

UC Invest

December 31

2015

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UC Invest 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

## Statement of Comprehensive Income

For the year to 31 December 2015

	Note	2015 \$	2014 \$
Revenue	2	10,462,803	10,494,765
Expenses	3	(732,219)	(738,945)
Finance costs	4	(6,147,437)	(6,257,548)
<b>OPERATING PROFIT / (LOSS) FOR THE YEAR</b>		<b>3,583,147</b>	<b>3,498,272</b>
Foreign exchange currency gains / (losses)	6	-	(214,735)
Forward exchange contract fair value movements	6	-	358,900
Realised profit / (loss) on sale of assets	7	3,244,443	529,623
Settlement of legal claims	8	632,758	-
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>7,460,348</b>	<b>4,172,060</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items which may be subsequently reclassified to the profit &amp; loss</b>			
Net gain / (loss) on revaluation of available-for-sale investment securities	7	(165,270)	1,683,026
Transfer to income on sale of investment securities	7	(3,222,646)	(443,002)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>4,072,432</b>	<b>5,412,084</b>

## Statement of Financial Position

As at 31 December 2015

	Note	2015 \$	2014 \$
<b>Assets</b>			
Cash & cash equivalents	9	23,389,047	11,427,898
Trade & other receivables	10	1,568,792	1,684,724
Held-to-maturity financial assets	11	8,618,809	8,519,249
Available-for-sale investment securities	12	168,278,493	152,297,099
Loans and advances	13	17,396,598	12,041,229
Property, plant & equipment		14,674	44,997
<b>Total Assets</b>		<b>219,266,413</b>	<b>186,015,196</b>
<b>Liabilities</b>			
Financial liabilities	14	189,940,812	158,389,420
Trade & other payables	15	1,157,232	1,164,752
Employee provisions	16	133,015	130,519
Other liabilities	17	1,368	4,500
<b>Total Liabilities</b>		<b>191,232,427</b>	<b>159,689,191</b>
<b>Net Assets</b>		<b>28,033,986</b>	<b>26,326,005</b>
<b>Equity</b>			
Accumulated funds		21,474,465	16,378,568
Asset revaluation reserve	18	6,559,521	9,947,437
<b>Total Equity</b>		<b>28,033,986</b>	<b>26,326,005</b>

## Statement of Changes in Equity

For the year to 31 December 2015

	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2014	14,186,508	8,707,413	22,893,921
Profit for the year	4,172,060	-	4,172,060
Other comprehensive income	-	1,240,024	1,240,024
Transfer of grants to Uniting Church SA	(1,980,000)	-	(1,980,000)
<b>Balance at 31 December 2014</b>	<b>16,378,568</b>	<b>9,947,437</b>	<b>26,326,005</b>
Balance at 1 January 2015	16,378,568	9,947,437	26,326,005
Profit for the year	7,460,348	-	7,460,348
Other comprehensive income	-	(3,387,916)	(3,387,916)
Transfer of grants to Uniting Church SA	(2,364,451)	-	(2,364,451)
<b>Balance at 31 December 2015</b>	<b>21,474,465</b>	<b>6,559,521</b>	<b>28,033,986</b>

## Statement of Cash Flows

For the year to 31 December 2015

	Note	2015 \$	2014 \$
<b>Cash Flows from Operating Activities</b>			
Receipts		228,878	254,674
Interest received		6,985,043	6,951,027
Distributions received		3,373,713	2,754,044
Payments		(713,854)	(701,886)
Finance costs		(6,149,402)	(6,448,913)
Proceeds from legal claims		632,758	-
<b>Net cash flows provided by / (used in) operating activities</b>	19	<b>4,357,136</b>	<b>2,808,946</b>
<b>Cash Flows from Investing Activities</b>			
Sale of investments		68,620,241	39,654,323
Purchase of investments		(80,977,651)	(44,466,814)
<b>Net cash flows provided by / (used in) investing activities</b>		<b>(12,357,410)</b>	<b>(4,812,491)</b>
<b>Cash Flows from Financing Activities</b>			
Grants to the Uniting Church SA		(2,364,451)	(1,980,000)
Investments by investors		127,884,111	90,692,109
Withdrawals by investors		(105,558,237)	(86,451,805)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>19,961,423</b>	<b>2,260,304</b>
Net increase / (decrease) in cash held		11,961,149	256,759
Cash at beginning of year		11,427,898	11,171,139
<b>Cash at End of Year</b>	9	<b>23,389,047</b>	<b>11,427,898</b>

## 1. Statement of significant accounting policies

The financial report of UC Invest (*“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 UC Invest as an individual entity. UC Invest 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 UC Invest are held in the name of The Uniting Church in Australia Property Trust (S.A.).

UC Invest provides investment services for the Uniting Church SA community. These services include at-call and fixed term investments and a suite of managed funds available to Uniting Church and Churches of Christ SA entities.

Members of the Uniting Church Investment Committee (UCIC) are responsible for the financial management, governance and operations of UC Invest under delegated authority from the Uniting Church SA Resources Board.

The Resources Board is accountable for the oversight and management of the property and financial resources of the Church in South Australia. It acts on behalf of, and is answerable to, the Synod and Presbytery Standing Committee which holds the ultimate responsibility for all activities and functions of the Church in South Australia.

The operations of UC Invest are reported to the Standing Committee via the Resources Board.

### **Uniting Church Investment Committee Members**

Michael McClaren (Non-executive, Chairperson)

Kevin Bengel (Non-executive, Chairperson Audit Committee)

Allison Ashby (Non-executive)

Tom Adams (Non-executive)

Wayne Matters (Non-executive)

Peter Battersby (Executive) – Remunerated by Uniting Church SA

### **New accounting standards and interpretations**

UC Invest has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The UCIC has adopted a change to its accounting policy relating to the presentation of assets and liabilities in the *Statement of Financial Position* in accordance with AASB 101.

Assets and liabilities of the Fund have been presented on the basis of relative liquidity, from most liquid to least liquid, as this provides more reliable and relevant information to the users of these financial statements.

Comparative figures from 2014 have been adjusted accordingly for this policy change.

All other accounting policies and methods of computation remain unchanged from the previous year.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## Basis of preparation

The financial report is a general purpose financial report that has been prepared on a going concern basis in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board to enable compliance of the Uniting Church Investment Committee with its by-laws.

The report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report, except for cash flow information, has been prepared on an accruals basis and are based on historical costs, except for available-for-sale investments which have been measured at fair value. The amounts presented in the financial statements are expressed in Australian dollars and have been rounded to the nearest dollar.

## Use of judgements and estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about carrying values of assets and liabilities.

The accounting policies which are most sensitive to the use of judgement, estimates and assumptions are described in the following notes:

- Note 1 (c) – Fair value of assets and liabilities
- Note 23 vi) – Fair value
- Note 1 (g) – Impairment

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## Summary of significant accounting policies

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 *Statement of Financial Position* 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 financial liabilities on the *Statement of Financial Position*.

### (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 equity investments held by UC Invest. Revenue is recognised when the entity's right to receive the payment is established.

## (c) Fair value of assets and liabilities

UC Invest measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price UC Invest would receive to sell an asset or would have to pay to transfer a liability in an orderly (*i.e. unforced*) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation technique. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (*i.e. the market with the greatest volume and level of activity for the asset or liability*). In the absence of such a market, information is extracted from the most advantageous market available to the entity at the reporting date (*i.e. the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs*).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments may be valued, where there is no observable market price in relation to the transfer of an identical or similar financial instrument, by reference to observable market information where identical or similar instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

## (d) 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.

**b) Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

**c) Available-for-sale investment securities**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or are not classified in any of the other categories. They comprise of investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. After initial recognition available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until it is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

**(e) Trade and other payables**

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

**(f) 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 *Statement of Financial Position*.

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.

### **(g) Impairment**

All assets of the Fund are subject to a continuous management review process to assess whether there is any objective evidence that a financial asset has been impaired. Any impairment losses are recognised in the *Statement of Comprehensive Income*.

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.

For loans and advances issued by UC Invest, each loan is individually assess on a continuous basis to determine whether there is evidence of impairment.

### **(h) Comparative figures**

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

### **(i) 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	3,531,063	2,919,408
Interest received	6,693,385	7,127,874
Foreign currency note income (See Note 6 below)	-	190,280
Management fees received	226,289	243,170
Other income	12,066	14,033
	<b>10,462,803</b>	<b>10,494,765</b>
<b>3. Expenses</b>		
Administration	318,738	306,091
Personnel costs	401,481	420,854
Investment managers retainer	12,000	12,000
	<b>732,219</b>	<b>738,945</b>
<b>4. Finance costs</b>		
Interest paid to investors	6,136,898	6,248,582
Interest paid on bank facilities	10,539	8,966
	<b>6,147,437</b>	<b>6,257,548</b>
<b>5. Auditor's remuneration</b>		
Audit fee paid for UC Invest	10,150	10,000
Audit fees paid for other UC Invest managed funds	3,806	5,000
	<b>13,956</b>	<b>15,000</b>

## 6. Foreign exchange transactions (relates to prior year)

On 25 November 2011 UC Invest purchased 20,000 EURO denominated corporate notes issued by ANZ Capital Trust 3, a wholly owned entity of the Australian and New Zealand Banking Group. These notes were issued with a face value of €2,000,000 and purchased by UC Invest for €1,570,000 (AUD \$2,172,409). These EURO notes were treated as 'held to maturity' financial assets and had an initial call date of 15 December 2014.

These notes were called by ANZ Capital Trust 3 who returned €2,000,000 to UC Invest on 16 December 2014.

To mitigate the risk of currency fluctuations, UC Invest entered into a Forward Exchange Contract (FEC) with Westpac Banking Corporation on 8 December 2011 to sell €2,000,000 on 16 December 2014 in exchange for AUD \$2,830,055.

The difference between the purchase price of €1,570,000 and the face value of €2,000,000 was evenly amortised from the purchase date to the 15 December 2014 call date. Income attributable to the EURO notes for 2014 was €134,471 which has been translated to AUD using the exchange rate of the forward exchange contract. This EURO note income of AUD \$190,280 is included in *Revenue* in the *Statement of Comprehensive Income* (See Note 2 above).

The reported \$214,735 loss at *Foreign Exchange Currency Gains / (Losses)* in the *Statement of Comprehensive Income* includes a \$227,705 loss resulting from the difference between the Australian dollar translation of €1,570,000 on 15 December 2014 and the previous balance date of 31 December 2013. The EURO/AUD exchange rate on 31 December 2013 was 0.641 which translated to \$2,449,298 whereas the forward exchange contract rate on 15 December 2014 was 0.7067 which translated to \$2,221,593. Also included at this item is a foreign exchange gain of \$12,970 on the accumulated note income for the period.

*Forward Exchange Contract (FEC) Fair Value Movements* in the *Statement of Comprehensive Income* represents the change in value of the FEC over the reporting period. The original contract with Westpac was executed at a EURO/AUD exchange rate of 0.7067. As at 31 December 2013 the FEC could have been closed out with a resultant loss to UC Invest of \$358,900. As the FEC was completed on 16 December 2014 the above amount was reversed out in 2014 through profit and loss.

## 7. Changes in the value of financial assets

The following have been recognised in the 2015 *Statement of Comprehensive Income*:

Available-for-sale investment securities	Total change in value for the year	Impairment losses	Gain / (Loss) on revaluation	Reversal of prior year revaluation on sale	Realised profit / (loss) on sale
UC Invest Share Fund	(392,973)	-	(392,973)		-
UC Invest Direct Property Fund	1,097,595	-	1,097,595		-
Corporate Notes	(512,009)	-	(540,245)	(3,178,349)	3,206,585
International Equities	59,679	-	59,679		-
Listed Australian Hybrids	(395,765)	-	(389,326)	(44,297)	37,858
	<b>(143,473)</b>	<b>-</b>	<b>(165,270)</b>	<b>(3,222,646)</b>	<b>3,244,443</b>

The following have been recognised in the 2014 *Statement of Comprehensive Income*:

Available-for-sale investment securities	Total change in value for the year	Impairment losses	Gain / (Loss) on revaluation	Reversal of prior year revaluation on sale	Realised profit / (loss) on sale
UC Invest Share Fund	44,533	-	44,533		-
UC Invest Direct Property Fund	546,486	-	546,486		-
Corporate Notes	1,119,761	-	1,032,644	(441,061)	528,178
International Equities	-	-	-		-
Listed Australian Hybrids	58,867	-	59,363	(1,941)	1,445
	<b>1,769,647</b>	<b>-</b>	<b>1,683,026</b>	<b>(443,002)</b>	<b>529,623</b>

## 8. Settlement of legal claims

UC Invest is involved in a number of legal actions seeking compensation for losses incurred by the Fund, stemming from the collapse of several investment products held during the global financial crisis in 2008 and 2009. The value of these investment products were written-off in previous financial reports.

During 2015 UC Invest received settlement proceeds totalling \$632,758 resulting from these legal claims, as shown in the *Statement of Comprehensive Income*.

It is anticipated that UC Invest will be the recipient of further proceeds however it is currently unclear as to the final value and timing of these payments.

2015

2014

## 9. Cash and cash equivalents

Cash held at the end of the year as shown in the *Statement of Cash Flows* is reconciled to the related items in the *Statement of Financial Position* as follows:

Cash at bank	66,379	2,219,117
Cash management account	23,322,668	9,208,781
	<b>23,389,047</b>	<b>11,427,898</b>

## 10. Trade and other receivables

Sundry debtors	32,677	23,200
Prepayments	10,730	-
Accrued interest, distributions & franking credits	1,525,385	1,661,524
	<b>1,568,792</b>	<b>1,684,724</b>

The value reported at trade and other receivables is expected to be received within 12 months.

## 11. Held to maturity financial assets

Held to maturity financial assets	8,618,809	8,519,249
	<b>8,618,809</b>	<b>8,519,249</b>

Held-to-maturity financial assets include investments in various fixed term deposits held with Approved Deposit-Taking Institutions (ADIs).

Refer to note 23 for information regarding the liquidity profile of the Fund's held-to-maturity financial assets.

## 12. Available for sale investment securities

Available-for-sale investment securities includes investments in various ASX listed securities, unit holdings in other UC Invest managed funds and direct holdings in unlisted fixed income securities.

The market value of ASX listed securities and unit holdings in UC Invest managed funds has been determined using publically available price information or following the managed funds revaluing their assets to fair value at year end.

Unlisted fixed income securities have been revalued using evaluated price information from an independent third party.

Available-for-sale investment securities	Market Value 31/12/14	Purchases	Sales	Total change in value for the year	Market Value 31/12/15
UC Invest Share Fund	18,139,729	4,108,370	-	(392,973)	21,855,126
UC Invest Direct Property Fund	27,363,425	2,400,000	-	1,097,595	30,861,020
Corporate Notes	98,099,532	59,234,641	(54,973,745)	(512,009)	101,848,419
International Equities	-	4,984,866	-	59,679	5,044,545
Listed Australian Hybrids	8,694,413	1,811,347	(1,440,612)	(395,765)	8,669,383
	<b>152,297,099</b>	<b>72,539,224</b>	<b>(56,414,357)</b>	<b>(143,473)</b>	<b>168,278,493</b>

Refer to note 23 for information regarding the liquidity profile of the Fund's available-for-sale investment securities.

Refer to note 7 for information regarding realised profit/loss on sale and asset revaluations.

	2015	2014
<b>13. Loans and advances</b>		
Loans and advances	17,396,598	12,041,229
	<b>17,396,598</b>	<b>12,041,229</b>

Loans and advances include secured loans made to separately incorporated Uniting Church agencies of \$17,356,014 and unsecured loans made to ministers and staff of the Uniting Church SA of \$40,584.

*Refer to note 23 for information regarding the liquidity profile of the Fund's outstanding loans and advances.*

### 14. Financial liabilities

Investor's funds	189,940,812	158,389,420
	<b>189,940,812</b>	<b>158,389,420</b>

Investor's funds are invested with UC Invest either at-call or in fixed term investments.

*Refer to note 23 for information regarding the liquidity profile of the Fund's financial liabilities.*

### 15. Trade and other payables

Sundry creditors	17,479	21,202
Accrued interest	1,139,753	1,143,550
	<b>1,157,232</b>	<b>1,164,752</b>

The value reported at trade and other payables is expected to be paid within 12 months.

### 16. Employee provisions

Annual leave	28,887	29,036
Long service leave	104,128	101,483
	<b>133,015</b>	<b>130,519</b>
Current	126,395	126,293
Non-Current	6,620	4,226
	<b>133,015</b>	<b>130,519</b>

### 17. Other liabilities

Investor redemptions payable	1,368	4,500
	<b>1,368</b>	<b>4,500</b>

The value reported at other liabilities is expected to be paid within 12 months.

## 18. Asset revaluation reserve

Available-for-sale investment securities	Asset revaluation reserve 31/12/2014 +	Inc / (Dec) in market value + during year	Reversal of prior year revaluation = on sale	Asset revaluation reserve 31/12/2015
UC Invest Share Fund	1,800,603	(392,973)	-	1,407,630
UC Invest Direct Property Fund	3,282,949	1,097,595	-	4,380,544
Corporate Notes	4,738,192	(540,245)	(3,178,349)	1,019,598
International Equities	-	59,679	-	59,679
Listed Australian Hybrids	125,693	(389,326)	(44,297)	(307,930)
	<b>9,947,437</b>	<b>(165,270)</b>	<b>(3,222,646)</b>	<b>6,559,521</b>

## 19. Cash flow information

Reconciliation of cash flow from operations with profit

	2015	2014
<b>Profit / (Loss) for the year before the revaluation of assets</b>	<b>7,460,348</b>	<b>4,172,060</b>
<b>Non-cash items in profit</b>		
Depreciation	30,323	30,322
Realised profit on sale of assets	(3,244,443)	(529,623)
Fair value movements of forward exchange contract	-	(358,900)
Foreign currency note income	-	(190,280)
Foreign exchange gains	-	214,735
<b>Changes in assets and liabilities</b>		
(Increase) / Decrease in operating receivables	115,932	(344,181)
Increase / (Decrease) in operating payables	(5,024)	(185,187)
<b>Cash flow from operating activities</b>	<b>4,357,136</b>	<b>2,808,946</b>

## 20. Contingent liabilities and contingent assets

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

## 21. Events subsequent to reporting date

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

## 22. Related party transactions

The Uniting Church Investment Committee administers the UC Invest Share Fund, UC Invest Property Fund and UC Invest Direct Property Fund on behalf of The Uniting Church in Australia Property Trust (S.A.). UC Invest receives fees for managing these investment vehicles as detailed in note 2.

The South Australian Synod of the Uniting Church provides personnel services to UC Invest at the cost detailed in note 3.

Employees, committee members and other entities associated with the Uniting Church SA may hold investments with UC Invest. These investments are lodged on terms no more favourable than would normally be available to any other individual or entity.

## 23. Risk management

### Financial Risk Management Objectives

The Fund is exposed to a range of risks as part of its daily operations. These risks are managed using an enterprise wide approach in line with sound business practice, Australian risk management standards and the UCIC's approved risk appetite, providing the committee with a comprehensive view of its risk profile.

As part of the risk management framework, a risk management strategy is maintained which includes policies and procedures which detail the approach to the management of risk exposures. The risk management strategy includes systems for identification, analysis, evaluation, treatment, monitoring and reporting of risk, is subject to regular review and is responsive to the changing regulatory and operating environments.

The Committee's policies are also endorsed by the Uniting Church SA Resources Board. The Resources Board is the entity responsible for oversight of the Church's property and financial resources in South Australia.

The UCIC ensures a sound risk management culture is maintained and embedded in the values and behaviours of the entity. The material financial risks faced by the Fund include market risk, credit risk, interest rate risk, liquidity risk and revenue risk.

#### i. Market risk

Market risk is the risk of exposure to changes in the market price of financial assets held by the Fund. The UCIC has an approved asset allocation policy which sets out the investment parameters and guidelines applicable to the Fund. The policy aims to mitigate the risks inherent in investment markets by diversifying the Fund's investing activities across multiple asset classes, segments, managers, models and investments.

The diversified investment mix of UC Invest includes some investments that are traded in active markets and regularly fluctuate in value. The Fund's exposure to the Australian share market as at 31 December 2015 was **16.2%** of total assets (*31 December 2014: 14.4%*).

UC Invest holds fixed and floating rate corporate notes, structured investments and real and unlisted property fund investments. These investments continue to be subject to the risk of market value movements.

The UCIC is confident that an adequate level of reserves exists to cover reasonably expected future price fluctuations on its investments.

#### ii. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The UCIC has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

UC Invest lends money to organisations within the Uniting Church community, Ministers of the Word and Uniting Church SA employees. Loans to Ministers of the Word and employees are mainly for the purchase of motor vehicles and are immaterial to the asset base of UC Invest.

Loans to Uniting Church agencies constitute a relatively minor proportion of the Fund's financial assets (**7.9%** at 31 December 2015). These loans are approved on a case by case basis, subject to a credit assessment of the particular organisation which includes analysis of operating cash flows and the ability to repay intended debts. Due to the size and nature of the loans requested, appropriate security is taken over tangible assets. Loans are monitored on a regular basis.

UC Invest also invests in a range of unlisted securities issued by a wide variety of organisations. The UC Invest investment policy approves the investment of funds in entities that are either Authorised Deposit-Taking Institutions (ADIs) as regulated by the Australian Prudential Regulation



Authority (APRA), or independently rated by Standard & Poors (*or equivalent*) rating agency with an initial rating of BBB+ or higher.

UC Invest may hold unlisted securities which had independent ratings exceeding BBB+ upon purchase, but which have since been re-rated below the BBB+ rating. These securities may still be held if the committee believes that retaining them will produce the best total financial outcome in lieu of selling them.

The table below highlights the exposure to ratings segments as at 31 December 2015 for corporate note investments in the UC Invest financial statements.

Credit Rating	Face Value	Market Value	Cost Base
Unrated ADI	11,700,000	11,907,419	11,804,274
AAA	11,821,958	11,553,592	11,362,798
AA	8,471,216	8,440,987	8,541,897
AA-	9,279,333	9,510,105	9,792,051
A+	7,390,382	7,830,066	8,197,566
A	10,400,000	10,335,334	9,100,213
A-	6,900,000	6,815,015	6,935,350
BBB+	16,620,000	15,801,071	15,504,888
BBB	9,760,000	9,771,942	9,924,851
BBB-	7,500,000	7,478,460	7,564,080
BB+	2,000,000	2,000,020	2,056,300
D	483,566	404,408	44,555
	<b>102,326,455</b>	<b>101,848,419</b>	<b>100,828,823</b>

### iii. Interest rate risk

UC Invest borrows money from investors and promises to repay the principal amount plus interest on agreed terms. UC Invest uses these funds to invest in a diversified portfolio of investment assets. Due to the nature of the portfolio not all income received can be attributed to market interest rates or directly linked with interest rates offered to investors. This may potentially create a material difference between interest payable and income receivable.

Due to this risk, revenue and interest expense forecasting is used and analysed regularly to ensure the Fund has the ongoing capacity to pay all interest promised for future periods.

See Appendix 1 for cash flow interest rate sensitivity analysis.

### iv. Liquidity risk

Liquidity risk is the risk that UC Invest encounters difficulty meeting the obligations of its financial liabilities which are primarily at-call and fixed term debentures issued to individuals, congregations and organisations of the Uniting Church SA.

The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

UC Invest has policies, systems and structures in place to measure, monitor and manage liquidity risk. Investor account data is reviewed regularly to predict cash flow requirements of investor obligations.

The Fund uses a range of products to ensure it has adequate liquid resources to ensure payment of these obligations. These include at-call and short term deposits held with Authorised Deposit-Taking Institutions (ADIs) and access to a standby credit facility with a major Australian bank. These products combined with regular reporting and monitoring of assets and liabilities manages the risks involved.

The following tables summarise the maturity profile of the Fund's financial assets and liabilities.

2015 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	23,389,047						23,389,047
Held to maturity financial assets		7,618,809	1,000,000				8,618,809
Corporate Notes		3,003,210	9,195,250	79,607,316	10,042,643		101,848,419
UC Invest Share Fund						21,855,126	21,855,126
UC Invest Direct Property Fund						30,861,020	30,861,020
International Equities						5,044,545	5,044,545
Listed Australian Hybrids						8,669,383	8,669,383
Loans and advances		301,461	12,776,321	2,253,836	2,064,980		17,396,598
<b>Total financial assets</b>	<b>23,389,047</b>	<b>10,923,480</b>	<b>22,971,571</b>	<b>81,861,152</b>	<b>12,107,623</b>	<b>66,430,074</b>	<b>217,682,947</b>

2015 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	48,582,620	41,149,002	65,781,133	34,428,057	-	-	189,940,812
<b>Total financial liabilities</b>	<b>48,582,620</b>	<b>41,149,002</b>	<b>65,781,133</b>	<b>34,428,057</b>	<b>-</b>	<b>-</b>	<b>189,940,812</b>

2014 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	11,427,898						11,427,898
Held to maturity financial assets		8,519,249					8,519,249
Corporate Notes		6,500,315	5,827,470	73,422,599	12,349,148		98,099,532
UC Invest Share Fund						18,139,729	18,139,729
UC Invest Direct Property Fund						27,363,425	27,363,425
Listed Australian Hybrids						8,694,413	8,694,413
Loans and advances		308,650	1,033,736	8,445,143	2,253,700		12,041,229
<b>Total financial assets</b>	<b>11,427,898</b>	<b>15,328,214</b>	<b>6,861,206</b>	<b>81,867,742</b>	<b>14,602,848</b>	<b>54,197,567</b>	<b>184,285,475</b>

2014 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	47,386,476	39,747,117	52,019,681	19,236,146	-	-	158,389,420
<b>Total financial liabilities</b>	<b>47,386,476</b>	<b>39,747,117</b>	<b>52,019,681</b>	<b>19,236,146</b>	<b>-</b>	<b>-</b>	<b>158,389,420</b>

**v. Revenue risk**

The revenue UC Invest receives may fluctuate due to changes in market conditions. Revenue is received from a diversified pool of investments in order to minimise the risk of extreme income fluctuations.

The UCIC monitors revenue received and makes asset allocation decisions after reviewing both capital growth and future revenue expectations of individual asset classes.

**vi. Fair value**

UC Invest uses various methods in estimating the fair value of a financial instrument. The methods can be categorised into three types:

**Level 1:** The fair value is calculated using quoted prices in active markets.

**Level 2:** The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

**Level 3:** The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year Ended 31 December 2015				Year Ended 31 December 2014			
	Quoted Market Price	Valuation Technique: Market Observable Inputs	Valuation Technique: Non Market Observable Inputs	Total	Quoted Market Price	Valuation Technique: Market Observable Inputs	Valuation Technique: Non Market Observable Inputs	Total
	LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's		LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's	
<b>Financial Assets</b>								
<b>Bank Accounts</b>	23,389			23,389	11,428			11,428
<b>Held to Maturity</b>								
Term Deposits	8,619			8,619	8,519			8,519
<b>Available for Sale</b>								
Australian Shares		30,525		30,525		26,834		26,834
International Equities		5,045		5,045		-		-
Property		30,861		30,861		27,363		27,363
Corporate Notes		101,848		101,848		98,100		98,100
<b>Loans &amp; Advances</b>								
Loans	17,396			17,396	12,041			12,041
<b>TOTAL</b>	<b>49,404</b>	<b>168,279</b>	<b>-</b>	<b>217,683</b>	<b>31,988</b>	<b>152,297</b>	<b>-</b>	<b>184,285</b>
<b>Financial Liabilities</b>	<b>LEVEL 1 \$ 000's</b>	<b>LEVEL 2 \$ 000's</b>	<b>LEVEL 3 \$ 000's</b>		<b>LEVEL 1 \$ 000's</b>	<b>LEVEL 2 \$ 000's</b>	<b>LEVEL 3 \$ 000's</b>	
<b>Investor's Funds</b>	189,941			189,941	158,389			158,389

- Quoted market price represents the fair value as quoted on active markets at 31 December 2015 without any deduction for transaction costs.
- For financial instruments not quoted in active markets, UC Invest uses valuation techniques such as comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.
- The fair value of property and corporate notes has been determined using a range of valuation techniques.
- Loans made to individuals and organisations have been valued on the amount outstanding as at balance date.
- Term deposits are valued on the face value of the investment.
- Investor's funds are valued on the amount of the investment with UC Invest. Any interest accrued but not paid to the investor is included in *Trade and Other Payables*.

## Sensitivity Analysis

### i. Market risk

UC Invest has performed a sensitivity analysis relating to its exposure to market risk as at 31 December 2015. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2015	2014
<b>Change in profit</b>		
Decrease in the market value of unlisted and direct property investments by 10%	-	-
Increase in the market value of unlisted and direct property investments by 10%	-	-
<b>Change in equity</b>		
Decrease in the market value of unlisted and direct property investments by 10%	(3,086,102)	(2,736,343)
Increase in the market value of unlisted and direct property investments by 10%	3,086,102	2,736,343
<b>Change in profit</b>		
Decrease in the market value of interest rate instruments by 10%	-	-
Increase in the market value of interest rate instruments by 10%	-	-
<b>Change in equity</b>		
Decrease in the market value of interest rate instruments by 10%	(10,184,842)	(9,809,953)
Increase in the market value of interest rate instruments by 10%	10,184,842	9,809,953
<b>Change in profit</b>		
Decrease in the market value of listed securities by 25%	-	-
Increase in the market value of listed securities by 25%	-	-
<b>Change in equity</b>		
Decrease in the market value of listed securities by 25%	(8,892,264)	(6,708,535)
Increase in the market value of listed securities by 25%	8,892,264	6,708,535

**ii. Revenue risk**

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2015. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2015	2014
<b>Change in profit</b>		
Decrease in income from interest related investments by 20%	(1,338,677)	(1,425,463)
Increase in income from interest related investments by 20%	1,338,677	1,425,463
<b>Change in equity</b>		
Decrease in income from interest related investments by 20%	(1,338,677)	(1,425,463)
Increase in income from interest related investments by 20%	1,338,677	1,425,463
<b>Change in profit</b>		
Decrease in income from property related investments by 20%	(367,620)	(298,170)
Increase in income from property related investments by 20%	367,620	298,170
<b>Change in equity</b>		
Decrease in income from property related investments by 20%	(367,620)	(298,170)
Increase in income from property related investments by 20%	367,620	298,170
<b>Change in profit</b>		
Decrease in income from listed securities by 20%	(338,593)	(285,711)
Increase in income from listed securities by 20%	338,593	285,711
<b>Change in equity</b>		
Decrease in income from listed securities by 20%	(338,593)	(285,711)
Increase in income from listed securities by 20%	338,593	285,711

**iii. Interest rate risk**

UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2015. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2015	2014
<b>Change in profit</b>		
Decrease in average interest rate payable to investors by 1%	1,899,408	1,583,894
Increase in average interest rate payable to investors by 1%	(1,899,408)	(1,583,894)
<b>Change in equity</b>		
Decrease in average interest rate payable to investors by 1%	1,899,408	1,583,894
Increase in average interest rate payable to investors by 1%	(1,899,408)	(1,583,894)
<b>Change in profit</b>		
Decrease in average interest rate receivable from interest related investments by 1%	(1,512,529)	(1,300,879)
Increase in average interest rate receivable from interest related investments by 1%	1,512,529	1,300,879
<b>Change in equity</b>		
Decrease in average interest rate receivable from interest related investments by 1%	(1,512,529)	(1,300,879)
Increase in average interest rate receivable from interest related investments by 1%	1,512,529	1,300,879

**Derivative Financial Instruments**

The entity does not use derivative financial instruments

**24. Economic dependency**

UC Invest is part of The Uniting Church in Australia Property Trust (S.A.), which is the legal entity of the Uniting Church in South Australia.

All assets owned by UC Invest are held in the name of The Uniting Church in Australia Property Trust (S.A.).

**25. Entity details**

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

Level 2, 212 Pirie Street  
 Adelaide SA 5000

## Appendix 1: Cash flow interest rate sensitivity analysis

	Weighted Average Effective Interest Rate		Floating Interest		Within 1 Year		Within 2 Years		Within 3 Years		Over 3 Years		Non-Interest Bearing		Total	
	2015 %	2014 %	2015 \$ 000's	2014 \$ 000's	2015 \$ 000's	2014 \$ 000's	2015 \$ 000's	2014 \$ 000's	2015 \$ 000's	2014 \$ 000's	2015 \$ 000's	2014 \$ 000's	2015 \$ 000's	2014 \$ 000's	2015 \$ 000's	2014 \$ 000's
<b>Financial Assets</b>																
<b>Cash &amp; Cash Equivalents</b>	2.56	2.42	23,389	11,428											23,389	11,428
<b>Trade &amp; Other Receivables</b>	N/A	N/A											1,569	1,685	1,569	1,685
<b>Held to Maturity</b>																
Term Deposits	2.81	3.38			8,861	8,807									8,861	8,807
<b>Loans &amp; Receivables</b>	4.57	4.86			846	1,102	13,512	1,192	675	7,266	6,095	5,942			21,128	15,502
<b>Available for Sale</b>																
Corporate Notes	5.27	5.78			15,348	17,470	18,037	38,860	7,922	15,094	105,738	53,508			147,045	124,932
Share Investments	N/A	N/A											30,525	26,834	30,525	26,834
Unlisted Property	N/A	N/A											30,861	27,363	30,861	27,363
International Equities	N/A	N/A											5,045	-	5,045	-
<b>Total Financial Assets</b>			<b>23,389</b>	<b>11,428</b>	<b>25,055</b>	<b>27,379</b>	<b>31,549</b>	<b>40,052</b>	<b>8,597</b>	<b>22,360</b>	<b>111,833</b>	<b>59,450</b>	<b>68,000</b>	<b>55,882</b>	<b>268,423</b>	<b>216,551</b>
<b>Financial Liabilities</b>																
Investor's Funds	3.41	3.80	49,830	48,784	112,157	96,387	29,500	16,603	3,810	2,667	2,791	985			198,088	165,426
Trade & Other Payables	N/A	N/A											1,292	1,300	1,292	1,300
<b>Total Financial Liabilities</b>			<b>49,830</b>	<b>48,784</b>	<b>112,157</b>	<b>96,387</b>	<b>29,500</b>	<b>16,603</b>	<b>3,810</b>	<b>2,667</b>	<b>2,791</b>	<b>985</b>	<b>1,292</b>	<b>1,300</b>	<b>199,380</b>	<b>166,726</b>

*Note: The amounts presented above represent principal and interest cash flows and may differ when compared to the carrying amount reported on the Statement of Financial Position.*

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

- a) the financial statements and notes set out on pages 1 to 22 of UC Invest 2015 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 is 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 Bengler**  
Chairperson Audit Committee  
Uniting Church Investment Committee

Adelaide  
18 March 2016





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UC INVEST**

### **Report on the Financial Report**

We have audited the accompanying financial report of UC Invest, which comprises the statement of financial position as at 31 December 2015, statement of comprehensive income, 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 in accordance with Australian Accounting Standards and the UC Invest by-laws, and for 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. In Note 1, the Uniting Church Investment Committee also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

### ***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 MEMBERS OF UC INVEST (CONT)**

**Opinion**

In our opinion:

- a. the financial report presents fairly, in all material respects, the financial position of UC Invest, as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and UC Invest by-laws.
- b. the financial report complied with International Financial Reporting Standards as disclosed in Note 1.

*Edwards Marshall*

Edwards Marshall  
Chartered Accountants

*B Morkunas*

Brett Morkunas  
Partner

Adelaide  
South Australia

18 March 2016