

UCA FUNDS MANAGEMENT LIMITED

ABN 46 102 469 821

Annual report for the year ended 31 December 2016

UCA FUNDS MANAGEMENT LIMITED

A company limited by guarantee, 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 FUNDS MANAGEMENT LIMITED

ABN 46 102 469 821

DIRECTORS' REPORT

For the year ended 31 December 2016

The Directors' present their report on the financial statements of the UCA Funds Management Limited (the "Company") for the year ended 31 December 2016. The Company has no share capital since it is incorporated as a company limited by guarantee.

DIRECTORS

The following persons were directors of the Company during the whole of the year and up to the date of this report:

R J Carter	Non-Executive Director – Retired 22 June 2016
K Allchin	Non-Executive Director – Appointed 13 September 2016
J C Bell	Non-Executive Director
D 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

PRINCIPAL ACTIVITIES

The Company's principal activity is to act as corporate trustee for the Uniting Ethical Australian Equities Trust and the Uniting Ethical Enhanced Cash Trust, which have a financial year ending 30 June and to provide investment management and administration services for UCA Cash Management Fund Limited, UCA Growth Fund Limited, Uniting Ethical Australian Equities Trust, Uniting Ethical Enhanced Cash Trust, Funeral Fund and Ministers Home Endowment Fund. The Company holds an Australian Financial Services Licence (AFSL) 294147.

DIVIDENDS

The Company cannot pay dividends, hence no dividends were paid during the year and no dividends have been recommended for payment at year end.

REVIEW OF OPERATIONS

Net profit of the Company was \$1,008,049 (2015: \$377,352).

The Company earned management fees from UCA Cash Management Fund Limited, UCA Growth Fund Limited, Uniting Ethical Australian Equities Trust, Uniting Ethical Enhanced Cash Trust, Funeral Fund and Ministers Home Endowment Fund of \$7,835,437 (2015: \$7,840,073).

The Company paid \$3,820,965 (2015: \$4,182,871) for administration and investment services provided to the Company and granted \$3,030,960 (2015: \$3,189,190) to The Uniting Church in Australia, Synod of Victoria and Tasmania. In addition, the Company earned interest of \$41,314 (2015: \$44,259) on investments, received distributions of \$91,876 (2015: \$73,289) and made a net gain on financial assets at fair value through profit and loss of \$10,281 (2015: \$87,529 loss).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of directors, 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 as 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 a Commonwealth, State or Territory law.

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, 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 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 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 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 Services 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 Ltd, Intech Fiduciaries Limited, the Financial Services Council (FSC), the Financial Industry Complaints Service Ltd 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 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 holds shares in the Company.

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 McCredde	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

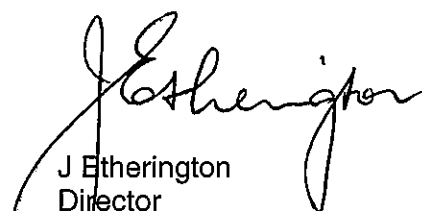
Under clause 4.11.2 of the Regulations of The Uniting Church in Australia, a member of a Church Council or other body responsible for the management and administration of property shall be indemnified against liability for any matter or thing done or liability incurred in the performance of functions 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.

AUDITORS' INDEPENDENCE DECLARATION

The Auditors Independence Declaration as required by Section 307C of the *Corporations Act 2001* is set out on page 8.

The 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
4 April 2017



M Walsh
Director

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

4 April 2017

Independence declaration – UCA Funds Management 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 Funds Management Limited.

As lead audit partner for the review of the financial statements of UCA Funds Management 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 Funds Management Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of UCA Funds Management 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

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

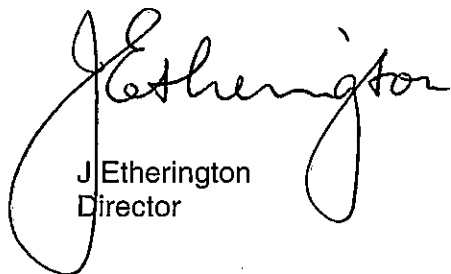
Melbourne, 4 April 2017

DIRECTORS' DECLARATION

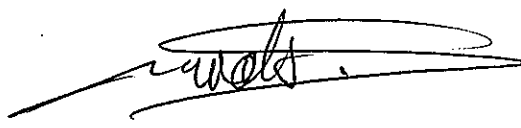
In the Directors' opinion:

- (a) the financial statements and notes of UCA Funds Management Limited set out on pages 12 to 23:
 - (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



M Walsh
Director

Melbourne

4 April 2017

UCA FUNDS MANAGEMENT LIMITED
Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Income			
Interest received		41,314	44,259
Net gain/(loss) on financial assets at fair value through profit and loss			
Related party	3	10,281	
Other			(87,529)
Distributions received		91,876	73,289
Management fees received from related parties	3	7,835,437	7,840,073
Total income		<u>7,978,908</u>	<u>7,870,092</u>
Expenses			
Management fees paid to related party			
Expense reimbursement	3	3,820,965	4,182,871
Grants paid	3	3,030,960	3,189,190
Other expenses		<u>118,934</u>	<u>120,679</u>
Total expenses		<u>6,970,859</u>	<u>7,492,740</u>
Net profit for the year		<u>1,008,049</u>	<u>377,352</u>
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>1,008,049</u>	<u>377,352</u>

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

UCA FUNDS MANAGEMENT LIMITED
Statement of Financial Position

As at 31 December 2016

	Notes	2016 \$	2015 \$
Assets			
Cash and cash equivalents		1,797,391	1,518,968
Investment in UCA Cash Management Fund Limited		577,790	577,790
Financial assets at fair value through profit or loss			
Unlisted equity trust – related party	3	1,596,667	-
Unlisted equity trust – other		-	704,297
Other		3,287	3,953
Total Assets		3,975,135	2,805,008
Liabilities			
Payables – related party		728,732	566,654
Total Liabilities		728,732	566,654
Net assets		3,246,403	2,238,354
Capital reserve		3,246,403	2,238,354
Total equity		3,246,403	2,238,354

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

UCA FUNDS MANAGEMENT LIMITED
Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Interest received		41,314	44,259
Distributions received		91,876	73,289
Management fee received from related parties		7,835,437	7,836,120
Management fees paid to related party			
Expense reimbursement		(3,658,221)	(3,616,217)
Grants paid		(3,030,960)	(3,189,190)
Other operating expenses		(118,935)	(120,679)
Gross proceeds from the sale of unlisted equity trust		680,803	-
Purchase of financial assets		(1,562,891)	(121,130)
Net cash flow from operating activities	7	278,423	906,452
Cash flows from financing activities			
Repayment of loan to related party		-	(10,000)
Net cash (outflow)/inflow from financing activities		-	(10,000)
Net change in cash and cash equivalents		278,423	896,452
Cash and cash equivalents at beginning of year		1,518,968	622,516
Cash and cash equivalents at end of year	7	1,797,391	1,518,968

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

UCA FUNDS MANAGEMENT LIMITED
Statement of changes in equity

For the year ended 31 December 2016

	2016	2015
	\$	\$
Total equity at the beginning of the year	2,238,354	1,861,002
Net profit for the year	1,008,049	377,352
Total equity at the end of the year	3,246,403	2,238,354

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

Note 1: GENERAL INFORMATION

This general purpose financial report covers UCA Funds Management Limited (the "Company") as an individual entity.

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.

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 certain 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 rate basis. 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 instruments, 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 held at fair value through profit and loss

Classification

The Company investments are classified as financial instruments designated at fair value through profit and 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 and loss at inception are those that are managed and their performance evaluated on a fair value basis.

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 following represents the basis of valuation for financial reporting purposes:

Investment in UCA Cash Management Fund Limited

The Company's investment in UCA Cash Management Fund Limited is generally available within 24 hours.

Investment in unlisted equity trust

Securities that are unlisted are fair valued based on the market value quoted by the asset manager.

(d) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The value of the receivable is 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) 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.

(f) Income Tax

UCA Funds Management Limited is exempt from Income Tax under Section 50-5 of the Income Tax Assessment Act 1997.

(g) 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.

(h) 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 (the "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.

(i) 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.

(j) **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. These 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'

(j) **Critical accounting judgements and key sources of estimation uncertainty**

There have not been any critical accounting judgements or estimations made in the preparation of the financial statements for the year ended.

Note 3: RELATED PARTIES

Investors in the funds managed by the company are charged management fees for administration and investment services. During the period the funds were charged fees ranging from 0.3% per annum to 1.265% per annum.

	2016 \$	2015 \$
Management fees received:		
Uniting Ethical Australian Equities Trust	442,764	387,482
UCA Cash Management Fund Limited	4,525,446	4,883,999
UCA Growth Fund Limited	2,416,376	2,402,721
Uniting Ethical Enhanced Cash Trust	375,808	103,057
Ministers Home Endowment Fund	58,512	60,463
Funeral Fund	16,531	2,351
Total management fees received from related party	<u>7,835,437</u>	<u>7,840,073</u>
Management fees paid to The Uniting Church in Australia Synod of Victoria and Tasmania		
Expense reimbursement	3,820,965	4,182,871
Grants paid	3,030,960	3,189,190

UCA Funds Management Limited invests part of its capital with UCA Cash Management Fund Limited and UCA Australian Equities Portfolio.

	2016	2015
	\$	\$
Investment in UCA Cash Management Fund Limited	577,790	577,790
Interest received	16,462	16,304
Investment in UCA Australian Equities Portfolio	1,596,667	-
Income received	59,307	-

Note 4: 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.

(a) Directors

The names of the persons who were the directors of the Company at any time during the year and up to the date of this report were:

R J Carter	Non-Executive Director Chairperson – 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.

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Company, directly or indirectly during the financial year. During the reporting period, no Director held a financial interest in the Company (2015: nil).

NOTE 5: FINANCIAL RISK MANAGEMENT

The Company is exposed to interest rate risk, credit risk, liquidity risk and market risk.

(a) 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. Changes in interest rates will have an impact on the income earned on the term deposit, investment in UCA Cash Management Fund Limited and the bank account.

2016	Impact on operating profit/loss and net assets		
	Carrying Amount	Interest Rate Risk	
		\$ -75 bps	\$ +75bps
Cash & cash equivalents	1,797,391	(13,480)	13,480
Investment in UCA Cash Management Fund Limited	577,790	(4,333)	4,333
2015	Impact on operating profit/loss and net assets		
	Carrying Amount	Interest Rate Risk	
		\$ -75 bps	\$ +75bps
Cash & cash equivalents	1,518,968	(11,392)	11,392
Investment in UCA Cash Management Fund Limited	577,790	(4,333)	4,333

(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 Funds Management Limited is the carrying value of these assets on the balance sheet.

The Company is exposed to credit risk through its term deposit with BankWest which is owned by the Commonwealth Bank, which is rated AA- by Standard and Poor's.

(c) Liquidity risk

The \$725,000 term deposit with BankWest (classified as Cash and cash equivalents) is invested for three months.

The payable of \$728,732 represents a liability to a related party which is paid monthly in arrears.

(d)

Fair values

The carrying amounts of the Company's assets and liabilities at the balance sheet date approximate their fair values.

(e)

Fair value measurement

	Amount at 31 December 2016	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets at fair value through profit and loss				
Investment in UCA Cash Management Fund Limited	577,790	-	577,790	-
Financial assets at fair value through profit or loss:				
Unlisted equity trust	1,596,667	-	1,596,667	-
Total	2,174,457	-	2,174,457	-

	Amount at 31 December 2015	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets at fair value through profit and loss				
Investment in UCA Cash Management Fund Limited	577,790	-	577,790	-
Financial assets at fair value through profit or loss:				
Unlisted equity trust	704,297	-	704,297	-
Total	1,282,087	-	1,282,087	-

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 the Investment in UCA Cash Management Fund Limited and the unlisted equity trust 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).

The Directors have classified the investment in the Unlisted Equity Trust as Level 2 for 2016 and 2015 on the basis that the investment is unlisted.

(f) Market risk

Market risk is the risk that the value of the Company's equity securities will fluctuate as a result of changes in market values. The following table summarises the impact of increases / decreases and is based on the assumption that the market value increased / decreased by 10% with all other variables held constant.

2016	Impact on operating profit/loss and net assets attributable to investors		
	Carrying Amount	Market Risk	
	\$	\$	\$
		-10%	+10%
Unlisted equity trust	1,596,667	(159,667)	159,667

2015	Impact on operating profit/loss and net assets attributable to investors		
	Carrying Amount	Market Risk	
	\$	\$	\$
		-10%	+10%
Unlisted equity trust	704,297	(70,430)	70,430

NOTE 6: AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor.

	2016	2015
	\$	\$
<i>Audit Services</i>		
Audit of financial report	10,000	6,106
Audit of the Australian Financial Services Licence	3,000	3,000
	13,000	9,106

The auditor for the year was Deloitte Touche Tohmatsu.

NOTE 7: 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	2015
	\$	\$
Cash	1,072,391	793,968
Term deposits (term 3 months)	725,000	725,000
Total cash & cash equivalents	1,797,391	1,518,968

(b) Reconciliation of net profit to net cash inflow from operating activities

	2016	2015
	\$	\$
Profit/(loss) attributable to investors	1,008,049	377,352
Decrease/(increase) in term deposits	-	350,000
Decrease/(increase) in UCA Cash Management Fund Limited	-	(438,608)
Decrease/(increase) in financial assets at fair value	(892,370)	55,007
Decrease/(increase) in other assets	666	(3,953)
(Decrease)/increase in payables	162,078	566,654
Net cash flow from operating activities	278,423	906,452

NOTE 8: EVENTS OCCURRING AFTER BALANCE SHEET DATE

No significant events 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 9: CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no outstanding contingent assets and liabilities or commitments as at 31 December 2016 or 31 December 2015.