

UC Invest

December 31

2016

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 2016

	Note	2016 \$	2015 \$
Revenue	2	12,331,925	10,462,803
Expenses	3	(697,743)	(732,219)
Finance costs	4	(6,510,256)	(6,147,437)
OPERATING PROFIT / (LOSS) FOR THE YEAR		5,123,926	3,583,147
Realised profit / (loss) on sale of assets	6	(111,984)	3,244,443
Settlement of legal claims	7	2,520,582	632,758
PROFIT / (LOSS) FOR THE YEAR		7,532,524	7,460,348
OTHER COMPREHENSIVE INCOME			
Items which may be subsequently reclassified to the profit & loss			
Net gain / (loss) on revaluation of available-for-sale investment securities	6	5,977,610	(165,270)
Transfer to income on sale of investment securities	6	(138,720)	(3,222,646)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,371,414	4,072,432

Statement of Financial Position

As at 31 December 2016

	Note	2016 \$	2015 \$
Assets			
Cash & cash equivalents	8	21,563,527	23,389,047
Trade & other receivables	9	2,221,189	1,568,792
Held-to-maturity financial assets	10	14,500,000	8,618,809
Available-for-sale investment securities	11	217,256,178	168,278,493
Loans and advances	12	4,639,388	17,396,598
Property, plant & equipment		-	14,674
Total Assets		260,180,282	219,266,413
Liabilities			
Financial liabilities	13	219,965,596	189,940,812
Trade & other payables	14	873,872	1,157,232
Provision for special grants	15	2,723,240	-
Employee benefits	16	146,084	133,015
Other liabilities	17	25,549	1,368
Total Liabilities		223,734,341	191,232,427
Net Assets		36,445,941	28,033,986
Equity			
Accumulated funds		24,047,530	21,474,465
Asset revaluation reserve	18	12,398,411	6,559,521
Total Equity		36,445,941	28,033,986

Statement of Changes in Equity

For the year to 31 December 2016

	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2015	16,378,568	9,947,437	26,326,005
Profit for the year	7,460,348	-	7,460,348
Other comprehensive income	-	(3,387,916)	(3,387,916)
Distribution to Uniting Church SA	(2,364,451)	-	(2,364,451)
Balance at 31 December 2015	21,474,465	6,559,521	28,033,986
Balance at 1 January 2016	21,474,465	6,559,521	28,033,986
Profit for the year	7,532,524	-	7,532,524
Other comprehensive income	-	5,838,890	5,838,890
Distribution to Uniting Church SA	(2,100,000)	-	(2,100,000)
Special distribution to Uniting Church SA	(2,859,459)	-	(2,859,459)
Balance at 31 December 2016	24,047,530	12,398,411	36,445,941

Statement of Cash Flows

For the year to 31 December 2016

	Note	2016 \$	2015 \$
Cash Flows from Operating Activities			
Receipts		249,570	228,878
Interest received		7,484,393	6,985,043
Distributions received		3,947,548	3,373,713
Payments		(657,759)	(713,854)
Finance costs		(6,807,840)	(6,149,402)
Proceeds from legal claims		2,520,582	632,758
Net cash flows provided by / (used in) operating activities	19	6,736,494	4,357,136
Cash Flows from Investing Activities			
Sale of investments		55,997,766	68,620,241
Purchase of investments		(90,399,235)	(80,977,651)
Net cash flows provided by / (used in) investing activities		(34,401,469)	(12,357,410)
Cash Flows from Financing Activities			
Grants to the Uniting Church SA		(2,236,219)	(2,364,451)
Investments by investors		120,740,164	127,884,111
Withdrawals by investors		(92,664,490)	(105,558,237)
Net cash flows provided by / (used in) financing activities		25,839,455	19,961,423
Net increase / (decrease) in cash held		(1,825,520)	11,961,149
Cash at beginning of year		23,389,047	11,427,898
Cash at End of Year	8	21,563,527	23,389,047

1. Statement of significant accounting policies

The financial report of UC Invest (*"the Fund"*) for the year ended 31 December 2016 was authorised for issue in accordance with a resolution by the members of the Uniting Church Investment Committee (UCIC) on 21 April 2017.

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 SA community. These services include at-call and fixed term investments and a suite of managed funds available to Uniting Church and Churches of Christ SA entities.

Members of the Uniting Church Investment Committee (UCIC) are responsible for the financial management, governance and operations of UC Invest under delegated authority from the Uniting Church SA Resources Board.

The Resources Board is accountable for the oversight and management of the property and financial resources of the Church in South Australia. It acts on behalf of, and is answerable to, the Synod and Presbytery Standing Committee which holds the ultimate responsibility for all activities and functions of the Church in South Australia.

The operations of UC Invest are reported to the Standing Committee via the Resources Board.

Uniting Church Investment Committee Members

Michael McClaren (Non-executive, Chairperson)
Kevin Bengel (Non-executive, Chairperson Audit Committee)
Allison Ashby (Non-executive)
Tom Adams (Non-executive)
Wayne Matters (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.

Any new, revised or amended 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 with its by-laws.

The 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 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 amounts presented in the financial statements are expressed in Australian dollars and have been rounded to the nearest dollar.

Use of judgements and estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about carrying values of assets and liabilities.

The accounting policies which are most sensitive to the use of judgement, estimates and assumptions are described in the following notes:

- Note 1 (c) – Fair value of assets and liabilities
- Note 23 vi) – Fair value
- Note 1 (g) – Impairment

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Summary of significant accounting policies

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 and cash in hand. 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 financial 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 technique. 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 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 financial assets

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 investment securities

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

All assets of the Fund are subject to a continuous management review process to assess whether there is any objective evidence that a financial asset has been impaired. Any impairment losses are recognised in the *Statement of Comprehensive Income*.

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.

For loans and advances issued by UC Invest, each loan is individually assessed on a continuous basis to determine whether there is evidence of impairment.

(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.

	2016	2015
2. Revenue		
Dividends and distributions	4,425,691	3,531,063
Interest received	7,666,815	6,693,385
Management fees received	221,342	226,289
Other income	18,077	12,066
	12,331,925	10,462,803
3. Expenses		
Administration	261,581	318,738
Personnel costs	414,162	401,481
Investment managers retainer	22,000	12,000
	697,743	732,219
4. Finance costs		
Interest paid to investors	6,501,836	6,136,898
Interest paid on bank facilities	8,420	10,539
	6,510,256	6,147,437
5. Auditor's remuneration		
Audit fee paid for UC Invest	10,350	10,150
Audit fees paid for other UC Invest managed funds	3,900	3,806
	14,250	13,956

6. Changes in the value of financial assets

The following have been recognised in the 2016 *Statement of Comprehensive Income*:

Available-for-sale investment securities	Total change in value for the year	Impairment losses	Gain / (Loss) on revaluation	Reversal of prior year revaluation on sale	Realised profit / (loss) on sale
UC Invest Share Fund	627,584	-	627,584	-	-
UC Invest Direct Property Fund	4,006,925	-	4,006,925	-	-
Corporate Notes	488,662	-	765,191	(185,482)	(91,047)
International Equities	173,800	-	173,800	-	-
Listed Australian Hybrids	429,935	-	404,110	46,762	(20,937)
	5,726,906	-	5,977,610	(138,720)	(111,984)

The following have been recognised in the 2015 *Statement of Comprehensive Income*:

Available-for-sale investment securities	Total change in value for the year	Impairment losses	Gain / (Loss) on revaluation	Reversal of prior year revaluation on sale	Realised profit / (loss) on sale
UC Invest Share Fund	(392,973)	-	(392,973)	-	-
UC Invest Direct Property Fund	1,097,595	-	1,097,595	-	-
Corporate Notes	(512,009)	-	(540,245)	(3,178,349)	3,206,585
International Equities	59,679	-	59,679	-	-
Listed Australian Hybrids	(395,765)	-	(389,326)	(44,297)	37,858
	(143,473)	-	(165,270)	(3,222,646)	3,244,443

7. Settlement of legal claims

UC Invest is 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 in 2008 and 2009. The value of these investment products were written-off in previous financial reports.

During 2016 UC Invest received settlement proceeds totalling \$2,520,582 (2015: \$632,758) resulting from these legal claims, as shown in the *Statement of Comprehensive Income*.

It is anticipated that UC Invest will be the recipient of further proceeds however it is currently unclear as to the final value and timing of these payments.

2016

2015

8. Cash and cash equivalents

Cash held at the end of the 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	113,621	66,379
Cash management account	21,449,906	23,322,668
	21,563,527	23,389,047

9. Trade and other receivables

	2016	2015
Sundry debtors	22,526	32,677
Prepayments	12,761	10,730
Accrued interest, distributions & franking credits	2,185,902	1,525,385
	2,221,189	1,568,792

The value reported at trade and other receivables is expected to be received within 12 months.

10. Held to maturity financial assets

Held to maturity financial assets	14,500,000	8,618,809
	14,500,000	8,618,809

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

Refer to note 23 for information regarding the liquidity profile of the Fund's held-to-maturity financial assets.

11. Available for sale investment securities

Available-for-sale investment securities includes investments in various ASX listed securities, unit holdings in other UC Invest managed funds and direct holdings in unlisted fixed income securities.

The market value of ASX listed securities and unit holdings in UC Invest managed funds has been determined using publically available price information or following the managed funds revaluing their assets to fair value at year end.

Unlisted fixed income securities have been revalued using evaluated price information from an independent third party.

Available-for-sale investment securities	Market Value 31/12/15	Purchases	Sales	Total change in value for the year	Market Value 31/12/16
UC Invest Share Fund	21,855,126	3,406,151	-	627,584	25,888,861
UC Invest Direct Property Fund	30,861,020	-	-	4,006,925	34,867,945
Corporate Notes	101,848,419	65,197,203	(25,906,480)	488,662	141,627,804
International Equities	5,044,545	-	-	173,800	5,218,345
Listed Australian Hybrids	8,669,383	3,101,107	(2,547,202)	429,935	9,653,223
	168,278,493	71,704,461	(28,453,682)	5,726,906	217,256,178

Refer to note 23 for information regarding the liquidity profile of the Fund's available-for-sale investment securities.

Refer to note 6 for information regarding realised profit/loss on sale and asset revaluations.

12. Loans and advances

Loans and advances

	2016	2015
	4,639,388	17,396,598
	4,639,388	17,396,598

Loans and advances include secured loans made to separately incorporated Uniting Church agencies of \$4,624,609 and unsecured loans made to ministers and staff of the Uniting Church SA of \$14,779.

Refer to note 23 for information regarding the liquidity profile of the Fund's outstanding loans and advances.

13. Financial liabilities

Investor's funds

	219,965,596	189,940,812
	219,965,596	189,940,812

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

Refer to note 23 for information regarding the liquidity profile of the Fund's financial liabilities.

14. Trade and other payables

Sundry creditors

Accrued interest

	31,751	17,479
	842,121	1,139,753
	873,872	1,157,232

The value reported at trade and other payables is expected to be paid within 12 months.

15. Provision for special grants

During 2016 the UCIC approved and created a one off special grants provision which has been allocated in favour of two priority projects of the Uniting Church SA. It is expected that the value reported in the special grants provision will be paid within 12 months.

Uniting College - Brooklyn Park redevelopment

212 Pirie Street refurbishment

	2,000,000	-
	723,240	-
	2,723,240	-

16. Employee benefits

Annual leave

Long service leave

	28,988	28,887
	117,096	104,128
	146,084	133,015

Current

Non-Current

	144,665	126,395
	1,419	6,620
	146,084	133,015

17. Other liabilities

Investor redemptions payable

	25,549	1,368
	25,549	1,368

The value reported at other liabilities is expected to be paid within 12 months.

18. Asset revaluation reserve

Available-for-sale investment securities	Asset revaluation reserve 31/12/2015 +	Inc / (Dec) in market value + during year	Reversal of prior year revaluation = on sale	Asset revaluation reserve 31/12/2016
UC Invest Share Fund	1,407,630	627,584	-	2,035,214
UC Invest Direct Property Fund	4,380,544	4,006,925	-	8,387,469
Corporate Notes	1,019,598	765,191	(185,483)	1,599,306
International Equities	59,679	173,800	-	233,479
Listed Australian Hybrids	(307,930)	404,110	46,763	142,943
	6,559,521	5,977,610	(138,720)	12,398,411

19. Cash flow information

Reconciliation of cash flow from operations with profit

	2016	2015
Profit / (Loss) for the year before the revaluation of assets	7,532,524	7,460,348
Non-cash items in profit		
Depreciation	14,674	30,323
Realised (profit) / loss on sale of assets	111,984	(3,244,443)
Changes in assets and liabilities		
(Increase) / Decrease in operating receivables	(652,397)	115,932
Increase / (Decrease) in operating payables	(270,291)	(5,024)
Cash flow from operating activities	6,736,494	4,357,136

20. Contingent liabilities and contingent assets

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

UC Invest has been named as a Noteholder defendant in a legal action lodged by Lehman Brothers Special Financing in the United States Bankruptcy Court. This action relates to investment proceeds received by UC Invest at the time Lehman Brothers Holdings commenced Chapter 11 bankruptcy proceedings in the United States. It is currently unclear as to whether this action will proceed further or whether UC Invest has any current obligations as a result of these proceedings.

21. Related party transactions

The Uniting Church Investment Committee administers the UC Invest Share Fund, UC Invest Property Fund and UC Invest Direct Property Fund on behalf of The Uniting Church in Australia Property Trust (S.A.). UC Invest receives fees for managing these investment vehicles as detailed in note 2.

The South Australian Synod of the Uniting Church provides personnel services to UC Invest at the cost detailed in note 3.

Employees, committee members and other entities associated with the Uniting Church SA may hold investments with UC Invest. These investments are lodged on terms no more favourable than would normally be available to any other individual or entity.

22. Risk management

Financial Risk Management Objectives

The Fund is exposed to a range of risks as part of its daily operations. These risks are managed using an enterprise wide approach in line with sound business practice, Australian risk management standards and the UCIC's approved risk appetite, providing the committee with a comprehensive view of its risk profile.

As part of the risk management framework, a risk management strategy is maintained which includes policies and procedures which detail the approach to the management of risk exposures. The risk management strategy includes systems for identification, analysis, evaluation, treatment, monitoring and reporting of risk, is subject to regular review and is responsive to the changing regulatory and operating environments.

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.

The UCIC ensures a sound risk management culture is maintained and embedded in the values and behaviours of the entity. The material financial risks faced by the Fund include market risk, credit risk, interest rate risk, liquidity risk and revenue risk.

i. Market risk

Market risk is the risk of exposure to changes in the market price of financial assets held by the Fund. The UCIC has an approved asset allocation policy which sets out the investment parameters and guidelines applicable to the Fund. The policy aims to mitigate the risks inherent in investment markets by diversifying the Fund's investing activities across multiple asset classes, segments, managers, models and investments.

The diversified investment mix of UC Invest includes some investments that are traded in active markets and regularly fluctuate in value. The Fund's exposure to the Australian share market as at 31 December 2016 was **15.7%** of total assets (31 December 2015: 16.2%).

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 movements.

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

ii. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The UCIC has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

Loans to Uniting Church agencies constitute a minor proportion of the Fund's financial assets (1.8% at 31 December 2016). 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 continue holding unlisted securities which have been subsequently re-rated below BBB+ if the Committee believes that retaining them will produce the best financial outcome in lieu of selling them.

Some smaller ADIs may have an official credit rating lower than BBB+. These securities are approved investments irrespective of their official credit rating.

The table below highlights the exposure to ratings segments as at 31 December 2016 for corporate note investments in the UC Invest financial statements.

Credit Rating	Face Value	Market Value	Cost Base
AAA	12,612,860	12,402,328	12,226,184
AA	8,000,000	8,021,290	8,050,625
AA-	8,616,441	8,804,213	9,033,060
A+	6,510,986	6,803,895	7,013,382
A	12,500,000	12,532,090	11,277,848
A-	9,900,000	9,913,004	9,906,690
BBB+	41,870,000	42,874,404	42,124,508
BBB	25,810,000	26,084,116	26,062,191
BBB-	14,000,000	14,192,464	14,334,010
	139,820,287	141,627,804	140,028,498

iii. 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.

iv. Liquidity risk

Liquidity risk is the risk that UC Invest encounters difficulty meeting the obligations of its financial liabilities which are primarily at-call and fixed term debentures issued to individuals, congregations and organisations of the Uniting Church SA.

The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

UC Invest has policies, systems and structures in place to measure, monitor and manage liquidity risk. Investor account data is reviewed regularly to predict cash flow requirements of investor obligations.

The Fund uses a range of products to ensure it has adequate liquid resources to ensure payment of these obligations. These include at-call and short term deposits held with Authorised Deposit-Taking Institutions (ADIs) and access to a standby credit facility with a major Australian bank. These products combined with regular reporting and monitoring of assets and liabilities manages the risks involved.

The following tables summarise the maturity profile of the Fund's financial assets and liabilities.

2016 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	21,563,527						21,563,527
Held to maturity financial assets		9,500,000	5,000,000				14,500,000
Corporate Notes		1,005,240	10,221,654	127,756,850	2,644,060		141,627,804
UC Invest Share Fund						25,888,861	25,888,861
UC Invest Direct Property Fund						34,867,945	34,867,945
International Equities						5,218,345	5,218,345
Listed Australian Hybrids						9,653,223	9,653,223
Loans and advances		313,787	1,040,270	1,740,379	1,544,952		4,639,388
Total financial assets	21,563,527	10,819,027	16,261,924	129,497,229	4,189,012	75,628,374	257,959,093

2016 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	82,479,876	23,243,870	94,746,801	19,495,049	-	-	219,965,596
Total financial liabilities	82,479,876	23,243,870	94,746,801	19,495,049	-	-	219,965,596

2015 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	23,389,047						23,389,047
Held to maturity financial assets		7,618,809	1,000,000				8,618,809
Corporate Notes		3,003,210	9,195,250	79,607,316	10,042,643		101,848,419
UC Invest Share Fund						21,855,126	21,855,126
UC Invest Direct Property Fund						30,861,020	30,861,020
International Equities						5,044,545	5,044,545
Listed Australian Hybrids						8,669,383	8,669,383
Loans and advances		301,461	12,776,321	2,253,836	2,064,980		17,396,598
Total financial assets	23,389,047	10,923,480	22,971,571	81,861,152	12,107,623	66,430,074	217,682,947

2015 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	> 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	48,582,620	41,149,002	65,781,133	34,428,057	-	-	189,940,812
Total financial liabilities	48,582,620	41,149,002	65,781,133	34,428,057	-	-	189,940,812

v. 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.

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 2016				Year Ended 31 December 2015			
	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	21,564			21,564	23,389			23,389
Held to Maturity								
Term Deposits	14,500			14,500	8,619			8,619
Available for Sale								
Australian Shares		35,542		35,542		30,525		30,525
International Equities		5,218		5,218		5,045		5,045
Property		34,868		34,868		30,861		30,861
Corporate Notes		141,628		141,628		101,848		101,848
Loans & Advances								
Loans	4,639			4,639	17,396			17,396
TOTAL	40,703	217,256	-	257,959	49,404	168,279	-	217,683

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	219,966			219,966	189,941			189,941

- Quoted market price represents the fair value as quoted on active markets at 31 December 2016 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 2016. 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	2016	2015
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%	(3,486,795)	(3,086,102)
Increase in the market value of unlisted and direct property investments by 10%	3,486,795	3,086,102
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%	(14,162,780)	(10,184,842)
Increase in the market value of interest rate instruments by 10%	14,162,780	10,184,842
Change in profit		
Decrease in the market value of listed securities by 25%	-	-
Increase in the market value of listed securities by 25%	-	-
Change in equity		
Decrease in the market value of listed securities by 25%	(10,190,107)	(8,892,264)
Increase in the market value of listed securities by 25%	10,190,107	8,892,264

ii. Revenue risk

UC Invest has performed a sensitivity analysis relating to its exposure to revenue risk as at 31 December 2016. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2016	2015
Change in profit		
Decrease in income from interest related investments by 20%	(1,533,363)	(1,338,677)
Increase in income from interest related investments by 20%	1,533,363	1,338,677
Change in equity		
Decrease in income from interest related investments by 20%	(1,533,363)	(1,338,677)
Increase in income from interest related investments by 20%	1,533,363	1,338,677
Change in profit		
Decrease in income from property related investments by 20%	(363,579)	(367,620)
Increase in income from property related investments by 20%	363,579	367,620
Change in equity		
Decrease in income from property related investments by 20%	(363,579)	(367,620)
Increase in income from property related investments by 20%	363,579	367,620
Change in profit		
Decrease in income from listed securities by 20%	(521,559)	(338,593)
Increase in income from listed securities by 20%	521,559	338,593
Change in equity		
Decrease in income from listed securities by 20%	(521,559)	(338,593)
Increase in income from listed securities by 20%	521,559	338,593

iii. Interest rate risk

UC Invest has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2016. 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	2016	2015
Decrease in average interest rate payable to investors by 1%	2,199,656	1,899,408
Increase in average interest rate payable to investors by 1%	(2,199,656)	(1,899,408)
Change in equity		
Decrease in average interest rate payable to investors by 1%	2,199,656	1,899,408
Increase in average interest rate payable to investors by 1%	(2,199,656)	(1,899,408)
Change in profit		
Decrease in average interest rate receivable from interest related investments by 1%	(1,823,307)	(1,512,529)
Increase in average interest rate receivable from interest related investments by 1%	1,823,307	1,512,529
Change in equity		
Decrease in average interest rate receivable from interest related investments by 1%	(1,823,307)	(1,512,529)
Increase in average interest rate receivable from interest related investments by 1%	1,823,307	1,512,529

Derivative Financial Instruments

The entity does not use derivative financial instruments

23. Events subsequent to reporting date

On 1 January 2017 a new legislative instrument issued by ASIC relating to charitable investment fundraising came into effect impacting the operations of UC Invest. A technical breach of the new exemption conditions occurred due to an Identification Statement being lodged but not accepted by ASIC prior to 1 March 2017.

As a consequence of this breach, it is possible that the Regulator could impose a financial penalty on UC Invest, however the amount of any penalty cannot be reliably estimated at this time.

Based on the legal advice obtained by UC Invest it is expected that the most likely outcome is one of no action by the Regulator. Accordingly, the expectation is that investors will not suffer any adverse impacts through the 2017 transitional period.

On the date of signing the financial statements, the Identification Statement for UC Invest had been accepted by ASIC. The UCIC and management continue to work constructively with the Regulator.

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

24. 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.).

25. 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	
	2016 %	2015 %	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Financial Assets																
Cash & Cash Equivalents	1.91	2.56	21,564	23,389											21,564	23,389
Trade & Other Receivables	N/A	N/A											2,221	1,569	2,221	1,569
Held to Maturity																
Term Deposits	2.64	2.81			14,883	8,861									14,883	8,861
Loans & Receivables	3.65	4.57			767	846	750	13,512	747	675	3,162	6,095			5,426	21,128
Available for Sale																
Corporate Notes	4.87	5.27			17,645	15,348	17,962	18,037	38,133	7,922	104,831	105,738			178,571	147,045
Share Investments	N/A	N/A											35,542	30,525	35,542	30,525
Unlisted Property	N/A	N/A											34,868	30,861	34,868	30,861
International Equities	N/A	N/A											5,218	5,045	5,218	5,045
Total Financial Assets			21,564	23,389	33,295	25,055	18,712	31,549	38,880	8,597	107,993	111,833	77,849	68,000	298,293	268,423
Financial Liabilities																
Investor's Funds	2.83	3.41	84,246	49,830	122,460	112,157	12,571	29,500	5,519	3,810	2,481	2,791			227,277	198,088
Trade & Other Payables	N/A	N/A											3,769	1,292	3,769	1,292
Total Financial Liabilities			84,246	49,830	122,460	112,157	12,571	29,500	5,519	3,810	2,481	2,791	3,769	1,292	231,046	199,380

Note: The amounts presented above represent principal and interest cash flows and may differ when compared to the carrying amount reported on the Statement of Financial Position.

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 2016 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 2016 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 Bengier
Chairperson Audit Committee
Uniting Church Investment Committee

Adelaide
21 April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UC INVEST

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of UC Invest, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration of the Uniting Church Investment Committee ("the Committee").

In our opinion, the accompanying financial report of UC Invest is in accordance with the Australian Accounting Standards and the UC Invest by-laws; including:

- (i) presenting fairly, in all material respects, the financial position of UC Invest, as at 31 December 2016, and of its financial performance for the year then ended; and
- (ii) complying with International Financial Reporting Standards as disclosed in Note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Uniting Church Investment Committee's responsibility for the financial report

The Committee is responsible for the fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the Committee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UC INVEST (CONT)***Auditor's responsibility for the audit of the financial report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee.
- Conclude on the appropriateness of the Committee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Nexia Edwards Marshall
Chartered Accountants

Adelaide
South Australia



Brett Morkunas
Partner

Dated 21 April 2017