

UC Invest

December 31

2013

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

**Financial
Report**

Statement of Comprehensive Income

For the year to 31 December 2013

	Note	2013 \$	2012 \$
Revenue	2	10,856,159	11,231,145
Expenses	3	(744,936)	(656,893)
Finance costs	4	(6,977,782)	(7,982,033)
OPERATING PROFIT / (LOSS) FOR THE YEAR		3,133,441	2,592,219
Foreign exchange currency gains / (losses)	6	440,689	25,579
Forward exchange contract fair value movements	6	(447,676)	59,449
Realised profit / (loss) on sale of assets	7	224,277	640,296
Reinstated assets which were previously written-off	8	-	2,357,368
PROFIT / (LOSS) FOR THE YEAR		3,350,731	5,674,911
Other Comprehensive Income			
Gains / (Losses) on revaluing available-for-sale financial assets	7	3,751,254	5,841,540
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,101,985	11,516,451

Statement of Financial Position

As at 31 December 2013

	Note	2013 \$	2012 \$
Assets			
Current Assets			
Cash & cash equivalents	10	11,171,139	7,913,001
Trade & other receivables	11	1,340,543	3,327,002
Financial assets	12	16,496,424	17,185,718
Other assets	13	405,211	-
Total Current Assets		29,413,317	28,425,721
Non-Current Assets			
Financial assets	12	146,652,702	141,579,663
Other assets	13	-	287,120
Property, plant & equipment		75,320	100,740
Total Non-Current Assets		146,728,022	141,967,523
Total Assets		176,141,339	170,393,244
Liabilities			
Current Liabilities			
Financial liabilities	14	124,325,410	121,881,982
Trade & other payables	15	1,365,784	2,091,805
Provisions	16	114,674	99,247
Other liabilities	17	358,900	-
Total Current Liabilities		126,164,768	124,073,034
Non-Current Liabilities			
Financial liabilities	14	27,082,650	28,848,274
Total Non-Current Liabilities		27,082,650	28,848,274
Total Liabilities		153,247,418	152,921,308
Net Assets		22,893,921	17,471,936
Equity			
Accumulated funds		14,135,109	11,357,380
Asset revaluation reserve	9	8,758,812	6,114,556
Total Equity		22,893,921	17,471,936

Statement of Changes in Equity

For the year to 31 December 2013

	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2012	7,362,399	(36,914)	7,325,485
Total comprehensive income	5,674,911	5,841,540	11,516,451
Transfer of revaluation reserve on sale	(309,930)	309,930	-
Transfer of grants to Uniting Church SA	(1,370,000)	-	(1,370,000)
Balance at 31 December 2012	11,357,380	6,114,556	17,471,936
Balance at 1 January 2013	11,357,380	6,114,556	17,471,936
Total comprehensive income	3,350,731	3,751,254	7,101,985
Transfer of revaluation reserve on sale	1,106,998	(1,106,998)	-
Transfer of grants to Uniting Church SA	(1,680,000)	-	(1,680,000)
Balance at 31 December 2013	14,135,109	8,758,812	22,893,921

Statement of Cash Flows

For the year to 31 December 2013

	Note	2013 \$	2012 \$
Cash Flows from Operating Activities			
Receipts		224,224	394,390
Interest received		7,483,093	8,062,431
Distributions received		2,585,104	2,832,400
Payments		(940,408)	(599,448)
Finance costs		(7,463,092)	(8,000,893)
Net cash flows provided by / (used in) operating activities	18	1,888,921	2,688,880
Cash Flows from Investing Activities			
Sale of investments		47,666,574	48,748,588
Purchase of investments		(48,780,010)	(69,144,843)
Net cash flows provided by / (used in) investing activities		(1,113,436)	(20,396,255)
Cash Flows from Financing Activities			
Grants to the Uniting Church SA		(1,680,000)	(1,370,000)
Investments by investors		78,514,566	146,636,308
Withdrawals by investors		(74,351,913)	(125,202,910)
Net cash flows provided by / (used in) financing activities		2,482,653	20,063,398
Net increase / (decrease) in cash held		3,258,138	2,356,023
Cash at beginning of year		7,913,001	5,556,978
Cash at End of Year	10	11,171,139	7,913,001

1. Statement of significant accounting policies

The financial report of UC Invest for the year ended 31 December 2013 was adopted by the Uniting Church Investment Committee on 21 March 2014.

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.), 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.

Uniting Church Investment Committee Members

Michael McClaren (Non-Executive Chairperson)

Kevin Bengier (Non-Executive)

Allison Ashby (Non-Executive)

Tom Adams (Non-Executive)

Peter Battersby (Executive) – 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.

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 Uniting Church Investment Committee 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 preparation 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 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 economic benefits will flow to the Fund and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

i. Interest

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

ii. Dividends and distributions from equities

Dividend and distribution income is received in the form of dividends, distributions and franking credits from equity investments held 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 Fund 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.

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.

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.

(d) Comparative figures

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

(e) Income tax

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

	2013	2012
2. Revenue		
Dividends and distributions	3,060,654	2,692,041
Interest received	7,376,439	8,183,263
Foreign currency note income <i>(See Note 6 below)</i>	192,832	180,583
Management fees received	210,884	175,258
Other income	15,350	-
	10,856,159	11,231,145

3. Expenses

Administration	722,936	612,893
Investment managers retainers & performance bonus	22,000	44,000
	744,936	656,893

4. Finance costs

Interest paid to investors	6,969,637	7,966,843
Interest paid on bank facilities	8,145	15,190
	6,977,782	7,982,033

5. Auditor's remuneration

Audit fee paid for UC Invest	11,470	11,597
Audit fees paid for other UC Invest managed funds	6,904	7,600
Business advisory services	27,030	9,593
	45,404	28,790

6. Foreign exchange transactions

On 25 November 2011 UC Invest purchased 20,000 EURO denominated corporate notes issued by ANZ Capital Trust 3, a wholly owned entity of the Australian and New Zealand Banking Group. These notes, with a face value of €2,000,000, were purchased for €1,570,000 (*AUD \$2,172,409*) and have a call date of 15 December 2014. These EURO notes have been treated as 'held to maturity' financial assets in this financial report.

To mitigate the risk of currency fluctuations, UC Invest entered into a Forward Exchange Contract (FEC) with Westpac Banking Corporation on 8 December 2011 to sell €2,000,000 on 16 December 2014 in exchange for AUD \$2,830,055.

Foreign Exchange Currency Gains / (Losses) in the *Statement of Comprehensive Income* of \$440,689 represents the difference in value for the reporting period of €1,570,000 translated to Australian

dollars. The EURO/AUD exchange rate on 31 December 2012 was 0.77621 whereas on 31 December 2013 it was 0.641. The result is that the ANZ Capital Notes would have cost \$440,689 more if purchased on 31 December 2013 than the previous balance date.

Forward Exchange Contract (FEC) Fair Value Movements in the *Statement of Comprehensive Income* represents the change in value of the FEC over the reporting period. The original FEC contract with Westpac was executed at a EURO/AUD exchange rate of 0.7067. As at 31 December 2013 the FEC could have been closed out with a resultant loss to UC Invest of \$358,900. At the end of the 2012 reporting period the FEC had a fair value of \$88,776. This amount was reversed out in the 2013 reporting period resulting in a total loss of \$447,676 to UC Invest from the fair value movements of the FEC.

As these EURO notes are treated as held-to-maturity financial assets, the difference between the purchase price of €1,570,000 and the maturity face value of €2,000,000 will be evenly amortised from the purchase date to the 15 December 2014 call date. The EURO accrual of €295,529 is translated to AUD using the average exchange rate for the reporting period. This AUD \$405,211 accrual is recognised in *Other Current Assets* in the *Statement of Financial Position*.

7. Changes in the value of financial assets

The following have been recognised in the 2013 *Statement of Financial Performance*:

Investments	Total changes in Available-for-Sale financial assets for year	Gains / (Losses) on revaluing Available-for-Sale financial assets	Impaired losses	Realised profit / (loss) on sale
UC Invest Share Fund	1,723,066	1,723,066	-	-
UC Invest Direct Property Fund	1,191,488	1,191,488	-	-
UC Invest Dividend Income Fund	(42,237)	-	-	(42,237)
Corporate Notes	1,030,261	798,713	-	231,548
Listed Australian Hybrids	72,953	37,987	-	34,966
	3,975,531	3,751,254	-	224,277

The following have been recognised in the 2012 *Statement of Financial Performance*:

Investments	Total changes in Available-for-Sale financial assets for year	Gains / (Losses) on revaluing Available-for-Sale financial assets	Impaired losses	Realised profit / (loss) on sale
UC Invest Share Fund	829,864	746,436	-	83,428
UC Invest Direct Property Fund	1,316,862	1,316,862	-	-
UC Invest Dividend Income Fund	325,467	325,467	-	-
Corporate Notes	3,948,679	3,370,507	-	578,172
Listed Australian Hybrids	60,964	82,268	-	(21,304)
	6,481,836	5,841,540	-	640,296

8. Reinstated assets which were previously written-off

UC Invest purchased three Lehman Brothers originated Collateralised Debt Obligation (CDO) investments for a consideration of \$2.5 million prior to 2008. The significant events of the 2008 global financial crisis included Lehman Brothers filing for bankruptcy which resulted in Lehman Brothers Administrators seeking to retain the funds from these investments for Lehman Brothers creditors.

In late 2012 a settlement agreement was made between Lehman Brothers administrators and investors. Funds were released to investors in early 2013 with UC Invest receiving \$2,357,368 on 26 February 2013 as settlement for the three CDOs.

9. Asset revaluation reserve

Investments	Asset revaluation reserve as at 31/12/2012	+	Inc / (Dec) in market value during year	+	Transfer (to) / from accumulated funds on sale	=	Asset revaluation reserve as at 31/12/2013
UC Invest Share Fund	33,003		1,723,066		-		1,756,069
UC Invest Direct Property Fund	1,544,974		1,191,488		-		2,736,462
UC Invest Dividend Income Fund	325,467		-		(325,467)		-
Corporate Notes	4,128,845		798,713		(732,098)		4,195,460
Listed Australian Hybrids	82,267		37,987		(49,433)		70,821
	6,114,556		3,751,254		(1,106,998)		8,758,812

2013

2012

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	6,070,292	429,757
Cash management account	5,100,847	7,483,244
	11,171,139	7,913,001

11. Trade and other receivables

Current Assets

Sundry debtors	20,671	18,660
Proceeds from Lehman Brothers settlement	-	2,357,368
Accrued interest, distributions & franking credits	1,319,872	950,974
	1,340,543	3,327,002

12. Financial assets

Current Assets

Held to maturity	9,749,298	9,800,000
Loans and receivables	6,747,126	7,385,718
	16,496,424	17,185,718

Non-Current Assets

Held to maturity	-	2,022,649
Loans and receivables	7,442,336	12,761,583
Available for sale	139,210,366	126,795,431
	146,652,702	141,579,663

Held-to-maturity financial assets include investments in various fixed term deposits held with Approved Deposit-Taking Institutions (ADIs) and a corporate note issued by an Australian Bank designated in EUROS (*Refer to Note 6 for details relating to foreign currency transactions*).

Loans and receivables include secured loans made to separately incorporated Uniting Church agencies of \$13,804,050, unsecured loans to Ministers of \$18,655 and another loan of \$366,757 to a UC Invest managed fund.

Available for sale financial assets include investments in various listed securities and unit holdings in other UC Invest managed funds. The value of available-for-sale financial assets has been determined following the funds revaluing their assets to fair value at year end.

	2013	2012
13. Other assets		
Current Assets		
Accrued income on foreign currency capital note	405,211	-
	405,211	-
Non-Current Assets		
Accrued gains on Forward Exchange Contract (FEC)	-	88,776
Accrued income on foreign currency capital note	-	198,344
	-	287,120

Refer to Note 6 for details relating to foreign currency transactions.

14. Financial liabilities

Current Liabilities		
Investor's funds	124,325,410	121,881,982
	124,325,410	121,881,982
Non-Current Liabilities		
Investor's funds	27,082,650	28,848,274
	27,082,650	28,848,274

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

15. Trade and other payables

Current Liabilities		
Sundry creditors	30,310	271,021
Accrued interest	1,335,474	1,820,784
	1,365,784	2,091,805

16. Provisions

Current Liabilities		
Annual leave	26,797	23,959
Long service leave	87,877	75,288
	114,674	99,247

	2013	2012
17. Other liabilities		
Current Liabilities		
Accrued losses on Forward Exchange Contract (FEC)	358,900	-
	358,900	-

Refer to Note 6 for details relating to foreign currency transactions.

18. Cash flow information

Reconciliation of cash flow from operations with profit

Profit / (Loss) for the year before the revaluation of assets	3,350,731	5,674,911
Non-cash items in profit		
Depreciation	29,813	28,937
Realised profit on sale of assets	(224,277)	(640,296)
Fair value movements of forward exchange contract	447,676	(59,449)
Foreign currency note income	(192,832)	(180,563)
Foreign exchange gains	(440,689)	(25,579)
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(370,907)	(2,118,712)
Increase / (Decrease) in payables	(710,594)	9,631
Cash flow from operating activities	1,888,921	2,688,880

19. Contingent liabilities and contingent assets

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

20. Events subsequent to reporting date

There have been no substantial events subsequent to the balance date.

21. 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.). UC Invest receives management fees for managing these investment vehicles.

22. Financial risk management

Financial Risk Management Policies

The entity manages its exposure to key financial risks by the application of policies approved by the Uniting Church Investment Committee (UCIC). All UC Invest policies are reviewed regularly.

The Committee 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 Committee'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 Committee 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 Committee reviews management reports on a monthly basis.

The Committee'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.

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 funds 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 2013 was minimal with only 14.8% 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 UCIC 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 UCIC 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 (7.92% at 31 December 2013). 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 re-rated 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 31 December 2013 for corporate note investments in the UC Invest financial statements.

Credit Rating	Face Value	Fair Value	Original Cost
Unrated ADI	27,552,930	27,394,393	27,029,487
AAA	5,001,560	4,722,130	4,690,840
AA-	3,197,960	3,294,861	3,261,199
A+	5,000,000	5,262,500	5,051,706
A	8,011,100	7,804,985	6,938,535
A-	16,444,825	16,553,030	15,108,754
BBB+	11,720,000	11,238,366	10,704,306
BBB	7,831,050	7,966,183	7,771,875
BBB-	6,300,000	6,029,100	5,107,571
CCC-	500,000	173,150	500,000
	91,559,425	90,438,698	86,164,273

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.

See Appendix 1 for cash flow interest rate sensitivity analysis.

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 2013					Year Ended 31 December 2012			
	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	11,171			11,171	7,913			7,913
Held to Maturity								
Term Deposits	7,300			7,300	9,800			9,800
Corporate Notes			2,449	2,449			1,997	1,997
Available for Sale								
Australian Shares		24,200		24,200		18,332		18,332
Property		24,817		24,817		21,125		21,125
Corporate Notes		90,193		90,193		87,363		87,363
Loans	14,189			14,189	20,147			20,147
TOTAL	32,660	139,210	2,449	174,319	37,860	126,820	1,997	166,677

Financial Liabilities	LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's		LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's	
Investor's Funds	151,408			151,408	150,730			150,730
TOTAL	151,408	-	-	151,408	150,730	-	-	150,730

Quoted market price represents the fair value as quoted on active markets at 31 December 2013 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 notes has been determined using a range of valuation techniques.

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

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

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*.

Sensitivity Analysis

i. Market risk

UC Invest has performed a sensitivity analysis relating to its exposure to market risk as at 31 December 2013. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2013	2012
Change in profit		
Decrease in the market value of unlisted and direct property investments by 10%	-	-
Increase in the market value of unlisted and direct property investments by 10%	-	-
Change in equity		
Decrease in the market value of unlisted and direct property investments by 10%	(2,481,694)	(2,112,545)
Increase in the market value of unlisted and direct property investments by 10%	2,481,694	2,112,545
Change in profit		
Decrease in the market value of interest rate instruments by 10%	-	-
Increase in the market value of interest rate instruments by 10%	-	-
Change in equity		
Decrease in the market value of interest rate instruments by 10%	(12,530,293)	(12,722,039)
Increase in the market value of interest rate instruments by 10%	12,530,293	12,722,039

	2013	2012
Change in profit		
Decrease in the market value of Australian share investments by 25%	-	-
Increase in the market value of Australian share investments by 25%	-	-
Change in equity		
Decrease in the market value of Australian share investments by 25%	(6,050,100)	(5,358,350)
Increase in the market value of Australian share investments by 25%	6,050,100	5,358,350

ii. Revenue risk

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2013. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2013	2012
Change in profit		
Decrease in income from interest related investments by 20%	(1,475,288)	(1,636,652)
Increase in income from interest related investments by 20%	1,475,288	1,636,652
Change in equity		
Decrease in income from interest related investments by 20%	(1,475,288)	(1,636,652)
Increase in income from interest related investments by 20%	1,475,288	1,636,652
Change in profit		
Decrease in income from property related investments by 20%	(322,079)	(301,863)
Increase in income from property related investments by 20%	322,079	301,863
Change in equity		
Decrease in income from property related investments by 20%	(322,079)	(301,863)
Increase in income from property related investments by 20%	322,079	301,863

Change in profit	2013	2012
Decrease in income from Australian share investments by 20%	(290,052)	(236,546)
Increase in income from Australian share investments by 20%	290,052	236,546
Change in equity		
Decrease in income from Australian share investments by 20%	(290,052)	(236,546)
Increase in income from Australian share investments by 20%	290,052	236,546

iii. Interest rate risk

UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2013. 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	2013	2012
Decrease in average interest rate payable to investors by 1%	1,514,080	1,507,303
Increase in average interest rate payable to investors by 1%	(1,514,080)	(1,507,303)
Change in equity		
Decrease in average interest rate payable to investors by 1%	1,514,080	1,507,303
Increase in average interest rate payable to investors by 1%	(1,514,080)	(1,507,303)
Change in profit		
Decrease in average interest rate receivable from interest related investments by 1%	(1,253,029)	(1,216,648)
Increase in average interest rate receivable from interest related investments by 1%	1,253,029	1,216,648
Change in equity		
Decrease in average interest rate receivable from interest related investments by 1%	(1,253,029)	(1,216,648)
Increase in average interest rate receivable from interest related investments by 1%	1,253,029	1,216,648

Derivative Financial Instruments

The entity does not use derivative financial instruments

23. 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.

24. Entity details

The registered office and principal place of business of the entity is:

Level 2, 212 Pirie Street
Adelaide SA 5000

Appendix 1: Cash flow interest rate sensitivity analysis

	Weighted Average Effective Interest Rate		Floating Interest		Within 1 Year		Within 2 Years		Within 3 Years		Over 3 Years		Non-Interest Bearing		Total	
	2013 %	2012 %	2013 \$ 000's	2012 \$ 000's	2013 \$ 000's	2012 \$ 000's	2013 \$ 000's	2012 \$ 000's	2013 \$ 000's	2012 \$ 000's	2013 \$ 000's	2012 \$ 000's	2013 \$ 000's	2012 \$ 000's	2013 \$ 000's	2012 \$ 000's
Financial Assets																
Cash & Cash Equivalents	3.25	3.85	5,001	7,222											5,001	7,222
Trade & Other Receivables	N/A	N/A											1,340	969	1,340	969
Held to Maturity																
Term Deposits	3.59	4.64			7,562	9,869									7,562	9,869
Corporate Notes	2.00	2.00			2,791	58		2,823							2,791	2,881
Loans & Receivables	5.38	6.41			7,504	10,480	741	4,083	839	875	6,576	7,934			15,660	23,372
Available for Sale																
Corporate Notes	6.19	6.39			17,792	13,727	15,058	17,316	37,361	11,784	45,103	69,602			115,314	112,429
Share Investments	N/A	N/A											24,200	18,332	24,200	18,332
Unlisted Property	N/A	N/A											24,817	21,125	24,817	21,125
Total Financial Assets			5,001	7,222	35,649	34,134	15,799	24,222	38,200	12,659	51,679	77,536	50,357	40,426	196,685	196,199
Financial Liabilities																
Investor's Funds	4.12	5.09	42,532	31,414	88,026	96,747	24,574	22,777	3,245	9,072	872	738			159,249	160,748
Trade & Other Payables	N/A	N/A											1,470	2,191	1,470	2,191
Total Financial Liabilities			42,532	31,414	88,026	96,747	24,574	22,777	3,245	9,072	872	738	1,470	2,191	160,719	162,939

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

- a) the financial statements and notes set out on pages 1 to 20 of UC Invest 2013 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 31 December 2013 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 Uniting Church Investment Committee.



Michael McClaren
Chairperson
Uniting Church Investment Committee



Kevin Bengert
Member
Uniting Church Investment Committee

Adelaide
21 March 2014

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 2013, 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 of the committee.

The Uniting Church Investment Committee's Responsibility for the Financial Report

The Uniting Church Investment Committee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Uniting Church Investment Committee 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 Uniting Church Investment Committee, 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 2013, 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 script.

BDO Audit (SA) Pty Ltd

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

I J Painter
Director

Adelaide, 21 March 2014.