Uniting Financial Services Ethical Diversified Fund

ABN 30 182 829 298

General purpose financial statements
For the year ended 30 June 2020

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Contents Page

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

The Trustee of Uniting Financial Services Ethical Diversified 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.

Statement of comprehensive income

	Notes	Year ended 30 June 2020 $'000	30 June 2019 $'000
Investment income			
Interest income	3	**4,044**	4,787
Distribution income	4	**6,202**	7,203
Net (losses)/gains on financial instruments at fair value through profit or loss	5	**(6,502)**	6,859
Net foreign exchange gains		**811**	141
Other income		**2**	1
Total investment income		**4,557**	18,991
Expenses			
Trustee fees	13	**1,412**	1,180
Transaction costs		**14**	11
Total expenses		**1,426**	1,191
Profit before finance costs attributable to unitholders		**3,131**	17,800
Finance costs attributable to unitholders			
Distributions to unitholders	8	**12,675**	10,602
Interest expense		**18**	4
(Decrease)/Increase in net assets attributable to unitholders	7	**(9,562)**	7,194
Profit for the period attributable to unitholders		**-**	-
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year attributable to unitholders		**-**	-

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

Statement of financial position

	Notes	As at 30 June 2020 $'000	30 June 2019 $'000
Assets			
Cash and cash equivalents	15(b)	**14,620**	6,666
Financial assets at fair value through profit or loss	9	**363,355**	355,515
Loans and receivables	10	**46,375**	42,117
Total assets		**424,350**	404,298
Liabilities			
Distributions payable	8	**7,275**	4,227
Payables	11	**129**	348
Financial liabilities at fair value through profit or loss	12	**19,430**	1,154
Trade payables		**-**	824
Total liabilities (excluding net assets attributable to unitholders)		**26,834**	6,553
Net assets attributable to unitholders - liability	7	**397,516**	397,745

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

Statement of changes in equity

The Trust's net assets attributable to unitholders are classified as a liability under AASB132 *Financial Instruments: Presentation*. As such the Trust has no equity therefore no changes in equity have been presented for the current or comparative period.

Changes in net assets attributable to unitholders are disclosed in note 7.

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

Statement of cash flows

	Notes	Year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**70,720**	53,811
Purchase of financial instruments at fair value through profit or loss		**(71,856)**	(58,837)
Trust distributions received		**6,894**	6,310
Interest received		**4,070**	4,790
Trustee fees paid		**(1,731)**	(1,180)
Transaction costs on financial instruments at fair value through profit or loss		**(14)**	(11)
Other income received		**99**	89
Net cash inflow/(outflow) from operating activities	15(a)	**8,182**	4,972
Cash flows from financing activities			
Proceeds from applications by unitholders		**8,568**	3,767
Payments for redemptions by unitholders		**(145)**	(144)
Distributions paid		**(8,717)**	(8,475)
Interest expense paid		**(18)**	(4)
Net cash inflow/(outflow) from financing activities		**(312)**	(4,856)
Net increase in cash and cash equivalents		**7,870**	116
Cash and cash equivalents at the beginning of the year		**6,666**	6,729
Effects of foreign currency exchange rate changes on cash and cash equivalents		**84**	(179)
Cash and cash equivalents at the end of the year	15(b)	**14,620**	6,666

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

Contents

1 General information

These general purpose financial statements cover Uniting Financial Services Ethical Diversified Fund ("the Trust") as an individual entity. The Trust was created by execution of the Ninth Supplemental and Amending Deed dated 18 January 2017 ("Amending Deed") under the Trust Deed for The Uniting Church NSW Trust Association Fund dated 18 July 2000 ("Trust Deed").

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 9, 222 Pitt Street, Sydney, NSW 2000.

The Trust invests in a portfolio of assets diversified across asset classes with exposure through direct investment or through managed funds. Asset classes may include Australian and international equities, Australian property & infrastructure, alternatives, Australian and international fixed interest, high yield credit, commercial mortgages and cash and short dated securities. Derivative instruments may also be used to gain asset class exposure and for hedging purposes.

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 reporting periods 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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.

(b) New accounting standards and interpretations

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, debt securities, derivatives 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, debt securities, derivatives and investments in unit 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 and loans and 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. Derivative instruments are measured at fair value through profit and loss. All other 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 at fair value through profit or loss

Financial assets and liabilities 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 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 active markets 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 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. Short-term receivables/payables are carried at their initial fair values. 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 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 main 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).

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. The effective interest rate is the rate that discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss arising on a 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% 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.

2 Summary of significant accounting policies (continued)

(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.

(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 reporting 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 reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting 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.

2 Summary of significant accounting policies (continued)

(n) Goods and Services Tax (GST) (continued)

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.

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 reporting 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) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

(q) 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.

(r) Rounding of amounts

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

(s) Deposits held with brokers for margin

Deposits held with brokers for margin comprise cash held as collateral for derivative transactions.

3 Interest income

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
Cash and cash equivalents	**26**	50
Debt securities	**2,472**	2,953
Mortgage loans exposure	**1,546**	1,784
Total Interest Income	**4,044**	4,787

4 Distribution income

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
Related unlisted unit trust	**3,130**	4,956
Non-related unlisted unit trust	**3,072**	2,247
Total distribution income	**6,202**	7,203

5 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:

	30 June 2020 $'000	30 June 2019 $'000
Net unrealised gains/(losses) on financial instruments for trading	**205**	(360)
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	**(10,323)**	6,967
Net realised gains/(losses) on financial instruments for trading	**(2,357)**	(2,138)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	**5,973**	2,390
Net gains/(losses) on financial instruments at fair value through profit or loss	**(6,502)**	6,859

6 Auditor's remuneration

During the reporting period 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 $
KPMG		
Audit of financial statements	**15,240**	20,000
Tax advisory services	**13,800**	13,800
Total auditor's remuneration	**29,040**	33,800

7 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:

	As at			
	30 June 2020 Units '000	30 June 2019 Units '000	**30 June 2020 $'000**	30 June 2019 $'000
Net assets attributable to unitholders				
Opening balance	**373,871**	369,947	**397,745**	386,497
Applications	**7,963**	3,648	**8,568**	3,767
Redemptions	**(135)**	(140)	**(145)**	(144)
Units issued upon reinvestment of distributions	**860**	416	**910**	431
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**(9,562)**	7,194
Closing balance	**382,559**	373,871	**397,516**	397,745

8 Distributions to unitholders

The distributions for the year were as follows:

	Year ended			
	30 June 2020 $'000	**30 June 2020 CPU**	30 June 2019 $'000	30 June 2019 CPU
Distributions				
Distributions paid - September	**1,403**	**0.3723**	2,297	0.6207
Distributions paid - December	**2,368**	**0.6270**	1,224	0.3294
Distributions paid - March	**1,629**	**0.4275**	2,854	0.7656
Distributions payable - June	**7,275**	**1.9017**	4,227	1.1305
Total distributions	**12,675**	**3.3285**	10,602	2.8462

9 Financial assets at fair value through profit or loss

	As at	
	30 June 2020 $'000	30 June 2019 $'000
Held for trading		
Futures	**3**	-
Foreign exchange forward contracts	**18,858**	380
Total held for trading	**18,861**	380
Designated at fair value through profit or loss		
Debt securities	**111,304**	102,469
Unlisted unit trusts	**233,190**	252,666
Total designed at fair value through profit or loss	**344,494**	355,135
Total financial assets at fair value through profit or loss	**363,355**	355,515

Unlisted unit trusts financial assets include $18.21 million allocated exposure of the Uniting Church (NSW) Trust Association Limited's investment in an unlisted unit trust (2019: $18.16 million). The Uniting Church (NSW) Trust Association Limited is the Trustee of the Trust.

The rights to the contractual cash flows associated with the investment in the unlisted unit trust are not transferred to the Trust. Distribution income and gains and losses are allocated to the Trust by the Trustee in proportionate with the investment exposure allocated to the Trust.

10 Loans and receivables

	As at	
	30 June 2020 $'000	30 June 2019 $'000
Accrued income	**2,341**	3,086
Other receivables	**34**	31
Mortgage loans exposure	**44,000**	39,000
Total loans and receivables	**46,375**	42,117

	As at	
	30 June 2020 $'000	30 June 2019 $'000
Mortgage loans exposure		
Gross mortgage loans exposure	**44,000**	39,000
Total mortgages loans exposure	**44,000**	39,000

10 Loans and receivables (continued)

The fair value as at 30 June 2020 for the mortgage loans exposure amounted to $44,000,000 (2019: $39,000,000).

Mortgage loans exposure represents interests arising from The Uniting Church (NSW) Trust Association Limited's mortgage loans portfolio. The Uniting Church (NSW) Trust Association Limited is the Trustee of the Trust. As at 30 June 2020, the Trustee has allocated $44m of its exposure to its mortgage loans portfolio to the Trust (2019: $39m).

The rights to the contractual cash flows associated with these mortgage loans are not transferred to the Trust. Interests and impairment losses are allocated to the Trust by the Trustee in proportionate with the mortgage loans exposure allocated to the Trust.

Provision for impairment

The Trustee assesses the provision for impairment on a collective and specific basis. Specific loan provisions are recognised in a situation when, following an assessment of the individual loan facility, there is an objective evidence that the loan is impaired.

As at 30 June 2020, there was no material collective and specific provision for impairment on the mortgage loans exposure held by the Trust.

During the year, there was no interest earned or losses incurred from impaired assets.

11 Payables

	As at	
	30 June 2020 $'000	30 June 2019 $'000
Accrued expenses	**129**	348
Total payables	**129**	348

12 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2020 $'000	30 June 2019 $'000
Held for trading		
Futures	**82**	207
Foreign exchange forward contracts	**19,348**	947
Total financial liabilities at fair value through profit or loss	**19,430**	1,154

13 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)

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 Trust 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), refer to note 2(g).

13 Related party transactions (continued)

Trustee's fees and other transactions (continued)

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	**1,412,375**	1,180,488

During the year, the Trustee allocated $5m exposure to its mortgage loans portfolio (2019: nil) and a share of its investment in an unlisted unit trust to the Trust. The closing balance of these allocated exposures as at 30 June 2020 is $44m for mortgage loans exposure (2019: $39m) and $18.21m for investment in unlisted unit trusts exposure (2019: $18.16m). Refer to Note 9 and 10 for details.

Interest income earned on the allocated mortgage loans exposure for the year ended 30 June 2020 is $1.55m (2019: $1.78m) and is disclosed in note 3.

Distribution income from the allocated exposure to the unlisted unit trust for the year ended 30 June 2020 is $0.1m (2019: $0.2m).

Investments

The Trust held investments in the following Trust which are also managed by the Trustee or its related parties:

30 June 2020

Investment	**Number of units held '000**	**Fair value of investments $'000**	**Interest held %**	**Number of units acquired '000**	**Number of units disposed '000**	**Distributions received/ receivable $'000**
Uniting Financial Services Ethical Australian Equity Fund	**123,382**	**127,009**	**84.8**	**-**	**22,081**	**3,130**

30 June 2019

Investment	Number of units held '000	Fair value of investments $'000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions received/ receivable $'000
Uniting Financial Services Ethical Australian Equity Fund	145,463	154,990	86.8	6,216	8,540	4,956

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

The unlisted unit trusts are managed in accordance with the investment strategy by their respective investment managers. The return of the unlisted unit trusts is exposed to the variability of the performance of their investment. The unlisted 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 $233,189,815 (2019: $252,665,615).

The fair value of these entities is included in financial assets held at fair value through profit or loss in the statement of financial position.

The Trust's maximum exposure to loss from its interests in the 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 Scheme applies the investment entity exception to consolidation available under AASB 10 Consolidated Financial Statements and measures its subsidiaries at fair value through profit or loss.

The investment in Uniting Financial Services Ethical Australian Equity is considered to be the Scheme's subsidiary at the reporting date.

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

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Increase/(decrease) in net assets attributable to unitholders	**(9,562)**	7,194
Proceeds from sale of financial instruments at fair value through profit or loss	**70,720**	53,811
Purchase of financial instruments at fair value through profit or loss	**(71,856)**	(58,837)
Net gains on financial instruments at fair value through profit or loss	**6,502**	(6,859)
Net foreign exchange (gains)/losses	**(811)**	(141)
Net change in receivables	**715**	(886)
Net change in payables	**(219)**	84
Distributions to unitholders	**12,675**	10,602
Interest expense paid	**18**	4
Net cash inflow/(outflow) from operating activities	**8,182**	4,972

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

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
(b) Components of cash and cash equivalents		
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	**14,169**	6,263
Futures margin account	**451**	403
Total cash and cash equivalents	**14,620**	6,666
(c) Non-cash financing and investing activities		
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**910**	431

16 Financial risk management

The Trust's investing activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit 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 unlisted unit trusts and debt securities is limited to the fair values of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

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. These include periodic stress testing for fixed income securities. 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.

16 Financial risk management (continued)

(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 its 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 held foreign exchange forward contracts to protect the valuation of financial assets and liabilities against variations in the exchange rates. The Trust does not designate any derivatives as hedges, and hence these derivative financial instruments are classified at fair value through profit or loss.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is exposed to cash flow interest rate risk on financial instruments with floating interest rates. Financial instruments with fixed interest rates expose the Trust to fair value interest rate risk.

The following table summarises the Trust’s exposure to interest rate risk:

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
30 June 2020				
Financial assets				
Cash and cash equivalents	**14,620**	**-**	**-**	**14,620**
Debt securities	**55,126**	**56,178**	**-**	**111,304**
Mortgage loans				
- 1 year or less	**17,723**	**-**	**-**	**17,723**
- Over 1 to 5 years	**26,277**	**-**	**-**	**26,277**
Total	**113,746**	**56,178**	**-**	**169,924**

16 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
30 June 2019				
Financial assets				
Cash and cash equivalents	6,666	-	-	6,666
Debt securities	44,973	57,496	-	102,469
Trade payable	-	-	(824)	(824)
Mortgage loans				
- 1 year or less	15,800	-	-	15,800
- Over 1 to 5 years	22,838	-	-	22,838
- More than 5 years	362	-	-	362
Total	90,639	57,496	(824)	147,311

The table presented in note 16(a)(iv) summarises sensitivity analysis to interest rate risk. This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

(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 unlisted unit trusts. The price risk arising from debt securities is impacted by movements in interest rates and is reflected in note 16(a)(ii).

The Trust has significant exposure to debt securities. As a result, the price risk arising from the Trust's investments is impacted by movements in interest rates and is reflected in note 16(a)(ii).

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.

The Trustee ensures continuous monitoring of asset allocation ranges so the Trust holds well diversified portfolio of securities to ensure the price risk is effectively managed.

The fair value of the Trust's investments exposed to price risk was as follows:

	30 June 2020 $'000	30 June 2019 $'000
Unlisted unit trusts	**233,190**	252,666
	233,190	252,666

The table presented in note 16(a)(iv) summarises sensitivity analysis to price risk. This analysis assumes that all other variables remain constant.

16 Financial risk management (continued)

(a) Market risk (continued)

(iv) Sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to interest rate risk and 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 levels of changes in interest rates and 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	Impact on operating profit/net assets attributable to unitholders	
		30 June 2020 $'000	30 June 2019 $'000
Interest rate risk	+1%	**662**	865
	-1%	**(662)**	(865)
Price risk	+10%	**23,319**	25,267
	-10%	**(23,319)**	(25,267)

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The main concentration of counterparty credit risk, to which the Trust is exposed, arises predominantly from the Trust's investments in debt securities. The Trust is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, and receivables for securities sold. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

The credit risk on cash and cash equivalents, debt securities and futures contracts, is considered to be limited because the counterparties are banks, other financial institutions and corporations with high credit-ratings as assigned by international credit-rating agencies.

(i) Debt securities

Investment management processes include the consideration of counterparty risk. The asset managers may refer to the credit ratings issued by rating agencies to assess the creditworthiness of counterparties. The asset managers consider (among other things) branding, stability and security marketability of counterparties and consistently monitor exposure through electronic systems.

The Trust monitors the credit ratings of debt securities on a regular basis.

16 Financial risk management (continued)

(b) Credit risk (continued)

(i) Debt securities (continued)

The table below sets out the analysis of debt securities by credit ratings as issued by Standard & Poor's:

30 June 2020	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**NON-RATED**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Debt securities	**31,104**	**41,409**	**28,936**	**9,855**	**111,304**
	31,104	**41,409**	**28,936**	**9,855**	**111,304**

30 June 2019	AAA to AA-	A+ to A-	BBB+ to BBB-	NON-RATED	Total
	$'000	$'000	$'000	$'000	$'000
Debt securities	39,315	35,732	25,061	2,361	102,469
	39,315	35,732	25,061	2,361	102,469

Debt securities that are not rated by Standard & Poor's may be rated by other rating agencies.

(ii) Derivative financial instruments

The risk of counterparty default in a derivative transaction is minimised by predominantly using exchange traded derivatives (except for currency hedging, contracts for differences, and occasionally other approved over the counter instruments). The exchange traded derivatives are only executed and cleared through approved members of the exchanges. For over the counter derivatives, minimum credit ratings apply for counterparties at the time of entering into a contract and ISDA agreements are put in place with counterparties.

(iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A or higher (as determined by Standard & Poor's).

(iv) Loan book exposure

The fund has been allocated $44,000,000 (2019: $39,000,000) in exposure to the Trustee’s commercial lending book. The Trustee has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure to counterparties are continuously monitored, as is the change in valuation of collateral held.

The following table shows the Loan to value ratio (LVR) exposure of the Trustee’s Commercial lending portfolio prorated to the fund’s exposure:

LVR	**30 June 2020 '000**	30 June 2019 '000
Less than 50%	**10,133**	6,923
51-70%	**33,544**	31,446
70-80%	**109**	631
80-90%	**215**	-
>90%	**-**	-
Total	**44,000**	39,000

16 Financial risk management (continued)

(c) 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 as per the Trust Deed.

The Trust's investments in unlisted unit trusts expose it to the risk that the responsible entity or the manager of those trusts may be unwilling or unable to fulfill the redemption requests within the timeframe requested by the Trust. However, these investments are considered readily realisable unless the unlisted unit trusts are declared illiquid or suspended.

The Trust may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Trust may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events. No significant over the counter derivative contracts were held at year end.

In order to manage the Trust's overall liquidity, asset managers will only purchase securities (including derivatives) which meet the Trust's investment criteria, including the assessment of saleability in different market conditions. The Trust's investment strategy generally defines a minimum liquidity level for the Trust which is monitored regularly. The Trustee has the discretion to reject an application and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Trust did not reject or withhold any redemptions during the reporting period.

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

		Contractual cash flows		
30 June 2020	**Carrying amount $'000**	**At call $'000**	**less than 6 months $'000**	**6 - 12 months $'000**
Non-derivative financial liabilities				
Distributions payable	**7,275**	**-**	**7,275**	**-**
Payables	**129**	**-**	**129**	**-**
Net assets attributable to unitholders	**397,516**	**397,516**	**-**	**-**
Total	**404,920**	**397,516**	**7,404**	**-**
Derivative financial liabilities				
Futures	**82**	**-**	**82**	**-**
Foreign exchange forward contracts	**19,348**			
Outflow	**-**	**-**	**439,830**	**-**
Inflow	**-**	**-**	**(420,482)**	**-**
Total	**19,430**	**-**	**19,430**	**-**

16 Financial risk management (continued)

(c) Liquidity risk (continued)

30 June 2019	Carrying amount $'000	Contractual cash flows At call $'000	less than 6 months $'000	6 - 12 months $'000
Non-derivative financial liabilities				
Distributions payable	4,227	-	4,227	-
Trade payables for securities purchased	824	-	824	-
Payables	348	-	348	-
Net assets attributable to unitholders	397,745	397,745	-	-
Total	403,144	397,745	5,399	-

Derivative financial liabilities				
Futures	207	-	207	-
Foreign exchange forward contracts	947			
Outflow	-	-	165,391	-
Inflow	-	-	(164,444)	-
Total	1,154	-	1,154	-

(d) 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 reporting period 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.

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.

16 Financial risk management (continued)

(d) Fair value measurement (continued)

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

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 asset 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.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Trustee's best estimates and the discount rate used is a 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. Quoted market prices or dealer quotes for similar instruments are used for debt securities held.

The fair value of derivatives that are not exchange traded is estimated at the amount that would be received or paid 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 asset allocation policy of the Trust does not mandate investments into investments classified under level 3.

Level 3 assets includes investments in social benefit bonds, these are valued at cost plus accrued interest.

The following tables present 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**
Financial assets				
Financial assets held for trading:				
Futures	3	-	-	3
Foreign exchange forward contracts	-	18,858	-	18,858
Financial assets designated at fair value through profit or loss:				
Debt securities	-	109,451	1,853	111,304
Unlisted unit trusts	-	233,190	-	233,190
Mortgage loans	-	44,000	-	44,000
Total	3	405,499	1,853	407,355
Financial liabilities				
Financial liabilities held for trading:				
Futures	82	-	-	82
Foreign exchange forward contracts	-	19,348	-	19,348
Total	82	19,348	-	19,430

16 Financial risk management (continued)

(d) Fair value measurement (continued)

30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Foreign exchange forward contracts	-	380	-	380
Financial assets designated at fair value through profit or loss:				
Debt securities	-	100,108	2,361	102,469
Unlisted unit trusts	-	252,666	-	252,666
Mortgage loans	-	39,000	-	39,000
Total	-	392,154	2,361	394,515
Financial liabilities				
Financial liabilities held for trading:				
Futures	207	-	-	207
Foreign exchange forward contracts	-	947	-	947
Total	207	947	-	1,154

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 reporting period.

For the years ended 30 June 2020 and 30 June 2019, there has been no transfer between levels.

16 Financial risk management (continued)

(d) Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments, by class of financial instruments, for the year ended 30 June 2020:

30 June 2020	**Debt securities $'000**	**Total $'000**
Opening balance	**2,361**	**2,361**
Sales	**(500)**	**(500)**
Gains/(losses) recognised in profit or loss	**(8)**	**(8)**
Closing balance	**1,853**	**1,853**
Total unrealised gains/(losses) for the year included in the statement of comprehensive income for financial assets and liabilities at the end of the year	**(8)**	**(8)**

30 June 2019	Debt securities $'000	Total $'000
Opening balance	2,038	2,038
Purchases	320	320
Gains/(losses) recognised in profit or loss	3	3
Closing balance	2,361	2,361
Total unrealised gains/(losses) for the year included in the statement of comprehensive income for financial assets and liabilities at the end of the year	3	3

17 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the table below:

30 June 2020	**Gross amounts $'000**	**Offsetting amount $'000**	**Net amounts $'000**
Financial assets			
Derivative assets	**18,861**	**(18,858)**	**3**
Derivative liabilities	**(19,430)**	**18,858**	**(572)**

30 June 2019	Gross amounts $'000	Offsetting amount $'000	Net amounts $'000
Financial assets			
Derivative assets	380	-	380
Derivative liabilities	(1,154)	-	(1,154)

Master netting arrangement - not currently enforceable

Agreements with derivative counterparties are based on the ISDA Master Agreements. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Trust does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in this note.

18 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 $1.0534 as at 30 September 2020 ($1.0581 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.

19 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 the Uniting Financial Services Ethical Diversified Fund:

(a) the financial statements and notes, set out on pages 2 to 33:

  (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 Trustees.

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 Diversified Fund

Opinion

We have audited the ***Financial Statements*** of Uniting Financial Services Ethical Diversified 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 of 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 Diversified 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 Diversified Fund and should not be used or distributed to parties other than the Trustee of Uniting Financial Services Ethical Diversified 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 Diversified 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. This description forms part of our Auditor's Report.

KPMG

KPMG

Brendan Twining

Partner

Sydney

16 October 2020