

UC INVEST

Financial Report

12 Months to 31 December 2009

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009	Note	2009 \$	2008 \$
Revenue	2.	6,714,763	10,710,310
Expenses	3.	(516,687)	(538,343)
Finance Costs		<u>(5,090,071)</u>	<u>(8,573,655)</u>
OPERATING PROFIT / (LOSS) FOR THE YEAR		<u>1,108,005</u>	<u>1,598,312</u>
Grants Received	5.	385	13,006,635
Impairment of Financial Assets	6.	(2,780,656)	(11,762,129)
Realised Profit / (Loss) on Sale of Assets	6.	(2,690,821)	526,720
PROFIT / (LOSS) FOR THE YEAR		<u>(4,363,087)</u>	<u>3,369,538</u>
Other Comprehensive Income			
Gains / (Losses) on Revaluing Available-for-Sale Financial Assets		4,315,246	(27,281,750)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(47,841)</u>	<u>(23,912,212)</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2009	Note	2009 \$	2008 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	8.	5,648,371	2,593,634
Trade and Other Receivables	9.	1,005,999	815,128
Inventories		0	3,835
Financial Assets	10.	<u>10,574,320</u>	<u>18,772,433</u>
Total Current Assets		<u>17,228,690</u>	<u>22,185,030</u>
Non-Current Assets			
Financial Assets	10.	96,201,362	82,619,818
Property, Plant & Equipment		<u>2,660</u>	<u>33,689</u>
Total Non-Current Assets		<u>96,204,022</u>	<u>82,653,507</u>
TOTAL ASSETS		<u>113,432,712</u>	<u>104,838,537</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	11.	94,341,859	90,508,021
Trade and Other Payables	12.	1,350,145	1,855,147
Provisions	13.	<u>59,793</u>	<u>58,849</u>
Total Current Liabilities		<u>95,751,797</u>	<u>92,422,017</u>
Non-Current Liabilities			
Financial Liabilities	11.	<u>13,720,905</u>	<u>8,408,669</u>
Total Non-Current Liabilities		<u>13,720,905</u>	<u>8,408,669</u>
TOTAL LIABILITIES		<u>109,472,702</u>	<u>100,830,686</u>
NET ASSETS		<u>3,960,010</u>	<u>4,007,851</u>
EQUITY			
Asset Revaluation Reserve	7.	626,004	(3,689,242)
Accumulated Funds		<u>3,334,006</u>	<u>7,697,093</u>
TOTAL EQUITY		<u>3,960,010</u>	<u>4,007,851</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	Accumulated Funds	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 January 2008	4,749,555	23,592,508	28,342,063
Transfer to Provision for Grants and Gift Funding	(422,000)	0	(422,000)
Total Comprehensive Income for the year	<u>3,369,538</u>	<u>(27,281,750)</u>	<u>(23,912,212)</u>
Balance at 31 December 2008	<u>7,697,093</u>	<u>(3,689,242)</u>	<u>4,007,851</u>
Balance at 1 January 2009	7,697,093	(3,689,242)	4,007,851
Total Comprehensive Income for the year	<u>(4,363,087)</u>	<u>4,315,246</u>	<u>(47,841)</u>
Balance at 31 December 2009	<u>3,334,006</u>	<u>626,004</u>	<u>3,960,010</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009	Note	2009	2008
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		154,642	552,282
Interest Received		5,031,036	5,786,912
Distributions Received		1,269,743	4,498,820
Payments		(265,381)	(515,353)
Finance Costs		<u>(5,811,517)</u>	<u>(8,351,949)</u>
Net Cash Flows Provided By / (Used In)			
Operating Activities	14.	<u>378,523</u>	<u>1,970,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales of Investments		78,107,453	120,679,934
Purchase of Investments		<u>(83,404,957)</u>	<u>(98,987,096)</u>
Net Cash Flows Provided By / (Used In)			
Investing Activities		<u>(5,297,504)</u>	<u>21,692,838</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Investments by Investors		120,630,896	73,393,158
Withdrawals by Investors		<u>(112,657,178)</u>	<u>(95,560,267)</u>
Net Cash Flows Provided By / (Used In)			
Financing Activities		<u>7,973,718</u>	<u>(22,167,109)</u>
Net Increase / (Decrease) in Cash Held		3,054,737	1,496,441
Cash at Beginning of Year		<u>2,593,634</u>	<u>1,097,193</u>
CASH AT END OF YEAR	8.	<u>5,648,371</u>	<u>2,593,634</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of UC Invest for the year ended 31 December 2009 was adopted by the UC Invest Board on 30th April 2010.

Operations and Principal Activities

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

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

UC Invest Board Members

Brian Pickering (Non-Executive Chairperson) Retired 31/12/09

Denis Giles (Non-Executive) Chairperson from 1/1/10

David Ferrier (Non-Executive)

Michael McClaren (Non-Executive)

Lee Sauerwald (Non-Executive)

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

New Accounting Standards and Interpretations

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

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

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

- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 8 Operating Segments

The standard *AASB 8 Operating Segments* replaced *AASB 114 Segment Reporting* upon its effective date. This standard allows the entity to cease providing information regarding its operating segments.

AASB 101 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners. Non-owner changes in equity are presented in a reconciliation of each component of equity and are included in the new *Statement of Comprehensive Income*.

The Statement of Comprehensive Income presents all items of recognised income and expense in either one single statement or two linked statements. UC Invest has elected to present all items in one single statement.

The following accounting standards and interpretations have been recently issued but are not yet effective and have not been adopted for this reporting period ended 31 December 2009.

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

AASB No.	Title	Effective for Annual Reporting Periods beginning / Ending on or After
AASB 3	Business Combinations (Revised)	Beginning 1 July 2009
AASB 127	Consolidated and Separate Financial Statements (Amended)	Beginning 1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards Arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and interpretations 9 & 107]	Beginning 1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project include: [AASB 1 & AASB 5].	Beginning 1 July 2009

AASB No.	Title	Effective for Annual Reporting Periods beginning / Ending on or After
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	Beginning 1 July 2009
AASB 2008-11	Amendments to Australian Accounting Standard –Business Combinations Among Not-for-Profit Entities [AASB 3].	Beginning 1 July 2009
AASB 2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110].	Beginning 1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 2, AASB 138 and AASB Interpretations 9 & 16.	Beginning 1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.	Beginning 1 January 2010
AASB 2009-7	Amendments to Australian Accounting Standards. Amends AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17.	Beginning 1 July 2009
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2].	Beginning 1 January 2010
AASB 2009-9	Amendments to Australian Accounting Standards – Additional Exemptions for First Time Adopters.	Beginning 1 January 2010
AASB 9	Financial Instruments.	Beginning 1 January 2013.
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132].	Beginning 1 February 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].	Beginning 1 January 2013
Revised AASB 124	Related Party Disclosures (December 2009)	Beginning 1 January 2011

AASB No.	Title	Effective for Annual Reporting Periods beginning / Ending on or After
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].	Beginning 1 January 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB1].	Beginning 1 July 2010
Interpretation 17	Distributions of Non-cash Assets to Owners	Beginning 1 July 2009
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments.	Beginning 1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14].	Beginning 1 January 2011

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

Compliance with IFRS

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

Reporting Basis and Conventions

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

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

(a) Cash and Cash Equivalents

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

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

(b) Revenue

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

i. Interest

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

ii. Dividends and Distributions from Equities

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

(c) Financial instruments

i. Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transaction costs, where the instrument is not classified at fair value through profit and loss.

Transaction costs related to instruments classified at fair value through profit and loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

ii. Derecognition

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

iii. Classification and Subsequent Measurement

a) Financial assets at fair value through profit or loss

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

b) Held-to-maturity investments

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

c) Available-for-sale financial assets

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

(d) Trade and other payables

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Goods and services tax

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

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

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

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

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

(f) Impairment

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

(h) Income Tax

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

2009

2008

\$

\$

2. REVENUE

Dividends and Distributions	1,233,594	4,413,519
Interest Received	5,253,858	5,833,623
Grants Returned	68,472	166,122
Management Fee Income	158,839	297,046
	6,714,763	10,710,310

3. EXPENSES

Administration	473,187	448,343
Investment Committee Retainers	43,500	90,000
	516,687	538,343

4. AUDITORS' REMUNERATION

Remuneration paid in relation to audit fee	10,000	9,450
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5. GRANTS RECEIVED

From entities of The Uniting Church in Australia Property Trust (S.A.)	385	13,006,635
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6. IMPAIRMENT LOSSES & REALISED PROFITS / (LOSSES) ON SALE OF INVESTMENTS

The following have been recognised in the 2009 income statement:

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

The following were recognised in the 2008 income statement:

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

2009

2008

\$

\$

The UC Invest Board reviewed all assets held at 31 December 2009 and made the determination that the investment in the UC Invest Share Fund should no longer to be classified as impaired.

The Board determined that all other assets considered impaired at 31 December 2008 are still considered impaired.

7. ASSET REVALUATION RESERVE

Investments	Asset Revaluation Reserve as at 31/12/08 \$	Incline/ (Decline) in market value during year \$	Impaired Losses \$	Realised Profits / (Losses) on sale \$	Asset Revaluation Reserve as at 31/12/09 \$
UC Invest Share Fund	0	(2,786,399)	0	2,922,370	135,971
UC Invest Direct Property Fund	0	(2,703,456)	2,703,456	0	0
Fixed & Floating Interest	(3,689,242)	4,333,624	77,200	(231,549)	490,033
Total	(3,689,242)	(1,156,231)	2,780,656	2,690,821	626,004

8. CASH AND CASH EQUIVALENTS

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

Cash at Bank	87,250	1,120,513
Cash Management Account	5,561,121	1,473,121
	5,648,371	2,593,634

9. TRADE AND OTHER RECEIVABLES

Sundry Debtors	254,236	286,188
Accrued Interest	751,763	528,940
	1,005,999	815,128

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

2009

2008

\$

\$

10. FINANCIAL ASSETS

Current Assets

Held to Maturity

10,574,320

18,772,433

Non-Current Assets

Held to Maturity

1,000,000

0

Loans and Receivables

18,134,397

18,484,858

Available for Sale

77,066,965

64,134,960

96,201,362

82,619,818

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

Loans and receivables include secured loans made to separately incorporated Uniting Church agencies of \$17,400,000, with other loans totalling \$734,396, which are not secured.

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

11. FINANCIAL LIABILITIES

Current Liabilities

Investors funds

94,341,859

90,508,021

Non-Current Liabilities

Investors funds

13,720,905

8,408,669

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

12. TRADE AND OTHER PAYABLES

Sundry Creditors

205,920

(10,524)

Accrued Interest

1,144,225

1,865,671

1,350,145

1,855,147

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

2009
\$

2008
\$

13. PROVISIONS

Annual Leave	19,052	18,839
Long Service Leave	40,741	40,010
Total	59,793	58,849

14. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit

Profit / (Loss) for the Year	(4,363,087)	3,369,538
Non-Cash Flows in Profit		
Depreciation	31,028	41,933
Grants Received	(68,857)	(13,006,635)
Impairment	2,780,656	11,762,129
Realised Profit on Sale of Assets	2,690,821	(526,720)
Changes in Assets and Liabilities		
Decrease/(Increase) in Receivables	(190,871)	127,705
Decrease/(Increase) in Inventories	3,835	0
(Decrease)/Increase in Payables	(505,002)	202,762
Cash Flow from Operating Activities	378,523	1,970,712

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

16. EVENTS SUBSEQUENT TO REPORTING DATE

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

17. RELATED PARTY TRANSACTIONS

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

18. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

(b) Financial Risk Exposures and Management

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

i. Liquidity Risk

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

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

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

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

ii. Market Risk

The diversified investment mix of UC Invest includes some investments that regularly fluctuate in value. The exposure to this type of investment at 31 December 2009 was minimal with only 2.8% of assets exposed to the Australian share market.

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

iii. Revenue Risk

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

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

iv. Credit Risk

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

Loans to Uniting Church agencies make up a significant proportion of investment assets (*15.9% at 31 December 2009*). These loans are approved on a case by case basis, subject to a credit assessment of the particular organisation which includes analysis of operating cash flows and the ability to repay intended debts. Due to the size and nature of the loans requested, appropriate security is taken over tangible assets. Loans are monitored on a regular basis.

UC Invest also invests in a range of unlisted securities issued by a wide variety of organisations. The UC Invest investment policy approves the investment of funds in entities that are either Authorised Deposit-Taking Institutions (ADIs) as regulated by the Australian Prudential Regulation Authority (APRA), or independently rated by Standard & Poors (or equivalent) rating agency with an initial rating of BBB+ or higher.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

During 2009 the credit rating attached to many investments continued a downward migration over their life to date.

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

Credit Rating	Initial Investment		31 December 2009	
	Face Value	Cost	Face Value	Fair Value
ADI	\$ 58,774,320	\$ 58,389,694	\$ 58,774,320	\$ 56,964,730
AAA	\$ 3,500,000	\$ 2,945,885		
AA+			\$ 2,500,000	\$ 2,187,000
AA	\$ 4,750,000	\$ 4,750,000	\$ 1,000,000	\$ 900,000
AA-	\$ 3,400,000	\$ 3,078,478	\$ 2,400,000	\$ 2,122,540
A+				
A	\$ 2,100,000	\$ 2,074,434	\$ 2,100,000	\$ 2,080,780
A-	\$ 2,500,000	\$ 2,083,360	\$ 2,500,000	\$ 2,172,050
BBB+	\$ 2,000,000	\$ 1,755,846	\$ 3,000,000	\$ 2,818,610
CCC+			\$ 500,000	\$ 481,900
CCC			\$ 1,000,000	\$ 237,500
CCC-			\$ 3,250,000	\$ 1,007,870
D				
NR	\$ 678,191	\$ 671,509	\$ 678,191	\$ 453,191
	\$ 77,702,510	\$ 75,749,206	\$ 77,702,510	\$ 71,426,170

v. Interest Rate Risk

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

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

Fixed Interest Rate Maturing

	Weighted	Average														
	Effective	Interest	Floating	Interest	Within	1 year	Within	2 years	Within	3 years	Over	3 years	Non-interest bearing	Non-interest bearing	Total	Total
	Rate															
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets																
Cash and Cash Equivalents	3.30	4.70	2,593	5,648											2,593	5,648
Trade and Other Receivables	n/a	n/a											815	1,006	815	1,006
Held to Maturity																
Term Deposits	6.96	5.60			19,233	10,813	0	0	0	1,139					19,233	11,952
Loans & Receivables	5.39	5.81			15,901	13,807	653	478	687	461	10,527	6,831			27,768	21,577
Available for Sale																
Unlisted Securities	5.61	7.76			2,108	10,060	5,320	4,826	1,935	4,087	36,701	80,534			46,064	99,507
Share Investments	n/a	n/a											20,662	3,162	20,662	3,162
Unlisted Property	n/a	n/a											17,238	14,053	17,238	14,053
Total Financial Assets			2,593	5,648	37,242	34,680	5,973	5,304	2,622	5,687	47,228	87,365	38,715	18,221	134,373	156,905
Financial Liabilities																
Investors Funds	6.27	5.00	28,352	30,999	61,230	66,608	13,397	12,273	0	4,597					102,979	114,477
Borrowings	5.40	5.00	0	0											0	0
Trade and Other Payables	n/a	n/a											1,855	1,410	1,855	1,410
Total Financial Liabilities			28,352	30,999	61,230	66,608	13,397	12,273	0	4,597			1,855	1,410	104,834	115,887

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

vi. Fair Value

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

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

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

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

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

	Year Ended 31 December 2009				Year Ended 31 December 2008			
	Quoted Market Price	Valuation Technique: Market Observable Inputs	Valuation Technique: Non Market Observable Inputs	Total	Quoted Market Price	Valuation Technique: Market Observable Inputs	Valuation Technique: Non Market Observable Inputs	Total
Financial Assets	LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's		LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's	
Bank Accounts	5,648			5,648	2,594			2,594
Held to Maturity								
Term Deposits	11,574			11,574	18,772			18,772
Available for Sale								
Australian Share		3,162		3,162		20,662		20,662
Property		14,053		14,053		17,238		17,238
Structured Credit		59,852		59,852		26,235		26,235
Loans	18,134			18,134	18,485			18,485
TOTAL:	35,356	77,067	0	112,423	39,851	64,135	0	103,986
Financial Liabilities	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
Investor's Funds	108,063			108,063	98,917			98,917
TOTAL:	108,063	0	0	108,063	98,917			98,917

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

Quoted market price represents the fair value as quoted on active markets at 31 December 2009 without any deduction for transaction costs.

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

The fair value of property and structured credit instruments have been determined using a range of valuation techniques.

Loans made to individuals and organisations have been valued on the amount outstanding as at balance date.

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

Investor's funds are valued on the amount of the investment with UC Invest. Any interest accrued but not paid to the investor is included in Trade and other Payables.

(c) Sensitivity Analysis

i. Other Price Risk

UC Invest has performed a sensitivity analysis relating to its exposure to market risk as at 31 December 2009. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2009 \$	2008 \$
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%	(1,405,283)	(1,723,809)
- Increase in market value of unlisted and direct property investments by 10%	1,405,283	1,723,809

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
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%	(8,956,057)	(6,349,221)
- Increase in market value of interest rate instruments by 10%	8,956,057	6,349,221
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%	(790,571)	(5,165,487)
- Increase in market value of Australian share investments by 25%	790,571	5,165,487

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

ii. Revenue Risk

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2009. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2009 \$	2008 \$
Change in Profit		
- Decrease in income from interest related investments by 20%	(1,050,772)	(1,166,725)
- Increase in income from interest related investments by 20%	1,050,772	1,166,725
Change in Equity		
- Decrease in income from interest related investments by 20%	(1,050,772)	(1,166,725)
- Increase in income from interest related investments by 20%	1,050,772	1,166,725
Change in Profit		
- Decrease in income from property related investments by 20%	(184,881)	(329,358)
- Increase in income from property related investments by 20%	184,881	329,358
Change in Equity		
- Decrease in income from property related investments by 20%	(184,881)	(329,358)
- Increase in income from property related investments by 20%	184,881	329,358
Change in Profit		
- Decrease in income from Australian share investments by 20%	(61,838)	(553,346)
- Increase in income from Australian share investments by 20%	61,838	553,346

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	\$	\$
Change in Equity		
- Decrease in income from Australian share investments by 20%	(61,838)	(553,346)
- Increase in income from Australian share investments by 20%	61,838	553,346

iii. Interest rate risk

UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2009. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Change in Profit		
- Decrease in average interest rate payable to investors by 1%	1,080,628	989,167
- Increase in average interest rate payable to investors by 0.25%	(270,157)	(247,292)

Change in Equity		
- Decrease in average interest rate payable to investors by 1%	1,080,628	989,167
- Increase in average interest rate payable to investors by 0.25%	(270,157)	(247,292)

Change in Profit		
- Decrease in average interest rate receivable from interest related investments by 1%	(895,606)	(634,922)
- Increase in average interest rate receivable from interest related investments by 0.25%	223,901	158,731

Change in Equity		
- Decrease in average interest rate receivable from interest related investments by 1%	(895,606)	(634,922)
- Increase in average interest rate receivable from interest related investments by 0.25%	223,901	158,731

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

(d) Derivative Financial Instruments

The entity does not use derivative financial instruments.

19. ECONOMIC DEPENDENCY

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

20. ENTITY DETAILS

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

DECLARATION OF THE BOARD

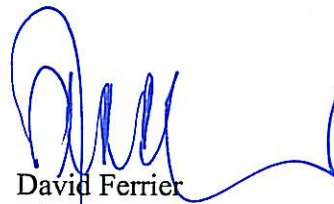
In the opinion of the Board Members of the UC Invest Board:

- (a) the financial statements and notes set out on pages 1 to 28 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 2009 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable: and

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



Denis Giles
Chair
UC Invest Board



David Ferrier
Chair
Audit Committee – UC Invest Board

Adelaide
30th April 2010



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of UC Invest

Report on the Financial Report

We have audited the accompanying financial report of UC Invest, which comprises the Statement of financial position as at 31 December 2009, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows 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.

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Chartered Accountants
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Independence

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

Auditor's Opinion

In our opinion:


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 2009 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 30th day of April 2010