

Uniting Ethical Investors Limited

ABN 46 102 469 821

Annual Report for the year ended 30 June 2020

Uniting Ethical Investors Limited

ABN 46 102 469 821

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

The company is incorporated in Australia

The registered office is:	Level 6 130 Lonsdale Street Melbourne Victoria 3000 Australia
Auditor:	Deloitte Touche Tohmatsu 477 Collins Street Victoria 3000 Australia
Custodian & administrator:	Northern Trust Corporation Level 47 80 Collins Street Victoria 3000 Australia

Directors' Report

The directors' present their report on the financial statements of Uniting Ethical Investors Limited ("the Company") for the year ended 30 June 2020 (the "reporting period"). The Company has no share capital since it is incorporated as a company limited by guarantee.

Principal activities

The Company's principal activity is to:

- act as corporate trustee or responsible entity for wholesale and retail unregistered and registered investment schemes
- provide investment management and administration services to those schemes and for other investment products, and
- provide investment advice to selected wholesale clients.

The Company holds an Australian Financial Services Licence (AFSL) 294147.

Dividends

The Company cannot pay dividends, hence no dividends were paid during the year and no dividends have been recommended for payment at year-end.

Directors

The following persons were directors of the Company during the whole of the year and up to the date of this report:

J Bell	Non-executive director
M Browning	Executive director
D Cousins	Non-executive director - Chairperson
	People and nominations committee - Chairperson
L Mann	Non-executive director
	Investment committee - Chairperson
T McCredden	Non-executive director
Z Pavri	Non-executive director
F Pearse	Non-executive director
D Ralston	Non-executive director – retired 24 August 2020
D Watson	Non-executive director
	Audit, risk and compliance committee - Chairperson
K Williams	Non-executive director

Review of Operations

Net profit of the Company for the year was \$498,130 (2019: loss \$95,038).

Significant changes in state of affairs

In the opinion of the directors, 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

Ms Jane Bell B Ec, LLB, LLM, FAICD

Non-executive Director. She is a banking and finance lawyer with 30 years' experience in senior roles in leading law firms, financial services and corporate treasury operations gained living in Australia, UK, Canada and USA. Since 2002, she has held a number of directorship positions, and is currently a non-executive Director of Biomedical Research Victoria, Jessie McPherson Private Hospital, Deputy Chair of Monash Health, Chair of the Advisory Group of the Melbourne Genomics Health Alliance, and Trustee of the RSYLTC Foundation. She is also a Member of the Administrative Appeals Tribunal.

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.

Dr David Cousins AM Ph.d M. Ec Dip.Ed. Fellow IPAA GAICD

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. His most recent appointments have been with the NSW Emergency Services Levy Monitor and as Deputy Chair of the Australian Migrant Workers' Task Force. He is an active member of The Uniting Church in Australia.

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 and is an independent director on the MLC Super board. 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 Zameen Pavri BCom, ACA

Non-Executive Director. She has over 25 years' experience in the funds management, impact investing and international development sectors. She is a Partner at SDGx - a technology venture capital and advisory group, focused on solutions that address the UN Sustainable Development Goals (SDGs). She also is currently the Senior Advisor to the Global Impact Investing Network and runs her own an impact and sustainable investing advisory consultancy – Sustainable Contracting Services. She serves on advisory boards of several impact enterprises including Bio Capital Life Sciences Fund and Sunmoyo (Renewable Energy - Africa). Previously, she served on the Audit, Risk and Compliance committee for the Women in Banking and Finance Association. She is an Australian chartered accountant with a Bachelor of Commerce (sub-major Law) degree from Western Sydney University.

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, including as non-executive director of City West Water, a \$2 billion water utility, and as an Advisory Board member to a fintech in Stone & Chalk, developing leading-edge governance, risk and compliance solutions for the financial services sector. She remains a non-executive director of ASX-listed Smart Parking, a leading developer of Smart Cities technology with global operations, Scotch College, one of Australia's leading boys' schools, and World Vision Australia, one of the largest charities in Australia. She holds a Senior Executive MBA; she is a Fellow of CPA Australia and is a Fellow of the Australian Institute of Company Directors.

Dr Deborah Ralston PhD, MEc, FAICD, FCPA – retired 24 August 2020

Non-Executive Director. She has over twenty-five years' experience as a non-executive director in the commercial and public sectors with particular interests in financial services regulation, superannuation, innovation and digital technologies. She is currently Chair of the SMSF Association, member of the Advisory Board of YBF Fintech Hub, the Payment Systems Board of Reserve Bank of Australia and non-executive director of SuperEd. She is also a Professional Fellow at Monash Business School, Monash University.

Mr David Watson B Com FCA GAICD

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, a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

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
J Bell	5	5	4	3	*	*	4	3
M Browning	5	5	*	*	*	*	*	*
D Cousins	5	5	*	*	4	3	4	4
L Mann	5	5	*	*	4	4	*	*
T McCredden	5	5	*	*	4	3	4	3
Z Pavri	5	5	4	4	4	4	*	*
F Pearse	5	5	4	4	*	*	4	4
D Ralston	5	5	4	4	*	*	*	*
D Watson	5	5	4	4	*	*	*	*
K Williams	5	5	*	*	4	4	4	4

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.

Indemnification and insurance of officers and auditors

Under clause 4.11.2 of the Regulations 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*. 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.

Matters subsequent to the end of the year

The Company entered a lease agreement on 22 June 2020 and at the time the office space was still under construction, and therefore, was not available for use until the subsequent to year end.

No other matter or circumstance has arisen since 30 June 2020 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.

COVID-19 Outbreak

In March 2020, the World Health Organisation (WHO) officially declared COVID-19 a pandemic. The Directors acknowledge the current outbreak of COVID-19 and the increased market volatility it has created in the financial markets within which the Company operates.

Management are monitoring developments closely, noting that given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Company. Management actively manages the financial risks that the Company is exposed to.

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.

Auditor's Independence Declaration

Auditor's Independence Declaration as required by section 307C of the *Corporations Act 2001* is set out on page 6.

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



D Cousins
Director



M Browning
Director

Melbourne
20 October 2020

20 October 2020

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

Dear Board Members,

Independence Declaration – Uniting Ethical Investors 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.

As lead audit partner for the audit of the financial statements of Uniting Ethical Investors Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes of Uniting Ethical Investors Limited set out on pages 8 to 22:
 - (i) comply with Australian Accounting Standards, the *Corporations Act 2001*, and other mandatory professional reporting requirements;
 - (ii) present fairly the Company's financial position as at 30 June 2020 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
 - (iii) comply with International Financial Reporting Standards.
- (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 to s.295(5) of the *Corporations Act 2001*.



D Cousins
Director

Melbourne
20 October 2020



M Browning
Director

Uniting Ethical Investors Limited
Statement of Profit and Loss and Other Comprehensive Income
For the year ended 30 June 2020

Statement of Profit and Loss and Other Comprehensive Income

		2020	2019
	Notes	\$	\$
Investment income			
Interest income		62,365	21,911
Distribution income from related parties	3	25,069	42,772
Net gain/(loss) on financial assets at fair value through profit or loss			
Related party	3	-	(15,510)
Management fee income from related parties	3	9,608,749	9,321,185
Total investment income/(loss)		9,696,183	9,370,358
Expenses			
Grants paid to related parties			
Grants paid	3	2,325,000	3,100,000
Operating expenses			
Administrative expenses		6,327,076	5,860,041
Marketing expenses		252,719	257,623
Occupancy expenses		161,352	158,844
Other operating expenses		131,906	88,888
Total expenses		9,198,053	9,465,396
Net profit/(loss) for the year		498,130	(95,038)
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		498,130	(95,038)

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

Uniting Ethical Investors Limited
Statement of Financial Position
As at 30 June 2020

Statement of Financial Position

		2020	2019
	Notes	\$	\$
Assets			
Cash and cash equivalents		3,033,882	1,943,615
Investment in UCA Cash Management Fund Limited	3	1,164,034	1,164,034
Other receivables		818,983	1,099,160
Office and computer equipment		111,152	183,556
Total assets		5,128,051	4,390,365
Liabilities			
Payables - related party		751,042	584,066
Provision for employee entitlements	8	485,251	412,671
Total liabilities		1,236,293	996,737
Net assets		3,891,758	3,393,628
Capital reserve		3,891,758	3,393,628

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

Uniting Ethical Investors Limited
Statement of Cash Flows
For the year ended 30 June 2020

Statement of Cash Flows

		2020	2019
	Notes	\$	\$
Cash flows from operating activities			
Proceeds from sale of units in UCA Cash Management Fund Limited & U Ethical Australian Equities Portfolio		-	4,664,798
Purchase of units in UCA Cash Management Fund Limited & U Ethical Australian Equities Portfolio		-	(3,668,407)
Interest received		62,365	22,127
Distributions received from related parties		25,069	91,984
Management fees received from related parties		9,888,705	9,073,430
Management fees paid to related parties			
Expense reimbursement		-	(1,209,323)
Grants paid		(2,325,000)	(3,100,000)
Operating expenses paid		(6,560,872)	(5,623,349)
Net cash inflow/(outflow) from operating activities	7	1,090,267	251,260
Net change in cash and cash equivalents		1,090,267	251,260
Cash and cash equivalents at beginning of the year		1,943,615	1,692,355
Cash and cash equivalents at end of the year		3,033,882	1,943,615

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

Uniting Ethical Investors Limited
Statement of Changes in Equity
For the year ended 30 June 2020

Statement of Changes in Equity

	Fully Paid Ordinary Shares	Retained Earnings	Total Attributable to Equity Holders
	\$	\$	\$
Balance at 1 July 2019	-	3,488,666	3,488,666
Profit/(Loss) for the year	-	(95,038)	(95,038)
Balance at 30 June 2019	-	3,393,628	3,393,628
Profit/(Loss) for the year	-	498,130	498,130
Balance at 30 June 2020	-	3,891,758	3,891,758

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

Note 1: General Information

This general purpose financial report covers Uniting Ethical Investors Limited (the "Company") as an individual entity.

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

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

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Company, comprising the financial statements and notes hereto complies with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets held at fair value with changes in fair value recognised through the Statement of Profit or Loss and Other Comprehensive Income.

(b) Revenue

Interest income is calculated using the effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

Distribution income is earned from the Company's investments in UCA Cash Management Fund Limited and the U Ethical Australian Equities Portfolio.

Revenue is recognised in a manner that represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled:

Revenue stream	Performance obligation	Timing of recognition
Management fee	The Company's principal activity is to act as corporate trustee and to provide investment management and administration services	Point in time

(c) Financial Assets at fair value through profit or loss

Classification

The Company's investments are classified as financial instruments designated at fair value through profit and loss. These include financial assets that are not held for trading purposes and which may be sold. Financial assets designated at fair value through profit and loss at inception are those that are managed and their performance evaluated on a fair value basis.

Impairment

At each reporting date, the Company shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has

not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Measurement

Financial assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit and Loss and Other Comprehensive Income. The following presents the basis of valuation for financial reporting purposes:

Investment in UCA Cash Management Fund Limited

The Company's investment in UCA Cash Management Fund Limited which is a financial instrument that trades in markets that are not considered active but the underlying asset values are mainly based on quoted market prices and cash equivalents. The investment is generally available for redemption within 24 hours.

Investment in U Ethical Australian Equities Portfolio

Securities that are unlisted are fair valued based on the market value quoted by the asset manager.

(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.

(f) Income Tax

Uniting Ethical Investors Limited is exempt from Income Tax under Section 50-5 of the *Income Tax Assessment Act 1997*.

(g) Receivables

Receivables comprise management fee receivables and accrued interest.

Management fee receivables are recognised monthly in arrears.

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

(h) Short term and long term employee benefits

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

(i) Fixed assets

Office and computer equipment

Office and computer equipment is recorded at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition.

Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of office and computer equipment.

	2020	2019
Computer equipment	3 years	3 years
Office equipment	5 years	5 years

(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) New accounting standards and interpretations

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current year. These include:

AASB16 Leases

The Company has adopted AASB 16 Leases from 1 July 2019, replacing AASB 117 Leases.

Under AASB 16, all leases are accounted under a single on-balance sheet model, similar to accounting for finance leases under the old standard. Other than short-term leases of less than twelve months and leases of low-value assets, there is a recognition of right-of-use (ROU) assets and corresponding lease liabilities in the consolidated statement of financial position. Straight line operating lease expense recognition is replaced with a depreciation charge for the ROU assets (included in depreciation and amortisation expenses) and an interest expense on remaining lease liabilities (included in finance costs).

For classification within the consolidated statement of cash flows, the interest portion and the principal portion of the lease payments are separately disclosed in financing activities.

The Company entered into a 12 year lease with The Uniting Church in Australia Synod of Victoria and Tasmania for office spaces. The lease agreement includes 8 extension options, each for a further 5 years. The lease agreement was signed on 22 June 2020 and the commencement of the lease was anticipated to be in 2020. The office spaces were still under construction as at 30 June 2020, and therefore, the underlying asset was not made available for use until subsequent to year end. As the Company did not have control over the underlying asset until subsequent to year end, the right of use asset and lease liability has not been recognised on the statement of financial position as at 30 June 2020.

The expected future lease payments for this contract are \$206,640 within one year, \$916,142 within five years and \$1,851,859 for the remaining 12-year period.

The Company will consider the renewal of the lease options during the 12th year of the lease.

Right-of-use-asset

The right-of-use-asset is depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use-asset will be periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate which is 2.68% for the Company's lease. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on the incremental borrowing rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,

Impact on Statement of Financial Position	
Right of use of asset	\$2,525,533
Lease liability	\$2,525,533
Impact on Income of Statement of Profit and Loss and Other Comprehensive Income	
Depreciation	\$210,461
Interest	\$65,955

These are estimates and dependent on the final commencement date of the lease. These calculations have assumed a commencement date of 1 July 2020.

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

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 instruments are 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.

The Company estimate the expected credit loss (ECL) using impairment model, which has not materially impacted the Company. Please see Note 5 for more information on credit risk.

For more information on how fair value is calculated refer to Note 5 to the financial statements.

The World Health Organisation declared COVID-19 as a pandemic on 13 March 2020. Whilst there has not been significant impact on the operations of the Company, there has been an impact on the industry it operates in. The future impact 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.

Note 3: Related Parties

The Company provides management services to the funds listed below. Investors in the funds managed by the Company are charged management fees for administration and investment services. During the year the funds were charged fees ranging from 0.7% per annum to 1.265% per annum and recoverable fees of 0.05% per annum.

	2020	2019
	\$	\$
UCA Cash Management Fund Limited	3,570,989	5,283,193
UCA Growth Fund Limited	232,035	2,843,543
U Ethical Australian Equities Trust	839,992	680,695
U Ethical Enhanced Cash Trust	1,539,423	447,296
U Ethical Australian Equities Trust - Wholesale	3,048,217	-
U Ethical International Equities Trust - Wholesale	288,250	-
U Ethical Listed Property Trust - Wholesale	190,844	-
Ministers Home Endowment Fund	-	55,353
U Ethical Funeral Fund	47,932	10,835
Management fee rebate	(148,933)	-
Total management fees received from related parties	9,608,749	9,321,185
Payment made to The Uniting Church in Australia Synod of Victoria and Tasmania:		
Community contribution paid	2,325,000	3,100,000

Uniting Ethical Investors Limited invests part of its capital with UCA Cash Management Fund Limited and U Ethical Australian Equities Portfolio.

	2020	2019
	\$	\$
Investment in UCA Cash Management Fund Limited	1,164,034	1,164,034

	2020	2019
	\$	\$
Distribution received from UCA Cash Management Fund Limited	25,069	42,722
	25,069	42,722
Net realised gain/(loss) on U Ethical Australian Equities Portfolio	-	(15,510)
Net unrealised gain/(loss) U Ethical Australian Equities Portfolio	-	-
Net gain/(loss) on U Ethical Australian Equities Portfolio	-	(15,510)

Note 4: Key Management Personnel Compensation

All Directors and employees are employed by the Company in the year.

(a) 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:

J Bell	Non-executive director
M Browning	Executive director
D Cousins	Non-executive director - Chairperson
	People and nominations committee - Chairperson
L Mann	Non-executive director
	Investment committee - chairperson
T McCredden	Non-executive director
Z Pavri	Non-executive director
F Pearse	Non-executive director
D Ralston	Non-executive director – retired 24 August 2020
D Watson	Non-executive director
	Audit, risk and compliance committee - Chairperson
K Williams	Non-executive director

The remuneration of the executive director and non-executive directors (who are the key management personnel of the company) of Uniting Ethical Investors Limited is set out in the following table:

	2020	2019
	\$	\$
Income paid or payable to executive and non-executive directors of the Company by the Company and related parties		
Short-term employee benefits	543,578	436,505
Total	543,578	436,505

Short term employee benefits include director fees, executive salary, 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.

(b) 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 a financial interest in the Company (2019: nil).

Note 5: Financial Risk Management

COVID-19 has induced a rise in financial risk with the escalation acute in the containment phase, largely during the month of March. Financial risk has since abated with the economy in a recovery phase alongside strong fiscal and monetary stimulus to assist the recovery.

Risk reversion to the higher end of normalised levels is expected to be gradual over time. Price and credit risk is anticipated to remain elevated offset by low interest rate risk. Liquidity risk has been mitigated by the Reserve Bank of Australia term funding facility and quantitative easing programmes.

The Investment Manager's approach to reducing financial risk is largely through adjustments to asset allocation. The Fund is denominated in Australian dollar and is not exposed to currency risk. The Company's liquidity profile is tested annually.

The Company uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

The Company is exposed to interest rate risk, credit risk and liquidity risk.

(a) 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. Changes in interest rates will have an impact on the income earned on the term deposit, investment in UCA Cash Management Fund Limited and the bank account.

2020	Impact on profit/(loss) and net assets		
	Carrying Amount	Market risk	
	\$	\$	\$
		-75bps	+75bps
Cash & cash equivalents	3,033,882	(22,754)	22,754
Investment in UCA Cash Management Fund Limited	1,164,034	(8,730)	8,730

2019	Impact on profit/(loss) and net assets		
	Carrying Amount	Market risk	
	\$	\$	\$
		-75bps	+75bps
Cash & cash equivalents	1,943,615	(14,577)	14,577
Investment in UCA Cash Management Fund Limited	1,164,034	(8,730)	8,730

(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 determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. All receivables from UCA Cash Management Fund Limited is callable within 24 hours unless there are exceptional circumstances.

The Investment Manager monitors the Company's credit position on a regular basis. This information and the compliance with the Company's policy are reported to the Investment Manager's compliance manager and other key management personnel. All contracts are with counterparties included in the Investment Manager's Approved Counterparties list.

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved, and
- ensuring that transactions are undertaken with a number of counterparties.

The maximum credit risk on financial assets of Uniting Ethical Investors Limited is the carrying value of these assets on the Statement of Financial Position.

The Company is exposed to credit risk through its term deposit with AMP, which is rated AA- by Standard and Poor's.

(c) Liquidity risk

	2020	2019
	\$	\$
Term deposit classified as cash and cash equivalents three month term	725,000	725,000
Payables - related party are generally paid monthly in arrears	751,042	584,066
Provision for other employee entitlements payable within twelve months	121,810	118,721
Provision for annual leave payable within twelve months	220,144	150,050
Provision for long service leave payable within twelve months	127,781	49,874
Provision for long service leave payable after twelve months	15,516	94,026

(d) Fair values

The carrying amounts of the Company's assets and liabilities at the balance sheet date approximate their fair values.

(e) Fair value measurement

30 June 2020	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets at fair value through profit and loss				
Investment in UCA Cash Management Fund Limited	1,164,034	-	1,164,034	-
Total	1,164,034	-	1,164,034	-

30 June 2019	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets at fair value through profit and loss				
Investment in UCA Cash Management Fund Limited	1,164,034	-	1,164,034	-
Total	1,164,034	-	1,164,034	-

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date, without any deduction for transaction costs.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified with Level 2. These include the Investment in UCA Cash Management Fund Limited and the U Ethical

Australian Equities Portfolio which are financial instruments that trade in markets that are not considered active but the underlying asset values are mainly based on quoted market prices and cash equivalents.

Level 3 fair value measurements are those derived from valuation techniques that included inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The Directors have classified the Investment in the UCA Cash Management Fund Limited and U Ethical Australian Equities Portfolio as Level 2 for 2020 and 2019 on the basis that the investments are unlisted.

Note 6: Auditor's Remuneration

During the year, the following fees were paid or payable for services provided by the auditor.

	2020	2019
	\$	\$
Audit Services		
Audit of financial report	10,000	10,000
Audit of the Australian Financial Services Licence	10,000	3,000
	20,000	13,000

Note 7: 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:

	2020	2019
	\$	\$
Cash at call	2,308,882	1,281,615
Term deposit < 3 months	725,000	725,000
Total cash and cash equivalents	3,033,882	1,943,615

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

	2020	2019
	\$	\$
Profit/(loss) for the year	498,130	(95,038)
Depreciation	55,575	-
(Increase)/decrease in other payables and provisions	296,786	(521,137)
Decrease/(increase) in other receivables	239,776	(144,466)
Movement on financial assets at fair value through profit or loss	-	1,011,901
Net cash inflow/(outflow) from operating activities	1,090,267	251,260

Note 8: Provision for employee entitlements

	2020	2019
	\$	\$
Other entitlements	121,810	118,721
Annual leave	220,144	150,050
Long service leave	143,297	143,900
Total provision	485,251	412,671

Amounts that are incurred and charged against a provision are recognised through the statement of profit and loss and other comprehensive income.

The following amounts were incurred and charged against the provisions above as follows:

	2020	2019
	\$	\$
Other entitlements	110,436	118,721
Annual leave	212,970	15,459
Long service leave	66,405	25,445
Total amounts incurred and charged during the reporting period	389,811	159,625

Note 9: Office and computer equipment

Office and computer equipment

	2020	2019
	\$	\$
Balance at the beginning of financial year	183,556	-
Additions during the year	-	188,244
Write off during the year	(16,829)	-
Depreciation during the year	(55,575)	(4,688)
Total provision	111,152	183,556

Note 10: Operating lease

The Company has signed 12 year lease agreement with The Uniting Church in Australia Property Trust (Victoria) for office space. The lease includes 8 extension options, each for a further 5 years. The lease contact commenced after 1 July 2020. Refer to Note 2 k for further disclosure details.

The expected future lease payment for this contract is:

	2020	2019
	\$	\$
Due within one year	206,640	-
Due after one year but no later than 5 years	916,142	-
Due for the remaining 12-year period	1,851,859	-
Total	2,974,642	-

These are estimates and dependent on the final commencement date of the lease. These calculations have assumed a commencement date of 1 July 2020.

There is no contingent rents payable.

Note 11: Events occurring after balance sheet date

Operating lease

The Company entered into a 12 year lease with The Uniting Church in Australia Synod of Victoria and Tasmania for office spaces. The lease agreement includes 8 extension options, each for a further 5 years. The lease agreement was signed on 22 June 2020 and the commencement of the lease was anticipated to be in 2020. The office spaces were still under construction as at 30 June 2020, and therefore, the underlying asset was not made available for use until subsequent to year end.

COVID-19 Outbreak

In March 2020, the World Health Organisation (WHO) officially declared COVID-19 a pandemic. The Directors acknowledge the current outbreak of COVID-19 and the increased market volatility it has created in the financial markets within which the Company operates.

Management are monitoring developments closely, noting that given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Company. Management actively manages the financial risks that the Company is exposed to.

No other significant events 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 2020, 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 are no outstanding contingent assets and liabilities or commitments as at 30 June 2020 or at 30 June 2019.

Independent Auditor's Report to the Investors of Uniting Ethical Investors Limited

Opinion

We have audited the financial report of Uniting Ethical Investors Limited (the "Company") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended 30 June 2020, 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 Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended 30 June 2020; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for year ended 30 June 2020, 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 Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company 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 Company'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 Company'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 Company 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, 20 October 2020