

UCA FUNDS MANAGEMENT LIMITED

ABN 46 102 469 821

Report for the six months period ended 30 June 2018

UCA FUNDS MANAGEMENT LIMITED

ABN 46 102 469 821

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 3000
Australia

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

Custodian & Administrator: Northern Trust Corporation
Level 47, 80 Collins Street
Melbourne
Victoria 3000
Australia

Directors' Report

The directors' present their report on the financial statements of the UCA Funds Management Limited ("the Company") for the six months ended 30 June 2018 (the "reporting period"). The prior year comparatives cover a period of 1 January 2017 to 31 December 2017. The Company has no share capital since it is incorporated as a company limited by guarantee.

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 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 period and no dividends have been recommended for payment at period end.

Directors

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

K Allchin	Non-Executive Director
J Bell	Non-Executive Director
M Browning	Executive Director – <i>Appointed 5 February 2018</i>
D Cousins	Non-Executive Director – Chairperson Chairperson – Remuneration & Nomination Committee
L Mann	Non-Executive Director – Chairperson, Investment Committee
T McCredden	Non-Executive Director
F Pearce	Non-Executive Director
M Walsh	Executive Director – <i>Retired 28 February 2018</i>
D Watson*	Non-Executive Director – Chairperson – Audit, Risk & Compliance Committee
G Willson	Non-Executive Director – <i>Retired 1 July 2018</i>

* D Watson retired as a partner of Deloitte in May 2013, at which time Deloitte was the auditor of UCA Funds Management Limited, and was appointed a Director on 1 February 2016.

Review of Operations

Net profit of the Company for the period was \$114,036 (2017: \$128,227).

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 \$4,463,489 (2017: \$8,598,600).

The Company paid \$2,649,570 (2017: \$4,662,212) for administration and investment services provided to the Company and granted \$1,701,001 (2017: \$3,902,726) to The Uniting Church in Australia, Synod of Victoria and Tasmania. In addition, the Company earned interest of \$9,262 (2017: \$20,197) on investments, received distributions of \$19,233 (2017: \$98,421) and made a net gain on financial assets at fair value through profit and loss of \$72,480 (2017: \$112,555).

Significant changes in state of affairs

During the period the Company resolved to change its financial year end from December to June.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the period not otherwise disclosed in this report or the financial statements.

Environmental Regulation

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

Information on Directors

Ms Katherine Allchin GAICD, BBus – Marketing

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 of Biomedical Research Victoria, Monash Health, Jessie McPherson Private Hospital, Chair of the Advisory Group of the Melbourne Genomics Health Alliance, and Trustee of the RSYLTC Foundation.

Mr Mathew Browning BSc F Fin – Appointed 5 February 2018

Executive Director, Chief Executive Officer. He is the former General Manager of The Myer Family Company (MFCo). He has over 25 years' experience in financial services, property and professional services, in roles across Australia, Asia and the UK.

Dr David Cousins AM PhD

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 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.

Ms Fiona Pearce B. Ec. MBA FCPA FAICD

Non-executive Director. She has extensive commercial, financial and tax expertise gained from a broad career spanning almost two decades at ASX-listed, global companies BHP Billiton and BlueScope Steel. She has served in a number of non-executive positions, including as non-executive director of City West Water, a \$2 billion water utility, and as an Advisory Board member to a fintech in Stone & Chalk, developing leading-edge governance, risk and compliance software for the financial services sector. She is currently a non-executive director of Scotch College, one of Australia's leading boys' schools, and of World Vision Australia, the largest charity in Australia. She holds a Senior Executive MBA; she is a Fellow of CPA Australia and is a Fellow of the Australian Institute of Company Directors.

Mr Michael Walsh M Com – Retired 28 February 2018

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

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 - Retired 1 July 2018

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	
	A	B	A	B	A	B	A	B
K Allchin	3	3	2	2	*	*	*	*
J Bell	3	3	2	2	1	1	2	2
M Browning	3	3	*	*	*	*	2	2
D Cousins	3	3	*	*	2	2	2	2
L Mann	3	2	*	*	2	2	*	*
T McCredden	3	2	*	*	2	2	*	*
F Pearse	3	3	2	2	*	*	*	*
M Walsh	1	1	*	*	*	*	*	*
D Watson	3	3	2	2	*	*	*	*
G Wilson	3	3	*	*	2	2	2	1

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

B = Number of meetings attended

* = Not a member of the relevant committee during the reporting period

Information on Company Secretary

Ms Leeanne Lukaitis B Bus, ASA

Company Secretary. Ms Lukaitis also fills the role of Manager Finance.

Indemnification and 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 at the date of this report, UCA Funds Management Limited has paid a premium in respect of a contract insuring the Directors and Officers of the company (as named above) and of any other related body corporate against any liability incurred as such a Director or Officer to the extent permitted by the *Corporations Act 2001*. Due to the confidentiality undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.

The Company has not otherwise, during or since the end of the reporting period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Matters subsequent to the end of the six months reporting period

No matter or circumstance has arisen since 30 June 2018 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.

Auditor's Independence Declaration

Auditor's Independence Declaration as required by section 307C of the *Corporations Act 2001* is set out on page 6.

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



D Cousins
Director

Melbourne
30 October 2018



M Browning
Director

30 October 2018

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

Dear Board Members,

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 audit of the financial statements of UCA Funds Management Limited for the six months reporting period ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

Independent Auditor's Report to the Investors of UCA Funds Management Limited

Opinion

We have audited the financial report of UCA Funds Management Limited (the "Entity") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the six months reporting period ended 30 June 2018, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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 30 June 2018 and of its financial performance for the six months reporting period ended 30 June 2018; 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 directors' report for the six months reporting period ended 30 June 2018, 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 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, 30 October 2018

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes of UCA Funds Management Limited set out on pages 10 to 22:
 - (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 30 June 2018 and its performance, as represented by the results of its operations, changes in equity and its cash flows, for the reporting period 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*.



D Cousins
Director



M Browning
Director

Melbourne
30 October 2018

Statement of Profit or Loss and Other Comprehensive Income

		For the reporting period 1 January 2018 to 30 June 2018 \$	For the reporting period 1 January 2017 to 31 December 2017 \$
	Notes		
Investment income			
Interest income		9,262	20,197
Distribution income from related parties	3	19,233	98,421
Management fee income from related parties	3	4,463,489	8,598,600
Net gain on financial assets held at fair value through profit or loss			
Related party	3	72,480	112,555
Total investment income		<u>4,564,464</u>	<u>8,829,773</u>
Expenses			
Management fees paid to related party			
Expense reimbursement	3	2,649,570	4,662,212
Grants paid	3	1,701,001	3,902,726
Other operating expenses		99,857	136,608
Total expenses		<u>4,450,428</u>	<u>8,701,546</u>
Net profit for the reporting period		<u>114,036</u>	<u>128,227</u>
Other comprehensive income for the reporting period			
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		<u><u>114,036</u></u>	<u><u>128,227</u></u>

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

Statement of Financial Position

		As at	
		30 June 2018	31 December 2017
	Notes	\$	\$
Assets			
Cash and cash equivalents	7	1,692,355	1,649,067
Investment in UCA Cash Management Fund Limited	3	2,077,793	577,790
Financial assets held at fair value through profit or loss			
Unlisted equity trust – related party	3	281,698	1,709,222
Other receivables		954,694	925,675
Total assets		<u>5,006,540</u>	<u>4,861,754</u>
Liabilities			
Payables - related party		1,209,323	1,487,124
Provision for annual and long service leave	8	308,551	-
Total liabilities		<u>1,517,874</u>	<u>1,487,124</u>
Net assets		<u>3,488,666</u>	<u>3,374,630</u>
Capital reserve		3,488,666	3,374,630
Total equity		<u>3,488,666</u>	<u>3,374,630</u>

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

Statement of Cash Flows

		For the reporting period 1 January 2018 to 30 June 2018	For the reporting period 1 January 2017 to 31 December 2017
	Notes	\$	\$
Cash flows from operating activities			
Interest received		9,233	18,883
Distributions received from related parties		62,154	36,269
Management fee received from related parties		4,411,762	7,727,461
Management fees paid to related party			
Expense reimbursement		(2,618,820)	(3,903,820)
Grants paid		(1,701,001)	(3,902,726)
Other operating expenses paid		(120,040)	(124,391)
Net cash inflow/(outflow) from operating activities	7	<u>43,288</u>	<u>(148,324)</u>
Net change in cash and cash equivalents		<u>43,288</u>	<u>(148,324)</u>
Cash and cash equivalents at beginning of the reporting period		<u>1,649,067</u>	<u>1,797,391</u>
Cash and cash equivalents at end of the reporting period	7	<u><u>1,692,355</u></u>	<u><u>1,649,067</u></u>

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

Statement of Changes in Equity

	As at	
	30 June 2018	31 December 2017
	\$	\$
Total equity at the beginning of the reporting period	3,374,630	3,246,403
Net profit for the reporting period	114,036	128,227
Total equity at the end of the reporting period	<u>3,488,666</u>	<u>3,374,630</u>

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 the date the Directors' declaration was signed. 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 Profit or Loss and Other Comprehensive Income.

The Company's year end has been changed from December to June. Thus the current reporting period is for the six months ended 30 June 2018.

(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.

Distribution income is earned from the Company's investments in UCA Cash Management Fund Limited and the UCA Australian Equities Portfolio.

(c) Financial Assets held at fair value through profit or 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 Profit or Loss and Other Comprehensive Income. The following presents 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 which is a financial instrument that trades in markets that are not considered active but the underlying asset values are mainly based on quoted market prices and cash equivalents. The investment is generally available for redemption within 24 hours.

(c) Financial Assets held at fair value through profit or loss

Investment in unlisted equity trust

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

(d) 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.

(e) 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.

(f) Income Tax

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

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

(h) Provision for annual and long service leave

Liabilities for annual leave and long service leave in respect of the employees' services up to the end of the reporting period are recognized and measured at the amounts expected to be paid when the liabilities are settled.

(i) 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 Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(j) New accounting standards and interpretations

The Company has applied the following standards for the first time for the six month reporting period commencing 1 January 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(k) Critical accounting judgements and key sources of estimation uncertainty

There have not been any critical accounting judgements or estimations made in the six months reporting period.

(I) **Comparative period**

The comparative period is for the twelve months from 1 January 2017 to 31 December 2017.

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.

	For the reporting period 1 January 2018 to 30 June 2018 \$	For the reporting period 1 January 2017 to 31 December 2017 \$
Management fees received:		
UCA Cash Management Fund Limited	2,507,431	5,050,056
UCA Growth Fund Limited	1,391,904	2,562,487
Uniting Ethical Australian Equities Trust	316,404	565,059
Uniting Ethical Enhanced Cash Trust	210,602	351,975
Ministers Home Endowment Fund	27,849	52,773
Funeral Fund	9,299	16,250
Total management fees received from related party	<u>4,463,489</u>	<u>8,598,600</u>
Management fees paid to The Uniting Church in Australia Synod of Victoria and Tasmania:		
Expense reimbursement	2,649,570	4,662,212
Grants paid	1,701,001	3,902,726

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

	As at	
	30 June 2018	31 December 2017
	\$	\$
Investment in UCA Cash Management Fund Limited	2,077,793	577,790
Investment in UCA Australian Equities Portfolio	281,698	1,709,222
	For the reporting period 1 January 2018 to 30 June 2018	For the reporting period 1 January 2017 to 31 December 2017
	\$	\$
Distribution received from UCA Cash Management Fund Limited	15,358	15,017
Distribution received from UCA Australian Equities Portfolio	3,875	83,404
	<u>19,233</u>	<u>98,421</u>
Net realised gain on UCA Australian Equities Portfolio	181,795	-
Net Unrealised gain/(loss) on UCA Australian Equities Portfolio	<u>(109,315)</u>	<u>112,555</u>
Net gain on UCA Australian Equities Portfolio	<u>72,480</u>	<u>112,555</u>

Note 4: Key Management Personnel Compensation

All Directors and employees were employed by the Company in the current reporting period, in the prior period the Directors and employees were employed by the Uniting Church in Australia, Synod of Victoria and Tasmania.

The Company provides management services to 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.

(a) Directors

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

K Allchin	Non-Executive Director
J Bell	Non-Executive Director
M Browning	Executive Director – <i>Appointed 5 February 2018</i>
D Cousins	Non-Executive Director – Chairperson
	Chairperson – Remuneration & Nomination Committee
L Mann	Non-Executive Director – Chairperson, Investment Committee
T McCredden	Non-Executive Director
F Pearse	Non-Executive Director
M Walsh	Executive Director – <i>Retired 28 February 2018</i>
D Watson	Non-Executive Director
	Chairperson – Audit, Risk & Compliance Committee
G Wilson	Non-Executive Director – <i>Retired 1 July 2018</i>

(a) Directors

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

	For the reporting period 1 January 2018 to 30 June 2018 \$	For the reporting period 1 January 2017 to 31 December 2017 \$
Income paid or payable to directors of the Company by the Company and related parties		
Short-term employee benefits	276,805	460,248
Other long-term benefits	<u>2,049</u>	<u>25,869</u>
Total	<u>278,854</u>	<u>486,117</u>

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 period. During the reporting period, no Director held a financial interest in the Company (2017: nil).

Note 5: Financial Risk Management

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

(a) 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.

2018	Impact on operating profit/loss and net assets attributable to investors		
	Carrying Amount \$	Market risk	
		\$ -10%	\$ +10%
Unlisted equity trust	281,698	(28,170)	28,170

(a) Market risk

2017	Impact on operating profit/loss and net assets attributable to investors		
	Carrying Amount	Market risk	
		\$	\$
		-10%	+10%
Unlisted equity trust	1,709,222	(170,922)	170,922

(b) 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.

2018	Impact on profit/ net assets attributable to investors		
	Carrying Amount	Interest rate risk	
		-75bps	+75 bps
		\$	\$
Cash & cash equivalents	1,692,355	(12,692)	12,692
Investment in UCA Cash Management Fund Limited	2,077,793	(15,583)	15,583

2017	Impact on profit/ net assets attributable to investors		
	Carrying Amount	Interest rate risk	
		-75bps	+75 bps
		\$	\$
Cash & cash equivalents	1,649,067	(12,368)	12,368
Investment in UCA Cash Management Fund Limited	577,790	(4,333)	4,333

(c) 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 Statement of Financial Position.

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.

(d) **Liquidity risk**

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

Payables - related party \$1,209,323 (2017: \$1,487,124) are generally paid monthly in arrears.

Provision for annual leave \$152,108 (2017: \$ nil) is payable within twelve months.

Provision for long service leave \$136,124 (2017: \$ nil) is payable within twelve months.

Provision for long service leave \$20,319 (2017: \$ nil) is payable after twelve months.

(e) **Fair values**

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

(f) **Fair value measurement**

	Amount at 30 June 2018 \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets held at fair value through profit and loss				
Investment in UCA Cash Management Fund Limited	2,077,793	-	2,077,793	-
Unlisted equity trust	281,698	-	281,698	-
Total	2,359,491	-	2,359,491	-

	Amount at 31 December 2017 \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets held at fair value through profit and loss				
Investment in UCA Cash Management Fund Limited	577,790	-	577,790	-
Unlisted equity trust	1,709,222	-	1,709,222	-
Total	2,287,012	-	2,287,012	-

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 mainly based on quoted market prices and cash equivalents.

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 UCA Cash Management Fund Limited and Unlisted Equity Trust as Level 2 for 2018 and 2017 on the basis that the investments are unlisted.

Note 6: Auditor's Remuneration

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

	For the reporting period 1 January 2018 to June 30 2018 \$	For the reporting period 1 January 2017 to 31 December 2017 \$
<i>Audit Services</i>		
Audit of financial report	10,000	10,000
Audit of the Australian Financial Services Licence	3,000	3,000
	<u>13,000</u>	<u>13,000</u>

The auditor of the Company is Deloitte Touche Tohmatsu. The Company pays the audit fees.

Note 7: Note to Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes deposits held at call with a financial institution and amounts which are readily convertible to cash. Cash at the end of the six months reporting period comprises the following cash and cash equivalents:

	As at 30 June 2018 \$	31 December 2017 \$
Cash	967,355	924,067
Term deposit (term 3 months)	725,000	725,000
Total cash & cash equivalents	<u>1,692,355</u>	<u>1,649,067</u>

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

	For the reporting period 1 January 2018 to 30 June 2018 \$	For the reporting period 1 January 2017 to 31 December 2017 \$
Net profit for the reporting period	114,036	128,227
Decrease/(increase) in other receivables	(29,018)	(922,388)
(Decrease)/increase in payables and provisions	30,750	758,392
Movement on financial assets held at fair value through profit or loss	(72,480)	(112,555)
Net cash inflow/(outflow) from operating activities	<u>43,288</u>	<u>(148,324)</u>

Note 8: Provision for annual and long service leave

	30 June 2018	As at 31 December 2017
	\$	\$
Annual leave	152,108	-
Long service leave	156,443	-
Total provision	<u>308,551</u>	<u>-</u>

Note 9: Events occurring after balance sheet date

No significant events have occurred since balance sheet date which would impact on the financial position of the Company disclosed in the Statement of Financial Position at 30 June 2018, or the results and cash flows of the Company for the six months reporting period ended on that date.

Note 10: Contingent assets and liabilities and commitments

There were no outstanding contingent assets and liabilities or commitments as at 30 June 2018 or at 31 December 2017.