

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
INVESTMENT FUND  
General Purpose Financial Report  
As at 31 December 2012**

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UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
INVESTMENT FUND

INVESTMENT AND CORPORATE FINANCE COMMITTEE'S STATEMENT

In the opinion of the Investment and Corporate Finance Committee,

- (i) the financial report presents fairly the financial position of the Uniting Church in Australia Synod of Western Australia Investment Fund ("the Investment Fund") at 31 December 2012 and the results of its operations and cash flows for the year ended on that date;
- (ii) the operations of the Investment Fund have been carried out in accordance with the Synod's Constitution; and
- (iii) at the date of this statement, there are reasonable grounds to believe that the Investment Fund will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Investment and Corporate Finance Committee and is signed for and on behalf of the Investment and Corporate Finance Committee by:

*C. Howlett*

**EREG HOWLETT** Chairperson of the Investment and Corporate Finance Committee

*K Dowling*  
\_\_\_\_\_  
General Secretary

*[Signature]*  
\_\_\_\_\_  
Associate General Secretary – Resources

Dated: 2 July 2013

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
INVESTMENT FUND**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2012**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
Interest revenue	3a	2,038,056	1,889,371
Investment revenue	3b	4,611,127	(3,680,853)
		<u>6,649,183</u>	<u>(1,791,482)</u>
Interest expense	3c	(2,895,836)	(3,231,331)
Other expenses	3d	(2,297,660)	(2,898,407)
		<u>(5,193,496)</u>	<u>(6,129,738)</u>
NET SURPLUS / (DEFICIT) FOR THE YEAR		1,455,687	(7,921,220)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>1,455,687</u>	<u>(7,921,220)</u>
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR		<u>5,668,461</u>	<u>13,589,681</u>
ACCUMULATED SURPLUS AT END OF THE YEAR		<u>7,124,148</u>	<u>5,668,461</u>

The accompanying notes form part of this financial report

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
INVESTMENT FUND**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2012**

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
Cash and cash equivalents	5	36,522,965	19,233,065
Receivables	6	575,801	473,769
Financial assets	7	19,944,206	30,802,633
Loans and advances	8	2,580,018	2,086,110
<b>TOTAL CURRENT ASSETS</b>		<u>59,622,990</u>	<u>52,595,577</u>
Loans and advances	8	4,734,351	10,693,421
Investment properties	9	8,080,000	8,950,000
Property, plant and equipment	10	2,222,911	2,387,250
<b>TOTAL NON CURRENT ASSETS</b>		<u>15,037,262</u>	<u>22,030,671</u>
<b>TOTAL ASSETS</b>		<u>74,660,252</u>	<u>74,626,248</u>
<b>LIABILITIES</b>			
Deposits	11	66,286,104	67,010,971
Accruals	12	-	70,541
Provisions	13	1,250,000	1,690,000
<b>TOTAL CURRENT LIABILITIES</b>		<u>67,536,104</u>	<u>68,771,512</u>
Deposits	11	-	186,275
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>-</u>	<u>186,275</u>
<b>TOTAL LIABILITIES</b>		<u>67,536,104</u>	<u>68,957,787</u>
<b>NET ASSETS</b>		<u>7,124,148</u>	<u>5,668,461</u>
<b>EQUITY</b>			
Accumulated surplus	14	7,124,148	5,668,461
<b>TOTAL EQUITY</b>		<u>7,124,148</u>	<u>5,668,461</u>

The accompanying notes form part of this financial report

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERAUSTRALIA  
INVESTMENT FUND**

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2012**

	Note	2012 \$	2011 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interest received from mortgages and Investments		2,500,939	2,539,449
Interest paid to depositors		(2,895,836)	(3,231,331)
Investment income		1,487,654	3,225,820
Payments to suppliers		(953,862)	(1,003,021)
Grants paid		(1,690,000)	(1,675,000)
Net cash (used in) operating activities		<u>(1,551,105)</u>	<u>(144,083)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net receipts for equity investments		14,286,985	2,161,803
Net loans to customers		<u>5,465,162</u>	<u>(665,442)</u>
Net cash provided by / (used in) investing activities		<u>19,752,147</u>	<u>1,496,361</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net (decrease) / increase in deposits		<u>(911,142)</u>	<u>4,529,206</u>
Net cash (used in) / provided by financing activities		<u>(911,142)</u>	<u>4,529,206</u>
Net increase in cash held		17,289,900	5,881,484
Cash at the beginning of the year		<u>19,233,065</u>	<u>13,351,581</u>
Cash at the end of the year		<u>36,522,965</u>	<u>19,233,065</u>

The accompanying notes form part of this financial report

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2012**

	<b>Accumulated Surplus \$</b>	<b>Total Equity \$</b>
1 January 2011	13,589,681	13,589,681
Total comprehensive loss for the year	(7,921,220)	(7,921,220)
31 December 2011	<u>5,668,461</u>	<u>5,668,461</u>
	<b>Accumulated Surplus \$</b>	<b>Total Equity \$</b>
1 January 2012	5,668,461	5,668,461
Total comprehensive income for the year	1,455,687	1,455,687
31 December 2012	<u>7,124,148</u>	<u>7,124,148</u>

The accompanying notes form part of this financial report

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012**

1. PRINCIPAL ACTIVITIES, CONSTITUTION AND BASIS OF PREPARATION

(a) Principal activities

The principal activities of the Investment Fund are to:

- Enlarge and extend the work of the Uniting Church in WA by:
  - (i) receiving deposits at varying rates of interests;
  - (ii) receiving gifts and bequests;
  - (iii) applying money on investments; and
  - (iv) applying surplus funds from operations to the wider work of the Church
- Encourage and foster a greater appreciation and understanding of Christian Stewardship.

(b) Constitution

The Investment Fund is an unincorporated divisional activity, conducted and ultimately controlled by, the Uniting Church in Australia Synod of Western Australia (the Synod), an entity constituted under the provisions of the Uniting Church in Australia Act, 1976. Under this legislation, the land and buildings controlled by the Investment Fund as well as the cash, liquid assets and trading securities are vested in the Uniting Church in Australia Property Trust (WA).

The Investment Fund is a lender to other Divisions, Instrumentalities and Agencies of the Synod as disclosed in Note 8 and also borrows funds, as disclosed in Note 11.

(c) Basis of presentation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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For the year ended 31 December 2012**

1 PRINCIPAL ACTIVITIES, CONSTITUTION AND BASIS OF PREPARATION

*Going concern*

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the report, the Investment Fund had a net cash outflows from operating activities of \$1,551,105 (2011 net cash outflows: \$144,083). As at that date, the Investment Fund had net current liabilities of \$7,913,114 (2011: net current liabilities of \$16,175,935). These factors indicates significant uncertainty as to whether the Investment Fund will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Committee believes that it is reasonably foreseeable that the Investment Fund will continue as a going concern and that the going concern basis of accounting for the Investment Fund is appropriate, which has been determined after consideration of the following factors:

- \$25,942,727 of current liability term deposits, are from Uniting Church in Australia Synod and its divisions. Whilst the deposits are placed for less than 12 months, the Committee does not expect the majority of these deposits to be redeemed in the next 12 months, based on the withdrawal history of prior years; and
- There is an ability to reduce operational costs at the Investment Fund and Synod levels.

The financial report does not include any adjustments relating to the amounts and classification of recorded assets and liabilities that might be necessary if the Fund does not continue as a going concern.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.



**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA**  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted by the Committee in the preparation of this financial report:

(a) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

(b) Financial Assets

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

*Financial assets at fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Financial Instruments: Recognition and Measurement*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Held-to-maturity investments*

These investments have fixed maturities, and it is the Fund's intention to hold these investments to maturity. Any held-to-maturity investments held by the Fund are stated at amortised cost using the effective interest rate method.

*Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken to equity.

*Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA**  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Financial Assets (Cont'd)

*Measurement basis*

For investments carried at amortised cost, gains or losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments with no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date the Investment Fund commits to purchase or sell the asset.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Investment Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

*Depreciation*

Depreciation is calculated on a straight line basis so as to write off the net costs of each asset over the expected useful life. Assets are depreciated from the date of acquisition.

Items of property, plant and equipment are depreciated as follows:

Building	5.00%
Furniture, fixtures and fittings	20.00%

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Impairment

At each reporting date, the Investment Fund reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(e) Provisions

Provisions are recognised when the Investment Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(f) Income Tax

The Uniting Church in Australia Synod of Western Australia is exempt from income tax under the provisions of Section 50-5 of the Income Tax Assessment Act 1997 and this exemption encompasses the operations of the Investment Fund.

(g) Comparative figures

Where necessary, the figures for the previous year have been reclassified to facilitate comparison.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012**

	2012 \$	2011 \$
3. NET SURPLUS/ (DEFICIT) FOR THE YEAR		
REVENUE		
a) Interest		
Interest on loans and advances	614,749	932,300
Interest on mortgage securities	115,545	121,373
Interest on cash and deposits	1,307,762	835,698
INTEREST REVENUE	2,038,056	1,889,371
b) Investment		
Investment income	1,987,532	3,928,971
Property income	65,037	35,500
Gain on sale of assets	1,818,605	388,827
Unrealised gain/(loss) on investments	1,609,953	(6,467,055)
Unrealised loss on investment properties	(870,000)	(1,567,096)
NON INTEREST REVENUE	4,611,127	(3,680,853)
TOTAL	6,649,183	(1,791,482)
EXPENDITURE		
c) Interest		
Interest on deposits	2,895,836	3,231,331
d) Other		
Rental property expenses	38,776	120,374
Investment fees and charges	105,604	146,960
Management expenses	654,524	612,915
Grant to Synod	1,250,000	1,690,000
Depreciation	164,339	244,338
Administration expenses	84,417	83,820
OTHER EXPENSES	2,297,660	2,898,407
TOTAL	5,193,496	6,129,738

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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4. INTEREST REVENUE AND EXPENSE

The following tables show the average balance of each major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

	Average Balance	Interest	Average Interest Rate %
Interest revenue 2012			
Loans and advances	8,697,637	614,749	7.06
Mortgage securities	1,349,312	115,545	8.56
Cash and deposit	27,878,015	<u>1,307,762</u>	4.69
		<u>2,038,056</u>	
Interest revenue 2011			
Loans and advances	10,955,929	932,300	8.51
Mortgage securities	1,414,731	121,373	8.58
Cash and deposit	16,257,052	<u>835,698</u>	5.14
		<u>1,889,371</u>	
Interest expense 2012			
Term deposits	66,392,199	<u>2,895,836</u>	4.36
Interest expense 2011			
Term deposits	64,932,313	<u>3,231,331</u>	4.98

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2012**

	2012	2011
	\$	\$
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash on hand and at banks	2,464,914	47,653
Short term investment	<u>34,058,051</u>	<u>19,185,412</u>
	<u>36,522,965</u>	<u>19,233,065</u>
<b>6. RECEIVABLES</b>		
Sundry debtors	575,797	473,714
GST receivable	<u>4</u>	<u>51</u>
	<u>575,801</u>	<u>473,765</u>
<b>7. FINANCIAL ASSETS</b>		
<i>At fair value</i>		
Listed shares	1,886,519	9,921,315
Listed fixed income securities	2,753,305	4,747,992
Unlisted fixed income securities	533,050	1,364,336
Listed property trusts	156,692	1,013,995
Managed funds	15,750,640	15,177,845
Provision for impairment	<u>(1,136,000)</u>	<u>(1,422,850)</u>
	<u>19,944,206</u>	<u>30,802,633</u>
<b>8. LOANS AND ADVANCES</b>		
Current	2,580,018	2,086,110
Non Current	<u>4,734,351</u>	<u>10,693,421</u>
	<u>7,314,369</u>	<u>12,779,531</u>
Loans to Divisions, Instrumentalities and Agencies of Synod	5,914,035	11,351,631
Mortgage securities	1,325,287	1,373,338
Others	<u>75,047</u>	<u>54,562</u>
	<u>7,314,369</u>	<u>12,779,531</u>
Maturity analysis		
Not longer than 3 months	1,136,734	189,079
Longer than 3 and not longer than 12 months	1,443,284	1,897,030
Longer than 1 year and not longer than 5 years	477,491	9,279,830
Longer than 5 years	<u>4,256,860</u>	<u>1,413,592</u>
	<u>7,314,369</u>	<u>12,779,531</u>

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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8. LOANS AND ADVANCES (Cont.)

Loans to Divisions, Instrumentalities and Agencies to Synod are generally made against a Letter of Undertaking. In most cases, there is no registered mortgage.

Advances on mortgage securities are normally for fixed terms and limited to two thirds of sworn valuation but in exceptional cases, the loan to valuation ratio may be increased, provided adequate Mortgage Guarantee Insurance is effected. All mortgages become payable on demand in the event of the mortgagor's default.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>9. INVESTMENT PROPERTIES</b>		
<b>(a) Land and buildings – at independent valuation</b>		
- 2011	-	8,950,000
- 2012	<u>8,080,000</u>	<u>-</u>
	<u>8,080,000</u>	<u>8,950,000</u>
<b>(b) Movements in Carrying Amounts</b>		
Movement in the carrying amounts between the beginning and the end of the financial year		
Carrying amount at beginning of the year	8,950,000	10,517,096
Revaluation	<u>(870,000)</u>	<u>(1,567,096)</u>
Carrying amount at end of the year	<u>8,080,000</u>	<u>8,950,000</u>

Independent valuations were performed by a licensed valuer, Pember Wilson and Eftos in December 2012 and December 2011. Valuations were on the basis of estimated current market values, based on the properties being sold on the open market at the date of valuation.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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	2012 \$	2011 \$
10. PROPERTY, PLANT AND EQUIPMENT		
Land – at cost	<u>1,000,000</u>	<u>1,000,000</u>
Building – at cost	1,686,779	1,686,779
Less accumulated depreciation	<u>(463,868)</u>	<u>(379,529)</u>
	<u>1,222,911</u>	<u>1,307,250</u>
Furniture, fixtures and fittings	800,000	800,000
Less accumulated depreciation	<u>(800,000)</u>	<u>(720,000)</u>
	<u>-</u>	<u>80,000</u>
TOTAL	<u>2,222,911</u>	<u>2,387,250</u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts between the beginning and the end of the financial year

*Land*

Carrying amount at the beginning of the year	<u>1,000,000</u>	<u>1,000,000</u>
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Carrying amount at the end of the year	<u>1,000,000</u>	<u>1,000,000</u>
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*Building*

Carrying amount at beginning of the year	1,307,250	1,391,589
Depreciation	<u>(84,339)</u>	<u>(84,339)</u>

Carrying amount at end of the year	<u>1,222,911</u>	<u>1,307,250</u>
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Land and building was independently valued by Pember Wilson and Eftos in April 2012. The fair value on an "As Is" basis was \$4,800,000.



**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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	2012 \$	2011 \$
10. PROPERTY, PLANT AND EQUIPMENT		
(a) Movements in Carrying Amounts (Cont'd)		
<i>Furniture, fittings and fixtures</i>		
Carrying amount at beginning of the year	80,000	240,000
Depreciation	(80,000)	(160,000)
Carrying amount at end of the year	-	80,000
Total	2,222,911	2,387,250
11. DEPOSITS		
Term deposits		
Synod funds	25,942,727	24,343,901
Parish and related instrumentalities	35,483,006	37,969,238
Private investors	4,605,335	4,511,146
Accrued interest	255,036	372,961
	66,286,104	67,197,246
Maturity analysis		
Not longer than 3 months	46,228,343	45,877,579
Longer than 3 and not longer than 12 months	20,057,761	21,133,392
Longer than 1 and not longer than 5 years	-	186,275
	66,286,104	67,197,246

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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		2012 \$	2011 \$
12.	<b>ACCRUALS</b>		
	Payable	<u>-</u>	<u>70,541</u>
13.	<b>PROVISIONS</b>		
	Grants to WA Synod	<u>1,250,000</u>	<u>1,690,000</u>
14.	<b>NOTES TO THE STATEMENT OF CASH FLOWS</b>		
	(a) Reconciliation of cash		
	Cash at the end of the financial year is shown in the Statement of Cash Flows and is reconciled to the related items in the Statement of Financial Position as follows:		
	Cash on hand and at banks	2,464,914	47,653
	Short term investment	<u>34,058,051</u>	<u>19,185,412</u>
		<u>36,522,965</u>	<u>19,233,065</u>
	(b) Reconciliation of net cash (used in) operating activities to net surplus		
	Net surplus / (deficit)	1,455,687	(7,921,220)
	Grants appropriations	1,250,000	1,690,000
	(Profit) on sale of investments	(1,818,605)	(388,827)
	Unrealised loss / (gains) on investments	(1,609,953)	6,467,055
	Unrealised loss on investment properties	870,000	1,567,096
	Depreciation	164,339	244,338
	Movement in assets and liabilities		
	(Increase) in receivables	(102,032)	(88,573)
	(Decrease) in provisions	(1,690,000)	(1,675,000)
	(Decrease)/increase in accruals	(70,541)	(38,952)
		<u>(1,551,105)</u>	<u>(144,083)</u>
	Net cash (used in) operating activities	<u>(1,551,105)</u>	<u>(144,083)</u>
15.	<b>CONTINGENT LIABILITIES</b>		
	There were no contingent liabilities of the Investment Fund at balance date.		

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA**  
**INVESTMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2012**

16. COMMITMENTS

Total Mortgage Loans committed but not yet drawn at balance date amounted to \$200,000 (2011: \$3,004,000). This consisted of \$200,000 to Uniting Church Agencies (2011: \$3,004,000 to Uniting Church Agencies). All commitments are due to be drawn within one year.

17. RELATED PARTY TRANSACTIONS

(a) Members of the Investment and Corporate Finance Committee

Members of the Committee during the year were:

G Howlett (Chair)  
M Artus  
B Carey  
G Reynolds  
J Willoughby  
K Dowling  
R Locke  
M Patchell

(b) Advances and deposits

During the year, advances have been made to and deposits received from Divisions, Instrumentalities and Agencies of Synod. These are identified in notes 8 (Loans and Advances) and 11 (Deposits). In addition, advances of \$10,000 each were made to K Dowling and M Patchell in the prior periods at commercial rates. The balances outstanding as at 31 December 2012 were \$7,577 and \$7,209 respectively.

Interest paid and received on these Synod activities is made under the same terms and conditions as other parties and amounted to \$2,626,570 (2011: \$2,758,816) paid and \$610,919 (2011: \$927,445) received for the financial year.

(c) Mortgage loans

Mortgage loans have been made to employees, executives and their relatives under similar terms and conditions as other parties.

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18. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Investment Fund's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date are as follows:

<b>Recognised Financial Instruments</b>	<b>Balance Sheet Notes</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<b>(i) Financial Asset</b>			
Cash	5	Cash includes cash at bank readily convertible into cash.	N/A
Short term investment	5	Short term investment is stated at the lower of cost and net realisable value. Interest is recognised in the income statement when earned.	Short term investment is held on an on-call basis.
Receivables	6	Receivables are recognised for amounts to be received in the future in connection with refundable franking credits.	N/A
Listed shares	7	Listed shares are carried at market value. Dividend income is recognised when the dividends are received.	N/A
Listed fixed income securities	7	Listed fixed income securities are carried at market value. Income is recognised as revenue as it is accrued.	N/A
Unlisted fixed income securities	7	Unlisted fixed income securities are carried at fair value. Income is recognised as revenue as it is accrued.	N/A
Listed property trusts	7	Listed property trusts are carried at market value. Income is recognised as revenue as it is accrued.	N/A
Managed funds	7	The managed funds are carried at market value. Income is recognised as revenue as it is accrued.	N/A
Loans to divisions, instrumentalities and agencies of Synod	8	Amounts receivable from related parties/entities are carried at nominal amounts due. Where a loan is known to be doubtful, a specific provision may be made.	Advances are generally made against a Letter of Undertaking. In most cases, there is no registered mortgage.

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18. FINANCIAL INSTRUMENTS (cont)

<b>Recognised Financial Instruments</b>	<b>Balance Sheet Notes</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<b>(i) Financial Asset</b>			
Mortgage Securities	8	First mortgage securities are carried at nominal amounts due. Where a loan is known to be doubtful, a specific provision may be made.	Advances on mortgages are normally for fixed terms and limited to two thirds of sworn valuation but in exceptional cases the loan to valuation ratio may be increased provided adequate Mortgage Guarantee Insurance is effected.  All mortgages become payable on demand in the event of mortgagor default.
<b>(i) Financial Liabilities</b>			
Term deposits	11	Term deposits are carried at principal amounts plus interest accrued. Interest is recognised as it is accrued.	Interest is calculated in accordance with the terms of each contract.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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18. FINANCIAL INSTRUMENTS (cont)

Financial risk management

The main risks arising from the Investment Fund's financial instruments are interest rate risk, liquidity risk, credit risk and market price risk. The Investment Fund does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments.

(b) Interest rate risk

The Investment Fund is exposed to interest rate fluctuations on its cash at bank, short term investment, loans and advances, and term deposits. The Investment Fund actively monitors interest rates for cash at bank and short term investment to maximise interest income. The Investment Fund also actively monitors interest rates for loans and advances, and term deposits in order to provide competitive rates, which has the resultant effect of ensuring funds are available for investment purposes to attract higher returns to finance the Uniting Church in Australia activities and for Uniting Church related entities to access funds for their objectives.

The Fund's exposure to interest rate risk and the effective weighted interest rates on those financial assets and financial liabilities are as follows:

**2012**

Financial Instrument	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate			Non-interest bearing	Total
			1 year or less	1 to 5 years	More than 5 years		
<b>(i) Financial Asset</b>							
Cash	-	2,464,914	-	-	-	-	2,464,914
Short term investments	4.69	-	34,058,051	-	-	-	34,058,051
Receivables	-	-	-	-	-	575,801	575,801
Financial assets	-	-	-	-	-	19,944,206	19,944,206
Loans and advances	7.27	-	2,580,018	477,491	4,256,860	-	7,314,369
Total financial assets		2,464,914	36,638,069	477,491	4,256,860	20,520,007	64,357,341
<b>(ii) Financial Liabilities</b>							
Term deposits	4.36	-	66,286,104	-	-	-	66,286,104
Total financial liabilities	-	-	66,286,104	-	-	-	66,286,104
Net financial assets/(liabilities)		2,464,914	(29,648,035)	477,491	4,256,860	20,520,007	(1,928,763)

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18. FINANCIAL INSTRUMENTS (cont)

**2011**

Financial Instrument	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate			Non-interest bearing	Total
			1 year or less	1 to 5 years	More than 5 years		
<b>(i) Financial Asset</b>							
Cash	-	47,653	-	-	-	-	47,653
Short term investments	5.14	19,185,412	-	-	-	-	19,185,412
Receivables	-	-	-	-	-	473,765	473,765
Financial assets	-	-	-	-	-	30,802,633	30,802,633
Loans and advances	8.55	-	2,086,109	9,279,830	1,413,592	-	12,779,531
Total financial assets		19,233,065	2,086,109	9,279,830	1,413,592	31,276,398	63,288,994
<b>(ii) Financial Liabilities</b>							
Term deposits	4.98	-	67,010,971	186,275	-	-	67,197,246
Total financial liabilities		-	67,010,971	186,275	-	-	67,197,246
Net financial assets/(liabilities)		19,233,065	(64,924,862)	9,093,555	1,413,592	31,276,398	(3,908,252)

*Interest rate sensitivity*

At 31 December 2012, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, loss for the year (2011: loss for the year) would have been lower/higher by \$224,487 (2011 – +/- 100 basis points; \$352,000) mainly as a result of lower/higher interest expense for term deposits.

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18. FINANCIAL INSTRUMENTS (cont)

(c) Market Price Risk

The Investment Fund is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as financial assets at fair value through profit or loss. The Investment Fund is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Investment Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Investment Fund. The majority of the Investment Fund's equity and equity-related investments are publicly traded and are included either in the ASX 300 index or are publicly traded in Australia, totalling \$19,435,046 or 92% of total financial assets (\$29,567,903 or 92%). The balance pertains to investments in international equities through managed funds, totalling \$1,112,110 or 5% total financial assets (2011: \$1,293,244 or 4%) and investment in Collateralised Debt Obligations or equivalent, totalling \$533,050 or 3% of total financial assets (2011: \$1,364,336 or 4%).

At 31 December 2012, if the market price of publicly traded Australian securities had changed by +/- 15% from the year end with all other variables held constant, surplus for the year would have been lower/higher by \$2,915,257 (2011 – +/- 15%; \$4,436,000).

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions to fulfil term deposit redemptions, both foreseen and unforeseen. The Investment Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets or liabilities.

When necessary, cash for unforeseen events may be sourced from liquidation of financial assets at fair value through profit and loss. For the maturity and composition of the term deposits, please see note 11.

(e) Credit Risk

Credit risk arises from cash deposited with banks and financial institutions as well as credit exposures from loans and advances. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Loans to divisions, instrumentalities and agencies to Synod are generally made against a Letter of Undertaking. In most cases, there is no registered mortgage as the owner of the property available as security is the Trustee of the Investment Fund. Monthly repayments are monitored strictly every month by the Investment Fund and action will be taken immediately for any payment arrears.



**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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18. FINANCIAL INSTRUMENTS (cont)

The Investment Fund minimises concentrations of credit risk in relation to mortgages and advances to divisions, instrumentalities and agencies of Synod by undertaking transactions with a large number of customers. The Investment Fund has implemented policies that limit loans to any one borrower to a maximum of 30% of total reserves and to any one sector to a maximum of 20% of total assets.

Advances on mortgage securities are normally for fixed terms and limited to two thirds of sworn valuation but in exceptional cases, the loan to valuation ratio may be increased, provided adequate Mortgage Guarantee Insurance is effected. All mortgages become payable on demand in the event of the mortgagor's default.

For the maturity and composition of loans and advances, please see Note 8.

(f) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities at the balance date, are stated in the table at note 18(b).

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

*Cash and short term investments:*

The carrying amounts approximate fair values because they are receivable on demand.

*Receivables:*

The carrying amount approximates fair value due to its short-term nature.

*Financial assets:*

These are carried at quoted market prices at the reporting date for listed securities or dealer quotes for unlisted securities.

*Loans and advances:*

The fair values are estimated using their carrying amounts due to their short term nature and market interest rates charged.

*Customers' term deposits:*

The fair values are estimated using their carrying amounts due to their short term nature.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA  
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19. **SUBSEQUENT EVENTS**

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Investment and Corporate Finance Committee, to affect substantially the operations of the Investment Fund in subsequent financial years.

20. **INVESTMENT FUND DETAILS**

The principal place of business of the Investment Fund is:

Uniting Church in Australia  
85 – 89 Edward St  
EAST PERTH WA 6001

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF**

### **UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA**

#### *Report on the Financial Report*

We have audited the accompanying financial report of the Uniting Church in Australia Synod of Western Australia ("the Synod") Investment Fund ("the Investment Fund"), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Investment and Corporate Finance Committee ("the Committee") statement.

#### *The Investment Committee's Responsibility for the Financial Report*

The Committee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(c), the Committee also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

*Opinion*

In our opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the Investment Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards; and
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (c).

*RSM Bird Cameron*  
RSM BIRD CAMERON  
Chartered Accountants

JAMES KOMNINOS  
Director

Perth, WA  
Dated: 2 July 2013