Uniting Church. **Uniting People.**

December 31

Uniting Fund SA

2018

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

Financial Report

IMPORTANT NOTE
Following the transfer of operations for retail and wholesale investors to Uniting Church SA Investment Fund Ltd (ABN: 46 620 095 472 | AFSL: 501022) on 31 March 2018, this fund ceased trading as UC Invest and is now known as Uniting Fund SA.

Statement of Profit or Loss and Other Comprehensive Income

For the year to 31 December 2018

	Note	2018 $	2017 $
This statement should be read in conjunction with the accompanying notes			
Revenue	2	13,376,662	12,651,504
Expenses	3	(494,306)	(844,879)
Finance costs	4	(8,893,657)	(6,566,594)
Net movement of financial assets measured at fair value	11	(2,628,127)	4,119,635
OPERATING PROFIT / (LOSS) FOR THE YEAR		**1,360,572**	**9,359,666**
Realised profit / (loss) on sale of assets	6	(53,965)	(16,073)
Settlement of legal claims	7	-	81,141
PROFIT / (LOSS) FOR THE YEAR		**1,306,607**	**9,424,734**
OTHER COMPREHENSIVE INCOME			
Items which may be subsequently reclassified to profit or loss			
Net gain / (loss) on revaluation of financial assets	6	235,406	113,971
Transfer to income on sale of financial assets	6	13,215	31,014
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,555,228**	**9,569,719**

Statement of Financial Position

As at 31 December 2018

This statement should be read in conjunction with the accompanying notes	Note	2018 $	2017 Restated $
Assets			
Cash & cash equivalents	8	19,986,010	28,459,963
Trade & other receivables	9	2,491,493	2,170,102
Financial assets measured at amortised cost	10	11,624,385	36,710,471
Financial assets measured at fair value through profit or loss	11	197,388,250	193,827,369
Financial assets measured at fair value through other comprehensive income	12	41,513,138	40,074,390
Total Assets		**273,003,276**	**301,242,295**
Liabilities			
Financial liabilities measured at amortised cost	13	227,846,606	255,351,153
Trade & other payables	14	113,772	785,767
Provision for special grants	15	-	640,770
Employee benefits	16	183,374	168,626
Other liabilities	17	19,295	456,353
Total Liabilities		**228,163,047**	**257,402,669**
Net Assets		**44,840,229**	**43,839,626**
Equity			
Accumulated funds		44,754,414	44,002,432
Asset revaluation reserve	18	85,815	(162,806)
Total Equity		**44,840,229**	**43,839,626**

Statement of Changes in Equity

For the year to 31 December 2018

This statement should be read in conjunction with the accompanying notes

	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2017	24,047,530	12,398,411	36,445,941
Retrospective adjustment on adoption of accounting policy change (AASB 9)	12,706,202	(12,706,202)	
Profit for the year	9,424,734	-	9,424,734
Other comprehensive income	-	144,985	144,985
Distribution to the Uniting Church SA	(2,176,034)	-	(2,176,034)
Balance at 31 December 2017	**44,002,432**	**(162,806)**	**43,839,626**
Balance at 1 January 2018	44,002,432	(162,806)	43,839,626
Profit for the year	1,306,607	-	1,306,607
Other comprehensive income	-	248,621	248,621
Distribution to the Uniting Church SA	(554,625)	-	(554,625)
Balance at 31 December 2018	**44,754,414**	**85,815**	**44,840,229**

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Statement of Cash Flows

For the year to 31 December 2018

This statement should be read in conjunction with the accompanying notes

	Note	2018 $	2017 $
Cash Flows from Operating Activities			
Receipts		251,175	205,018
Interest received		8,376,794	8,032,092
Distributions received		2,697,544	4,465,392
Payments		(484,406)	(835,908)
Finance costs		(568,294)	(1,190,111)
Proceeds from legal claims		-	81,141
Net cash flows provided by / (used in) operating activities	19	**10,272,813**	**10,757,624**
Cash Flows from Investing Activities			
Sale of investments		51,531,044	43,292,899
Purchase of investments		(32,148,467)	(71,109,179)
Net cash flows provided by / (used in) investing activities		**19,382,577**	**(27,816,280)**
Cash Flows from Financing Activities			
Investments by investors		52,036,959	134,630,983
Withdrawals by investors		(267,016,611)	(106,417,386)
Investments by UCSAIF[1] into secured debenture		204,545,704	-
Redemptions by UCSAIF from secured debenture		(26,500,000)	-
Distribution to the Uniting Church SA		(1,195,395)	(4,258,505)
Net cash flows provided by / (used in) financing activities		**(38,129,343)**	**23,955,092**
Net increase / (decrease) in cash held		(8,473,953)	6,896,436
Cash at beginning of year		28,459,963	21,563,527
Cash at End of Year	8	**19,986,010**	**28,459,963**

[1] *Uniting Church SA Investment Fund Limited ABN: 46 620 095 472 AFSL: 501022*

1. Statement of significant accounting policies

General entity information

Uniting Fund SA ("*the Fund*") is an activity of The Uniting Church in Australia Property Trust (S.A.) ABN 25 068 897 781 ("*UCAPT*"). Its registered office is Level 2, 212 Pirie Street, Adelaide SA 5000.

The UCAPT was established by an Act of South Australian Parliament in 1977 and is the legal entity of the Uniting Church in South Australia. All assets of Uniting Fund SA are held in the name of the UCAPT.

The financial report of Uniting Fund SA for the year ended 31 December 2018, which treats the Fund as an individual entity, was authorised for issue in accordance with a resolution by the members of the Uniting Church Investment Committee ("*UCIC*") on 26 April 2019.

Operations and principal activities

Under the business name UC Invest, the Uniting Church in South Australia had been providing investment services to the Uniting Church community since 1977. The Australian Prudential Regulation Authority and the Australian Securities and Investments Commission introduced changes to the regulatory conditions applicable to Religious Charitable Development Funds, which prompted the Church to alter the legal structure of its investment operations during 2017.

A new company limited by Guarantee, called Uniting Church SA Investment Fund Limited (*"UCSAIF"*), was incorporated on 28 June 2017. This company was established as the vehicle to offer investment services to retail and wholesale clients under an Australian Financial Services Licence (AFSL).

On 31 March 2018, the UC Invest business name was transferred to UCSAIF and all retail and wholesale clients, who agreed to transfer their investments, were migrated to UCSAIF and now operate under the conditions of the AFSL.

Nearly 98% of retail and wholesale clients who were previously investors within the UCAPT structure were migrated to UCSAIF on 31 March 2018. This initial transfer amount was $202.05 million. No retail or wholesale clients remain within Uniting Fund SA.

The Fund currently provides direct investment services to "internal" Church entities that exist within the structure of The Uniting Church in Australia Property Trust (S.A.).

In addition to providing investment services to internal entities, a commercial facility exists which enables UCSAIF to invest funds raised from its operations in a debenture facility with Uniting Fund SA. This facility is secured by the investment assets of the Fund under a General Security Deed.

Governance Structure

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

Uniting Church Investment Committee Members
Michael McClaren (Non-executive, Chairperson)
Kevin Benger (Non-executive, Chairperson Audit Committee)
Wayne Matters (Non-executive, Chairperson Risk Committee)
Allison Ashby (Non-executive)
Karen Eley (Non-executive, appointed in October 2018)
Tom Adams (Non-executive)
Peter Battersby (Executive) – Remunerated by Uniting Church SA

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

The operations of Uniting Fund SA are reported to the Synod via the Resources Board.

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 enable compliance of the Uniting Church Investment Committee with its by-laws.

Compliance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standard Board (AASB) ensures that the financial statements and notes of the Fund 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.

Summary of significant accounting policies
The following is a summary of the material accounting policies adopted by the Fund 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 Fund and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

i. **Interest**
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

ii. **Dividends and distributions**
Dividend and distribution income is received in the form of dividends, distributions and franking credits from direct equity investments and managed funds held by the Fund. Revenue is recognised when the Fund's right to receive the payment is established.

(c) Financial instruments

i. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Fund 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 Fund 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 a direct equity investment which was elected to be classified at 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 Fund 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 Fund 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 Fund assesses whether the financial instruments are credit impaired, and if:

- The credit risk of the financial instrument increased significantly since initial recognition, the Fund 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 Fund 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 Fund 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 Fund 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 a determination that the financial asset has low credit risk, the Fund 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 Fund 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) Trade and other receivables

Trade and other receivables primarily represents revenue in the form of interest, dividends and distributions which have been recognised during the reporting period but not yet received at the end of the reporting period.

All receivables are expected to be collected within 12 months of the end of the reporting period.

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

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

- *Note 1 (C) iv) - Impairment*
- *Note 22 vi) - Fair value of financial assets and liabilities*

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

(h) Impairment of assets

At the end of each reporting period, the Fund 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 Fund is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*. The Uniting Church in Australia Property Trust (S.A.) is a registered not-for-profit entity with the *Australian Charities and Not-for-profits Commission (ACNC)*.

(k) Provisions

Provisions are recognised when the Fund 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) Adoption of new Accounting Standards and Interpretations

The Fund has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to 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 Fund has adopted *AASB 9: Financial Instruments* which has an initial application date of 1 January 2018. As a result the Fund has changed its financial instruments accounting policies as detailed in the *Summary of significant accounting policies* note above.

The standard requires retrospective application. As such all prior period information has been restated for the 2017 comparative year.

Disclosure: Initial application
There were no financial assets / liabilities which the Fund had previously designated as fair value through profit or loss under *AASB 139: Financial Instruments: Recognition and Measurement* that were subject to reclassification/elected reclassification upon the application of AASB 9.

There were no financial assets / liabilities which the Fund has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The Fund applied AASB 9 (*as revised in July 2014*) and the related consequential amendments to other AASBs. New requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment and general hedge accounting.

The date of initial application was 1 January 2018. The entity has applied AASB 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2018 have been restated where appropriate.

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 Fund'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 Fund may make an irrevocable election at initial recognition of a financial asset as follows:

- the Fund 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 Fund 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

When an equity investment at fair value through other comprehensive income has a gain or loss previously recognised in other comprehensive income, it is not reclassified to profit or loss. However, when a debt investment at fair value through other comprehensive income is derecognised, the gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment.

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 Fund 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.

The Fund reviewed and assessed the existing financial assets on 1 January 2018. The assessment was done to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised. The assessment was compared to the credit risk as at 1 January 2017 and 1 January 2018. The assessment was done without undue cost or effort in accordance with AASB 9.

Financial assets to which the impairment provision applies (1 January 2018)	Attributes of credit risk	Loss allowance 1 January 2017	Loss allowance 1 January 2018
Mortgage backed securities Term deposits Loans and advances	These items have been assessed as low credit risk. The Fund has determined that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by AASB 9 and recognises 12-month expected credit loss for these assets	- - -	- - -
Trade and other receivables	The Fund uses the simplified approach and recognises 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.

Reconciliation of financial instruments on the adoption of AASB 9
The following table reconciles the restated 2017 comparative amounts presented in the *Statement of Profit or Loss and Other Comprehensive Income* following the adoption of AASB 9.

Statement of Profit or Loss and Other Comprehensive Income	2017 originally presented	AASB 9 adjustments	2017 currently presented
Revenue	12,651,504	-	12,651,504
Expenses	(844,879)	-	(844,879)
Financial costs	(6,566,594)	-	(6,566,594)
Net movement of financial assets measured at fair value	-	4,119,635	4,119,635
OPERATING PROFIT / (LOSS) FOR THE YEAR	**5,240,031**		**9,359,666**
Realised profit / (loss) on sale of assets	1,791,396	(1,807,469)	(16,073)
Settlement of legal claims	81,141		81,141
PROFIT / (LOSS) FOR THE YEAR	**7,112,568**		**9,424,734**
Net gain / (loss) on revaluation of financial assets	3,958,452	(3,844,481)	113,971
Transfer to income on sale of financial assets	(1,501,301)	1,532,315	31,014
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,569,719**		**9,569,719**

The following table represents the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the initial application date of 1 January 2018.

	Measurement Category		Carrying Amount		
	Original Classification (AASB 139)	Current Classification (AASB 9)	Closing Balance 31/12/17 (AASB 139)	Recognition of additional loss allowance (AASB 9)	Opening Balance 1/1/18 (AASB 9)
Financial Assets					
Cash and cash equivalents	Amortised cost	Amortised cost	28,459,963	-	28,459,963
Trade and other receivables	Amortised cost	Amortised cost	2,170,102	-	2,170,102
Fixed term deposits	Held-to-maturity	Financial assets at amortised cost	33,500,000	-	33,500,000
Loans and advances	Loans and advances	Financial assets at amortised cost	3,210,471	-	3,210,471
Share Fund	Available for sale	Financial assets at Fair Value through profit or loss	30,380,057	-	30,380,057
Direct Property Fund	Available for sale	Financial assets at Fair Value through profit or loss	37,416,460	-	37,416,460
International equities	Available for sale	Financial assets at Fair Value through profit or loss	7,743,060	-	7,743,060
Australian hybrids	Available for sale	Financial assets at Fair Value through profit or loss	9,968,371	-	9,968,371
Unlisted corporate securities	Available for sale	Financial assets at Fair Value through profit or loss	108,319,420	-	108,319,420
Mortgage backed securities	Available for sale	Financial assets at fair value through other comprehensive income	40,074,390	-	40,074,390
Financial Liabilities					
Investor's funds	Amortised cost	Financial liabilities at amortised cost	255,351,153	-	255,351,153

The additional loss allowance resulting in AASB 9 initial application is due to the change in measurement category of each financial asset. No impact on the financial asset's carrying amounts on initial application has occurred.

The following table reconciles the restated 2017 comparative amounts presented in the *Statement of Financial Position* following the adoption of AASB 9.

Financial assets classified at:	Items	Carrying amount under AASB 139 31 December 2017	Reclassification	Remeasurements	Carrying amount under AASB 9 1 January 2018
Fair value through other comprehensive income (FVOCI)					
Closing balance (AASB 139): 31 December 2017		233,901,759			233,901,759
Transfer to: fair value through profit or loss			(193,827,369)		(193,827,369)
Opening balance (AASB 9): 1 January 2018					**40,074,390**
Fair value through profit or loss (FVTPL)					
Closing balance (AASB 139): 31 December 2017		-			-
Transfer from: fair value through other comprehensive income			193,827,369		193,827,369
Opening balance (AASB 9): 1 January 2018					**193,827,369**
Held to maturity					
Closing balance (AASB 139): 31 December 2017		33,500,000			33,500,000
Transfer to: measured at amortised cost			(33,500,000)		(33,500,000)
Opening balance (AASB 9): 1 January 2018					**-**
Amortised cost					
Closing balance (AASB 139): 31 December 2017		3,210,471			3,210,471
Transfer from: held to maturity			33,500,000		33,500,000
Opening balance (AASB 9): 1 January 2018					**36,710,471**

Equity	Asset Revaluation Reserve	Accumulated Funds
Opening balance (AASB 139): 1 January 2017	12,398,411	24,047,530
Restated profit for the year	-	9,424,734
Restated other comprehensive income for the year	144,985	-
Reclassify financial assets from FVOCI to FVTPL	(12,706,202)	12,706,202
Distribution to the Uniting Church SA	-	(2,176,034)
Opening balance (AASB 9): 1 January 2018	**(162,806)**	**44,002,432**

(m) Accounting 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 Fund 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 Fund 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 Fund 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 Fund it is not anticipated that the application of this standard will have a material effect on the financial statements in future periods.

(n) Change in accounting policy, retrospective restatement or reclassification
The following table reconciles the restated 2017 comparative amounts presented in the *Statement of Cash Flows* following an adjustment to the classification of non-cash items previously stated in both operating activities and financing activities.

Statement of Cash Flows	2017 originally presented	Restatement	2017 currently presented
Finance costs	(6,641,039)	5,450,928	(1,190,111)
Net cash flows provided by / (used in) operating activities	**5,306,696**		**10,757,624**
Net cash flows provided by / (used in) investing activities	**(27,816,280)**		**(27,816,280)**
Investments by investors	140,081,911	(5,450,928)	134,630,983
Net cash flows provided by / (used in) financing activities	**29,406,020**		**23,955,092**
Net increase / (decrease) in cash held	**6,896,436**		**6,896,436**
Cash at beginning of year	**21,563,527**		**21,563,527**
Cash at end of year	**28,459,963**		**28,459,963**

	2018	2017

2. Revenue

Dividends and distributions	4,949,352	4,180,992
Interest received	8,187,321	8,224,736
Management fees received	239,697	232,747
Other income	292	13,029
	13,376,662	**12,651,504**

3. Expenses

Administration	171,754	354,844
Personnel costs [1]	310,552	478,035
Investment managers retainer	12,000	12,000
	494,306	**844,879**

[1] *The Uniting Church Synod of South Australia provides all administrative support and human resources for the operations of Uniting Fund SA. Uniting Church SA Investment Services personnel are employed by the Synod of South Australia.*

In 2018 a portion of personnel costs were redirected to Uniting Church SA Investment Fund Limited once retail and wholesale clients migrated to the new operating entity in March 2018.

4. Finance costs

Interest paid to UCSAIF via secured debenture	6,487,987	-
Interest paid to investors	2,396,839	6,558,500
Interest paid on bank facilities	8,831	8,094
	8,893,657	**6,566,594**

5. Auditor's remuneration

Fee paid in relation to audit	5,500	10,900
Audit fees paid in relation to other investment entities managed by the Uniting Church Investment Committee	2,860	4,095
	8,360	**14,995**

***** *Audit fees are included within administration expenses disclosed in Note 3.*

6. Changes in the value of financial assets

The following have been recognised in the 2018 *Statement of Comprehensive Income*:

Financial assets measured at fair value through other comprehensive income	Total change in value for the year	Impairment losses	Gain / (Loss) on revaluation	Reversal of prior year revaluation on sale	Realised profit / (loss) on sale
Mortgage backed securities	(268,009)	-	(227,259)	13,215	(53,965)
Direct equity instrument	462,665	-	462,665	-	-
	194,656	**-**	**235,406**	**13,215**	**(53,965)**

The following have been recognised in the 2017 *Statement of Comprehensive Income*:

Financial assets measured at fair value through other comprehensive income	Total change in value for the year	Impairment losses	Gain / (Loss) on revaluation	Reversal of prior year revaluation on sale	Realised profit / (loss) on sale
Mortgage backed securities	128,912	-	113,971	31,014	(16,073)
	128,912	**-**	**113,971**	**31,014**	**(16,073)**

7. Settlement of legal claims

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

During 2017 the Fund received settlement proceeds totalling $81,141 (*2016: $2,520,582*) resulting from these legal claims, as shown in the *Statement of Profit or Loss and Other Comprehensive Income*.

While no additional amounts were received from legal claims in 2018 it is anticipated that the Fund will be the recipient of further proceeds in the future. It is currently unclear as to the final value and timing of these payments.

8. 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	139,027	106,438
Cash management account	19,846,983	28,353,525
	19,986,010	**28,459,963**

9. Trade and other receivables

	2018	2017
Sundry debtors	51,882	63,284
Prepayments	13,586	12,878
Accrued interest, distributions & franking credits	2,426,025	2,093,940
	2,491,493	**2,170,102**

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 defined 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	2,491,493	-	-	-	2,491,493
Loss allowing provision	-	-	-	-	-
	2,491,493	**-**	**-**	**-**	**2,491,493**

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	2,170,102	-	-	-	2,170,102
Loss allowing provision	-	-	-	-	-
	2,170,102	**-**	**-**	**-**	**2,170,102**

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

10. Financial assets held at amortised cost

Financial assets measured at amortised cost consist of fixed term deposits held with approved deposit-taking institutions regulated by APRA, secured loans issued to separately incorporated organisations associated with the Uniting Church and unsecured loans issued to ministers and staff of the Uniting Church SA.

	2018	2017
Fixed term deposits	7,500,000	33,500,000
Loans and advances - secured	4,106,318	3,175,197
Loans and advances - unsecured	18,067	35,274
	11,624,385	**36,710,471**

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	7,500,000	0%	-	7,500,000
Loans & advances - secured	4,106,318	0%	-	4,106,318
Loans & advances - unsecured	18,067	0%	-	18,067
	11,624,385		**-**	**11,624,385**

Refer to note 22 for information regarding the liquidity profile of financial assets.

11. Financial assets held at fair value through profit or loss

Financial assets measured at fair value through profit or loss consist of unit holdings in investment vehicles managed by the UCIC, investments in various ASX listed securities and direct holdings in unlisted corporate securities. These securities all fail the '*solely payments or principal and interest (SPPI)*' test in accordance with AASB 9 *Financial Instruments* and are therefore required to be measured at fair value through profit or loss.

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

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

Financial Assets	Market Value 31/12/17	Purchases	Sales	Net change in value for the year	Market Value 31/12/18
UC Invest Share Fund	30,380,057	1,729,592	-	(3,397,807)	28,711,842
UC Invest Direct Property Fund	37,416,460	-	-	1,748,928	39,165,388
International Equities *(ASX listed)*	7,743,060	-	-	397,080	8,140,140
Australian Hybrids *(ASX listed)*	9,968,372	1,388,945	(1,288,737)	(64,437)	10,004,143
Unlisted Corporate Securities	108,319,420	8,259,208	(3,900,000)	(1,311,891)	111,366,737
	193,827,369	**11,377,745**	**(5,188,737)**	**(2,628,127)**	**197,388,250**

Refer to note 22 for information regarding the liquidity profile of financial assets.

12. Financial assets held at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income consist of unlisted residential mortgage backed securities and a direct equity instrument of Uniting Church SA Investment Fund Limited (UCSAIF) classified as a restricted asset.

In accordance with AASB 9 *Financial Instruments*, residential mortgage backed securities held by the Fund pass the '*solely payments of principal and interest (SPPI)*' test and exist within a business model where the investment objective is achieved by both collecting contractual cash flows and selling financial assets.

Residential mortgage back securities have been revalued using evaluated price information from an independent third party.

The direct equity instrument was established following the capitalisation of UCSAIF during 2018. This restricted asset is not available for trading and fails the SPPI test based on it being an equity instrument.

An *irrevocable* election has been made for changes in the fair value of this instrument to be recorded in other comprehensive income. Fair value for this restricted asset is determined by the movement in the net tangible assets (NTA) of Uniting Church SA Investment Fund Ltd.

Financial Assets	Market Value 31/12/17	Purchases	Sales	Change in value for the year	Market Value 31/12/18
Mortgage backed securities	40,074,390	-	(5,255,908)	(268,009)	34,550,473
Direct equity (restricted asset)	-	6,500,000	-	462,665	6,962,665
	40,074,390	**6,500,000**	**(5,255,908)**	**194,656**	**41,513,138**

Refer to Note 6 for information about the change in value for the year.

Impairment of financial assets measured at fair value through other comprehensive income

Class of Asset	Gross Carrying Amount	Probability Weighted Expected Default Rate	Loss Allowing Provision	Loss Adjusted Carrying Amount
Mortgage backed securities	34,550,473	0%	-	34,550,473
Direct equity (restricted asset)	6,962,665	0%	-	6,962,665
	41,513,138		**-**	**41,513,138**

Refer to note 22 for information regarding the liquidity profile of financial assets.

13. Financial liabilities measured at amortised cost

Financial liabilities consist of unsecured debentures issued to associated entities and a secured debenture issued to Uniting Church SA Investment Fund Ltd.

Associated entities are clients who exist within the legal structure of *The Uniting Church in Australia Property Trust (S.A.)*. These clients hold funds which are either at-call or in fixed term investments.

The debenture issued to UCSAIF is secured via a Security Deed which places a charge over the financial assets of Uniting Fund SA.

	2018	2017
Unsecured debentures	43,312,915	255,351,153
Secured debenture issued to UCSAIF	184,533,691	-
	227,846,606	**255,351,153**

Refer to note 22 for information regarding the liquidity profile of financial liabilities.

14. Trade and other payables

Sundry creditors	14,157	18,297
Accrued interest payable to associated entities	99,615	767,470
	113,772	**785,767**

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

15. Provision for special grants

During 2017 the UCIC approved and established a one off special grants provision which was allocated in favour of priority development projects of the Uniting Church SA.

Uniting College - Brooklyn Park redevelopment	-	640,770
	-	**640,770**

16. Employee benefits

Annual leave	41,889	37,737
Long service leave	141,485	130,889
	183,374	**168,626**

Current	179,171	165,786
Non-Current	4,203	2,840
	183,374	**168,626**

17. Other liabilities

Investor redemptions payable	19,295	456,353
	19,295	**456,353**

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

18. Asset revaluation reserve

Financial Assets	**Asset revaluation reserve + 31/12/2017**	**Inc / (Dec) in market value + during year**	**Reversal of prior year revaluation on sale =**	**Asset revaluation reserve 31/12/2018**
Mortgage backed securities	(162,806)	(227,259)	13,215	(376,850)
Direct equity (restricted asset)	-	462,665	-	462,665
	(162,806)	**235,406**	**13,215**	**85,815**

Financial Assets	**Asset revaluation reserve 31/12/2016 +**	**AASB 9 Reclassification + 1/1/2017**	**Inc / (Dec) in market value + during year**	**Reversal of prior year revaluation on sale =**	**Asset revaluation reserve 31/12/2017**
UC Invest Share Fund	2,035,214	(2,035,214)	-	-	-
UC Invest Direct Property Fund	8,387,469	(8,387,469)	-	-	-
Unlisted corporate securities	1,907,097	(1,907,097)	-	-	-
Mortgage backed securities	(307,791)	-	113,971	31,014	(162,806)
International equities	233,479	(233,479)	-	-	-
Australian hybrids	142,943	(142,943)	-	-	-
	12,398,411	**(12,706,202)**	**113,971**	**31,014**	**(162,806)**

19. Cash flow information

Reconciliation of profit to net cash flows from operating activities:

	2018	**2017**
Profit / (Loss) for the year	**1,306,607**	**9,424,734**
Non-cash items in profit		
Net movement in financial assets measured at fair value	2,628,127	(4,119,635)
Realised (profit) / loss on sale of assets	53,965	16,073
Non-cash investor movements	8,992,344	5,450,928
Investment income reinvested	(1,729,592)	-
Changes in assets and liabilities		
(Increase) / Decrease in operating receivables	(321,391)	51,087
Increase / (Decrease) in operating payables	(657,247)	(65,563)
Cash flow from operating activities	**10,272,813**	**10,757,624**

Changes in liabilities arising from Financing Activities

	Balance 1/1/2018	**Net cash flows**	**Reinvested interest**	**Non-cash adjustments**	**Balance 31/12/2018**
Financial Liabilities	255,351,153	(36,933,948)	8,992,560	436,841	227,846,606

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 8)*	19,986,010	28,459,963
Cash at end of year	**19,986,010**	**28,459,963**

20. Contingent liabilities and contingent assets

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

In 2016 the Fund was named as a Noteholder defendant in a legal action lodged by Lehman Brothers Special Financing in the United States Bankruptcy Court. This action relates to investment proceeds received by UC Invest at the time Lehman Brothers Holdings commenced Chapter 11 bankruptcy proceedings in the Uniting States.

It still remains unclear as to whether this action will proceed further or whether the Fund has any current obligations as a result of these proceedings.

21. Related party transactions

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

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

Following the transfer of all retail and wholesale investors to Uniting Church SA Investment Fund Limited ABN: 46 620 095 472 | AFSL: 501022 ("*UCSAIF*") on 31 March 2018, a debenture agreement was established between Uniting Fund SA and UCSAIF.

This facility allows UCSAIF to invest up to $250 million in a debenture with Uniting Fund SA which is secured by the financial assets of the Fund under a General Security Deed.

With UCSAIF commencing operations in April 2018, the transactional activity relating to the debenture was significant higher than would be expected in future periods. During 2018 UCSAIF invested a total of $204.5 million in the debenture and redeemed $26.5 million. Uniting Fund SA also paid UCSAIF $6.49 million in interest payments which is disclosed in Note 4.

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

22. Risk management

Financial Risk Management Objectives

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

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

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

i. Market risk

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

The diversified investment mix of the Fund includes some investments that are traded in active markets and regularly fluctuate in value. Total exposure to the Australian share market as at 31 December 2018 was 17.2% of total assets (*31 December 2017: 16.0%*).

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

The UCIC is satisfied that adequate capital exists, in accordance with reserving policies adopted by the Fund, to cover reasonably expected future price fluctuations on its investments.

ii. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The UCIC has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient other security where appropriate, as a means of mitigating the risk of financial loss from defaults.
The Fund lends money to separately incorporated organisations associated with the Uniting Church, Ministers of the Word and Uniting Church SA employees. Loans to Ministers of the Word and employees are mainly for the purchase of motor vehicles and are immaterial to the asset base of the Fund.

Loans to associated organisations constitute a minor proportion of the Fund's total assets (1.5% at 31 December 2018). 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.
The Fund also invests in a range of unlisted securities issued by a wide variety of organisations. The UCIC have adopted an investment policy which approves the placement 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* credit rating of BBB+ or higher.

The Fund may continue holding unlisted securities which have been subsequently re-rated below BBB+ if the Committee believes that retaining them will produce the best financial outcome in lieu of selling them.

Some smaller ADIs may have an official credit rating lower than BBB+. These securities are approved investments irrespective of their official credit rating.

The table below highlights the exposure to ratings segments as at 31 December 2018 for unlisted corporate securities and residential mortgage backed securities held by the Fund.

Credit Rating	Face Value	Market Value	Cost Base
AAA	7,734,532	7,498,098	7,400,347
AA	10,197,339	10,307,877	10,296,102
AA-	5,642,373	5,706,662	5,950,811
A+	6,040,618	6,341,911	6,557,307
A	6,131,965	6,135,035	6,218,313
A-	11,700,000	11,949,666	11,767,722
BBB+	54,820,000	55,973,899	55,394,179
BBB (APRA Regulated)	24,810,000	25,111,857	25,064,566
BBB- (APRA Regulated)	13,500,000	13,642,580	13,819,130
NR (APRA Regulated)	3,250,000	3,249,625	3,270,700
	143,826,827	**145,917,210**	**145,739,177**

iii. Interest rate risk

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

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

See Appendix 1 for cash flow interest rate sensitivity analysis.

iv. Liquidity risk

Liquidity risk arises from the possibility that the Fund may encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities.

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

Policies, systems and structures are in place to measure, monitor and manage liquidity risk. Investor data is reviewed regularly to predict cash flow requirements of investor obligations.

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

These products combined with regular reporting and monitoring of assets and liabilities manages the risks involved.

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

2018 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	19,986,010						19,986,010
Fixed term deposits		7,500,000					7,500,000
Corporate securities & RMBS		9,345,357	16,791,234	111,449,714	8,330,905		145,917,210
UC Invest Share Fund						28,711,842	28,711,842
UC Invest Direct Property Fund						39,165,388	39,165,388
International equities						8,140,140	8,140,140
Australian hybrids						10,004,143	10,004,143
Loans and advances		186,399	536,355	3,401,631			4,124,385
Direct equity (restricted asset)						6,962,665	6,962,665
Total financial assets	**19,986,010**	**17,031,756**	**17,327,589**	**114,851,345**	**8,330,905**	**92,984,178**	**270,511,783**

2018 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	29,660,733	3,581,575	7,853,260	2,217,347			43,312,915
Secured debenture						184,533,691	184,533,691
Total financial liabilities	**29,660,733**	**3,581,575**	**7,853,260**	**2,217,347**	**-**	**184,533,691**	**227,846,606**

2017 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	28,459,963						28,459,963
Fixed term deposits		18,500,000	15,000,000				33,500,000
Corporate securities & RMBS		616,167	9,237,448	133,558,791	4,981,405		148,393,811
UC Invest Share Fund						30,380,057	30,380,057
UC Invest Direct Property Fund						37,416,460	37,416,460
International equities						7,743,060	7,743,060
Australian hybrids						9,968,371	9,968,371
Loans and advances		121,101	379,044	1,089,606	1,620,720		3,210,471
Total financial assets	**28,459,963**	**19,237,268**	**24,616,492**	**134,648,397**	**6,602,125**	**85,507,948**	**299,072,193**

2017 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	115,283,123	24,728,820	97,421,085	17,918,125	-	-	255,351,153
Total financial liabilities	**115,283,123**	**24,728,820**	**97,421,085**	**17,918,125**	**-**	**-**	**255,351,153**

v. Revenue risk

Revenue received may fluctuate due to changes in market or economic conditions. Revenue is received from a diversified pool of investments in order to minimise the risk of extreme income fluctuations.

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

vi. Fair value

The Fund 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 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	19,986			19,986	28,460			28,460
Financial assets								
Term deposits	7,500			7,500	33,500			33,500
Share Fund		28,712		28,712		30,380		30,380
Direct Property Fund		39,165		39,165		37,416		37,416
International equities	8,140			8,140	7,743			7,743
Australian hybrids	10,004			10,004	9,968			9,968
Corporate securities		111,367		111,367		108,319		108,319
RMB securities		34,550		34,550		40,074		40,074
Loans	4,124			4,124	3,210			3,210
Direct equity asset			6,963	6,963			-	-
TOTAL	**49,754**	**213,794**	**6,963**	**270,511**	**82,881**	**216,189**	**-**	**299,070**

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**	
Internal investors	43,313			43,313	255,351			255,351
Secured debenture	184,534			184,534	-			-

- Quoted market price represents the fair value as quoted on active markets at 31 December 2018 without any deduction for transaction costs.

- For financial instruments not quoted in active markets, the Fund uses valuation techniques such as comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

- The fair value of property and corporate notes has been determined using a range of valuation techniques.
- Loans made to individuals and organisations have been valued on the amount outstanding as at balance date.

- Term deposits are valued on the face value of the investment.

- Internal investors and the secured debenture are valued on the amount invested. Any interest accrued but not paid to the investor is included in *Trade and Other Payables*.

Sensitivity Analysis

i. **Market risk**
The UCIC has performed a sensitivity analysis relating to its exposure to market 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 the market value of unlisted and direct property investments by 10%	(3,916,539)	(3,741,646)
Increase in the market value of unlisted and direct property investments by 10%	3,916,539	3,741,646
Change in equity		
Decrease in the market value of unlisted and direct property investments by 10%	(3,916,539)	(3,741,646)
Increase in the market value of unlisted and direct property investments by 10%	3,916,539	3,741,646
Change in profit		
Decrease in the market value of interest rate instruments by 10%	(11,136,674)	(10,831,942)
Increase in the market value of interest rate instruments by 10%	11,136,674	10,831,942
Change in equity		
Decrease in the market value of interest rate instruments by 10%	(14,591,721)	(14,839,381)
Increase in the market value of interest rate instruments by 10%	14,591,721	14,839,381
Change in profit		
Decrease in the market value of listed securities by 25%	(11,714,031)	(12,022,872)
Increase in the market value of listed securities by 25%	11,714,031	12,022,872
Change in equity		
Decrease in the market value of listed securities by 25%	(11,714,031)	(12,022,872)
Increase in the market value of listed securities by 25%	11,714,031	12,022,872

ii. Revenue risk

The UCIC has performed a sensitivity analysis relating to its exposure to revenue 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 income from interest related investments by 20%	(1,637,464)	(1,644,947)
Increase in income from interest related investments by 20%	1,637,464	1,644,947
Change in equity		
Decrease in income from interest related investments by 20%	(1,637,464)	(1,644,947)
Increase in income from interest related investments by 20%	1,637,464	1,644,947
Change in profit		
Decrease in income from property related investments by 20%	(432,035)	(375,883)
Increase in income from property related investments by 20%	432,035	375,883
Change in equity		
Decrease in income from property related investments by 20%	(432,035)	(375,883)
Increase in income from property related investments by 20%	432,035	375,883
Change in profit		
Decrease in income from listed securities by 20%	(557,836)	(460,315)
Increase in income from listed securities by 20%	557,836	460,315
Change in equity		
Decrease in income from listed securities by 20%	(557,836)	(460,315)
Increase in income from listed securities by 20%	557,836	460,315

iii. Interest rate risk

The UCIC 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.

	2018	2017
Change in profit		
Decrease in average interest rate payable to investors by 1%	2,278,466	2,553,512
Increase in average interest rate payable to investors by 1%	(2,278,466)	(2,553,512)
Change in equity		
Decrease in average interest rate payable to investors by 1%	2,278,466	2,553,512
Increase in average interest rate payable to investors by 1%	(2,278,466)	(2,553,512)
Change in profit		
Decrease in average interest rate receivable from interest related investments by 1%	(1,775,276)	(2,135,642)
Increase in average interest rate receivable from interest related investments by 1%	1,775,276	2,135,642
Change in equity		
Decrease in average interest rate receivable from interest related investments by 1%	(1,775,276)	(2,135,642)
Increase in average interest rate receivable from interest related investments by 1%	1,775,276	2,135,642

23. Events subsequent to reporting date

The members of the UCIC 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 Uniting Fund SA.

24. Economic dependency

Uniting Fund SA is an activity of The Uniting Church in Australia Property Trust (S.A.), which is the legal entity of the Uniting Church in South Australia.

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

Appendix 1: Cash flow interest rate sensitivity analysis

Uniting Church. **Uniting People.**

	Weighted Average Effective Interest Rate		Floating Interest		Within 1 Year		Within 2 Years		Within 3 Years		Over 3 Years		Non-Interest Bearing		Total	
Financial Assets	**2018** %	**2017** %	**2018** $ 000's	**2017** $ 000's	**2018** $ 000's	**2017** $ 000's	**2018** $ 000's	**2017** $ 000's	**2018** $ 000's	**2017** $ 000's	**2018** $ 000's	**2017** $ 000's	**2018** $ 000's	**2017** $ 000's	**2018** $ 000's	**2017** $ 000's
Cash & Cash Equivalents	1.80	1.86	19,986	28,460											19,986	28,460
Trade & Other Receivables	N/A	N/A											2,491	2,170	2,491	2,170
Financial Assets																
Fixed Term Deposits	2.73	2.53			7,705	34,348									7,705	34,348
Loans & Receivables	3.93	3.71			850	608	845	514	841	347	1,928	2,286			4,464	3,755
Corporate Notes	5.13	4.87			32,679	16,575	58,825	34,612	47,823	63,048	37,824	66,295			177,151	180,530
Share Investments	N/A	N/A											38,716	40,348	38,716	40,348
Unlisted Property	N/A	N/A											39,165	37,416	39,165	37,416
International Equities	N/A	N/A											8,140	7,743	8,140	7,743
Total Financial Assets			**19,986**	**28,460**	**41,234**	**51,531**	**59,670**	**35,126**	**48,664**	**63,395**	**39,752**	**68,581**	**88,512**	**87,677**	**297,818**	**334,770**
Financial Liabilities																
Investor's Funds	2.39	2.68	30,296	117,953	11,835	126,316	1,998	14,625	298	3,813	3	200			44,430	262,907
Secured Debenture		N/A			8,341		8,341		8,341		192,875				217,898	-
Trade & Other Payables	N/A	N/A											316	2,052	316	2,052
Total Financial Liabilities			**30,296**	**117,953**	**20,176**	**126,316**	**10,339**	**14,625**	**8,639**	**3,813**	**192,878**	**200**	**316**	**2,052**	**262,644**	**264,959**

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

Uniting Church. **Uniting People.**

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

a) the financial statements and notes set out on pages 1 to 32 of the Uniting Fund SA 2018 Financial Report:

   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 Uniting Church Investment Committee.

Michael McClaren
Chairperson
Uniting Church Investment Committee

Kevin Benger
Chairperson Audit Committee
Uniting Church Investment Committee

Adelaide
26 April 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Uniting Fund SA ("the entity"), 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration of the Committee.

In our opinion, the accompanying financial report presents fairly, in all material respects, the entity's financial position as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Committee 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 FUND SA (CONT)

Committee's responsibility for the financial report

The Committee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the Committee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee is 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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

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 Committee.
- Conclude on the appropriateness of the Committee's 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.
- 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.

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

We communicate with the Committee 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

BD Morkunas

Brett Morkunas
Partner

Adelaide
South Australia

26 April 2019

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