accountant since 1983. David was a Partner at Deloitte for 20 years, specialising in providing assurance, transaction and advisory services to fast growing mid cap ASX companies and large private companies primarily in the manufacturing, retail and services industries. David retired from Deloitte after 33 years in May 2013 (at which time Deloitte was the auditor of the Company) and was appointed a director on 1 February 2016.

### 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 institutional investors on investments, risk and governance. She is currently an independent board member of the Municipal Association of Victoria Insurance Board 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
R Burns	2	2	*	*	1	1	1	1
M Browning	5	5	*	*	*	*	*	*
D Cousins	*	*	*	*	*	*	*	*
A King	2	2	1	1	1	0	*	*
L Mann	5	5	*	*	4	3	5	5
T McCredden	5	5	*	*	4	4	*	*
Z Pavri	5	5	4	4	4	4	*	*
K Peach	*	*	*	*	*	*	*	*
F Pearse	5	5	4	4	*	*	5	5
D Watson	3	3	2	2	*	*	*	*
K Williams	5	5	4	4	4	4	5	5

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

#### Ms Leeanne Lukaitis B Bus, ASA

Company Secretary. Ms Lukaitis also fills the role of Director Finance<sup>#</sup>.

<sup>#</sup>Non Statutory Director

### 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.

### **Economic impact**

Subsequent to the end of the financial year, the pace of inflation, previously believed by central banks to be transitory, has persisted. The response has been larger and more frequent increases in interest rates. This in turn increases the risks of higher yields on fixed income securities and lower prices, as well as lower valuation multiples on equity securities and lower corporate earnings. It also raises the risk of slower economic growth.

### **Matters subsequent to the end of the year**

No other matter or circumstance has arisen since 30 June 2022 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 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.

### **Climate risk**

Climate risk poses varying threats to the issuers of the financial instruments in which the Company invests. The level of disclosure by companies and entities in relation to their climate risk is improving, but remains inconsistent. Climate risk is monitored using third party tools which provide data on emissions and controversies. Fossil fuel companies are excluded from the Company's investable universe.

### **COVID-19 Outbreak**

Whilst it remains uncertain how the pandemic will evolve and its future impact, the directors and the investment manager continue to monitor the operations, investment and financial risks to which the Company is exposed. The Company continues to operate satisfactorily in a hybrid physical/virtual form. During the reporting period, there has been no significant impact.

### **Ukraine war**

On 24 February 2022, Russia invaded Ukraine. In the short term, the invasion had minimal impact on the Company. However, the ongoing conflict has disrupted Russian and Ukrainian exports which has contributed to a rise in global energy and food prices and which could potentially have an impact on the Company in the medium to long term.

### **Accumulated reserve**

As at 30 June 2022, the accumulated reserve was fully distributed.

### **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 8.

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

Melbourne  
21 October 2022



M Browning  
Director



21 October 2022

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 2022, 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



DELOITTE TOUCHE TOHMATSU



Mark Stretton  
Partner  
Chartered Accountants

## Directors' Declaration

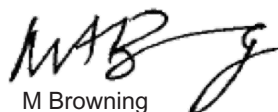
In the Directors' opinion:

- (a) the financial statements and notes of UCA Cash Management Fund Limited set out on pages 10 to 23:
  - (i) comply with Australian Accounting Standards, the *Australian Charities and Not-for-profits Commission Act 2012* and other mandatory professional reporting requirements;
  - (ii) present fairly the Company's financial position as at 30 June 2022 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; and
- (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  
21 October 2022

## Statement of Profit or Loss and Other Comprehensive Income

	Notes	2022 \$'000	2021 \$'000
<b>Investment income</b>			
Interest income	3	1,301	2,347
Other income		<u>1</u>	<u>-</u>
<b>Total investment income/(loss)</b>		<u>1,302</u>	<u>2,347</u>
<b>Expenses</b>			
Other expenses		628	116
Loan provision	7	<u>-</u>	<u>(7,599)</u>
<b>Total expenses</b>		<u>628</u>	<u>(7,483)</u>
<b>Profit/(loss) attributable to debenture holders</b>		<u>674</u>	<u>9,830</u>
Interest paid/payable to debenture holders	4	(7,906)	(9,455)
<b>Net profit/(loss) for the year</b>		(7,232)	375
<b>Other comprehensive income for the year</b>			
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>(7,232)</u>	<u>375</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	
	Notes	30 June 2022 \$'000	30 June 2021 \$'000
<b>Assets</b>			
Cash and cash equivalents	10(a)	124,774	235,042
Term deposits		140,500	193,000
Income receivable		394	134
Other receivable		196	12
<b>Total assets</b>		<u>265,864</u>	<u>428,188</u>
<b>Liabilities</b>			
Amounts payable to debenture holders:			
Related parties	6(a)	264,138	420,032
Redemption payable		339	-
Other payable		628	-
Interest payable to debenture holders	4	<u>759</u>	<u>924</u>
<b>Total liabilities</b>		<u>265,864</u>	<u>420,956</u>
<b>Net assets</b>		<u>-</u>	<u>7,232</u>
<b>Equity</b>			
Accumulated Reserve	5	<u>-</u>	<u>7,232</u>
<b>Total equity</b>		<u>-</u>	<u>7,232</u>

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

## Statement of Cash Flows

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from the sale of financial assets at fair value through profit or loss		-	6,269
Proceeds from sale of term deposits		614,500	-
Payments for purchase of term deposits		(562,000)	-
Interest income received		1,041	4,055
Franking credits refund received		-	44
Management fees paid		-	(282)
Other operating expenses paid		-	(32)
Other income received		1	-
<b>Net cash inflow/(outflow) from operating activities</b>	10(b)	<u>53,542</u>	<u>10,054</u>
<b>Cash flows from financing activities</b>			
Debenture holders applications received		194,304	454,632
Debenture holders redemptions paid		(350,044)	(481,623)
Interest paid to debenture holders		(8,070)	(16,116)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(163,810)</u>	<u>(43,107)</u>
<b>Net change in cash and cash equivalents</b>		<u>(110,268)</u>	<u>(33,053)</u>
<b>Cash and cash equivalents at beginning of the year</b>	10(a)	<u>235,042</u>	<u>268,095</u>
<b>Cash and cash equivalents at end of the year</b>	10(a)	<u><u>124,774</u></u>	<u><u>235,042</u></u>
Non-cash operating and financing activities	10(c)	-	220,258

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

## Statement of Changes in Equity

	Share Capital \$'000	Accumulated Reserve \$'000	Total \$'000
<b>Balance at 30 June 2020</b>	-	6,857	6,857
Net profit/(loss) for the year	-	375	375
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>375</u>	<u>375</u>
<b>Balance at 30 June 2021</b>	<u>-</u>	<u>7,232</u>	<u>7,232</u>
Net profit/(loss) for the year	-	(7,232)	(7,232)
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<u>-</u>	<u>(7,232)</u>	<u>(7,232)</u>
<b>Balance at 30 June 2022</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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 financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors have considered the position of the Company and consider the going concern basis to be appropriate for preparation of the financial report.

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.

### **(b) Loans receivable**

In the prior period, receivables comprise loans and secured mortgages advanced to congregations and other Church organisations. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are valued at the amount provided less any principal repayments adjusted for the amortised cost using the effective interest rate and impairment losses.

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

### **(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.

**(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.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Company does not isolate that portion of gains or losses on securities that are measured at fair value through profit or loss and which due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

**(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) 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 distribution 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.

**(h) 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.

**(i) 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.

**(j) 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.

The benefits of imputation credits on foreign tax paid are passed onto debenture holders.



**(k) 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.

The World Health Organisation declared COVID-19 as a pandemic on 13 March 2020. Whilst there has not been significant impact on the investment service of the Company, there has been an impact on security prices. The impact going forward is unclear in terms of business disruption and the economic environment. The Company has a program of measures in place to manage and respond to the risk as the situation evolves.

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.

**Measurement and recognition of expected credit losses**

In the prior reporting period, the Company recognised an ECL allowance on the Company's exposure to financial assets categorised as commercial loans and community loans. All loans were transferred to U Ethical Enhanced Income Trust (Wholesale) during the year ended 30 June 2022 and as such no ECL allowance has been recognised at 30 June 2022.

**(l) 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 2021 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 2021, 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.

**(m) Reclassification of comparatives**

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

**Note 3: Interest Income**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	500	976
Term deposits	801	1,371
<b>Total</b>	<u>1,301</u>	<u>2,347</u>

#### Note 4: Interest Paid and Payable to Debenture holders

Interest paid/payable for the year were as follows:

	2022 \$'000	2021 \$'000
Interest paid	7,147	8,531
Interest payable	<u>759</u>	<u>924</u>
<b>Total for the year</b>	<u>7,906</u>	<u>9,455</u>

#### Note 5: Accumulated Reserve Reconciliation

In prior reporting periods, this amount represented interest income and unrealised changes in fair value of financial assets not yet allocated to debenture holders. The amount held met the objective of holding a portion of the Company's assets, before adjustments, in unallocated assets to debenture holders, which could be used to compensate for any fall in market value of securities or any loss arising from impaired loans. The Company may have held the financial assets giving rise to the unrealised losses arising from fair value to maturity. In this event the unrealised losses will reverse and not crystallise.

The accumulated reserve was distributed at 30 June 2022 and the income earned on the reserve will be distributed in the following financial year.

#### 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 2022 \$'000	Interest held %	30 June 2021 \$'000	Interest held %
U Ethical Enhanced Income Trust (Wholesale)	97,692	37	260,504	62
U Ethical Cash Management Trust Wholesale	<u>166,446</u>	<u>63</u>	<u>159,528</u>	<u>38</u>
<b>Total</b>	<u>264,138</u>	<u>100</u>	<u>420,032</u>	<u>100</u>

**(c) Interest paid/payable**

Interest paid/payable to related entities:	2022 \$'000	2021 \$'000
UCA Growth Fund Limited	327	554
U Ethical Australian Equities Trust	46	66
U Ethical Enhanced Income Trust (Wholesale)	587	1,671
U Ethical Funeral Fund	43	69
U Ethical Cash Management Trust Wholesale	787	584
UCA Cash Management Trust	1,462	2,357
<b>Total</b>	<b><u>3,252</u></b>	<b><u>5,301</u></b>

During the reporting period, the Company distributed the balance of the accumulated reserve as disclosed in Note 5 to UCA Growth Fund Limited, U Ethical Australian Equities Trust, U Ethical Enhanced Income Trust (Wholesale), U Ethical Funeral Fund, U Ethical Cash Management Trust Wholesale and UCA 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:

M Browning	Executive director and Chief Executive Officer
R Burns	Non-executive director - appointed 1 January 2022
D Cousins	Non-executive director - retired 31 August 2021
A King	Non-executive director - appointed 1 January 2022
L Mann	Non-executive director - Chairperson
T McCredden	Non-executive director Investment committee - retired as chairperson 31 March 2022
Z Pavri	Non-executive director Audit, risk and compliance committee - appointed as chairperson 1 January 2022
K Peach	Non-executive director - appointed 1 July 2022
F Pearse	Non-executive director People and nominations committee - Chairperson
D Watson	Non-executive director - retired 31 December 2021 Audit, risk and compliance committee - retired as chairperson 31 December 2021
K Williams	Non-executive director Investment committee - appointed as chairperson 1 April 2022

Directors' remuneration is paid by Uniting Ethical Investors Limited, which in turn provides management services to UCA Cash Management Fund Limited, UCA Growth Fund Limited, U Ethical Australian Equities Trust, U Ethical Enhanced Cash Trust, U Ethical Australian Equities Trust (Wholesale), U Ethical International Equities Trust Wholesale, U Ethical Property Trust (Wholesale) and U Ethical Funeral Fund.

The remuneration of the executive director and non-executive directors of Uniting Ethical Investors Limited is set out in the following table:

	2022	2021
	\$	\$
<b>Income paid or payable to executive and non-executive directors of the Company by the Company and related parties</b>		
Short-term employee benefits	642,529	580,948
<b>Total</b>	<u>642,529</u>	<u>580,948</u>

Short term employee benefits include director fees, executive salary, performance bonus, superannuation, accrued annual leave and sick leave entitlements.

Other long-term benefits include accrued long service leave entitlements.

There are no post-employment benefits, termination benefits or share-based payments applicable.

**(f) Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Company, directly or indirectly during the year. During the year, no director held an account in the Company (2021: Nil).

**Note 7: Loans**

On 1 July 2021, the loans were transferred out of the Company to U Ethical Enhanced Income Trust (Wholesale).

The Company used to provide commercial mortgage loans and community loans. Loans are generally for 1-5 year terms and secured. The loan-to-value ratio for loans secured by property must be less than 66.7%. Community loans may also be secured by financial assets or guaranteed by an acceptable guarantor.

There was no requirement to make an ECL allowance in this reporting period (2021: \$Nil) as the company no longer holds loans.

**Note 8: Financial Risk Management**

The effects of the COVID-19 pandemic continued to be felt throughout the financial year. Financial risk has since abated, as the global and local economies entered a recovery phase supported by strong fiscal and monetary stimulus. However, while COVID-19 remains a lingering risk, it has been supplanted by the war in Ukraine and inflationary pressures as key macro causes of risk to investment markets and financial outcomes.

Subsequent to the end of the financial year, the pace of inflation, previously believed by central banks to be transitory, has persisted. The response has been larger and more frequent increases in interest rates. This in turn increases the risks of higher yields on fixed income securities and lower prices, as well as lower valuation multiples on equity securities and lower corporate earnings. It also raises the risk of slower economic growth.

Climate risk poses varying threats to the issuers of the financial instruments in which the Company invests. The level of disclosure by entities in relation to their climate risk is improving, but remains inconsistent. Climate risk is monitored using third party tools which provide data on emissions and controversies. Fossil fuel companies are excluded from the Company's investable universe.

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, and liquidity 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 trusts. The average duration of the Company's investments is the residual of this process

The table in note 8(d) 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 by 250bps with all other variables held constant. Interest rates are not expected to decrease in the foreseeable future. This is a significant change from the prior year (2021: +75 bps/-75 bps) which reflects expectations that the Reserve Bank of Australia will be compelled to address persistent inflation.

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

<b>2022</b>	<b>Floating interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	124,774	-	-	124,774
Term deposits	-	140,500	-	140,500
Accrued income	-	-	590	590
<b>Total</b>	<b>124,774</b>	<b>140,500</b>	<b>590</b>	<b>265,864</b>
 <b>2021</b>	 <b>Floating interest rate \$'000</b>	 <b>Fixed interest rate \$'000</b>	 <b>Non- interest bearing \$'000</b>	 <b>Total \$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	235,042	-	-	235,042
Term deposits	-	193,000	-	193,000
Accrued income	-	-	146	146
<b>Total</b>	<b>235,042</b>	<b>193,000</b>	<b>146</b>	<b>428,188</b>

The weighted average interest earned on investments for the year ended 30 June 2022 was 0.33% (2021: 0.22%).

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.

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
<b>Financial Assets</b>					
Cash and cash equivalents	124,774	-	-	-	124,774
Term deposits	75,500	65,000	-	-	140,500
Accrued income	590	-	-	-	590
<b>Total</b>	<u>200,864</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>265,864</u>

2021	<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
<b>Financial Assets</b>					
Cash and cash equivalents	235,042	-	-	-	235,042
Term deposits	-	193,000	-	-	193,000
Accrued income	146	-	-	-	146
<b>Total</b>	<u>235,188</u>	<u>193,000</u>	<u>-</u>	<u>-</u>	<u>428,188</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 2022	Less than 1 month	1-6 months	6-12 months	1-2 years
	\$'000	\$'000	\$'000	\$'000
Payables	1,473	-	-	-
Net assets attributable to debenture holders	<u>124,774</u>	<u>139,617</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>126,247</u>	<u>139,617</u>	<u>-</u>	<u>-</u>

30 June 2021	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
Payables	924	-	-	-
Net assets attributable to debenture holders	234,264	193,000	-	-
<b>Total</b>	<u>235,188</u>	<u>193,000</u>	<u>-</u>	<u>-</u>

**(d) Fair values**

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

**(e) 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 the investment manager 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 unitholders	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Interest rate risk</b>	+250bps	6,587	
	+75bps		1,763
	-75bps		(1,763)

**Note 9: Auditor's Remuneration**

	2022 \$	2021 \$
<i>Audit Services</i>		
Audit of financial report	12,875	12,500
	<u>12,875</u>	<u>12,500</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 10: 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 2022	30 June 2021
	\$'000	\$'000
Cash at bank	43,446	21,822
Short term deposit at call	81,328	213,220
<b>Total cash &amp; cash equivalents</b>	<b>124,774</b>	<b>235,042</b>

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

	2022	2021
	\$'000	\$'000
Profit/(loss) attributable to debenture holders	674	9,830
Proceeds from sale of financial assets at fair value through profit or loss	-	6,269
Proceeds from sale of term deposits	614,500	7,000
Payments for purchase of term deposits	(562,000)	-
Change in other receivables	(260)	(5,248)
Change in allowance for impairment losses	-	(7,599)
Change in expenses payable	628	(198)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>53,542</b>	<b>10,054</b>

### (c) Non-cash financing activities

No interest payments to debenture holders were satisfied through the reinvestment plan during the year (2021: \$8,042,000). There were no in-specie transfer of assets which occurred during the year (2021: \$212,215,799).

## Note 11: 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 at 30 June 2022, or the results and cash flows of the Company for the year ended on that date.

## Note 12: Contingent assets and liabilities and commitments

There were no outstanding contingent assets and liabilities or commitments as at 30 June 2022 and 30 June 2021.



# 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 2022, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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 2022 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 directors of the Entity are responsible for the other information. The other information comprises the directors report for the year ended 30 June 2022, 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 Directors for the Financial Report*

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC Act and for such internal control as the directors

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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 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 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.

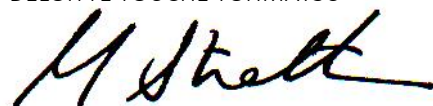
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 directors.
- Conclude on the appropriateness of the 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 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



Mark Stretton

Partner

Chartered Accountants

Melbourne, 21 October 2022