

UC INVEST

Financial Report

12 months to 31st December 2008

Income Statement

FOR THE YEAR ENDED 31 DEC 2008	Note	2008 \$	2007 \$
Revenue	2.	10,710,310	8,507,984
Expenses	3.	(538,343)	(476,117)
Finance Costs		<u>(8,573,655)</u>	<u>(6,419,419)</u>
Operating Profit / (Loss) for the year		<u>1,598,312</u>	<u>1,612,448</u>
Grants Received	5.	13,006,635	0
Impairment of Financial Assets	6.	(11,762,129)	0
Realised Profit/(Loss) on Sale of Assets	6.	526,720	48,636
Profit / (Loss) for the year		<u>3,369,538</u>	<u>1,661,084</u>

The accompanying notes form part of these financial statements.

Balance Sheet

AS AT 31 DECEMBER 2008	Note	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8.	2,593,634	1,097,193
Trade and other receivables	9.	815,128	942,833
Inventories		3,835	3,835
Financial assets	10.	<u>18,772,433</u>	<u>19,131,678</u>
TOTAL CURRENT ASSETS		<u>22,185,030</u>	<u>21,175,539</u>
NON CURRENT ASSETS			
Financial assets	10.	82,619,818	128,200,463
Property, plant & equipment		<u>33,689</u>	<u>74,531</u>
TOTAL NON CURRENT ASSETS		<u>82,653,507</u>	<u>128,274,994</u>
TOTAL ASSETS		<u>104,838,537</u>	<u>149,450,533</u>
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities	11.	90,508,021	107,477,726
Trade and other payables	12.	1,855,147	1,652,385
Provisions	13.	<u>58,849</u>	<u>2,528,190</u>
TOTAL CURRENT LIABILITIES		<u>92,422,017</u>	<u>111,658,301</u>
NON CURRENT LIABILITIES			
Financial liabilities	11.	<u>8,408,669</u>	<u>9,450,169</u>
TOTAL NON CURRENT LIABILITIES		<u>8,408,669</u>	<u>9,450,169</u>
TOTAL LIABILITIES		<u>100,830,686</u>	<u>121,108,470</u>
NET ASSETS		<u>4,007,851</u>	<u>28,342,063</u>
EQUITY			
Asset Revaluation reserve	7.	(3,689,242)	23,592,508
Accumulated funds		<u>7,697,093</u>	<u>4,749,555</u>
TOTAL EQUITY		<u>4,007,851</u>	<u>28,342,063</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DEC 2008

	Accumulated Funds	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 January 2007	13,088,471	22,346,538	35,435,009
Transfer to Provision for Grants and Gift Funding	(10,000,000)	0	(10,000,000)
Profit for the year	1,661,084	0	1,661,084
Current year movements	<u>0</u>	<u>1,245,970</u>	<u>1,294,606</u>
Balance at 31 December 2007	<u>4,749,555</u>	<u>23,592,508</u>	<u>28,342,063</u>
Balance at 1 January 2008	4,749,555	23,592,508	28,342,063
Transfer to Grants and Gift Funding	(422,000)	0	(422,000)
Profit for the year	3,369,538	0	3,369,538
Current year movements (Note 7.)	<u>0</u>	<u>(27,281,750)</u>	<u>(27,281,750)</u>
Balance at 31 December 2008	<u>7,697,093</u>	<u>(3,689,242)</u>	<u>4,007,851</u>

The accompanying notes form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31 DEC 2008	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		552,282	354,319
Interest received		5,786,912	3,508,783
Distributions received		4,498,820	4,149,705
Payments		(515,353)	(436,025)
Finance costs		(8,351,949)	(6,107,679)
NET CASH FLOWS PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	14.	<u>1,970,712</u>	<u>1,469,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales of investments		120,679,934	41,000,423
Purchase of investments		(98,987,096)	(58,061,367)
NET CASH FLOWS PROVIDED BY/ (USED IN) INVESTING ACTIVITIES		<u>21,692,838</u>	<u>(17,060,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Investments by investors		73,393,158	92,968,936
Withdrawals by investors		(95,560,267)	(79,733,651)
NET CASH FLOWS PROVIDED BY/ (USED IN) FINANCING ACTIVITIES		<u>(22,167,109)</u>	<u>13,235,285</u>
NET INCREASE IN CASH HELD		1,496,441	(2,356,556)
Cash at beginning of year		<u>1,097,193</u>	<u>3,453,749</u>
CASH AT END OF YEAR	8.	<u>2,593,634</u>	<u>1,097,193</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of UC Invest for the year ended 31 December 2008 was adopted by the UC Invest Board on 19th June 2009.

Operations and Principal Activities

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

UC Invest provides investment services for the Uniting Church community. These services include at call and fixed term investments, and a suite of managed funds for Uniting Church and Church of Christ entities which are managed on behalf of the Uniting Church in South Australia.

UC Invest Board Members

Brian Pickering (Non-executive Chairperson)

Denis Giles (Non-executive)

David Ferrier (Non-executive)

Rosey Batt (Non-executive) Retired 31st December 2008

Emma Poland (Non-executive) Resigned 30th June 2008

Mr Barry Atwell (Executive) – remunerated by Mission & Service Fund – Uniting Church SA.

New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application.

Revised AASB 101 *Presentation of Financial Statements* (2007) becomes mandatory for the entity's financial report for the year ending 31 December 2009. Revised AASB 101:

- Introduces the term 'total comprehensive income' which is defined as the change in equity during a period resulting from transactions other than those changes resulting from transactions with owners in their capacity as owners
- Allows for the presentation of total comprehensive income in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income.

Revised AASB 101 is expected to have a significant impact on the presentation of the entity's financial statements. The entity intends to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting standards and interpretations have been recently issued but are not yet effective and have not been adopted for the annual reporting period ended 31 December 2008. These standards and interpretations are not expected to have any impact on the entity's financial report.

Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
123	Borrowing Costs (Revised)	Jun 2007	1 Jan 2009
3	Business Combinations (Revised)	Mar 2008	1 Jul 2009
127	Consolidated and Separate Financial Statements (Amended)	Mar 2008	1 Jul 2009
2008 - 1	Amendments to Australian Accounting Standards: Share-Base Payments: Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009
2008 - 2	Amendments to Australian Accounting Standards: Puttable Financial Instruments and Obligations arising on Liquidation	Mar 2008	1 Jul 2009
2008 - 5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jan 2009
2008 - 6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Jul 2008	1 Jul 2009
2008 - 7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Jul 2008	1 Jan 2009
2008 - 8	Amendments to Australian Accounting Standards – Eligible Hedged Items	Sept 2008	1 Jul 2009
2008 - 9	Amendments to AASB 1049 for Consistency with AASB 101	Sep 2008	1 Jan 2009
2008 - 11	Amendments to Australian Accounting Standard –Business Combinations Among Not-for-Profit Entities	Nov 2008	1 Jul 2009
2008 - 13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners	Dec 2008	1 Jul 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Australian Interpretations

Int No.	Title	Issue Date	Operative Date (Annual reporting periods <u>beginning</u> on or after)
13	Customer Loyalty Programmes	Aug 2007	1 Jul 2008
15	Agreements for the Construction of Real Estate	Aug 2008	1 Jan 2009
16	Hedges of a Net Investment in a Foreign Operation	Aug 2008	1 Oct 2008
17	Distributions of Non-cash Assets to Owners	Dec 2008	1 Jul 2009

Basis of Preparation

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

Compliance with IFRS

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

Reporting Basis and Conventions

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(b) Revenue

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

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, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

ii. Dividends and Distributions from Equities

Dividend and distribution income is received in the form of dividends, distributions and imputation credits from equities invested in by UC Invest. Revenue is recognised when the entity's right to receive the payment is established.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Financial instruments

i. Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit and loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

ii. Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised through profit or loss.

iii. Classification and Subsequent Measurement

a) Financial assets at fair value through profit or loss

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

b) Held-to maturity investments

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

c) Available-for-sale financial assets

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

(d) Trade and other payables

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

(e) Goods and services tax

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) Impairment

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

(g) Comparative Figures

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

2008**2007**

\$

\$

2. REVENUE

Operating Activities

Dividends and Distributions	4,413,519	4,418,963
Interest Received	5,833,623	3,688,901
Grants Returned	166,122	0
Management Fee Income	<u>297,046</u>	<u>400,120</u>
	<u>10,710,310</u>	<u>8,507,984</u>

3. EXPENSES

Administration	448,343	386,117
Investment Committee Retainers	<u>90,000</u>	<u>90,000</u>
	<u>538,343</u>	<u>476,117</u>

4. AUDITORS' REMUNERATION

Remuneration of the auditor for:

Fee in relation to 2007 audit	4,000
Fee in relation to 2008 audit	9,450

5. GRANTS RECEIVED

From entities of The Uniting Church in Australia
Property Trust (S.A.)

13,006,635 0

These grants were made during 2008 to UC Invest unconditionally and involved the non cash transfer of the ownership of assets. They were made in response to decreasing asset market values to assist UC Invest strengthen its balance sheet. Most grants were made from entities which received funding previously from UC Invest, and had not used all of the funding they had received.

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

The following have been recognised in the income statement:

Investments	Impaired Losses	Realised Profits /(Losses) On Sale
	\$	\$
UC Invest Share Fund	(3,504,916)	5,300,448
UC Invest Property Fund	0	(3,970,873)
UC Invest Direct Property Fund	(61,908)	0
Fixed & Floating Interest	<u>(8,195,305)</u>	<u>(802,855)</u>
Total	(11,762,129)	526,720

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

2008
\$

2007
\$

The UC Invest Board reviewed all assets held as at the 31st December 2008, and made the decision that its investments held in the UC Invest Share Fund and UC Invest Direct Property Fund are to be classified as impaired assets, due to the substantial devaluations which have affected these investments during the 2008 year.

The Board also decided to classify as impaired assets, unlisted securities which do not have a current rating from a recognised rating agency, as well as any investments which are rated below a Standard & Poors BBB- (or equivalent rating with another recognised rating agency) rating as at balance date.

7. ASSET REVALUATION RESERVE

Investments	Asset Revaluation Reserve as at 31/12/07	Decline in market value during year	Write-back on Impaired assets	Reversal on Sale Of investments	Asset Revaluation Reserve as at 31/12/08
	\$	\$	\$	\$	\$
UC Invest Share Fund	21,051,960	0	(4,290,062)	(16,761,898)	0
UC Invest Property Fund	4,100,646	0	0	(4,100,646)	0
UC Invest Direct Property Fund	2,341,484	(2,341,484)	0	0	0
Fixed & Floating Interest	<u>(3,901,582)</u>	<u>(3,217,502)</u>	<u>2,193,757</u>	<u>1,236,085</u>	<u>(3,689,242)</u>
Total	23,592,508	(5,558,986)	(2,096,305)	(19,626,459)	(3,689,242)

8. CASH AND CASH EQUIVALENTS

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

Cash at Bank	1,120,513	55,520
AMF Yield Fund	<u>1,473,121</u>	<u>1,041,673</u>
	<u>2,593,634</u>	<u>1,097,193</u>

9. TRADE AND OTHER RECEIVABLES

Sundry Debtors	286,188	191,346
Accrued Interest	<u>528,940</u>	<u>751,487</u>
	<u>815,128</u>	<u>942,833</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

2008

2007

\$

\$

10. FINANCIAL ASSETS

Current

Held to Maturity	<u>18,772,433</u>	<u>19,131,678</u>
------------------	-------------------	-------------------

Non-current

Loans and receivables	18,484,858	8,062,106
Available for sale	<u>64,134,960</u>	<u>120,138,357</u>
	<u>82,619,818</u>	<u>128,200,463</u>

Held to maturity financial assets comprise investments in various fixed term deposits held with Approved Deposit Taking Institutions.

Loans and receivables financial assets comprise loans to various agencies and ministers.

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

11. FINANCIAL LIABILITIES

Current

Investors funds	90,508,021	104,477,726
Borrowings	<u>0</u>	<u>3,000,000</u>
	90,508,021	107,477,726

Non-current

Investors funds	<u>8,408,669</u>	<u>9,450,169</u>
-----------------	------------------	------------------

Investors funds are invested with UC Invest either at call or in fixed term investments.

12. TRADE AND OTHER PAYABLES

Sundry Creditors	(10,524)	8,420
Accrued Interest	<u>1,865,671</u>	<u>1,643,965</u>
	<u>1,855,147</u>	<u>1,652,385</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

13. PROVISIONS

	Opening Balance	Additional Prov'n made	Amount used	Closing Balance
	\$	\$	\$	\$
Gift Funding	2,483,943	0	(2,483,943)	0
Annual Leave	15,374	3,465	0	18,839
Long Service Leave	<u>28,873</u>	<u>11,137</u>	<u>0</u>	<u>40,010</u>
Total	<u>2,528,190</u>	<u>14,602</u>	<u>(2,483,943)</u>	<u>58,849</u>

14. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit

Profit	3,369,538	1,661,084
Non-cash flows in profit		
Depreciation	41,933	35,481
Grants Received	(13,006,635)	0
Impairment	11,762,129	0
Realised Profit on Sale of Assets	(526,720)	(48,636)
Changes in assets and liabilities		
Decrease/(Increase) in Receivables	127,705	(495,179)
Decrease/(Increase) in Inventories	0	1,465
(Decrease)/Increase in Payables	<u>202,762</u>	<u>314,888</u>
Cash Flow from Operating Activities	1,970,712	1,469,103

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

16. SEGMENT REPORTING

The entity operates predominantly in one business and geographical segment being the investment markets within Australia.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

17. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year all major indices of the Australian Stock Exchange have continued to show volatility. Since the 31st December 2008, UC Invest has sold all remaining Australian Share investments, for a further loss of \$ 2,979,139. The market value of the investment in the UC Invest Direct Property Fund has decreased by a further \$361,617 in the period since balance date to 31st May 2009. The market value of the portfolio of fixed and floating interest instruments have however increased in value by \$936,932.

18. RELATED PARTY TRANSACTIONS

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

19. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

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

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

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

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

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

The Boards policies are also endorsed by the Resources Board, the Board given the responsibility by Uniting Church SA to oversee the Church's property and financial resources in South Australia. All UC Invest policies are reviewed regularly.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

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

(b) Financial Risk Exposures and Management

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

i. Liquidity risk

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

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

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

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

ii. Market risk

The diversified investment mix of UC Invest includes investments whose market values are of a fluctuating nature. Since balance date, UC Invest has sold its remaining exposure to Australian shares, which has now limited the size of future fluctuations in asset values.

Due to the mark to market approach of current accounting standards, some traditionally viewed stable investments now fluctuate in value, in contrast to long term cash flow expectations. During 2008 supply has outstripped demand in secondary markets, causing market values to fall.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

UC Invest holds fixed and floating rate corporate notes, structured investments, and real and unlisted property fund investments. These investments continue to be subject to the risk of market value swings, which may not be consistent with realistic long term realisable values.

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

iii. Revenue risk

The revenue UC Invest receives may fluctuate due to changes in market conditions. Revenue is received from a diversified pool of investments with the view of decreasing the risk of extreme income fluctuations. The Board monitors revenue received and makes asset allocation decisions after reviewing both capital growth and future revenue expectations of individual asset classes.

iv. Credit risk

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

Loans to Uniting Church agencies make up a significant proportion of investment assets. These loans are approved on a case by case basis, subject to a credit assessment of the particular organisation, including operating cash flows and the ability to repay intended debts. Due to the size and nature of the loans requested appropriate security is taken over tangible assets. Loans are monitored on a regular basis.

UC Invest also invests in a range of unlisted securities from a wide variety of organisations. The UC Invest investment policy approves the initial investment of funds in organisations which are either an Authorised Deposit-taking Institutions (ADI) as regulated by the Australian Prudential Regulation Authority (APRA), or independently rated by Standard & Poors (or equivalent) rating agency at a rating of BBB+ or better.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

During 2008 the credit ratings attached to many investments continued a downward migration over their life to date. The table below shows the ratings on the initial investment in structured credits and term deposits at balance date. It also shows the fair value of the portfolio within the UC Invest financial statements :

Credit Rating	Initial Investment		31/12/2008	
	Face Value	Cost	Face Value	Fair Value
ADI	\$ 41,372,434	\$ 40,918,579	\$ 41,372,434	\$ 39,194,234
AAA	\$ 3,000,000	\$ 2,470,000	\$ 2,000,000	\$ 1,470,000
AA+	\$ 1,000,000	\$ 998,402		
AA	\$ 9,000,000	\$ 9,000,000	\$ 2,000,000	\$ 1,811,887
AA-	\$ 2,500,000	\$ 2,500,000	\$ 1,000,000	\$ 479,075
BBB+			\$ 500,000	\$ 99,600
BBB-			\$ 1,250,000	\$ 418,400
BB			\$ 1,000,000	\$ 265,000
B-			\$ 500,000	\$ 56,600
CCC			\$ 2,000,000	\$ 131,055
CCC-			\$ 1,250,000	\$ 52,040
D			\$ 3,479,460	\$ 754,460
NR	\$ 979,460	\$ 979,460	\$ 1,500,000	\$ 275,000
	\$ 57,851,894	\$ 56,866,441	\$ 57,851,894	\$ 45,007,351

v. Interest rate risk

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

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

Fixed Interest Rate Maturing

	Weighted Effective Rate	Average Interest Rate	Floating	Interest	Within	1 year	Within	2 years	Within	3 years	Over	3 years	Non- bearing	interest	Total	Total
	2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets																
Cash and Cash Equivalents	3.30	6.60	2,593	1,097											2,593	1,097
Trade and Other Receivables	n/a	n/a											815	942	815	942
Held to Maturity																
Term Deposits	6.96	7.38			19,233	19,662									19,233	19,662
Loans & Receivables	5.39	8.01			15,901	7,957	653	502	687	30	10,527	30			27,768	8,519
Available for Sale																
Unlisted Securities	5.61	8.43			2,108	7,206	5,320	3,315	1,935	4,558	36,701	35,071			46,064	50,150
Share Investments	n/a	n/a											20,662	53,495	20,662	53,495
Listed Property Investments	n/a	n/a											0	18,557	0	18,557
Unlisted Property Investments	n/a	n/a											17,238	19,641	17,238	19,641
Total Financial Assets			2,593	1,097	37,242	34,825	5,973	3,817	2,622	4,588	47,228	35,101	38,715	92,635	134,373	172,063
Financial Liabilities																
Investors Funds	6.27	6.41	28,352	55,015	61,230	52,053	13,397	6,858							102,979	113,926
Borrowings	5.40	7.40	0	3,000											0	3,000
Trade and Other Payables	n/a	n/a											1,855	1,652	1,855	1,652
Total Financial Liabilities			28,352	58,015	61,230	52,053	13,397	6,858					1,855	1,652	104,834	118,578

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

(c) Sensitivity Analysis

i. Other price risk

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

	2008 \$	2007 \$
Change in profit		
- Decrease in market value of unlisted and direct property investments by 10%	0	0
- Increase in market value of unlisted and direct property investments by 10%	0	0
Change in equity		
- Decrease in market value of unlisted and direct property investments by 10%	(1,723,809)	(1,964,149)
- Increase in market value of unlisted and direct property investments by 10%	1,723,809	1,964,149
Change in profit		
- Decrease in market value of interest rate instruments by 10%	0	0
- Increase in market value of interest rate instruments by 10%	0	0
Change in equity		
- Decrease in market value of interest rate instruments by 10%	(6,349,221)	(5,563,796)
- Increase in market value of interest rate instruments by 10%	6,349,221	5,563,796

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 \$	2007 \$
Change in profit		
- Decrease in market value of Australian share investments by 25%	0	0
- Increase in market value of Australian share investments by 25%	0	0
Change in equity		
- Decrease in market value of Australian share investments by 25%	(5,165,487)	(13,373,869)
- Increase in market value of Australian share investments by 25%	5,165,487	13,373,869
Change in profit		
- Decrease in market value of Australian listed property investments by 25%	0	0
- Increase in market value of Australian listed Property investments by 25%	0	0
Change in equity		
- Decrease in market value of Australian listed property investments by 25%	(0)	(4,639,306)
- Increase in market value of Australian listed property investments by 25%	0	4,639,306

ii. Revenue risk

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

Change in profit		
- Decrease in income from interest related investments by 20%	(1,166,725)	(737,780)
- Increase in income from interest related investments by 20%	1,166,725	737,780

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 \$	2007 \$
Change in equity		
- Decrease in income from interest related investments by 20%	(1,166,725)	(737,780)
- Increase in income from interest related investments by 20%	1,166,725	737,780
Change in profit		
- Decrease in income from property related investments by 20%	(329,358)	(439,347)
- Increase in income from property related investments by 20%	329,358	439,347
Change in equity		
- Decrease in income from property related investments by 20%	(329,358)	(439,347)
- Increase in income from property related investments by 20%	329,358	439,347
Change in profit		
- Decrease in income from Australian share investments by 20%	(553,346)	(444,446)
- Increase in income from Australian share investments by 20%	553,346	444,446
Change in equity		
- Decrease in income from Australian share investments by 20%	(553,346)	(444,446)
- Increase in income from Australian share investments by 20%	553,346	444,446

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

iii. Interest rate risk

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

Change in profit

- Decrease in average interest rate payable to investors by 1%	989,167	1,139,279
- Increase in average interest rate payable to investors by 0.25%	(247,292)	(284,820)

Change in equity

- Decrease in average interest rate payable to investors by 1%	989,167	1,139,279
- Increase in average interest rate payable to investors by 0.25%	(247,292)	(284,820)

Change in profit

- Decrease in average interest rate receivable from interest related investments by 1%	(660,858)	(567,352)
- Increase in average interest rate receivable from interest related investments by 0.25%	165,215	141,838

Change in equity

- Decrease in average interest rate receivable from interest related investments by 1%	(660,858)	(567,352)
- Increase in average interest rate receivable from interest related investments by 0.25%	165,215	141,838

(d) Derivative Financial Instruments

The entity does not use derivative financial instruments.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

20. ECONOMIC DEPENDENCY

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

21. ENTITY DETAILS

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

DECLARATION OF THE BOARD

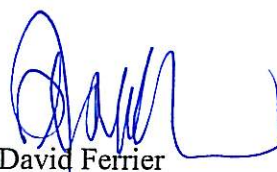
In the opinion of the Board Members of the UC Invest Board:

- (a) the financial statements and notes set out on pages 1 to 26 of UC Invest – Financial Report:
 - (i) complies with accounting standards and other mandatory professional reporting requirements; and
 - (ii) gives a true and fair view of the Fund's financial position as at 31st December 2008 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable: and

This declaration is made in accordance with a resolution of the UC Invest Board.



Brian Pickering
Chair
UC Invest Board



David Ferrier
Chair
Audit Committee – UC Invest Board

Adelaide
19th June 2009



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of UC Invest

Report on the Financial Report

We have audited the accompanying financial report of UC Invest, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Tel 618 7421 1400 | Fax 618 7421 1499
adelaide@pkf.com.au | www.pkf.com.au
A South Australian Partnership | ABN 21 903 784 597
Level 2 | 139 Frome Street | Adelaide | South Australia 5000
GPO Box 2505 | Adelaide | South Australia 5001

PKF Adelaide Practice is a member of PKF Australia Limited a national association of independent chartered accounting and consulting firms each trading as PKF. PKF Australia Limited is a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Liability limited by a scheme approved under Professional Standards Legislation



Chartered Accountants
& Business Advisers

Independence

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

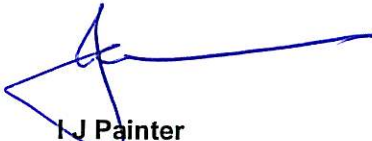
Auditor's Opinion

In our opinion:

- (a) the financial report of UC Invest is in accordance with the UC Invest by-laws, including:
 - (i) giving a true and fair view of the entity's financial position as at 31 December 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

PKF

PKF
Chartered Accountants



I.J. Painter
Partner

Signed in Adelaide on this 19th day of June 2009