

UC INVEST

Financial Report

12 Months to 31 December 2012

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012	Note	2012 \$	2011 \$
Revenue	2.	11,231,145	10,222,570
Expenses	3.	(656,893)	(594,815)
Finance Costs	4.	<u>(7,982,033)</u>	<u>(7,172,318)</u>
OPERATING PROFIT / (LOSS) FOR THE YEAR		<u>2,592,219</u>	<u>2,455,437</u>
Foreign Exchange Currency Gains / (Losses)	6.	25,579	(175,948)
Forward Exchange Contract Fair Value Movements	6.	59,449	29,327
Impairment of Financial Assets	7.	0	(59,991)
Realised Profit / (Loss) on Sale of Assets	7.	640,296	465,343
Assets Previously Written-off Reinstated	8.	2,357,368	0
PROFIT / (LOSS) FOR THE YEAR		<u>5,674,911</u>	<u>2,714,168</u>
Other Comprehensive Income			
Gains / (Losses) on Revaluing Available-for-Sale Financial Assets	7.	5,841,540	(1,032,999)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,516,451</u>	<u>1,681,169</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2012	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	10.	7,913,001	5,556,978
Trade and Other Receivables	11.	3,327,002	1,587,642
Financial Assets	12.	<u>17,185,718</u>	<u>20,767,474</u>
Total Current Assets		<u>28,425,721</u>	<u>27,912,094</u>
Non-Current Assets			
Financial Assets	12.	141,579,663	109,244,555
Other Assets	13.	287,120	46,957
Property, Plant & Equipment		<u>100,740</u>	<u>106,533</u>
Total Non-Current Assets		<u>141,967,523</u>	<u>109,398,045</u>
TOTAL ASSETS		<u>170,393,244</u>	<u>137,310,139</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	14.	121,881,982	98,264,725
Trade and Other Payables	15.	2,091,805	1,859,341
Provisions	16.	<u>99,247</u>	<u>82,082</u>
Total Current Liabilities		<u>124,073,034</u>	<u>100,206,148</u>
Non-Current Liabilities			
Financial Liabilities	14.	<u>28,848,274</u>	<u>29,778,506</u>
Total Non-Current Liabilities		<u>28,848,274</u>	<u>29,778,506</u>
TOTAL LIABILITIES		<u>152,921,308</u>	<u>129,984,654</u>
NET ASSETS		<u>17,471,936</u>	<u>7,325,485</u>
EQUITY			
Asset Revaluation Reserve	9.	6,114,556	(36,914)
Accumulated Funds		<u>11,357,380</u>	<u>7,362,399</u>
TOTAL EQUITY		<u>17,471,936</u>	<u>7,325,485</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Accumulated Funds	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 January 2011	5,350,411	1,518,904	6,869,315
Total Comprehensive Income for the year	2,714,168	(1,032,999)	1,681,169
Transfer of Revaluation Reserve on Sale	522,819	(522,819)	0
Transfer to Gift Funding	(1,224,999)	0	(1,224,999)
Balance at 31 December 2011	<u>7,362,399</u>	<u>(36,914)</u>	<u>7,325,485</u>
Balance at 1 January 2012	7,362,399	(36,914)	7,325,485
Total Comprehensive Income for the year	5,674,911	5,841,540	11,516,451
Transfer of Revaluation Reserve on Sale	(309,930)	309,930	0
Transfer to Gift Funding	(1,370,000)	0	(1,370,000)
Balance at 31 December 2012	<u>11,357,380</u>	<u>6,114,556</u>	<u>17,471,936</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		394,390	93,843
Interest Received		8,062,431	8,135,097
Distributions Received		2,832,400	1,572,468
Payments		(599,448)	(577,110)
Finance Costs		<u>(8,000,893)</u>	<u>(6,837,079)</u>
Net Cash Flows Provided By / (Used In)			
Operating Activities	17.	<u>2,688,880</u>	<u>2,387,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales of Investments		48,748,588	51,783,474
Purchase of Investments		<u>(69,144,843)</u>	<u>(67,332,494)</u>
Net Cash Flows Provided By / (Used In)			
Investing Activities		<u>(20,396,255)</u>	<u>(15,549,020)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants to Uniting Church		(1,370,000)	(1,224,999)
Investments by Investors		146,636,308	166,094,011
Withdrawals by Investors		<u>(125,202,910)</u>	<u>(152,006,567)</u>
Net Cash Flows Provided By / (Used In)			
Financing Activities		<u>20,063,398</u>	<u>12,862,445</u>
 Net Increase / (Decrease) in Cash Held		 2,356,023	 (299,356)
Cash at Beginning of Year		<u>5,556,978</u>	<u>5,856,334</u>
CASH AT END OF YEAR	10.	<u>7,913,001</u>	<u>5,556,978</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of UC Invest for the year ended 31 December 2012 was adopted by the UC Invest Board on 10th May 2013.

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

David Ferrier (Non-Executive Chairperson Retired from UC Invest Board April 2012)

Michael McClaren (Non-Executive Chairperson)

Kevin Bengier (Non-Executive)

Allison Ashby (Non-Executive)

Lee Sauerwald (Non-Executive)

Barry Atwell (Executive) – Remunerated by Uniting Church SA.

Peter Battersby (Executive – Alternate for Barry Atwell) – Remunerated by Uniting Church SA.

New Accounting Standards and Interpretations

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

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

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

- Amendments to AASB 2009-12, 2010-3, 2010-4 and 2010-5.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012

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 2012

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 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

e) Goods and services tax

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

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

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

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

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

f) Impairment

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

g) Comparative Figures

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

h) Income Tax

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
2. REVENUE		
Dividends and Distributions	2,692,041	1,907,279
Interest Received	8,183,263	8,042,681
Foreign Currency Note Income	180,583	18,370
Reimbursed GST Previously Written-Off	0	50,000
Management Fee Income	175,258	204,240
	11,231,145	10,222,570
3. EXPENSES		
Administration	612,893	559,815
Investment Managers Retainers & Performance Bonus	44,000	35,000
	656,893	594,815
4. FINANCE COSTS		
Interest paid to Investors	7,966,843	7,141,219
Interest paid on Bank facilities	15,190	31,099
	7,982,033	7,172,318
5. AUDITORS' REMUNERATION		
Audit fee paid for UC Invest	11,597	10,246
Audit fees paid for other UC Invest Funds	7,600	5,031
Business advisory services for UC Invest Online	9,593	25,371
	28,790	40,648

6. FOREIGN EXCHANGE TRANSACTIONS

During 2011 UC Invest purchased corporate notes drawn on ANZ Capital Trust 3 (a wholly owned entity of the Australian and New Zealand Banking Group). The notes are designated in EUROS. UC Invest purchased notes with a face value of 2,000,000 EUROS for which it paid 1,570,000 EUROS (Purchase price was AUD \$2,172,409 on the 25th November 2011).

On the 8th December 2011 Westpac Banking Corporation (Westpac) at the request of UC Invest arranged a Forward Exchange Contract (FEC), for UC Invest to sell Westpac 2,000,000 EUROS on the 16th December 2014 (being one calendar day after the ANZ Capital Trust 3 call date) in exchange UC Invest will receive AUD \$2,830,055.

Foreign Exchange Currency Gains / (Losses) of \$25,579 represents the difference of the price of 1.57 million EUROS in Australian dollars for the period to the 31st December 2012 balance date. The EURO/AUD exchange rate as at 31st December 2012 was 0.77621 (31st December 2011 it was 0.78564). This means the note could have been purchased for \$25,579 more on 31st December 2012 than at the end of the previous balance date.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

Forward Exchange Contract Currency Movements of \$59,449 represents movements in the price of the FEC over the reporting period. The FEC was contracted at a EURO/AUD exchange rate of 0.7067 on the 8th December 2011. As at 31st December 2012, the FEC could have been closed out for a resultant benefit to UC Invest of \$88,776. Of this amount, \$29,327 was a benefit from the previous period to 31st December 2011. The difference in the exchange rate represents a gain to UC Invest of \$59,449 for the period.

7. CHANGES IN THE VALUE OF FINANCIAL ASSETS

The following have been recognised in the 2012 income statement:

Investments	Total Changes in Available- for-Sale Financial Assets for year \$	Gains / (Losses) on Revaluing Available-for-Sale Financial Assets \$	Impaired Losses \$	Realised Profits / (Losses) On Sale \$
UC Invest Share Fund	829,864	746,436	0	83,428
UC Invest Direct Property Fund	1,316,862	1,316,862	0	0
Corporate Notes	4,009,643	3,452,775	0	556,868
UC Invest Dividend Income Fund	325,467	325,467	0	0
Total	6,481,836	5,841,540	0	640,296

The following were recognised in the 2011 income statement:

Investments	Total Changes in Available- for-Sale Financial Assets for year \$	Gains / (Losses) on Revaluing Available-for-Sale Financial Assets \$	Impaired Losses \$	Realised Profits / (Losses) On Sale \$
UC Invest Share Fund	(1,419,274)	(1,419,274)	0	0
UC Invest Direct Property Fund	244,724	244,724	0	0
Corporate Notes	546,903	141,551	(59,991)	465,343
Total	(627,647)	(1,032,999)	(59,991)	465,343

The Board determined that no assets are considered impaired as at 31 December 2012.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

2012
\$

2011
\$

8. ASSETS PREVIOUSLY WRITTEN-OFF REINSTATED

UC Invest purchased 3 Collateralised Debt Obligation (CDO) investments prior to 2008 originated by Lehman Brothers for a total of \$2.5 million. The events of 2008, included Lehman Brothers filing for bankruptcy, and Lehman Brothers Administrators sought to retain the funds from these investments for Lehman Brothers creditors. Late in 2012, settlement agreement was made between Lehman Brothers administrators and investors, with funds expected to be released to investors in early 2013. UC Invest received \$2,357,368 on the 26th February 2013 as settlement for the 3 Collateralised Debt Obligations.

9. ASSET REVALUATION RESERVE

Investments	Asset Revaluation n Reserve as at 31/12/11 \$	+	Inc / (Dec) in market value during year \$	+	Transfer (to)/from Accumula ted Funds on sale \$	=	Asset Revaluation Reserve as at 31/12/12 \$
UC Invest Share Fund	(1,397,246)		746,436		683,813		33,003
UC Invest Direct Property Fund	228,112		1,316,862		0		1,544,974
Corporate Notes	1,132,220		4,009,641		(373,883)		4,211,112
UC Invest Dividend Income Fund	0		325,467		0		325,467
Total	(36,914)		5,841,540		309,930		6,114,556

10. 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	429,757	110,286
Cash Management Account	7,483,244	5,446,692
	7,913,001	5,556,978

11. TRADE AND OTHER RECEIVABLES

Sundry Debtors	142,055	617,142
Proceeds from CDO/Lehman Bros Settlement	2,357,368	0
Accrued Interest and Distributions	827,579	970,500
	3,327,002	1,587,642

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

2012

2011

\$

\$

12. FINANCIAL ASSETS

Current Assets

Held to Maturity	9,800,000	5,421,122
Loans and Receivables	7,385,718	15,346,352
	17,185,718	20,767,474

Non-Current Assets

Held to Maturity	2,022,649	1,997,201
Loans and Receivables	12,761,583	18,437,901
Available for Sale	126,795,431	88,809,453
	141,579,663	109,244,555

Held to maturity financial assets comprise of investments in various fixed term deposits held with Approved Deposit-Taking Institutions (ADIs) and a Corporate Note from an Australian Bank designated in EUROS.

Loans and receivables include secured loans made to separately incorporated Uniting Church agencies of \$18,353,206, unsecured loans to Ministers of \$28,925, and another loan of \$1,765,170 to a UC Invest managed fund.

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

13. OTHER ASSETS

Forward Exchange Contract accrued gains	88,776	29,327
Accrued Income on Foreign Currency Capital Note	198,344	17,630
	287,120	46,957

Forward Exchange Contract accrued gains represent the differences in the EURO/AUD currency exchange rate which would have applied to a Foreign Exchange Contract (FEC) contracted on the balance date to 16th December 2014, in comparison to the actual FEC contracted on the 8th December 2011.

The FEC contract is an agreement to exchange 2,000,000 EUROS for AUD \$2,830,055 on 16/12/2014. If the FEC had have been contracted on 30/12/2012, UC Invest would receive only AUD\$2,741,279.

UC Invest purchased notes with a face value of 2 million EUROS for 1.57 million EUROS. These notes have been classified by UC Invest as assets which are '*Held until Maturity*'.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

2012
\$

2011
\$

Maturity being the call date of the notes being the 15th December 2014. The difference between the face value and purchase price in EUROS is evenly accrued between the purchase date and the call date of the notes.

The difference between the purchase price and face value will be evenly amortised over the time period from the purchase date until the call date, being 15/12/2014.

The EURO accrual is converted at the applicable EURO/AUD currency exchange rate as at the balance date. \$198,344 represents this accrual as at balance date.

14. FINANCIAL LIABILITIES

Current Liabilities

Investors funds	121,881,982	98,264,725
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Non-Current Liabilities

Investors funds	28,848,274	29,778,506
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Investor's funds are invested with UC Invest either at call or in fixed term investments.

15. TRADE AND OTHER PAYABLES

Sundry Creditors	271,021	19,697
Accrued Interest	1,820,784	1,839,644
	2,091,805	1,859,341

16. PROVISIONS

Annual Leave	23,959	20,720
Long Service Leave	75,288	61,362
Total	99,247	82,082

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

2012

2011

\$

\$

17. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit

Profit / (Loss) for the Year	5,674,911	2,714,168
Non-Cash Flows in Profit		
Depreciation	28,937	17,960
Impairment	0	59,991
Realised Profit on Sale of Assets	(640,296)	(465,343)
Forward Exchange Contract Fair Value Movements	(59,449)	(29,327)
Foreign Currency Note Income	(180,563)	0
Foreign Exchange Gains	(25,579)	175,948
Changes in Assets and Liabilities		
Decrease/(Increase) in Receivables	(2,118,712)	(405,763)
(Decrease)/Increase in Payables	9,631	319,585
Cash Flow from Operating Activities	2,688,880	2,387,219

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

19. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year proceeds have been received for Lehman Brothers designated CDOs. Refer to Note 11. There have been no other reportable events of a material nature.

20. RELATED PARTY TRANSACTIONS

UC Invest Property Fund, UC Invest Share Fund, UC Invest Dividend Income 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

21. 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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 repay 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 2012 was minimal with only 10.8% of assets exposed to the Australian share market.

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.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 (10.7% at 31 December 2012). These loans are approved on a case by case basis, subject to a credit assessment of the particular organisation which includes analysis of operating cash flows and the ability to repay intended debts. Due to the size and nature of the loans requested, appropriate security is taken over tangible assets. Loans are monitored on a regular basis.

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

UC Invest may hold unlisted securities which had independent ratings exceeding BBB+ upon purchase, but which have since been rerated below the BBB+ rating. These securities may still be held as the Board believes that retaining them will produce the best total financial outcome in lieu of selling them.

The table below highlights the exposure to ratings segments as at 31st December 2012 for corporate note investments in the UC Invest financial statements.

Credit Rating	Face Value	Fair Value	Original Cost Value
Unrated ADI	\$ 19,943,280	\$ 19,643,120	\$ 19,536,996
AA-	\$ 1,881,478	\$ 1,931,200	\$ 1,919,548
A+	\$ 12,110,000	\$ 12,353,523	\$ 11,456,475
A	\$ 13,948,839	\$ 13,478,954	\$ 12,018,427
A-	\$ 14,515,000	\$ 14,562,595	\$ 13,922,402
BBB+	\$ 13,767,400	\$ 12,333,756	\$ 12,153,621
BBB	\$ 8,170,355	\$ 8,004,783	\$ 8,028,114
BBB-	\$ 6,300,000	\$ 5,689,000	\$ 4,819,405
BB	\$ 800,000	\$ 828,750	\$ 828,900
CCC-	\$ 1,000,000	\$ 534,400	\$ 1,000,000
	\$ 92,436,352	\$ 89,360,081	\$ 85,683,888

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

v. Interest Rate Risk

UC Invest borrows money from investors and promises to repay 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	Non-interest	Total	Total
	Rate												bearing	bearing		
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets																
Cash and Cash Equivalents	3.85	5.10	7,222	5,557											7,222	5,557
Trade and Other Receivables	n/a	n/a											969	1,590	969	1,590
Held to Maturity																
Term Deposits	4.64	5.71			9,869	5,500	0	0	0	0					9,869	5,500
Corporate Notes	2.00	2.00			58	58	2,823	58	0	2,823					2,881	2,939
Loans & Receivables	6.41	6.74			10,480	21,199	4,083	1,249	875	7,282	7,934	10,496			23,372	40,225
Available for Sale																
Corporate Notes	6.39	7.66			13,727	9,342	17,316	9,774	11,784	12,000	69,602	52,508			112,429	83,624
Share Investments	n/a	n/a											18,332	9,940	18,332	9,940
Unlisted Property	n/a	n/a											21,125	19,466	21,125	19,466
Total Financial Assets			7,222	5,557	34,134	36,099	24,222	11,081	12,659	22,105	77,536	63,004	40,426	30,996	196,199	168,842
Financial Liabilities																
Investors Funds	5.09	5.79	31,414	27,865	96,747	85,260	22,777	14,693	9,072	3,736	738	2,065			160,748	133,619
Trade and Other Payables	n/a	n/a											2,191	1,859	2,191	1,859
Total Financial Liabilities			31,414	27,865	96,747	85,260	22,777	14,693	9,072	3,736	738	2,065	2,191	1,859	162,939	135,478

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012				Year Ended 31 December 2011			
	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	7,913			7,913	5,557			5,557
Held to Maturity								
Term Deposits	9,800			9,800	5,421			5,421
Corporate Notes			1,997	1,997			1,997	1,997
Available for Sale								
Australian Shares		18,332		18,332		9,940		9,940
Property		21,125		21,125		19,466		19,466
Corporate Notes		87,363		87,363		59,407		59,407
Loans	20,147			20,147	33,784			33,784
TOTAL:	37,860	126,820	1,997	166,677	44,762	88,813	1,997	135,572
Financial Liabilities	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
Investor's Funds	150,730			150,730	128,043			128,043
TOTAL:	150,730	0	0	150,730	128,043			128,043

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

Quoted market price represents the fair value as quoted on active markets at 31 December 2012 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 corporate note 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 2012. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2012 \$	2011 \$
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%	(2,112,545)	(1,946,550)
- Increase in market value of unlisted and direct property investments by 10%	2,112,545	1,946,550

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	\$	\$
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%	(12,722,039)	(10,060,682)
- Increase in market value of interest rate instruments by 10%	12,722,039	10,060,682
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%	(5,358,350)	(2,484,926)
- Increase in market value of Australian share investments by 25%	5,358,350	2,484,926

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

ii. Revenue Risk

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2012. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2012 \$	2011 \$
Change in Profit		
- Decrease in income from interest related investments by 20%	(1,636,652)	(1,608,536)
- Increase in income from interest related investments by 20%	1,636,652	1,608,536
Change in Equity		
- Decrease in income from interest related investments by 20%	(1,636,652)	(1,608,536)
- Increase in income from interest related investments by 20%	1,636,652	1,608,536
Change in Profit		
- Decrease in income from property related investments by 20%	(301,863)	(275,326)
- Increase in income from property related investments by 20%	301,863	275,326
Change in Equity		
- Decrease in income from property related investments by 20%	(301,863)	(275,326)
- Increase in income from property related investments by 20%	301,863	275,326
Change in Profit		
- Decrease in income from Australian share investments by 20%	(236,546)	(106,130)
- Increase in income from Australian share investments by 20%	236,546	106,130

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
Change in Equity		
- Decrease in income from Australian share investments by 20%	(236,546)	(106,130)
- Increase in income from Australian share investments by 20%	236,546	106,130
 iii. Interest rate risk		
UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2012. 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% basis point	1,507,303	1,280,432
- Increase in average interest rate payable to investors by 1% basis point	(1,507,303)	(1,280,432)
 Change in Equity		
- Decrease in average interest rate payable to investors by 1% basis point	1,507,303	1,280,432
- Increase in average interest rate payable to investors by 1% basis point	(1,507,303)	(1,280,432)
 Change in Profit		
- Decrease in average interest rate receivable from interest related investments by 1% basis point	(1,216,648)	(1,061,638)
- Increase in average interest rate receivable from interest related investments by 1% basis point	1,216,648	1,061,638
 Change in Equity		
- Decrease in average interest rate receivable from interest related investments by 1% basis point	(1,216,648)	(1,061,638)
- Increase in average interest rate receivable from interest related investments by 1% basis point	1,216,648	1,061,638

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

(d) Derivative Financial Instruments

The entity does not use derivative financial instruments with the exception of a forward exchange contract taken out during the year as described in Note 6.

22. 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.

23. ENTITY DETAILS

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

DECLARATION OF THE BOARD

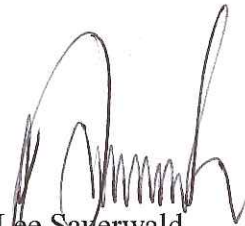
In the opinion of the Board Members of the UC Invest Board:

- (a) the financial statements and notes set out on pages 1 to 27 of UC Invest – Financial Report:
 - (i) complies with accounting standards and other mandatory professional reporting requirements to the extent described in Note 1; and
 - (ii) gives a true and fair view of the Fund's financial position as at 31st December 2012 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.



Michael McClaren
Chair
UC Invest Board



Lee Sauerwald
Member
Financial Statement Review Committee
UC Invest Board

Adelaide
10th May 2013

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 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the board.

The Board's Responsibility for the Financial Report

The board 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 board determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 board, 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.

Independence

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



Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of UC Invest as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and UC Invest by-laws.

A handwritten signature in blue ink that reads 'BDO' in a stylized, cursive font.

BDO Audit Partnership (SA)

A handwritten signature in blue ink, appearing to be 'I J Painter', written in a fluid, cursive style.

I J Painter
Partner

Adelaide, 10 May 2013