

UC INVEST

Financial Report

12 Months to 31 December 2010

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010	Note	2010 \$	2009 \$
Revenue	2.	8,600,630	6,714,763
Expenses	3.	(608,625)	(516,687)
Finance Costs	4.	<u>(5,747,789)</u>	<u>(5,090,071)</u>
OPERATING PROFIT / (LOSS) FOR THE YEAR		<u>2,244,216</u>	<u>1,108,005</u>
Grants Received		0	385
Impairment of Financial Assets	6.	(42,638)	(2,780,656)
Realised Profit / (Loss) on Sale of Assets	6.	617,589	(2,690,821)
PROFIT / (LOSS) FOR THE YEAR		<u>2,819,167</u>	<u>(4,363,087)</u>
Other Comprehensive Income			
Gains / (Losses) on Revaluing Available-for-Sale Financial Assets		1,100,138	4,315,246
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,919,305</u>	<u>(47,841)</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2010	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	8.	5,856,334	5,648,371
Trade and Other Receivables	9.	802,529	1,005,999
Financial Assets	10.	<u>10,703,928</u>	<u>10,574,320</u>
Total Current Assets		<u>17,362,791</u>	<u>17,228,690</u>
Non-Current Assets			
Financial Assets	10.	104,561,933	96,201,362
Property, Plant & Equipment		<u>40,044</u>	<u>2,660</u>
Total Non-Current Assets		<u>104,601,977</u>	<u>96,204,022</u>
TOTAL ASSETS		<u>121,964,768</u>	<u>113,432,712</u>
LIABILITIES			
Current Liabilities			
Borrowings		330,000	0
Financial Liabilities	11.	99,503,310	94,341,859
Trade and Other Payables	12.	1,539,756	1,350,145
Provisions	13.	<u>66,712</u>	<u>59,793</u>
Total Current Liabilities		<u>101,439,778</u>	<u>95,751,797</u>
Non-Current Liabilities			
Financial Liabilities	11.	<u>13,655,675</u>	<u>13,720,905</u>
Total Non-Current Liabilities		<u>13,655,675</u>	<u>13,720,905</u>
TOTAL LIABILITIES		<u>115,095,453</u>	<u>109,472,702</u>
NET ASSETS		<u>6,869,315</u>	<u>3,960,010</u>
EQUITY			
Asset Revaluation Reserve	7.	1,518,904	626,004
Accumulated Funds		<u>5,350,411</u>	<u>3,334,006</u>
TOTAL EQUITY		<u>6,869,315</u>	<u>3,960,010</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Accumulated Funds	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 January 2009	7,697,093	(3,689,242)	4,007,851
Total Comprehensive Income for the year	<u>(4,363,087)</u>	<u>4,315,246</u>	<u>(47,841)</u>
Balance at 31 December 2009	<u>3,334,006</u>	<u>626,004</u>	<u>3,960,010</u>
Balance at 1 January 2010	3,334,006	626,004	3,960,010
Total Comprehensive Income for the year	2,819,167	1,100,138	3,919,305
Transfer of Revaluation Reserve on Sale	207,238	(207,238)	0
Transfer to Gift Funding	<u>(1,010,000)</u>	<u>0</u>	<u>(1,010,000)</u>
Balance at 31 December 2010	<u>5,350,411</u>	<u>1,518,904</u>	<u>6,869,315</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		237,454	154,642
Interest Received		7,097,991	5,031,036
Distributions Received		1,468,655	1,269,743
Payments		(776,947)	(265,381)
Finance Costs		<u>(5,387,608)</u>	<u>(5,811,517)</u>
Net Cash Flows Provided By / (Used In)			
Operating Activities	14.	<u>2,639,545</u>	<u>378,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales of Investments		39,905,563	78,107,453
Purchase of Investments		<u>(46,720,655)</u>	<u>(83,404,957)</u>
Net Cash Flows Provided By / (Used In)			
Investing Activities		<u>(6,815,092)</u>	<u>(5,297,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Proceeds		330,000	0
Grants to Uniting Church		(1,010,000)	0
Investments by Investors		128,132,432	120,630,896
Withdrawals by Investors		<u>(123,068,922)</u>	<u>(112,657,178)</u>
Net Cash Flows Provided By / (Used In)			
Financing Activities		<u>4,383,510</u>	<u>7,973,718</u>
Net Increase / (Decrease) in Cash Held		207,963	3,054,737
Cash at Beginning of Year		<u>5,648,371</u>	<u>2,593,634</u>
CASH AT END OF YEAR	8.	<u>5,856,334</u>	<u>5,648,371</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of UC Invest for the year ended 31 December 2010 was adopted by the UC Invest Board on 1st April 2011.

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.), the trustee of the Uniting Church in South Australia 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 community. These services include at call and fixed term investments and a suite of managed funds for Uniting Church and Churches of Christ SA entities.

UC Invest Board Members

Denis Giles (Non-Executive Chairperson)

David Ferrier (Non-Executive)

Michael McClaren (Non-Executive)

Lee Sauerwald (Non-Executive)

Barry Atwell (Executive) – Remunerated by Mission & Service Fund – 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.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation remain unchanged from the previous financial year.

New and revised standards and interpretations effective for the current reporting period that are relevant to UC Invest include:

- Amendments to AASB 5, 8, 101, 107, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 2009-5 introduces amendments into Australian Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminated unintended consequences. Other changes are more substantial such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The following accounting standards and interpretations have been recently issued but are not yet effective and have not been adopted for this reporting period ended 31 December 2010.

These standards and interpretations are not expected to have any impact on the entity's financial report.

AASB No.	Title	Effective for Annual Reporting Periods beginning / Ending on or After
AASB 9	Financial Instruments December 2010	1 January 2013
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139] June 2010	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards Arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13] June 2010	1 January 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] October 2010	1 January 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7] November 2010	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137,	1 January 2013

AASB No.	Title	Effective for Annual Reporting Periods beginning / Ending on or After
	139, 1023, 1038 and Interpretations 2, 5, 10, 12, 19 & 127] December 2010	
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] December 2010	1 January 2012
AASB 2010-9	Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] December 2010	1 July 2011
AASB 2010-10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] December 2010	1 January 2013

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 UC Invest Board and its by-laws.

Compliance with IFRS

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

Reporting Basis and Conventions

The financial report has been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value.

The following is a summary of the material accounting policies adopted by the entity in the preparations 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, cash in hand and short term deposits with an original maturity of three months or less. These deposits are convertible to known amounts of cash and which 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 the economic benefits will flow to the entity and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 imputation credits from equities invested in by UC Invest. Revenue is recognised when the entity's right to receive the payment is established.

(c) Financial instruments

i. Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 investments

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 financial assets

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.

(d) Trade and other payables

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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 UC Invest 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 statement of comprehensive income.

(g) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(h) Income Tax

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
2. REVENUE		
Dividends and Distributions	1,320,848	1,233,594
Interest Received	7,074,332	5,253,858
Grants Returned	14,612	68,472
Management Fee Income	190,838	158,839
	8,600,630	6,714,763
3. EXPENSES		
Administration	552,625	473,187
Investment Committee Retainers	56,000	43,500
	608,625	516,687
4. FINANCE COSTS		
Interest paid to Investors	5,722,314	5,077,226
Interest paid on Bank facilities	25,475	12,845
	5,747,789	5,090,071
5. AUDITORS' REMUNERATION		
Remuneration paid in relation to audit fee	10,000	10,000

6. IMPAIRMENT LOSSES & REALISED PROFITS / (LOSSES) ON SALE OF INVESTMENTS

The following have been recognised in the 2010 income statement:

Investments	Impaired Losses \$	Realised Profits / (Losses) On Sale \$
Fixed & Floating Interest	(42,638)	617,589
Total	(42,638)	617,589

The following were recognised in the 2009 income statement:

Investments	Impaired Losses \$	Realised Profits / (Losses) On Sale \$
UC Invest Share Fund	0	(2,922,370)
UC Invest Direct Property Fund	(2,703,456)	0
Fixed & Floating Interest	(77,200)	231,549
Total	(2,780,656)	(2,690,821)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

2010

\$

2009

\$

The UC Invest Board reviewed all assets held at 31 December 2010 and made the determination that the investment in the UC Invest Direct Property Fund should no longer to be classified as impaired.

The Board determined that all other assets considered impaired at 31 December 2009 are still considered impaired.

7. ASSET REVALUATION RESERVE

Investments	Asset Revaluation Reserve as at 31/12/09 \$	Inc / (Dec) in market value during year \$	Impaired Losses \$	Transfer to Accumulated Funds on sale \$	Realised (Profits) / Losses on sale \$	Asset Revaluation Reserve as at 31/12/10 \$
UC Invest Share Fund	135,971	(113,943)	0	0	0	22,028
UC Invest Direct Property Fund	0	(16,612)	0	0	0	(16,612)
Fixed & Floating Interest	490,033	1,805,644	42,638	(207,238)	(617,589)	1,513,488
Total	626,004	1,675,089	42,638	(207,238)	(617,589)	1,518,904

8. CASH AND CASH EQUIVALENTS

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

Cash at Bank	66,842	87,250
Cash Management Account	5,789,492	5,561,121
	5,856,334	5,648,371

9. TRADE AND OTHER RECEIVABLES

Sundry Debtors	74,425	254,236
Accrued Interest	728,104	751,763
	802,529	1,005,999

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

2010

2009

\$

\$

10. FINANCIAL ASSETS

Current Assets

Held to Maturity

10,703,928

10,574,320

Non-Current Assets

Held to Maturity

1,000,000

1,000,000

Loans and Receivables

30,752,255

18,134,397

Available for Sale

72,809,678

77,066,965

104,561,933

96,201,362

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

Loans and receivables include secured loans made to separately incorporated Uniting Church agencies of \$27,310,471, unsecured loans to Ministers of \$62,321, and another loan of \$3,379,463, to a UC Invest managed fund.

Available for sale financial assets include investments in various unlisted securities and other UC Invest funds. The value of investments have been determined following the funds revaluing their assets to fair value at year end.

11. FINANCIAL LIABILITIES

Current Liabilities

Investors funds

99,503,310

94,341,859

Non-Current Liabilities

Investors funds

13,655,675

13,720,905

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

12. TRADE AND OTHER PAYABLES

Sundry Creditors

35,352

205,920

Accrued Interest

1,504,404

1,144,225

1,539,756

1,350,145

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

2010

\$

2009

\$

13. PROVISIONS

Annual Leave	18,783	19,052
Long Service Leave	47,929	40,741
Total	66,712	59,793

14. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit

Profit / (Loss) for the Year	3,026,405	(4,363,087)
Non-Cash Flows in Profit		
Depreciation	2,248	31,028
Grants Received	0	(68,857)
Impairment	42,638	2,780,656
Realised Profit on Sale of Assets	(824,827)	2,690,821
Changes in Assets and Liabilities		
Decrease/(Increase) in Receivables	203,470	(190,871)
Decrease/(Increase) in Inventories	0	3,835
(Decrease)/Increase in Payables	189,611	(505,002)
Cash Flow from Operating Activities	2,639,545	378,523

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The UC Invest Board Members are not aware of any contingencies requiring disclosure in the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

16. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year there have been no reportable events of a material nature.

17. RELATED PARTY TRANSACTIONS

UC Invest Property Fund, UC Invest Share Fund and UC Invest Direct Property Fund are administered by the UC Invest Board on behalf of The Uniting Church in Australia Property Trust (S.A.), the trustee of the Church in South Australia. UC Invest receives management fees for managing these investment vehicles.

18. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The entity manages its exposure to key financial risks by the application of policies approved by the UC Invest Board. All UC Invest policies are reviewed regularly.

The Board has an approved asset allocation policy which sets out investment parameters. This includes guidelines to assist with the allocation of the investment assets into separate asset class investments. Policies also govern how the assets in each investment class are to be managed.

The Board's policies set out to diversify investment risks by utilising multiple asset classes, managers, models and investments to diversify the risks inherent in investment markets.

The Board has an approved lending policy which sets out lending guidelines. The application of this policy is intended to manage the risks associated with lending money to organisations and individuals.

The interest rates offered to investors are set and reviewed regularly by management. The Board reviews management reports on a monthly basis.

The Board'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.

Internal procedures and controls are adopted by the management of UC Invest to further minimise the risks in the accounting and operations function of the UC Invest office.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(b) Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are liquidity risk, market risk, revenue risk, credit risk and interest rate risk.

i. Liquidity Risk

Liquidity risk is the risk that UC Invest encounters difficulty meeting the obligations of its liabilities. UC Invest's liabilities are at call and fixed term investments issued to individuals, congregations and organisations of the Uniting Church, plus any outstanding interest owing on these investments.

Investor account data is reviewed regularly to predict cash flow movements of obligations to investors.

UC Invest invests moneys received in a pool of diversified investments with a variety of maturity dates. Liquidity risk is managed by UC Invest to ensure that when investors request to withdraw funds there are adequate liquid resources to repay the requested debts in a timely manner.

UC Invest uses a range of products to ensure it has adequate liquid resources to pay back these debts. These include the use of a bank bill facility, at call investments and term deposits held with Authorised Deposit-Taking Institutions (ADIs) with regular maturity dates. These products combined with regular reporting and matching of asset and liability maturities manages the risks involved.

ii. Market Risk

The diversified investment mix of UC Invest includes some investments that regularly fluctuate in value. The exposure to this type of investment at 31 December 2010 was minimal with only 6% of assets exposed to the Australian share market.

The mark-to-market approach of current accounting standards has resulted in some traditionally viewed stable investments now marked at lower market values relative to long term cash flow expectations.

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 swings which may not be consistent with realistic long term values.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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

iv. Credit Risk

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

Loans to Uniting Church agencies make up a significant proportion of investment assets (*21.2% at 31 December 2010*). 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 rerated below the BBB+ rating. These securities may still be held as the Board believes that retaining them will produce the best total financial outcome in lieu of selling them.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

The table below highlights the ratings movement evident from the initial investment (*structured credits*) to the current value and rating reported in the UC Invest financial statements.

Credit Rating	Initial Investment		31 December 2010	
	Face Value	Cost	Face Value	Fair Value
ADI	\$ 41,270,000	\$ 40,783,760	\$ 41,270,000	\$ 40,783,760
AAA	\$ 1,700,000	\$ 1,304,817		
AA+			\$ 1,000,000	\$ 902,700
AA	\$ 2,500,000	\$ 2,500,000	\$ 1,000,000	\$ 929,000
AA-	\$ 1,700,000	\$ 1,689,731	\$ 1,400,000	\$ 1,315,650
A+				
A	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
A-	\$ 2,000,000	\$ 1,350,000	\$ 2,000,000	\$ 1,616,860
BBB+	\$ 500,000	\$ 275,005	\$ 500,000	\$ 411,255
CCC+				
CCC				
CCC-			\$ 1,781,946	\$ 549,407
D				
NR	\$ 483,215	\$ 483,215	\$ 114,263	\$ 114,263
	\$ 51,653,215	\$ 49,886,528	\$ 50,566,209	\$ 48,122,895

v. Interest Rate Risk

UC Invest borrows money from investors and promises to pay back 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.

Fixed Interest Rate Maturing

	Weighted	Average														
	Effective	Interest	Floating	Interest	Within	1 year	Within	2 years	Within	3 years	Over	3 years	Non-interest bearing	Non-interest bearing	Total	Total
	Rate															
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets																
Cash and Cash Equivalents	4.70	5.75	5,648	5,774											5,648	5,774
Trade and Other Receivables	n/a	n/a											1,006	803	1,006	803
Held to Maturity																
Term Deposits	5.60	6.16			10,813	10,799	0	1,079	1,139	0					11,952	11,878
Loans & Receivables	5.81	7.13			13,807	15,888	478	1,798	461	1,780	6,831	12,353			21,577	31,819
Available for Sale																
Unlisted Securities	7.76	8.67			10,060	4,445	4,826	4,979	4,087	4,286	80,534	80,392			99,507	94,102
Share Investments	n/a	n/a											3,162	7,328	3,162	7,328
Unlisted Property	n/a	n/a											14,053	17,358	14,053	17,358
Total Financial Assets			5,648	5,774	34,680	31,132	5,304	7,856	5,687	6,066	87,365	92,745	18,221	25,489	156,905	169,062
Financial Liabilities																
Investors Funds	5.00	5.69	30,999	37,105	66,608	67,328	12,273	10,919	4,597	5,403					114,477	120,755
Borrowings	5.00	5.57	0	348											0	348
Trade and Other Payables	n/a	n/a											1,410	1,540	1,410	1,540
Total Financial Liabilities			30,999	37,453	66,608	67,328	12,273	10,919	4,597	5,403			1,410	1,540	115,887	122,643

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010				Year Ended 31 December 2009			
	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
Financial Assets	LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's		LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's	
Bank Accounts	5,856			5,856	5,648			5,648
Held to Maturity								
Term Deposits	11,704			11,704	11,574			11,574
Available for Sale								
Australian Share		7,328		7,328		3,162		3,162
Property		17,358		17,358		14,053		14,053
Structured Credit		48,123		48,123		59,852		59,852
Loans	30,752			30,752	18,134			18,134
TOTAL:	48,312	72,809	0	121,121	35,356	77,067	0	112,423

Financial Liabilities	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
Investor's Funds	113,159			113,159	108,063			108,063
TOTAL:	113,159	0	0	113,159	108,063			108,063

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

Quoted market price represents the fair value as quoted on active markets at 31 December 2010 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 structured credit instruments have 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.

(c) Sensitivity Analysis

i. Other Price Risk

UC Invest has performed a sensitivity analysis relating to its exposure to market risk as at 31 December 2010. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2010 \$	2009 \$
Change in Profit		
- Decrease in market value of unlisted and direct property investments by 10%	0	0
- Increase in market value of unlisted and direct property investments by 10%	0	0
Change in Equity		
- Decrease in market value of unlisted and direct property investments by 10%	(1,735,846)	(1,405,283)
- Increase in market value of unlisted and direct property investments by 10%	1,735,846	1,405,283

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	\$	\$
Change in Profit		
- Decrease in market value of interest rate instruments by 10%	0	0
- Increase in market value of interest rate instruments by 10%	0	0
Change in Equity		
- Decrease in market value of interest rate instruments by 10%	(9,057,908)	(8,956,057)
- Increase in market value of interest rate instruments by 10%	9,057,908	8,956,057
Change in Profit		
- Decrease in market value of Australian share investments by 25%	0	0
- Increase in market value of Australian share investments by 25%	0	0
Change in Equity		
- Decrease in market value of Australian share investments by 25%	(1,832,082)	(790,571)
- Increase in market value of Australian share investments by 25%	1,832,082	790,571

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

ii. Revenue Risk

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2010. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2010	2009
	\$	\$
Change in Profit		
- Decrease in income from interest related investments by 20%	(1,414,866)	(1,050,772)
- Increase in income from interest related investments by 20%	1,414,866	1,050,772
Change in Equity		
- Decrease in income from interest related investments by 20%	(1,414,866)	(1,050,772)
- Increase in income from interest related investments by 20%	1,414,866	1,050,772
Change in Profit		
- Decrease in income from property related investments by 20%	(208,172)	(184,881)
- Increase in income from property related investments by 20%	208,172	184,881
Change in Equity		
- Decrease in income from property related investments by 20%	(208,172)	(184,881)
- Increase in income from property related investments by 20%	208,172	184,881
Change in Profit		
- Decrease in income from Australian share investments by 20%	(55,998)	(61,838)
- Increase in income from Australian share investments by 20%	55,998	61,838

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
Change in Equity		
- Decrease in income from Australian share investments by 20%	(55,998)	(61,838)
- Increase in income from Australian share investments by 20%	55,998	61,838
 iii. Interest rate risk		
UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2010. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.		
Change in Profit		
- Decrease in average interest rate payable to investors by 1%	1,131,590	1,080,628
- Increase in average interest rate payable to investors by 1%	(1,131,590)	(1,080,628)
Change in Equity		
- Decrease in average interest rate payable to investors by 1%	1,131,590	1,080,628
- Increase in average interest rate payable to investors by 1%	(1,131,590)	(1,080,628)
Change in Profit		
- Decrease in average interest rate receivable from interest related investments by 1%	(905,791)	(895,606)
- Increase in average interest rate receivable from interest related investments by 1%	905,791	895,606
Change in Equity		
- Decrease in average interest rate receivable from interest related investments by 1%	(905,791)	(895,606)
- Increase in average interest rate receivable from interest related investments by 1%	905,791	895,606

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(d) Derivative Financial Instruments

The entity does not use derivative financial instruments.

19. 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.

20. ENTITY DETAILS

The registered office and principal place of business of the entity is:
Level 2, 212 Pirie Street,
Adelaide SA 5000

DECLARATION OF THE BOARD

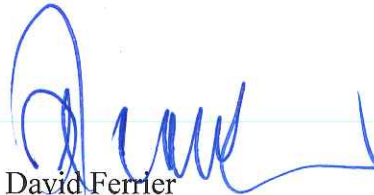
In the opinion of the Board Members of the UC Invest Board:

- (a) the financial statements and notes set out on pages 1 to 27 of UC Invest – Financial Report:
 - (i) complies with accounting standards and other mandatory professional reporting requirements; and
 - (ii) gives a true and fair view of the Fund's financial position as at 31st December 2010 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial 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 UC Invest Board.



Denis Giles
Chair
UC Invest Board



David Ferrier
Chair
Audit Committee – UC Invest Board

Adelaide
1/4/2011



Chartered Accountants
& Business Advisers

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 2010, the 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 and other explanatory information, and the declaration of the board.

Board Members' Responsibility for the Financial Report

The members of the board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal controls as the board members determine is necessary to enable the preparation 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board members, 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.

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Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

The financial report of UC Invest is in accordance with the UC Invest by-laws, including:

- (i) presenting fairly, in all material respects, the entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards.

PKF

PKF
Chartered Accountants

I J Painter
Partner

Signed in Adelaide on this 1st day of April 2011