

UC Invest

December 31

2014

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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 2014

	Note	2014 \$	2013 \$
Revenue	2	10,494,765	10,856,159
Expenses	3	(738,945)	(744,936)
Finance costs	4	(6,257,548)	(6,977,782)
<b>OPERATING PROFIT / (LOSS) FOR THE YEAR</b>		<b>3,498,272</b>	<b>3,133,441</b>
Foreign exchange currency gains / (losses)	6	(214,735)	440,689
Forward exchange contract fair value movements	6	358,900	(447,676)
Realised profit / (loss) on sale of assets	7	86,621	263,081
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>3,729,058</b>	<b>3,389,535</b>
<b>Other Comprehensive Income</b>			
Gains / (Losses) on revaluing available-for-sale financial assets	7	1,683,026	3,712,450
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5,412,084</b>	<b>7,101,985</b>

# Statement of Financial Position

As at 31 December 2014

	Note	2014 \$	2013 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash & cash equivalents	9	11,427,898	11,171,139
Trade & other receivables	10	1,684,724	1,340,543
Financial assets	11	8,959,495	16,496,424
Other assets	12	-	405,211
<b>Total Current Assets</b>		<b>22,072,117</b>	<b>29,413,317</b>
<b>Non-Current Assets</b>			
Financial assets	11	163,898,082	146,652,702
Property, plant & equipment		44,997	75,320
<b>Total Non-Current Assets</b>		<b>163,943,079</b>	<b>146,728,022</b>
<b>Total Assets</b>		<b>186,015,196</b>	<b>176,141,339</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Financial liabilities	13	139,153,274	124,325,410
Trade & other payables	14	1,164,752	1,365,784
Provisions	15	130,519	114,674
Other liabilities	16	4,500	358,900
<b>Total Current Liabilities</b>		<b>140,453,045</b>	<b>126,164,768</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	13	19,236,146	27,082,650
<b>Total Non-Current Liabilities</b>		<b>19,236,146</b>	<b>27,082,650</b>
<b>Total Liabilities</b>		<b>159,689,191</b>	<b>153,247,418</b>
<b>Net Assets</b>		<b>26,326,005</b>	<b>22,893,921</b>
<b>Equity</b>			
Accumulated funds		16,378,568	14,186,508
Asset revaluation reserve	8	9,947,437	8,707,413
<b>Total Equity</b>		<b>26,326,005</b>	<b>22,893,921</b>

## Statement of Changes in Equity

For the year to 31 December 2014

	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2013	11,339,339	6,132,597	17,471,936
Total comprehensive income	3,389,535	3,712,450	7,101,985
Transfer of revaluation reserve on sale	1,137,634	(1,137,634)	-
Transfer of grants to Uniting Church SA	(1,680,000)	-	(1,680,000)
<b>Balance at 31 December 2013</b>	<b>14,186,508</b>	<b>8,707,413</b>	<b>22,893,921</b>
Balance at 1 January 2014	14,186,508	8,707,413	22,893,921
Total comprehensive income	3,729,058	1,683,026	5,412,084
Transfer of revaluation reserve on sale	443,002	(443,002)	-
Transfer of grants to Uniting Church SA	(1,980,000)	-	(1,980,000)
<b>Balance at 31 December 2014</b>	<b>16,378,568</b>	<b>9,947,437</b>	<b>26,326,005</b>

# Statement of Cash Flows

For the year to 31 December 2014

	Note	2014 \$	2013 \$
<b>Cash Flows from Operating Activities</b>			
Receipts		254,674	224,224
Interest received		6,951,027	7,483,093
Distributions received		2,754,044	2,585,104
Payments		(701,886)	(940,408)
Finance costs		(6,448,913)	(7,463,092)
<b>Net cash flows provided by / (used in) operating activities</b>	17	<b>2,808,946</b>	<b>1,888,921</b>
<b>Cash Flows from Investing Activities</b>			
Sale of investments		39,654,323	47,666,574
Purchase of investments		(44,466,814)	(48,780,010)
<b>Net cash flows provided by / (used in) investing activities</b>		<b>(4,812,491)</b>	<b>(1,113,436)</b>
<b>Cash Flows from Financing Activities</b>			
Grants to the Uniting Church SA		(1,980,000)	(1,680,000)
Investments by investors		90,692,109	78,514,566
Withdrawals by investors		(86,451,805)	(74,351,913)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>2,260,304</b>	<b>2,482,653</b>
Net increase / (decrease) in cash held		256,759	3,258,138
Cash at beginning of year		11,171,139	7,913,001
<b>Cash at End of Year</b>	9	<b>11,427,898</b>	<b>11,171,139</b>

## 1. Statement of significant accounting policies

The financial report of UC Invest for the year ended 31 December 2014 was adopted by the Uniting Church Investment Committee on 20 March 2015.

### 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.

The accounting policies and methods of computation remain unchanged from the previous financial year. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Summary of significant accounting policies

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.

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

The financial report, except for the cash flow information, has been prepared on an accruals basis and are based on historical costs, 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 *Statement of Financial Position* 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 *Statement of Financial Position*.

## (b) Revenue

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

### i. Interest

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

### ii. Dividends and distributions 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) Fair Value of Assets and Liabilities

UC Invest measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price UC Invest would receive to sell an asset or would have to pay to transfer a liability in an orderly (*i.e. unforced*) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (*i.e. the market with the greatest volume and level of activity for the asset or liability*). In the absence of such a market, information is extracted from the most advantageous market available to the entity at the reporting date (*i.e. the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs*).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (*excluding those related to share-based payment arrangements*) may be valued, where there is no observable market price in relation to the transfer of an identical or similar financial instrument, by reference to observable market information where identical or similar instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

## (d) 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.



## (e) Trade and other payables

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

## (f) 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 *Statement of Financial Position*.

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.

## (g) 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*.

## (h) Comparative figures

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

## (i) Income tax

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

## 2. Revenue

	2014	2013
Dividends and distributions	2,919,408	3,060,654
Interest received	7,127,874	7,376,439
Foreign currency note income (See Note 6 below)	190,280	192,832
Management fees received	243,170	210,884
Other income	14,033	15,350
	<b>10,494,765</b>	<b>10,856,159</b>

	2014	2013
<b>3. Expenses</b>		
Administration	726,945	722,936
Investment managers retainers & performance bonus	12,000	22,000
	<b>738,945</b>	<b>744,936</b>
<b>4. Finance costs</b>		
Interest paid to investors	6,248,582	6,969,637
Interest paid on bank facilities	8,966	8,145
	<b>6,257,548</b>	<b>6,977,782</b>
<b>5. Auditor's remuneration</b>		
Audit fee paid for UC Invest	10,000	11,470
Audit fees paid for other UC Invest managed funds	5,000	6,904
Business advisory services	-	27,030
	<b>15,000</b>	<b>45,404</b>

## 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 were issued with a face value of €2,000,000 and purchased by UC Invest for €1,570,000 (AUD \$2,172,409). These EURO notes were treated as 'held to maturity' financial assets and had an initial call date of 15 December 2014.

These notes were called by ANZ Capital Trust 3 who returned €2,000,000 to UC Invest on 16 December 2014.

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.

These EURO notes were treated as held-to-maturity financial assets. The difference between the purchase price of €1,570,000 and the face value of €2,000,000 was evenly amortised from the purchase date to the 15 December 2014 call date. Income attributable to the EURO notes for 2014 was €134,471 which has been translated to AUD using the exchange rate of the forward exchange contract. This EURO note income of AUD \$190,280 is included in *Revenue* in the *Statement of Comprehensive Income* (See Note 2 above).

The reported \$214,735 loss at *Foreign Exchange Currency Gains / (Losses)* in the *Statement of Comprehensive Income* includes a \$227,705 loss resulting from the difference between the Australian dollar translation of €1,570,000 on 15 December 2014 and the previous balance date of 31 December 2013. The EURO/AUD exchange rate on 31 December 2013 was 0.641 which translated to \$2,449,298 whereas the forward exchange contract rate on 15 December 2014 was 0.7067 which translated to \$2,221,593. Also included at this item is a foreign exchange gain of \$12,970 on the accumulated note income for the period.

*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 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. As the FEC was completed on 16 December 2014 the amount shown at *Other liabilities* in the 2013 *Statement of Financial Position* has been reversed out in 2014 through profit and loss.

## 7. Changes in the value of financial assets

The following have been recognised in the 2014 *Statement of Comprehensive Income*:

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	44,533	44,533	-	-
UC Invest Direct Property Fund	546,486	546,486	-	-
UC Invest Dividend Income Fund	-	-	-	-
Corporate Notes	1,119,761	1,032,644	-	87,117
Listed Australian Hybrids	58,867	59,363	-	(496)
	<b>1,769,647</b>	<b>1,683,026</b>	<b>-</b>	<b>86,621</b>

The following have been recognised in the 2013 *Statement of Comprehensive Income*:

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	759,771	-	270,490
Listed Australian Hybrids	72,953	38,125	-	34,828
	<b>3,975,531</b>	<b>3,712,450</b>	<b>-</b>	<b>263,081</b>

## 8. Asset revaluation reserve

Investments	Asset revaluation reserve as at 31/12/2013	+	Inc / (Dec) in market value during year	+	Transfer (to) / from accumulated funds on sale	=	Asset revaluation reserve as at 31/12/2014
UC Invest Share Fund	1,756,070		44,533		-		1,800,603
UC Invest Direct Property Fund	2,736,462		546,487		-		3,282,949
Corporate Notes	4,146,610		1,032,643		(441,061)		4,738,192
Listed Australian Hybrids	68,271		59,363		(1,941)		125,693
	<b>8,707,413</b>		<b>1,683,026</b>		<b>(443,002)</b>		<b>9,947,437</b>

2014

2013

## 9. 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 *Statement of Financial Position* as follows:

Cash at bank	2,219,117	6,070,292
Cash management account	9,208,781	5,100,847
	<b>11,427,898</b>	<b>11,171,139</b>

	2014	2013
<b>10. Trade and other receivables</b>		
<b>Current Assets</b>		
Sundry debtors	23,200	20,671
Accrued interest, distributions & franking credits	1,661,524	1,319,872
	<b>1,684,724</b>	<b>1,340,543</b>
<b>11. Financial assets</b>		
<b>Current Assets</b>		
Held to maturity	8,519,249	9,749,298
Loans and receivables	440,246	6,747,126
	<b>8,959,495</b>	<b>16,496,424</b>
<b>Non-Current Assets</b>		
Loans and receivables	11,600,983	7,442,336
Available for sale	152,297,099	139,210,366
	<b>163,898,082</b>	<b>146,652,702</b>

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 \$11,989,099 and unsecured loans to Ministers of \$52,130.

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.

## 12. Other assets

<b>Current Assets</b>		
Accrued income on foreign currency capital note	-	405,211
	<b>-</b>	<b>405,211</b>

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

## 13. Financial liabilities

<b>Current Liabilities</b>		
Investor's funds	139,153,274	124,325,410
<b>Non-Current Liabilities</b>		
Investor's funds	19,236,146	27,082,650
<b>Total Financial Liabilities</b>	<b>158,389,420</b>	<b>151,408,060</b>

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

	2014	2013
<b>14. Trade and other payables</b>		
<b>Current Liabilities</b>		
Sundry creditors	21,202	30,310
Accrued interest	1,143,550	1,335,474
	<b>1,164,752</b>	<b>1,365,784</b>
<b>15. Provisions</b>		
<b>Current Liabilities</b>		
Annual leave	29,036	26,797
Long service leave	101,483	87,877
	<b>130,519</b>	<b>114,674</b>
<b>16. Other liabilities</b>		
<b>Current Liabilities</b>		
Accrued losses on Forward Exchange Contract (FEC)	-	358,900
Investor redemptions payable	4,500	-
	<b>4,500</b>	<b>358,900</b>

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

## 17. Cash flow information

Reconciliation of cash flow from operations with profit

<b>Profit / (Loss) for the year before the revaluation of assets</b>	<b>3,729,058</b>	<b>3,389,535</b>
<b>Non-cash items in profit</b>		
Depreciation	30,322	29,813
Realised profit on sale of assets	(86,621)	(263,081)
Fair value movements of forward exchange contract	(358,900)	447,676
Foreign currency note income	(190,280)	(192,832)
Foreign exchange gains	214,735	(440,689)
<b>Changes in assets and liabilities</b>		
(Increase) / Decrease in operating receivables	(344,181)	(370,907)
Increase / (Decrease) in operating payables	(185,187)	(710,594)
<b>Cash flow from operating activities</b>	<b>2,808,946</b>	<b>1,888,921</b>

## 18. Contingent liabilities and contingent assets

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

## 19. Events subsequent to reporting date

UC Invest is currently involved in a number of legal actions seeking compensation for losses incurred by the fund, stemming from the collapse of several investment products held during the global financial crisis. The value of these investment products has been written-off in previous financial reports.

These actions are still pending and it is currently unclear as to the likely value or timing of any compensation payments relating to these claims.

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

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

## 21. 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 2014 was minimal with only **14.4%** of total 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 financial assets (**6.9%** at 31 December 2014). 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 2014 for corporate note investments in the UC Invest financial statements.



Credit Rating	Face Value	Market Value	Cost Base
Unrated ADI	36,535,455	36,703,040	36,704,745
AAA	5,499,266	5,326,262	5,274,812
AA-	3,519,680	3,650,092	3,662,973
A+	5,947,400	6,142,636	6,015,437
A	750,000	772,500	768,750
A-	12,510,000	12,448,774	10,499,336
BBB+	12,733,516	12,656,331	11,905,074
BBB	12,973,063	12,950,597	12,471,606
BBB-	7,300,000	7,276,150	6,014,052
CCC-	500,000	173,150	44,555
	<b>98,268,380</b>	<b>98,099,532</b>	<b>93,361,340</b>

**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.



# Notes to the Financial Statements

For the year ended 31 December 2014

	Year Ended 31 December 2014				Year Ended 31 December 2013			
	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
	LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's		LEVEL 1 \$ 000's	LEVEL 2 \$ 000's	LEVEL 3 \$ 000's	
<b>Financial Assets</b>								
<b>Bank Accounts</b>	11,428			11,428	11,171			11,171
<b>Held to Maturity</b>								
Term Deposits	8,519			8,519	7,300			7,300
Corporate Notes			-	-			2,449	2,449
<b>Available for Sale</b>								
Australian Shares		26,834		26,834		24,200		24,200
Property		27,363		27,363		24,817		24,817
Corporate Notes		98,100		98,100		90,193		90,193
Loans	12,041			12,041	14,189			14,189
<b>TOTAL</b>	<b>31,988</b>	<b>152,297</b>	<b>-</b>	<b>184,285</b>	<b>32,660</b>	<b>139,210</b>	<b>2,449</b>	<b>174,319</b>
<b>Financial Liabilities</b>	<b>LEVEL 1 \$ 000's</b>	<b>LEVEL 2 \$ 000's</b>	<b>LEVEL 3 \$ 000's</b>		<b>LEVEL 1 \$ 000's</b>	<b>LEVEL 2 \$ 000's</b>	<b>LEVEL 3 \$ 000's</b>	
<b>Investor's Funds</b>	158,389			158,389	151,408			151,408
<b>TOTAL</b>	<b>158,389</b>	<b>-</b>	<b>-</b>	<b>158,389</b>	<b>151,408</b>	<b>-</b>	<b>-</b>	<b>151,408</b>

Quoted market price represents the fair value as quoted on active markets at 31 December 2014 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 2014. 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	2014	2013
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%	-	-
<b>Change in equity</b>		
Decrease in the market value of unlisted and direct property investments by 10%	(2,736,343)	(2,481,694)
Increase in the market value of unlisted and direct property investments by 10%	2,736,343	2,481,694
<b>Change in profit</b>		
Decrease in the market value of interest rate instruments by 10%	-	-
Increase in the market value of interest rate instruments by 10%	-	-
<b>Change in equity</b>		
Decrease in the market value of interest rate instruments by 10%	(13,008,791)	(12,530,293)
Increase in the market value of interest rate instruments by 10%	13,008,791	12,530,293
<b>Change in profit</b>		
Decrease in the market value of Australian share investments by 25%	-	-
Increase in the market value of Australian share investments by 25%	-	-
<b>Change in equity</b>		
Decrease in the market value of Australian share investments by 25%	(6,708,535)	(6,050,100)
Increase in the market value of Australian share investments by 25%	6,708,535	6,050,100

## ii. Revenue risk

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2014. 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	2014	2013
Decrease in income from interest related investments by 20%	(1,425,463)	(1,475,288)
Increase in income from interest related investments by 20%	1,425,463	1,475,288
<b>Change in equity</b>		
Decrease in income from interest related investments by 20%	(1,425,463)	(1,475,288)
Increase in income from interest related investments by 20%	1,425,463	1,475,288
<b>Change in profit</b>		
Decrease in income from property related investments by 20%	(298,170)	(322,079)
Increase in income from property related investments by 20%	298,170	322,079
<b>Change in equity</b>		
Decrease in income from property related investments by 20%	(298,170)	(322,079)
Increase in income from property related investments by 20%	298,170	322,079
<b>Change in profit</b>		
Decrease in income from Australian share investments by 20%	(285,711)	(290,052)
Increase in income from Australian share investments by 20%	285,711	290,052
<b>Change in equity</b>		
Decrease in income from Australian share investments by 20%	(285,711)	(290,052)
Increase in income from Australian share investments by 20%	285,711	290,052

### iii. Interest rate risk

UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2014. 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	2014	2013
Decrease in average interest rate payable to investors by 1%	1,583,894	1,514,080
Increase in average interest rate payable to investors by 1%	(1,583,894)	(1,514,080)
<b>Change in equity</b>		
Decrease in average interest rate payable to investors by 1%	1,583,894	1,514,080
Increase in average interest rate payable to investors by 1%	(1,583,894)	(1,514,080)
<b>Change in profit</b>		
Decrease in average interest rate receivable from interest related investments by 1%	(1,300,879)	(1,253,029)
Increase in average interest rate receivable from interest related investments by 1%	1,300,879	1,253,029
<b>Change in equity</b>		
Decrease in average interest rate receivable from interest related investments by 1%	(1,300,879)	(1,253,029)
Increase in average interest rate receivable from interest related investments by 1%	1,300,879	1,253,029

### Derivative Financial Instruments

The entity does not use derivative financial instruments

## 22. Restatement of prior period comparative figures

The following prior period comparative figures have been reclassified as follows:

### 2013 Statement of Comprehensive Income

In the 2013 financial report components of *Realised profit / (loss) on sale of assets* and *Gains / (losses) on revaluing available-for-sale financial assets* were misallocated.

	Restated	Original
Realised profit / (loss) on sale of assets	263,081	224,277
Gains / (Losses) on revaluing available-for-sale financial assets	3,712,450	3,751,254
	<b>3,975,531</b>	<b>3,975,531</b>

This change results in 2013 *Profit / (Loss) for the year* increasing by \$38,804 to \$3,389,535.

The increase in *Profit / (Loss) for the year* is offset by an equal reduction in *Gains / (Losses) on revaluing available-for-sale financial assets* resulting in *Total comprehensive income for the year* remaining unchanged for the period.

### 2013 Statement of Financial Position

The prior period misallocation of realised profit / loss on sale has impacted the reported balance of the asset revaluation reserve which has been adjusted in this financial report.

	Restated	Original
Accumulated Funds	14,186,508	14,135,109
Asset Revaluation Reserve	8,707,413	8,758,812
<b>Total Equity</b>	<b>22,893,921</b>	<b>22,893,921</b>

This adjustment has not altered the total reported equity of UC Invest in any prior period.

### 2013 Statement of Changes in Equity

The 2013 items in the *Statement of Changes in Equity* have been adjusted to account for the changes above.

Previously Reported 2013 Amounts	Accumulated Funds	Revaluation Reserve	Total Equity
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)
<b>Balance at 31 December 2013</b>	<b>14,135,109</b>	<b>8,758,812</b>	<b>22,893,921</b>

Restated 2013 Amounts	Accumulated Funds	Revaluation Reserve	Total Equity
Balance at 1 January 2013	11,339,339	6,132,597	17,471,936
Total comprehensive income	3,389,535	3,712,450	7,101,985
Transfer of revaluation reserve on sale	1,137,634	(1,137,634)	-
Transfer of grants to Uniting Church SA	(1,680,000)	-	(1,680,000)
<b>Balance at 31 December 2013</b>	<b>14,186,508</b>	<b>8,707,413</b>	<b>22,893,921</b>

## Components of Restated 2013 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		1,723,067		-		1,756,070
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	4,142,938		759,770		(756,098)		4,146,610
Listed Australian Hybrids	86,215		38,125		(56,069)		68,271
	<b>6,132,597</b>		<b>3,712,450</b>		<b>(1,137,634)</b>		<b>8,707,413</b>

## 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.

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

## 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	
	2014 %	2013 %	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
<b>Financial Assets</b>																
<b>Cash &amp; Cash Equivalents</b>	2.42	1.50	11,428	11,171											11,428	11,171
<b>Trade &amp; Other Receivables</b>	N/A	N/A											1,685	1,340	1,685	1,340
<b>Held to Maturity</b>																
Term Deposits	3.38	3.59			8,807	7,562									8,807	7,562
Corporate Notes	N/A	2.00			-	2,791									-	2,791
<b>Loans &amp; Receivables</b>	4.86	5.38			1,102	7,504	1,192	741	7,266	839	5,942	6,576			15,502	15,660
<b>Available for Sale</b>																
Corporate Notes	5.78	6.19			17,470	17,792	38,860	15,058	15,094	37,361	53,508	45,103			124,932	115,314
Share Investments	N/A	N/A											26,834	24,200	26,834	24,200
Unlisted Property	N/A	N/A											27,363	24,817	27,363	24,817
<b>Total Financial Assets</b>			<b>11,428</b>	<b>11,171</b>	<b>27,379</b>	<b>35,649</b>	<b>40,052</b>	<b>15,799</b>	<b>22,360</b>	<b>38,200</b>	<b>59,450</b>	<b>51,679</b>	<b>55,882</b>	<b>50,357</b>	<b>216,551</b>	<b>202,855</b>
<b>Financial Liabilities</b>																
Investor's Funds	3.80	4.12	48,784	42,532	96,387	88,026	16,603	24,574	2,667	3,245	985	872			165,426	159,249
Trade & Other Payables	N/A	N/A											1,300	1,480	1,300	1,480
<b>Total Financial Liabilities</b>			<b>48,784</b>	<b>42,532</b>	<b>96,387</b>	<b>88,026</b>	<b>16,603</b>	<b>24,574</b>	<b>2,667</b>	<b>3,245</b>	<b>985</b>	<b>872</b>	<b>1,300</b>	<b>1,480</b>	<b>166,726</b>	<b>160,729</b>

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

- a) the financial statements and notes set out on pages 1 to 22 of UC Invest 2014 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 2014 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
- b) there are reasonable grounds to believe that the Fund is able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Uniting Church Investment Committee.



**Michael McClaren**  
Chairperson  
Uniting Church Investment Committee



**Kevin Bengert**  
Member  
Uniting Church Investment Committee

Adelaide  
20 March 2015





## **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 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes 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 the UC Invest by-laws, and for such internal control as the committee determine 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 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 ethical pronouncements.



Edwards Marshall

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF UC INVEST (CONT)**

***Opinion***

In our opinion, the financial report presents fairly, in all material respects, the financial position of UC Invest, as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and UC Invest by-laws.

*Edwards Marshall*

Edwards Marshall  
Chartered Accountants

*BDMorkunas*

Brett Morkunas  
Partner

Adelaide  
South Australia

Dated *20 March 2015*