

UC Invest  
Property  
Fund

December 31

2015

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The UC Invest Property Fund is an activity of The Uniting Church in Australia Property Trust (S.A.) ABN 25 068 897 781, the legal entity of the Uniting Church SA.

Financial  
Report

## Income Statement

For the year to 31 December 2015

	Note	2015 \$	2014 \$
Revenue	2	373,431	155,252
Expenses	3	(23,307)	(15,570)
<b>OPERATING PROFIT / (LOSS) FOR THE YEAR</b>		<b>350,124</b>	<b>139,682</b>
Realised profit / (loss) on sale of financial assets	5	11,130	266,646
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>361,254</b>	<b>406,328</b>
Gains / (Losses) on revaluation of financial assets	5	99,194	260,615
<b>PROFIT ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>460,448</b>	<b>666,943</b>

## Balance Sheet

As at 31 December 2015

	Note	2015 \$	2014 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6	7,025	19,973
Trade & Other Receivables	7	155,592	36,179
<b>Total Current Assets</b>		<b>162,617</b>	<b>56,152</b>
<b>Non-Current Assets</b>			
Financial Assets	5,8	6,477,068	1,637,960
<b>Total Non-Current Assets</b>		<b>6,477,068</b>	<b>1,637,960</b>
<b>Total Assets</b>		<b>6,639,685</b>	<b>1,694,112</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	9	149,727	31,653
<b>Total Current Liabilities</b>		<b>149,727</b>	<b>31,653</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>149,727</b>	<b>31,653</b>
<b>Net Assets</b>		<b>6,489,958</b>	<b>1,662,459</b>
<b>Equity</b>			
Unit Holders Control		6,489,958	1,662,459
<b>Total Equity</b>		<b>6,489,958</b>	<b>1,662,459</b>

## Statement of Changes in Equity

For the year to 31 December 2015

	Unit Holders Control	Total
Balance at 1 January 2014	3,909,950	3,909,950
Unit Holder Purchases for Year	98,559	98,559
Unit Holder Redemptions for Year	(2,871,284)	(2,871,284)
Distributions Allocated to Unit Holders	(139,682)	(139,682)
Unit Holder Transaction Fees	(2,027)	(2,027)
Profit Attributable to Unit Holders	666,943	666,943
<b>Balance at 31 December 2014</b>	<b>1,662,459</b>	<b>1,662,459</b>
Balance at 1 January 2015	1,662,459	1,662,459
Unit Holder Purchases for Year	5,554,157	5,554,157
Unit Holder Redemptions for Year	(834,769)	(834,769)
Distributions Allocated to Unit Holders	(350,124)	(350,124)
Unit Holder Transaction Fees	(2,213)	(2,213)
Profit Attributable to Unit Holders	460,448	460,448
<b>Balance at 31 December 2015</b>	<b>6,489,958</b>	<b>6,489,958</b>

## Statement of Cash Flows

For the year to 31 December 2015

	Note	2015 \$	2014 \$
<b>Cash Flows from Operating Activities</b>			
Receipts		254,469	215,707
Payments		(22,792)	(16,259)
<b>Net cash flows provided by / (used in) operating activities</b>	10	<b>231,677</b>	<b>199,448</b>
<b>Cash Flows from Investing Activities</b>			
Sale of investments	5	2,447,834	3,031,572
Purchase of investments	5	(7,176,618)	(310,171)
<b>Net cash flows provided by / (used in) investing activities</b>		<b>(4,728,784)</b>	<b>2,721,401</b>
<b>Cash Flows from Financing Activities</b>			
Distributions to Unit Holders		(188,859)	(103,230)
Purchases by Unit Holders		5,508,078	-
Redemptions by Unit Holders		(835,060)	(2,873,311)
Proceeds from borrowings		816,100	2,571,225
Loan repayments		(816,100)	(2,571,225)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>4,484,159</b>	<b>(2,976,541)</b>
Net increase / (decrease) in cash held		(12,948)	(55,692)
Cash at beginning of year		19,973	75,665
<b>Cash at End of Year</b>	6	<b>7,025</b>	<b>19,973</b>

## 1. Statement of significant accounting policies

The financial report of the UC Invest Property Fund (“*the Fund*”) for the year ended 31 December 2015 was authorised for issue in accordance with a resolution by the members of the Uniting Church Investment Committee (UCIC) on 18 March 2016.

### Operations and principal activities

This financial report covers the UC Invest Property Fund as an individual entity. The Fund is an activity of The Uniting Church in Australia Property Trust (S.A.), which was established by an Act of the South Australian Parliament in 1977. All assets of the Fund are held in the name of The Uniting Church in Australia Property Trust (S.A.).

The UC Invest Property Fund is a unitised managed fund which invests in listed property trusts quoted on the Australian Stock Exchange. It is only available to Uniting Church and Churches of Christ SA congregations and organisations. The Fund does not accept investments from individual members of the public.

All recognised income is distributed to unit holders on a quarterly basis with the exception of any franking credits which are distributed once the annual franking credit return is received from the Australian Taxation Office.

Unit holders are exposed to the market risk of the Fund, which results in their investments fluctuating in line with the underlying performance of the Fund.

The Uniting Church Investment Committee is responsible for the financial management of the Fund.

### Uniting Church Investment Committee Members

Michael McClaren (Non-executive, Chairperson)

Kevin Benger (Non-executive, Chairperson Audit Committee)

Allison Ashby (Non-executive)

Tom Adams (Non-executive)

Wayne Matters (Non-executive)

Peter Battersby (Executive) – Remunerated by the Uniting Church SA

UC Invest manages the administration and investment strategy of the Fund and receives a monthly management fee based on the market value of funds under management.

### Summary of significant accounting policies

The financial statements are special purpose financial statements prepared in order to satisfy the financial reporting requirements of the UCIC. The committee has determined that the Fund is not a reporting entity.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historic costs, modified, where applicable, by the measurement at fair value of financial assets. The amounts presented in the financial statements have been rounded to the nearest dollar.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and cash in hand. These deposits are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purposes of the *Statement of Cash Flows*, cash and cash equivalents consist of cash and cash equivalents as defined above and are net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

## (b) Revenue

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that economic benefits will flow to the Fund and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

### i. Interest

Interest income is recognised as interest accrues using the effective interest 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. This 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.

### ii. Dividends and distributions from equities

Dividend and distribution income is received in the form of dividends, distributions and franking credits from companies within the underlying investment portfolio. Revenue is recognised when the entity's right to receive the payment is established.

### iii. Application and redemption fees

Application and redemption fee income is received when unit holders enter or exit the Fund either fully or partially. Revenue is recognised when the entity makes the corresponding transaction on behalf of the unit holder.

## (c) Financial instruments

### i. Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs, where the instrument is not classified at fair value through profit and loss.

Transaction costs related to instruments classified at fair value through profit and loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

### ii. Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

### iii. Classification and subsequent measurement

#### a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading purposes or short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

#### (d) Trade and other payables

Trade and other payables are recognised when the entity becomes obliged to make future payments.

#### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the *Statement of Cash Flows* on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (f) Impairment

At each reporting date the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

#### (g) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

#### (h) Income tax

The entity is exempt from income tax due to its status as a religious organisation.



	2015	2014
<b>2. Revenue</b>		
Dividends and distributions from equities	368,836	152,388
Interest received	2,382	837
Application and redemption fees received	2,213	2,027
	<b>373,431</b>	<b>155,252</b>
<b>3. Expenses</b>		
Management fees - related party	15,394	7,246
Interest paid	3,405	5,940
Brokerage	4,508	2,384
	<b>23,307</b>	<b>15,570</b>
<b>4. Auditor's remuneration</b>		
Fee in relation to audit ( <i>paid by UC Invest</i> )	1,250	1,250

## 5. Revaluation of investments

Decisions by unit holders to invest or redeem funds in the UC Invest Property Fund may influence the need to buy or sell equities, depending on the monetary value of the transaction.

Unit Holders who invested in the Fund for the 2015 year had a total investment return of **12.25%**, which is slightly below the ASX200 REIT Accumulation Index benchmark return of **14.33%**.

Company	Opening Balance	Total Purchases	Total Sales	Profit / (Loss) on Sale	Revaluation of Investments	Closing Balance
ABP Abacus Property Group	103,983	432,628	(114,680)	5,580	23,558	451,069
BWP Bunnings Warehouse Trust	107,044	366,965	(69,374)	4,638	25,966	435,239
CHC Charter Hall Group	96,199	422,635	(70,634)	(2,072)	(9,761)	436,367
CMW Cromwell Property Group	103,247	351,810	(429,638)	(25,419)	-	-
CQR Charter Hall Retail REIT	103,625	404,787	(64,309)	(2,423)	(8,792)	432,888
DXS Dexus Property Group	100,278	383,243	(74,261)	3,077	5,788	418,125
GMG Goodman Group	100,832	407,835	(96,163)	3,601	18,174	434,279
GOZ Growthpoint Properties Australia	-	492,276	(26,688)	(2,674)	(30,929)	431,985
GPT GPT Group	105,722	394,502	(94,647)	3,626	29,711	438,914
IOF Investa Office Fund	101,738	382,748	(99,946)	6,647	25,077	416,264
MGR Mirvac Group	100,649	401,475	(94,579)	2,601	27,339	437,485
NSR National Storage REIT	-	515,224	(60,747)	(4,406)	(27,232)	422,839
NVN Novion Property Group	100,479	313,639	(472,988)	-	58,870	-
SCG Scentre Group	100,544	339,062	(452,785)	13,179	-	-
SCP Shopping Centres Australasia	99,552	380,759	(82,932)	4,121	36,414	437,914
SGP Stockland Trust	103,477	422,028	(89,821)	(2,082)	(9,031)	424,571
VCX Vicinity Centres	107,077	851,665	(457,150)	1,235	(70,554)	432,273
WFD Westfield Corporation Limited	103,514	386,325	(69,480)	1,901	4,596	426,856
	<b>1,637,960</b>	<b>7,649,606</b>	<b>(2,920,822)</b>	<b>11,130</b>	<b>99,194</b>	<b>6,477,068</b>

<sup>1</sup> Total purchases includes non-cash acquisitions totalling \$472,988 resulting from capital restructures and demerger activity.

<sup>2</sup> Total sales includes non-cash sale proceeds totalling \$472,988 resulting from capital restructures and demerger activity.

2015

2014

## 6. Cash and cash equivalents

Cash at the end of the year as shown in the *Statement of Cash Flows* is reconciled to the related items in the balance sheet as follows:

Cash at bank	10	79
UC Invest 11am account	7,015	19,894
	<b>7,025</b>	<b>19,973</b>

The UC Invest 11am account is an at-call account which earns interest at floating rates based on the official Reserve Bank cash rate.

## 7. Trade and other receivables

Accrued dividends and distributions	155,514	35,907
Accrued franking credits	-	189
Other receivables	78	83
	<b>155,592</b>	<b>36,179</b>

## 8. Financial assets

### Non-Current Assets

Financial assets	<b>6,477,068</b>	<b>1,637,960</b>
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Financial assets consist of listed equities, are held for trading and therefore classified as fair value through profit or loss. The value of the equities held has been determined following the fund revaluing their listed equities to their fair value at year end.

Part of the financial assets disclosed as non-current will be realised in the next 12 months, however to measure and disclose this is not practicable.

## 9. Trade and other payables

Income distributions payable to Unit Holders	148,429	31,321
Management fees	1,298	332
	<b>149,727</b>	<b>31,653</b>

## 10. Cash flow information

Reconciliation of cash flow from operations with profit

<b>Profit / (Loss) for the year before the revaluation of assets</b>	<b>361,254</b>	<b>406,328</b>
<b>Non-cash items in profit</b>		
Realised profit on sale of assets	(11,130)	(266,646)
<b>Changes in assets and liabilities</b>		
(Increase) / Decrease in operating receivables	(119,413)	60,216
Increase / (Decrease) in operating payables	966	(450)
<b>Cash flow from operating activities</b>	<b>231,677</b>	<b>199,448</b>

Operating receivables and operating payables are receivables and payables which have been reduced by unit holder related balances. These unit holder balances include capital contributions payable and distributions payable.

## 11. Contingent liabilities and contingent assets

Uniting Church Investment Committee members are not aware of any contingencies requiring disclosure in the financial statements.

## 12. Segment reporting

The Fund operates predominantly in one business and geographical segment being the investment in property funds listed on the Australian Stock Exchange.

## 13. Events subsequent to reporting date

There have been no substantial events subsequent to the balance date.

## 14. Related party transactions

The UC Invest Property Fund is administered by the Uniting Church Investment Committee on behalf of The Uniting Church in Australia Property Trust (S.A.).

UC Invest receives management fees each month calculated at 0.02% of the fair value of assets held by the UC Invest Property Fund.

## 15. Financial risk management

### Financial Risk Management Policies

The entity manages its exposure to key financial risks by the application of policies approved by the Uniting Church Investment Committee (UCIC).

The Fund's exposure to interest rate risk is insignificant with less than 0.11% of total assets at balance date exposed to interest rate sensitive investments, predominantly a UC Invest cash account which is used to cover the liquidity requirements of unit holders.

The UCIC has stipulated in its approved policies that the majority of financial assets are to be invested in listed property trust investments listed on the Australian Stock Exchange.

### Financial Risk Exposures and Management

The main risks the Fund is exposed to through its financial instruments are liquidity risk, market risk and revenue risk.

#### i. Liquidity risk

Due to the liquid nature of the entity's financial assets, the exposure to liquidity risk is limited to the amount of time it takes to receive cash from the sale of equity investments.

Unit holders have the ability to request the redemption of funds on a weekly basis. To prevent the forced selling of investments to cover unit holder redemption requests, the Fund holds a liquidity reserve in a UC Invest cash account.

#### ii. Market risk

The financial assets held by the Fund are prone to price fluctuations and volatility. The value of investments change as economic, market and company specific conditions vary.

UC Invest does not attempt to significantly mitigate market risk. The portfolio adopts a selection policy which seeks to invest funds in equally valued parcels in all constituents represented in the ASX 200 Real Estate Investment Trusts (REIT) index.

While applying funds in equal parcels reduces some company specific risk, there is still a strong correlation between the underlying portfolio and the general index return.

**iii. Revenue risk**

Revenue received (*dividends, distributions and franking credits*) from equity investments may fluctuate due to changes in market or company specific conditions.

Income distributions to unit holders are the aggregate of dividends, distributions and franking credits which are approved by individual companies. The amount of distributions can be varied by companies at any stage depending on a range of factors including economic conditions, cash flow, lending covenants, investor appetite for risk or peer distributions.

The fund manager does not distribute capital in quarterly distributions to unit holders, or operate a scheme which evens out distributions over time. All income distributions paid to unit holders are therefore market driven.

### Sensitivity Analysis

**i. Market risk**

The entity has performed a sensitivity analysis relating to its exposure to price risk at balance date. This analysis demonstrates the effect on the current year results and equity which could result from a change in market value. The Fund's performance is correlated with the ASX200 REIT index and is expected to perform similarly.

<b>Change in profit</b>	<b>2015</b>	<b>2014</b>
Decrease in ASX200 REIT index by 25%	(1,619,267)	(409,490)
Increase in ASX200 REIT index by 25%	1,619,267	409,490
<b>Change in equity</b>		
Decrease in ASX200 REIT index by 25%	(1,619,267)	(409,490)
Increase in ASX200 REIT index by 25%	1,619,267	409,490

**ii. Revenue risk**

The entity has performed a sensitivity analysis relating to its exposure to revenue risk at balance date. This analysis demonstrates the effect on the current year results and equity which could result from a change in revenue received.

<b>Change in profit</b>	<b>2015</b>	<b>2014</b>
Decrease in dividends and distributions to the UC Invest Property Fund by 20%	(73,767)	(30,478)
Increase in dividends and distributions to the UC Invest Property Fund by 20%	73,767	30,478
<b>Change in equity</b>		
Decrease in dividends and distributions to the UC Invest Property Fund by 20%	(73,767)	(30,478)
Increase in dividends and distributions to the UC Invest Property Fund by 20%	73,767	30,478

### Derivative Financial Instruments

The entity does not use derivative financial instruments

## 16. Economic dependency

The Fund does not have any economic dependency on other entities of the Uniting Church SA.

## 17. Entity details

The registered office and principal place of business of the entity is:

Level 2, 212 Pirie Street  
Adelaide SA 5000

In the opinion of the members of the Uniting Church Investment Committee:

- a) the financial statements and notes set out on pages 1 to 12 of UC Invest Property Fund – Financial Report:
  - i. complies with accounting standards and other mandatory professional reporting requirements to the extent described in Note 1; and
  - ii. gives a true and fair view of the Fund's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
  
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Uniting Church Investment Committee.



**Michael McClaren**  
Chairperson  
Uniting Church Investment Committee



**Kevin Bengier**  
Chairperson Audit Committee  
Uniting Church Investment Committee

Adelaide  
18 March 2016



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNIT HOLDERS OF UC INVEST PROPERTY FUND**

**Report on the Financial Report**

We have audited the accompanying financial report, being a special purpose financial report of UC Invest Property Fund, which comprises the balance sheet as at 31 December 2015, the income statement, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the declaration of the committee.

***The Uniting Church Investment Committee's Responsibility for the Financial Report***

The Uniting Church Investment Committee is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1, is appropriate to meet the requirements of the policies set by the Uniting Church Investment Committee and is appropriate to meet the needs of unit holders. The committee's responsibility also includes such internal control as the committee determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

***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 about 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 and fair presentation of the financial report 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 committee, as well as evaluating the overall presentation of the financial report.

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 Australian professional ethical pronouncements.



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNIT HOLDERS OF UC INVEST PROPERTY FUND (CONT)**

***Opinion***

In our opinion, the financial report presents fairly, in all material respects, the financial position of UC Invest Property Fund as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation described in Note 1 of the financial report.

***Basis of Accounting***

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist UC Invest Property Fund to meet the financial reporting requirements of policies set by the Uniting Church Investment Committee. As a result, the financial report may not be suitable for another purpose.

*Edwards Marshall*

Edwards Marshall  
Chartered Accountants

*B Morkunas*

Brett Morkunas  
Partner

Adelaide  
South Australia

18 March 2016