

# **UCA CASH MANAGEMENT FUND LIMITED**

**ABN 41 075 948 444**

**Annual report for the year ended 31 December 2015**

## **UCA CASH MANAGEMENT FUND LIMITED**

**A company limited by guarantee and domiciled in the State of Victoria in Australia.**

**The company is incorporated in Australia.**

**The registered office is: 130 Little Collins Street  
Melbourne  
Victoria  
Australia 3000**

**Auditor: Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne  
Victoria  
Australia 3000**

# **UCA CASH MANAGEMENT FUND LIMITED**

**ABN 41 075 948 444**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2015**

The Directors present their report on the financial statements of the UCA Cash Management Fund Limited for the year ended 31 December 2015.

### **GENERAL INFORMATION**

UCA Enhanced Cash Portfolio is the investment portfolio which operates within the legal entity UCA Cash Management Fund Limited (the "Company"). Investment in the Company is available to Uniting Church congregations, organisations and agencies and other not-for-profit organisations with a religious, educational or charitable purpose that are registered as Tax Concession Charities. The Company seeks to operate at a low cost and to provide both competitive returns to investors and an annual grant to The Uniting Church in Australia, Synod of Victoria and Tasmania. All investments are made within the ethical investment guidelines of the Uniting Church in Australia, Synod of Victoria and Tasmania.

The Company is exempt from the fundraising, managed investment and licensing provisions of the Corporations Act under Class Order 02/184. The Company has been accordingly registered by the Australian Securities and Investments Commission. The Company is also exempt from the Banking Act 1959 by virtue of APRA Banking Exemption No 1 of 2006.

### **PRINCIPAL ACTIVITIES**

The Company's principal and continuing activities during the year consisted of:

- (a) Providing an investment medium for congregations, programs, presbyteries and agencies of The Uniting Church in Australia; and
- (b) Providing an investment medium for other non-profit organisations with a religious, charitable or educational purpose.

There were no significant changes in the nature of the Company's activities during the year.

### **COMPANY CONSTITUTION/INVESTMENT STRATEGY**

The Company is structured to provide a higher interest yield than traditional cash management trusts.

The Company may hold short term money market securities, discount securities, securities that are issued and guaranteed by the Commonwealth or any state or territory government, corporate debt and cash at bank. The Company may also hold longer dated securities including debentures, corporate bonds, preference shares, convertible preference shares, commercial mortgages and community impact loans.

Investor funds are intended to be accepted into the Company for a reasonable period of time. The Company is not designed for use as an 'overnight' money market operation.

## **RESULTS**

Net operating profit of the Company for the year ended 31 December 2015 was \$11,618,000 (2014: \$25,616,000) prior to distributing \$21,382,000 (2014: \$23,976,000) to investors.

## **REVIEW OF OPERATIONS**

Funds under management decreased by 2.6% during the year to \$633,646,000 at 31 December 2015 (2014: \$650,817,000). Interest was distributed to investors at the rate of 3.60% per annum at 30 June 2015 and 3.00% per annum at 31 December 2015.

The total management fee and expense recovery charged during the reporting period was \$4,884,000 (2014: \$4,732,000) which is calculated at 0.70% per annum (2014: 0.80%) of the net funds under management at the end of each month. The management fee comprised of the following; operating costs of the Company were \$3,190,000 (2014: \$2,996,000) and a grant of \$1,694,000 (2014: \$1,736,000) was paid to The Uniting Church in Australia, Synod of Victoria and Tasmania during the year ended 31 December 2015. The grant is a contribution to the mission of the Church and forms part of the management fee.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During 2015 the Company was required to inform existing investors that the capital guarantee provided by The Uniting Church in Australia Property Trust (Victoria) would cease to exist. As a result of this change the Portfolio was renamed the UCA Enhanced Cash Portfolio (previously the UCA Capital Guaranteed Enhanced Cash Portfolio). In the Directors' opinion, there were no other significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

## **MATTERS SUBSEQUENT TO THE END OF THE YEAR**

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Further information on likely developments in the operations of the Company and the expected results of operations of the Company has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

## **ENVIRONMENTAL REGULATION**

The Company is not subject to any particular or significant environmental regulation under Commonwealth, State or Territory law.

## DIRECTORS

The following directors held office at the date of this report and have held office throughout the financial year (except where indicated) and since the end of the financial year up to the date of this report.

|               |  |
|---------------|--|
| R J Carter    | Non-Executive Director<br>Chairperson – Board of Directors   |
| J C Bell      | Non-Executive Director   |
| D Cousins     | Non-Executive Director – Appointed 1 February 2016   |
| J Etherington | Non-Executive Director<br>Deputy Chairperson – Board of Directors<br>Chairperson – Audit, Risk & Compliance Committee<br>Chairperson – Remuneration & Nomination Committee |
| D F Hawkey    | Non-Executive Director   |
| L R Mann      | Non-Executive Director<br>Chairperson – Due Diligence Committee  |
| T C McCredden | Non-Executive Director   |
| R G Moore     | Non-Executive Director – Retired 1 December 2015   |
| M Walsh       | Executive Director   |
| D A Watson    | Non-Executive Director – Appointed 1 February 2016   |
| G E Wilson    | Non-Executive Director<br>Chairperson - Investment Committee   |

## INFORMATION ON DIRECTORS

### **Mr Richard John Carter AM CitWA, B Com, FTSE, FAusIMM, FAIM, FAICD**

Non-executive Director and Chairperson. He is a former Chair of Prahran Mission-UnitingCare, a former Director of BHP Gold Mines Ltd, North Ltd, Orbital Engine Group, Marion Energy Ltd and ERA Ltd, former Chair of Consolidated Minerals Ltd, Macmahon Holdings Ltd, Ticor Ltd and a former Chief Executive Officer of BHP Minerals. He is an active member of The Uniting Church in Australia and is Chair of the Church Council at Stonnington Community UC, East Malvern and an elected member of the Synod of Victoria and Tasmania Standing Committee.

### **Ms Jane Bell B Ec, LLB, LLM, FAICD**

Non-executive Director. She is a banking and finance lawyer with more than 22 years' experience in senior roles in leading law firms, financial services and corporate treasury operations gained living in Australia, UK, Canada and USA. Since 2002, she has held a number of directorship positions, and is currently a Non-executive Director of Royal Melbourne Hospital (Melbourne Health) and a former Non-executive Director of Worksafe Victoria and Monash Institute of Medical Research-Prince Henry's Institute of Medical Research.

### **Dr David Cousins AM PhD – appointed 1 February 2016**

Non-executive Director. He is an economist and Adjunct Professor with the Centre for Regulatory Studies, Faculty of Law, Monash University, was recently Commissioner of the Taxi Industry Inquiry and has served as Director of Consumer Affairs Victoria. Prior to this he served as a Commissioner of the Australian Competition and Consumer Commission and Chairman and Member of the Prices Surveillance Authority. He has worked in private consulting as a Director of KPMG Consulting. He is an active member of The Uniting Church in Australia.

### **Mr John Etherington B Ec, FCA, FAICD**

Non-executive Director. He is a Director of Pental Limited, a Director of the National Heart Foundation and President of its Victorian Division, a member of the Finance Committee of The Uniting Church in Australia (Synod of Victoria and Tasmania) and a co-trustee of the Ian Rollo Currie Foundation. He is a former Assurance and Advisory Partner of Deloitte.

**Mr Daryl F Hawkey FFin**

Non-executive Director. He is the former Chair of UnitingCare Prahran Mission, a former Executive Director of Rothschild Australia Asset Management Limited, a former principal of Cameron Ralph Pty Ltd and a former Director of Hancock Natural Resources Group Australasia Pty Limited, Intech Fiduciaries Limited, the Financial Services Council (FSC), the Financial Industry Complaints Service Limited and State Trustees Limited. He is also a former member of the Compliance Committees of Antares Capital Partners Ltd, Principal Global Investors (Australia) Limited and Spark Infrastructure Group and Chair of the BlackRock Investment Management (Australia) Limited, Compliance Committee. He is an active member of The Uniting Church in Australia, a member of the Synod of Victoria and Tasmania and a member of the Forest Hill Church Council.

**Mr Lindsay R Mann BA, FIAA, GAICD**

Non-executive Director. He is a Fellow of the Actuaries Institute and brings 40 years financial services experience to the role. He has held a number of senior executive positions in funds management, wealth management and life insurance across Asia, Australia and New Zealand. Since retiring as Regional Head, Asia, of First State Investments in 2010, he has been a Non-executive Director for a number of investment companies and funds in Asia and Australia. He currently holds a directorship with WAM Capital Limited and is a member of the AMP Capital China Growth Fund Advisory Committee.

**Mr Terry C McCredden B Com (Honours)**

Non-executive Director. He has undertaken management courses at Wharton Business School USA & London Business School. He is a former CEO of UniSuper and Telstra Super. He is Chairman of Infradebt, an infrastructure debt manager and is an independent director on 3 Trustee Boards of the NAB/MLC group. He is also a member of an international advisory board for DC Placement Advisers Ltd based in Munich, Germany. He is Chair of the Leadership Group of Northern Community Church of Christ, his local church.

**Mr Richard G Moore BA Hons, FCA – retired 1 December 2015**

Non-executive Director. He is Chair of the City of Melbourne Audit Committee, a member of the Audit and Risk Committee of the Salvation Army Southern Territory, an external Consultant member of the Audit and Risk Committee of the Rural Workforce Agency Victoria Limited. Formerly, he was the Group General Manager, Audit of the Australia and New Zealand Banking Group Limited and prior to that a partner of PricewaterhouseCoopers, where he specialised in Corporate Governance, Risk Management and Internal Audit advisory services.

**Mr Michael Walsh M Com**

Executive Director, Chief Executive Officer. He is the former Risk Manager, Head of Responsible Investment Research and Interim Chief Executive Officer of Hunter Hall International Limited. He has over 40 years combined business, academic and financial services experience and possesses more than 15 years in the responsible investment sector as a consultant, publisher, director and senior executive. He is a Non-executive Director of Smallco Investment Manager Limited.

**Mr David A Watson B Com FCA GAICD – appointed 1 February 2016**

Non-executive Director. David has been a Chartered Accountant since 1983. David was a Partner at Deloitte for 20 years, specialising in providing assurance, transaction and advisory services to fast growing mid cap ASX companies and large private companies primarily in the manufacturing, retail and services industries. David retired from Deloitte after 33 years in May 2013 (at which time Deloitte was the auditor of the Company).

**Ms Gayle Wilson MBus Marketing, Grad Dip Marketing, Dip T**

Non-executive Director. She is currently a Director of the Kagus Group Pty Ltd. Formerly, she was CEO of Berndale Securities Ltd, a Director of Merrill Lynch and Citigroup, and a former member of the Finance & Investment Committee for the Brotherhood of St Laurence.

## DIRECTORS' SHAREHOLDINGS

No director held shares or invested in the Company during the year ended 31 December 2015 (2014: Nil).

## MEETINGS OF DIRECTORS

|               | Meeting of Directors |   | Audit, Risk & Compliance Committee |   | Investment Committee |   | Remuneration & Nominations Committee |   | Due Diligence Committee |   |
|---------------|----------------------|---|------------------------------------|---|----------------------|---|--------------------------------------|---|-------------------------|---|
|               | A                    | B | A                                  | B | A                    | B | A                                    | B | A                       | B |
| R J Carter    | 7                    | 7 | *                                  | * | 4                    | 3 | 5                                    | 5 | *                       | * |
| J C Bell      | 7                    | 6 | 5                                  | 5 | *                    | * | *                                    | * | 5                       | 5 |
| D Cousins     | *                    | * | *                                  | * | *                    | * | *                                    | * | *                       | * |
| J Etherington | 7                    | 7 | 5                                  | 5 | *                    | * | 1                                    | 1 | *                       | * |
| D F Hawkey    | 7                    | 6 | 5                                  | 4 | *                    | * | 5                                    | 4 | *                       | * |
| L R Mann      | 7                    | 6 | *                                  | * | 4                    | 4 | *                                    | * | 5                       | 5 |
| T C McCredden | 7                    | 7 | *                                  | * | 4                    | 3 | *                                    | * | *                       | * |
| R G Moore     | 6                    | 6 | 5                                  | 5 | *                    | * | *                                    | * | 5                       | 5 |
| M Walsh       | 7                    | 7 | *                                  | * | *                    | * | 5                                    | 5 | *                       | * |
| D Watson      | *                    | * | *                                  | * | *                    | * | *                                    | * | *                       | * |
| G E Wilson    | 7                    | 5 | *                                  | * | 4                    | 4 | 5                                    | 5 | *                       | * |

A = Number of meetings held during the time the director held office or was a member of the committee during the financial year

B = Number of meetings attended

\* = Not a member of the relevant committee during the financial year

## INFORMATION ON COMPANY SECRETARIES

### Ms Leeanne Lukaitis B Bus, ASA

Joint Company Secretary. Ms Lukaitis also fills the role of Financial Accountant.

### Mr John Dennison Graduate Certificate in Compliance Management and Associate Diploma of Business (Accounting)

Joint Company Secretary. Mr Dennison also fills the role of Risk & Compliance Manager.

## INSURANCE OF OFFICERS AND AUDITORS

Under clause 4.11.2 of the Regulations, a member of a Church Council or other body responsible for the management and administration of property shall be indemnified against liability for any matter or thing done or liability incurred in the performance of functions as a member thereof except in the case of fraud, criminal act, gross negligence or wilful misconduct.

As a matter of commercial prudence the Church has paid a premium in respect of an Directors and Officers Insurance contract that covers a "member" as defined, in respect to clause 4.11.2, in the Regulations, against any liability arising in or out of the conduct of the business of the Church and the proper performance of any duty of that "member". Due to confidentiality undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.


## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the directors' reports and financial statements. Amounts have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

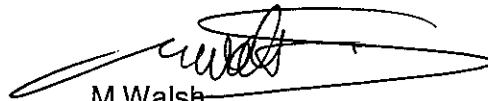
## AUDITORS' INDEPENDENCE DECLARATION

Auditors' Independence declaration as required by section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in Melbourne on 19 April 2016 in accordance with a resolution of directors.



R J Carter  
Director



M Walsh  
Director



The Board of Directors  
UCA Cash Management Fund Limited  
130 Little Collins Street  
MELBOURNE VIC 3000

19 April 2016

Dear Board Members

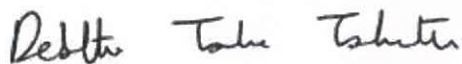
**UCA Cash Management Fund Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of UCA Cash Management Fund Limited.

As lead audit partner for the audit of the financial statements of UCA Cash Management Fund Limited for the financial year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit and
- (ii) any applicable code of professional conduct in relation to the audit .

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

## Independent Auditor's Report to the Investors of UCA Cash Management Fund Limited

We have audited the accompanying financial report of UCA Cash Management Fund Limited (the "Company"), which comprises the statement of financial position as at 31 December 2015, the statement profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 12 to 32.

### *Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *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 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 Company's preparation of the financial report that gives a true and fair view, 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of UCA Cash Management Fund Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

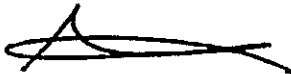
## *Opinion*

In our opinion:

- (a) the financial report of UCA Cash Management Fund Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants  
Melbourne, 19 April 2016

**UCA CASH MANAGEMENT FUND LIMITED**  
**DIRECTORS' DECLARATION**

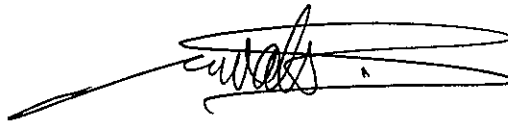
In the Directors' opinion:

- (a) the financial statements and notes of the Company set out on pages 13 to 31:
  - (i) comply with Australian Accounting Standards, the Corporations Act 2001, and other mandatory professional reporting requirements;
  - (ii) present fairly the Company's financial position as at 31 December 2015 and its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
  - (iii) comply with International Financial Reporting Standards.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



R J Carter  
Director



M Walsh  
Director

Melbourne

19 April 2016

**UCA CASH MANAGEMENT FUND LIMITED**  
**Statement of Profit and Loss and other Comprehensive Income**

**For the year ended 31 December 2015**

|  | Notes | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|--|-------|------------------------|------------------------|
| <b>Investment income</b>   |       |                        |                        |
| Interest income  | 4a    | 28,075                 | 28,748                 |
| Net gains /(losses) on financial assets at fair value through profit or loss | 4b    | (11,526)               | 1,654                  |
| <b>Total investment income</b>   |       | <b>16,549</b>          | <b>30,402</b>          |
| <b>Expenses</b>  |       |                        |                        |
| Management fee – related party   | 7a    | 4,884                  | 4,732                  |
| Other operating expenses   |       | 47                     | 54                     |
| <b>Total operating expenses</b>  |       | <b>4,931</b>           | <b>4,786</b>           |
| <b>Net operating profit before finance costs</b>                             |       | <b>11,618</b>          | <b>25,616</b>          |
| <b>Finance costs</b>   |       |                        |                        |
| Interest paid to investors   | 5     | 21,382                 | 23,976                 |
| <b>Net profit/(loss) for the year</b>  |       | <b>(9,764)</b>         | <b>1,640</b>           |
| <b>Other comprehensive income for the year</b>                               |       |                        |                        |
| Other comprehensive income for the year                                      |       | -                      | -                      |
| <b>Total comprehensive income/(loss) for the year</b>                        |       | <b>(9,764)</b>         | <b>1,640</b>           |

The above Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

# UCA CASH MANAGEMENT FUND LIMITED

## Statement of Financial Position As at 31 December 2015

|   | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Assets</b>   |       |                |                |
| Cash & cash equivalents                               | 10a   | 225,031        | 138,948        |
| Term Deposits   |       | 99,000         | 141,000        |
| Accrued income  |       | 6,048          | 5,353          |
| Financial assets at fair value through profit or loss |       |                |                |
| Mortgage backed securities                            |       | 2,038          | 5,490          |
| Floating rate notes                                   |       | 47,108         | 88,032         |
| Hybrid Securities                                     |       | 108,206        | 143,987        |
| Receivables   |       |                |                |
| Secured mortgages                                     |       | 111,500        | 107,451        |
| Loans to church bodies                                |       | 34,715         | 20,556         |
| <b>Total assets</b>                                   |       | <b>633,646</b> | <b>650,817</b> |
| <b>Liabilities</b>                                    |       |                |                |
| Amounts payable to investors:                         |       |                |                |
| External investors                                    |       | 479,074        | 470,902        |
| Related parties                                       | 7b    | 150,513        | 166,092        |
| <b>Total liabilities</b>                              |       | <b>629,587</b> | <b>636,994</b> |
| <b>Net assets</b>                                     |       | <b>4,059</b>   | <b>13,823</b>  |
| <b>Equity</b>   |       |                |                |
| Contributed equity                                    |       | -              | -              |
| Accumulated Reserve                                   | 6     | 4,059          | 13,823         |
| <b>Total equity</b>                                   |       | <b>4,059</b>   | <b>13,823</b>  |

The above Statement of Financial Position sheet should be read in conjunction with the accompanying notes

# UCA CASH MANAGEMENT FUND LIMITED

## Statement of Cash Flows

For the year ended 31 December 2015

|   | Notes | 2015<br>\$'000  | 2014<br>\$'000   |
|---|-------|-----------------|------------------|
| <b>Cash flows from operating activities</b>                 |       |                 |                  |
| Interest income   |       | 29,355          | 28,687           |
| Proceeds from the sale of financial assets                  |       | 205,615         | 28,512           |
| Payments for the purchase of financial assets               |       | (115,167)       | (198,745)        |
| Management fee paid   |       | (4,884)         | (4,732)          |
| Other operating expenses paid                               |       | (47)            | (54)             |
| <b>Net cash inflow/(outflow) from operating activities</b>  | 10b   | <b>114,872</b>  | <b>(146,332)</b> |
| <b>Cash flows from financing activities</b>                 |       |                 |                  |
| Interest paid to investors                                  |       | (9,052)         | (10,379)         |
| Investor applications received                              |       | 577,117         | 644,833          |
| Investor redemptions paid                                   |       | (596,854)       | (561,074)        |
| <b>Net cash inflow/(outflow) from financing activities</b>  |       | <b>(28,789)</b> | <b>73,380</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b> |       | <b>86,083</b>   | <b>(72,952)</b>  |
| <b>Cash and cash equivalents at beginning of year</b>       |       | <b>138,948</b>  | <b>211,900</b>   |
| <b>Cash and cash equivalents at end of year</b>             | 10a   | <b>225,031</b>  | <b>138,948</b>   |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

**UCA CASH MANAGEMENT FUND LIMITED**  
**Statement of changes in equity**

**For the year ended 31 December 2015**

|  | <b>Share<br/>Capital<br/>\$'000</b> | <b>Accumulated<br/>Reserve<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|-------------------------------------|---|-------------------------|
| <b>Balance at 1 January 2014</b>               | -                                   | 12,183                                    | 12,183                  |
| Net profit for the year                        | -                                   | 1,640                                     | 1,640                   |
| Other comprehensive income for the year        | -                                   | -   | -                       |
| <b>Total comprehensive income for the year</b> | -                                   | <b>1,640</b>                              | <b>1,640</b>            |
| <b>Balance at 1 January 2015</b>               | -                                   | <b>13,823</b>                             | <b>13,823</b>           |
| Net profit/(loss) for the year                 | -                                   | (9,764)                                   | (9,764)                 |
| Other comprehensive income for the year        | -                                   | -   | -                       |
| <b>Total comprehensive income for the year</b> | -                                   | <b>(9,764)</b>                            | <b>(9,764)</b>          |
| <b>Balance at 31 December 2015</b>             | -                                   | <b>4,059</b>                              | <b>4,059</b>            |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes



## UCA CASH MANAGEMENT FUND LIMITED

### Notes to the financial statements for the year ended 31 December 2015

#### NOTE 1: GENERAL INFORMATION

- (a) This general purpose financial report covers the legal entity of UCA Cash Management Fund Limited (the "Company"). The registered office is 130 Little Collins Street, Melbourne, Victoria 3000.

The financial statements were authorised for issue by the Directors on 19 April 2016. The Directors have the power to amend and reissue the financial report.

The Company does not guarantee an income stream or return on capital.

(b) **Investors**

Related investors include UCA Funds Management Limited, UCA Growth Fund Limited, Uniting Growth Fund, the Development Fund, the Funeral Fund and the Ministers Home Endowment Fund, which are managed by UCA Funds Management Limited. External investors represent Uniting Church bodies and other not-for-profit organisations. Investor funds are available within 24 hours and are therefore classified as financial liabilities.

During 2015 the Company was required to inform existing investors that the capital guarantee provided by The Uniting Church in Australia Property Trust (Victoria) would cease to exist. As a result of this change the Portfolio was renamed the UCA Enhanced Cash Portfolio (previously the UCA Capital Guaranteed Enhanced Cash Portfolio).

(c) **Loans**

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money directly to a debtor with no intention of selling the receivable. These loans are interest bearing.

Loans are valued at the amount provided less any principal repayments adjusted for the amortised cost using the effective interest rate and impairment losses.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) **Basis of Preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

*Compliance with International Financial Reporting Standards (IFRS)*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Company, comprising the financial statements and notes hereto complies with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value with changes in fair value recognised through the statement of comprehensive income.

**(b) Investment Income**

Interest income is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, management of the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

**(c) Financial assets**

Classification

Certain financial instruments are designated at fair value through profit or loss. These include financial assets that are not held for trading purposes and which may be sold. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

Measurement

Financial assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

The fair value of financial assets traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for future selling costs. Financial assets are priced at bid prices. In the absence of quoted values financial assets are valued by other financial institutions using appropriate redemption yields.

Recognition/derecognition

The Company recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all risks and rewards of ownership.

**(d) Receivables**

Receivables comprise loans and secured mortgages advanced to congregations and other Church organisations. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are measured at amortised cost using the effective interest rate method.

Interest income is accrued at the balance sheet date from the date of last payment, using the effective interest method.

**(e) Impairment of financial assets**

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

- (f) **Cash and cash equivalents**  
Cash and cash equivalents include cash on hand, deposits held at call at banks and other short-term highly liquid investments.
- Payments and receipts relating to the purchase of investment securities are classified as cash flows from operating activities, as movements in the fair value in these securities represent the Company's main income generating activity.
- (g) **Foreign currency translation**  
*Functional and presentation currency*  
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates its functional currency. This is the Australian dollar, which reflects the currency of the economy in which the Company operates. The Australian dollar is also the Company's presentation currency.
- Transactions and balances*  
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.
- The Company does not isolate the portion of gains or losses on securities that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.
- (h) **Interest paid to investors**  
The Company pays interest to investors at the rate determined by the Board. Interest is recognised as an expense in the statement of comprehensive income. Interest is payable to investors on 30 June and 31 December.
- (i) **Income Tax**  
UCA Cash Management Fund Limited is exempt from Income Tax under Section 50-5 of the Income Tax Assessment Act 1997.
- (j) **Goods and Services Tax (GST)**  
Where applicable, GST incurred by the Company, that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST in their value.
- The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as a receivable or payable in the balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.
- (k) **Use of estimates**  
There have not been any critical accounting judgements or estimations made in the preparation of the financial statements for the year ended.

**(l) New accounting standards and interpretations**

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operation and that are effective for the current reporting period. The adoption of these Standards has not had a material impact on the Company.

**New Accounting Standards that have been issued but are not yet effective have not been adopted during the reporting period.**

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing policies. The Company does not intend to adopt any of these pronouncements before their effective dates. They include;

**AASB 9 'Financial Instruments'** (December 2009) and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure', AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' Effective from 1 January 2017

**AASB 15 'Revenue from Contracts with Customers'** (December 2014) and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' Effective from 1 January 2017

**AASB 9 'Financial Instruments'** (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure', AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' Effective from 1 January 2017

**(m) Critical accounting judgments and key sources of estimation uncertainty**

There have not been any critical accounting judgments or estimations made in preparing the financial statements for the year ended 31 December 2015.

**NOTE 3: COMPANY COMMENCEMENT**

The Company commenced operating in July 1985 to provide a low cost financial product to tax concession charities and not-for-profit organisations. On 11 October 1996 UCA Cash Management Fund Limited was created as the legal entity to manage the UCA Enhanced Cash Portfolio.

**NOTE 4:**

**(a) INTEREST INCOME**

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>Interest income is in respect of the following financial assets:</b> |                |                |
| Cash & cash equivalents   | 4,024          | 2,183          |
| Term Deposits   | 4,827          | 7,716          |
| Mortgage backed and floating rate notes                                 | 5,711          | 5,577          |
| Hybrids   | 6,084          | 5,785          |
| Secured mortgages & loans   | 7,429          | 7,487          |
|   | <u>28,075</u>  | <u>28,748</u>  |

**(b) NET GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|                           | 2015<br>\$'000  | 2014<br>\$'000 |
|---------------------------|-----------------|----------------|
| Realised gains/(losses)   | (2,498)         | 882            |
| Unrealised gains/(losses) | (9,028)         | 772            |
|                           | <u>(11,526)</u> | <u>1,654</u>   |

**NOTE 5: INTEREST PAID**

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Interest paid for the six months ended 30 June     | 11,755         | 11,375         |
| Interest paid for the six months ended 31 December | 9,627          | 12,601         |
| Total for the year ended                           | <u>21,382</u>  | <u>23,976</u>  |

**NOTE 6: ACCUMULATED RESERVE RECONCILIATION**

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>The accumulated reserve comprises the following:</b>                       |                |                |
| Accumulated non-distributed income  | 16,914         | 17,076         |
| Accumulated profit/(loss) due to cumulative net unrealised fair value changes | (12,855)       | (3,253)        |
| Accumulated reserve as at 31 December   | <u>4,059</u>   | <u>13,823</u>  |

This amount represents interest income and unrealised changes in fair value of financial assets not yet allocated to investors. The amount held in cash meets the objective of holding a portion of the Company's assets, before adjustments, in unallocated assets to investors, which could be used to compensate for any fall in market value of securities or any loss arising from impaired loans. The Company may hold the financial assets giving rise to the unrealised losses arising from fair value to maturity. In this event the unrealised losses will reverse and not crystallise.

**NOTE 7: RELATED PARTIES**

**(a) Management fee**

The management fee comprises a share of the cost of operating UCA Funds Management Limited and a contribution to the Uniting Church in Australia, Synod of Victoria and Tasmania. The management fee is not to exceed 1% per annum of the net value of the funds under management. UCA Funds Management operating cost component of the management fee is based on the actual cost of operations. The management fee expense is recorded on an accruals basis.

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| UCA Funds Management operating costs  | 3,190          | 2,996          |
| Contribution to The Uniting Church in Australia, Synod of Victoria and Tasmania | 1,694          | 1,736          |
|   | <u>4,884</u>   | <u>4,732</u>   |

**(b) Investments in UCA Cash Management Fund Limited**

The UCA Growth Fund Limited, UCA Funds Management Limited, Uniting Growth Fund, the Development Fund, the Funeral Fund and the Ministers Home Endowment Fund invest their cash holdings in the UCA Cash Management Fund Limited. The sole member of UCA Cash Management Fund Limited is UCA Funds Management Limited.

| <b>Funds Invested</b>         | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|-------------------------------|------------------------|------------------------|
| UCA Funds Management Limited  | 578                    | 139                    |
| UCA Growth Fund Limited       | 9,684                  | 18,794                 |
| Uniting Growth Fund           | 1,609                  | 7,463                  |
| Development Fund              | 128,138                | 129,705                |
| Funeral Fund                  | 4,778                  | 4,627                  |
| Ministers Home Endowment Fund | 5,726                  | 5,364                  |
|                               | <u>150,513</u>         | <u>166,092</u>         |

**(c) Interest paid**

| <b>Interest paid to related entities:</b> | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|---|------------------------|------------------------|
| UCA Funds Management Limited              | 16                     | 45                     |
| UCA Growth Fund Limited                   | 411                    | 716                    |
| Uniting Growth Fund                       | 61                     | 140                    |
| Development Fund                          | 4,265                  | 5,150                  |
| Funeral Fund                              | 155                    | 177                    |
| Ministers Home Endowment Fund             | 86                     | 104                    |
| <b>Total</b>                              | <u><b>4,994</b></u>    | <u><b>6,332</b></u>    |

**(d) Key Management Personnel Compensation**

The Company has no employees. All key management personnel are employed by the Uniting Church in Australia, Synod of Victoria and Tasmania.

**(e) Directors**

The names of the persons who were the directors of UCA Cash Management Fund Limited at any time during the year and up to the date of this report were:

|               |  |
|---------------|--|
| R J Carter    | Non-Executive Director<br>Chairperson – Board of Directors   |
| J C Bell      | Non-Executive Director   |
| D Cousins     | Non-Executive Director – Appointed 1 February 2016   |
| J Etherington | Non-Executive Director<br>Deputy Chairperson – Board of Directors<br>Chairperson – Audit, Risk & Compliance Committee<br>Chairperson – Remuneration & Nomination Committee |
| D F Hawkey    | Non-Executive Director   |
| L R Mann      | Non-Executive Director<br>Chairperson – Due Diligence Committee  |
| T C McCredden | Non-Executive Director   |
| R G Moore     | Non-Executive Director – Retired 1 December 2015   |
| M Walsh       | Executive Director   |
| D A Watson    | Non-Executive Director – Appointed 1 February 2016   |
| G E Wilson    | Non-Executive Director<br>Chairperson - Investment Committee   |

Directors' remuneration is paid by The Uniting Church in Australia, Synod of Victoria and Tasmania for the management of UCA Funds Management Limited, which in turn provides management services to UCA Cash Management Fund Limited, UCA Growth Fund Limited, UCA Funds Management Limited, Uniting Growth Fund, Development Fund, Funeral Fund and Ministers Home Endowment Fund.

**The remuneration of the executive director and non-executive directors of UCA Funds Management Limited is set out in the following table:**

|  | <b>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| <b>Income paid or payable to directors of the company by the company and related parties</b> |                |                |
| Short-term employee benefits   | 397,384        | 360,277        |
| Other long-term benefits   | 14,166         | 9,019          |
| <b>Total</b>   | <b>411,550</b> | <b>369,296</b> |

Short term employee benefits include director fees, executive salary, superannuation, accrued annual leave and sick leave entitlements.

Other long-term benefits include accrued long service leave entitlements.

There are no post-employment benefits, termination benefits or share-based payments applicable.

**Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year. During the reporting period, no Director held an account in the Fund (2014: nil).

**NOTE 8: FINANCIAL RISK MANAGEMENT**

The Company's principal financial instruments comprise cash and bank balances, financial assets at fair value through profit or loss and loans and receivables.

**Categories of financial instruments**

The Company has the following categories of financial assets:

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
|   | <b>\$000</b>   | <b>\$000</b>   |
| Cash and bank balances                                | 324,031        | 279,948        |
| Financial assets at fair value through profit or loss | 157,352        | 237,509        |
| Loans and receivables                                 | 152,263        | 133,360        |
| <b>Total</b>  | <b>633,646</b> | <b>650,817</b> |

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk, and liquidity risk. The Company's risk management strategies seek to minimise potential adverse effects of market movements on the Company's financial performance.

Financial risk management is the responsibility of the Chief Investment Manager. This responsibility is discharged having regard to policies approved by the Board of Directors. Compliance with Board policies is monitored by the Board's Investment Committee and reported to the Board of Directors quarterly.

The objectives of the Company are to provide an income stream to investors and to provide competitive returns.

**(a)**

**Market risk**

Market risk is the risk that the value of the Company's investments will fluctuate as a result of changes in market values. The Company manages this risk by:

Diversification of investments within specified limits for individual asset classes. Hence the Company invests in a mix of fixed and floating interest rate securities. The strategic asset allocation for both the reporting period and the prior period is as follows:

|  | <b>Tactical<br/>Range %</b> | <b>Strategic<br/>Allocation<br/>%</b> | <b>2015<br/>Actual<br/>Allocation<br/>%</b> | <b>2014<br/>Actual<br/>Allocation<br/>%</b> |
|--|-----------------------------|---------------------------------------|---|---|
| Cash and liquid securities<br>(including at least 3% cash) | 20-100                      | 25                                    | 51.3  | 43.8  |
| Fixed interest securities                                  | 10-60                       | 20                                    | 8.5   | 15.1  |
| Hybrid securities  | 0-30                        | 25                                    | 17.5  | 21.5  |
| First mortgages  | 0-25                        | 20                                    | 17.3  | 16.5  |
| Community impact loans                                     | 0-15                        | 10                                    | 5.4   | 3.1   |

The universe of securities available for investment is restricted by the ethical investment policy of The Uniting Church in Australia, Synod of Victoria and Tasmania. UCA Funds Management invests within the ethical guidelines of The Uniting Church in Australia Synod of Victoria and Tasmania. This may have an impact on market risk.

The Church avoids investments in companies whose products, services or practices cause injustice and suffering, infringe human rights or cause unacceptable damage to the natural environment.

The Chief Investment Manager monitors the Company's investments with the aid of a specialised software package as well as other resources which can facilitate the identification of investments that do not meet the investment guidelines. A report is presented to the Board of Directors regularly which monitors the compliance of investments with the Uniting Church's ethical investment guidelines. The Board has also established policies and procedures for voting on significant matters at annual general meetings of companies in which the Company invests. The Voting Register is available on our website.

The Company is not exposed to foreign exchange risk.

**(i) Interest rate risk**

The Company's interest-bearing assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company's assets are a mixture of fixed and floating rate interest bearing investments. Its liabilities are all at a fixed interest rate. The risk of fluctuations in interest rates is limited to the income payable to investors. The possible mismatch in interest rates (between earning at a floating interest rate and paying a fixed interest rate) is monitored by calculating a weighted average running yield, which is assessed on a monthly basis. To mitigate the possible mismatch, the Company has the ability to change the interest rate paid to investors at any time during the reporting period. The table in note 8 (e) summarises the impact of an increase / decrease in interest rates on the Company's net assets attributable to investors.

Interest rate risk is managed by focusing on the duration of the Company's investments. The policy is to limit interest rate risk by restricting the investments to an average duration of between 0 and 1 year. During the reporting period, in which official interest rates were falling, the duration of the Company's investment has been less than the benchmark duration of 0.75 years. In addition the yield of the Company is measured six monthly. The Board, through its Investment Committee, monitors these measures quarterly.



The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The interest rate risk disclosures have been prepared on the basis of the Company's direct investments and not on a look-through basis.

The table below sets out the Company's exposure to interest rate risks:

| <b>2015</b>   | <b>Floating<br/>interest<br/>rate<br/>\$'000</b> | <b>Fixed<br/>interest<br/>\$'000</b> | <b>Non-<br/>interest<br/>bearing<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|--|--------------------------------------|---|-------------------------|
| <b>Financial Assets</b>                                 |  |                                      |   |                         |
| Cash and cash equivalents                               | 155,031  | 70,000                               | -   | 225,031                 |
| Term Deposits   | -  | 99,000                               | -   | 99,000                  |
| Accrued income  | -  | -                                    | 6,048   | 6,048                   |
| Financial assets at fair value through<br>profit & loss |  |                                      |   |                         |
| Mortgage backed & floating rate notes                   | 49,146   | -                                    | -   | 49,146                  |
| Hybrids   | 108,206  | -                                    | -   | 108,206                 |
| Secured mortgages                                       | 1,848  | 109,652                              | -   | 111,500                 |
| Loans   | 29,143   | 5,572                                | -   | 34,715                  |
| <b>Total</b>  | <b>343,374</b>                                   | <b>284,224</b>                       | <b>6,048</b>                                    | <b>633,646</b>          |
| <b>2014</b>   | <b>Floating<br/>interest<br/>rate<br/>\$'000</b> | <b>Fixed<br/>interest<br/>\$'000</b> | <b>Non-<br/>interest<br/>bearing<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial Assets</b>                                 |  |                                      |   |                         |
| Cash and cash equivalents                               | 97,948   | 41,000                               | -   | 138,948                 |
| Term Deposits   | -  | 141,000                              | -   | 141,000                 |
| Accrued income  | -  | -                                    | 5,353   | 5,353                   |
| Financial assets at fair value through<br>profit & loss |  |                                      |   |                         |
| Mortgage backed & floating rate notes                   | 93,522   | -                                    | -   | 93,522                  |
| Hybrids   | 143,987  | -                                    | -   | 143,987                 |
| Secured mortgages                                       | 7,220  | 100,231                              | -   | 107,451                 |
| Loans   | 17,982   | 2,574                                | -   | 20,556                  |
| <b>Total</b>  | <b>360,659</b>                                   | <b>284,805</b>                       | <b>5,353</b>                                    | <b>650,817</b>          |

The weighted average interest earned on investments for the year ended 31 December 2015 was 4.32% (2014: 4.72%).

The table below analyses the Company's financial assets into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

**2015**

|  | <b><u>Maturity analysis</u></b> |                       |                     |                     |                             | <b>Total</b>   |
|--|---------------------------------|-----------------------|---------------------|---------------------|-----------------------------|----------------|
|  | <b>3 months or less</b>         | <b>4 to 12 months</b> | <b>1 to 5 years</b> | <b>Over 5 years</b> | <b>Non-interest bearing</b> |                |
|  | <b>\$'000</b>                   | <b>\$'000</b>         | <b>\$'000</b>       | <b>\$'000</b>       | <b>\$'000</b>               | <b>\$'000</b>  |
| <b>Financial Assets</b>                              |                                 |                       |                     |                     |                             |                |
| Cash and cash equivalents                            | 225,031                         | -                     | -                   | -                   | -                           | 225,031        |
| Term Deposits  | -                               | 99,000                | -                   | -                   | -                           | 99,000         |
| Accrued income                                       | -                               | -                     | -                   | -                   | 6,048                       | 6,048          |
| Financial assets at fair value through profit & loss |                                 |                       |                     |                     |                             |                |
| Mortgage backed & floating rate notes                | 38,419                          | 4,000                 | -                   | 6,727               | -                           | 49,146         |
| Hybrids  | -                               | 3,728                 | 5,051               | 99,427              | -                           | 108,206        |
| Secured mortgages                                    | 9,594                           | 16,677                | 85,229              | -                   | -                           | 111,500        |
| Loans  | 1                               | 392                   | 10,794              | 23,528              | -                           | 34,715         |
| <b>Total</b>   | <b>273,045</b>                  | <b>123,797</b>        | <b>101,074</b>      | <b>129,682</b>      | <b>6,048</b>                | <b>633,646</b> |

**2014**

|  | <b><u>Maturity analysis</u></b> |                       |                     |                     |                             | <b>Total</b>   |
|--|---------------------------------|-----------------------|---------------------|---------------------|-----------------------------|----------------|
|  | <b>3 months or less</b>         | <b>4 to 12 months</b> | <b>1 to 5 years</b> | <b>Over 5 years</b> | <b>Non-interest bearing</b> |                |
|  | <b>\$'000</b>                   | <b>\$'000</b>         | <b>\$'000</b>       | <b>\$'000</b>       | <b>\$'000</b>               | <b>\$'000</b>  |
| <b>Financial Assets</b>                              |                                 |                       |                     |                     |                             |                |
| Cash and cash equivalents                            | 138,948                         | -                     | -                   | -                   | -                           | 138,948        |
| Term Deposits  | -                               | 141,000               | -                   | -                   | -                           | 141,000        |
| Accrued income                                       | -                               | -                     | -                   | -                   | 5,353                       | 5,353          |
| Financial assets at fair value through profit & loss |                                 |                       |                     |                     |                             |                |
| Mortgage backed & floating rate notes                | 8,420                           | -                     | 20,000              | 65,102              | -                           | 93,522         |
| Hybrids  | -                               | -                     | 18,151              | 125,836             | -                           | 143,987        |
| Secured mortgages                                    | 9,335                           | 25,057                | 73,059              | -                   | -                           | 107,451        |
| Loans  | 1                               | 25                    | 1,069               | 19,461              | -                           | 20,556         |
| <b>Total</b>   | <b>156,704</b>                  | <b>166,082</b>        | <b>112,279</b>      | <b>210,399</b>      | <b>5,353</b>                | <b>650,817</b> |

The table in section note 8 (e) summarises the impact of increases / decreases in official interest rates on the Company's net assets attributable to unitholders at 31 December 2015. The analysis is based on the assumption that official interest rates increased / decreased by 75 basis points (2014: 75 basis points) with all other variables held constant and that the Company's cash and fixed interest securities and loans moved according to the historical correlation with official interest rates.

**(ii) Other price risk**

The Company is not exposed to other price risk.

**(b) Credit Risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved, and
- ensuring that transactions are undertaken with a number of counterparties.

The maximum credit risk on financial assets of UCA Cash Management Fund Limited is the carrying value of these assets on the balance sheet.

**(i) Cash and cash equivalents, and financial assets at fair value through profit or loss**

The Company invests in cash and cash equivalents and financial assets at fair value through profit or loss, which have an investment grade as rated by a well-known rating agency. For unrated assets a credit analysis is conducted for each investment and approved by the Chief Investment Manager.

Company by rating category:

| Rating       | 2015        | 2014        |
|--------------|-------------|-------------|
| AAA          | 1%          | 1%          |
| AA+          | 8%          | 0%          |
| AA-          | 57%         | 55%         |
| A+           | 4%          | 22%         |
| A            | 4%          | 3%          |
| A-           | 25%         | 18%         |
| Unrated      | 1%          | 1%          |
| <b>Total</b> | <b>100%</b> | <b>100%</b> |

The ratings of each of the financial assets are measured against updates issued by Commonwealth Bank of Australia, UBS and Westpac Banking Corporation on a monthly basis and reported to the Board, through its Investment Committee, quarterly.

**(ii) Secured mortgages**

These loans are secured by a registered first mortgage over commercial property. The Company does not lend against owner-occupied residential property. Loans are limited to 66% of the value of the property as ascertained by a valuation issued by a licensed property valuer or by reference to the land value detailed on the most recent municipal rates notice. Loans are provided for fixed terms not exceeding five years. Borrowers are required to demonstrate their ability to service the loan. This is assessed by analysis of the interest cover, normally provided by the rental income from the secured property. Where appropriate, borrowers provide personal guarantees and rental redirections in favour of the Company.

The Board, through its Investment Committee, also analyses the loan portfolio by sector (commercial, retail or industrial) and by geographic location to ensure adequate diversity of security properties. This is monitored regularly by the Chief Investment Manager and reported to the Board annually. The Company is not permitted to make loans to one entity (or related entities) which exceed 5% of the value of the investment portfolio without the approval of the Investment Committee.

During the reporting period and the prior period the Company has not experienced any losses due to impairment. The risk of losses is mitigated by the conservative lending practices outlined above.

As at 31 December 2015 there were no loans that were past due and payable or impaired (31 December 2014: \$0).

For the reasons outlined above the Directors believe that the Company's exposure to credit risk in relation to the secured mortgages is very limited.

**(iii) Loans to church bodies**

Loans are normally provided for terms of up to fifteen years on a principal and interest basis, with a variable (floating) or fixed interest rate. Borrowers are required to

demonstrate their ability to service the loan. This is assessed by analysis of the interest cover, normally provided by operating cash flow and, in some cases, assisted by government grants.

Interest payments are monitored regularly; arrears are measured monthly and reported to the Investment Committee quarterly.

During the reporting period and the prior period, the Company has not experienced any losses due to impairment. The risk of losses is mitigated by the conservative lending practices outlined above.

As at 31 December 2015 there were no loans that were past due and payable or impaired (31 December 2014: \$0).

For the reasons outlined above the Directors believe that the Company's exposure to credit risk in relation to the loans to church bodies is limited.

**(c) Liquidity and cash flow risk**

Liquidity risk is the risk that the Company will experience difficulty in either realising assets or raising sufficient funds to satisfy commitments to investors. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- Ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- Applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

Liquidity risk is measured and monitored regularly by analysis of securities and loans and the Company's asset allocation. Liquidity risk is reported quarterly to the Board through its Investment Committee.

**(d) Fair value measurement**

The carrying amounts of the Company's financial assets and financial liabilities at the balance sheet date approximated their fair values as all financial assets and liabilities not fair valued are short-term in nature.

|   | Amount at<br>31 December<br>2015<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|---|--|-------------------|-------------------|-------------------|
| <b>Financial assets at fair value through profit &amp; loss</b> |  |                   |                   |                   |
| Term Deposits   | 99,000                                     | 99,000            | -                 | -                 |
| Mortgage backed securities                                      | 2,038                                      | -                 | 2,038             | -                 |
| Floating rates notes  | 47,108                                     | -                 | 47,108            | -                 |
| Hybrid securities   | 108,206                                    | 108,206           | -                 | -                 |
|   | <b>256,352</b>                             | <b>207,206</b>    | <b>49,146</b>     | <b>-</b>          |

|   | Amount at<br>31 December<br>2014<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|---|--|-------------------|-------------------|-------------------|
| <b>Financial assets at fair value through profit &amp; loss</b> |  |                   |                   |                   |
| Term Deposits   | 141,000                                    | 141,000           | -                 | -                 |
| Mortgage backed securities                                      | 5,490                                      | -                 | 5,490             | -                 |
| Floating rates notes  | 88,032                                     | -                 | 88,032            | -                 |
| Hybrid securities   | 143,987                                    | 139,987           | 4,000             | -                 |
|   | <b>378,509</b>                             | <b>280,987</b>    | <b>97,522</b>     | <b>-</b>          |

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date, without any deduction for transaction costs.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified with Level 2. These include mortgage backed securities and floating rate notes which are financial instruments that trade in markets that are not considered active but the underlying asset values are based on quoted market prices.

Level 3 fair value measurements are those derived from valuation techniques that included inputs for the assets or liability that are not based on observable market data (unobservable inputs).

**(e) Sensitivity analysis**

The following table summarises the impact of increases / decreases in interest rates on the Company's assets attributable to investors at 31 December 2015 and 31 December 2014:

| 2015  | Impact on operating profit/ net assets attributable to investors |                    |              |
|---|--|--------------------|--------------|
|   | Carrying Amount<br>\$'000  | Interest Rate Risk |              |
|   |  | \$'000             | \$'000       |
|   |  | -75 bps            | +75bps       |
| Cash & cash equivalents                               | 225,031  | (1,163)            | 1,163        |
| Term Deposits   | 99,000   | -                  | -            |
| Accrued income  | 6,048  | -                  | -            |
| Financial assets at fair value through profit or loss |  |                    |              |
| Mortgage backed and floating rate notes               | 49,146   | (369)              | 369          |
| Hybrids   | 108,206  | (812)              | 812          |
| Secured mortgages                                     | 111,500  | (14)               | 14           |
| Loans   | 34,715   | (219)              | 219          |
| <b>Total increase/(decrease)</b>                      | <b>633,646</b>   | <b>(2,577)</b>     | <b>2,577</b> |

2014

|   | Impact on operating profit/ net assets attributable to investors |                    |                  |
|---|--|--------------------|------------------|
|   | Carrying Amount  | Interest Rate Risk |                  |
|   | \$'000   | \$'000<br>-75 bps  | \$'000<br>+75bps |
| Cash & cash equivalents                               | 138,948  | (735)              | 735              |
| Term Deposits   | 141,000  | -                  | -                |
| Accrued income  | 5,353  | -                  | -                |
| Financial assets at fair value through profit or loss |  |                    |                  |
| Mortgage backed and floating rate notes               | 93,522   | (701)              | 701              |
| Hybrids   | 143,987  | (1,080)            | 1,080            |
| Secured mortgages                                     | 107,451  | (54)               | 54               |
| Loans   | 20,556   | (135)              | 135              |
| <b>Total increase/(decrease)</b>                      | <b>650,817</b>   | <b>(2,705)</b>     | <b>2,705</b>     |

**NOTE 9: AUDITOR REMUNERATION**

|                                 | 2015<br>\$    | 2014<br>\$    |
|---------------------------------|---------------|---------------|
| <i>Audit Services</i>           |               |               |
| Audit of financial report       | 21,424        | 21,424        |
| <i>Other assurance services</i> |               |               |
| Other                           | 18,318        | 18,318        |
|                                 | <b>39,742</b> | <b>39,742</b> |

The auditor for the year was Deloitte Touche Tohmatsu. During the reporting period no fees (2014: nil) were paid to the auditor of the Company in relation to non-audit services. In addition, the Company paid amounts of \$12,212 (2014: \$12,212) on behalf of the Development Fund and \$6,106 (2014: \$6,106) on behalf of the Funeral Fund in relation to the annual audit of those financial statements.

**NOTE 10: NOTE TO CASH FLOW STATEMENT**

(a)

**Reconciliation of Cash**

For the purposes of the cash flow statement, cash includes deposits held at call with a financial institution and amounts which are readily convertible to cash. Cash at the end of the year comprises the following cash and cash equivalents:

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Cash at bank                             | 9,031          | 4,948          |
| Short term deposit at call               | 146,000        | 93,000         |
| Fixed term deposits                      | 70,000         | 41,000         |
| <b>Total cash &amp; cash equivalents</b> | <b>225,031</b> | <b>138,948</b> |

**(b) Reconciliation of net profit/(loss) for the year to net cash inflow/(outflow) from operating activities**

|  | <b>2015</b>    | <b>2014</b>      |
|--|----------------|------------------|
|  | <b>\$'000</b>  | <b>\$'000</b>    |
| Net profit/(loss) for the year   | (9,764)        | 1,640            |
| Interest paid to investors   | 21,382         | 23,976           |
| <i>Change in operating assets and liabilities</i>                            |                |                  |
| (Increase)/decrease in loans & secured mortgages                             | (18,208)       | (22,693)         |
| (Increase)/decrease in financial assets at fair value through profit or loss | 80,157         | (64,602)         |
| (Increase)/decrease in accrued income  | (695)          | (653)            |
| (Increase)/decrease in term deposits   | 42,000         | (84,000)         |
| <b>Net cash inflow/(outflow) from operating activities</b>                   | <b>114,872</b> | <b>(146,332)</b> |

**(c) Non-cash financing activities**

During the year distributions to members totalling \$12,330,000 (2014: \$13,597,000) were satisfied through the distribution reinvestment plan.

**NOTE 11: EVENTS OCCURRING AFTER BALANCE SHEET DATE**

There were no other matters or significant events that have occurred since balance date which would impact on the financial position of the Company disclosed in the balance sheet at 31 December 2015, or the results and cash flows of the Company for the year ended on that date.

**NOTE 12: CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

There were no outstanding contingent assets and liabilities or commitments as at 31 December 2015 or at 31 December 2014.