



**AUSTRALIAN  
GOVERNANCE & ETHICAL**  
Index Fund

# FINANCIAL REPORT

**For the period  
1 July 2020 to 12 April 2021**

**RESPONSIBLE ENTITY:**

**E&P**  
INVESTMENTS LIMITED

(ACN 152 367 649 | AFSL 410 433)

**INVESTMENT MANAGER:**

E&P FUNDS MANAGEMENT PTY LIMITED  
(ACN 159 902 708 | AFSL 450 257)

## **Australian Governance & Ethical Index Fund**

### **Contents**

**12 April 2021**

Directors' report	2
Auditor's independence declaration	6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	21
Independent auditor's report to the unitholders of Australian Governance & Ethical Index Fund	22
Corporate directory	25

## **Australian Governance & Ethical Index Fund**

### **Directors' report**

**12 April 2021**

The directors of E&P Investments Limited (formerly Walsh & Company Investments Limited), the Responsible Entity of Australian Governance & Ethical Index Fund (the **Fund** or **AGM**) present their report with the financial report for the Fund for the financial period ended 12 April 2021.

The comparative period is the period from 1 July 2019 to 30 June 2020.

#### **Directors**

The directors of the Responsible Entity at any time during or since the end of the financial period are listed below:

Stuart Nisbett  
Warwick Keneally  
Mike Adams  
Peter Shear

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

#### **Information on directors**

##### **Stuart Nisbett**

###### **Chairman**

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years experience in property development, property funds management, equity and debt raising, corporate advisory and project finance.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lendlease Corporation in its development and commercial asset management divisions.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and a Masters of Commerce from the University of NSW, and in 2005 was appointed a Fellow of the Australian Property Institute.

##### **Warwick Keneally**

Warwick is Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited. Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

##### **Mike Adams**

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail and wholesale financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high-net-worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities.

Mike is also a director with MA Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.

**Australian Governance & Ethical Index Fund**  
**Directors' report**  
**12 April 2021**

**Peter Shear**

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter was most recently Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young.

Peter has a Bachelor of Business from the University of Technology Sydney, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

**Principal activities**

The Fund is a registered managed investment scheme that was structured as a closed end unit trust domiciled in Australia and quoted on the Australian Securities Exchange (**ASX**) (ticker code: **AGM**) until 17 February 2021. The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 15, 100 Pacific Highway, North Sydney, NSW, 2060.

The principal activity of the Fund was to provide investors with long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance.

As announced on 25 August 2020, the Responsible Entity had determined that it is in the best interests of the unitholders that the Fund is terminated and wound up. This is following the receipt of notice from E&P Funds Management Pty Limited (formerly Walsh & Company Asset Management Pty Limited), the Fund's investment manager (**Investment Manager**) that they will terminate their Investment Management Services under the Investment Management Agreement.

Effective from 23 October 2020, the securities of the Fund were suspended from quotation on ASX at the request of the Fund, pending its termination and wind-up.

The Fund commenced the winding up process on 26 October 2020 (**Termination Date**) in accordance with the provisions of the Fund's constitution. The Fund's equity portfolio has been sold down and distributions of \$1.7890 per unit and of \$0.0077 per unit were paid on 16 November 2020 and 8 April 2021, respectively.

Wind up of the Fund was completed on 12 April 2021.

**Review of financial results and operations**

**a) Financial results for the period**

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

	For the period	
	1 July 2020 to	30 June 2020
	12 April 2021	
<b>Results</b>		
Total investment income (\$)	1,282,111	(2,463,851)
Total expenses (\$)	<u>(103,668)</u>	<u>(84,911)</u>
Net profit/(loss) (\$)	<u>1,178,443</u>	<u>(2,548,762)</u>

**Australian Governance & Ethical Index Fund**  
**Directors' report**  
**12 April 2021**

	For the period	
	1 July 2020 to	30 June 2020
	12 April 2021	30 June 2020
<b>Distributions</b>		
Cash distributions - cents per unit	179.67	9.45
Total cash distribution (\$)	27,300,303	1,608,016
	12 April 2021	30 June 2020
<b>Net asset value</b>		
Net asset value per unit (ex-distribution) - \$ per unit	-	1.72

**Significant changes in the state of affairs**

The Fund paid the final return of capital to unitholders and it was effectively wound up on 12 April 2021.

**Future developments and expected results of operations**

The Fund was wound up on 12 April 2021.

**Options**

No options were granted over issued or unissued units in the Fund during, or since, the end of the period.

**Indemnity and insurance**

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial period, for all of the directors of the Responsible Entity of the Fund. The contract of the insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for the auditor of the Fund.

**Environmental regulation**

The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Interests in the Fund**

The movement in units on issue in the Fund during the financial period is disclosed in note 10 of the financial statements.

**Fees paid to the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Fund assets during the financial period are disclosed in note 14 to the financial statements.

No fees were paid out of Fund assets to the Directors of the Responsible Entity during the financial period.

**Matters subsequent to the end of the financial period**

No significant events have occurred since the reporting date which would have impact on the financial position of the Fund disclosed in the balance sheet as at 12 April 2021 or on the results and cash flows of the Fund for the period ended on that date.

**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 immediately after this directors' report.

**Australian Governance & Ethical Index Fund**  
**Directors' report**  
**12 April 2021**

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'S. Nisbett', written over a horizontal line.

Stuart Nisbett  
Chairman of E&P Investments Limited, Responsible Entity

23 April 2021



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

To the Directors of E&P Investments Limited (the Responsible Entity) of  
Australian Governance & Ethical Index Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Governance & Ethical Index Fund for the financial period ended 12 April 2021 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

Jessica Davis

*Partner*

Sydney

23 April 2021

**Australian Governance & Ethical Index Fund**  
**Statement of profit or loss and other comprehensive income**  
**For the period ended 12 April 2021**

		<b>For the period 1 July 2020 to 12</b>	
	<b>Note</b>	<b>April 2021</b>	<b>30 June 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Investment income</b>			
Dividend and distribution income		251,828	1,295,807
Interest income		3,507	6,075
Net gain/(loss) on financial assets at fair value through profit or loss		1,026,776	(3,765,733)
Total net investment income/(loss)		<u>1,282,111</u>	<u>(2,463,851)</u>
<b>Expenses</b>			
Management and administration fees	13	(17,072)	(67,283)
Investment transaction costs	13	(39,516)	(17,628)
Wind up costs		(47,080)	-
Total expenses		<u>(103,668)</u>	<u>(84,911)</u>
<b>Profit/(loss) before income tax expense</b>		1,178,443	(2,548,762)
Income tax expense		-	-
<b>Profit/(loss) after income tax expense for the period</b>		1,178,443	(2,548,762)
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income/(loss) for the period</b>		<u><u>1,178,443</u></u>	<u><u>(2,548,762)</u></u>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Australian Governance & Ethical Index Fund**  
**Statement of financial position**  
**As at 12 April 2021**

	Note	12 April 2021 \$	30 June 2020 \$
<b>Assets</b>			
Cash and cash equivalents	6	-	815,910
Receivables	7	-	123,092
Financial assets	8	-	27,321,491
<b>Total assets</b>		-	28,260,493
<b>Liabilities</b>			
Payables	9	-	94,239
Distributions payable		-	792,304
<b>Total liabilities</b>		-	886,543
<b>Net assets</b>		-	27,373,950
<b>Equity</b>			
Issued capital	10	-	29,907,089
Retained earnings		-	(2,533,139)
<b>Total equity</b>		-	27,373,950

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

**Australian Governance & Ethical Index Fund**  
**Statement of changes in equity**  
**For the period ended 12 April 2021**

	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total equity \$
Balance at 1 July 2019	40,639,503	1,623,639	42,263,142
Loss after income tax expense for the period	-	(2,548,762)	(2,548,762)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(2,548,762)	(2,548,762)
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Issued capital	593,964	-	593,964
Unit buy-back	(11,279,688)	-	(11,279,688)
Buy-back costs (note 14)	(46,690)	-	(46,690)
Distributions paid (note 5)	-	(1,608,016)	(1,608,016)
Balance at 30 June 2020	<u>29,907,089</u>	<u>(2,533,139)</u>	<u>27,373,950</u>
	Issued capital \$	Retained earnings/ (accumulated losses) \$	Total equity \$
Balance at 1 July 2020	29,907,089	(2,533,139)	27,373,950
Profit after income tax expense for the period	-	1,178,443	1,178,443
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	1,178,443	1,178,443
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Adjustment to unit capital (note 10)	(2,533,139)	2,533,139	-
Issued capital (note 10)	250,346	-	250,346
Unit buy-back (note 10)	(1,498,596)	-	(1,498,596)
Buy-back costs (notes 10 and 14)	(3,840)	-	(3,840)
Distributions paid (notes 5 and 10)	<u>(26,121,860)</u>	<u>(1,178,443)</u>	<u>(27,300,303)</u>
Balance at 12 April 2021	<u>-</u>	<u>-</u>	<u>-</u>

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

**Australian Governance & Ethical Index Fund**  
**Statement of cash flows**  
**For the period ended 12 April 2021**

		<b>For the period 1 July 2020 to 12</b>	
	<b>Note</b>	<b>April 2021</b>	<b>30 June 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Interest income received		3,702	6,321
Dividends received		343,044	1,493,211
Payments to suppliers		(49,718)	1,147
Management and administration fees paid		(22,799)	(74,119)
		<u>                    </u>	<u>                    </u>
Net cash from operating activities	14	<u>274,229</u>	<u>1,426,560</u>
<b>Cash flows from investing activities</b>			
Payments for investments		(1,347,531)	(5,481,719)
Receipts from disposal of investments		29,602,089	17,047,113
		<u>                    </u>	<u>                    </u>
Net cash from investing activities		<u>28,254,558</u>	<u>11,565,394</u>
<b>Cash flows from financing activities</b>			
Payments for unit buy-backs	10	(1,498,596)	(11,309,275)
Payment of buy-back costs	10	(3,840)	(47,346)
Distributions paid	5	(27,842,261)	(1,201,493)
		<u>                    </u>	<u>                    </u>
Net cash used in financing activities		<u>(29,344,697)</u>	<u>(12,558,114)</u>
Net (decrease)/increase in cash and cash equivalents		(815,910)	433,840
Cash and cash equivalents at the beginning of the financial period		<u>815,910</u>	<u>382,070</u>
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial period	6	<u><u>                    </u></u>	<u><u>815,910</u></u>

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

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**1. General information**

Australian Governance & Ethical Index Fund (**Fund**) was a registered managed investment scheme domiciled in Australia. The investment objective of the Fund was to provide investors with long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance.

The comparative period is the period from 1 July 2019 to 30 June 2020.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 April 2021. The directors have the power to amend and reissue the financial statements.

**2. New Accounting Standards and Interpretations**

*Adoption of new and revised Accounting Standards*

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to their operations and effective for the current period. The impact of the adoption is not material to the Fund's financial report in the current or future reporting periods and on foreseeable future transactions.

*Accounting Standards and Interpretations issued but not yet effective*

New standards, amendments to standards and interpretations that are effective for annual reporting periods beginning on or after 1 January 2020 have not been early adopted in preparing these financial statements. There are no standards that are not yet effective and that are expected to have a material impact on the Fund.

**3. Significant accounting policies**

**Statement of compliance**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Fund comply with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

**Basis of preparation**

The Responsible Entity announced to wind up the Fund on 25 August 2020 and commenced the winding up on 26 October 2020 in accordance with the provisions of the Fund's constitution. The Fund was formally wound up on 12 April 2021 and the financial statements are not prepared on a going concern basis. The financial statements are being prepared on the basis set out in the accounting policy notes. There is no difference between the basis and preparing the financial statements on a going concern basis. All assets have been realised and all liabilities have been settled and a final distribution of the remaining monies have been made to unitholders.

The following accounting policies have been adopted in the preparation and presentation of the financial report.

**Investment income**

*Dividend and distribution income*

Dividend and distribution income is recognised when the right to receive a dividend has been established.

*Interest income*

Interest income is recognised in profit or loss using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Net change in fair value of investments*

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of profit or loss and other comprehensive income.

### **3. Significant accounting policies (continued)**

#### **Taxes**

##### *Income tax*

Under current Australian income tax laws, the Fund is not liable to pay income tax provided its distributable income for each income year is fully distributed to Unitholders, by way of cash or reinvestment.

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The Fund qualifies for reduced input tax credits at a minimum of 55%.

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable.

Cash flows are presented in the Statement of cash flows on a gross basis.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Receivables**

Receivables include balances due from brokers, dividends and distributions receivable, reduced input tax credit receivable and other receivables. Amounts are generally received within 30 days of being accrued for. Receivable 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 receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition.

The amount of the impairment loss is recognised in profit or loss within other operating expenses. When receivables for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

#### **Financial instruments**

Financial instruments, incorporating financial assets and financial liabilities, are recognised on trade date, when the Fund becomes a party to the contractual provisions of the instrument.

The Fund classifies its investments based on its business model for managing those financial assets and their contractual cash flow characteristics. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund evaluated the information about its investments on a fair value basis together with other related financial information.

The Fund holds financial assets comprising equity securities. These securities are mandatorily classified as fair value through profit or loss.

##### *Financial assets*

Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of profit or loss and other comprehensive income. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of profit or loss and other comprehensive income. Financial assets not at fair value through profit or loss, including receivables, are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method and are assessed for impairment based on the expected credit loss model.

### **3. Significant accounting policies (continued)**

#### *Financial liabilities*

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of profit or loss and other comprehensive income. Financial liabilities not at fair value through profit or loss, including payables, are measured initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire.

#### *Fair value*

The fair value of equity securities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets and securities held by the Fund is the current bid price, and the quoted market price for financial liabilities is the current asking price.

#### **Payables**

Payables include amounts due relating to the purchase of investments, trade creditors and accrued expenses at the reporting date. Trade payables and accruals are recognised at amortised cost when the obligation arises for payments for the purchase of goods and services.

#### **Issued capital**

##### *Ordinary units*

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of the ordinary units are recognised as a deduction from equity.

#### *Distributions to unitholders*

Distributions to unitholders are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Board of the Responsible Entity on or before the end of the financial period. A distribution payable is recognised in the Statement of financial position where the amount is not yet distributed at balance date.

#### **Critical accounting estimates and judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best-available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Fund. The expected credit loss (ECL) impairment model has not materially impacted the Fund.

### **4. Operating segments**

The Fund operated in Australia and is engaged solely in investing activities, generating long term capital appreciation and deriving revenue from dividend and distribution income and interest income.

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**5. Distributions**

Distributions declared during the financial period were as follows:

	<b>For the period 1 July 2020 to 12 April 2021</b>	<b>30 June 2020</b>
	\$	\$
Cash distribution - 4.5 cents per unit paid on 3 February 2020	-	815,712
Cash distribution - 4.95 cents per unit paid on 31 July 2020	-	792,304
Cash distribution - 178.9 cents per unit paid on 16 November 2020	27,183,094	-
Cash distribution - 0.7714 cents per unit paid on 8 April 2021	117,209	-
	<u>27,300,303</u>	<u>1,608,016</u>

Distributions paid during the period included a capital component of \$26,121,860 (note 10).

**6. Cash and cash equivalents**

	<b>12 April 2021</b>	<b>30 June 2020</b>
	\$	\$
Cash at bank	-	815,910
	<u>-</u>	<u>815,910</u>

**7. Receivables**

	<b>12 April 2021</b>	<b>30 June 2020</b>
	\$	\$
Receivable for investments sold	-	30,000
Other receivables	-	1,876
Dividend and distribution receivable	-	91,216
	<u>-</u>	<u>123,092</u>

**8. Financial assets**

	<b>12 April 2021</b>	<b>30 June 2020</b>
	\$	\$
Equity investments - listed	-	27,321,491
	<u>-</u>	<u>27,321,491</u>

Refer to note 12 for further information on fair value measurement.

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**9. Payables**

	12 April 2021	30 June 2020
	\$	\$
Unsettled trades	-	89,612
Other payables	-	4,627
	<u>-</u>	<u>94,239</u>

Refer to note 11 for further information on financial instruments.

**10. Issued capital**

	12 April 2021	30 June 2020	12 April 2021	30 June 2020
	Units	Units	\$	\$
Ordinary units - fully paid	-	15,950,638	-	29,907,089

*Movements in ordinary unit capital*

Details	Date	Units	\$
Balance	1 July 2019	21,709,196	40,639,503
Issue of ordinary units at \$1.94 per unit (distribution reinvested)	2 August 2019	166,559	323,523
Issue of ordinary units at \$2.05 per unit (distribution reinvested)	3 February 2020	131,752	270,441
Unit buy-backs		(6,056,869)	(11,279,688)
Buy-back costs		-	(46,690)
Balance	30 June 2020	15,950,638	29,907,089
Adjustment to unit capital <sup>(a)</sup>		-	(2,533,139)
Issue of ordinary units at \$1.72 per unit (distribution reinvested)	31 July 2020	145,395	250,346
Unit buy-backs		(901,459)	(1,498,596)
Buy-back costs		-	(3,840)
Distributions (capital component)	16 November 2020	-	(26,004,651)
Distributions (capital component)	8 April 2021	(15,194,574)	(117,209)
Balance	12 April 2021	-	-

<sup>(a)</sup> This relates to the capital component in prior year distributions previously reported as paid out of retained earnings.

**11. Financial instruments**

***Financial risk management***

The Fund's financial instruments primarily comprised of listed equity investments. The Fund's investment objective was to achieve long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance, in accordance with its investment strategy (as stipulated in the Fund's current Product Disclosure Statement and Constitution). The main risks the Fund was exposed to through its financial instruments were market risk (including equity price risk and interest rate risk), credit risk and liquidity risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework, including developing and monitoring risk management policies.

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**11. Financial instruments (continued)**

**Market risk**

*Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual securities. The equity price risk exposure arises from the Fund's investments in equity securities. The Investment Manager manages the Fund's equity price risk in accordance with the Fund's investment objectives and policies, as detailed in the current Product Disclosure Statement.

As the majority of the Fund's financial instruments are carried at fair value with changes in fair value recognised in the Statement of profit or loss and other comprehensive income, all changes in market conditions will directly affect investment income.

There were no equity investments as at 12 April 2021, therefore the effect on profit and equity from changes in equity price is not disclosed.

The following table illustrates the effect on profit before tax and equity from possible changes in the value of equity investments at 30 June 2020, with all other variables remaining constant.

30 June 2020	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Equity investments	5%	<u>1,366,075</u>	<u>1,366,075</u>	(5%)	<u>(1,366,075)</u>	<u>(1,366,075)</u>

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund was exposed to interest rate risk on its variable rate cash deposits. The Fund currently did not hedge against this exposure.

The Fund's exposure to interest rate risk was limited to cash deposits. The Fund did not hold cash deposits as at 12 April 2021. At 30 June 2020, approximately 97.1% of the financial assets were non-interest bearing and 2.9% of the financial assets were at a floating rate, represented by the cash and cash equivalents balance on the Statement of financial position.

30 June 2020	1% increase		1% decrease	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash at bank	<u>8,159</u>	<u>8,159</u>	<u>(8,159)</u>	<u>(8,159)</u>

The Fund did not hold significant cash balances exposed to interest rates in other currencies and did not have any borrowings or other financial liabilities or assets with direct exposure to changes in interest rates and accordingly was not exposed to material interest rate risk.

**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund was exposed to credit risk primarily from cash and cash equivalents. Other credit risk arising from outstanding settlements was considered small due to the short settlement period involved.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers relevant, historical analysis and forward looking information in determining any expected credit losses.

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**11. Financial instruments (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's exposure to liquidity risk is minimal. The risk is managed by ensuring that sufficient cash and cash equivalents is maintained to meet ongoing operating requirements and investments are primarily held in actively traded markets. The majority of the Fund's listed securities were considered readily realisable as they are listed on ASX.

**Remaining contractual maturities**

The Fund did not have any outstanding financial liabilities as at 12 April 2021.

<b>30 June 2020</b>	6 months or less \$	6 months to 1 year \$	Remaining contractual maturities \$
<b>Non-derivatives</b>			
<i>Non-interest bearing</i>			
Payables	(94,239)	-	(94,239)
Distributions payable	(792,304)	-	(792,304)
Total non-derivatives	<u>(886,543)</u>	<u>-</u>	<u>(886,543)</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**12. Fair value measurement**

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are disclosed in the Statement of financial position and in the notes to the financial statements.

The fair values of:

- other assets and other liabilities approximate their carrying value.
- listed securities included in "Equity Investments" are readily traded on the Stock Exchanges in a standardised form globally. The net fair value of listed securities is determined by valuing them at the last quoted sale price as at the end of the reporting period.

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**12. Fair value measurement (continued)**

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

**Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

**Level 3:** unobservable inputs for the asset or liability

There were no financial assets as at 12 April 2021, therefore the fair value hierarchy for the period ended 12 April 2021 is not disclosed.

<b>30 June 2020</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets at fair value through profit or loss</i>				
Equity investments - listed	27,321,491	-	-	27,321,491
Total assets	27,321,491	-	-	27,321,491

There were no transfers between levels during the financial period (30 June 2020: nil).

**13. Related party transactions**

*Key management personnel*

Stuart Nisbett, Warwick Keneally, Mike Adams and Peter Shear are directors of the Responsible Entity, E&P Investments Limited, and were deemed to be key management personnel.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

*Related party investments in the Fund*

The Responsible Entity or its associates does not hold any investments in the Fund (30 June 2020: nil).

*Responsible Entity services*

*a) Responsible Entity fee*

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. Evans and Partners Investment Limited (formerly Walsh & Company Investment Limited), as Responsible Entity, receives a Responsible Entity fee of 0.08% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund.

Total Responsible Entity paid or payable to the Responsible Entity for the period ended 12 Apr 2021 were \$6,934 (30 June 2020: \$26,528), exclusive of GST, and included in management and administration fees in profit or loss.

*b) Fund administration services*

Australian Fund Accounting Services Pty Limited, a related party of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. The Responsible Entity bears the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund.

*c) Legal and consulting services*

The Responsible Entity entered into an agreement with MDA1 Pty Limited, trading as MA Law, to provide legal and consulting services to the Responsible Entity and the investment schemes under its control. Mike Adams, a director of the Responsible Entity, is also a director and shareholder of MDA1 Pty Limited. Mike Adams previously provided similar services as an employee of a non-related entity to the Fund. The Responsible Entity has agreed to bear the cost of the legal and consulting services and, as such, there were no legal and consulting fees paid out of the assets of the Fund.

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**13. Related party transactions (continued)**

*Investment Management fee*

The Investment Manager provides investment management services to the Fund, including overseeing the assessment of market conditions and investment opportunities, the selection and recommendation of investments, monitoring the Funds' investment portfolio, and determining and recommending the retention or sale of investment in the Fund's portfolio.

In connection with the provision of services as Investment Manager, Evans and Partners Investment Management Pty Limited (formerly Walsh & Company Asset Management Pty Limited), receives an Investment Management fee of 0.11% per annum (inclusive of the net effect of GST) of the value of the portfolio.

Effective 30 October 2020, the Investment Manager has agreed to waive its contractually entitled fee for the remaining term of the Investment Management Agreement. Total Investment Management fees paid or payable for the period ended 12 April 2021 was \$9,584 (30 June 2020: \$38,503), exclusive of GST, and included in management and administration fees in profit or loss.

*Brokerage fee*

Evans & Partners Pty Ltd, a related party of the Responsible Entity and broker of the Fund, provides brokerage under the Fund's buy-back program.

Total brokerage fees paid or payable to the related party of the Responsible Entity for the period ended 12 April 2021 was \$3,746 (30 June 2020: \$45,552), exclusive of GST, and included in buy-back costs in changes in equity.

*Investment transaction costs*

Evans & Partners Pty Ltd, a related party of the Responsible Entity, receives brokerage of 0.10% (excluding GST) on all transactions in Australian equities undertaken by the Fund. During the period, the brokerage paid was \$34,743 (30 June 2020: \$17,120), exclusive of GST, and recognised as investment transaction costs in profit or loss.

**14. Reconciliation of profit/(loss) after income tax to net cash from operating activities**

	<b>For the period 1 July 2020 to 12 April 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax expense for the period	1,178,443	(2,548,762)
Adjustments for:		
Net (gain)/loss on financial assets at fair value through profit or loss	(1,026,776)	3,765,733
Investment transaction costs	34,097	18,844
Change in operating assets and liabilities:		
Decrease in receivables	93,092	193,232
Decrease in payables, excluding unsettled trades	(4,627)	(2,487)
Net cash from operating activities	<u>274,229</u>	<u>1,426,560</u>

**Australian Governance & Ethical Index Fund**  
**Notes to the financial statements**  
**12 April 2021**

**15. Remuneration of auditor**

During the financial period, the following fees were paid or payable for services provided by KPMG, the auditor of the Fund:

	<b>For the period 1 July 2020 to 12 April 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - KPMG</i>		
Audit or review of the financial services*	8,860	34,150
Audit of financial statements upon termination (wind up cost)	6,000	-
	<u>14,860</u>	<u>34,150</u>
<i>Other services - KPMG</i>		
Taxation services*	-	5,000
Taxation review of final distribution (wind up cost)	5,000	-
	<u>5,000</u>	<u>5,000</u>

\*E&P Investments Limited, the Responsible Entity of the Fund, has agreed to bear the fees paid to KPMG for audit and other services except for those incurred as a result of the wind up.

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

There were no outstanding contingent assets, liabilities or commitments as at 12 April 2021 and 30 June 2020.

**17. Events after the reporting period**

No significant events have occurred since the reporting date which would have impact on the financial position of the Fund disclosed in the balance sheet as at 12 April 2021 or on the results and cash flows of the Fund for the period ended on that date.

**18. Wind-up**

The Fund paid the final return of capital to unitholders and it was effectively wound up on 12 April 2021.

**Australian Governance & Ethical Index Fund**

**Directors' declaration**

**12 April 2021**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements; and
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 12 April 2021 and of its performance for the financial period ended on that date.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



---

Stuart Nisbett

Chairman of E&P Investments Limited, Responsible Entity

23 April 2021



# Independent Auditor's Report

To the unitholders of Australian Governance & Ethical Index Fund

## Opinion

We have audited the **Financial Report** of the Australian Governance & Ethical Index Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of the Australian Governance & Ethical Index Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Scheme's financial position as at 12 April 2021, and of its financial performance and its cash flows for the period ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 12 April 2021
- Statement of profit or loss and other comprehensive income for the period then ended
- Statement of changes in equity, and Statement of cash flows for the period then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

## Basis for opinion

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

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

We are independent of the Scheme in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.



### Emphasis of matter – Basis of preparation

We draw attention to Note 3 in the Financial Report, which describes the basis of preparation. The Financial Report has not been prepared on a going concern basis as the Responsible Entity has announced that the Fund will commence winding up on 12 April 2021. Our opinion is not modified in respect of this matter.

### Other Information

Other Information is financial and non-financial information in Australian Governance & Ethical Index Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of E&P Investments Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of Directors for the Financial Report

The Directors of E&P Investments Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations or have no realistic alternative but to do so.



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

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

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

KPMG

Jessica Davis

*Partner*

Sydney

23 April 2021

**Australian Governance & Ethical Index Fund**  
**Corporate directory**  
**12 April 2021**

**Australian Governance & Ethical Fund**

(ARSN 625 826 646)  
Level 15, 100 Pacific Highway  
NORTH SYDNEY NSW 2060  
T 1300 454 801  
F 1300 457 349  
E [info@governanceandethicalfund.com.au](mailto:info@governanceandethicalfund.com.au)  
[governanceandethicalfund.com.au](http://governanceandethicalfund.com.au)

**Responsible Entity**

E&P Investments Limited  
(ACN 152 367 649)  
(AFSL 410 433)  
Level 15, 100 Pacific Highway  
NORTH SYDNEY NSW 2060  
T 1300 454 801  
F 1300 883 159  
E [info.funds@eap.com.au](mailto:info.funds@eap.com.au)  
[eap.com.au](http://eap.com.au)

**Directors**

Stuart Nisbett  
Warwick Keneally  
Mike Adams  
Peter Shear

**Secretaries**

Hannah Chan  
Caroline Purtell

**Unit Register**

Boardroom Pty Limited  
Level 12, 225 George Street  
SYDNEY NSW 2000  
T 1300 737 760 (Australia)  
T +61 2 9290 9600 (International)  
F 1300 653 459  
[boardroomlimited.com.au](http://boardroomlimited.com.au)

**Auditor**

KPMG  
Level 38, Tower Three  
International Towers Sydney  
300 Barangaroo Avenue  
SYDNEY NSW 2000  
T: +61 2 9335 7000  
F: +61 2 9335 7001  
[kpmg.com.au](http://kpmg.com.au)

**Banker**

ANZ Bank  
J.P. Morgan

