



Annual Report



B. Ethical Investment Fund ABN 73 192 969 595 ARSN 631506673
Issued by the Responsible Entity, B. Ethical Funds Management, the trading name of Intervate Capital Limited
ABN 13 613 975 812 AFSL 492814



B. Ethical Investment Fund

Annual report for the year ended 30 June 2022

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About this annual report

These financial statements cover the B. Ethical Investment Fund ARSN 631 506 673 (the **Fund**) as an individual entity. B. Ethical Funds Management ABN 13 613 975 812 AFSL 492814 (**we, us, our**) issue interest in, and are the responsible entity for, the Fund. We are a subsidiary of B. Financial Group Pty Ltd (**B.**) and use the B. trademark under licence. B. does not guarantee our obligations and we are not their representative. The Responsible Entity's registered office is Ground Floor, Regus, 35 Cotham Street, Kew, Victoria 3101.



Directors' report

The directors of Intervate Capital Limited (**we, us, our**), the responsible entity of the B. Ethical Investment Fund (the **Fund**), present their report together with the financial statements of the Fund for the year ended 30 June 2022 (the **year**).

Principal activities

During the year, the Fund invested in equities and cash investments in accordance with the investment objectives and guidelines of the Fund's governing documents (the Fund's Product Disclosure Statement and Constitution). The Fund did not invest in derivatives, although authorised to do so by the governing documents.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

The following persons held office as directors of B. Ethical Funds Management during the year and since the end of the year and up to the date of this report:

- Yen Koh
- Christopher Lim
- Kai Li Bui

Review and results of operations

During the year, the Fund invested in accordance with the investment objectives and guidelines as set out in the Fund's governing documents.

The performance of the Fund, as represented by the results of its operations, was as follows:

| | 2022 financial year | 2021 financial year |
|--------------------------------------|------------------------------------|---------------------------|
| | \$ | \$ |
| Operating profit/(loss) for the year | (463,425) | 452,071 |
| <i>Distributions</i> | | |
| Distributions paid and payable | 8,383 | 18,477 |
| Distributions (cents per unit) | 0.68 | 1.56 |



Fund performance

The table below demonstrates the performance of the Fund's units as represented by the total annual return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income less fees and expenses. The total annual return is shown for the years ended 30 June 2022 and 2021 and assumes that all distributions were re-invested during that period. Future annual reports will set out 5-years of performance (where possible).

| | 2022 financial year | 2021 financial year | 2020 financial year |
|------------------------|------------------------------------|---------------------------|---------------------------|
| | (%) | (%) | (%) |
| Capital growth | (29.42) | 36.96 | 2.72 |
| Distribution of income | 1.73 | 1.61 | 0.01 |
| Total return | (27.69) | 38.56 | 2.73 |

Consistent with the statements in the governing documents of the Fund, future performance is not guaranteed and past performance is not a reliable indication of future performance.

The key differences, if any, between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

| | 2022 financial year | 2021 financial year |
|------------------------------------------------|------------------------------------|---------------------------|
| | (\$) | (\$) |
| Redemption value of outstanding units | 1,270,516 | 1,691,226 |
| Adjustment for differences in valuation inputs | (798) | (18,614) |
| Net assets attributable to unitholders | 1,269,717 | 1,672,612 |

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- (a) the operations of the Fund in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Fund's governing documents.



The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past performance is not a reliable indication of future performance.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund for insurance cover provided to our officers.

Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the responsible entity or its associates

Fees paid to us and our associates out of Fund property during the year are disclosed in note 13 to the financial statements.

No fees were paid out of Fund property to our directors during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 13 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the balance sheet and is derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *Australian Securities & Investments Commission ('ASIC') Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report is made in accordance with a resolution of the directors.

Director

Yen Koh
Director

25 October 2022



Auditor's Independence Declaration

As lead auditor for the audit of B. Ethical Investment Fund for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Rowan Harman
R Harman & Associates
25 October 2022



Statement of comprehensive income

| | | Year ended | |
|--------------------------------------------------------------------------------------------------|-------|------------------|-----------------|
| | Notes | 30 June 2022 | 30 June 2021 |
| | | \$ | \$ |
| Investment income | | | |
| Interest income | | 26 | 944 |
| Dividend income | | 27,772 | 13,998 |
| Net unrealised gains/(losses) on financial instruments held at fair value through profit or loss | | (466,718) | (49,827) |
| Net realised gains/(losses) on financial instruments held at fair value through profit or loss | | (5,090) | 9,795 |
| Deferred tax credit | | 5,090 | |
| Total net investment income/(loss) | | (438,920) | (25,090) |
| Expenses | | | |
| Responsible entity fees | 13.4 | 19,412 | 19,824 |
| Transaction costs | | 0 | 0 |
| Other expenses | 5 | 3 | 4 |
| Total operating expenses | | 19,415 | 19,828 |
| Profit/(loss) for the period | | (458,335) | (44,919) |
| Other comprehensive income | | 0 | 0 |
| Total comprehensive income for the year | | (458,335) | (44,919) |

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



Balance sheet

| | | As at | |
|-------------------------------------------------------------|-------|------------------|------------------|
| | Notes | 30 June 2022 | 30 June 2021 |
| | | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 10 | 214,287 | 135,656 |
| Financial assets held at fair value through profit and loss | 11 | 1,059,711 | 1,558,410 |
| Unsettled sales/(purchases) | | 0 | 0 |
| Accrued dividends | | 0 | 0 |
| Receivables | | 0 | 0 |
| Deferred tax asset | | 5,090 | 0 |
| GST input tax credits/(payable) | | 1,022 | 1,318 |
| Total assets | | 1,280,111 | 1,695,384 |
| Liabilities | | | |
| Distributions payable | 9 | 8,383 | 18,477 |
| Unsettled purchases | | 0 | 0 |
| Payables | | 2,010 | 2,976 |
| Pending applications | | 0 | 0 |
| Total liabilities | | 10,393 | 21,453 |
| Net assets attributable to unitholders - Equity | | 1,269,717 | 1,673,931 |

This balance sheet should be read together with the accompanying notes.



Statement of changes in equity

| | | Year ended | |
|------------------------------------------------------------|-------|------------------|------------------|
| | Notes | 30 June 2022 | 30 June 2021 |
| | | \$ | \$ |
| Total equity at the beginning of the financial year | | 1,673,820 | 1,097,744 |
| Comprehensive income for the year | 8 | | |
| Profit/(loss) for the year | | (458,335) | 452,071 |
| Other comprehensive income | | 0 | 0 |
| Total comprehensive income for the year | | <u>(458,335)</u> | <u>452,071</u> |
| Transactions with unitholders | | | |
| Applications | | 65,000 | 137,573 |
| Redemptions | | (20,862) | 0 |
| Units issued on the reinvestment of distributions | | 18,477 | 4,909 |
| Distributions paid and payable | 9 | <u>(8,383)</u> | <u>(18,477)</u> |
| Total transactions with unitholders | | <u>54,232</u> | <u>124,005</u> |
| Total equity at the end of the financial year | | <u>1,269,717</u> | <u>1,673,820</u> |

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



Statement of cash flows

| | Notes | Year/period ended 30 June 2022 (\$) | Year/period ended 30 June 2021 (\$) |
|----------------------------------------------------------------------------------------|-------|----------------------------------------------|----------------------------------------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of financial instruments held at fair value through profit and loss | | 26,781 | 78,146 |
| Purchase of financial instruments held at fair value through profit and loss | | 0 | (170,505) |
| Interest received | | 26 | 19 |
| Dividends received | | 27,772 | 19,805 |
| Responsible Entity's fees (paid) | | (21,400) | (19,111) |
| Payment of other expenses | | (3) | (2) |
| Tax credits received | | 1,317 | 1,303 |
| Net cash inflow/(outflow) from operating activities | 14 | <u>34,493</u> | <u>(90,345)</u> |
| Cash flows from financing activities | | | |
| Proceeds from applications by unitholders | | 65,000 | 129,818 |
| Payments for redemptions by unitholders | | (20,862) | 0 |
| Distributions paid | | 0 | 0 |
| Net cash inflow/(outflow) from financing activities | | <u>44,138</u> | <u>129,818</u> |
| Net increase/(decrease) in cash and cash equivalents | | 78,631 | 39,473 |
| Cash and cash equivalents at the beginning of the year | | <u>135,656</u> | <u>96,183</u> |
| Cash and cash equivalents at the end of the year | 10 | <u>214,287</u> | <u>135,656</u> |
| Non-cash transactions | 14 | | |

This statement of cash flows should be read together with the accompanying notes.



Notes to the financial statements

1 General information

These financial statements cover the B. Ethical Investment Fund (the **Fund**) as an individual entity. The Fund was constituted on 1 July 2019.

The responsible entity of the Fund is B. Ethical Funds Management (**we, us, our**). Our registered office is at Ground Floor, 35 Cotham Street, Kew, Victoria 3101.

The financial statements are presented in Australian currency.

During the year, the Fund invested in equities and cash investments in accordance with the investment objectives and guidelines of the Fund's governing documents (the Fund's Product Disclosure Statement and Constitution). The Fund did not invest in derivatives, although authorised to do so by the governing documents.

The financial statements were authorised for issue by our directors on 4 October 2022. Our directors have the power to amend and reissue the financial statements.

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 years presented, unless otherwise stated.

2.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

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

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current assets. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

The Fund manages financial assets and liabilities at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be realised within 12 months, however an estimate cannot be determined at the end of the reporting period.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such the amount expected to be settled within 12 months cannot be reliably determined.

(a) Compliance with International Financial Reporting Standards

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.



(b) Comparatives

No previous years' figures have been restated to conform with the financial statement presentation adopted for the current year.

(c) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the Fund.

2.2 Financial instruments

(a) Classification

The Fund classifies its financial instruments based on its business model for managing its investments and their contractual cash flow characteristics. The Fund's investments are managed, and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the responsible entity to evaluate the information about the investments on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows held by the Fund are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash investments, the contractual cash flows are solely principal and interest, however they are neither held for collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the objective of the Fund's business model. Consequently, the money market securities are also measured at fair value through profit or loss.

(b) Recognition/derecognition

The Fund recognises financial assets and liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets and liabilities are derecognised when the right to receive cash flows has expired or has been transferred, and the Fund has transferred substantially all of the risks and rewards of ownership.

(c) Measurement

At initial recognition, a financial asset or liability is measured at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through profit or loss" category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Refer to note 4 for further details on how the fair values of financial instruments are determined.

(d) Offsetting financial instruments

Financial assets and liabilities may be offset and the net amount 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.

There are no significant financial assets and liabilities subject to offsetting arrangements as at the end of each reporting period.

2.3 Net assets attributable to unitholders

Units are redeemable at the unitholder's option, however applications and redemptions may be suspended by us if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund does not meet all the criteria in paragraph 16A and 16B of AASB 132 Financial Instruments: Presentation. In particular, the Fund is required by its constitution to distribute trust income as well as redeem units.

A unitholder can redeem units at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value.

The units are carried at the redemption amount that is payable at the end of the reporting period if the unitholders exercise the right to redeem the units in the Fund.

2.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and cash management trusts.

Payments and receipts relating to the purchase and sale of financial assets and liabilities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

2.5 Accrued income

Accrued income may include amounts for dividends and interest. Dividends are accrued when the right to receive payment is established. Interest is accrued from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables.

2.6 Unsettled sales/purchases

Unsettled sales/purchases represent receivables for securities sold and/or payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on unsettled sales/purchases at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses.

2.7 Receivables

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

2.8 Payables

Payables include liabilities, accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period.



As the Fund has an obligation to distribute its distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

2.9 Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss as it accrues.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. Where the Fund incurs withholding tax imposed by certain countries on investment income, such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions (including distributions from cash management trusts) are recognised on an entitlement basis.

2.10 Expenses

All expenses, including responsible entity's fees, are recognised in the statement of comprehensive income on an accrual basis.

2.11 Transaction costs

Transaction costs include fees and commissions paid to agents, advisers, brokers, and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

2.12 Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be included in the Fund's taxable income for distribution/attribution, so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed or attributed to unitholders.

To the extent allowable by taxation legislation, the benefits of imputation credits and foreign tax paid are passed on to unitholders.

2.13 Distributions

In accordance with the Fund's Constitution, the responsible entity is entitled to determine the amounts to be distributed to unitholders. The distributions are recognised in the statement of comprehensive income.

2.14 Increase/(decrease) 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 attributable to unitholders.

2.15 Foreign currency translation

(a) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund operates and is regulated. The Australian dollar is also the presentation currency.



(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

2.16 Applications and redemptions

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

2.17 Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund, such as management fees, have been passed onto the Fund. The Fund qualifies for RITC, hence fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (**ATO**). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

2.18 Classes of units

The Fund has a single class of unit. All units are exposed to the same underlying pool of assets.

2.19 Use of estimates

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

For the majority of the financial instruments held, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel, independent of the area that created them.

To the extent practicable, models use observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including unsettled sales and purchases and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

For more information on how fair value is calculated refer note 4.



2.20 New accounting standards and interpretations

New accounting standards have been published for the reporting period of the year ending 30 June 2022 (AASB 1060; AASB 2021-1; AASB 2020-2; AASB 2020-7 / AASB 2021-3; AASB 2020-9). Management's assessment of the impact of these new standards is set out below:

- (a) Management notes that the new accounting standards have not had any impact on the accounting policies or the amounts recognised in the financial statements.

2.21 Rounding of amounts

The Fund is an entity of the kind referred to in *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off amounts in the financial statements. Amounts in the financial statements maybe rounded off to the nearest thousand dollars, where indicated.

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Derivative financial instruments may also be used (or are used) to alter certain risk exposures. Financial risk management is carried out by the investment manager.

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

The investment manager mitigates these financial risks through diversification and a careful selection of securities and financial instruments within specified limits.

The Fund's performance exceptions to its benchmark are reported to the board on a regular basis.

3.1 Market risk

(a) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Price risk arises on investments held for which prices in the future are uncertain. These are classified in the balance sheet as at fair value through profit or loss. All equity investments present a risk of loss of capital.

Exceptions to compliance are reported to the board on a regular basis.

The table presented in note 3.2 summarises a sensitivity analysis to price risk.

(b) 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. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The Fund does not have any significant direct exposure to interest rate risk.

Exceptions to compliance would be reported to the board on a regular basis.



3.2 Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to price risk. The analysis is based on reasonably possible movements in the risk variables applied to the Fund's net assets. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors including historical levels of changes in market indices, security prices and/or benchmark returns and interest rates. However actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The sensitivity analysis is based on symmetrical reasonably possible movements; however the likelihood of symmetrical movements may vary over time due to factors such as economic conditions and investment strategies.

| | Impact on operating profit/(loss) / Net assets attributable to unitholders | |
|-----------|----------------------------------------------------------------------------|---------|
| | Price risk | |
| | -15% | 15% |
| As at | \$ | \$ |
| 30-Jun-22 | (158,957) | 158,957 |
| 30-Jun-21 | (233,762) | 233,762 |

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the responsible entity has considered prior period and expected future movements of the portfolio based on market information.

3.3 Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk primarily arises from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. These assets are not impaired nor past due but not impaired.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as the delivery of securities sold is only made once the broker has received payment. Payment is made on the purchase of securities once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

Concentrations of direct credit risk are minimised primarily by:

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

Exceptions to compliance are reported to the board on a regular basis.

There were no significant direct concentrations of credit risk to counterparties as at 30 June 2022.



3.4 Liquidity risk

Liquidity risk is the risk that sufficient cash resources may not be able to be generated to settle obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to monthly cash redemptions of redeemable units. The liquidity risks associated with the need to meet unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to fulfil usual redemption volumes and the nature of the assets held by the Fund being assets that are traded in an active market and can be disposed of readily.

The Fund's investment objectives and guidelines are designed to minimise liquidity risk through:

- requiring that all assets held by the Fund are traded on an active market or held in cash;
- ensuring there is no significant exposure to illiquid or thinly traded financial instruments;
- applying limits to ensure there is no concentration of liquidity risk to a particular equity investment.

Exceptions to the above are reported to the board on a regular basis.

(a) Maturities of financial liabilities

The financial liabilities of the Fund comprise distributions payable, unsettled purchases, payables and net assets attributable to unitholders. Distributions payable, unsettled purchases and payables have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are redeemable at the unitholders' option. However, as permitted under the governing documents, management may delay payment of the redemption amount in extreme market events such as a securities exchange closure, market trading halt or restricted or suspended trading in an asset.

4 Fair value measurement

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- 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 or indirectly (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

4.1 Fair value in an active market (level 1)

Investments are valued in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of financial assets and liabilities, information provided by independent pricing services is relied upon for valuation. Fair value inputs utilise the last traded prices for both financial assets and liabilities.

Where the last traded price does not fall within the bid-ask spread, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.



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.

Interest bearing financial assets are valued at quoted market prices at the end of the reporting period as provided by independent pricing services.

4.2 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 are determined by using quoted market prices, dealer quotes and/or valuation techniques.

(a) Recognised fair value measurements

The following table presents the financial assets and liabilities measured and recognised at fair value:

| As at 30 June 2022 | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------------------|------------------|---------|---------|------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Financial assets held at fair value through profit or loss | | | | |
| Equity securities | 1,059,711 | | | 1,059,711 |
| Total | 1,059,711 | | | 1,059,711 |

| As at 30 June 2021 | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------------------|------------------|---------|---------|------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Financial assets held at fair value through profit or loss | | | | |
| Equity securities | 1,558,410 | | | 1,558,410 |
| Total | 1,558,410 | | | 1,558,410 |

Transfers into and transfers out of the fair value hierarchy levels are recognised at the end of each reporting period.

(b) Transfers between levels

There have been no transfers between levels for the year ended 30 June 2022.

(c) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as level 2 or level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identified securities. In the event that the security is not actively traded and there are no or few other broker quotes to substantiate the quoted market price, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

4.3 Fair value of non-financial instruments

Due to their short-term nature, the carrying value of receivables and payables are assumed to approximate their fair values.



Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material as at 30 June 2022.

5 Other operating expenses

| | Year ended | |
|---------------------------------------|------------|-----------|
| | 30-Jun-22 | 30-Jun-21 |
| | \$ | \$ |
| Transaction costs | 0 | 0 |
| Other costs | 3 | 2 |
| Total other operating expenses | 3 | 2 |

6 Remuneration of auditors

During the year the following fees were paid to the auditors of the Fund:

| | Year ended | |
|--------------------------------------------------------------------|--------------|--------------|
| | 30-Jun-22 | 30-Jun-21 |
| | \$ | \$ |
| R Harmon & Associates | | |
| Audit of these financial statements | 470 | 470 |
| Other audit services | 450 | 450 |
| | <u>920</u> | <u>920</u> |
| Crowe Melbourne | | |
| Compliance Plan Audit | 4,000 | 3,675 |
| Total remuneration for audit & other assurance services | 4,920 | 4,595 |

Fees exclude refundable GST

Audit fees were paid by Responsible Entity for the years ended 30 June 2020, 30 June 2019, 30 June 2018 and 30 June 2017

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

| | Year ended | |
|-----------------------------------------------------------------------------|------------------|----------------|
| | 30-Jun-22 | 30-Jun-21 |
| | \$ | \$ |
| Net gains/losses on financial instruments held through trading | (471,808) | 456,390 |
| Total net gains/losses on financial instruments held through trading | (471,808) | 456,390 |



8 Net assets attributable to unitholders

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

| | 30-Jun-22 Number | 30-Jun-21 Number | 30-Jun-22 \$ | 30-Jun-21 \$ |
|--------------------------------------------------------|---------------------|---------------------|------------------|------------------|
| Opening balance | 1,188,118 | 1,073,905 | 1,673,820 | 1,098,310 |
| Applications | 50,042 | 109,434 | 65,000 | 137,391 |
| (Redemptions) | (16,877) | 0 | (20,862) | 0 |
| Units issued on reinvestment of distributions and fees | 12,981 | 4,779 | 18,477 | 4,909 |
| (Distributions paid and payable) | - | - | (8,383) | (18,477) |
| Profit/(loss) for the year | - | - | (458,335) | 451,688 |
| Closing balance | <u>1,234,264</u> | <u>1,188,118</u> | <u>1,269,717</u> | <u>1,673,820</u> |

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

Units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such the amount expected to be settled within 12 months after the end of the reporting period cannot be reliably determined.

8.2 Capital risk management

Management manages the Fund's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly each month as the Fund is subject to monthly applications and redemptions at the discretion of unitholders.

Management monitors the level of monthly applications and redemptions relative to the liquid assets in the Fund.

9 Distributions to unitholders

| | Year ended | | | |
|----------------------------|--------------|-------------|---------------|-------------|
| | 30-Jun-22 | | 30-Jun-21 | |
| | \$ | CPU | \$ | CPU |
| Distributions paid | 0 | 0 | 0 | 0 |
| Distribution payable | | | | |
| 30 June | 8,383 | 0.68 | 18,477 | 1.56 |
| Total distributions | <u>8,383</u> | <u>0.68</u> | <u>18,477</u> | <u>1.56</u> |



10 Cash and cash equivalents

| | Year ended | |
|----------------------------------------|----------------|----------------|
| | 30-Jun-22 | 30-Jun-21 |
| | \$ | \$ |
| Cash at bank | 214,287 | 135,656 |
| Total cash and cash equivalents | 214,287 | 135,656 |

11 Financial assets held at fair value through profit or loss

| | 30-Jun-22 | 30-Jun-21 |
|-------------------------------------------------------------------------|------------------|------------------|
| | Fair value | Fair value |
| | \$ | \$ |
| Designated at fair value through profit or loss | | |
| Equity securities | 1,059,711 | 1,558,410 |
| Total financial assets held at fair value through profit or loss | 1,059,711 | 1,558,410 |
| Comprising: | | |
| Equity securities | | |
| Australian equity securities listed on prescribed stock exchange | 1,059,711 | 1,558,410 |
| Total equity securities | 1,059,711 | 1,558,410 |
| Total financial assets held at fair value through profit or loss | 1,059,711 | 1,558,410 |

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3 and note 4.

12 Derivative financial instruments

The Fund did not hold any derivative financial instruments during the year.

13 Related party transactions

13.1 Responsible entity

The responsible entity of the Fund is Intervate Capital Limited ABN 13 613 975 812 trading as B. Ethical Funds Management, which is a wholly owned subsidiary of B. Financial Group Pty Ltd ABN 66 627 465 838.

13.2 Directors

The directors of Intervate Capital Limited during the financial year or since the end of the year and up to the date of this report were as follows:

- (a) Yen Koh
- (b) Christopher Lim



(c) Kelly Bui

13.3 Other key management personnel

There was no other person with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

13.4 Responsible Entity's/manager's fees and other transactions

For the year ended 30 June 2022, in accordance with the Fund's governing documents, the Fund incurred a total management fee (inclusive of GST, net of RITC available to the Fund) as follows: 1.2% p.a.

In accordance with the Fund's governing documents, the responsible entity is also entitled to receive a performance fee if the performance of the Fund is positive, exceeds its benchmark, being the ASX small ordinaries index, and recoups any previous quarter underperformance.

Management and performance fees are paid out of the Fund.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions.

The transactions during the year and amounts payable/(receivable) at the end of each reporting period between the Fund and the Responsible Entity were as follows:

| | 30-Jun-22 | 30-Jun-21 |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| | \$ | \$ |
| Management fees incurred by the Fund | 19,412 | 16,946 |
| Performance fees incurred by the Fund | 0 | 7,194 |
| Management fees paid by the Fund | (21,400) | (19,111) |
| Performance fees paid by the Fund | 0 | (7,194) |
| Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period | <u>(1,988)</u> | <u>(2,164)</u> |

13.5 Transactions with key management personnel

Key management personnel services are provided by Intervate Capital Limited and included in the management fees disclosed in 13.4 above. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

The following transactions occurred with key management personnel during the reporting period:

| | 30-Jun-22 | 30-Jun-21 |
|-----------------------|-----------|-----------|
| | \$ | \$ |
| Application for units | 1,231 | 102,765 |
| Redemption of units | 0 | 0 |



The key management personnel of Intervate Capital Limited held units in the Fund as follows:

30 June 2022

| | Number of units held opening | Number of units held closing | Interest held | Number of units acquired | Number of units disposed | Distributions paid/payable by the Fund |
|-----------------|------------------------------|------------------------------|---------------|--------------------------|--------------------------|----------------------------------------|
| Unitholder | Units | Units | % | Units | Units | \$ |
| Christopher Lim | 33604 | 33971 | 2.75 | 367 | 0 | 231 |
| Kai Li Bui | 79050 | 79914 | 6.47 | 864 | 0 | 543 |

30 June 2021

| | Number of units held opening | Number of units held closing | Interest held | Number of units acquired | Number of units disposed | Distributions paid/payable by the Fund |
|-----------------|------------------------------|------------------------------|---------------|--------------------------|--------------------------|----------------------------------------|
| Unitholder | Units | Units | % | Units | Units | \$ |
| Christopher Lim | 17715 | 33604 | 2.83 | 15889 | 0 | 523 |
| Kai Li Bui | 0 | 79050 | 6.65 | 79050 | 0 | 1,229 |

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

13.6 Related party and/or other unit holdings

Parties related to the Fund (including the responsible entity, its related parties and other funds managed by responsible entity), held units in the Fund as follows:

For the period ended 30 June 2022

| | Number of units held opening | Number of units held closing | Interest held | Number of units acquired | Number of units disposed | Distributions paid/payable by the Fund |
|----------------------------------|------------------------------|------------------------------|---------------|--------------------------|--------------------------|----------------------------------------|
| Unitholder | Units | Units | % | Units | Units | \$ |
| B. Financial Group Limited | 13,780 | 13,930 | 1.13 | 0 | 0 | 9,461 |
| Azimuth Capital Partners Pty Ltd | 118,360 | 152,818 | 12.38 | 33,165 | 0 | 103,794 |
| Kym Properties Pty Ltd | 500,972 | 506,446 | 41.03 | 0 | 0 | 343,977 |
| JSYL Pty Ltd | 442,351 | 447,184 | 36.23 | 0 | 0 | 303,726 |



For the period ended
30 June 2021

| | Number of units held opening | Number of units held closing | Interest held | Number of units acquired | Number of units disposed | Distributions paid/payable by the Fund |
|----------------------------------|------------------------------|------------------------------|---------------|--------------------------|--------------------------|----------------------------------------|
| Unitholder | Units | Units | % | Units | Units | \$ |
| B. Financial Group Limited | 7,079 | 13,780 | 1.16 | 6,701 | 0 | 214 |
| Azimuth Capital Partners Pty Ltd | 109,965 | 118,360 | 9.96 | 8,394 | 0 | 1,841 |
| Kym Properties Pty Ltd | 498,753 | 500,972 | 42.17 | 2,219 | 0 | 7,791 |
| JSYL Pty Ltd | 440,392 | 442,351 | 37.23 | 1,960 | 0 | 6,879 |

13.7 Investments

The Fund did not hold any investments in the responsible entity or its related parties during the year (2021: Nil).

13.8 Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

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

| | Year ended | |
|---------------------------------------------------------------------------------------------------|---------------|-----------------|
| | 30-Jun-22 | 30-Jun-21 |
| | \$ | \$ |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Operating profit/(loss) for the year | (458,335) | 452,071 |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 26,781 | 78,146 |
| Purchase of financial instruments held at fair value through profit or loss | 0 | (170,505) |
| Net (gains)/losses on financial instruments held at fair value through profit or loss | 471,808 | (457,170) |
| Net change in receivables and other assets | (4,795) | (274) |
| Net change in payables and other liabilities | (967) | 7,387 |
| Net cash inflow from operating activities | 34,493 | (90,345) |
| (b) Non-cash financing and investing activities | | |
| Distribution payments satisfied by the issue of units under the distribution reinvestment plan | 18,477 | 4,909 |
| Redemptions settled as non-cash withdrawals | 0 | 0 |



15 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2022 or on the results and cash flows of the Fund for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022.



Directors' declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 8 to 27 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) note 2.1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Yen Koh
Director
Melbourne, Victoria
25 October 2022

ROBINSON ST ACCOUNTING PTY LTD

INCORPORATING R.HARMAN & ASSOCIATES

Professional Accountants

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DANDENONG VIC 31
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ABN 52 106 176 845

ALL CORRESPONDENCE TO
PO BOX 472 DANDENONG 31

Independent Auditor's Report

To the unitholders of B. Ethical Investment Fund

Opinion

We have audited the financial report of B. Ethical Investment Fund ARSN 631 506 673 (the **Fund**), which comprises the Balance Sheet as at 30 June 2022, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Director's Declaration. In our opinion, the accompanying financial report for the Fund:

- (a) Gives a fair and true view of the Fund's financial position as at 30 June 2022 and its financial performance and cash flows for the year then ended
- (b) Complies with the Corporations Act 2001 and is in accordance with the Australian Accounting Standards and Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the Corporations Act 2001 and 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 report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Director's Responsibilities for the Financial Report

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

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

The Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Rowan Harman CPA, ACIS
R. Harman & Associates
Registered Auditor No: 8460
21st October 2022