

**Uniting Financial Services Ethical Australian  
Equity Fund  
(Legal name as the Trustee for Uniting Church NSW  
Trust Association Fund)**

ABN 75 525 912 809

**General purpose financial statements  
For the year ended 30 June 2020**

# Uniting Financial Services Ethical Australian Equity Fund

ABN 75 525 912 809

## General purpose financial statements For the year ended 30 June 2020

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These financial statements cover Uniting Financial Services Ethical Australian Equity Fund as an individual entity.

The Trustee of Uniting Financial Services Ethical Australian Equity Fund is The Uniting Church (NSW) Trust Association Limited (ABN 89 725 654 978). The Trustee's registered office is Level 9, 222 Pitt Street, Sydney, NSW, 2000.

**Uniting Financial Services Ethical Australian Equity Fund**  
**Statement of comprehensive income**  
**For the year ended to 30 June 2020**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2020</b>	<b>2019</b>
	Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>			
Interest income		-	1
Dividend/distribution income	3	<b>5,095</b>	7,275
Net (loss)/gain on financial instruments held at fair value through profit or loss	4	<u>(3,294)</u>	<u>6,375</u>
<b>Total investment income</b>		<u><b>1,801</b></u>	<u>13,651</u>
<b>Expenses</b>			
Trustee fees	12	<b>1,799</b>	2,039
Transaction costs		<u>202</u>	<u>163</u>
<b>Total expenses</b>		<u><b>2,001</b></u>	<u>2,202</u>
<b>Profit before finance costs attributable to unitholders</b>		<u><b>(200)</b></u>	<u>11,449</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	<b>3,666</b>	5,713
Interest expense		-	1
Increase in net assets attributable to unitholders	6	<u>(3,866)</u>	<u>5,735</u>
<b>Profit/(loss) for the year attributable to unitholders</b>		<u>-</u>	<u>-</u>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year attributable to unitholders</b>		<u><b>-</b></u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**Uniting Financial Services Ethical Australian Equity Fund**  
**Statement of financial position**  
**As at 30 June 2020**

**Statement of financial position**

	Notes	As at	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	13(b)	274	1,682
Financial assets at fair value through profit or loss	8	150,226	180,432
Loans and receivables		485	332
Trade receivables	9	452	1,102
<b>Total assets</b>		<u>151,437</u>	<u>183,548</u>
<b>Liabilities</b>			
Distributions payable	7	1,086	1,361
Payables	10	109	180
Trade payables		-	3,013
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>1,195</u>	<u>4,554</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u>150,242</u>	<u>178,994</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

### **Statement of changes in equity**

The Fund's net assets attributable to unitholders are classified as a liability under AASB132 *Financial Instruments: Presentation*. As such the Trust has no equity and therefore no changes in equity have been presented at the beginning and the end of the year.

Changes in net assets attributable to unitholders are disclosed in note 6.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**Uniting Financial Services Ethical Australian Equity Fund**  
**Statement of cash flows**  
**For the year ended to 30 June 2020**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2019</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b><i>Cash flows from operating activities</i></b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	<b>158,985</b>	116,763
Purchase of financial instruments held at fair value through profit or loss	<b>(135,241)</b>	(114,708)
Dividends received	<b>4,903</b>	7,029
Trust distributions received	<b>819</b>	546
Interest received	<b>-</b>	1
Trustee fees paid	<b>(2,001)</b>	(2,392)
Transaction costs on financial instruments held at fair value through profit or loss	<b>(213)</b>	(171)
Reduced Input Tax Credit received	<b>167</b>	158
<b>Net cash inflow/(outflow) from operating activities</b>	<b>13(a) <u>27,419</u></b>	<u>7,226</u>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from applications by unitholders	<b>-</b>	6,470
Payments for redemptions by unitholders	<b>(25,050)</b>	(9,050)
Distributions paid	<b>(3,777)</b>	(4,426)
Interest expense paid	<b>-</b>	(1)
<b>Net cash inflow/(outflow) from financing activities</b>	<b><u>(28,827)</u></b>	<u>(7,007)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,408)</b>	219
Cash and cash equivalents at the beginning of the year	<b><u>1,682</u></b>	<u>1,463</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>13(b) <u>274</u></b>	<u>1,682</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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## **1 General information**

These general purpose financial statements cover Uniting Financial Services Ethical Australian Equity Fund ("the Trust") as an individual entity. The Trust was created on 18 July 2000 under the Trust Deed and Constitution for The Uniting Church NSW Trust Association Fund.

The Trustee of the Trust is The Uniting Church (NSW) Trust Association Limited ("the Trustee") (ABN 89 725 654 978). The Trustee's registered office is Level 10, 222 Pitt Street, Sydney, NSW 2000.

The Trust invests in equities, unit trusts and listed property trusts in accordance with the provisions of the Trust Deed.

The Trustee is incorporated and domiciled in Australia.

The financial statements are presented in Australian dollars, which is the Trust's functional currency.

The financial statements are for the year ended 30 June 2020 ("the year").

The financial statements were authorised for issue by the Trustee on the date the Trustee's declaration was signed which was 16 October 2020. The Trustee has the power to amend and reissue the financial statements.

### **COVID-19**

The spread of the novel coronavirus (COVID-19) was declared a global pandemic on 11 March 2020 by the World Health Organisation. The rapid spread of the virus has seen an unprecedented response by governments and regulators. The COVID-19 pandemic is having a significant impact on both local and global economies and financial markets. This has resulted in greater volatility in global and local capital market and interest rates in the financial year. In response to the pandemic, the Trustee has implemented its business continuity plan and is actively monitoring the liquidity of the fund and any impact on the financial assets and liabilities.

## **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 financial years presented, unless otherwise stated in the following text.

### **(a) Basis of preparation**

The Trust is a for-profit entity, however, the majority of the unitholders are Australian resident organisations affiliated or connected with the Uniting Church and have a tax exempt status.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"). These financial statements also comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board. These financial statements have been prepared to satisfy the Trustee's reporting requirements under the Trust Deed.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.



## **2 Summary of significant accounting policies (continued)**

### **(b) New or amended Accounting Standards and Interpretations adopted**

There are no new accounting standards, amendments and interpretations that are effective for the first time for the financial year beginning 1 July 2019 that would be expected to have a material impact on the Trust.

### **(c) Financial instruments**

#### **(i) Recognition and initial measurement**

The Trust initially recognises financial assets and financial liabilities at FVTPL on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date of which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not FVTPL, transaction costs that are directly attributable to its acquisition or issue.

#### **(ii) Classification**

##### *Classification of financial assets*

On initial recognition, the Trust classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Trust are measured at FVTPL.

##### *Business model assessment*

The Trust makes an assessment of the objective of the business model in which a financial asset is held that best reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Trust's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cashflows collected.
- The documented investment strategy and the execution of this strategy in practice; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons of such sales and expectations around future sales activity.

The fund has determined that it has two business models.

- Held-to-collect business model: This includes cash and cash equivalents, loans and receivables and trade receivables. These financial assets are held to collect contractual cash flow.

- Other business model: This includes equity investments, derivatives, property trusts and unit trusts.

## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (ii) Classification (continued)

##### *Assessment whether contractual cash flows are SPPI*

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument, this includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

##### *Reclassification*

Financial assets are not reclassified subsequent to their initial recognition unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### **Subsequent measurement of financial assets**

**Financial assets at FVTPL-** These assets are subsequently measured at fair value. Net gains and losses are recognised in profit and loss in 'Net gains on financial instruments held at fair value through profit or loss'. Equity investments, derivatives, investments in unit trusts and property trusts are included in this category.

**Financial assets at amortised cost-** These assets are subsequently measured at amortised cost using the effective interest method. Cash and cash equivalents, loans and receivables and trade receivables are included in this category.

#### **Financial Liabilities- Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. Currently all financial liabilities are measured at amortised cost using the effective interest method.

#### (iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Trust retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Trust has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the profit or loss in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

## **2 Summary of significant accounting policies (continued)**

### **(c) Financial instruments (continued)**

#### **(iv) Measurement**

##### *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities 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 or financial liability. Transaction costs on financial assets and financial liabilities 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 profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in an active market is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Trust's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to listed derivatives.

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is the market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Trust recognises the difference in the statement of comprehensive income to reflect a change in factors, including time that market participants would consider in setting a price.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

Investments in unlisted unit trusts are measured at fair value, which is generally determined to be redemption value per unit as reported by the managers of such trusts.

## **2 Summary of significant accounting policies (continued)**

### **(c) Financial instruments (continued)**

#### **(iv) Measurement (continued)**

The Trust's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments ranging from investments in unlisted unit trusts, unlisted equity and/or debt securities to over the counter derivatives.

#### *Loans and receivables/payables*

Loans and receivables/payables are measured initially at fair value plus directly attributable transaction costs. Subsequently, loans are carried at amortised cost using the effective interest method, less provision for credit losses, if any. Such assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in the subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

#### *Impairment of financial assets*

The Trust recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Trust's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

### **(d) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option and are classified as financial liabilities. The units can be put back to the Trust at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to put the units back to the Trust. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

## **2 Summary of significant accounting policies (continued)**

### **(e) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Trust's significant income generating activity.

### **(f) Investment income**

Interest income and interest expenses are recognised in the profit or loss for all financial instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(c).

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profits or loss arising on change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income.

### **(g) Expenses**

All expenses, including Trustee's fees and custodian fees, are recognised in the profit or loss on an accruals basis. The Trustee will, on a best endeavors basis, manage the management expense ratio of the Trust to approximately 1.20% plus GST per annum. Expenses are recognised net of the amount of associated GST where it is recoverable from the taxation authority.

### **(h) Income tax**

Under current legislation, the Trust is not subject to income tax provided the taxable income of the Trust is distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Trust).

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

### **(i) Distributions**

In accordance with the Trust Deed, the Trust distributes its distributable (taxable) income, and any other amounts determined by the Trustee, to unitholders by cash or reinvestment. The distributions are recognised in the profit or loss as finance costs attributable to unitholders.

### **(j) Changes in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

## **2 Summary of significant accounting policies (continued)**

### **(k) Receivables**

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

### **(l) Payables**

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the year.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

The distribution amount payable to unitholders as at the end of each year is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

### **(m) Applications and redemptions**

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets of the Trust divided by the number of units on issue.

### **(n) Goods and Services Tax (GST)**

Expenses of various services provided to the Trust by third parties such as Trustee fees, custodial services and investment management fees are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(o) Use of judgments and estimates**

The preparation of the Trust's financial statements requires it to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trust's financial instruments are valued primarily based on the prices provided by independent pricing services.

## **2 Summary of significant accounting policies (continued)**

### **(o) Use of judgments and estimates (continued)**

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgments and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgment by the Trust. The Trust considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgments. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The carrying amounts of all the Trust's financial assets and financial liabilities at the end of the year approximated their fair values.

The Trust's accounting policy on fair value measurement is set out in note 2(c)(iv). The methods and assumptions used in the determination of the fair value of each class of financial instruments are also set out in note 2(c)(iv).

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accounts receivable the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### **(p) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Trust for the annual reporting period ended 30 June 2020. These standards and interpretations are not expected to have a significant effect on the Trust's financial position of reported results or cashflows.

### **(q) Rounding of amounts**

Amounts stated in the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

**Uniting Financial Services Ethical Australian Equity Fund**  
**Notes to the financial statements**  
**For the year ended to 30 June 2020**  
**(continued)**

**3 Dividend/distribution income**

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Dividend/distribution	4,335	6,547
Listed property trusts and listed unit trusts	760	728
<b>Total dividend/distribution income</b>	<b>5,095</b>	<b>7,275</b>

**4 Net gains/(losses) on financial instruments at fair value through profit or loss**

Net gains/(losses) arising from changes in the fair value measurement comprise:

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	(7,068)	2,366
Net realised gains/(losses) on financial instruments at fair value through profit or loss	3,774	4,009
<b>Net gains on financial instruments held at fair value through profit or loss</b>	<b>(3,294)</b>	<b>6,375</b>

**5 Auditor's remuneration**

During the year the following fees were paid or payable directly by the Trustee for services provided by the auditor of the Trust:

	Year ended	
	30 June 2020 \$	30 June 2019 \$
<b>KPMG</b>		
Audit of financial statements	15,240	10,000
Tax advisory service expense	10,000	10,000
<b>Total auditor's remuneration</b>	<b>25,240</b>	<b>20,000</b>



**Uniting Financial Services Ethical Australian Equity Fund**  
**Notes to the financial statements**  
**For the year ended to 30 June 2020**  
**(continued)**

## 6 Net assets attributable to unitholders

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	<b>30 June</b>	<b>For the year ended</b>		
	<b>2020</b>	30 June	<b>30 June</b>	30 June
	<b>Units '000</b>	2019	<b>2020</b>	2019
		Units '000	<b>\$'000</b>	\$'000
Opening balance	<b>167,493</b>	169,246	<b>178,994</b>	175,661
Applications	-	6,662	-	6,470
Redemption	<b>(22,126)</b>	(8,596)	<b>(25,050)</b>	(9,050)
Units issued upon reinvestment of distributions	<b>151</b>	181	<b>164</b>	178
Increase in net assets attributable to unitholders	-	-	<b>(3,866)</b>	5,735
<b>Closing balance</b>	<b>145,518</b>	167,493	<b>150,242</b>	178,994

## 7 Distributions to unitholders

The distributions for the year were as follows:

	<b>30 June</b>	<b>Year ended</b>		
	<b>2020</b>	30 June	30 June	30 June
	<b>\$'000</b>	<b>2020</b>	2019	2019
		<b>CPU</b>	\$'000	CPU
<b>Distributions</b>				
Distribution paid - September	<b>1,212</b>	<b>0.7878</b>	1,728	1.0731
Distribution paid - December	<b>1,240</b>	<b>0.8060</b>	1,229	0.7343
Distribution paid - March	<b>128</b>	<b>0.0878</b>	1,395	0.8332
Distribution payable - June	<b>1,086</b>	<b>0.7460</b>	1,361	0.8124
<b>Total distributions</b>	<b>3,666</b>		5,713	

**Uniting Financial Services Ethical Australian Equity Fund**  
**Notes to the financial statements**  
**For the year ended to 30 June 2020**  
**(continued)**

**8 Financial assets at fair value through profit or loss**

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
<b>Designated at fair value through profit or loss</b>		
Listed equities	127,669	153,529
Listed property trusts	12,117	13,472
Listed unit trusts	9,078	10,271
Unlisted unit trusts	79	3,160
Unlisted equities	1,283	-
<b>Total designated at fair value through profit or loss</b>	<b>150,226</b>	<b>180,432</b>

**9 Trade receivables**

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Accrued income	423	1,050
Other receivables	29	52
<b>Total trade receivables</b>	<b>452</b>	<b>1,102</b>

**10 Payables**

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Accrued expenses	109	180
<b>Total payables</b>	<b>109</b>	<b>180</b>

## **11 Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding control and the relevant activities are directed by means of contractual arrangements.

The Trust considers all investments in unit trusts to be structured entities. The Trust invests in unit trusts for the purpose of capital appreciation and earning investment income.

The unit trusts are managed in accordance with the investment strategy by their respective investment managers. The investment decisions are based on the analysis conducted by the managers. The return of the unit trusts is exposed to the variability of the performance of the investment strategy. The unit trusts finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective trusts' net assets and distributions.

The Trust's exposure to structured entities at 30 June 2020 was \$22,556,416 (30 June 2019: \$26,903,525).

The Trust's maximum exposure to loss from its interests in the unconsolidated structured entities is equal to the total fair value of its investments in these entities as there are no off balance sheet exposures relating to them. The Trust's exposure to any risk from the structured entities will cease when these investments are disposed.

The Trust does not have current commitments or intentions and contractual obligations to provide financial or other support to the structured entities. There are no loans or advances currently made to these entities.

There are no significant restrictions on the ability of the structured entities to transfer funds to the Trust in the form of cash distributions.

## **12 Related party transactions**

### **Key management personnel**

Key Management personnel involved in the governance and activities of the trust during the period includes persons who are Directors and Executives of The Uniting Church (NSW) Trust Association Limited (Trustee), as listed below:

#### **Directors**

J. Collins	Chairperson (non-executive)
C. A. Feldmanis	Director (non-executive) (resigned 31 July 2020)
J. C. Fry	Director (non-executive)
K.V. Hawkins	Director (non-executive)
P. Mazzola	Director (non-executive)
J. P. Masters	Director (non-executive)
S. B. Stanton	Director (non-executive)
S. Roes	Director (non-executive)
C.Lee	Director (non-executive)
W. J. Bird	Director (Executive)

## 12 Related party transactions (continued)

### Executives

W.J. Bird	Executive Director, Treasury and Investments
J. McComb	Head of Strategy, Projects and Operations
M. Moore	Head of Ethical Investments
L. Johnson	Head of Partner Solutions and Support
I. Perry	Chief Financial Officer (appointed as Company Secretary 1 September 2020)
M. Noakes	Head of Risk and Compliance
M. Kapota	Company Secretary (resigned 1 September 2020)

### Key management personnel compensation

The Trust does not have any employees, the Directors and Executives of the Trustee are remunerated by the Trustee, payments made from the Trust do not include any amount that is directly attributable to key management personnel remuneration.

### Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their related parties at any time during the reporting period.

### Other transactions within the Trust

As at 30 June 2020 and 30 June 2019, no key management personnel of the Trustee held units in the Trust. Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Trust during the financial year and there were no material contracts that existed at the previous year end.

### Trustee's fees and other transactions

The Trustee's fees are calculated in accordance with the Trust Deed (as amended). The Trustee's fee is 1.20% p.a. of the gross asset value of the Trust.

The transactions during the year and amounts payable at year end between the Trust and the Trustee were as follows:

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Trustee's fees paid and payable directly by the Trust to the Trustee	<u>1,799,038</u>	<u>2,039,417</u>

### Related party unitholdings

The Uniting Church (NSW) Trust Association Limited is the Trustee of the Trust and Uniting Financial Services Ethical Diversified Fund ("UFS Ethical Diversified Fund") is another trust controlled by the same Trustee.

Both The Uniting Church (NSW) Trust Association Limited and UFS Ethical Diversified Fund hold units of the Trust. These investments are authorised by the Board of directors of The Uniting Church (NSW) Trust Association Limited and in accordance with the Trust Deed of the UFS Ethical Diversified Fund.

## 12 Related party transactions (continued)

### Related party unitholdings (continued)

As at the reporting date the holding interest by related parties are listed below:

#### 30 June 2020

	Number of units held '000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable
The Uniting Church (NSW) Trust Association Limited	14,183	9.7	-	-	344,307
UFS Ethical Diversified Fund	123,382	84.8	-	22,081	3,129,702

#### 30 June 2019

	Number of units held '000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable
The Uniting Church (NSW) Trust Association Limited	14,183	8.5	-	-	489,721
UFS Ethical Diversified Fund	145,463	86.8	6,216	8,540	4,956,101

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

	Year ended	
	30 June	30 June
	2020	2019
	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Increase in net assets attributable to unitholders	(3,866)	5,735
Proceeds from sale of financial instruments held at fair value through profit or loss	158,985	116,763
Purchase of financial instruments held at fair value through profit or loss	(135,241)	(114,708)
Net gains on financial instruments held at fair value through profit or loss	3,294	(6,375)
Net change in receivables	650	301
Net change in payables	(71)	(204)
Distributions to unitholders	3,666	5,713
Interest expense paid	-	1
<b>Net cash inflow/(outflow) from operating activities</b>	<b>27,417</b>	<b>7,226</b>
 <b>(b) Components of cash and cash equivalents</b>		
Cash at the end of the reporting year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	230	1,638
Futures margin account	44	44
<b>Total cash and cash equivalents</b>	<b>274</b>	<b>1,682</b>
 <b>(c) Non-cash financing and investing activities</b>		
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan		
	<b>164</b>	<b>178</b>

### 14 Financial risk management

The Trust's investing activities expose it to a variety of financial risks: market risk and liquidity risk.

A risk management framework has been established by the Trustee of the Trust to monitor the Trust's compliance with its governing documents and to minimise risks in its investment activities. This framework incorporates a regular assessment process to ensure procedures and controls adequately manage the investment activities. The Trust is permitted to use derivative products. However, the use of derivatives must be consistent with the investment strategy and restrictions specified in the Trust's governing documents.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equities and listed unit trusts is limited to the fair values of those positions.

## **14 Financial risk management (continued)**

The Trust's asset managers aim to manage these risks through the use of consistent and carefully considered investment strategy and guidelines specifically tailored for the Trust's investment objectives. Risk management techniques are used in the selection of investments. Asset managers will only purchase securities (including derivatives) which meet the prescribed investment criteria. Risk may also be reduced by diversifying investments across several asset managers, markets, regions or different asset classes and counterparties.

The Trust uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of currency risk, interest rate risk and price risk; and credit ratings analysis for credit risk.

While the COVID-19 pandemic has caused uncertainty and market volatility during the period, the Trustee has continued to follow its established policies and process (as set out in this note) in managing risk and determining the fair value of the financial assets and liabilities as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation.

### **(a) Market risk**

Market risk is the risk that the changes in market prices such as foreign exchange rates, interest rates, equity prices and credit spreads may decrease the value of the Trust's assets or its income.

Market risk management aims to manage and control market risk exposures within acceptable parameters while meeting the Trust's return objectives. The Trustee via its asset managers looks to manage the Trust's market risk exposures in accordance with strategic asset allocation targets and ranges which are reviewed regularly, taking into account estimates of extreme loss probabilities.

#### *(i) Currency risk*

Currency risk arises as the fair value or future cash flows of monetary securities denominated in foreign currency will fluctuate due to changes in exchange rates. The currency risk relating to non-monetary assets and liabilities is a component of price risk not currency risk. However, the Trustee via the asset managers monitors the exposures on all foreign currency denominated assets and liabilities.

The Trust did not have any significant direct exposure to currency risk at the reporting date.

#### *(ii) Interest rate risk*

The Trust's exposure to interest rate risk is limited to its cash and cash equivalents, which earn/charge a floating rate of interest.

#### *(iii) Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Trust is exposed to price risk predominantly through its investments in equities, unit trusts and listed property trusts.

Trustee aims to reduce the price risk through analysis of the economic cycle and broad research of its asset managers, companies and markets which may impact the Trust's investments.

## 14 Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Price risk (continued)

The fair value of the Trust's investments exposed to price risk, and as shown in note 8, was as follows:

	<b>30 June 2020 \$'000</b>	30 June 2019 \$'000
Listed and unlisted equities, property trusts and unit trusts	<b>150,226</b>	180,432

The table presented in note 14(a)(iv) summarises sensitivity analysis to price risk. This analysis assumes that all other variables remain constant.

#### (iv) Sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to price risk. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors, including historical correlation of the Trust's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Sensitivity rates	<b>Impact on operating profit/net assets attributable to unitholders</b>	
		<b>30 June 2020 \$'000</b>	30 June 2019 \$'000
<b>Price risk</b>	+10%	<b>15,023</b>	18,043
	-10%	<b>(15,023)</b>	(18,043)

### (b) Liquidity risk

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

Financial liabilities of the Trust generally are distributions payable, fees and costs of operations, and net assets attributable to unitholders. Distributions and other expenses generally do not have maturities but are settled within 30 days, net assets attributable to unitholders are payable in accordance with the Trust Deed.

The Trust primarily holds investments that are traded in an active market and can be readily disposed. The Trust's listed securities are considered readily realisable, as they are listed on the stock exchanges of the relative countries.

The Trust maintains adequate liquidity to pay withdrawals and distributions within the timeframes outlined in the Trust Deed. This is achieved by retaining sufficient liquid assets or access to other forms of liquidity to cover immediate liquidity requirements.



## 14 Financial risk management (continued)

### (b) Liquidity risk (continued)

The following tables summarise the contractual maturities of financial liabilities, including interest payments where applicable:

30 June 2020	Carrying amount \$'000	Contractual cash flows At call \$'000	less than 6 months \$'000
<b>Non-derivative financial liabilities</b>			
Distributions payable	1,086	-	1,086
Payables	109	-	109
Net assets attributable to unitholders	<u>150,242</u>	<u>150,242</u>	-
<b>Total</b>	<u>151,437</u>	<u>150,242</u>	<u>1,195</u>

30 June 2019	Carrying amount \$'000	Contractual cash flows At call \$'000	less than 6 months \$'000
<b>Non-derivative financial liabilities</b>			
Distributions payable	1,361	-	1,361
Payables for securities purchased	3,013	-	3,013
Payables	180	-	180
Net assets attributable to unitholders	<u>178,994</u>	<u>178,994</u>	-
<b>Total</b>	<u>183,548</u>	<u>178,994</u>	<u>4,554</u>

### (c) Fair value measurement

The Trust classifies fair value measurement of its financial assets and liabilities using a fair value hierarchy model that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

#### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the end of the year without any deduction for estimated future selling costs. For the majority of exchange traded financial assets and liabilities, information provided by the independent pricing services is relied upon for valuation.

## 14 Financial risk management (continued)

### (c) Fair value measurement (continued)

#### (i) Fair value in an active market (level 1) (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Listed securities and exchange traded derivatives are valued at the last traded price. Investments in unlisted unit trusts that are considered actively traded are recorded at the redemption value per unit as reported by the investment managers of such trusts.

#### (ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

Asset allocation policy of the Trust does not mandate investments into investments classified under level 3.

The following table presents the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	127,669	-	-	127,669
Listed property trusts	12,117	-	-	12,117
Listed unit trusts	9,078	-	-	9,078
Unlisted unit trusts	-	79	-	79
Unlisted equities	-	1,283	-	1,283
<b>Total</b>	<b>148,864</b>	<b>1,362</b>	<b>-</b>	<b>150,226</b>

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	153,529	-	-	153,529
Listed property trusts	13,472	-	-	13,472
Listed unit trusts	10,271	-	-	10,271
Unlisted unit trusts	-	3,160	-	3,160
<b>Total</b>	<b>177,272</b>	<b>3,160</b>	<b>-</b>	<b>180,432</b>

## **14 Financial risk management (continued)**

### **(c) Fair value measurement (continued)**

#### *Transfers between levels*

The Trust's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the year.

There were no transfers between levels for the years ended 30 June 2020 and 30 June 2019.

## **15 Events occurring after the statement of financial position date**

Since the balance date, the associated economic impacts of COVID-19 remain uncertain. As the investments are measured at their 30 June 2020 fair values in the financial report, any change in the values subsequent to the end of the reporting period is not reflected in the Statement of Comprehensive Income or the Statement of Financial Position. However, the change in the value of investments is reflected in the current price. The unit price was \$1.0610 as at 30 September 2020 (\$1.0399 as at 30 June 2020).

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

## **16 Contingent assets, liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

### **Trustee's declaration**

In the opinion of the Directors of The Uniting Church (NSW) Trust Association Limited, the Trustee for Uniting Financial Services Ethical Australian Equity Fund:

- (a) the financial statements and notes, set out on pages 2 to 26:
  - (i) comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board; and
  - (ii) present fairly the Trust's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of the Trustee.



J. Collins  
Chairperson  
The Uniting Church (NSW) Trust Association Limited

Sydney  
16 October 2020



# Independent Auditor's Report

To the unitholders of Uniting Financial Services Ethical Australian Equity Fund

## Opinion

We have audited the **Financial Statements** of Uniting Financial Services Ethical Australian Equity Fund (the Trust).

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Trust as at 30 June 2020, and its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards*.

The **Financial Statements** comprise the:

- *Statement of financial position* as at 30 June 2020
- *Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended
- Notes including a summary of significant accounting policies
- Trustee's Declaration

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We are independent of the Trust in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Statements in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Restriction on use and distribution

The Financial Statements have been prepared to assist the Trustee of Uniting Financial Services Ethical Australian Equity Fund in complying with the financial reporting requirements of the trust deed.

As a result, the Financial Statements and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Trustee of Uniting Financial Services Ethical Australian Equity Fund and should not be used or distributed to parties other than the Trustee of Uniting Financial Services Ethical Australian Equity Fund.

We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Statements to which it relates, to any person other than the Trustee of Uniting Financial Services Ethical Australian Equity Fund or for any other purpose than that for which it was prepared.

## Responsibilities of the Trustee for the Financial Statements

The Trustee is responsible for:

- the preparation and fair presentation of the Financial Statements in accordance with the financial reporting requirements of the Trust Deed
- implementing necessary internal control to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the Financial Statements as a whole are 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.



KPMG



Brendan Twining

*Partner*

Sydney

16 October 2020