

Uniting Ethical Investors Limited

ABN 46 102 469 821

Annual Report for the year ended 30 June 2021

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
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Auditor:	Deloitte Touche Tohmatsu 477 Collins Street Victoria 3000 Australia
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Directors' report

The directors' present their report on the financial statements of Uniting Ethical Investors Limited (the "Company") for the year ended 30 June 2021 (the "reporting period"). The Company has no share capital since it is incorporated as a company limited by guarantee.

Principal activities

The Company's principle 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 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..

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 – retired 20 January 2021
M Browning	Executive director and chief executive officer
D Cousins	Non-executive director – Chairperson retired 4 December 2020 Retired 31 August 2021
L Mann	Non-executive director - Chairperson appointed 4 December 2020
T McCredden	Non-executive director Investment Committee - Chairperson
Z Pavri	Non-executive director
F Pearce	Non-executive director People and Nominations Committee - Chairperson
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 \$377,163 (2020: \$498,130).

Significant changes in state of affairs

In the opinion of the directors, 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

Ms Jane Bell B Ec, LLB, LLM, FAICD – retired 20 January 2021

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 Amplia Therapeutics Limited, 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 – retired 31 August 2021

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

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 McCredde 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 currently a Partner at SDGx - a technology venture capital and advisory group. She also holds the position as the Oceania Regional Senior Advisor to the Global Impact Investing Network and serves on various advisory boards and ethical committee panels. Zameen is currently a director of ASX listed company Magnis Energy Technologies Limited and is a member of their Audit and Risk Committee, Nominations and Remuneration committee and is the Chair of the Sustainability, Health and Safety committee. Zameen has held a number of senior executive positions in funds management and hedge funds across Australia and Asia Pacific. Previously, she served on the Audit, Risk and Compliance committee for the Women in Banking and Finance Association.

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; World Vision Australia, one of the largest charities in Australia; 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 is an independent member of the Victorian Parliament Audit Committee. 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 Professorial 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 member of the Sisters of St John of God Finance Advisory Committee, 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	3	3	1	1	*	*	1	1
M Browning	5	5	*	*	*	*	*	*
D Cousins	5	5	*	*	4	4	3	3
L Mann	5	5	*	*	2	2	2	2
T McCredden	5	5	*	*	4	4	1	1
Z Pavri	5	5	4	4	4	4	*	*
F Pearse	5	5	4	4	*	*	3	3
D Ralston	0	0	0	0	*	*	*	*
D Watson	5	5	4	4	*	*	*	*
K Williams	5	5	*	*	4	4	3	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 Ms Lukaitis also performs 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

No matter or circumstance has arisen since 30 June 2021 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

The comprehensive income for the year amounted to \$377,163 (2020: \$498,130). The funds managed by the Company grew. However, the impact of the COVID-19 pandemic on the economy and financial markets also affected the returns of the Company's products. During the reporting period, the Company restructured the funds previously held in UCA Cash Management Fund Limited into three unregistered unit trusts: U Ethical Cash Management Trust – Wholesale, U Ethical Enhanced Income Trust – Wholesale and U Ethical Diversified Income Trust – Wholesale.

The management fees charged by the new trusts were generally lower than their predecessor products and, in some instances, standard fees were discounted further reflecting the suppressed yield environment imposed by the Reserve Bank of Australia in the wake of the pandemic: U Ethical Enhanced Income Trust 0.6% (2020: 0.7%), U Ethical Cash Management Trust – Wholesale 0.20% (2020: 0.7%) and U Ethical Cash Management Trust 0.30% (2020: 1.00%). The lower management fees significantly reduced the Company's operating surplus which had a consequent impact on the amount of the community contribution paid to The Uniting Church in Australia Synod of Victoria and Tasmania \$1,200,000 (2020: \$2,325,000).

The Company's robust financial position meant that it was not required to reduce the number of employees or cut remuneration in response to COVID-19. However, where prudent, other expenses were cut, though these savings were offset by increased pandemic-related expenses. The directors believe the Company's business is resilient and is well-placed to emerge strongly from current events.

During the reporting period, the Company moved to new premises located at Wesley Place, 130 Lonsdale Street Melbourne, Victoria. However, most employees worked from home for much of the financial year and The Company operated a hybrid physical/virtual working model when restrictions permitted. The directors and management expect this to continue during on-again/off-again lockdowns and most likely beyond.

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 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 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 2021

28 September 2021

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 2021, 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:

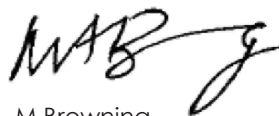
- (a) the financial statements and notes of Uniting Ethical Investors Limited set out on pages 9 to 24:
 - (i) comply with Australian Accounting Standards, the *Corporations Act 2001*, and other mandatory professional reporting requirements;
 - (ii) present fairly the Company's financial position as at 30 June 2021 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*.



L Mann
Director

Melbourne
28 September 2021



M Browning
Director

Uniting Ethical Investors Limited
Statement of Profit and Loss and Other Comprehensive Income
For the year ended 30 June 2021

Statement of Profit and Loss and Other Comprehensive Income

	Notes	2021 \$	2020 \$
Income			
Management fee income from related parties	3	8,879,800	9,608,749
Interest income		2,452	62,365
Distribution income from related parties	3	15,967	25,069
Net gain/(loss) on financial assets at fair value through profit or loss on related party investment		9,106	-
Government grant – Job keeper	14	61,500	-
Total income/(loss)		8,968,825	9,696,183
Expenses			
Operating expenses			
Administrative expenses	10	7,046,906	6,327,076
Marketing expenses		176,169	252,719
Occupancy expenses		-	161,352
Lease liability interest expenses	2j	65,562	-
Other operating expenses		103,025	131,906
Total operating expenses		7,391,662	6,873,053
Community contribution paid to related parties			
Community contribution paid	3	1,200,000	2,325,000
Total expenses		8,591,662	9,198,053
Net profit/(loss) for the year		377,163	498,130
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		377,163	498,130

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 2021

Statement of Financial Position

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		4,486,942	3,033,882
Investment in UCA Cash Management Fund Limited	3	-	1,164,034
Investment in U Ethical Cash Management Trust - Wholesale	3	1,188,955	-
Trade and other receivables	11	784,116	818,983
		<u>6,460,013</u>	<u>5,016,900</u>
Non-current assets			
Office and computer equipment	9	61,874	111,152
Right-of-use asset	13	2,301,299	-
Lease security bond		23,862	-
		<u>2,387,035</u>	<u>111,152</u>
Total assets		<u>8,847,048</u>	<u>5,128,051</u>
Liabilities			
Current liabilities			
Payables	12	1,696,151	751,042
Provision for employee entitlements	8	486,508	469,735
Lease liability-current	13	151,265	-
		<u>2,333,924</u>	<u>1,220,777</u>
Non-current liabilities			
Provision for long service leave	8	25,630	15,516
Lease liability-non-current	13	2,218,573	-
		<u>2,244,203</u>	<u>15,516</u>
Total liabilities		<u>4,578,127</u>	<u>1,236,293</u>
Net assets		<u>4,268,921</u>	<u>3,891,758</u>
Capital reserve		<u>4,268,921</u>	<u>3,891,758</u>

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 2021

Statement of Cash Flows

		2021	2020
	Notes	\$	\$
Cash flows from operating activities			
Receipts from Government grant – Job keeper	14	61,500	-
Interest received		2,452	62,365
Distributions received from related parties		15,967	25,069
Management fees received from related parties		8,914,878	9,888,705
Amounts paid to related parties			
Community contribution paid	3	-	(2,325,000)
Lease liability interest paid		(65,562)	-
Operating expenses paid		(7,313,220)	(6,560,872)
Net cash inflow/(outflow) from operating activities	7	1,616,015	1,090,267
Cash flows from investing activities			
Gain from sale of units in U Ethical Enhanced Income Trust - Wholesale		9,106	-
Purchase of property, plant and equipment		(6,477)	-
Purchase of units in U Ethical Cash Management Trust - Wholesale		(24,921)	-
Net cash used in investing activities		(22,292)	-
Cash flows from financing activities			
Payment of lease liabilities		(140,663)	-
Net cash used in financing activities		(140,663)	-
Net change in cash and cash equivalents		1,453,060	1,090,267
Cash and cash equivalents at beginning of the year		3,033,882	1,943,615
Cash and cash equivalents at end of the year		4,486,942	3,033,882

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 2021

Statement of Changes in Equity

	Fully Paid Ordinary Shares	Retained Earnings	Total Attributable to Equity Holders
	\$	\$	\$
Balance at 1 July 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
Profit/(Loss) for the year	-	377,163	377,163
Balance at 30 June 2021	-	4,268,921	4,268,921

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 Cash Management Trust - Wholesale.

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:

Revenue stream	Performance obligation	Timing of recognition
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
Jobkeeper government payment	The JobKeeper government payment is recognised as income when the Company is reasonably assured that it will comply with the conditions attaching to it and the payment will be received	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 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.

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

The Company's investment in U Ethical Cash Management Trust – Wholesale provides exposure to non-market linked investments such as cash deposits 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) 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.

Impairment

At each reporting date, the Company measures 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 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) 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.

	2021	2020
Computer equipment	3 years	3 years
Office equipment	5 years	5 years

(j) 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 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.

(k) 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.

(l) 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.

(m) Compliance with International Financial Reporting Standards (IFRS)

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 2020 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 January 2021, and have not been early adopted in preparing these financial statements.

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

(n) 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.

Expected credit loss

The Company estimates the expected credit loss (ECL) using the impairment model, which has not materially impacted the Company.

Please see Note 5 for more information on credit risk and how fair value is calculated.

The World Health Organisation declared COVID-19 as a pandemic on 13 March 2020. Whilst there has not been a significant impact on the operations of the Company, there has been an impact on the industry in which it operates. The future impact is unclear in terms of business disruption, the economic environment and investment conditions. The Company has a program of measures in place to manage and respond to the risk as the situation continues to evolve.

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 0.2% to 1.265% per annum (2020: 0.7% to 1.25% per annum) including recoverable fees of 0.00% (2020: 0.50%) per annum. The management fees charged by the new trusts were generally lower than their predecessor products and, in some instances, standard management fees were discounted further reflecting the suppressed yield environment imposed by the Reserve Bank of Australia.

	2021	2020
	\$	\$
U Ethical International Equities Trust - Wholesale	76,717	288,250
U Ethical Australian Equities Trust - Wholesale	2,883,202	3,048,217
UCA Growth Fund Limited	1,328,864	232,035
U Ethical Property Trust - Wholesale	30,667	190,844
U Ethical Diversified Income Trust - Wholesale	311,073	-
U Ethical Enhanced Income Trust - Wholesale	2,909,734	-
U Ethical Cash Management Trust - Wholesale	95,453	-
U Ethical Australian Equities Trust	969,833	826,992
U Ethical Cash Management Trust	347,877	1,539,423
U Ethical Funeral Fund	13,653	47,932
UCA Cash Management Fund Limited	-	3,570,989
Management fee rebate	<u>(87,273)</u>	<u>(135,933)</u>
Total management fees received from related parties	<u>8,879,800</u>	<u>9,608,749</u>
Payment made to The Uniting Church in Australia Synod of Victoria and Tasmania:		
Community contribution paid	1,200,000	2,325,000

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

	2021	2020
	\$	\$
Investment in U Ethical Cash Management Trust - Wholesale	1,188,955	-
Investment in UCA Cash Management Fund Limited	-	1,164,034
	2021	2019
	\$	\$
Distribution received from U Ethical Cash Management Trust - Wholesale	15,967	-
Distribution received from UCA Cash Management Fund Limited	-	25,069
	<u>15,967</u>	<u>25,069</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:

J Bell	Non-executive director – retired 20 January 2021
M Browning	Executive director and chief executive officer
D Cousins	Non-executive director – Chairperson retired 4 December 2020 Retired 31 August 2021
L Mann	Non-executive director - Chairperson appointed 4 December 2020
T McCredden	Non-executive director Investment Committee - Chairperson
Z Pavri	Non-executive director
F Pearse	Non-executive director People and Nominations Committee - Chairperson
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 (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:

	2021	2020
	\$	\$
Income paid or payable to executive and non-executive directors of the Company by the Company and related parties		
Short-term employee benefits	580,948	543,578
Total	<u>580,948</u>	<u>543,578</u>

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 (2020: nil).

Note 5: Financial risk management

The effects of the COVID-19 pandemic continued throughout the financial year. Financial risk has abated as the local economy recovered as a result of significant fiscal and monetary stimulus. However, international and local lockdowns mean that financial risk remains elevated.

Price and credit risk also remains elevated offset by low interest rate risk. Liquidity risk has been mitigated by the Reserve Bank of Australia's term funding facility and quantitative easing program.

The Company acts as investment manager of the products in which the Company invests. The Company's approach to managing investment and hence financial risk is largely through adjustments to asset allocation and security selection.

The underlying investments of the Company are denominated in Australian dollars and are 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 U Ethical Cash Management Trust – Wholesale and the bank account.

2021

	Impact on profit/(loss) and net assets		
	Carrying Amount	Market risk	
	\$	\$	\$
		-75bps	+75bps
Cash & cash equivalents	4,486,942	(33,652)	33,652
U Ethical Cash Management Trust - Wholesale	1,188,955	(8,917)	8,917

2020

	Impact on profit/(loss) and net assets		
	Carrying Amount	Market risk	
	\$	\$	\$
		-75bps	+75bps
Cash & cash equivalents	3,033,882	(22,754)	22,754
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 assesses 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 U Ethical Cash Management Trust are callable within 24 hours unless there are exceptional circumstances.

The Company monitors the Company's credit position on a regular basis. This information and the compliance with the Company's product investment policy are reported to the director risk and compliance and other key members of the management team. All contracts are with counterparties included in the Company's approved counterparties list.

Credit risk is the risk that a counterparty will fail to perform its contractual obligations, either in whole or in part. Concentration of credit risk is 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 the Company's financial assets is the carrying value of these assets on the statement of financial position.

(c) Liquidity risk

	2021	2020
	\$	\$
Term deposit classified as cash and cash equivalents (< three month term)	-	725,000
Payables generally paid monthly in arrears	1,696,151	751,042
Provision for other employee entitlements payable within twelve months	104,474	121,810
Provision for annual leave payable within twelve months	281,267	220,144
Provision for long service leave payable within twelve months	100,767	127,781
Provision for long service leave payable after twelve months	25,630	15,516

(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 2021	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets at fair value through profit and loss				
U Ethical Cash Management Trust - Wholesale	1,188,955	-	1,188,955	-
Total	1,188,955	-	1,188,955	-

30 June 2020	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets at fair value through profit and loss				
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 U Ethical Cash Management Trust – Wholesale and UCA Cash Management Fund Limited.

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 and UCA Cash Management Fund Limited as Level 2 for 2021 and 2020 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.

	2021	2020
	\$	\$
Audit services		
Audit of financial report	13,772	10,000
Audit of financial reports – additional costs for FY20 audit	27,520	-
Audit of the Australian Financial Services Licence	10,000	10,000
	<u>51,292</u>	<u>20,000</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:

	2021	2020
	\$	\$
Cash at call	4,486,942	2,308,882
Term deposit < 3 months	-	725,000
Total cash and cash equivalents	<u>4,486,942</u>	<u>3,033,882</u>

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

	2021	2020
	\$	\$
Profit/(loss) for the year	377,163	498,130
Gain from sale of units in U Ethical Enhanced Income Trust - Wholesale	(9,106)	-
Depreciation of office and computer equipment	55,755	55,575
Depreciation of right-of-use assets	209,202	-
(Increase)/decrease in receivables	34,867	239,776
Decrease/(increase) in lease security bond	(23,862)	-
(Increase)/decrease in other payables and provisions	971,996	296,786
Net cash inflow/(outflow) from operating activities	<u>1,616,015</u>	<u>1,090,267</u>

(c) Non-cash operating and financing activities

At the beginning of the year, the Company received units in the U Ethical Cash Management Trust - Wholesale for the same value as its holding in the UCA Cash Management Fund Limited.

Note 8: Provision for employee entitlements

	Other entitlements \$	Annual leave \$	Long service leave \$	Total \$
30 June 2020	121,810	220,144	143,297	485,251
Additional provisions	191,560	276,129	70,220	537,909
Amounts used	(223,978)	(215,006)	(11,713)	(450,697)
Amounts unused and reversed	15,082	-	(75,407)	(60,325)
30 June 2021	104,474	281,267	126,397	512,138

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

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:

	2021 \$	2020 \$
Other entitlements	223,978	110,436
Annual leave	215,006	212,970
Long service leave	11,713	66,405
Total amounts incurred and charged during the reporting period	450,697	389,811

Note 9: Office and computer equipment

	2021 \$	2020 \$
Balance at the beginning of financial year	111,152	183,556
Additions during the year	6,477	-
Write off during the year	-	(16,829)
Depreciation during the year	(55,755)	(55,575)
Balance at the end of financial year	61,874	111,152

Note 10: Administrative expenses

	2021 \$	2020 \$
Personnel expenses	3,758,593	3,899,555
Other operating expenses	3,288,313	2,427,521
Balance at the end of financial year	7,046,906	6,327,076

Note 11: Trade and other receivables

	2021	2020
	\$	\$
Current financial assets		
Trade receivables	781,411	805,328
Allowance for expected credit loss	-	-
	<u>781,411</u>	<u>805,328</u>
Accrued income	152	11,866
Prepayments	2,553	1,789
Current trade and other receivables	<u>784,116</u>	<u>818,983</u>

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

	2021	2020
	\$	\$
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:

	2021	2020
	\$	\$
< 30 days	-	-
31-60 days	-	-
61-90 days	-	-
91-120 days	-	-
+ 121 days	-	-
	<u>-</u>	<u>-</u>

These amounts were due from a related party the Company manages. In evaluating the recoverability of these amounts, the Company has considered the credit risk associated with the related party and determined these amounts are not impaired.

Note 12: Payables

	2021	2020
	\$	\$
Community contribution	1,200,000	-
Other creditors	496,151	751,042
Balance at the end of financial year	<u>1,696,151</u>	<u>751,042</u>

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 agreement commenced after 1 July 2020. Refer to Note 2 k for further disclosure details.

Right-of-use assets

	2021	2020
	\$	\$
Balance at the beginning of financial year	-	-
Additions during the year	2,510,501	-
Write off during the year	-	-
Depreciation during the year	(209,202)	-
Balance at the end of financial year	<u>2,301,299</u>	<u>-</u>

Lease liability

	2021	2020
	\$	\$
Current	151,265	-
Non-current	2,218,573	-
Total liability	<u>2,369,838</u>	<u>-</u>

Future minimum lease payments at 30 June 2021 were as follows:

	Minimum lease payments due						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021							
Lease payments	212,927	219,847	226,993	234,370	241,987	1,626,321	2,762,445
Finance charges	(61,662)	(57,473)	(52,979)	(48,166)	(43,020)	(129,307)	(392,607)
Net present values	151,265	162,374	174,014	186,204	198,967	1,497,014	2,369,838

There is no contingent rents payable.

Note 14: Government grants – Job keeper

To contain the spread of COVID-19, the Australian Government provided various stimulus relief packages including 'Job Keeper' wage subsidy payments to eligible companies affected by the government COVID-19 measures.

The Company was eligible for \$61,500 (2020: \$0) of Job Keeper wage subsidies relating to the government relief packages. The government support payments are included on a gross basis within Income in the Statement of Profit or Loss and Other Comprehensive Income in accordance with the AASB 1058 Income of Non-for-Profit Entities.

Note 15: 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 2021, or the results and cash flows of the Company for the year ended on that date.

Note 16: Contingent assets and liabilities and commitments

There were no outstanding contingent assets and liabilities or commitments as at 30 June 2021 or at 30 June 2020.

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 2021, 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 2021, 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 2021 and of its financial performance for the year ended 30 June 2021; 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 2021, 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.

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.

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

DELOITTE TOUCHE TOHMATSU

A handwritten signature of Mark Stretton in black ink.

Mark Stretton
Partner
Chartered Accountants

Melbourne, 28 September 2021