

GLEBE ADMINISTRATION BOARD as trustee for  
the Diocesan Endowment

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ABN 84 797 589 118

Annual financial report – 31 December 2012

# CONTENTS

Page

Report by the Chief Executive Officer .....	3
Statutory report of the members of the Glebe Administration Board as trustee for The Diocesan Endowment.....	4
Auditor's Independence Declaration.....	10
Corporate governance statement.....	11
Five year financial summary – consolidated.....	13
Consolidated statement of comprehensive income.....	14
Consolidated balance sheet .....	15
Consolidated statement of changes in equity.....	16
Consolidated statement of cash flows .....	17
Notes to the consolidated financial statements .....	18
Members' declaration .....	47
Report to Standing Committee of Synod .....	48
Independent auditor's report	

# GLEBE ADMINISTRATION BOARD as trustee for the Diocesan Endowment

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## Report by the Chief Executive Officer For the year ended 31 December 2012

### **Background**

Glebe Administration Board ("GAB") is the trustee of the property held on the trusts set out in the *Diocesan Endowment Ordinance 1984*. That property is known as the Diocesan Endowment (the "DE").

By clause 2 of the *Glebe Administration Ordinance 1930* the principal object of GAB in relation to the DE is to maintain the real value of that property, and provide a reasonable income there from.

Each year, the Synod or its Standing Committee determines the amount to be distributed from the DE for the purposes of funding the activities of the Diocese of Sydney approved by ordinance.

The costs of administering the DE are paid from the property of the DE.

### **Results for 2012**

In 2012 the DE recorded a surplus on a consolidated basis of \$10,688,566 (2011 surplus \$7,903,586).

The result for 2012 was affected by the improved performance of the Australian and Overseas share markets, in which a substantial portion of the property of the Endowment is invested.

Overall, the value of the net assets of the DE increased to \$122,014,733 as at 31 December 2012 (\$114,425,711 as at 31 December 2011).

### **Significant events during 2012**

#### *Investment management*

During 2012 Mercer Australia Pty Limited continued to provide advice to GAB about the investment of the property of the DE. The investment of the property of the DE is undertaken in accordance with an Investment Policy Statement, a copy of which can be found on GAB's web page. It is reviewed periodically.

During the first quarter of 2012, an annual "health" check of the portfolio was undertaken with the assistance of Mercer. This did not result in any material changes to the Investment Policy Statement of the DE.

#### *Financial and lending services*

The financial services of the DE comprise the taking of deposits by way of the Glebe Income Accounts, the making of loans and the treasury function by which cash is invested on a short term basis.

During 2012, GAB undertook a major review of its policies for capital adequacy, credit risk and liquidity to enhance GAB's management of risk in undertaking its financial services activities.

**Mark Payne**  
**Chief Executive Officer**

27 March 2013

# Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012

The members of the Glebe Administration Board submit herewith the financial report as at 31 December 2012.

## Scope

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This financial report covers the consolidated entity consisting of Glebe Administration Board as trustee for the Diocesan Endowment and its controlled entities. Glebe Administration Board as trustee for the Diocesan Endowment is referred to as the "Board" within this financial report. Glebe Administration Board as trustee for the Diocesan Endowment and its subsidiaries together are referred to in this financial report as the "Group" or the consolidated entity.

Glebe Administration Board is an incorporated body created by the *Glebe Administration Ordinance 1930* in accordance with the *Anglican Church of Australia (Bodies Corporate) Act 1938*. Its registered office and principal place of business –

Glebe Administration Board  
Level 2, St Andrew's House  
Sydney Square NSW 2000

## Principal activities

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The object of Glebe Administration Board is to act as trustee of church trust property vested in it or in respect of which it may be appointed trustee and to do so in a way which both:

- (a) preserves the real value of that property; and
- (b) provides a reasonable income there from.

To achieve this, the principal activities of the Board have been to own, manage, develop, let, buy and sell real estate and securities as Trustee for the Diocesan Endowment, and to receive money on deposit or loan and the borrowing of money upon charge of such real estate in order to manage wealth and create income.

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

## Results for the year

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The consolidated total changes in equity before distributions and capital transactions, after adjusting the equity and fixed interest portfolio to market value and equity accounting for the beneficial interest in St Andrews House, is a surplus of \$10,688,566 (2012: \$7,903,586).

## Distributions

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The Board has made distributions of \$3,642,000 (2011: \$5,250,000) from the provision for distribution account.

## Review of operations and significant changes in the state of affairs

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A review of the operations of the Board and commentary on any significant changes in the state of affairs of the Board is contained in the report by the Chief Executive Officer.

# Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012 (cont)

## Members

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The Standing Committee of the Diocese of Sydney appoints members for terms of 3 years. The Standing Committee has the power to remove any member before the expiration of their term. The non-executive members receive no remuneration. The Chief Executive Officer attends Board meetings.

The following members were in office at 31 December 2012.

**Mr Ross Smith, MAppFin, BEc (Chairman) age 46**

Mr Smith is a Chartered Accountant and Director, Corporate Recovery, McGrathNicol with 26 years experience in Accounting, Finance, Corporate Restructuring and Advisory. He and his family attend Carringbah Anglican Church. Mr Smith was appointed to the Board on 6 December 2010 and was elected Chairman on 6 December 2012.

**Mr Mark Ballantyne BE, MBA, FIAA, age 44**

Mr Ballantyne is a qualified Actuary and Director level executive with over 21 years experience in all facets of financial services. He attends East Lindfield Anglican Church. Mr Ballantyne was appointed to the Board on 7 December 2009.

**Bishop Robert Forsyth, BA, BD, ThL, DipA, MTh, age 63**

Bishop of South Sydney, Chairman of Anglican Media Council, Archbishop's Liturgical Panel and EU Graduates Fund. Member of the Standing Committee of the Diocese of Sydney and Standing Committee of General Synod, Member of Doctrine Commission Diocese of Sydney and a Corporate Trustee of the Anglican Church of Australia. Bishop Forsyth was first appointed to the Board in May 2000.

**Mr Ben Koo, BCom, BEc, age 36**

Mr Koo is a Bank Analyst with Goldman Sachs Australia with previous experience in Corporate Restructuring and Corporate Finance and the past decade as a research analyst. He attends St Faith's Anglican Church Narrabeen. Previously he was a warden at the Anglican Church at Annandale. Mr Koo was appointed to the Board 7 on December 2009.

**Mr Andrew McLoughlin, BBus, CPA, MTax, age 50**

Mr McLoughlin is Deputy Inspector-General of Taxation, with 21 years in banking, financial services and taxation. He has held executive level positions. He attends East Lindfield Anglican Church. Mr McLoughlin was appointed to the Board on 7 December 2009.

**Mr Ian Miller BA, LL.M, ThL, GAICD, age 60**

Mr Miller is a partner in Hunt and Hunt Lawyers with 34 years legal experience. He is a member of Hammond Care, Director of Church Missionary Society Trust Ltd, Australian College of Theology Ltd, Pentel Australia Pty Ltd, Consultant Editor of CCH Australia and a member of Ethics Committee of Royal Rehabilitation Centre of Sydney. He is also Chairman of Barker College Council, member of the Board of Enquiry, Sydney Diocesan Representative on General Synod and Provincial Synod and serves on the Parish Relationships Ordinance panel. He attends Beecroft Anglican Church. Mr Miller was first appointed to the Board in August 1999.

# Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012 (cont)

## **Mr John Pascoe, FCA, BEc, age 52**

Mr Pascoe is a partner of Pascoe Whittle Chartered Accountants, which has extensive experience in the not-for-profit sector. He is a member of Standing Committee, and its Finance Committee (Deputy Chairman), the Mission Board Strategy Committee and St Andrew's House Corporation. He attends St Andrew's Cathedral. Mr Pascoe was appointed to the Board on 7 December 2009.

## **Professor Peter Wolnizer OAM, BEc. MEc PhD, FCA, FCPA, age 62**

Professor Emeritus at The University of Sydney where he served as Dean of the Faculty of Economics and Business from 1999 to 2010, and as a Professor of Accounting until his retirement at the end of 2011. From 1 January 2012 he has been appointed Chairman of the International Accounting Education Standards Board. He has served as a board member since 12 November 2012. He attends St Andrew's Cathedral.

## **Resignations**

**Canon Bruce Ballantine-Jones** resigned from the Board on 6 December 2012 having served on the Board since September 1993.

## **Chief Executive Officer**

### **Mark Payne, BEc, LLB, LLM, FFSIA, AAIM, age 49**

Mr Payne was appointed as Chief Executive Officer on 18 November 2010 after periods of service with the Diocese as Diocesan Secretary and in general management roles with the Secretariat. Previously he worked as a solicitor with a large commercial firm. He is not a board member. He attends Cherrybrook Anglican Church.

## **Secretary**

### **Mr John Chapman, B Com, FCPA, AICS, age 64**

Mr Chapman was appointed Secretary to the Board in 2005 after a career in finance and accounting and a period as CFO of a major public company. He is not a Board member. He attends Bobbin Head Anglican Church and is Treasurer of the Church Missionary Society in NSW.

## **Continuation in office of Members**

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Mr Ballantyne and Bishop Forsyth were re-elected by the Standing Committee in November 2012 for a further term of 3 years.

# Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012 (cont)

## Attendance at Members' meetings and Committee Meetings

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Year Ended 31 December 2012	Members meetings		Audit committee meetings	
	A	B	A	B
<b>Non Executive members</b>				
B Ballantine-Jones (retired 6 December 2012)	7	7		
M Ballantyne	8	5		
R Forsyth	8	6	3	3
B Koo	8	5		
A McLoughlin	8	8	3	1
I Miller	8	6		
J Pascoe	8	7	3c	3c
Prof Peter Wolnizer OAM (appointed 12 November 2012)	1	1	0	0
R Smith (appointed chairman 6 December 2012)	8c	6c	3	3

- A = meetings eligible to attend  
 B = meetings attended  
 c = Chairman  
 ■ = not a committee member

## Committees of the Board

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The function of the Audit Committee is to assist in ensuring, by overseeing the audit and financial reporting function, that the Board maintains its established policy of adequate, reliable and high quality financial reporting and internal controls.

# Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012 (cont)

## Board Delegation

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The Board has delegated to the Chief Executive Officer, and through the Chief Executive Officer to other senior executives, responsibility for the everyday management of the business. The scope of and limitations to that delegated authority is documented.

## Identifying significant business risks

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The Board regularly monitors the operational and financial performance of its activities. It monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

## Independent professional advice

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The Board has resolved that members do not have the right to seek independent professional advice at the expense of the Board, other than with prior approval by the Board.

## Insurance of officers

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During the year insurance premiums totalling \$8,848 (2011: \$8,848) were paid for directors' and officers' liability insurance in respect of the members of the Glebe Administration Board as trustee for the Diocesan Endowment and its controlled entities. The policies do not specify the premium for individual members.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from liability to persons incurred in their position as a member unless the conduct involves a wilful breach of duty or an improper use of inside information to gain advantage.

## Matters since the end of the year

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No matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect, the operations of the Board, the results of those operations or the state of affairs of the Board in future years other than the matter noted in note 25.

## Environmental regulation

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The operations of the Board are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory thereof.

The Board has not incurred any liability (including rectification costs) under any environmental legislation.



# Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012 (cont)

## Likely developments and expected results of operations

The operation of the Glebe Income Accounts (GIA) are regulated by the Australian Prudential Regulation Authority (APRA) which exempts the Board from certain requirements under the Banking Act 1959. The exemption is due to expire on 27 June 2013 and APRA is considering the renewal of the exemption. The extent of changes to the conditions of the exemption are unknown at this stage, however it is expected there will be a transition period to align to any new conditions. The Board is preparing for this regulatory change and has strategically positioned the Board to be in a more liquid position so it can return funds owed to individuals, should there be a change to the current exemption. Refer to note 7 for details of the cash position and note 15 and 16 for disclosure on the GIA accounts.

The members have excluded from this report any other information on the likely developments in operations of the Board and the expected results of those operations in future years, as the members have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Board.

## Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the members of Glebe Administration Board.

\_\_\_\_\_  
27 March 2013  
Member

\_\_\_\_\_  
27 March 2013  
Member



## **Auditor's Independence Declaration**

As lead auditor for the audit of Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Glebe Administration Board as trustee for the Diocesan Endowment and the entities it controlled during the period.

Peter Buchholz  
Partner  
PricewaterhouseCoopers

Sydney  
27 March 2013

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# GLEBE ADMINISTRATION BOARD

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## Corporate governance statement For the year ended 31 December 2012

The Australian Stock Exchange Listing Rule 4.10.3 requires that the annual report of a listed company must include a statement of the main corporate governance practices. Whilst the Glebe Administration Board as trustee for the Diocesan Endowment is not listed and not subject to the above rule, nevertheless it is considered best practice for such a statement to be included with the annual financial report.

The Board has adopted corporate governance principles using as a template the revised "Corporate Governance Principles and Recommendations" published by the ASX Corporate Governance Council.

### Members of the Board

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The Board is responsible for the overall corporate governance of the consolidated entity and as such provides the strategic direction, the establishment of goals for management and the monitoring and achievement of these goals. Responsibility for achieving these goals has been delegated to the Chief Executive Officer, the senior management team and the Audit Committee.

### Composition of the Board

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Details of the composition of the Board and the Board Committees are included in the Statutory Report.

The Board members are nominated and appointed by the Standing Committee of Synod as members of the Sydney Diocesan Secretariat and as such become members of this Board. One third of the membership retires each year and may be re-elected. The non-executive members receive no remuneration. The Chief Executive Officer attends Board meetings.

### Ethical standards

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The Board has adopted standards for the staff of the Sydney Diocesan Secretariat to ensure that the highest ethical standards are maintained in their work and in their dealings with each other, the general public and clients.

The Sydney Diocesan Secretariat has issued a policy in relation to managing conflicts of interest.

### Corporate policies and delegations

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Glebe Administration Board has issued the following policies and delegations:

- Investment policy statement
- Credit Risk Management policy
- Managing conflicts of interest
- Approving and managing commercially significant contracts
- Treasury policy
- Privacy policy
- Power of attorney
- Delegated Authority

# GLEBE ADMINISTRATION BOARD

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## Corporate governance statement For the year ended 31 December 2012 (cont.)

The Sydney Diocesan Secretariat provides accounting, secretarial and administration services to Glebe Administration Board. The Secretariat has issued policies on the following subjects in order to provide guidance on proper governance and management of the organisation:

- Developing and approving governance documentation
- Commercially significant contracts
- Managing conflicts of interest
- External communications
- Obtaining external legal advice
- Privacy
- Data integrity and security
- Staff use of technology resources
- Delegated authorities and Delegated authorities explained
- Policy for provision of services by third party suppliers
- Grievances
- Staff use of technology resources
- Power of attorney
- Induction policy
- Performance Expectation and Review
- Recruitment
- Remuneration
- Workplace Surveillance
- Work Health and Safety Workplace Notification Policy
- Code of Conduct for SDS staff
- Leave policy

# GLEBE ADMINISTRATION BOARD

## Five year financial summary – consolidated

<b>\$'000 (unless otherwise indicated)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Consolidated income statement for the year ended</b>					
<b>31 December</b>					
Investment income/(loss)	(149,183)	32,747	15,831	18,053	19,058
Borrowing costs	(18,442)	(6,921)	(7,216)	(7,038)	(5,577)
(Surplus)/deficit attributable to minority interests	17,326	(8,145)	(277)	-	-
Net investment income/(loss)	(150,299)	17,681	8,338	11,015	13,481
Fee and other income	751	649	45	99	92
Net operating income/(loss)	(149,548)	18,330	8,383	11,114	13,573
Operating expenses	(10,480)	(6,981)	(5,171)	(3,211)	(2,885)
Total income/(loss) and expense before tax	(160,028)	11,349	3,212	7,903	10,688
Income tax expense	-	-	-	-	-
Total income/(loss) and expense after tax	(160,028)	11,349	3,212	7,903	10,688
Distributions provided for	10,913	5,439	5,250	3,640	3,337
<b>Consolidated balance sheet as at 31 December</b>					
Investments, loans and mortgages	240,067	234,773	245,925	190,015	155,680
Cash and other assets	70,266	55,142	54,581	65,398	96,807
Total assets	310,333	289,915	300,506	255,413	252,487
Payables	1,447	1,798	1,217	982	785
Interest bearing liabilities	168,486	143,752	144,270	136,365	126,352
Other liabilities	11,605	6,191	5,402	3,640	3,335
Share of net assets attributable to minority interest	23,881	27,333	39,799	-	-
Total liabilities	205,419	179,074	190,688	140,987	130,472
Net assets	104,914	110,841	109,818	114,426	122,015
<b>Ratios</b>					
Total liabilities to net assets (%)	195.8%	161.6%	173.6%	123.2%	106.9%
Investment income/(loss) on average investment assets (%)	(36.2)%	13.8%	6.6%	8.3%	11.0%
Surplus/((deficit) after income tax on net assets (%)	(152.5)%	10.2%	2.9%	6.9%	8.8%
Operating expense to net operating income/(loss) (%)	(7.0)%	38.1%	61.7%	28.9%	21.3%
Operating expenses less fee income to total assets (%)	3.1%	2.2%	1.7%	1.2%	1.1%

# GLEBE ADMINISTRATION BOARD

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## Consolidated statement of comprehensive income For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
<b>Revenue from continuing operations</b>	4	<b>18,518,312</b>	<b>8,833,897</b>
Share of net profit of St Andrew's House Corporation (SAHC) accounted for using the equity method	13	632,337	9,319,239
Borrowing costs	5(a)	(5,577,086)	(7,038,134)
Provision for impairment of loans and mortgages	9	(98,419)	(500,000)
Other expenses	5(b)	(2,786,578)	(2,711,416)
<b>Surplus from continuing operations before income tax</b>		<b>10,688,566</b>	<b>7,903,586</b>
Income tax expense	6	-	-
<b>Surplus from continuing operations after income tax</b>		<b>10,688,566</b>	<b>7,903,586</b>
Other comprehensive income		-	-
Income tax relating to other comprehensive income		-	-
Other comprehensive income after tax		-	-
<b>Total comprehensive income</b>		<b>10,688,566</b>	<b>7,903,586</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# GLEBE ADMINISTRATION BOARD

## Consolidated balance sheet

As at 31 December 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	7	95,220,106	63,162,939
Receivables	8	1,587,203	2,234,678
Loans and mortgages	9	2,006,750	25,562,444
Other financial assets at fair value through profit or loss	11	55,877,497	56,359,821
<b>Total current assets</b>		<b>154,691,556</b>	<b>147,319,882</b>
<b>Non-current assets</b>			
Loans and mortgages	10	56,214,703	67,144,357
Investment in St Andrew's House	13	41,580,894	40,948,557
<b>Total non-current assets</b>		<b>97,795,597</b>	<b>108,092,914</b>
<b>Total assets</b>		<b>252,487,153</b>	<b>255,412,796</b>
<b>Current liabilities</b>			
Payables	14	785,326	982,543
Interest bearing liabilities	15	122,449,308	134,110,391
Provisions	17	3,335,000	3,640,000
<b>Total current liabilities</b>		<b>126,569,634</b>	<b>138,732,934</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	16	3,902,786	2,254,151
<b>Total non-current liabilities</b>		<b>3,902,786</b>	<b>2,254,151</b>
<b>Total liabilities</b>		<b>130,472,420</b>	<b>140,987,085</b>
<b>Net assets</b>		<b>122,014,733</b>	<b>114,425,711</b>
<b>EQUITY</b>			
Capital	18	35,259,255	35,021,799
Reserves	19	-	2,348,471
Accumulated surplus	20	86,755,478	77,055,441
<b>Total equity</b>		<b>122,014,733</b>	<b>114,425,711</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# GLEBE ADMINISTRATION BOARD

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## Consolidated statement of changes in equity For the year ended 31 December 2012

	Notes	Capital \$	Reserves \$	Accumulated surplus \$	Total \$
<b>Balance 1 January 2011</b>		<b>34,678,160</b>	<b>1,130,390</b>	<b>74,009,936</b>	<b>109,818,486</b>
Total comprehensive income		-		7,903,586	7,903,586
Share of SAHC's movement in refurbishment reserve	19	-	1,218,081	(1,218,081)	-
Provision for distribution during the year	17	-	-	(3,640,000)	(3,640,000)
Return of funds from Parish Cost Recoveries Fund	18	300,000	-	-	300,000
Gifts received	18	43,639	-	-	43,639
<b>Balance 31 December 2011</b>		<b>35,021,799</b>	<b>2,348,471</b>	<b>77,055,441</b>	<b>114,425,711</b>
Total comprehensive income		-	-	10,688,566	10,688,566
Share of SAHC's movement in refurbishment reserve	19	-	(2,348,471)	2,348,471	-
Provision for distribution during the year	17	-	-	(3,337,000)	(3,337,000)
Gifts received	18	237,456	-	-	237,456
<b>Balance 31 December 2012</b>		<b>35,259,255</b>	<b>-</b>	<b>86,755,478</b>	<b>122,014,733</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# GLEBE ADMINISTRATION BOARD

## Consolidated statement of cash flows For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Management and service fees		91,886	99,261
Interest received		9,688,348	9,912,770
Dividends and distributions		379,326	472,339
Other revenue		256,375	292,144
Finance costs		(1,528,176)	(1,922,053)
Payments to suppliers		(2,842,750)	(2,802,287)
<b>Net cash inflow from operating activities</b>	22	<b>6,045,009</b>	<b>6,052,174</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		12,770,734	7,090,000
Payments for investments		(3,538,765)	(4,185,000)
Net decrease/(increase) in loans provided		34,386,929	19,356,572
<b>Net cash inflow from investing activities</b>		<b>43,618,898</b>	<b>22,261,572</b>
<b>Cash flows from financing activities</b>			
Distributions to Synod	17	(3,642,000)	(5,250,000)
Return of funds from Parish Cost Recoveries		-	300,000
Net (decrease) in Glebe Income Accounts		(14,204,566)	(12,976,134)
Gifts received		239,826	34,142
<b>Net cash (outflow) from financing activities</b>		<b>(17,606,740)</b>	<b>(17,891,992)</b>
<b>Net increase in cash held</b>		<b>32,057,167</b>	<b>10,421,754</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>63,162,939</b>	<b>52,985,538</b>
Effect of deconsolidation of Mercer Socially Responsible Australian Shares Fund		-	(244,353)
<b>Cash and cash equivalents at the end of the year</b>	7	<b>95,220,106</b>	<b>63,162,939</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

## 1. Purpose

The Glebe Administration Board (the Board) was created under the *Glebe Administration Ordinance 1930*. The object of the Board is to act as trustee of church trust property vested in it or in respect of which it may be appointed trustee and to do so in a way which both :

- (a) preserves the real value of that property and
- (b) provides a reasonable income there from.

This financial report covers the consolidated entity consisting of Glebe Administration Board as trustee for the Diocesan Endowment and its controlled entities. Glebe Administration Board as trustee for the Diocesan Endowment is referred to as the "Board" within this financial report. The Board's financial statements record the financial aspects of the Board's activities and responsibilities to own, manage, develop, let, buy and sell real estate and securities as trustee for and on behalf of the Anglican Church of Australia, Diocese of Sydney to receive money on deposit or loan and to borrow money upon the charge of such real estate. Distributions are made to the Synod of the Anglican Church of Australia, Diocese of Sydney in accordance with the *Diocesan Endowment Ordinance 1984* and are used for the many purposes of Christian Ministry and for activities which provide services and assistance for those in need in the community. The Synod is entitled to the income of the Board and the income is reinvested by the Board. The Board has no employees and no amounts are paid or allocated to or on behalf of members of the Board. The Board acts only in the capacity of Trustee for the Anglican Church of Australia, Diocese of Sydney. It does not own any assets nor carry out any activities on its own behalf.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of the Board and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Diocesan Endowment Ordinance 1984*, the *Accounts, Audits and Annual Reports Ordinance 1995* as amended by the Synod of the Anglican Church of Australia Diocese of Sydney, Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements cover the consolidated entity consisting of Glebe Administration Board and its controlled entities. The financial statements of the Board are prepared by Glebe Administration Board as trustee for the properties. These accounts reflect the assets and liabilities of the Board with no regard in respect of the beneficial ownership of the net assets.

At 31 December 2012 the consolidated group had an excess of current assets over current liabilities. Due to the proportion of the Glebe Income Account deposits which are at call, outflows of deposit funds and maintenance of liquidity have been identified as key risks by the Board. This financial report has been prepared on the basis of the group being a going concern. In arriving at this position the Board has taken into account a number of factors including:

- Historical analysis and experience of redemptions from at call Glebe Income accounts shows low levels of net redemptions.
- Cash flow projections prepared for financial budgeting purposes reveal the ability to pay all the group's and parent entity's debts as and when they fall due, on the basis of the group operating as a going concern.

## 2. Summary of significant accounting policies (cont.)

The Glebe Income Accounts (GIA) operate under an exemption granted by the Australian Prudential Regulation Authority (APRA) which exempts them from certain requirements under the Banking Act 1959. The exemption is due to expire on 27 June 2013. The extent of the changes to the exemption are unknown at this stage, however it is expected there will be a transition period to align to the new conditions. The Board is preparing for regulatory change and has strategically positioned the Board to be in a more liquid position so it can return funds owed to individuals should there be a change to the current exemption. Refer to note 7 for details of the cash position and note 15 and 16 for disclosure on the GIA accounts.

### ***Compliance with Australian Accounting Standards – Reduced Disclosure Requirements***

These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The accounting policies adopted are consistent with those of the previous financial year.

### ***Historical cost convention***

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss.

### ***New and amended accounting standards***

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### ***Critical accounting estimates***

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies.

There are no material areas of the financial statements where assumptions or estimates are used.

## **(b) Principles of consolidation**

### ***Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glebe Administration Board as trustee for the Diocesan Endowment as at 31 December 2012 and the results of all subsidiaries for the year then ended. Glebe Administration Board as trustee for the Diocesan Endowment and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. Transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in wholly owned subsidiaries are accounted for at cost in the individual financial statements of the Board. Investments in other subsidiaries are accounted for at market value.

## 2. Summary of significant accounting policies (cont.)

### (c) Investment in St Andrew's House Trust

Glebe Administration Board as trustee for the Diocesan Endowment has a 50% beneficial interest in St Andrew's House Trust (SAHT). The principal asset of SAHT is the land and building known as St Andrew's House. The St Andrew's House Site Ordinance of 1976 provides that one half of the land and buildings known as St Andrew's House be held "upon the Trust to apply the income in accordance with Clause 14 of the *Glebe Administration Ordinance 1930* (as amended)". SAHT is managed by St Andrew's House Corporation.

Glebe Administration Board's investment is accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the surplus of St Andrew's House Trust is recognised as revenue in the consolidated income statements and its share of movements in reserves is recognised in consolidated reserves.

### (d) Foreign currency translation

#### ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid.

#### ***Dividends and distributions***

Dividends and distributions are brought to account as revenue when equities and units are quoted "ex distribution".

In the parent entity distributions from St Andrew's House Trust are recorded as revenue in the period in which they are received. The Board's proportion of the unpaid surplus is included in the value of the beneficial interest owned.

#### ***Franking credits***

Franking credits refundable by the Australian Taxation Office are brought to account as revenue when received.

#### ***Other revenue***

Other revenue is brought to account on an accruals basis, except as otherwise disclosed.

#### ***Interest income***

Interest revenue is recognised on a time proportion basis using the effective interest method.

## 2. Summary of significant accounting policies (cont.)

### (f) Income tax

Glebe Administration Board, as Trustee for the Diocesan Endowment, is exempt from income tax under Section 50-5 of the *Income Tax Assessment Act 1997* and no provision has been made in respect thereof. Where appropriate, provision has been made for income tax in relation to the controlled entities of the Board.

Tax effect accounting procedures are followed by the controlled entities of Glebe Administration Board whereby the income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### ***Tax consolidation legislation***

Glebe Australia Limited is a wholly owned subsidiary of Glebe Administration Board. Glebe Australia Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004. The head entity, Glebe Australia Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Glebe Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### (g) Cash and cash equivalents

For cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2. Summary of significant accounting policies (cont.)

### (h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Accounts receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### (i) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, derivatives, loans and mortgages. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets which are at fair value through profit or loss are designated at initial recognition. Their performance is evaluated on a fair value basis and managed in accordance with the group's investment strategy.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (ii) *Loans and mortgages*

Loans and mortgages are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. All known bad debts are written off against the provision in the year in which they are identified.

### (j) Fair value estimation

Financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and mortgages are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same and discounted cash flow analysis.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

## 2. Summary of significant accounting policies (cont.)

### (k) Other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (l) Borrowings and borrowing costs

Borrowings are initially recognised at fair value. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on deposits and long-term borrowings.

### (m) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### (n) Distributions

Provision is made for the amount of any distribution required, determined or recommended by the members of the Board on or before the end of the year but not distributed at balance date.

The Standing Committee has approved a distribution of \$3,335,000 for 2013. A proposal for calculating the amount of the distribution to be provided in 2013 for distribution in 2014 is currently being reviewed by the Standing Committee.

### (o) Goods and services tax (GST)

The Board is a member of the Sydney Diocesan Secretariat GST group.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office (ATO). In these circumstances it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

## 2. Summary of significant accounting policies (cont.)

### (p) Deposits at amortised cost

Deposits at amortised cost include deposits and interest bearing deposits. They are measured at amortised cost. When deposits are for a period greater than 12 months they are classified as non-current liabilities.

### (q) Parent entity financial information

The financial information for the parent entity disclosed in note 26 has been prepared on the same basis as the consolidated financial statements except as set out below –

#### Investment in St Andrew's House Trust

In the parent entity the Glebe Administration Board as trustee for the Diocesan Endowment has resolved to value its beneficial interest in SAHT at fair value, measured as 50% of the Trust's accumulated funds and provision for distribution. Revaluation increments/decrements are credited/debited directly to the income statement. Distributions received by the Board are recognised in the income statements as trust income when declared.



### 3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk and maturities analysis for liquidity risk.

During the year, the responsibility for oversight of financial risk management was with the board of Glebe Administration Board.

The Group holds the following financial instruments –

	2012	2011
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	95,220,106	63,162,939
Loans and mortgages	58,221,453	92,706,801
Receivables	1,587,203	2,234,678
Equity investments	43,743,671	42,819,426
Property related investments	-	13,544
Interest related investments	12,133,826	13,526,851
Investments in controlled entities	-	-
	<u>210,906,259</u>	<u>214,464,239</u>
<b>Financial liabilities</b>		
Payables	785,326	982,543
Interest bearing liabilities and loans	126,352,094	136,364,542
Provision for income distribution	3,335,000	3,640,000
	<u>130,472,420</u>	<u>140,987,085</u>
<b>Net financial assets</b>	<u>80,433,839</u>	<u>73,477,154</u>

#### (a) Market risk

##### (i) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group for which prices in the future are uncertain. They are classified on the balance sheet as fair value through profit or loss. The Group is not exposed to commodity price risk. All securities investments present a risk of loss of capital.

To manage its price risk arising from investments in equity securities, the Group uses managed unit trusts to diversify its portfolio. Investment and allocation of the portfolio is done in accordance with the limits and ranges set by the Board in the Investment Policy Statement.

### 3. Financial risk management (cont.)

The tables below summarises the impact of increases/decreases of the ASX and overseas indexes on the Group's surplus/(deficit) for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Index	Impact on surplus/(deficit)		Impact on equity	
	2012	2011	2012	2011
	+/- \$	+/- \$	+/- \$	+/- \$
Australian equities - ASX	2,529,131	2,361,549	2,529,131	2,361,549
Foreign equities	1,845,236	1,920,394	1,845,236	1,920,394
	<u>4,374,367</u>	<u>4,281,943</u>	<u>4,374,367</u>	<u>4,281,943</u>

Surplus/(deficit) for the year would increase/decrease as a result of losses/gains on equity securities classified as at fair value through profit or loss.

#### (ii) Foreign exchange risk

The Group has investments in Australian managed funds which invest in overseas developed markets and overseas emerging markets. The Group has no direct exposure to foreign currency denominated assets and liabilities.

The following investments held are indirectly exposed to movements in the value of the Australian dollar –

	2012	2011
	\$	\$
Mercer Overseas Shares Fund	6,998,865	9,944,864
Mercer Emerging Markets Fund	3,222,990	2,452,307
	<u>10,221,855</u>	<u>12,397,171</u>

The effects of movement in the foreign currency exchange rates cannot be estimated as the underlying investments are in assets denominated in different currencies.

### 3. Financial risk management (cont.)

#### (iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from its short/long-term borrowing, mortgages and loans receivable. Borrowing, issued at variable rates, exposes the Group to cash flow interest rate risk. Borrowings and loans and mortgages receivable, issued at fixed rates expose the Group to fair value interest rate risk. The Group also holds cash and cash equivalent deposits which expose the Group to interest rate risk from impacts on interest income.

As at the reporting date, the Group had the following variable rate borrowings, cash and cash equivalents, interest related investments and mortgages and loans outstanding:

Index	2012	Balance	2011	Balance
	Weighted average interest rate %		Weighted average interest rate %	
		\$		\$
Cash and cash equivalents	5.67	95,220,106	6.52	63,162,939
Loans and mortgages	6.16	58,221,453	7.09	92,706,801
Interest related investments	6.57	12,133,826	11.65	13,526,851
Interest bearing liabilities	4.13	<u>(126,352,094)</u>	4.85	<u>(136,364,542)</u>
Net exposure to cash flow interest rate risk		<u>39,223,291</u>		<u>33,032,049</u>

An analysis by maturities is provided in (b) below.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

#### *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, surplus/(deficit) for the year and equity would have been \$392,233 lower/higher (2011 – change of 100 bps: \$330,320 lower/higher), mainly as a result of lower/ higher interest expense on interest bearing liabilities.

### 3. Financial risk management (cont.)

#### (b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions, loans and mortgages receivable as well as credit exposures to outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of Standard and Poors A are accepted. For investments in Corporate Paper only issuers with a minimum rating of Standard and Poors A or better is accepted. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. If available and considered required, the credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

As at 31 December 2012 there are no receivables, mortgages and loans that are impaired or past due but not impaired.

The majority of loans to diocesan organisations, including Anglican Church Property Trust Diocese of Sydney (ACPT) as trustee for parishes, are unsecured with appropriate negative pledge provisions incorporated into the loan documentation. Total consolidated collateral held against mortgages and loans is \$725,000 (2011 : \$115,550,000).

	2012 \$	2011 \$
<b>Receivables</b>		
Not rated	1,587,203	2,234,678
<b>Cash and cash equivalents</b>		
Not rated - no defaults in the past. Includes Sydney Diocesan Secretariat current account.	872,798	972,115
Standard and Poors A rating or better	94,347,308	62,190,824
	95,220,106	63,162,939
<b>Loan and mortgages</b>		
Not rated	58,221,453	92,706,801

Credit risk for loans to parishes is mitigated as the ACPT as the legal owner of parish property, consents to the borrowing and signs the loan agreement as borrower. At 31 December 2012 loans to parishes totalled \$11,881,093 or 20 % of the total of loans and mortgages.

### 3. Financial risk management (cont.)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### *Financing arrangements*

The Group had access to an overdraft facility with the Sydney Diocesan Secretariat at the reporting date as shown in note 15.

#### *Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Further commentary on the management of liquidity is contained in note 2a.

31 December 2012	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	785,326	-	-	-	-	785,326	785,326
Provisions	1,100,000	2,235,000	-	-	-	3,335,000	3,335,000
Variable rate	74,757,136	-	-	-	-	74,757,136	74,757,136
Fixed rate	36,007,046	12,376,980	1,714,718	2,714,442	-	52,813,186	51,594,958
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	113,849,508	14,611,980	1,714,718	2,714,442	-	132,890,648	130,472,420

31 December 2011	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	982,543	-	-	-	-	982,543	982,543
Provisions	1,500,000	2,140,000	-	-	-	3,640,000	3,640,000
Variable rate	88,667,870	-	-	-	-	88,667,870	88,667,870
Fixed rate	31,933,101	14,432,772	1,304,002	1,271,347	-	48,941,222	47,696,672
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	124,283,514	16,572,772	1,304,002	1,271,347	-	143,431,635	140,987,085

At 31 December 2012 cash available to meet financial liabilities was \$95,220,106 of which \$4,396,722 is at call, \$72,820,106 available between 1 day and 6 months and \$22,400,000 available between 6 and 12 months.

Historical analysis and experience of redemptions from at call Glebe Income accounts shows low levels of net redemptions.

### 3. Financial risk management (cont.)

#### (d) Fair value estimation

The fair value of financial assets and financial liabilities are estimated for recognition and measurement or for disclosure purposes.

The Group has adopted the amendment to AASB 7 *Financial Instruments : Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy :

- (i) quoted prices (unadjusted) in active markets for identical assets (level 1),
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices ) (level 2), and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2012 –

31 December 2012	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted equities	-	43,743,671	-	43,743,671
Unlisted interest investment	-	12,133,826	-	12,133,826
	-	55,877,497	-	55,877,497

31 December 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted equities	-	42,819,426	-	42,819,426
Unlisted property	-	-	13,544	13,544
Unlisted interest investment	-	13,526,851	-	13,526,851
	-	56,346,277	13,544	56,359,821

### 3. Financial risk management (cont.)

The fair value of financial instruments traded in active markets (such as listed managed fund securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are investments in unlisted managed funds is determined by reference to published unit redemption prices. These instruments are included in level 2.

In circumstances where valuation technique for financial instruments is based on significant unobservable inputs, such instruments are included in level 3.

The following table presents the changes in level 3 instruments.

	Other \$	Total \$
Balance 1 January 2011	31,476	31,476
Net realised and unrealised loss - note 4	<u>(17,932)</u>	<u>(17,932)</u>
Balance 31 December 2011	<u>13,544</u>	<u>13,544</u>
Net realised and unrealised loss - note 4	<u>(13,544)</u>	<u>(13,544)</u>
Balance 31 December 2012	<u><u>-</u></u>	<u><u>-</u></u>

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

## 4. Revenue

	2012	2011
	\$	\$
<b>Revenue/(loss) from continuing operations</b>		
Property related investments:		
Distributions from other property trusts	11,596	44,504
Net realised and unrealised gains and (losses)	(13,545)	(17,932)
Income/(loss) from property related investments	(1,949)	26,572
Interest related investments:		
Interest and distributions	5,513,093	4,599,722
Net realised and unrealised gains and (losses)	(48,265)	834,222
Income from interest related investments	5,464,828	5,433,944
Income from loans and mortgages	4,552,520	7,222,964
Equity related investments:		
Dividends and distributions	1,761,895	3,175,822
Net realised and unrealised gains and (losses)	6,649,132	(7,124,666)
Income/(loss) from equity related investments	8,411,027	(3,948,844)
<b>Total investment income</b>	<b>18,426,426</b>	<b>8,734,636</b>
Other income:		
Rebate of fund administration fees	91,886	99,261
<b>Total other income</b>	<b>91,886</b>	<b>99,261</b>
<b>Total revenue from continuing operations</b>	<b>18,518,312</b>	<b>8,833,897</b>

Dividends and distributions include franking credits of \$328,401 (2011: \$316,251).



## 5. Surplus from continuing operations

Surplus from continuing operations before income tax includes the following specific net gains and expenses –

### (a) Borrowing costs

	2012	2011
	\$	\$
<b>Borrowing costs</b>		
Interest on Glebe Income Accounts - Churches, Anglican organisations and other Christian organisations	3,363,147	4,265,180
Interest on other Glebe Income Accounts	2,139,103	2,601,805
Interest on bank loans	74,836	171,149
	5,577,086	7,038,134
	5,577,086	7,038,134

### (b) Other expenses

	2012	2011
	\$	\$
Management fees from Sydney Diocesan Secretariat	2,287,044	2,175,000
Professional fees	284,246	246,588
Office operating expenses	169,121	214,814
Insurance	46,167	75,014
	2,786,578	2,711,416
	2,786,578	2,711,416

## 6. Income tax

The income tax expense for the year differs from the prima facie tax charge calculated at current rates on operating surplus. The differences are reconciled as follows, recognising that not all income is derived in entities that are subject to income tax:

	2012 \$	2011 \$
Surplus from continuing operations before income tax	10,688,566	7,903,586
Less surplus from non assessable entities	10,652,176	7,846,478
Surplus from continuing operations before income tax	36,390	57,108
Income tax (expense) calculated at 30%	(10,917)	(17,132)
Permanent differences	-	-
Recognition of deductible temporary differences not previously recognised as an asset	19,200	19,860
Tax losses not brought to account	(8,283)	(2,728)
Current tax	-	-

The directors estimate that the potential future income tax benefit at 31 December 2012 in respect of tax losses not brought to account is \$51,306 (2011: \$43,027).

The benefit for tax losses will only be obtained if –

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- (ii) the consolidated entity continues to comply with the conditions for tax deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

### Tax consolidation legislation

Glebe Australia Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004. The accounting policy in relation to this legislation is set out in note 2(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Glebe Australia Limited.

## 6. Income tax (cont.)

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Glebe Australia Limited for any current tax payable assumed and are compensated by Glebe Australia Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Glebe Australia Limited under the tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

## 7. Current assets - Cash and cash equivalents

	2012	2011
	\$	\$
<b>Current</b>		
Cash at bank	584,512	762,026
Deposits at call	4,396,722	5,350,613
Term deposits	90,238,872	57,050,300
	<u>95,220,106</u>	<u>63,162,939</u>

## 8. Current assets - Receivables

	2012	2011
	\$	\$
Distributions receivable	306,049	127,730
Accrued interest	1,270,606	2,094,957
Other	10,548	11,991
	<u>1,587,203</u>	<u>2,234,678</u>

There were no receivables which were past due or impaired .

## 9. Current assets – Loans and mortgages

	2012	2011
	\$	\$
Loans	2,006,750	1,437,342
Mortgages	-	24,625,102
Provision for impairment	-	(500,000)
	<u>2,006,750</u>	<u>25,562,444</u>

Movements in provision for impairment :

Balance 1 January	500,000	-
Provision recognised during the year	98,419	500,000
Amounts written off during the year	(598,419)	-
Balance 31 December	<u>-</u>	<u>500,000</u>

## 10. Non-current assets – Loans and mortgages

	2012	2011
	\$	\$
Loans	30,963,067	29,585,783
Mortgages	25,251,636	37,558,574
	<u>56,214,703</u>	<u>67,144,357</u>

### Summary of current and non-current loans and mortgages:

Anglican Diocesan organisations	58,221,453	88,962,385
Other	-	4,244,416
Provision for impairment	-	(500,000)
Total current and non-current loans and mortgages	<u>58,221,453</u>	<u>92,706,801</u>

Repayments on loans and mortgages are generally interest only with the principal payable on maturity with terms between 1 and 20 years. However, in some instances the option of repayments comprising a mixture of principal and interest is available.

The provision for impairment in prior year is in respect of a mortgage loan to a non-diocesan entity.

### Credit risk

Loans are unsecured. Mortgages are secured on properties. The Board has adopted a Credit Risk Management policy which sets out a range of criteria for loan exposure limits, types of borrowers to whom loans will be made, lending criteria and loan reporting. All exposures are to entities in Australia.

In addition to the carrying amount of loans and mortgages included within the balance sheets, the consolidated entity has exposure to credit risk for undrawn facilities of \$ Nil (2011: \$5,959,694).

## 11. Current assets - Other financial assets at fair value through profit or loss

	2012	2011
	\$	\$
<b>Current</b>		
<b>Equity investments</b>		
Unlisted equities (at cost)	-	1,783,393
Unlisted managed investment schemes (at cost)	42,571,373	48,347,473
Fair value adjustment	1,172,298	(7,311,440)
Total unlisted equities at fair value	<u>43,743,671</u>	<u>42,819,426</u>
Total equity investments	<u>43,743,671</u>	<u>42,819,426</u>
<b>Property investments</b>		
Other unlisted property investments (at cost)	-	1,672
Fair value adjustment	-	11,872
Total unlisted property investments at fair value	<u>-</u>	<u>13,544</u>
Total property investments	<u>-</u>	<u>13,544</u>
<b>Interest investments</b>		
Unlisted interest investment (at cost)	12,001,752	13,251,914
Fair value adjustment	132,074	274,937
Total unlisted interest investments	<u>12,133,826</u>	<u>13,526,851</u>
<b>Summary:</b>		
Equity investments	43,743,671	42,819,426
Property investments	-	13,544
Interest investments	<u>12,133,826</u>	<u>13,526,851</u>
	<u>55,877,497</u>	<u>56,359,821</u>

## 12. Investments in controlled entities

	Principal activity	Ownership interest		Parent entity carrying amount	
		2012 %	2011 %	2012 \$	2011 \$
<b>Directly controlled by Glebe Administration Board</b>					
Glebe Australia Limited	Administration	100	100	1,700,000	1,700,000
Provision for impairment of investments				(1,150,000)	(1,187,000)
				<u>550,000</u>	<u>513,000</u>
<b>Directly controlled by Glebe Australia Limited</b>					
Glebe Asset Management Limited	Funds management	100	100	3,049,000	3,013,000
Glebe Investment Company Pty Ltd	Dormant	100	N/A	-	N/A
Glebe Mortgage Finance Limited	Dormant	100	N/A	-	N/A
				<u>3,049,000</u>	<u>3,013,000</u>

All controlled entities are incorporated within Australia and the investments represent ordinary shares.

The registration of Glebe Investment Company Pty Ltd and Glebe Mortgage finance were reinstated by the Australian Securities and Investment Commission on 21 September 2012. The companies have no assets.

## 13. Non-current assets – Investment in St Andrew’s House

	2012 \$	2011 \$
50% Beneficial interest in St. Andrew’s House Corporation (note 2c)	<u>41,580,894</u>	<u>40,948,557</u>
Movements in carrying amounts:		
Balance 1 January	40,948,557	31,629,318
Share of profit for the year	<u>632,337</u>	<u>9,319,239</u>
Balance 31 December	<u>41,580,894</u>	<u>40,948,557</u>
<b>The carrying amount is comprised of:</b>		
Capital invested	4,714,614	4,714,614
Refurbishment or replacement reserve	-	2,348,471
Accumulated surplus	<u>36,866,280</u>	<u>33,885,472</u>
	<u>41,580,894</u>	<u>40,948,557</u>

## 14. Current liabilities - Payables

	2012	2011
	\$	\$
Interest payable	580,021	723,229
Accounts payable and accruals	104,738	159,982
Other	100,567	99,332
	<u>785,326</u>	<u>982,543</u>

## 15. Current liabilities - Interest bearing liabilities

	2012	2011
	\$	\$
Deposits – Glebe Income Accounts	<u>122,449,308</u>	<u>134,110,391</u>

Liabilities to Glebe Income Account holders represent deposits held by Glebe Administration Board on behalf of individuals and organisations. The assets of Glebe Administration Board can be called upon to meet these obligations if required.

The Glebe Income Accounts (GIA) operate under an exemption granted by the Australian Prudential Regulation Authority (APRA) which exempts them from certain requirements under the *Banking Act 1959*. The exemption is due to expire on 27 June 2013. The extent of the changes to the exemption are unknown at this stage, however it is expected there will be a transition period to align to the new conditions. The Board is preparing for regulatory change and has strategically positioned the Board to be in a more liquid position so it can return funds owed to individuals should that be a change to the current exemption. Refer to note 7 for details of the cash position.

A Joint and Several Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St Andrew's House Corporation for overdraft accommodation up to \$1,200,000 granted to the Sydney Diocesan Secretariat.

The Glebe Administration Board has an overdraft limit of \$1,000,000 on its current account with Sydney Diocesan Secretariat. At balance sheet date the balance of the current account was \$95,563 (2011: \$239,797).

## 16. Non-current liabilities - Interest bearing liabilities

	2012	2011
	\$	\$
Deposits – Glebe Income Accounts	<u>3,902,786</u>	<u>2,254,151</u>

## 17. Current liabilities - Provisions

	2012	2011
	\$	\$
<b>Provision for GAB distribution</b>		
Balance 1 January	3,640,000	5,250,000
Provided during the period	3,337,000	3,640,000
	6,977,000	8,890,000
Paid during the period	(3,642,000)	(5,250,000)
Balance 31 December	3,335,000	3,640,000

The Standing Committee has approved a distribution of \$3,335,000 for 2013. A proposal for calculating the amount of the distribution to be provided in 2013 for distribution in 2014 is currently being reviewed by the Standing Committee.

	2012	2011
	\$	\$
The composition of payments during the year were as follows:		
Synod	3,642,000	5,250,000
	3,642,000	5,250,000

## 18. Capital

### (a) Capital

	2012	2011
	\$	\$
Capital	35,259,255	35,021,799

### (b) Movement in capital

	2012	2011
	\$	\$
Balance 1 January	35,021,799	34,678,160
Return of capital from Parish Cost Recoveries Fund	-	300,000
Gifts received	237,456	43,639
Balance 31 December	35,259,255	35,021,799

Gifts received represent one-off distributions from estates and ongoing distributions from certain funds of which the Anglican Church Property Trust is the Trustee.



## 19. Reserves

### (a) Reserves

	2012	2011
	\$	\$
Refurbishment or replacement reserve	-	2,348,471

### (b) Movement in refurbishment or replacement reserve

	2012	2011
	\$	\$
Balance 1 January	2,348,471	1,130,390
Share of (decrease)/increase in SAHC's refurbishment or replacement reserve	(2,348,471)	1,218,081
Balance 31 December	-	2,348,471

### (c) Nature and purpose of reserves

#### Refurbishment or replacement reserve

This represents the Board's share of the reserve of St Andrew's House Trust to provide for refurbishment or replacement within St Andrew's House.

## 20. Accumulated surplus

### (a) Accumulated surplus:

	2012	2011
	\$	\$
Accumulated surplus	86,755,478	77,055,441

### (b) Movements in accumulated surplus:

	2012	2011
	\$	\$
Balance 1 January	77,055,441	74,009,936
Surplus after income tax	10,688,566	7,903,586
Share of SAHC's movement in refurbishment or replacement reserve	2,348,471	(1,218,081)
Provisions for distribution during the year	(3,337,000)	(3,640,000)
Balance 31 December	86,755,478	77,055,441

## 21. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. Transactions between Diocesan Funds are carried out on a commercial basis. The nature of related party transactions involving the Glebe Administration Board consolidated entity are disclosed in the financial statements. The following persons held office as a member of the Glebe Administration Board during the year.

Canon B A Ballantine-Jones OAM (retired 6 December 2012)	Mr A McLoughlin
Mr J Pascoe	Mr I C Miller
Bishop R C Forsyth	Mr R Smith
Mr M Ballantyne	Prof Peter Wolnizer (appointed 12 November 2012)
	Mr B Koo

During 2012 key management personnel also included the following executives below who had the greatest authority for the strategic direction and management of the entity.

<i>Name</i>	<i>Position</i>
Mr M A Payne	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer
Mr R J Wicks	General Manager, Diocesan and Corporate Services
Mr A J Frankling	Head of Investments

Administration services are provided by the Sydney Diocesan Secretariat (SDS). The compensation payable to key management personnel who are employees of SDS is set out below. These amounts are calculated by reference to the proportion of SDS fees charged to the entity to the total SDS fees to all its client funds.

	2012	2011
	\$	\$
Short-term benefits	343,000	254,000
Long-term benefits	11,000	7,000
	<u>354,000</u>	<u>261,000</u>

### Transactions with entities in the wholly-owned group

Glebe Administration Board is the ultimate parent entity of the wholly-owned group comprising the Board and its controlled entities. The following related party transactions occurred during the year:

(i) At year end unsecured loans and interest on those loans were as follows –

	Loan Balance		Interest Paid	
	2012	2011	2012	2011
	\$	\$	\$	\$
Glebe Administration Board loan to:				
Glebe Australia Limited	2,500,000	2,500,000	-	-
	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>

The unsecured loan to Glebe Australia Limited from Glebe Administration Board as trustee for the Diocesan Endowment is interest free and repayable upon written notice. It is not expected to be repaid within twelve months.

## 21. Related party transactions (cont.)

### Transactions with St Andrew's House Trust

Glebe Administration Board holds a beneficial interest of 50% in St Andrew's House Trust. The distributions received this year from St Andrew's House Trust total \$Nil (2011: \$Nil).

At 31 December 2012, an unsecured loan was provided from Glebe Administration Board for \$21,088,725 (2011: \$22,000,000). This represents a facility to assist in the funding of improvements to Town Hall Square and St Andrews House. Interest charged to St Andrew's House Trust in respect of this loan was \$1,224,601 (2011: \$1,515,421). As at 31 December 2012 the loan had a limit of \$22,000,000 (2011: \$22,000,000). Interest is based on 90 day bank bill rate plus 1%.

### Other related party transactions

The following other related party transactions occurred during the year:

(i) The following related parties were charged a management fee by the Sydney Diocesan Secretariat –

	SDS Management Fee Paid	
	2012	2011
	\$	\$
Glebe Administration Board	2,268,852	2,175,000
Glebe Asset Management Limited	18,192	-

(ii) The following related parties held money in a current account with the Sydney Diocesan Secretariat on which interest was earned/(paid) –

	Current account balance		Interest earned	
	2012	2011	2012	2011
	\$	\$	\$	\$
Glebe Administration Board	95,563	239,797	577	235
Glebe Asset Management Limited	309,300	402,705	4,232	7,373
Glebe Australia Limited	3,142	7,055	58	279

(iii) During the year Members of the Glebe Administration Board held at call accounts and term deposits with the Glebe Income Accounts. The at call account and term deposits were based on normal commercial terms and conditions.

## 22. Reconciliation of surplus after income tax to the net cash flows from operating activities

	2012	2011
	\$	\$
Surplus from continuing operations after income tax	10,688,566	7,903,586
Net realised and unrealised (gain)/loss on investments	(7,219,659)	(3,010,865)
Interest capitalised on Glebe Income Accounts	4,192,117	5,070,907
Dividends and distributions reinvested	(1,790,776)	(3,027,487)
Provision for impairment of loans and mortgages	98,419	500,000
<b>Changes in assets and liabilities</b>		
Decrease/(increase) in receivables	274,793	(1,336,123)
(Decrease) in payables	(198,451)	(47,844)
<b>Net cash inflow from operating activities</b>	<b>6,045,009</b>	<b>6,052,174</b>

## 23. Contingent liabilities and assets

The Board has agreed to provide ongoing financial support for the wholly owned entity Glebe Australia Limited.

A joint and several guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St Andrew's House Corporation for overdraft accommodation up to \$1,200,000 granted to the Sydney Diocesan Secretariat, Anglican Church of Australia (refer note 15). No losses are expected from this guarantee.

## 24. Remuneration of auditors

The consolidated audit fee for the year is \$95,000 (2011: \$176,822).

	2012	2011
	\$	\$
Pricewaterhouse Coopers Australia		
Audit	92,812	159,822
Taxation	7,200	36,300
	<u>100,012</u>	<u>196,122</u>
KPMG Australia		
Audit	-	17,000
	<u>-</u>	<u>17,000</u>
	<u>100,012</u>	<u>213,122</u>

The fee paid to KPMG Australia in prior year is in respect of the audit of the former controlled entity the Mercer Socially Responsible Australian Shares Fund.

## 25. Events occurring after reporting date

St Andrews House Corporation has agreed to new arrangements in respect of the car park lease with Wilson Parking. The settlement agreement includes a reduction of the annual rent and renegotiation of undertakings in respect of the parking management system. The terms of settlement with Wilson Parking include agreement not to seek to pursue costs from earlier proceedings in respect of this matter. The rent reduction is effective from 1 March 2013.

On 27 March 2013 the Board resolved that the loan of \$2,500,000 to Glebe Australia Limited will not be required to be paid within the succeeding twelve months.

The members of Glebe Administration Board are not aware of any other events occurring after reporting date that impact on the financial statements as at 31 December 2012.

This financial report was authorised for issue on 27 March 2013 by the Board.

## 26. Parent entity financial information

### (a) Summary of financial information

	2012	2011
	\$	\$
<b>Balance sheet</b>		
Current assets	154,379,114	146,909,984
Total assets	255,224,711	258,015,898
Current liabilities	129,307,304	141,336,758
Total liabilities	133,210,090	143,590,909
Equity		
Capital	35,259,255	35,021,799
Accumulated surplus	86,755,366	79,403,190
Total equity	122,014,621	114,424,989
Surplus for the year	10,689,176	7,903,248
Total comprehensive income	10,689,176	7,903,248

## 26. Parent entity financial information(cont.)

### (b) Guarantees entered into by the parent entity

The Glebe administration Board and St Andrew's House Corporation have given a Joint and Several Guarantee to Westpac Banking Corporation for an overdraft accommodation up to \$1,200,000 granted to the Sydney Diocesan Secretariat.

The Glebe Administration Board has an overdraft limit of \$1,000,000 on its current account with Sydney Diocesan Secretariat. At balance sheet date the balance of the current account was \$95,563 (2011: \$239,797).

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2012.

# GLEBE ADMINISTRATION BOARD

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## Members' declaration

In the members opinion:

- (a) The financial statements and notes set out on pages 14 to 46 are in accordance with the Corporations Act 2001, including –
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial year ended on that date, and
- (b) There are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.

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

  
\_\_\_\_\_  
Member

27 March 2013

  
\_\_\_\_\_  
Member

27 March 2013

# **THE GLEBE ADMINISTRATION BOARD**

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## **Report to Standing Committee of Synod CLAUSE 14**

Report to Standing Committee of Synod pursuant to Clause 14 of the Accounts, Audits and Annual Reports Ordinance 1995 for the year ended 31 December 2012.

### **Clause 14d – Liquidity**

- a Solvency**  
The members of the Board are of the opinion that the Board will be able to meet all of its liabilities as they fall due.
- b Provisions and employee entitlements**  
A provision of \$3,335,000 has been made for distributions by the Diocesan Endowment under the *Diocesan Endowment (Special Distribution) Ordinance 2009*. The provision for impairment is \$Nil. It is not necessary to make any other provisions and as no staff are employed it is not necessary to provide for employee entitlements. In the opinion of the members, the Board has made adequate provision for future obligations.
- c Trade creditors**  
All creditors are being paid in accordance with normal terms of payment.
- d Trusts**  
All dealings with real and personal property have been consistent with the trusts on which the property is held.
- e Payments to members**  
No amounts were paid to any members of the Board during the year.
- f Internal control**  
The Board is satisfied that it has maintained a satisfactory system of internal control including some parts being delegated to the Sydney Diocesan Secretariat through their engagement to carry out accounting and administration activities on behalf of the Board.
- g Insurance**  
The Board's insurances are arranged through the Sydney Diocesan Secretariat. The Board believes that these insurances are appropriate to the type and level of insurable risk, having regard to the value of assets and current level of awards for damages.
- h Matters subsequent to end of year**  
There are no matters other than those disclosed, that have arisen since 31 December 2012 which are likely to have a significant effect on the Board.
- i Adoption of report**  
This report has been adopted at a duly constituted and convened meeting of the members of the Board on 27 March 2013.



## Clause 14e – Risk Management

### Summary of Key Risks

The key risk areas that were identified in 2012 were:

- a. **Investment Management – Financial Services**, reflecting risks around adequacy of governance procedures, failure of borrowers to comply with key loan terms, liquidity management, regulatory compliance, control of costs appropriateness of strategy, maintenance of adequate capital, credit risk and adequacy of staff training.
- b. **Investment management – Diocesan Endowment**, reflecting risks around adequacy of governance procedures, performance of externally managed investments, failure to maintain the real value of the Diocesan Endowment, failure of external service providers, adequacy of risk assessment, control of costs and the risk of inappropriate investments.
- c. **Regulatory and contractual obligations**, reflecting risks around non compliance with significant regulatory obligations, lack of awareness of proposed or actual changes in the regulatory environment, entry into legally or commercially adverse contracts and failure to manage significant contractual obligations.
- d. **Reputational**, reflecting factors such as investment performance failing to meet stakeholder expectations, being linked to an ethical, legal or management failure by a service provider and adverse media comment.

These key risk areas are reviewed and updated annually.

### Main Policies and Procedures

The main policies and procedures in place to manage these key risk areas are –

- a. **Investment management – Financial Services.** Policy on Capital Allocation, Policy on Liquidity Risk Management, Policy on Credit Risk Management, staff training in regulatory obligations, daily monitoring of liquidity and production of regular rolling cash flow forecasts.
- b. **Investment management – Diocesan Endowment.** Investment Policy Statement, periodic reports to the Board, quarterly reporting on performance by external investment managers, service level agreements with key external service providers, periodic reporting on value at risk, periodic stress testing, due diligence on investment funds and ongoing review of funds, ethical investment policy.
- c. **Regulatory and contractual obligations.** Compliance certification process for significant obligations, staff training in regulatory obligations, Board approved compliance plan for Anti-Money Laundering Legislation, Annual Financial audits and policy on approving and managing commercially significant contracts, delegations and power of attorney.
- d. **Reputational.** Periodic reporting to stakeholders, distribution policy for the Diocesan Endowment, policy on approving and managing commercially significant contracts, policy on external communications.



27 March 2013

Member



27 March 2013

Member



## **Independent auditor's report to the members of the Glebe Administration Board as trustee for The Diocesan Endowment**

### ***Report on the financial report***

We have audited the accompanying financial report of Glebe Administration Board as trustee for The Diocesan Endowment (the Board), which comprises the consolidated balance sheet as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the members' declaration for Glebe Administration Board as trustee for The Diocesan Endowment (the Board) (the consolidated entity). The consolidated entity comprises the Board and the entities it controlled at the year's end or from time to time during the financial.

### ***Members' responsibility for the financial report***

The members of the Board (as appointed by the Standing Committee) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*, and the provisions of the *Accounts, Audits and Annual Reports Ordinance 1995* of the Synod of the Anglican Church of Australia Diocese of Sydney and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 members of the Board, 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 opinions.



## **Independent auditor's report to the members of Glebe Administration Board as trustee for The Diocesan Endowment (continued)**

### *Independence*


In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's opinion*

In our opinion, the financial report of Glebe Administration Board as trustee for The Diocesan Endowment is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
- (ii) complies with Australian Accounting Standards – Reduced Disclosure Requirements, *Corporations Regulations 2001*, and the provisions of the *Accounts, Audit and Annual Reports Ordinance 1995* of the Synod of the Anglican Church of Australia Diocese of Sydney.

  
PricewaterhouseCoopers

  
Peter Buchholz  
Partner

Sydney  
27 March 2013