

UCA CASH MANAGEMENT FUND LIMITED

ABN 41 075 948 444

Annual report for the year ended 31 December 2016

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**

**Custodian: Northern Trust Corporation
Level 47, 80 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 2016

The Directors present their report on the financial statements of the UCA Cash Management Fund Limited for the year ended 31 December 2016.

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 as extended by ASIC Instrument 2016/813. 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 2016 was \$25,039,000 (2015: \$11,618,000) prior to distributing \$18,210,000 (2015: \$21,382,000) to investors.

REVIEW OF OPERATIONS

Funds under management increased by 4.0% during the year to \$659,146,000 at 31 December 2016 (2015: \$633,646,000). Interest was distributed to investors at the rate of 3.00% per annum at 30 June 2016 and 2.70% per annum at 31 December 2016.

The total management fee and expense recovery charged during the reporting period was \$4,525,000 (2015: \$4,884,000) which is calculated at 0.70% per annum (2015: 0.70%) 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 \$3,063,000 (2015: \$3,190,000) and a grant of \$1,462,000 (2015: \$1,694,000) was paid to The Uniting Church in Australia, Synod of Victoria and Tasmania during the year ended 31 December 2016. 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

In the Directors' opinion, there were no 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 2016 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 – Retired 22 June 2016
K A Allchin	Non-Executive Director – Appointed 13 September 2016
J C Bell	Non-Executive Director
D C Cousins	Non-Executive Director – Appointed 1 February 2016
J Etherington	Non-Executive Director – Chairperson, Board of Directors Chairperson – Remuneration & Nomination Committee
D F Hawkey	Non-Executive Director - Retired 14 September 2016
L R Mann	Non-Executive Director – Chairperson, Due Diligence Committee
T C McCredden	Non-Executive Director
M Walsh	Executive Director
D A Watson	Non-Executive Director – Appointed 1 February 2016 Chairperson – Audit, Risk & Compliance Committee
G E Wilson	Non-Executive Director – Chairperson, Investment Committee

INFORMATION ON DIRECTORS

Mr Richard Carter AM CitWA, B Com, FTSE, FAusIMM, FAIM, FAICD – retired 22 June 2016

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, Tigor 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 Katherine Allchin GAICD, BBus – Marketing – appointed 13 September 2016

Non-executive Director. She has more than 25 years' experience in the financial services industry, and extensive knowledge in both the retail and institutional funds management space. Her career also includes the building of a number of successful financial services businesses from start-up organisations.

Ms Jane Bell B Ec, LLB, LLM, FAICD

Non-executive Director. She is a banking and finance lawyer with more than 30 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), non-executive Director of Biomedical Research Victoria, Chair of the Advisory Group of the Melbourne Genomics Health Alliance, independent member of the Audit Committee of The Salvation Army, and Trustee of the RSYLTC Foundation.

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. He currently has a statutory role with the NSW Emergency Levy Insurance Monitor and is Deputy Chair of the Australian Government Migrant Worker Task Force. Previous positions have included Director of Consumer Affairs Victoria, 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 Hawkey FFin – retired 14 September 2016

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 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 is currently a director of ASX

listed companies WAM Capital Limited and WAM Leaders Limited and is a member of the Audit and Risk Committees of both of those companies. He is a member of Glen Waverley congregation of The Uniting Church in Australia.

Mr Terry McCredden B Com (Honours)

Non-executive Director. He has undertaken management courses at Wharton Business School USA and 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 the MLC Super board. He is also a member of an international advisory board for DC Placement Advisers Ltd based in Munich, Germany. He serves on the Finance and Investment Committee of the University of Divinity and is Chair of the Leadership Group of Northern Community Church of Christ, his local church.

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 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. Formerly a director of Merrill Lynch and Citigroup, the CEO of Berndale Securities Ltd, and the first female CEO of a corporate member of the ASX. Within the not-for-profit sector, she was also a former member of the Finance and Investment Committee of the Brotherhood of St Laurence.

DIRECTORS' SHAREHOLDINGS

No director held shares or invested in the Company during the year ended 31 December 2016 (2015: 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	3	3	*	*	2	2	3	3	*	*
K A Allchin	1	1	1	1	*	*	*	*	*	*
J C Bell	5	5	5	5	*	*	*	*	2	2
D C Cousins	5	4	*	*	*	*	2	2	*	*
J Etherington	5	5	5	5	*	*	4	4	*	*
D F Hawkey	4	3	4	4	*	*	3	3	*	*
L R Mann	5	5	*	*	4	4	*	*	2	2
T C McCredden	5	5	*	*	4	3	*	*	*	*
M Walsh	5	5	*	*	*	*	4	4	*	*
D A Watson	5	5	5	5	*	*	*	*	1	1
G E Wilson	3	2	*	*	3	3	4	4	*	*

- 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 Manager Finance.

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 of The Uniting Church in Australia, 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 a 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.

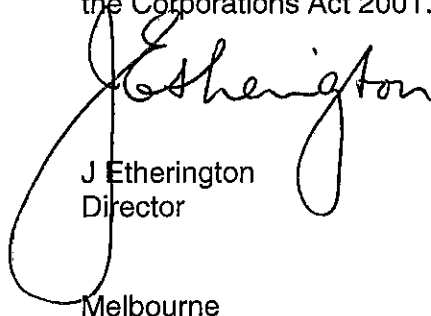
ROUNDING OF AMOUNTS

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 8.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.



J Etherington
Director
Melbourne



M Walsh
Director

4 April 2017

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

4 April 2017

Dear Board Members,

Independence declaration – 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 review of the financial statements of UCA Cash Management Fund Limited for the half-year ended 31 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of UCA Cash Management Fund Limited (the "Entity") which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 by the directors as set out on pages 11 to 29.

In our opinion, the accompanying financial report of the Entity is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Entity's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 auditor independence requirements of the *Corporations Act 2001* and 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The Directors of the Entity 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 preparing the financial report, the directors are responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities 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 internal 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 directors.
- Conclude on the appropriateness of the directors' 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 directors 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.



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

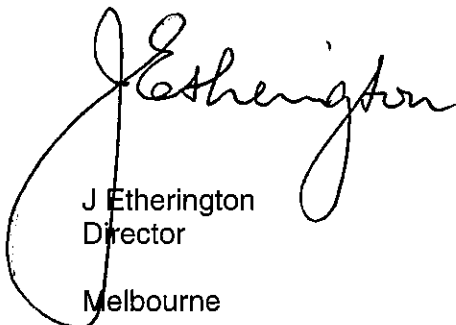
Melbourne, 4 April 2017

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

In the Directors' opinion:

- (a) the financial statements and notes of UCA Cash Management Fund Limited set out on pages 12 to 29:
 - (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 2016 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.

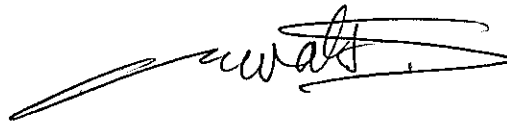
Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.



J Etherington
Director

Melbourne

4 April 2017



M Walsh
Director

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

For the year ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
Investment income			
Interest income	4a	24,644	28,075
Net gains /(losses) on financial assets at fair value through profit or loss	4b	4,967	(11,526)
Total investment income		29,611	16,549
Expenses			
Management fee – related party	7a	4,525	4,884
Other operating expenses		47	47
Total operating expenses		4,572	4,931
Net operating profit before finance costs		25,039	11,618
Finance costs			
Interest paid to investors	5	18,210	21,382
Net profit/(loss) for the year		6,829	(9,764)
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		6,829	(9,764)

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 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Cash & cash equivalents	10a	199,041	225,031
Term Deposits		179,000	99,000
Accrued income		5,444	6,048
Financial assets at fair value through profit or loss			
Mortgage backed securities		1,463	2,038
Floating rate notes		36,674	47,108
Hybrid Securities		72,376	108,206
Receivables			
Secured mortgages		135,279	111,500
Community impact loans		29,869	34,715
Total assets		659,146	633,646
Liabilities			
Amounts payable to investors:			
External investors		477,911	479,074
Related parties	7b	167,123	150,513
Total liabilities		645,034	629,587
Net assets		14,112	4,059
Equity			
Contributed equity		-	-
Accumulated Reserve	6	14,112	4,059
Total equity		14,112	4,059

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 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Interest income		21,767	29,355
Proceeds from the sale of financial assets		113,150	205,615
Payments for the purchase of financial assets		(156,796)	(115,167)
Management fee paid		(4,525)	(4,884)
Other operating expenses paid		(47)	(47)
Net cash inflow/(outflow) from operating activities	10b	(26,451)	114,872
Cash flows from financing activities			
Interest paid to investors		(7,366)	(9,052)
Investor applications received		518,753	577,117
Investor redemptions paid		(510,926)	(596,854)
Net cash inflow/(outflow) from financing activities		461	(28,789)
Net increase (decrease) in cash and cash equivalents		(25,990)	86,083
Cash and cash equivalents at beginning of year		225,031	138,948
Cash and cash equivalents at end of year	10a	199,041	225,031

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 2016

	Notes	Share Capital \$'000	Accumulated Reserve \$'000	Total \$'000
Balance at 1 January 2015		-	13,823	13,823
Net profit/(loss) for the year		-	(9,764)	(9,764)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(9,764)	(9,764)
Balance at 1 January 2016		-	4,059	4,059
Net profit/(loss) for the year		-	6,829	6,829
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	6,829	6,829
Reclassification of undistributed investment income from Liabilities to External Investors to the Accumulated Reserve	6	-	3,224	3,224
Balance at 31 December 2016		-	14,112	14,112

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 2016

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 4 April 2017. 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 Ethical Australian Equities Trust, the Uniting Ethical Enhanced Cash Trust, 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.

(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 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

AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

- (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 2016.

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: INVESTMENT INCOME

(a) **INTEREST INCOME**

	2016 \$'000	2015 \$'000
Cash & cash equivalents	3,193	4,024
Term Deposits	7,422	4,827
Mortgage backed securities and floating rate notes	3,236	5,711
Hybrid securities	3,369	6,084
Secured mortgages & community impact loans	7,424	7,429
	<u>24,644</u>	<u>28,075</u>

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

	2016 \$'000	2015 \$'000
Realised gains/(losses)	(2,380)	(2,498)
Unrealised gains/(losses)	7,347	(9,028)
	<u>4,967</u>	<u>(11,526)</u>

NOTE 5: INTEREST PAID TO INVESTORS

	2016 \$'000	2015 \$'000
Interest paid for the six months ended 30 June	9,426	11,755
Interest paid for the six months ended 31 December	8,784	9,627
Total for the year ended	<u>18,210</u>	<u>21,382</u>

NOTE 6: ACCUMULATED RESERVE RECONCILIATION

	2016	2015
	\$'000	\$'000
The accumulated reserve comprises the following:		
Accumulated non-distributed income	16,398	16,914
Accumulated profit/(loss) due to cumulative net unrealised fair value changes	(2,286)	(12,855)
Accumulated reserve as at 31 December	<u>14,112</u>	<u>4,059</u>

This amount represents interest income and unrealised changes in fair value of financial assets not yet allocated to investors. The amount held 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.

During the year the Company reclassified on the balance sheet \$3.224m of undistributed investment income (which was accumulated in the current and prior financial years) from "Liabilities to External Investors" to the "Accumulated Reserve". This is a reclassification to better reflect the nature of this balance, being assets not yet allocated to investors.

NOTE 7: RELATED PARTIES**(a) Management fee**

The management fee is paid to UCA Funds Management Limited and 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 Limited 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.

	2016	2015
	\$'000	\$'000
UCA Funds Management Limited operating costs	3,063	3,190
Contribution to The Uniting Church in Australia, Synod of Victoria and Tasmania	1,462	1,694
	<u>4,525</u>	<u>4,884</u>

(b) Investments in UCA Cash Management Fund Limited

The UCA Growth Fund Limited, UCA Funds Management Limited, Uniting Ethical Australian Equities Trust, the Uniting Ethical Enhanced Cash Trust, 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.

Funds Invested	2016	2015
	\$'000	\$'000
UCA Funds Management Limited	578	578
UCA Growth Fund Limited	26,881	9,684
Uniting Ethical Australian Equities Trust	3,008	1,609
Uniting Ethical Enhanced Cash Trust	126,018	128,138
Funeral Fund	4,770	4,778
Ministers Home Endowment Fund	5,868	5,726
	<u>167,123</u>	<u>150,513</u>

(c) **Interest paid**

	2016 \$'000	2015 \$'000
Interest paid to related entities:		
UCA Funds Management Limited	16	16
UCA Growth Fund Limited	803	411
Uniting Ethical Enhanced Equities Trust	43	61
Uniting Ethical Enhanced Cash Trust	3,364	4,265
Funeral Fund	135	155
Ministers Home Endowment Fund	78	86
Total	4,439	4,994

(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 – Retired 22 June 2016
K A Allchin	Non-Executive Director – Appointed 13 September 2016
J C Bell	Non-Executive Director
D C Cousins	Non-Executive Director – Appointed 1 February 2016
J Etherington	Non-Executive Director – Chairperson, Board of Directors Chairperson – Remuneration & Nomination Committee
D F Hawkey	Non-Executive Director – Retired 14 September 2016
L R Mann	Non-Executive Director – Chairperson, Due Diligence Committee
T C McCredden	Non-Executive Director
M Walsh	Executive Director
D A Watson	Non-Executive Director – Appointed 1 February 2016 Chairperson – Audit, Risk & Compliance Committee
G E Wilson	Non-Executive Director – 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 Ethical Australian Equities Trust, Uniting Ethical Enhanced Cash Trust, 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:

	2016 \$	2015 \$
Income paid or payable to directors of the Company by the Company and related parties		
Short-term employee benefits	452,853	397,384
Other long-term benefits	19,638	14,166
Total	472,491	411,550

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 (2015: 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:

	2016	2015
	\$000	\$000
Cash and bank balances	378,041	324,031
Financial assets at fair value through profit or loss	110,513	157,352
Loans and receivables	170,592	152,263
Total	659,146	633,646

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 Director Investments. 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 is as follows:

	2016	2016	2016	2015
	Tactical	Strategic	Actual	Actual
	Range %	Allocation	Allocation	Allocation
		%	%	%
Cash and liquid securities	20-90	25	30.2	51.3
Fixed interest securities	10-60	35	33.8	8.5
Hybrid securities	0-15	10	11.0	17.5
First mortgages	0-25	20	20.5	17.3
Community impact loans	0-15	10	4.5	5.4

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 Director Investments 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:

2016	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	79,041	120,000	-	199,041
Term Deposits	-	179,000	-	179,000
Accrued income	-	-	5,444	5,444
Financial assets at fair value through profit & loss				
Mortgage backed securities & floating rate notes	38,137	-	-	38,137
Hybrid securities	72,376	-	-	72,376
Secured mortgages	2,075	133,204	-	135,279
Community impact loans	25,167	4,702	-	29,869
Total	216,796	436,906	5,444	659,146

2015	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets				
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 profit & loss				
Mortgage backed securities & floating rate notes	49,146	-	-	49,146
Hybrid securities	108,206	-	-	108,206
Secured mortgages	1,848	109,652	-	111,500
Community impact loans	29,143	5,572	-	34,715
Total	343,374	284,224	6,048	633,646

The weighted average interest earned on investments for the year ended 31 December 2016 was 3.58% (2015: 4.32%).

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.

2016	Maturity analysis					
	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Cash and cash equivalents	199,041	-	-	-	-	199,041
Term Deposits	-	179,000	-	-	-	179,000
Accrued income	-	-	-	-	5,444	5,444
Financial assets at fair value through profit & loss						
Mortgage backed securities & floating rate notes	-	-	-	38,137	-	38,137
Hybrid securities	-	-	-	72,376	-	72,376
Secured mortgages	3,657	22,595	109,027	-	-	135,279
Community impact loans	30	62	12,787	16,990	-	29,869
Total	202,728	201,657	121,814	127,503	5,444	659,146

2015

	Maturity analysis					Non-interest bearing	Total
	3 months or less	4 to 12 months	1 to 5 years	Over 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Financial Assets							
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 securities & floating rate notes	38,419	4,000	-	6,727	-	-	49,146
Hybrid securities	-	3,728	5,051	99,427	-	-	108,206
Secured mortgages	9,594	16,677	85,229	-	-	-	111,500
Community impact loans	1	392	10,794	23,528	-	-	34,715
Total	273,045	123,797	101,074	129,682	6,048		633,646

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 2016. The analysis is based on the assumption that official interest rates increased/decreased by 75 basis points (2015: 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 Director Investments.

Company by rating category:

Rating	2016	2015
AAA	-	1%
AA+	-	8%
AA-	42%	57%
A+	4%	4%
A	-	4%
A-	49%	25%
BBB+	4%	-
Unrated	1%	1%
Total	100%	100%

The ratings of each of the financial assets are measured against updates issued by Standard & Poor's and Moody's credit rating agencies.

(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 Director Investments 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 2016 there were no loans that were past due and payable or impaired (31 December 2015: \$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) Community impact 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 2016 there were no loans that were past due and payable or impaired (31 December 2015: \$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 31 December 2016	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit & loss				
Mortgage backed securities	1,463	-	1,463	-
Floating rate notes	36,674	-	36,674	-
Hybrid securities	72,376	72,376	-	-
	110,513	72,376	38,137	-

	Amount at 31 December 2015	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit & loss				
Mortgage backed securities	2,038	-	2,038	-
Floating rate notes	47,108	-	47,108	-
Hybrid securities	108,206	108,206	-	-
	157,352	108,206	49,146	-

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 2016 and 31 December 2015:

2016	Impact on operating profit/loss and net assets attributable to investors		
	Carrying Amount \$'000	Interest Rate Risk \$'000 -75 bps +75bps	
Cash & cash equivalents	199,041	(593)	593
Term Deposits	179,000	-	-
Accrued income	5,444	-	-
Financial assets at fair value through profit or loss			
Mortgage backed securities and floating rate notes	38,137	(286)	286
Hybrid securities	72,376	(543)	543
Secured mortgages	135,279	(16)	16
Community impact loans	29,869	(189)	189
Total increase/(decrease)	659,146	(1,627)	1,627
2015	Impact on operating profit/loss and net assets attributable to investors		
	Carrying Amount \$'000	Interest Rate Risk \$'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 securities and floating rate notes	49,146	(369)	369
Hybrid securities	108,206	(812)	812
Secured mortgages	111,500	(14)	14
Community impact loans	34,715	(219)	219
Total increase/(decrease)	633,646	(2,577)	2,577

NOTE 9: AUDITOR REMUNERATION

	2016 \$	2015 \$
<i>Audit Services</i>		
Audit of financial report	20,000	21,424
	20,000	21,424

The auditor for the year was Deloitte Touche Tohmatsu. During the reporting period no fees (2015: nil) were paid to the auditor of the Company in relation to non-audit services.

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:

	2016 \$'000	2015 \$'000
Cash at bank	10,900	9,031
Short term deposit at call	68,141	146,000
Fixed term deposits	120,000	70,000
Total cash & cash equivalents	199,041	225,031

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

	2016 \$'000	2015 \$'000
Net profit/(loss) for the year	6,829	(9,764)
Interest paid to investors	18,210	21,382
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in secured mortgages & community impact loans	(18,933)	(18,208)
(Increase)/decrease in financial assets at fair value through profit or loss	46,839	80,157
(Increase)/decrease in accrued income	604	(695)
(Increase)/decrease in term deposits	(80,000)	42,000
Net cash inflow/(outflow) from operating activities	(26,451)	114,872

(c) Non-cash financing activities

During the year distributions to members totalling \$10,844,000 (2015: \$12,330,000) 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 2016, 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 2016 or at 31 December 2015.