FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

UCInvest

Securing *your* future

Uniting Church SA Investment Fund Ltd

ABN: 46 620 095 472 | AFSL: 501022

Contents

Chairperson's Message

It is with much pleasure that I provide this report for the 2018 financial year.

The Journey So Far

Changes to government regulations and exemptions required the Uniting Church in South Australia to change its business structures in order to continue its investment activities. As a result, the Company was incorporated in June, 2017. The Company, through its Committee and team members, then met all the requirements to obtain an Australian Financial Services Licence which was granted in January 2018. This allowed the Uniting Church in SA to continue its investment activities in the new regulatory environment.

Governance & Direction

The Company's Committee Members provide many & appropriate skills for the benefit of the Company and ultimately the Church. In my view the Church is richly blessed by the contribution made by these willing and volunteer professionals and I record here my thanks to them. In the last 12 months the Committee has continued to work on its own structure and development. It assesses its skills & performance against pre-determined criteria. The Risk and Audit sub-committees have been further developed. The Committee has continued the process of developing and reviewing all the Company's policies.

Financial Results

The Company generated sufficient net income to meet its grant commitment to the Mission & Service Fund in 2018. Further the company was able to increase its equity base. The Committee considers the ability to repay investors as paramount. There will be headwinds from time to time, which motivates the Committee & the investment team to continue to review the Company's business model, marketing plans and activities; using a developed risk management framework.

Looking Forward

The Company has a strong sense of its vision:
to be the preferred financial services provider for the Uniting Church community,

and commitment to its mission:
to generate great returns for our investors and our Church by providing high quality financial services.

Thank you to the Committee, the investment services team and the Church community for the support that allows the company to be optimistic about the years ahead.

Michael McClaren
Chairperson
Uniting Church SA Investment Fund Limited

Manager's Message

Great Support

On the 31st March, with the appropriate instructions, 98% of clients who were previously investing with Uniting Church SA, transferred their investments to the Uniting Church SA Investment Fund Limited entity. This total amount from Investors has been constant throughout the year since the end of March transfer, at $202 million.

Charitable Purpose

This support from our Investors has enabled us to provide substantial financial benefits to the mission of the Uniting Church. For the nine months to the end of 2018, Uniting Church SA Investment Fund Limited provided the operational budget of Uniting Church SA with a grant of $1.66 million. Our Investors also received competitive interest rates on their investments, being paid a total of $4.2 million in interest.

Teamwork

I am proud of our wonderful team that enabled the Company to perform to its optimum level every day. Over the past year in particular, with all its changes, and extra work involved in changing our systems and processes, and contacting our Investors and processing transfer documentation, our team has been up to the challenge.

Our team are:

Catherine Beckedorf – Investor Service Team Leader
Andrew Fechner – Assistant Manager
Stacey Page – Investment Accountant
Stephanie Simpson – Risk and Compliance Officer
Kathy Zito – Investor Relations

Thank you

This business is dependent on many factors to be successful. The most important of these, are our Investors. Thank you for trusting us with your investments. We really do appreciate your patronage, and endeavor to focus on ensuring your future experiences with us exceed your expectations.

Paul Barnett
Manager Investment Services
Uniting Church SA

Directors' Report

The Directors of Uniting Church SA Investment Fund Limited ("the Company") submit the following report for the year ended 31 December 2018.

The annual financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

Details of Directors / Office Holders

The names and details of each Director in office at any time during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

MICHAEL MCCLAREN
Non-Executive Director
Chairperson

Qualifications and memberships
Bachelor of Arts (Accounting)
Masters of Business Administration
Diploma of Financial Planning
Fellow of Chartered Accountants Australia and New Zealand
Member of CPA Australia
Chartered Tax Advisor
Fellow of the Australian Institute of Company Directors
Registered Tax Practitioner & Registered Superannuation Fund Auditor
Chartered Accountant Business Valuation Specialist

KEVIN BENGER
Non-Executive Director
Deputy Chairperson
Chairperson Audit Committee

Qualifications and memberships
Bachelor of Arts (Accounting)
Masters of Business Administration

TOM ADAMS
Non-Executive Director

Qualifications and memberships
Diploma of Finance
Diploma of Superannuation Administration

ALLISON ASHBY
Non-Executive Director

Qualifications and memberships
Bachelor of Arts (Hons)
Fellow of the Australian Institute of Company Directors

WAYNE MATTERS
Non-Executive Director
Chairperson Risk Committee

Qualifications and memberships
Bachelor of Arts (Accounting)
Graduate Certificate in Business Administration
Fellow of Chartered Accountants Australia and New Zealand
Graduate of the Australia Institute of Company Directors

KAREN ELEY
Non-Executive Director
Appointed as a Director on 8 November 2018

Qualifications and memberships
Bachelor of Accountancy
Advanced Diploma of Financial Planning
Member of the Association of Financial Advisers

PETER BATTERSBY
Executive Director / Company Secretary

Qualifications and memberships
Bachelor of Arts (Accounting)
Diploma of Business (HR / IR)
Graduate Certificate in Counselling
Member of CPA Australia
Graduate of the Australian Institute of Company Directors
Member of the Australian Human Resources Institute

ANDREW FECHNER
Company Secretary
Assistant Manager, Investment Services
Responsible Manager, Uniting Church SA Investment Fund Limited

Meetings of Directors

During the year, 20 Directors' meetings (*including committees of directors*) were held. Attendances by each Director are set out below:

	Directors' Meetings		**Audit Committee**		**Risk Committee**	
	Held	Attended	Held	Attended	Held	Attended
Michael McClaren	14	12	1	1	5	4
Kevin Benger	14	11	1	1	5	5
Wayne Matters	14	12	1	1	5	5
Allison Ashby	14	10	1	1	5	4
Tom Adams	14	10	1	1	5	2
Peter Battersby	14	13	1	1	5	5
Karen Eley	2	2	0	0	1	1

Principal Activities

The Company was established to offer investment services to retail and wholesale clients on behalf of the Uniting Church in South Australia.

It was granted an Australian Financial Services Licence (AFSL) authorising it to provide general financial product advice in relation to securities and non-cash payment products and authorisation to deal in a financial product in relation to securities and non-cash payment products effective from 28 January 2018.

Commencing from 31 March 2018 the Company started trading under the business name UC Invest and began issuing debenture products to retail and wholesale investors.

The Company successfully migrated nearly 98% of retail and wholesale investors who were previously investing with The Uniting Church in Australia Property Trust (S.A.), the legal entity of the Church in South Australia. This initial transfer amount was $202.05 million.

In the short term, the Company's principal objectives are to:

- Continue providing investors with attractive investment options to support the mission of the Uniting Church in Australia
- Address all relevant regulatory and compliance obligations
- Provide a prudent surplus to benefit the charitable purposes of the Uniting Church in Australia

The Company's longer term objectives are to:

- Further develop the recognition of UC Invest within the Uniting Church community
- Continue to provide high quality, ethical financial products and services which meet the changing needs of our investors
- Continue to provide a prudent surplus to benefit the charitable purposes of the Uniting Church in Australia

To achieve these objectives the Company will continue to:

- Enhance existing financial services and products
- Review relevant regulatory frameworks to ensure the ongoing provision of financial services to our Uniting Church community
- Build strong relationships within the Uniting Church community
- Invest in staff and systems to ensure the organisation is equipped to provide relevant products and services

Financial Performance Disclosures

The operating profit / (loss) from ordinary operations to 31 December 2018 was $2,126,540 (2017: nil).

A distribution of $1,663,875 was paid to the Synod of South Australia during the year ended 31 December 2018 (2017: nil).

The financial results for the year are as follows:

	2018	2017
	$	**$**
Revenue	6,738,063	-
Less finance costs	(4,198,890)	-
Less expenses	(412,633)	-
Profit for the year	**2,126,540**	**-**

The Company derives the majority of its interest revenue through a secured debenture held with The Uniting Church in Australia Property Trust (S.A.) ("UCAPT"). The interest receivable from the debenture is directly tied to financial liabilities with the UCAPT paying a fixed margin over the daily average cost of funds.

As at 31 December 2018 this debenture facility had principal outstanding of $184.5 million which was secured by collateral valued at $263.5 million.

Indemnification of Officers and Auditors

During the financial year a premium was paid by the Company, insuring the directors and officers of the Company against liabilities incurred in their capacity as a director or officer to the extent permitted by the *Corporations Act 2001*.

The contract of insurance does not permit disclosure of the nature and extent of the liability covered or the amount of the premium paid.

No indemnity has been given or insurance premiums paid for or on behalf of the auditor.

Subsequent Events

In the opinion of the Directors, since the end of the year to the date of this report, no matter or circumstance has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future reporting periods.

Entity

The Company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of $2.00 towards any outstanding obligations of the entity.

At balance date the total amount that members of the Company are liable to contribute if the Company was wound up was $14.00.

Auditor Independence Declaration

A copy of the Auditor's Independence Declarations as required under s.307C of the Corporations Act 2001 and s.60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is included at page 5 of this report and forms part of the Director's Report.

Signed in accordance with a resolution of the Directors

M. McClaren.

Michael McClaren
Director

Nexia Edwards Marshall

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SUBDIVISION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012 TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2018 there have been no contraventions of the auditor independence requirements as set out in any applicable code of professional conduct in relation to the audit.

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

BMorkunas

Brett Morkunas
Partner

Adelaide
South Australia

22 March 2019

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

This statement should be read in conjuction with the accompanying notes

	Note	2018 $	2017 $
Revenue	**2**	6,738,063	-
Finance costs	**3**	(4,198,890)	
Expenses	**4**	(412,633)	-
OPERATING PROFIT / (LOSS) FOR THE YEAR		**2,126,540**	**-**
PROFIT / (LOSS) FOR THE YEAR		**2,126,540**	**-**
Other comprehensive income / (loss)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,126,540**	-

Statement of Financial Position

As at 31 December 2018

	Note	2018	2017
		$	$
This statement should be read in conjunction with the accompanying notes			
Assets			
Cash and cash equivalents	**5**	17,740,919	-
Trade and other receivables	**6**	32,965	-
Other assets	**7**	25,682	
Financial assets measured at amortised cost	**8**	192,533,691	-
Total Assets		**210,333,257**	**-**
Liabilities			
Trade and other payables	**9**	720,577	-
Financial liabilities measured at amortised cost	**10**	202,650,015	-
Total Liabilities		**203,370,592**	**-**
Net Assets		**6,962,665**	**-**
Equity			
Capital contribution reserve	**11**	6,500,000	-
Retained surplus	**12**	462,665	-
Total Equity		**6,962,665**	**-**

Statement of Changes in Equity

For the year ended 31 December 2018

This statement should be read in conjunction with the accompanying notes

	Retained Earnings	Capital Contribution Reserve	Total Equity
Balance at 28 June 2017	-	-	-
Profit for the year	-	-	-
Balance at 31 December 2017	**-**	**-**	**-**
Balance at 1 January 2018	-	-	-
Capital contribution from Uniting Church SA	-	6,500,000	6,500,000
Profit for the year	2,126,540	-	2,126,540
Distribution to Uniting Church SA	(1,663,875)	-	(1,663,875)
Balance at 31 December 2018	**462,665**	**6,500,000**	**6,962,665**

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 $	2017 $
This statement should be read in conjunction with the accompanying notes			
Cash Flows from Operating Activities			
Interest received from loans		6,487,987	-
Interest received from other investments		219,576	-
Sundry receipts		80	-
Finance costs		(3,519,743)	-
Payments to suppliers		(396,885)	-
Net cash flows provided by / (used in) operating activities	13	**2,791,015**	**-**
Cash Flows from Investing Activities			
Sale of investments		30,500,000	-
Purchase of investments		(223,033,691)	-
Net cash flows provided by / (used in) investing activities		**(192,533,691)**	**-**
Cash Flows from Financing Activities			
Capital contributions from Uniting Church SA		6,500,000	-
Investments by investors		276,040,499	-
Withdrawals by investors		(73,393,029)	-
Distributions to the Uniting Church SA		(1,663,875)	
Net cash flows provided by / (used in) financing activities		**207,483,595**	**-**
Net increase / (decrease) in cash held		17,740,919	-
Cash at beginning of year		-	-
Cash at End of Year	5	**17,740,919**	**-**

Notes to the Financial Statements

For the year ended 31 December 2018

1. Summary of significant accounting policies

General entity information

The Uniting Church SA Investment Fund Limited (“*the Company”*) is a public company limited by guarantee, incorporated and domiciled in Australia. Its registered office is Level 2, 212 Pirie Street, Adelaide SA 5000.

The Company is a registered not-for-profit entity with the *Australian Charities and Not-for-profits Commission (ACNC)* and exists for the charitable purpose of advancing religion by supporting the mission of the Uniting Church in Australia.

The financial statements and accompanying notes for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

Membership

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $2 towards meeting any outstanding obligations.

As at 31 December 2018 the number of members providing a guarantee was seven.

Capital Contribution Reserve

The Company was capitalised in 2018 through capital contributions received from The Uniting Church in Australia Property Trust (S.A.), which have been taken to this reserve. In the event of winding up, these amounts are subordinated to all other creditor obligations.

Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations, to satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standard Board (AASB) ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes.

All amounts presented in the financial statements are in Australian dollars and have been rounded to the nearest dollar.

Adoption of new Accounting Standards and Interpretations

The Company 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.

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

Initial application of AASB 9: Financial Instruments

The Company has adopted *AASB 9: Financial Instruments* which has an initial application date of 1 January 2018. As a result the Company has changed its financial instruments accounting policies as detailed in the *Summary of significant accounting policies* below.

The Standard requires retrospective application, however as the Company was capitalised after the effective date of AASB 9, there are no prior period adjustments to be restated.

Financial Assets

Financial assets in terms of AASB 9 need to be measured at either amortised cost or fair value on the basis of the Company's business model and the cash flow characteristics of the financial assets, as follows:

- debt investments that are held within a business model where the objective is to collect the contractual cash flows, and those cash flows are purely payments of principal and interest on amounts outstanding, are subsequently measured at amortised cost
- debt investments that are held within a business model where the objective is both to collect contractual cash flows and sell securities, and those cash flows are purely payments of principal and interest on amounts outstanding, are subsequently measured at fair value through other comprehensive income
- all other debt investments and equity investments are measured at fair value through profit or loss

Despite the measurement conditions described above, the Company may make an irrevocable election at initial recognition of a financial asset as follows:

- the Company may choose to present subsequent changes in fair value of an equity investment that is not held for trading and is not a contingent consideration in a business combination in other comprehensive income
- the Company may choose to present a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss, only if this choice significantly reduces an accounting mismatch

Impairment

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment. As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the Company to account for expected credit losses since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument did not show significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit losses are used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables as the loss allowance is measured at lifetime expected credit loss.

Classification and Measurement of Financial Liabilities

AASB 9 determines that the measurement and classification of financial liabilities relates to changes in the fair value designated as at fair value through profit or loss attributable to changes in the credit risk.

AASB 9 further states that the movement in the fair value of a financial liability that is attributable to changes in the credit risk of that liability needs to be shown in other comprehensive income unless the effect of the recognition constitutes an accounting mismatch in profit or loss. Changes in fair value in relation to the financial liability's credit risk are transferred to retained earnings when the financial liability is derecognised and not reclassified through profit or loss. AASB 139 requires the fair value amount of the change of the financial liability designated as at fair value through profit or loss to be presented in profit or loss.

Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

(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 Company 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.

(c) Financial instruments

i. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (*i.e. trade date accounting is adopted*).

Financial instruments (*except for trade receivables*) are initially measured at fair value plus transaction costs except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

ii. Classification and subsequent measurement

a) Financial assets

Financial assets are subsequently measured at either:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss

This is done on the basis of two primary criteria being the contractual cash flow characteristics of the financial asset and the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- The financial asset is managed solely to collect contractual cash flows; and
- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the capital amounts outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- The business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost or fair value through other comprehensive are subsequently measured at fair value through profit or loss.

The Fund initially designates a financial instrument as measured at fair value through profit or loss if:

- It eliminates or significantly reduces a measurement or recognition inconsistency (*often referred to as an "accounting mismatch"*) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- It is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- It is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

b) Financial liabilities

Financial liabilities are subsequently measured at either:

- Amortised cost; or
- Fair value through profit or loss

A financial liability is measured at fair value through profit or loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which *AASB 3: Business Combinations* applies;
- Held for trading; or
- Initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:
- Incurred for the purpose of repurchasing or repaying in the near term;
- Part of a portfolio where there is an actual pattern of short-term profit taking; or
- A derivative financial instrument (*except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship*).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

iii. Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

a) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:
- The right to receive cash flows from the asset has expired or been transferred;
- All risk and rewards of ownership of the asset have been substantially transferred; and
- The Company no longer controls the asset (*i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party*).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

b) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (*i.e. when the obligation in the contract is discharged, cancelled or expires*). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

iv. Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at either amortised cost or fair value through other comprehensive income.

A loss allowance is not recognised for financial assets measured at fair value through profit or loss or equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approaches to impairment, as applicable under AASB 9:

- The general approach;
- The simplified approach;
- The purchased or originated credit impaired approach; and
- Low credit risk operational simplification.

a) General approach

Under the general approach, at each reporting period, the Company assesses whether the financial instruments are credit impaired, and if:

- The credit risk of the financial instrument increased significantly since initial recognition, the Company measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- There was no significant increase in credit risk since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

b) Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to trade receivables or contract assets that result from transactions that are within the scope of *AASB 15: Revenue from Contracts with Customers* and contain a significant financing component.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (*i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc.*).

c) Purchased or originated credit impaired approach

For a financial asset that is considered to be credit impaired (*not on acquisition or originations*), the Company measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract (*e.g. default or past due event*);
- Where a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- It is probable the borrower will enter bankruptcy or other financial reorganisation; and
- The disappearance of an active market for the financial asset because of financial difficulties.

d) Low credit risk operational simplification
If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumes that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:
- There is a low risk of default by the borrower;
- The borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

e) Recognition of expected credit losses in financial statements
At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the *Statement of Profit or Loss and Other Comprehensive Income*.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (*e.g. loan commitments yet to be drawn, financial guarantees*), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance

(d) Accounts receivable and other debtors
Accounts receivable and other debtors include amounts due from donors and any outstanding grant receipts. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(e) Trade and other payables
Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(f) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the *Statement of Financial Position*.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(g) Use of judgements and estimates

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers.

(h) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair amount less costs of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(i) Comparative figures

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

(j) Income tax

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*. The Company is a registered not-for-profit entity with the *Australian Charities and Not-for-profits Commission (ACNC)*.

(k) Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) New standards for application in future reporting periods

An assessment of Accounting Standards issued by the AASB that are not yet mandatorily applicable and their potential impact on the Company when adopted in future reporting periods is discussed below.

AASB 15 – Revenue from Contracts with Customers
This is a new standard for the recognition of revenue. The standard is based on the principal that revenue is recognised when control of a good or services transfers to a customer. It replaces existing revenue recognition guidance, including *AASB 118 Revenue*.

AASB 2016-7 has provided not-for-profit entities with an amendment to the mandatory effective date of AASB 15 so that it applies to reporting periods beginning on or after 1 January 2019.

Due to the nature and activities of the Company it is not anticipated that the application of this standard will have a material effect on the financial statements in future periods.

AASB 16 – Leases
AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

The adoption of this standard becomes mandatory for reporting periods beginning on or after 1 January 2019. Due to the nature and activities of the Company it is not anticipated that the application of this standard will have a material effect on the financial statements in future periods.

AASB 1058 – Income for Not-for-Profit Entities
This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with *AASB 15 Revenue from Contracts with Customers*. These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in *AASB 1004 Contributions*. The requirements of this Standard more closely reflect the economic reality of NFP entity transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (*a promise to transfer a good or service*), or a contribution by owners, related to an asset (*such as cash or another asset*) received by an entity.

The adoption of this standard becomes mandatory for reporting periods beginning on or after 1 January 2019. Due to the nature and activities of the Company it is not anticipated that the application of this standard will have a material effect on the financial statements in future periods.

	2018	2017
2. Revenue		
Secured debenture income	6,487,987	-
Interest received	249,207	-
Other income	869	-
	6,738,063	**-**
3. Finance Costs		
Interest paid to investors	4,198,890	-
	4,198,890	**-**

4. Expenses

	2018	2017
Outsourced personnel costs [1]	237,516	-
Administration	175,117	-
	412,633	**-**

[1] *The Uniting Church Synod of South Australia provides all administrative support and human resources for the operations of the Company. Uniting Church SA Investment Services personnel are employed by the Synod of South Australia and provide expertise and investment services on an outsourced basis.*

5. 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:

	2018	2017
Cash at bank	158,412	-
Cash management account	17,582,507	-
	17,740,919	**-**

Impairment of cash and cash equivalents

Class of Asset	Gross Carrying Amount	Probability Weighted Expected Default Rate	Loss Allowing Provision	Loss Adjusted Carrying Amount
Cash at bank	158,412	0%	-	158,412
Cash management account	17,582,507	0%	-	17,582,507
	17,740,919		**-**	**17,740,919**

6. Trade and other receivables

	2018	2017
Trade receivables	3,334	-
Accrued interest	29,631	-
Provision for impairment	-	-
	32,965	**-**

Credit risk associated with trade and other receivables

The Fund has no significant concentration of credit risk, associated with trade and other receivables, with respect to any single counterparty or group of counterparties other than those receivables provided for and mentioned within this note.

The following table details the Fund's trade and other receivables exposed to credit risk (*prior to collateral and other credit enhancements*) with aging analysis and impairment provided thereon. Amounts are considered as "past due" when the debt has not been settled within the terms agreed between the Fund and the counterparty to the transaction.

The balances of receivables that remain within the initial terms (*as detailed in the table below*) are considered to be of high credit quality.

The Fund has applied the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables.

2018	Current	> 30 days past due	> 60 days past due	> 90 days past due	Total
Expected loss rate	0%	1%	2.5%	7.5%	-
Gross carrying amount	32,965	-	-	-	32,965
Loss allowing provision	-	-	-	-	-
	32,965	**-**	**-**	**-**	**32,965**

2017	Current	> 30 days past due	> 60 days past due	> 90 days past due	Total
Expected loss rate	0%	1%	2.5%	7.5%	-
Gross carrying amount	-	-	-	-	-
Loss allowing provision	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

The Fund has not written-off any amounts during the year nor has any amounts receivable which are past due or considered unrecoverable.

7. Other assets

	2018	2017
Prepayments	25,682	-
	25,682	**-**

8. Financial assets measured at amortised cost

Financial assets consist of fixed term deposits held with approved deposit-taking institutions regulated by APRA and a secured debenture with The Uniting Church in Australia Property Trust (S.A.) (“UCAPT”), the legal entity of the Uniting Church in South Australia.

The debenture facility enables the Company to lend up to $250 million of any funds raised from the issue of debentures to retail and wholesale investors to the UCAPT. This facility is secured via a Security Deed which places a charge over collateral held by Uniting Fund SA (*an investment activity of the UCAPT*).

As at 31 December 2018 this debenture facility had principal outstanding of $184.5 million which was secured by collateral valued at $263.5 million.

	2018	2017
Fixed term deposits	8,000,000	-
Secured debenture with The UCA Property Trust (SA)	184,533,691	-
	192,533,691	**-**

Impairment of financial assets measured at amortised cost

Class of Asset	Gross Carrying Amount	Probability Weighted Expected Default Rate	Loss Allowing Provision	Loss Adjusted Carrying Amount
Fixed term deposits	8,000,000	0%	-	8,000,000
Secured debenture with UCAPT	184,533,691	0%	-	184,533,691
	192,533,691		**-**	**192,533,691**

Refer to Note 17 for information regarding the liquidity profile and credit risk associated with the Fund’s financial assets.

9. Trade and other payables

	2018	2017
Trade payables	41,429	-
Accrued interest payable to investors	679,148	-
	720,577	**-**

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

10. Financial liabilities measured at amortised cost

Financial liabilities consist of debentures which are issued by the Company to retail and wholesale clients. Wholesale clients hold funds which are either at-call or in term investments. Retail clients hold funds which are either in 31 day notice accounts or in term investments.

	2018	2017
Debentures issued to retail investors	74,150,083	
Debentures issued to wholesale investors	128,499,932	-
	202,650,015	**-**

Refer to Note 17 for information regarding the liquidity profile of the Fund's financial liabilities.

11. Capital contribution reserve

The Fund was capitalised during 2018 through capital contributions received from The Uniting Church in Australia Property Trust (S.A.), which have been taken to this reserve. In the event of winding up, these amounts are subordinated to all other creditor obligations.

	2018	2017
Balance at the beginning of the year	-	-
Net increment/(decrement) for the year	6,500,000	-
Balance at the end of the year	**6,500,000**	**-**

12. Retained surplus

In accordance with the Company's Constitution and its Charitable Purposes; each year the Company shall distribute the maximum prudent surplus, as determined by the Directors, to the Uniting Church SA.

	2018	2017
Balance at the beginning of the year	-	-
Net increment for the year	2,126,540	-
Total available for distribution	**2,126,540**	**-**
Distribution paid to the Uniting Church SA	(1,663,875)	-
Balance at the end of year	**462,665**	**-**

13. Notes to the Statement of Cash Flows

Reconciliation of profit to net cash flows from operating activities:

	2018	2017
Profit / (Loss) for the year	2,126,540	-
Changes in assets and liabilities		
(Increase) / Decrease in operating receivables	(56,102)	-
Increase / (Decrease) in operating payables	720,577	-
Cash flow from operating activities	**2,791,015**	**-**

Changes in liabilities arising from Financing Activities

	Balance 1 Jan 2018	Cash Flows	Non-Cash Adjustments	Balance 31 Dec 2018
Financial Liabilities	-	202,647,470	2,545	202,650,015

Financial liabilities consist of debentures issued to both retail and wholesale clients.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments which are readily convertible to cash within one working day, net of outstanding overdrafts.

Cash 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:

	2018	2017
Cash and cash equivalents *(Refer to Note 5)*	17,740,919	-
Cash at end of year	**17,740,919**	**-**

14. Auditor's remuneration

	2018	2017
Fee payable in relation to audit [1]	12,100	-
	12,100	**-**

[1] In 2018 an amount of $600 was paid relating to the 2017 audit of the Company that occurred prior to it being capitalised and beginning operations. Audit fees are included within *Administration Expenses* disclosed in Note 4.

15. Contingent assets and contingent liabilities

The Directors of the Company are not aware of any contingencies requiring disclosure in the financial statements.

16. Events subsequent to reporting date

The Directors are not aware of any matter or circumstance not otherwise dealt with in the financial statements that has significantly or may significantly affect the operations of the Company.

17. Financial Risk Management

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Directors maintain an Audit Committee and a Risk Committee to oversee the financial reporting, audit and risk management processes.

The Risk Committee's major role, within the risk management organisational structure, is to monitor approved policies and procedures in relation to the:

- Risk management framework
- Specific risk management policies
- Internal controls and risk management
- Compliance with law, regulation and policy

The Audit Committee's major role is to monitor approved policies and procedures in relation to:

- Statutory and financial reporting requirements
- Auditor independence and performance
- Internal audit

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

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of their contractual obligations which could lead to the Company experiencing a financial loss.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that counterparties to transactions are of sound credit worthiness.

The Company is primarily exposed to two asset classes in relation to its financial instruments. These are:

- Cash and short term investments
- Debenture facility with UCAPT

Cash, for liquidity purposes, is held predominantly with an ASIC regulated Religious Charitable Development Fund (RCDF). These funds are held at-call and only represent 8.3% of total assets.

The credit risk relating short term investments is considered to be limited as the counterparties are APRA regulated Approved Deposit-taking Institutions (ADIs) and the terms of these investment are normally less than 90 days in duration.

The debenture facility enables the Company to invest up to $250 million of funds raised from retail and wholesale investors with The Uniting Church in Australia Property Trust (S.A.), the legal entity of the Church in South Australia ("the Church"). This facility provides a commercial return to the Company which is commensurate with the assessed risk of the investment.

Credit concentration risk is managed and mitigated through a range of processes including the Company holding security over particular assets of the Church, continuous monitoring of the value of collateral held and regular financial reporting between the two parties.

As at 31 December 2018 this loan facility had principal outstanding of $184.5 million which was secured by collateral valued at $263.5 million.

The Company does not lend funds to any other counterparty.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The Company has in place policies, information systems and a structured process to measure, monitor and manage liquidity risk.

The Company manages this risk through the following mechanisms:

- Daily monitoring of its current liquidity position
- Forecasting of expected future obligations
- The availability of diversified funding sources
- The application of withdrawal limits for significant redemptions
- Stress testing and contingency planning

Under the conditions set by the Australian Financial Services Licence (AFSL) held by the Company, the Australian Securities and Investments Commission (ASIC) have set three specific conditions that are required to be maintained at all times. These are:

- Base level financial requirements (*positive net assets test*)
- Cash flow needs requirement
- Requirement to hold adjusted surplus liquid funds
  (*Required minimum holding as at 31 December 2018: $6,016,839*)

The following table summarises the maturity profile of the Company's financial assets and liabilities.

2018 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	17,740,919					17,740,919
Fixed term investments		8,000,000				8,000,000
Secured debenture					184,533,691	184,533,691
Total financial assets	**17,740,919**	**8,000,000**	**-**	**-**	**184,533,691**	**210,274,610**

2018 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	60,372,604	46,324,028	76,574,902	19,378,481	-	202,650,015
Total financial liabilities	**60,372,604**	**46,324,028**	**76,574,902**	**19,378,481**	**-**	**202,650,015**

2017 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Financial assets						-
Total financial assets	**-**	**-**	**-**	**-**	**-**	**-**

2017 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities					-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Company issues debentures to both retail and wholesale investors and promises to repay the principal plus interest on agreed terms.

There is a direct link between the liabilities and interest bearing assets of the Company. As at 31 December 2018, the secured debenture between the Company and The Uniting Church in Australia Property Trust (S.A.) represented 88% of total assets.

The agreement between the two parties results in the debenture paying a fixed margin over the floating daily average interest rate applicable to retail and wholesale investors.

The weighted average interest rates on classes of financial assets and financial liabilities are as follows:

2018	Average Balance	Interest	Average Rate
Financial Assets			
Cash at bank	2,766,322	2,766	0.10%
Cash management accounts	11,531,924	219,107	1.90%
Fixed term deposits	4,055,556	114,367	2.82%
Secured debenture	189,567,460	8,568,449	4.52%
	207,921,262	**8,904,689**	**4.28%**
Financial Liabilities			
Investor funds	200,529,520	5,554,668	2.77%
	200,529,520	**5,554,668**	**2.77%**

2017	Average Balance	Interest	Average Rate
Financial Assets	-	-	0.00%
	-	**-**	**0.00%**
Financial Liabilities	-	-	0.00%
	-	**-**	**0.00%**

Sensitivity Analysis
The Company has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2018. 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	2018	2017
Decrease in average interest rate payable to investors by 1%	2,026,500	-
Increase in average interest rate payable to investors by 1%	(2,026,500)	-
Change in equity		
Decrease in average interest rate payable to investors by 1%	2,026,500	-
Increase in average interest rate payable to investors by 1%	(2,026,500)	-
Change in profit		
Decrease in average interest rate receivable from interest related investments by 1%	(2,102,746)	-
Increase in average interest rate receivable from interest related investments by 1%	2,102,746	-
Change in equity		
Decrease in average interest rate receivable from interest related investments by 1%	(2,102,746)	-
Increase in average interest rate receivable from interest related investments by 1%	2,102,746	-

Fair Values

The Company 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 financial assets and financial liabilities, as well as the methods used to estimate the fair value, are summarised in the table below.

	Year Ended 31 December 2018				Year Ended 31 December 2017			
	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	17,741			17,741	-			-
Financial Assets								
Term Deposits	8,000			8,000	-			-
Secured Debenture		184,534		184,534	-			-
TOTAL	**25,741**	**184,534**	**-**	**210,275**	**-**	**-**	**-**	**-**

Financial Liabilities	**LEVEL 1 $ 000's**	**LEVEL 2 $ 000's**	**LEVEL 3 $ 000's**		**LEVEL 1 $ 000's**	**LEVEL 2 $ 000's**	**LEVEL 3 $ 000's**	
Investor's Funds		202,650		202,650	-			-
TOTAL	**-**	**202,650**	**-**	**202,650**	**-**	**-**	**-**	**-**

18. Related party transactions

The South Australian Synod of the Uniting Church provides outsourced personnel services to the Company at the cost detailed in Note 4.

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

The primary asset held by the Company is in a secured debenture between the Company and The Uniting Church in Australia Property Trust (S.A.) (“UCAPT”), the legal entity of the Uniting Church in South Australia.

A loan facility agreement is in place that enables the Company to lend up to $250 million from any funds raised through the issue of debentures to retail and wholesale investors to the UCAPT. This facility is secured, under a general security deed, by the investment assets of the UCAPT.

As a result of client operations beginning in April 2018, the transactional activity relating to the debenture was significantly higher than would be expected in future periods. During 2018 the

Company transferred a total of $204.5 million to the debenture and redeemed $26.5 million. The Company also received $6.49 million in interest payments from the UCAPT which is disclosed in Note 2.

As at 31 December 2018 this loan facility had principal outstanding of $184.5 million which was secured by collateral valued at $263.5 million.

There are no provisions or expenses recognised during the year for bad or doubtful debts relating to outstanding balances due from any related parties.

Declaration of the Directors

31 December 2018

In the opinion of the directors of Uniting Church SA Investment Fund Limited:

a) the financial statements and notes set out on pages 5 to 26 of the 2018 Financial Report are in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012,* the *Corporations Act 2001* and:

   i. comply with Australian Accounting Standards and other mandatory professional reporting requirements to the extent described in Note 1; and

   ii. give a true and fair view of the Fund's financial position as at 31 December 2018 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 directors of Uniting Church SA Investment Fund Ltd.

Michael McClaren
Chairperson
Uniting Church SA Investment Fund Ltd

Kevin Benger
Chairperson, Audit Committee
Uniting Church SA Investment Fund Ltd

Adelaide
22 March 2019

Nexia Edwards Marshall

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Uniting Church SA Investment Fund Limited, which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration of the Directors.

In our opinion, the accompanying financial report of Uniting Church SA Investment Fund Limited ("the entity"), is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*; including:

(i) giving a true and fair view of the entity's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and Division 60 of *the Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information in the entity's annual report for the period ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

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Nexia Edwards Marshall

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED (CONT)

Directors' responsibility for the financial report

The directors of the entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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Nexia Edwards Marshall

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED (CONT)

Auditor's responsibility for the audit of the financial report (cont)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

B Morkunas

Brett Morkunas
Partner

Adelaide
South Australia

22 March 2019

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UC Invest is a trading name of Uniting Church SA Investment Fund Limited.
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