

# **Uniting Ethical Investors Limited**

## **ABN 46 102 469 821**

**Annual Report for the year ended 30 June 2023**

# **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

## **Directors' report**

The directors' present their report on the financial statements of Uniting Ethical Investors Limited (U Ethical) (the "Company") for the year ended 30 June 2023 (the "reporting period").

The Company became a registered company under the *Corporations Act 2001* on 10 October 2002. 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

## **Principal activities**

The Company's principal activity is to:

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

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

## **Directors**

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

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

## **Dividends**

The Company cannot pay dividends, hence no dividends were paid during the year.

## **Community contribution**

Pursuant to the Constitution, the company paid a \$1,100,000 (2022: \$1,000,000) grant to The Uniting Church Synod of Victoria and Tasmania – related party.

## **Review of Operations**

Net profit of the Company for the year was \$419,561 (2022: Net loss \$195,364) after payment of the community contribution.

## Significant changes in state of affairs

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

## Environmental Regulation

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

## Information on Directors

### Mr Mathew Browning BSc GAICD

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

### Mr Robin Burns FAICD

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

### Ms Annette King BEc – Actuarial, FAICD, FIAA

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

### Mr Lindsay Mann BA, FIAA, GAICD

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

### Mr Terry McCredden B Com (Honours)

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

### Ms Zarmeen Pavri BCom, ACA

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

#### **Ms Kris Peach AM MBA FCA GAICD**

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

#### **Ms Fiona Pearse B. Ec. MBA FCPA FAICD**

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

#### **Ms Kerrie Williams BSc, MBA, FFin, GAICD**

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

#### **Directors' shareholdings**

No director holds shares in the Company.

#### **Meetings of Directors**

	<b>Meeting of directors</b>		<b>Audit, risk &amp; compliance committee</b>		<b>Investment committee</b>		<b>People &amp; nominations committee</b>	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
Mathew Browning	4	4	*	*	*	*	*	*
Robin Burns	4	4	*	*	4	4	4	4
Annette King	3	3	2	1	2	2	*	*
Lindsay Mann	4	4	*	*	4	4	4	2
Terry McCredden	4	3	*	*	4	3	3	3
Zarmeen Pavri	4	4	4	4	4	4	*	*
Kris Peach	4	3	4	4	*	*	*	*
Fiona Pearse	4	3	4	4	*	*	4	4
Kerrie Williams	4	4	4	3	4	4	4	3

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

B = Number of meetings attended

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

#### **Information on Company Secretary**

Ms Leeanne Lukaitis B Bus, ASA

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

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

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

### **Likely developments and expected results**

The results of the Company's operations will be affected by a number of factors, including the performance of the financial markets in which the Company invests. Investment performance is not guaranteed and future returns may differ from past returns. As the economic environment and 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 have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

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

### **Economic impact**

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

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

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

### **Climate risk**

Climate risk is managed as follows:

#### *(i) Exclusions*

Companies and securities issued by companies involved in fossil fuel activities—coal mining, oil and gas production, power generation and equity ownership in any of the former—are excluded from U Ethical's investable universe where it is more than 5% of revenue or earnings.

#### *(ii) Company / issuer and portfolio analysis*

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

For equity portfolios, U Ethical specifically monitors climate value-at-risk, which covers physical risks, transition risks and technology opportunities.

As climate change risk disclosures continue to improve, U Ethical's ability to manage those risks, both at the security and portfolio level, will also improve.

#### *(iii) Engagement and advocacy*

U Ethical's engagement with portfolio companies and issuers on climate risk issues.

This engagement may be carried out directly or collaboratively with investment peers, industry bodies or civil society organisations, such as Climate Action100+, the UN Principles for Responsible Investment or the Responsible Investment Association of Australasia.

#### Indemnification and insurance of officers and auditors

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.

#### Auditor's Independence Declaration

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

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



L Mann  
Director



M Browning  
Director

Melbourne  
28 September 2023

28 September 2023

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

Dear Board Members

**Auditor's Independence Declaration to 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 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



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 are set out on pages 9 to 27:
  - (i) comply with Australian Accounting Standards, the *Corporations Act 2001*, the *Australian Charities and Not-for-profits Commission Act 2012* and other mandatory professional reporting requirements; and
  - (ii) present fairly the Company's financial position as at 30 June 2023 and its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.



L Mann  
Director

Melbourne  
28 September 2023



M Browning  
Director

**Uniting Ethical Investors Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2023**

**Statement of Profit or Loss and Other Comprehensive Income**

	Notes	2023 \$	2022 \$ <i>Restated</i>
<b>Income</b>			
Management fee income from related parties	3	9,620,118	9,495,451
Interest income		140,537	1,717
Distribution income from related party	3	13,661	14,079
Foreign exchange gain		5,426	6,270
<b>Total income</b>		<b>9,779,742</b>	<b>9,517,517</b>
<b>Expenses</b>			
Operating expenses			
Administrative expenses	10	7,311,899	7,747,815
Marketing expenses		229,511	329,999
Investment systems		661,265	573,488
Lease liability interest expenses		57,505	61,578
Total operating expenses		8,260,180	8,712,880
Community contribution to related parties			
Community contribution	3	1,100,000	1,000,000
<b>Total expenses</b>		<b>9,360,180</b>	<b>9,712,880</b>
<b>Net profit/(loss) for the year</b>		<b>419,561</b>	<b>(195,364)</b>
<b>Other comprehensive income for the year</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>419,561</b>	<b>(195,364)</b>

The comparative information has been restated as a result of the prior period error discussed in Note 16.

The above Statement of Profit or 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 2023**

**Statement of Financial Position**

		2023	2022	1 July 2021
	Notes	\$	\$	\$
<b>Assets</b>			<i>Restated</i>	<i>Restated</i>
<b>Current assets</b>				
Cash and cash equivalents	7a	4,365,878	5,070,611	4,486,942
Investment in U Ethical Cash Management Trust – Wholesale – related party	3	1,216,696	1,203,035	1,188,955
Trade and other receivables from related parties	11	2,593,878	2,027,961	1,610,267
Prepayments	11	95,614	-	-
		8,272,066	8,301,607	7,286,165
<b>Non-current assets</b>				
Right-of-use asset	13	1,883,050	2,092,175	2,301,299
Office and computer equipment	9	30,796	26,605	61,874
Lease security bond		23,862	23,862	23,862
		1,937,708	2,142,642	2,387,035
<b>Total assets</b>		<b>10,209,774</b>	<b>10,444,249</b>	<b>9,673,200</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	12	3,807,914	4,206,440	3,103,651
Provision for employee entitlements	8	405,809	506,674	486,508
Lease liability-current	13	173,943	162,273	151,265
<b>Total current Liabilities</b>		<b>4,387,666</b>	<b>4,875,387</b>	<b>3,741,424</b>
<b>Non-current liabilities</b>				
Lease liability-non-current	13	1,882,199	2,056,216	2,218,573
Provision for long service leave	8	28,140	20,437	25,630
<b>Total non-current liabilities</b>		<b>1,910,339</b>	<b>2,076,653</b>	<b>2,244,203</b>
<b>Total liabilities</b>		<b>6,298,005</b>	<b>6,952,040</b>	<b>5,985,628</b>
<b>Net assets</b>		<b>3,911,769</b>	<b>3,492,208</b>	<b>3,687,572</b>
<b>Equity</b>				
<b>Retained earnings</b>		<b>3,911,769</b>	<b>3,492,208</b>	<b>3,687,572</b>
<b>Total equity</b>		<b>3,911,769</b>	<b>3,492,208</b>	<b>3,687,572</b>

The comparative information has been restated as a result of the prior period error discussed in Note 16.

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 2023**

**Statement of Cash Flows**

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Interest received		140,537	1,717
Distributions received from related party		13,661	14,079
Management fees received from related parties		9,541,521	9,532,088
Amounts paid to related party			
Community contribution paid		(2,100,000)	(1,200,000)
Lease liability interest paid		(57,505)	(61,578)
Operating expenses paid		(8,049,858)	(7,512,688)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7</b>	<b>(511,644)</b>	<b>773,618</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(17,082)	(24,520)
Purchase of units in U Ethical Cash Management Trust – Wholesale – related party		(13,662)	(14,080)
<b>Net cash used in investing activities</b>		<b>(30,744)</b>	<b>(38,600)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(162,347)	(151,349)
<b>Net cash used in financing activities</b>		<b>(162,347)</b>	<b>(151,349)</b>
<b>Net change in cash and cash equivalents</b>		<b>(704,733)</b>	<b>583,669</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>5,070,611</b>	<b>4,486,942</b>
<b>Cash and cash equivalents at end of the year</b>		<b>4,365,878</b>	<b>5,070,611</b>

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 2023

Statement of Changes in Equity

	Fully Paid Ordinary Shares	Retained Earnings	Total Attributable to Members
	\$	\$	\$
Balance at 1 July 2021 - Restated	-	3,687,572	3,687,572
Profit/(Loss) for the year - Restated	-	(195,364)	(195,364)
<b>Balance at 30 June 2022 - Restated</b>	<b>-</b>	<b>3,492,208</b>	<b>3,492,208</b>
Profit/(Loss) for the year	-	419,561	419,561
<b>Balance at 30 June 2023</b>	<b>-</b>	<b>3,911,769</b>	<b>3,911,769</b>

The comparative information has been restated as a result of the prior period error discussed in Note 16.

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 Uniting Ethical Investors 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.

## **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) 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 from financial assets at fair value through profit or loss is recognised in the Statement of Profit and Loss and Other Comprehensive Income with distribution income when the Company's right to receive the payment is established.

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

<b>Revenue stream</b>	<b>Performance obligation</b>	<b>Timing of recognition</b>
Management fee	The Company's principal activity is to act as corporate trustee or responsible entity and to provide investment management and administration services	Over 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 or

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 or loss at inception are those that are managed and their performance evaluated on a fair value basis.

#### Recognition/derecognition

The Company recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or the Company has transferred substantially all risks and rewards of ownership.

### 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 U Ethical Cash Management Trust – Wholesale – related party

The Company's investment in U Ethical Cash Management Trust – Wholesale – related party is an unregistered managed investment scheme that trades in cash, cash equivalents and term deposits.

The investment is generally available for redemption within 24 hours.

### **(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) Foreign currency**

#### 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 is 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) Income tax**

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

### **(g) Receivables**

Trade and other receivables are carried at amortised cost using the effective interest method, as the Company holds the trade receivables with the objective to collect the contractual cash flows.

Receivables comprise management fee receivables and accrued interest.

Management fee receivables are recognised monthly in arrears.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The value of the receivable is measured at amortised cost using the effective interest rate method.

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

### Impairment

At each reporting date, the Company measures the loss allowance on financial assets at amortised cost 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 measures 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 Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

**(h) Trade and other Payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(i) 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.

**(j) 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.

	<b>2023</b>	<b>2022</b>
Computer equipment	3 years	3 years
Office equipment	5 years	5 years

**(k) Leased assets**

The Company entered into a 12 year lease with The Uniting Church in Australia Property Trust (Victoria) for office space. The lease agreement includes 8 extension options, each for a further 5 years. The lease agreement was signed on 22 June 2020. The commencement of the lease was July 2020. The Company reviews the lease annually and will consider whether to exercise the first lease option during the 12th year of the lease.

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Company recognises a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.



At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Company.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on a rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

**(l) Security bond**

At the commencement of the lease, the Company paid a security deposit to The Uniting Church in Australia Property Trust (Victoria). The security deposit was initially recognised at fair value and subsequently carried at amortised cost.

**(m) Expenses**

All expenses are recognized in the statement of profit or loss and other comprehensive income on an accruals basis.

**(n) 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.

**(o) New accounting standards and interpretations**

*i) New and amended standards adopted by the Company*

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

*ii) New standards and interpretations not yet adopted*

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

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

**(p) 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.

**Financial instruments**

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.

## Leases

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances. Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on the rate the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms and security and in a similar economic environment.

## **Note 3: Related parties**

The Company provides management services to the trusts, companies and funds listed below. Investors in the products managed by the Company are charged management fees for investment management and administration services. During the year the funds were charged fees ranging from 0.15% to 1.265% per annum (2022: 0.15% to 1.265% per annum). From 1 July to 31 August 2023 and in the prior financial year, in some instances, standard management fees were discounted reflecting the suppressed yield environment imposed by the Reserve Bank of Australia.

### **Management fees from related parties**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
U Ethical International Equities Trust - Wholesale	58,066	55,674
U Ethical Australian Equities Trust - Wholesale	3,745,816	3,316,042
UCA Growth Fund Limited	1,902,548	2,009,279
U Ethical Diversified Income Trust - Wholesale	237,292	340,783
U Ethical Enhanced Income Trust - Wholesale	2,289,545	2,481,634
U Ethical Cash Management Trust - Wholesale	144,063	93,628
U Ethical Australian Equities Trust#	906,425	1,105,347
U Ethical Cash Management Trust	340,140	216,912
U Ethical Funeral Fund	12,499	13,243
Management fee rebate	(16,276)	(137,091)
Total management fees earned from related parties	<u>9,620,118</u>	<u>9,495,451</u>

# The difference in the amount shown in the financial statement of the trust is a RITC GST adjustment.

As at year end, management fees receivable from related parties was \$826,074 (2022: \$747,478)

UCA Cash Management Fund Limited and U Ethical Property Trust – Wholesale are not available to external investors. Management fees are only charged directly to the trusts, companies and fund listed above and where appropriate, include the costs of only internal investments.

Community contribution declared to The Uniting Church in Australia Synod of Victoria and Tasmania:

As at year end, the community contribution declared and paid to related parties was \$1,100,000 (2022: \$1,000,000)

Uniting Ethical Investors Limited invests part of its capital in the U Ethical Cash Management Trust – Wholesale – related party.

**Uniting Ethical Investors Limited**  
**Notes to the Financial Statement**  
**For the period ended 30 June 2023**

**Investment in related party**

	2023	Interest	2022	Interest
	\$	%	\$	%
Investment in related party:				
U Ethical Cash Management Trust – Wholesale	1,216,696	1	1,203,035	1
Distribution paid/payable by related party:				
U Ethical Cash Management Trust – Wholesale	13,661		14,079	

During the reporting period, the Company paid rent to a related party. Refer to Note 13 for further information.

**Administrative expenses paid to related party**

	2023	2022
	\$	\$
Accounting and payroll services	73,910	99,372
IT services	207,495	206,000
Personnel services	40,000	36,000
	<u>321,405</u>	<u>341,372</u>

**Note 4: Key management personnel compensation**

**(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:

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

The remuneration of the executive director (being the chief executive officer) 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:

	2023	2022
	\$	\$
<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	722,323	642,529
Total	<u>722,323</u>	<u>642,529</u>

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

**(b) Other key management personnel**

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

**Note 5: Financial risk management**

**Categories of financial instruments**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Financial assets		
Financial assets at fair value through profit or loss	1,216,696	1,203,035
Financial assets at amortised cost	5,287,566	5,818,089
<b>Total financial assets</b>	<b>6,504,262</b>	<b>7,021,124</b>
Financial liabilities		
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,085,719	2,155,687
<b>Total financial liabilities</b>	<b>1,085,719</b>	<b>2,155,687</b>

**Financial Risk Management**

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

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

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

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk, liquidity risk and climate risk.

**Capital risk management**

The Company manages its capital to ensure it will be able to continue on a going concern basis while balancing the achievement of a net profit with prudent management of resources, achieving its long-term strategy of providing community contribution to the Synod while maintaining the financial requirements imposed by regulatory authorities.

The Company's policy is to fund its normal activities from operating cash flows. This policy is regularly reviewed considering the Company's long-term strategy, prudent management of resources, market conditions, changing legal and regulatory requirements and achieving positive returns.

The Company holds an Australian Financial Services Licences (AFSL). The Company is therefore subject to regulatory financial requirements in relation to its license and authorisations. Apart from the foregoing, there are no other externally imposed capital requirements for the Company. The Company continuously monitors its capital position and has ensured that it has maintained sufficient capital to meet its license requirements throughout the year.

The Company has met its regulatory financial requirements of \$955,635 (2022: \$1,025,185) throughout FY23 and FY22. For the 2023 financial year, the Company maintained an adequate level of capital in accordance with the conditions that apply under the AFS licence. The requirement is to meet the minimum net tangible asset (NTA) and minimum level of capital adequacy. The capital requirement also contains a minimum requirement for liquidity.

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Credit risk also remains elevated exacerbated by rising interest rates.

The Company earns management fees from the investment products it manages and administers. The investment products are subject to a variety of investment risks which can impact the net asset value of the products. As the

management fees are generally a percentage of the net asset value of each product, this may in turn impact the management fees earned by the Company and therefore its financial position. The Company's approach to managing investment risk within each product is primarily through adjustments to asset allocation and security selection.

The underlying investments of the Company are denominated in Australian dollars and some are exposed to currency risk, refer to Note 5(d). 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, foreign currency risk, liquidity risk and market 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 by U Ethical Cash Management Trust – Wholesale – related party, which affects the unit price and distribution of the trust and the Company's cash and cash equivalent assets.

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

<b>2023</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
Cash and cash equivalents	4,365,878	-	-	4,365,878
Investment in U Ethical Cash Management Trust – Wholesale – related party	1,216,696	-	-	1,216,696
Trade and other receivables – related parties	-	-	2,593,878	2,593,878
	<u>5,582,574</u>	<u>-</u>	<u>2,593,878</u>	<u>8,176,452</u>
<b>2022</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
Cash and cash equivalents	5,070,611	-	-	5,070,611
Investment in U Ethical Cash Management Trust – Wholesale – related party	1,203,035	-	-	1,203,035
Trade and other receivables – related parties	-	-	2,027,961	2,027,961
	<u>6,273,646</u>	<u>-</u>	<u>2,027,961</u>	<u>8,301,607</u>

The table in note 5(h) summarises the impact of an increase/decrease in interest rates on the Company's net assets. The analysis is based on the assumption that interest rates increase/decrease by 100bps with all other variables held constant. The outlook for interest rates is uncertain given the potential for inflation to remain elevated and slowing economic growth.

**(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**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has put in place a suitable risk management framework to manage the Company's short-, medium-, long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves and banking facilities. The liquidity position of the Company is continuously monitored by management and the impact on liquidity of any significant transaction, such as payment of a community contribution, acquisition of a new business, and purchase of capital assets, is considered before the transaction is approved.

2023	Less than 1 month	1-6 Months	6-12 Months	1-2 years
	\$	\$	\$	\$
Payables	3,807,914	-	-	-
<b>Non-financial</b>				
Provision for other employee entitlements	-	99,529	-	-
Provision for annual leave	-	227,727	-	-
Provision for long service leave	-	-	78,533	-
Provision for long service leave	-	-	-	28,140
	3,807,914	327,256	78,533	28,140
<b>2022</b>	<b>Less than 1 month</b>	<b>1-6 Months</b>	<b>6-12 Months</b>	<b>1-2 years</b>
	\$	\$	\$	\$
Payables	4,206,440	-	-	-
<b>Non-financial</b>				
Provision for other employee entitlements	-	130,414	-	-
Provision for annual leave	-	274,315	-	-
Provision for long service leave	-	-	101,945	-
Provision for long service leave	-	-	-	20,437
	4,206,440	404,729	101,945	20,437

**(d) Foreign exchange risk**

The below table summarises the Company's exposure to foreign currency risk.

	2023		2022	
	USD	AUD	USD	AUD
	\$	\$	\$	\$
Cash and cash equivalents	100,000	150,630	100,000	145,159
Total	100,000	150,630	100,000	145,159

The company holds cash in US dollars to hedge the rise or fall in the Australian dollar for the payment of creditors. The exposure to the volatility of the foreign exchange held is not considered significant.

**(e) Climate risk**

The United Nations Framework Convention on Climate Change defines:

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

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

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

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

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

U Ethical's scope 1 and 2 emissions are negligible. However, it is exposed to the risks associated with scope 3 indirect emissions inherent in managing cash, fixed income and equity investment portfolios.

*Asset class / valuation risk*

Climate change risks and opportunities vary by asset class. They are heightened for longer duration securities, such as equities and longer-term fixed income.

Climate risk is managed as follows:

*(i) Exclusions*

Companies and securities issued by companies involved in fossil fuel activities—coal mining, oil and gas production, power generation and equity ownership in any of the former—are excluded from U Ethical's investable universe where it is more than 5% of revenue or earnings.

*(ii) Company / issuer and portfolio analysis*

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

For equity portfolios, U Ethical specifically monitors climate value-at-risk, which covers physical risks, transition risks and technology opportunities.

As climate change risk disclosures continue to improve, U Ethical's ability to manage those risks, both at the security and portfolio level, will also improve.

*(iii) Engagement and advocacy*

U Ethical's engages with portfolio companies and issuers on climate risk issues.

This engagement may be carried out directly or collaboratively with investment peers, industry bodies or civil society organisations, such as Climate Action100+, the UN Principles for Responsible Investment or the Responsible Investment Association of Australasia.

**(f) Fair values**

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

**(g) Fair value measurement**

<b>30 June 2023</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets at fair value through profit and loss</b>				
U Ethical Cash Management Trust – Wholesale – related party	1,216,696	-	1,216,696	-
<b>Total</b>	<b>1,216,696</b>	<b>-</b>	<b>1,216,696</b>	<b>-</b>
<b>30 June 2022</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets at fair value through profit and loss</b>				
U Ethical Cash Management Trust – Wholesale – related party	1,203,035	-	1,203,035	-
<b>Total</b>	<b>1,203,035</b>	<b>-</b>	<b>1,203,035</b>	<b>-</b>



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 U Ethical Cash Management Trust – Wholesale – related party.

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 U Ethical Cash Management Trust – Wholesale – related party as Level 2 for 2022 and 2021 on the basis that the investment is unlisted.

#### (h) 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 reasonable estimate set by the Company's investment team, 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 assessment of sensitivity can vary from year to year and is reflective of market conditions in which the Company invests.

2023	Impact on profit/(loss) and net assets		
	Carrying Amount	Interest risk	
		\$	\$
		-100bps	+100bps
Cash & cash equivalents	4,365,878	(43,659)	43,659
U Ethical Cash Management Trust – Wholesale – related party	1,216,696	(12,167)	12,167

2022	Impact on profit/(loss) and net assets		
	Carrying Amount	Interest risk	
		\$	\$
		-250bps	+250bps
Cash & cash equivalents	5,070,611	(126,765)	126,765
U Ethical Cash Management Trust – Wholesale – related party	1,203,035	(30,076)	30,076

#### Note 6: Auditor's remuneration

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

	2023	2022
	\$	\$
Audit services		
Audit of financial report	20,350	18,500
Audit of financial reports – additional costs	50,600	22,000
Audit of the Australian Financial Services Licence	15,000	10,300
Australian Financial Services Licence – additional costs	1,733	-
Consulting services	-	28,460
	<u>87,683</u>	<u>79,260</u>



**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:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Cash at call	4,365,878	5,070,611
Total cash and cash equivalents	4,365,878	5,070,611

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

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
(Loss)/profit for the year	603,681	(6,442)
Depreciation of office and computer equipment	12,891	59,788
Depreciation of right-of-use assets	209,125	209,124
(Increase)/decrease in receivables	(78,596)	36,638
(Increase)/decrease in prepayments	(95,614)	-
Increase/(decrease) in other payables and provisions	(1,163,129)	474,510
Net cash inflow/(outflow) from operating activities	(511,642)	773,618

**Note 8: Provision for employee entitlements**

	<b>Other entitlements</b>	<b>Annual leave</b>	<b>Long service leave</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
30 June 2022	130,414	274,315	122,382	527,111
Additional provisions	115,800	323,136	71,704	510,640
Amounts used	(93,512)	(369,724)	(26,428)	(489,664)
Amounts unused and reversed	(53,173)	-	(60,965)	(114,138)
30 June 2023	99,529	227,727	106,693	433,949

Other entitlements include performance pay, fringe benefits tax, superannuation and workcover payable.

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

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

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Other entitlements	93,512	112,428
Annual leave	369,724	316,590
Long service leave	26,428	24,922
Total amounts incurred and charged during the reporting period	489,664	453,940

**Note 9: Office and computer equipment**

	2023	2022
	\$	\$
Balance at the beginning of financial year	26,605	61,874
Additions during the year	17,082	24,520
Write off during the year	-	-
Depreciation during the year	(12,891)	(59,789)
Balance at the end of financial year	<u>30,796</u>	<u>26,605</u>

**Note 10: Administrative expenses**

	2023	2022
	\$	\$
		<i>Restated</i>
Computer fees	214,959	293,833
Custodian and fund administration	570,216	631,875
Depreciation - right of use	209,125	268,915
Insurance	158,447	143,062
Legal fees	267,369	229,118
Personnel expenses	4,714,218	4,890,663
Professional fees	274,968	188,308
Unit registry	399,582	414,721
Other operating expenses	503,015	687,320
Total	<u>7,311,899</u>	<u>7,747,815</u>

**Note 11: Trade and other receivables**

	2023	2022
	\$	\$
		<i>Restated</i>
Current financial assets		
Trade receivables – related parties	2,593,878	2,027,961
Allowance for expected credit loss	-	-
	<u>2,593,878</u>	<u>2,027,961</u>
Prepayments	95,614	-
Current trade and other receivables	<u>2,689,492</u>	<u>2,027,961</u>

(a) Movement in the allowance for expected credit loss in respect of:

	2023	2022
	\$	\$
Balance at beginning of the financial year	-	-
Impaired losses recognised	-	-
Impairment losses written-off	-	-
Balance at end of financial year	<u>-</u>	<u>-</u>

(b) Trade receivables past due but not impaired:

No trade receivables were overdue.

**Note 12: Payables**

	2023 \$	2022 \$ <i>Restated</i>
Community contribution	-	1,000,000
Other creditors	3,807,914	3,206,440
Balance at the end of financial year	3,807,914	4,206,440

**Note 13: Lease**

The Company has signed a 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 payments were calculated using the initial lease term only as there are no factors indicating renewal is certain. The lease agreement commenced after 1 July 2020. Refer to Note 2 (k) for further disclosure details.

Right-of-use assets

	2023 \$	2022 \$
Balance at the beginning of financial year	2,092,175	2,301,299
Additions during the year	-	-
Write off during the year	-	-
Depreciation during the year	(209,125)	(209,124)
Balance at the end of financial year	1,883,050	2,092,175

Lease liability

	2023 \$	2022 \$
Current	173,943	162,273
Non-current	1,882,199	2,056,216
Total liability	2,056,142	2,218,489

There is no contingent rents payable.

**Note 14: Events occurring after balance sheet date**

No significant events have occurred to date which would impact the financial position of the Company disclosed in the Statement of Financial Position at 30 June 2023, or the results and cash flows of the Company for the year ended on that date.

**Note 15: Contingent assets and liabilities and commitments**

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

**Note 16: Prior period restatement**

In prior years the Company accounted for GST on the basis that it was part of a 'Religious Group'. Through an internal review, the Company identified that the accounting treatment was not confirmed. The Company appointed an independent consultant to assess its GST position for the Company in relation to the management fees it charges for investment and administration services. It was determined that GST was payable and that a debt effective from 1 July 2019 was owed to the Australian Taxation Office. As a result of the above, comparative financial information in the financial statements has been restated to account for the payable to the ATO and a corresponding receivable from the related parties in relation to input credits. The amount adjusted in the retained earnings as at 1 July 2021 is the cumulative amount for FY2020 and FY2021.

The comparative financial information has been restated as follows:

**Statement of financial position**

	30 June 2022	Adjustment	30 June 22
	\$	\$	\$
	<i>Reported</i>		<i>Restated</i>
Trade and other receivables from related parties	747,478	1,280,483	2,027,961
Total assets	9,163,766	1,280,483	10,444,249
Payable	2,155,687	2,050,753	4,206,440
Total liabilities	4,901,287	2,050,753	6,952,040
Retained earnings	4,262,479	(770,270)	3,492,209

**Statement of Profit or Loss and Other Comprehensive Income**

	30 June 2022	Adjustment	30 June 22
	\$	\$	\$
	<i>Reported</i>		<i>Restated</i>
Administrative expenses	8,065,771	(317,956)	7,747,815
Marketing expenses	240,001	89,998	329,999
Other operating expenses	156,610	(156,610)	-
Investment systems	-	573,488	573,488
<b>Total operating expenses</b>	<b>8,523,958</b>	<b>188,922</b>	<b>8,712,880</b>
<b>Net profit/(loss) for the year</b>	<b>(6,442)</b>	<b>(188,922)</b>	<b>(195,364)</b>
<b>Total comprehensive income for the year</b>	<b>(6,442)</b>	<b>(188,922)</b>	<b>(195,364)</b>

**Statement of Changes in Equity**

	Retained earnings		Retained earnings
	\$	\$	\$
	<i>Reported</i>		<i>Restated</i>
Balance as 1 July 2021	4,268,920	(581,348)	3,687,572
Profit/(Loss) for the year	(6,442)	(188,922)	(195,364)
Balance as 30 June 2022	4,262,478	(770,270)	3,492,208

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

### Report on the Audit of the Financial Report

#### *Opinion*

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

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

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

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### *Other Information*

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have

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

## *Responsibilities of the Board of Directors for the Financial Report*

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

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

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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



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

A stylized, handwritten signature of "Deloitte Touche Tohmatsu" in black ink.

DELOITTE TOUCHE TOHMATSU

A stylized, handwritten signature of "M Stretton" in black ink.

Mark Stretton  
Partner  
Chartered Accountants

Melbourne, 28 September 2023