

**Australian Ethical Cash Fund**  
**ARSN 089 919 120**

**Annual Financial Report for the year ended 30 June 2016**

# **Australian Ethical Cash Fund**

## **Annual Financial Report for the year ended 30 June 2016**

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## Australian Ethical Cash Fund

### Directors' Report For the year ended 30 June 2016

Australian Ethical Investment Limited, the "Responsible Entity" of the Australian Ethical Cash Fund (the "Scheme") presents its directors' report together with the financial report of the Scheme for the year ended 30 June 2016 and the accompanying independent auditor's report.

#### Responsible Entity

Australian Ethical Investment Limited (ABN 47 003 188 930) serves as the Responsible Entity for the Scheme. The registered office and principal place of business for the Responsible Entity is:

Registered office:  
Boardroom Pty Limited  
Grosvenor Place  
Level 12, 225 George Street  
Sydney NSW 2000

Principal place of business is:

Level 8, 124 - 130 Pitt St  
Sydney, NSW 2000

The following persons were directors of Australian Ethical Investment Limited during the whole of the financial year and up to the date of this report unless otherwise indicated:

Phil Vernon  
Kate Greenhill  
Stephen Gibbs  
Mara Bun  
Tony Cole

#### Principal activities and state of affairs

The principal activity of the Scheme is to pool investors' savings to invest in interest-bearing investments, in accordance with the investment objectives and guidelines as set out in the current Product Disclosure Statement, and within the provisions of the Scheme's constitution. The constitution of the Scheme authorises investments in a range of assets, which may include short-dated deposits, high grade mortgage-backed securities, State and Commonwealth Government bonds, and bank and corporate bonds. Investments are sought to pursue the goal of a just and sustainable society and the protection of the natural environment as well as providing unitholders (the Scheme investors) with a competitive financial return.

Wholesale and C classes of units were introduced on 1 July 2015. The C class units are held by other Australian Ethical Investment Limited Schemes and the Australian Ethical Retail Superannuation Fund, and are not charged management fees. All other rights attached to C class units are the same as other classes. All other investors have been split into retail (investment value less than \$25,000) and wholesale (investment value greater than \$25,000).

There were no other significant changes in the nature of the Scheme's principal activities during the year and there were no significant changes in the Scheme's state of affairs, except those highlighted in the Review of operations.

#### Review of operations

##### Overview

The underlying fundamentals of the Scheme are consistent with those set out in the Scheme's Product Disclosure Statement dated 30 June 2015.

##### Results

Total return is the percentage change of a unitholder's financial interest in the Scheme assuming all distributions are reinvested in the Scheme. These returns are calculated in accordance with FSC Standard 6 Product Performance-Calculation of Return. The Scheme achieved the following total returns for the period:

- Retail class 1.5% (2015: 0.7%); and
- Wholesale class 2.0% (inception 1 July 2015).

##### Distributions paid and/or payable

Distributions paid and/or payable by the Scheme during the year are shown in the accompanying Statement of Profit or Loss and Other Comprehensive Income.

As per note 12 the Scheme paid interim distributions to the classes as follows:

- Retail class of 0.48 (December 2014: 1.01);
- Wholesale class of 0.68 (inception 1 July 2015); and
- C class of 0.87 (inception 1 July 2015) cents per unit.

**Directors' Report**  
**For the year ended 30 June 2016**

Distributions paid and/or payable - continued

The year end distributions payable are as follows:

- Retail class of 0.91 (June 2015: 1.41);
- Wholesale class of 1.22 (inception 1 July 2015); and
- C class of 1.51 (inception 1 July 2015) cents per unit.

The prior year final distribution of \$830,219 was paid during the period.

Net Assets

The value of the Scheme's net assets attributable to unitholders as at 30 June 2016 was \$65,971,963 (30 June 2015: \$57,739,602).

Fees

Responsible Entity fees charged for the year were as follows:

- 1.00% for the retail class (2015: 1.00%);
- 0.50% for the wholesale class (inception 1 July 2015); and
- Zero for the C class (inception 1 July 2015).

**Likely developments**

The Responsible Entity continually reviews the Scheme and depending on that review may, during the course of the financial year, make decisions to change the offerings of products to investors. The Responsible Entity plans to continue to invest in line with the strategy set out in the Product Disclosure Statement.

**Events occurring after the reporting date**

As the investments in the Scheme are measured at their 30 June 2016 fair values in the financial report, any volatility in values subsequent to the balance date is not reflected in the Statement of Profit or Loss and Other Comprehensive Income or the Statement of Financial Position. However the value of investments is reflected in the current unit price.

During the period between the end of the financial year and the date of this report, there were no items, transactions or events of a material and unusual nature likely in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

**Indemnities and insurance premiums for the Responsible Entity and auditors**

No insurance premiums are paid for out of the assets of the Scheme for insurance cover provided to the Responsible Entity, its officers or auditor of the Scheme. Where the Responsible Entity acts in accordance with the Scheme's constitution and the law, it is generally entitled to an indemnity out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditor of the Scheme is not indemnified out of the assets of the Scheme.

**Related party disclosures**

Fees paid to the Responsible Entity and its associates out of Scheme assets is shown in note 15 of the attached financial statements.

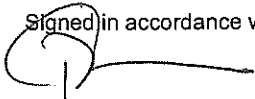
**Environmental regulation**

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

**Auditor's declaration**

The auditor's independence declaration is included on page 23 of the annual report and forms part of the Directors report for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the directors of Australian Ethical Investment Limited.



Phil Vernon  
Managing Director  
Australian Ethical Investment Limited  
29 September 2016

Australian Ethical Cash Fund

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Investment income</b>			
Interest	4	2,354,203	2,176,925
Other		1,500	-
Net change in fair value of investments	5	<u>(818,433)</u>	<u>(509,923)</u>
<b>Net investment income</b>		<u>1,537,270</u>	<u>1,667,002</u>
<b>Operating expenses</b>			
Management fees	15	44,093	484,794
Other		-	1,606
Amortisation	10	<u>16,608</u>	<u>39,860</u>
<b>Operating expenses before finance costs</b>		<u>60,701</u>	<u>526,260</u>
<b>Profit from operating activities</b>		1,476,569	1,140,742
<b>Finance costs</b>			
Distributions paid and payable to unitholders of the Scheme	12	<u>(1,544,573)</u>	<u>(1,349,571)</u>
<b>Change in net assets attributable to unitholders (total comprehensive income)</b>	3	<u><u>(68,004)</u></u>	<u><u>(208,829)</u></u>

The accompanying notes form part of these financial statements.

**Australian Ethical Cash Fund**

**Statement of Financial Position as at 30 June 2016**

	Note	2016 \$	2015 \$
<b>Assets</b>			
Cash and cash equivalents	6	2,111,483	1,664,996
Trade and other receivables	7	675,627	265,343
Financial assets held at fair value through profit and loss	8	53,030,384	44,555,317
Loans and receivables held at amortised cost	9	12,690,625	12,667,940
Intangible assets	10	-	16,608
<b>Total assets</b>		<b>68,508,119</b>	<b>59,170,204</b>
<b>Liabilities</b>			
Trade and other payables	11	1,542,818	600,383
Distribution payable	12	993,338	830,219
<b>Total liabilities</b>		<b>2,536,156</b>	<b>1,430,602</b>
<b>Net assets attributable to unitholders</b>	3	<b>65,971,963</b>	<b>57,739,602</b>
Represented by:			
Net assets attributable to unitholders at redemption price		67,004,689	58,609,149
Amounts payable to unitholders of the scheme		(993,338)	(830,219)
Adjustments arising from different unit pricing and accounting valuation		(39,388)	(39,328)
<b>Total net assets attributable to unitholders</b>	3	<b>65,971,963</b>	<b>57,739,602</b>

The accompanying notes form part of these financial statements.

**Australian Ethical Cash Fund**

**Statement of Changes in Equity for the year ended 30 June 2016**

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 '*Financial Instruments: Presentation*'. As such the Scheme has no equity and no items of changes in equity at the start and end of the year.

The accompanying notes form part of these financial statements.

**Australian Ethical Cash Fund**

**Statement of Cash Flows for the year ended 30 June 2016**

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Interest received		1,936,338	2,242,430
Other Income		1,500	-
Expenses paid		(56,725)	(510,750)
<b>Net cash provided by operating activities</b>	14	<b>1,881,113</b>	<b>1,731,680</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		45,123,019	52,015,399
Receipts from loans held at amortised cost		119,798	276,961
Purchase of investments		(53,519,706)	(59,198,470)
<b>Net cash used in investing activities</b>		<b>(8,276,889)</b>	<b>(6,906,110)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		24,996,386	19,396,035
Payment of redemption of units		(17,963,149)	(14,130,150)
Distributions paid to unitholders		(190,974)	(79,004)
<b>Net cash provided by financing activities</b>		<b>6,842,263</b>	<b>5,186,881</b>
Net increase in cash and cash equivalents		446,487	12,451
Cash and cash equivalents at 1 July		1,664,996	1,652,545
<b>Cash and cash equivalents at 30 June</b>	6	<b>2,111,483</b>	<b>1,664,996</b>

The accompanying notes form part of these financial statements.



## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1 - Statement of significant accounting policies

##### Reporting Entity

The Australian Ethical Cash Fund ("the Scheme") is a registered managed investment scheme under the Corporations Act 2001. The Scheme was constituted on 2 November 1999 and will terminate on 1 November 2079 unless terminated earlier in accordance with the provisions of the Scheme constitution. The Scheme is domiciled in Australia and is a for profit entity. The financial statements of the Scheme are for the year ended 30 June 2016.

##### Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements of the Scheme complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors of the Responsible Entity on 29 September 2016.

##### Basis of preparation

These financial statements are presented in Australian dollars which is the functional currency and are prepared on a fair value basis with financial assets designated at fair value through profit and loss and derivatives which are measured at fair value, with the exception of receivables and payables which are measured at cost.

The statement of financial position is prepared on a liquidity basis. All balances are expected to be recovered within twelve months, except for instruments in financial assets.

##### Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Scheme's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial impact on the Scheme and are believed to be reasonable under the circumstances.

Refer to note 16(g) Financial risk management and financial instruments - fair values, which contains information about estimation of fair values of financial instruments.

##### Accounting policies

There were no changes in accounting policies.

##### (a) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Scheme in the management of short-term commitments.

##### (b) Financial instruments

Financial instruments comprise financial assets held at fair value through profit or loss, trade and other receivables, cash and cash equivalents, trade and other payables, and distributions payable.

##### Recognition and initial measurement

A financial instrument is recognised when the Scheme becomes a party to the contractual provisions of the instrument. Regular way purchase and sales of financial assets are accounted for at trade date (i.e. the date the Scheme commits itself to purchase or sell the asset).

Financial assets and liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial assets and liabilities not at fair value through profit or loss are initially recognised at fair value plus any directly attributable transaction costs.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1 - Statement of significant accounting policies - continued

##### *Derecognition*

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Scheme neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability.

The Scheme derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

##### *Classification*

Financial assets and financial liabilities held at fair value through profit or loss are classified as either held for trading or are designated at fair value through profit or loss. Financial assets and liabilities held for trading include derivative financial instruments. Financial assets and liabilities designated at fair value through profit or loss include equity securities, investments in unit trusts and fixed interest securities.

##### *Measurement*

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. All other financial instruments are carried at amortised cost using the effective interest rate method less any recognised impairment.

Financial liabilities arising from redeemable units issued by the Scheme are carried at the redemption amount representing the unitholders' rights to the residual interest in the Scheme's assets, effectively the fair value at the reporting date.

##### *Fair value measurement principles*

The Scheme can invest into a variety of assets, including cash, equities, fixed and floating rate interest securities, unit trusts and derivative contracts. Generally, valuation information is obtained from third party industry standard service providers to ensure that the most recent security prices are obtained. The prices used to value investments include, but are not limited to:

- independent prices obtained for each security;
- quoted 'bid' prices on long securities;
- redemption prices published by the relevant Responsible Entity, for investments into unlisted unit trusts.

For certain investments, prices cannot be obtained from the above sources. In these instances, valuations obtained from service providers are estimated through the use of valuation models which are consistent with accepted industry practice and incorporate the best available information regarding assumptions that market participants would use when pricing the assets or liabilities. Irrespective of the method used by third party industry standard service providers to obtain valuations, prices achieved in actual transactions may be different.

##### *Impairment of financial assets held at amortised cost*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

##### *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the Statements 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.

##### *Derivative financial instruments*

In accordance with the Investment Mandate, the Scheme may invest in derivative financial instruments to gain or hedge exposure to equities, interest rates or foreign currencies. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

##### **(c) Trade and other receivables**

Receivables are carried at amortised cost and may include accrued income and other receivables such as Reduced Input Tax Credits (RITC).

Notes to the Financial Statements for the year ended 30 June 2016

Note 1 - Statement of significant accounting policies - continued

**(d) Trade and other payables**

Payables are carried at amortised cost and may include amounts for unsettled purchases, accrued expenses and other payables such as GST and redemption monies owing by the Scheme. Unsettled purchases are amounts due to brokers for securities purchased that have not been paid at reporting date. Trades are recorded on trade date and normally settle within three business days. Accrued expenses include management fees payable.

**(e) Distributions paid and payable**

In accordance with the Constitution, the Scheme fully distributes its net income to unitholders. The distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses are transferred to net assets attributable to unitholders and are not assessable or distributable until realised. Realised capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Distributions paid and payable to unitholders are recognised in the Statement of Profit or Loss and Comprehensive Income as 'Finance costs'. Distributions paid are included in the Statement of Cash Flows as 'Net cash flows (used in)/ provided by financing activities'.

**(f) Change in net assets attributable to unitholders**

Change in net assets attributable to unitholders may consist of realised net capital losses and unrealised increments and decrements arising from fluctuations in the value of investments. They are included in the determination of distributable income when assessable for taxation purposes.

**(g) Revenue**

*Interest income*

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income as it accrues using the effective interest rate method. Interest income is recognised on a gross basis, including withholding tax, if any.

*Dividend and distribution income*

Dividend income relating to exchange-traded equity investments is recognised in the Statement of Profit or Loss and Other Comprehensive Income on the ex-dividend date. Income distributions from other managed investment schemes are recognised in the Statement of Comprehensive Income as dividend income on a present entitlement basis.

In some cases, the Scheme may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Scheme recognises the dividend income of the dividend alternative with a corresponding increase in investments.

**(h) Income tax**

Under current income tax legislation the Scheme is not liable to pay income tax as the net income of the Scheme is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Scheme. There is no income of the Scheme to which the unitholders are not presently entitled and additionally, the Scheme's Constitution requires the distribution of the full amount of the net income of the Scheme to the unitholders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Scheme, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Scheme to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Scheme's Constitution.

**(i) Net assets attributable to unitholders**

In accordance with AASB 132, unitholders' funds are classified as a financial liability and disclosed as such in the Statement of Financial Position, being referred to as 'Net assets attributable to unitholders'. The units can be put back to the Scheme at any time for cash equal to the proportionate share of the Scheme's net asset values. The value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the Statement of Financial Position date if unitholders exercised their right to put the units back to the Scheme. Changes in the value of this financial liability are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1 - Statement of significant accounting policies - continued

##### **(j) Expenses**

All expenses, including management fees, are recognised in the profit or loss on an accruals basis.

##### **(k) Foreign currency transactions and balances**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the reporting date. Unrealised foreign exchange gains or losses, arising on translation of assets and liabilities denominated in foreign currency at reporting date, are recognised as part of the 'Net change in fair value of investments' in the Statement of Profit or Loss and Comprehensive Income. Realised gains and losses on amounts denominated in foreign currencies are also brought to account as part of 'Net change in fair value of investments' in the Statement of Profit or Loss and Other Comprehensive Income and as part of 'Other income received' in the Statement of Cash Flows.

##### **(l) Capitalised software**

Intangible assets are held at cost less accumulated amortisation. The amortisable amount of all intangible assets are amortised over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

A straight line basis of amortisation has been adopted for capitalised software. The amortisation rates are 3 - 5 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

##### **(m) Standards and interpretations in issue not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not yet been early adopted by the Scheme. The assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

###### *AASB 9 Financial Instruments (effective for reporting periods beginning on or after 1 January 2018)*

AASB 9 Financial Instruments, published in July 2014, replaces the existing guidance in AASB 139 Financial instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

The standard is available for early adoption but management does not expect this to have a significant impact on the recognition and measurement of the Scheme's financial instruments as they are carried at fair value through profit or loss. Further, the derecognition rules have not been changed from the previous requirements, and the Scheme does not apply hedge accounting. The Scheme has not yet decided when to adopt AASB 9.

###### *AASB 15 Revenue from Contracts with Customers (effective for reporting periods beginning on or after 1 January 2018)*

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction contracts, and IFRIC 13 Customer Loyalty Programmes. The Scheme's main source of income of interest, dividends and gains on financial assets held at fair value are outside the scope of the new revenue standard.

The Scheme has not yet decided when to adopt AASB 15 but management does not expect it will have a significant impact on the recognition and measurement of the Scheme's financial instruments.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 2 - Issued units

Each unit represents a right to an individual share in the Scheme per the Constitution. C-class units are issued to other schemes managed by the Responsible Entity and are not charged a Responsible Entity fee. All other rights attached to C-class units are the same as those of the other classes.

	2016	2015
	Units	Units
<i>Retail class</i>		
On issue at beginning of period	59,090,020	52,259,212
Issued	1,024,608	21,198,906
Transferred to other classes	(58,154,208)	-
Redeemed	(330,559)	(14,368,098)
On issue at period end	<u>1,629,861</u>	<u>59,090,020</u>
<i>Wholesale class</i>		
On issue at beginning of period	-	-
Issued	3,009,039	-
Transferred from other classes	6,401,132	-
Transferred to other classes	(508,747)	-
Redeemed	(2,780,766)	-
On issue at period end	<u>6,120,658</u>	<u>-</u>
<i>C class</i>		
On issue at beginning of period	-	-
Issued	22,570,309	-
Transferred from other classes	52,260,589	-
Redeemed	(15,071,586)	-
On issue at period end	<u>59,759,312</u>	<u>-</u>

#### Note 3 - Net assets attributable to unitholders

The Scheme manages its 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 on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the responsible entity has the discretion to reject an application for units and to defer a redemptions of units if the exercise of such discretion is in the best interest of the unitholders.

The objective of the Scheme is to provide unitholders with returns in accordance with the Product Disclosure Statement. The Scheme aims to generate an income stream consistent with prevailing short-term interest rates while minimising the risk of capital loss. The Scheme is not subject to any externally imposed capital requirements.

	2016	2015
	\$	\$
Opening balance	57,739,602	51,199,245
Issued	24,996,386	19,396,035
Distributions reinvested	1,190,480	1,533,398
Redeemed	(17,886,501)	(14,180,247)
Change in net assets attributable to unitholders	(68,004)	(208,829)
Total net assets attributable to unitholders	<u>65,971,963</u>	<u>57,739,602</u>

#### Note 4 - Interest income

Interest income from securities designated at fair value through profit and loss	1,879,940	1,707,049
Interest income from financial assets carried at amortised cost:		
Bank interest	32,087	31,968
Loans and receivables	442,176	437,908
	<u>2,354,203</u>	<u>2,176,925</u>

**Australian Ethical Cash Fund**

**Notes to the Financial Statements for the year ended 30 June 2016**

**Note 5 - Losses on Financial assets**

	2016	2015
Unrealised loss arising on financial assets designated as at fair value through profit and loss:		
Fixed interest securities	\$ (485,743)	\$ (143,324)
Realised loss arising on the disposal of investments		
Loss on the disposal of investments	(332,690)	(366,599)
Net change in fair value of financial assets	(818,433)	(509,923)

**Note 6 - Cash and cash equivalents**

Cash at bank	2,111,483	1,664,996
	2,111,483	1,664,996

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash includes cash at bank and cash on deposit.

**Note 7 - Income and other receivables**

Interest	674,772	256,907
Other	855	8,436
	675,627	265,343

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

	Note	
Designated at fair value through profit or loss		
Interest bearing securities		
Government securities		15,229,624
Notes/debt instruments unsecured		37,800,760
	16	53,030,384
		44,555,317

The Scheme's accounting policy on fair value measurements is discussed in note 1(b).

**Note 9 - Loans and receivables held at amortised cost**

Loans to other entities - secured (i)	-	119,798
Term deposits	12,690,625	12,548,142
	12,690,625	12,667,940

(i) The Scheme held one loan to an external party secured by a first mortgage that was paid out in full in August 2015.

**Note 10 - Intangible assets**

Capitalised project costs	-	16,608
	-	16,608
Capitalised project costs		
<i>At cost</i>		
Balance as at 1 July	178,662	178,662
Balance as at 30 June	178,662	178,662
<i>Accumulated amortisation and impairment</i>		
Balance as at 1 July	162,054	122,194
Amortisation	16,608	39,860
Balance as at 30 June	178,662	162,054

**Note 11 - Trade and other payables**

Investment purchases payable to brokers	1,542,547	503,251
Redemptions	136	76,784
Management fees	135	20,348
	1,542,818	600,383

**Australian Ethical Cash Fund**

**Notes to the Financial Statements for the year ended 30 June 2016**

**Note 12 - Distributions paid and payable**

	2016	2015
	\$	\$
Distributions paid during the year	551,235	519,352
Distributions payable	993,338	830,219
	1,544,573	1,349,571

The Scheme paid interim distributions to the classes as follows:

- Retail class of 0.48 (December 2014: 1.01);
- Wholesale class of 0.68 (inception 1 July 2015); and
- C class of 0.87 (inception 1 July 2015) cents per unit.

The year end distributions payable are as follows:

- Retail class of 0.91 (June 2015: 1.41);
- Wholesale class of 1.22 (inception 1 July 2015); and
- C class of 1.51 (inception 1 July 2015) cents per unit.

The prior year final distribution of \$830,219 was paid during the period.

**Note 13 - Auditors' remuneration**

Audit and tax fees in relation to the Scheme are paid directly by the Responsible Entity. During the year the following fees were paid or payable by the Responsible Entity for services in relation to the audit of the Scheme.

Financial statements audit fees	10,200	9,700
Compliance plan audit	3,736	4,003
Tax compliance service	3,100	2,597
	17,036	16,300

**Note 14 - Reconciliation of profit for the period to net cash provided by operating activities**

Net profit from operating activities	1,476,569	1,140,742
Adjustments for:		
Net losses on disposal of investments	332,690	366,599
Net losses on revaluation of investments	485,743	143,324
Amortisation of project costs	16,608	39,860
Changes in assets and liabilities:		
(Increase)/decrease in income and other receivables	(410,284)	65,165
Decrease in other payables	(20,213)	(24,010)
Net cash provided by operating activities	1,881,113	1,731,680

*Non-cash financing and investing activities*

During the year income distributions totalling \$1,190,480 (2015: \$1,533,398) were reinvested by unitholders for additional units in the Scheme.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 15 - Related party disclosures

Australian Ethical Investment Limited (AEIL), as Responsible Entity of each Scheme, provides investment services for the Scheme in accordance with each Scheme's constitution. Transactions with the Responsible Entity are undertaken on commercial terms and conditions.

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel.

The following persons were directors of Australian Ethical Investment Limited during the whole of the financial year and up to the date of this report unless otherwise indicated:

Phil Vernon  
Kate Greenhill  
Stephen Gibbs  
Mara Bun  
Tony Cole

None of the directors has an investment in the Scheme.

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly and indirectly during or since the end of the financial year.

The Responsible Entity earns fees for the management and administration of the Scheme. Responsible Entity fees charged for the period were as follows:

- 1.00% for the retail class (2015: 1.00%);
- 0.50% for the wholesale class (inception 1 July 2015); and
- Zero for the C class (inception 1 July 2015).

Wholesale and C classes of units were introduced on 1 July 2015. The C class units are held by other Australian Ethical Investment Limited Schemes and the Australian Ethical Retail Superannuation Fund, and are not charged management fees. All other rights attached to C class units are the same as other classes. All other investors have been split into retail (investment value less than \$25,000) and wholesale (investment value greater than \$25,000).

	2016	2015
	\$	\$
Management fees	44,093	484,794
	<u>44,093</u>	<u>484,794</u>

Fees payable to the Responsible Entity at 30 June 2016 were \$135 (2015: \$20,348) and are included in Trade and other payables.

Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733), a subsidiary of AEIL, is the Trustee of the Australian Ethical Retail Superannuation Fund ("AERSF"). Transactions with the AERSF are undertaken on commercial terms and conditions.



## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 15 - Related party disclosures - continued

Parties related to the Scheme held units in the Scheme (C class) as follows:

30 June 2016	Units held opening	Units held closing	Interest held	Units acquired/(disposed)	Distributions paid/payable by the Scheme
	\$	\$	%	\$	\$
<b>AERSF</b>	41,828,300	50,182,233	76.07%	8,404,941	1,204,622
<b>Australian Ethical Balance Fund</b>	8,162,648	8,239,238	12.49%	72,752	200,219
30 June 2015	Units held opening	Units held closing	Interest held	Units acquired/(disposed)	Distributions paid/payable by the Scheme
	\$	\$	%	\$	\$
AERSF	42,988,369	41,828,300	72.44%	(1,058,819)	1,039,003
Australian Ethical Balance Fund	-	8,162,648	14.14%	8,250,000	117,372

Distributions paid/payable to related parties represent those distributions that accrued during the current financial year.

#### Note 16 - Financial risk management and financial instruments

The Responsible Entity recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Strategy and the Risk Appetite Statement. The Risk & Compliance Manager is responsible for the design and maintenance of the risk and compliance framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Audit, Compliance & Risk Committee (ACRC). The Board regularly monitors the overall risk profile of the Responsible Entity and sets the risk appetite, usually in conjunction with the annual planning process.

The Board is responsible for ensuring that management has appropriate processes in place for managing all types of risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ACRC. The main functions of the Committee are to identify emerging risks and determine treatment and monitoring emergent and current risks. In addition, the Committee is responsible for seeking assurances from management that:

- the systems and policies in place to assist the Responsible Entity to meet and monitor its risk management responsibilities contain appropriate, up-to-date content and are being maintained;
- the Responsible Entity is complying with its Licences, and the regulatory requirements relevant to its roles as fund manager; and
- there is a structure, methodology and timetable in place for monitoring material service providers.

The Scheme is exposed to a variety of financial risks from investments in financial instruments, including operational risk, market risk, credit risk and liquidity risk. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risks and the management of unitholder funds.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 16 - Financial risk management and financial instruments - continued

##### (a) Categories of financial instruments

	2016	2015
<i>Financial assets</i>	\$	\$
Cash and cash equivalents	2,111,483	1,664,996
Fair value through profit or loss (FVTPL)		
Designated at FVTPL	53,030,384	44,555,317
Held-to-maturity investments		
Loans and receivables	12,690,625	12,667,940
Trade and other receivables	675,627	265,343
	68,508,119	59,153,596
<i>Financial liabilities</i>		
Other financial liabilities		
Trade and other payables	1,542,818	600,383
Distribution payable	993,338	830,219
Net assets attributable to unitholders	65,971,963	57,739,602
	68,508,119	59,170,204

##### (b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Scheme's activities with financial instruments, either internally within the Scheme or externally at the Scheme's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Scheme's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;
- documentation of controls and procedures;
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

Assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions and a review of the service providers' Controls Reports (GS007) on internal controls.

Substantially all of the assets of the Scheme are held by external custodian National Australia Bank Limited. The Fund Accounting Manager monitors the credit ratings and capital adequacy of its custodian on a quarterly basis, and reviews the findings documented in the GS007 report on the internal controls annually.

##### (c) Financial risk management objectives

The Scheme is exposed to a number of risks due to the nature of its activities as further set out in its Product Disclosure Statement. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk. The Scheme's objective in managing these risks is the protection and enhancement of unitholder value.

The Scheme's risk management policies are approved by the Responsible Entity and seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 16 - Financial risk management and financial instruments - continued

##### (c) Financial risk management objectives - continued

The Responsible Entity Board oversee the processes which govern the investment of money of the Scheme for which Australian Ethical Investment Limited is the responsible entity. The Board bears primary responsibility for the oversight of processes for the management of the above financial risks. It meets on a regular basis to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

##### (d)(i) Market risk

Market risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The portfolio manager manages the financial risks relating to the operations of the Scheme in accordance with an investment mandate set out in accordance with the Scheme's constitution and Product Disclosure Statement. The Scheme's investment mandate is to invest in a diversified portfolio of interest-bearing investments. There has been no change to the Scheme's exposure to market risks or the manner in which it manages and measures the risk.

##### (d)(ii) Interest rate risk management

Interest rate risk represents the risk that the Scheme's financial performance will be adversely affected by fluctuations in interest rates.

The exposure the Scheme has to interest rate changes is investing in interest rate sensitive financial assets such as loans, notes and mortgage backed securities, with other parties. The returns from these investments are exposed to variations in prevailing interest rates and are dependent upon the prevailing interest rate offered and other market conditions. The risk is managed by the Scheme by maintaining an appropriate mix between fixed and floating rate borrowings.

The Scheme's interest rate risk is managed on a daily basis by the portfolio managers in accordance with the defined investment process and within the guidelines and restrictions outlined in the Scheme's investment mandate. The Scheme is monitored for mandate compliance. Where the interest rate risk exposure moves outside the Scheme's mandate restrictions or guidelines, the portfolio managers will rebalance the portfolios.

The Scheme's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Management has performed a sensitivity analysis relating to the Scheme's exposure to interest rate risk at balance sheet date. This sensitivity analysis demonstrates the effect on the current year results and net assets attributable to unitholders which could result from a change in interest rates by 1% (2015: 1%). In the analysis it is assumed that the amount of financial assets exposed to fluctuations in interest rates as at balance sheet date is representative of balances held throughout the financial year. No other flow on effects of fluctuations in interest rates have been taken into account.

At balance date, the effect on profit and net assets attributable to unitholders, as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Increase in interest rate by 1%	212,384	226,013
Decrease in interest rate by 1%	(212,384)	(226,013)

##### (d)(iii) Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Scheme has investments in floating rate instruments and bonds which exposes it to price risk. The investment manager manages the Scheme's market risk on a monthly basis in accordance with the Scheme's investment objectives and policies.

The Schemes' price risk is managed on a daily basis by the portfolio managers in accordance with the defined investment process and within the guidelines and restrictions outlined in the Schemes' investment mandates. The Schemes are monitored for mandate compliance. Where the price risk exposure moves outside the Schemes' mandate restrictions or guidelines, the portfolio managers will rebalance the portfolios.

**Australian Ethical Cash Fund**

**Notes to the Financial Statements for the year ended 30 June 2016**

**Note 16 - Financial risk management and financial instruments - continued**

**(d)(iii) Price risk - continued**

As the majority of the Scheme's financial instruments are carried at fair value with changes in fair value recognised in the income statement, all changes in market conditions will directly affect investment income.

Management has performed a sensitivity analysis relating to the Scheme's exposure to price risk at the balance sheet date. This sensitivity analysis demonstrates the effect on current year results and net assets attributable to unit holders which could result from a change in market prices of 10% (2015: 10%). In the analysis it is assumed that the amount of financial assets exposed to fluctuations in market prices as at the balance sheet date is representative of balances held throughout the financial year. No other flow on effects or fluctuations in fair value have been taken into account.

At balance date, the effect on net assets attributable to unitholders and the change in net assets attributable to unit holders as a result of changes in market prices with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Increase in market prices by 10%	5,303,038	4,455,532
Decrease in market prices by 10%	(5,303,038)	(4,455,532)

**(e)(i) Management and exposure to credit risk**

Credit risk is the risk of financial loss from a counterparty failing to meet its contractual commitments. The Scheme is predominately exposed to credit risk through its interest bearing securities, deposits at banks and trade and other receivables.

The Scheme's policy over credit risk is to minimise its exposure to counterparties, holding cash and cash equivalents at financial institutions with a credit rating of 'A' or higher and settling trade and other receivables on a monthly basis.

In order to manage the exposure to risk, limitations are imposed on the level of unrated securities that can be held (no more than 2.5%) and the total value of securities rate with a rating of less than BBB (no more than 40%).

At the balance sheet date, all cash was held with National Australia Bank, which carries a Standard & Poor's rating of AA- at 30 June 2016 (2015: AA-).

No financial assets carried at amortised cost were past due or impaired at 30 June 2016 (2015: nil).

The maximum credit risk exposure is represented by the respective carrying amounts of the relevant financial asset in the Statement of Financial Position.

The table below details the maximum exposure to credit risk for the assets held by the Scheme.

Cash and cash equivalents	2,111,483	1,664,996
Trade and other receivables	675,627	265,343
Interest bearing securities	53,030,384	44,555,317
Loans and receivables	12,690,625	12,667,940
	68,508,119	59,153,596

**(e)(ii) Investments in interest bearing securities, loans and receivables**

At 30 June the Scheme was invested in interest bearing securities, loans and receivables with the following credit quality ratings:

	2016	2015
Rating	%	%
AAA/ AA	56%	53%
A	24%	24%
BBB	20%	23%
Not rated	0%	0%
	100%	100%

Not rated securities are loans to external parties secured by first mortgages that were paid out in full in August 2015.

Australian Ethical Cash Fund

Notes to the Financial Statements for the year ended 30 June 2016

**Note 16 - Financial risk management and financial instruments - continued**

**(f) Liquidity risk management**

Liquidity risk is the risk that the Scheme will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.

The Scheme is exposed to daily cash redemptions of redeemable units. Therefore, the approach to managing liquidity is for the Scheme to invest a significant portion of their funds in financial instruments which under normal market conditions are readily convertible into cash (for example, the Scheme's fixed interest securities). As a result, there is a risk that the Scheme may not be able to liquidate all of these investments at their fair value in order to meet its liquidity requirements. In the event of significant redemptions, the Scheme has the ability to suspend redemptions until it can realise investments to meet the redemptions.

All payables of the Scheme are classed as normal operating obligations and are to be paid within three months of balance date.

Financial instrument composition and maturity analysis

	Weighted average interest rate %	2016				Total
		1-3 months	3 months to 1 year	1 to 5 years	5+ years	
		\$	\$	\$	\$	\$
Variable interest-bearing assets						
Cash and cash equivalents	1.65	2,111,483	-	-	-	2,111,483
Financial assets	4.10	4,023,747	24,897,897	24,108,740	-	53,030,384
Fixed interest rate instruments						
Loans and receivables	2.89	7,205,724	5,484,901	-	-	12,690,625
Other non-interest bearing						
Trade and other receivables	N/A	675,627	-	-	-	675,627
<b>Total financial assets</b>		<b>14,016,581</b>	<b>30,382,798</b>	<b>24,108,740</b>	<b>-</b>	<b>68,508,119</b>

Non-interest bearing						
Trade and other payables	N/A	1,542,818	-	-	-	1,542,818
Distribution payable	N/A	993,338	-	-	-	993,338
Amounts payable to unitholders	N/A	65,971,963	-	-	-	65,971,963
<b>Total financial liabilities</b>		<b>68,508,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,508,119</b>

	Weighted average interest rate %	2015				Total
		1-3 months	3 months to 1 year	1 to 5 years	5+ years	
		\$	\$	\$	\$	\$
Variable interest-bearing assets						
Cash and cash equivalents	1.90	1,664,996	-	-	-	1,664,996
Financial assets	3.56	-	16,791,608	27,763,709	-	44,555,317
Fixed interest rate instruments						
Loans and receivables	2.83	4,026,173	8,641,767	-	-	12,667,940
Other non-interest bearing						
Trade and other receivables	N/A	265,343	-	-	-	265,343
<b>Total financial assets</b>		<b>5,956,512</b>	<b>25,433,375</b>	<b>27,763,709</b>	<b>-</b>	<b>59,153,596</b>
Non-interest bearing						
Trade and other payables	N/A	600,383	-	-	-	600,383
Distribution payable	N/A	830,219	-	-	-	830,219
Amounts payable to unitholders	N/A	57,739,602	-	-	-	57,739,602
<b>Total financial liabilities</b>		<b>59,170,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,170,204</b>

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 16 - Financial risk management and financial instruments - continued

##### (g) Fair values

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The Scheme utilises bid prices for its financial assets and liabilities. 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 asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The Scheme utilises bid prices for its financial assets and liabilities, wherever applicable.

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques.

Note also that all fair value measurements of the Scheme are recurring.

	2016			TOTAL
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$	\$	\$	\$
Designated at fair value through profit or loss				
Interest bearing securities				
Government Securities	15,229,624	-	-	15,229,624
Notes/debt instruments unsecured	-	37,800,760	-	37,800,760
	<b>15,229,624</b>	<b>37,800,760</b>	-	<b>53,030,384</b>

	2015			TOTAL
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$	\$	\$	\$
Designated at fair value through profit or loss				
Interest bearing securities				
Government Securities	13,299,665	-	-	13,299,665
Notes/debt instruments unsecured	-	31,255,652	-	31,255,652
	<b>13,299,665</b>	<b>31,255,652</b>	-	<b>44,555,317</b>

During the year there was no transfers between levels.

##### *Carrying amounts versus fair value*

The fair values of financial assets and liabilities approximates their carrying amounts in the statement of financial position.

## Australian Ethical Cash Fund

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 17 - Events subsequent to the reporting date

As the investments in the Scheme are measured at their 30 June 2016 fair values in the financial report, any volatility in values subsequent to the balance date is not reflected in the Statement of Profit or Loss and Other Comprehensive Income or the Statement of Financial Position. However the value of investments is reflected in the current unit price.

During the period between the end of the financial year and the date of this report, there were no items, transactions or events of a material and unusual nature likely in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

#### Note 18 - Contingencies and commitments

There are no contingent assets or liabilities or commitments as at 30 June 2016 (2015: Nil).

## Australian Ethical Cash Fund

### Directors' Declaration

In the opinion of the Directors of Australian Ethical Investment Limited, the Responsible Entity of the Australian Ethical Cash Fund (the "Scheme"):

(a) The annual financial statements and notes that are set out on pages 3 to 21 are in accordance with the Corporations Act 2001, including:


- i. Giving a true and fair view of the Scheme's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- ii. Complying with Australian Accounting Standards and Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Scheme will be able to pay its debts when they become due and payable.

(c) The Scheme has operated during the year in accordance with the provisions of the Schemes constitution.

The Directors draw attention to Note 1 of the financial statements which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of Australian Ethical Investment Limited.



Phil Vernon  
Managing Director  
Australian Ethical Investment Limited  
29 September 2016





**Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001***

To: the directors of Australian Ethical Investment Limited, the Responsible Entity for the Australian Ethical Cash Fund:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

KPMG

Karen Hopkins  
*Partner*

Sydney  
29 September 2016





## **Independent auditor's report to the unitholders of Australian Ethical Cash Fund**

### *Report on the financial report*

We have audited the accompanying financial report of Australian Ethical Cash Fund (the Scheme), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of Australian Ethical Cash Fund (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Scheme's financial position, and of its performance.

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





*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Australian Ethical Cash Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

Karen Hopkins  
*Partner*

Sydney  
29 September 2016

