SYDNEY DIOCESAN SECRETARIAT

ABN 69 266 342 710

Annual financial report – 31 December 2010

Sydney Diocesan Secretariat

Report by the Chief Executive Officer

For the year ended 31 December 2010

Background

Sydney Diocesan Secretariat (the Secretariat) was incorporated as a body corporate under the *Anglican Church of Australia (Bodies Corporate) Act 1938* by the Sydney Diocesan Secretariat Ordinance 1973, and notice published in the *Government Gazette* on 17 May 1974.

The principal purpose of the Secretariat is to carry out, perform and provide administrative, secretarial and accountancy services for the Anglican Church of Australia in the Diocese of Sydney.

The principal organisations served by the Secretariat are –

- the Synod, the Standing Committee and their subcommittees, and parishes
- Glebe Administration Board
- Anglican Church Property Trust Diocese of Sydney
- St Andrew's House Corporation
- the Endowment of the See Committee
- the Mission Property Committee
- Sydney Church of England Finance & Loans Board

Services are provided by the Secretariat pursuant to service level agreements, and it recovers its costs by way of fees charged to the organisations served.

Strategic Initiatives

During 2010, the service level agreements with the major clients of the Secretariat were revised.

One of the Secretariat's clients, the Glebe Administration Board, determined to outsource the investment management of the Diocesan Endowment and investment accounting associated therewith. These services were previously provided by the Secretariat. A consequence of the reduction in service levels required was a need to review (and reduce) the overall costs of the Secretariat. Subsequently, a staff reorganisation was implemented resulting in several positions being made redundant.

In addition, as part of the staff reorganisation, a People Learning & Culture department was re-established with a view to better supporting and managing relationships with our staff.

Financial Results

In 2010 the Secretariat recorded a surplus of $159,451 (compared to a surplus in 2009 of $1,504,139).

The results for 2010 were impacted by several factors –

a. savings in staff costs by reason of a reduction in staff members during the year by natural attrition but these were offset in part by additional expenses incurred by reason of a number of redundancies following the organisational restructure undertaken in November 2010, and

b. a payroll tax refund received from the Office of State Revenue, and

c. prudent expense management.

MARK PAYNE
Chief Executive Officer

2 March 2011

Statutory report of the members of the Sydney Diocesan Secretariat

For the year ended 31 December 2010

In accordance with a resolution of the Board, the members of the Secretariat submit herewith the financial report as at 31 December 2010:

Scope

The Secretariat is constituted by the Sydney Diocesan Secretariat Ordinance 1973 and is a body incorporated under the Anglican Church of Australia (Bodies Corporate) Act 1938, domiciled in Australia. Its principal place of business is:

Sydney Diocesan Secretariat
Level 2, St Andrew's House
Sydney Square NSW 2000

Principal activities

The object of the Secretariat is to carry out, perform and provide administrative, secretarial and accounting services for the Anglican Church in the Diocese of Sydney. It also implements the policy decisions of the Synod and Standing Committee.

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

Results for the year

The total change in equity is a surplus of $159,451 (2009: $1,504,139 surplus).

Distributions

Dividends are not paid by the Secretariat.

Review of operations and significant changes in the state of affairs

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 (CEO).

Members

The Standing Committee of the Diocese of Sydney appoints members, for terms of three years. 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 2010.

Canon Bruce Ballantine-Jones OAM (Chairman), age 69
Canon Ballantine-Jones was first appointed to the Board in September 1993 and was elected Chairman on 16 December 2009. He is an Honorary Associate Minister at Caringbah Anglican Church and is a Diocesan Representative on General Synod.

Mr Mark Ballantyne BE, MBA, FIAA, age 42
Mr Ballantyne is a qualified Actuary and Director level executive with over 20 years experience in all facets of financial services. He attends East Lindfield Anglican Church. Appointed to the Board on 7 December 2009.

Bishop Robert Forsyth, age 61
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 and a Corporate Trustee of the Anglican Church of Australia. First appointed to the Board in May 2000.

Mr Ben Koo, BCom, BEc, age 34
Mr Koo is a Bank Analyst with Goldman Sachs & Partners Australia with previous experience in Corporate Restructuring and Corporate Finance and the past 9 years as a research analyst. He attends St Faith's Anglican Church Narrabeen. Previously he was a warden at the Anglican Church at Annandale. Appointed to the Board 7 on December 2009.

Mr Andrew McLoughlin, BBus, CPA, MTax, age 48
Mr McLoughlin is Deputy Inspector-General of Taxation, with 20 years in banking, financial services and taxation. He has held executive level positions. He attends East Lindfield Anglican Church. Appointed to the Board on 7 December 2009.

Mr Ian Miller BA, LLM, ThL, GAICD, age 58
Mr Miller is a partner in Hunt and Hunt Lawyers with 33 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. First appointed to the Board in August 1999.

Mr John Pascoe, FCA, BEc, age 50
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, Chairman of the Sydney Church of England Finance and Loans Board and the Mission Board Strategy Committee. He and his family are partners in the ministry at St Andrew's Cathedral. Appointed to the Board on 7 December 2009.

Dr Laurie Scandrett, ME, PhD, MAICD, SAFin, AAIM, JP, (Deputy Chairman), age 54
Dr Scandrett is the CEO of Sydney Anglican Schools Corporation. He is a member of the Standing Committee and St Andrew's House Corporation and is a Diocesan Representative on General Synod and Provincial Synod. He and his family attend St Matthias Anglican Church Centennial Park. First appointed to the Board in November 1990. Appointed Chairman of ALCO on 16 December 2009.

Mr Ross Smith, MAppFin, BEc, age 44
Mr Smith is a Chartered Accountant and Director, Corporate Recovery, McGrathNicol with 25 years experience in Accounting, Finance, Corporate Restructuring and Advisory. He and his family attend Carringbah Anglican Church. Appointed to the Board on 6 December 2010.

No members resigned or retired from the Board during the year.

Chief Executive Officer

Mark Payne, BEc, LLB, LLM, FFSIA, AAIM, age 47

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 62
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.

Details of attendance at Members' meetings and Committee meetings are detailed below:

Year Ended 31 December 2010	**Board Meetings**		**Committee Meetings**			
			Services and Resources		**Audit and Risk**	
	A	B	A	B	A	B
Non Executive members						
B Ballantine-Jones	11 C	9 C	2 C	2 C		
M Ballantyne	11	8				
R Forsyth	11	10	2	1	4	2
B Koo	11	10	2	2		
A McLoughlin	11	11			4	3
I Miller	11	7	2	2		
J Pascoe	11	10			4 C	4 C
L Scandrett	11	11				
R Smith *	1	1				

A = meetings eligible to attend
B = meetings attended
C = Chairman
* = Mr Smith was appointed 6 December 2010
= not a committee member

Continuation in office of Members

Bishop R Forsyth and Mr I Miller were re-elected by the Standing Committee in November 2010 for a further term of 3 years.

Secretariat Delegation
The Board has delegated to the CEO, and through the CEO to other senior executives, responsibility for the day to day management of the activities of the Secretariat. The scope of that delegated authority, and its limits, is documented.

Board Committees
The Board had two Committees that operated during the year, namely:
- Services and Resources Committee
- Audit and Risk Committee

The Committees, as they operated in the year, had the following responsibilities as delegated by the Board:

Audit and Risk Committee
The function of the Committee is to monitor, report and make recommendations to the Secretariat regarding –

the financial reporting processes of the Secretariat to ensure the balance, transparency and integrity of published financial information, and

its internal control systems, and

its independent audit process, and

its risk management systems.

Services and Resources Committee
The function of the Committee is to

monitor service delivery, strategies, sustainability and other matters relevant to the functioning of the Secretariat, and make recommendations to the Board of the Secretariat (the "Board"), and

to oversee the development and implementation of the policies for the recruitment, employment, remuneration, other terms of service and succession for the CEO and senior management, and

to recommend to the Board, for their advice to Standing Committee, the skills and experience which a potential candidate to fill a vacancy in the membership of the Board, and

to develop and implement induction programs for new members of the Board, and

ensure that the Board maintains its established policy of developing and implementing competitive and effective remuneration practices and senior management processes that comply with the law, regulations, internal policies and the requirements of statutory authorities.

Identifying significant business risks

The Secretariat 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

The Secretariat 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 Secretariat.

Insurance of officers

During the year insurance premiums totalling $6,506 (2009: $6,196) were paid for directors' and officers' liability insurance in respect of the members of the Board. 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 subsequent to the end of the year

No matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect, the operations of the Secretariat, the results of those operations or the state of affairs of the Secretariat in future years.

Environmental regulation

The operations of the Secretariat 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 Secretariat has not incurred any liability (including rectification costs) under any environmental legislation.

Likely developments and expected result of operations

The members have excluded from this report any information on the likely developments in operations of the Secretariat 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 Secretariat.

Signed in accordance with a resolution of the members of Sydney Diocesan Secretariat.

____________________ 30/03/ 2011

Member

____________________ 30/03/ 2011

Member

SYDNEY DIOCESAN SECRETARIAT

Statement of comprehensive income
For the year ended 31 December 2010

	Notes	2010 $	2009 $
Revenue from continuing operations			
Management and service fees		7,474,805	9,691,570
Property management fees		1,371,600	789,515
Interest		168,858	116,221
Grants and donations		25,000	186,000
Final distribution on liquidation of Anglican Insurance Limited	6	-	52,929
Refund of payroll tax from Office of State Revenue	17	113,427	703,248
Write back 2008 payroll tax accruals		-	234,000
Other income		382,951	142,782
Net gain on sale of plant and equipment	9	100	-
Total revenue from continuing operations		9,536,741	11,916,265
Expenses from continuing operations			
Interest and finance charges		91,763	91,208
Staff and related expenses		6,052,575	6,639,730
Professional fees		252,441	451,758
Rent and occupancy expenses		1,001,090	919,429
Office operating expenses		1,251,308	1,310,521
Marketing expenses		-	1,495
Depreciation		486,010	651,252
Audit fees	23	35,269	43,675
Bad debts		5,793	4,529
Net loss on disposal of plant and equipment	9	-	579
Impairment charge of plant and equipment	9	104,223	249,649
Insurance expenses		35,241	36,684
Other expenses		61,577	11,617
Total expenses from continuing operations		9,377,290	10,412,126
Surplus/(deficit) for the year		**159,451**	**1,504,139**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		**159,451**	**1,504,139**

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

SYDNEY DIOCESAN SECRETARIAT

Statement of financial position
As at 31 December 2010

	Notes	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	4	4,413,518	4,303,570
Receivables	5	213,275	238,447
Total current assets		**4,626,793**	**4,542,017**
Non-current assets			
Available-for-sale financial assets	7	-	-
Held-to-maturity investments	8	500,000	500,000
Plant and equipment	9	908,083	1,370,376
Total non-current assets		**1,408,083**	**1,870,376**
Total assets		**6,034,876**	**6,412,393**
LIABILITIES			
Current liabilities			
Payables	10	579,778	484,566
Interest bearing liabilities	11	1,906,650	2,584,674
Provisions	12	971,243	845,840
Total current liabilities		**3,457,671**	**3,915,080**
Non-current liabilities			
Provisions and other liabilities	13	266,784	346,343
Total non-current liabilities		**266,784**	**346,343**
Total liabilities		**3,724,455**	**4,261,423**
Net assets		**2,310,421**	**2,150,970**
EQUITY			
Capital	14	2,062,105	2,062,105
Accumulated surplus	15	248,316	88,865
Total equity		**2,310,421**	**2,150,970**

The above statement of financial position should be read in conjunction with the accompanying notes.

SYDNEY DIOCESAN SECRETARIAT

Statement of changes in equity
For the year ended 31 December 2010

	Notes	Capital	Accumulated Surplus\(deficit)	Total
		$	$	$
Balance at 1 January 2009		**2,062,105**	**(1,415,274)**	**646,831**
Surplus for the year		-	1,504,139	1,504,139
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,504,139	1,504,139
Balance at 31 December 2009		**2,062,105**	**88,865**	**2,150,970**
Surplus for the year		-	159,451	159,451
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	159,451	159,451
Balance at 31 December 2010	**14,15**	**2,062,105**	**248,316**	**2,310,421**

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

SYDNEY DIOCESAN SECRETARIAT

Statement of cash flows
For the year ended 31 December 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Management and service fees received		7,488,965	9,717,320
Property management fees received		1,371,600	789,515
Interest received		168,826	116,273
Grants and donations received		25,000	186,000
Final distribution on liquidation of Anglican Insurance Limited	6	-	52,929
Refund of payroll tax from Office of State Revenue	17	113,427	703,248
Other income received		430,704	131,208
Borrowing costs paid		(91,763)	(91,208)
Payments to suppliers and employees		(8,590,947)	(10,310,598)
Net cash inflow from operating activities	21	**915,812**	**1,294,687**
Cash flows from investing activities			
Payments for plant and equipment		(127,940)	(97,536)
Payments for assets under construction	9	-	(137,819)
Proceeds from sale of plant and equipment	9	100	450
Payments for held-to-maturity investments	8	-	(500,000)
Net cash (outflow) from investing activities		**(127,840)**	**(734,905)**
Cash flows from financing activities			
Net current accounts held with related parties inflow/(outflow)	11	(678,024)	523,080
Net cash inflow/(outflow) from financing activities		**(678,024)**	**523,080**
Net increase in cash held		109,948	1,082,862
Cash at the beginning of the year		4,303,570	3,220,708
Cash at end of year	4	**4,413,518**	**4,303,570**

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

1. Purpose

The Sydney Diocesan Secretariat (the Secretariat) was established and incorporated under the provisions of the Sydney Diocesan Secretariat Ordinance of 1973. The Secretariat operates wholly in Australia and, being the central administrative body of the Diocese, is the nominal employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial statement has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Accounts, Audits and Annual Statements Ordinance 1995.

Compliance with IFRSs
Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

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 financial assets and liabilities at fair value through profit or loss, and certain classes of plant and equipment.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Secretariat's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The investment in the NSW Council of Churches Broadcasters Pty Ltd (Note 7) is not held for trading and is fully impaired as no net cash inflows are expected.

There will be no impact on the Secretariat's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the entity does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The entity has not yet decided when to adopt AASB 9.

(ii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

2. Summary of significant accounting policies (cont.)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. These changes are mandatory from 1 July 2013.

(iii)AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from Annual Improvements Project* (Applicable 1 January 2011)

The objective of this Standard is to make amendments to:
AASB 1 *First-time Adoption of Australian Accounting Standards*
AASB 7 *Financial Instruments: Disclosures*
AASB 101 *Presentation of Financial Statements*
AASB 134 *Interim Financial Reporting*
Interpretation 13 *Customer Loyalty Programmes*

Early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011. They are not expected to have any significant impact on the entity's disclosures.

(iv)AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the entity's disclosures.

The Secretariat has no current intention to adopt these standards and interpretations early.

It is estimated that the effect of adopting the above pronouncements, when applicable, will have no material financial impact on the Secretariat in future reporting periods

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

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

(b) Principles of consolidation

Associates are all entities over which the Secretariat has significant influence but not control or joint control.

The Secretariat is a member of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd. These companies are limited by guarantee. The Secretariat has significant influence through membership of the respective boards of these schools and at the respective general meetings of members by having the power to require a matter be determined by ballot whereby the Secretariat is granted additional votes equal to one-half of all votes cast, and thereby able to exercise control over special resolution votes.

2. Summary of significant accounting policies (cont.)

While the Secretariat has potential for significant influence in the policies of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd, it does not have control as the Secretariat has no expectation of obtaining a benefit from its association with these companies as all income and property must be applied towards the promotion of the objects of the companies, even in winding up of the companies. Therefore the Secretariat is not required to consolidate their financial statements. No related party disclosures are required as there is no transfer of resources, services or obligations between the Secretariat and the schools.

(c) Revenue recognition

Revenue and other income are measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. Revenue and other income are recognised for the major business activities as follows:

Management and service fees
The Secretariat performs accounting, administration and secretarial services for a number of groups across the Diocese, most notably the Diocesan Endowment (and its controlled and managed entities), Synod (including Standing Committee), and the Anglican Church Property Trust (including the Endowment of the See). Management and service fees are based upon recouping the overall costs of each client through careful attention to the allocation of staff activity to the Secretariat's clients. The fees are recognised in the accounting period in which the services are rendered.

Property management fees
The Secretariat performs accounting, administration and building management services for St Andrews House and St James Hall. Property management fees are based upon recouping the overall costs of each client through careful attention to the allocation of staff activity. The fees are recognised in the accounting period in which the services are rendered.

Grants and donations
Grants and donations are recognised to the extent they have been deposited in the bank, which is the point at which the entity gains control of the grant or donation.

Disposal of plant and equipment
Income from the disposal of plant and equipment is measured at fair value of the consideration received or receivable less the carrying value of the fixed asset or group of assets sold. Gain or loss arising from the sale is recognised at net amount in the statement of comprehensive income.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount.

(d) Financial instrument transaction costs

Costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

(e) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

2. Summary of significant accounting policies (cont.)

(f) Cash and cash equivalents

For cash flow statement 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 statement of financial position.

(g) Receivables

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

Collectability 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 entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

(h) Investments and other financial assets

The entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at end of each reporting period.

Financial assets at fair value through profit or loss
Financial assets at fair value through the profit or loss are designated at initial recognition. Their performance is evaluated on a fair value basis and managed in accordance with the entity's investment strategy. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of each reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

2. Summary of significant accounting policies (cont.)

(i) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Furniture and effects	10 years
- Equipment and machinery	5 years
- Office equipment	5 years
- Computer hardware	3 years
- Computer software	3-4 years
- Motor vehicles	5.5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(k) Payables

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

(l) Current account held for diocesan funds

These interest-bearing liabilities are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

2. Summary of significant accounting policies (cont.)

(n) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries including non-monetary benefits and annual leave expected to be settled within 12 months of the end of each reporting period are recognised either in payables or current provisions in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

No liability has been recognised for sick leave, as there is no provision made for sick leave and it is not considered that any sick leave taken will incur additional costs.

(ii) Long service leave

The liability for long service leave is recognised in the provision for long service leave entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity that matches, as closely as possible, the estimated future cash outflows.

(iii) Employee incentives and bonus plans

A liability for employee benefits in the form of incentives is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for employee incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(o) Capital

Represents the original capital contributed to the Sydney Diocesan Secretariat fund.

(p) Income tax

The entity is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

2. Summary of significant accounting policies (cont.)

(q) Intangible assets

Costs incurred in developing Information Technology (IT) systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefit through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the entity has an intention and ability to use the asset.

(r) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Sydney Diocesan Secretariat as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Sydney Diocesan Secretariat is a lessor is recognised in income on a straight-line basis over the lease term.

(s) Goods and Service Tax (GST)

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

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred 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 statement of financial position.

Cash flows are presented on a net basis. The GST components of cash flows arising from operating, investing or financing activities, which are recoverable from, or payable to the ATO, are presented as operating cash flow.

3. Financial risk management

The Secretariat's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the fund.

Prime responsibility for financial risk management is with the Board.

	2010 $	2009 $
Financial assets		
Cash at bank - Westpac Banking Corporation	605,446	611,598
Glebe Income Accounts	3,806,472	3,690,372
Receivables	213,275	238,447
Held-to-maturity investments	500,000	500,000
	5,125,193	5,040,417
Financial liabilities		
Payables	579,778	484,566
Interest bearing liabilities held for related parties	1,906,650	2,584,674
	2,486,428	3,069,240

(a) Market risk

(i) Foreign exchange risk
The fund does not operate internationally and is not exposed to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk
The Secretariat's interest rate risk arises from its current accounts. The Secretariat, as the holder of the Westpac bank account, acts as banker for its client funds. Each client fund, as a separate current account holder with the Secretariat, earns interest income on the balance held daily. Overdraft fees are charged to a client fund if its current account balance with the Secretariat is in an overdraft position at predetermined rates, which are set internally. The lending of funds may expose the Secretariat to cash flow interest rate risk, as determined by the cash needs of each individual internal fund. The Secretariat also holds cash and cash equivalent deposits which expose the Secretariat to interest rate risk from impacts on interest income. These risks are mitigated by maintenance of a margin between the interest rate received by the Secretariat on its cash holdings with Glebe Income Accounts and the interest rate paid on current accounts. Both rates change as necessary to reflect market conditions.

3. Financial risk management (cont.)

Interest rate sensitivity
At 31 December 2010, if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, surplus for the year would have been $30,052 lower/higher (2009 – change of 100 bps: $22,173 lower/higher), mainly as a result of higher/lower interest expense on cash and cash equivalents.

31 December 2010	Carrying amount $	Interest rate risk -1.00% Surplus $	Interest rate risk -1.00% Equity $	Interest rate risk 1.00% Surplus $	Interest rate risk 1.00% Equity $
Financial assets					
Cash and cash equivalents	4,411,918	(44,119)	(44,119)	44,119	44,119
Held-to-maturity investments	500,000	(5,000)	(5,000)	5,000	5,000
Interest bearing liabilities	1,906,650	19,067	19,067	(19,067)	(19,067)
Total increase/(decrease)		(30,052)	(30,052)	30,052	30,052

31 December 2009	Carrying amount $	Interest rate risk -1.00% Surplus $	Interest rate risk -1.00% Equity $	Interest rate risk 1.00% Surplus $	Interest rate risk 1.00% Equity $
Financial assets					
Cash and cash equivalents	4,301,970	(43,020)	(43,020)	43,020	43,020
Held-to-maturity investments	500,000	(5,000)	(5,000)	5,000	5,000
Interest bearing liabilities	2,584,674	25,847	25,847	(25,847)	(25,847)
Total increase/(decrease)		(22,173)	(22,173)	22,173	22,173

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions, as well as credit exposures to outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of A-2 are accepted. However to make greater use of the Commonwealth Government Bank deposit guarantee scheme across Diocesan entities the Secretariat has invested $500,000 with Greater Building Society which is rated A-2. 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 or impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The Secretariat maintains deposits with the Glebe Income Accounts. The Glebe Income Accounts deposits are held by the Glebe Administration Board (GAB), the trustee for the Diocesan Endowment. GAB employs a range of prudential policies and practices, which include an Investment Policy and a Treasury Policy Statement along with a $15.0 million standby facility with Westpac Banking Corporation, to ensure customer deposits are available to them within the terms of those deposits.

As at 31 December 2010 accounts receivable of the Secretariat with a book value of $18,143 (2009: $25,714) were past due. An impairment provision of $7,232 (2009: $4,251) is recognised. The creation and release of the provision for impaired receivables is shown on the statement of comprehensive income categorised as "Bad debts". The individually overdue receivables mainly relate to commissions receivable from Angliconnect. There is no recent history of default.

3. Financial risk management (cont.)

	Credit rating	2010 $	2009
Cash and cash equivalents			
Cash at bank - Westpac Banking Corporation	*A1+	605,446	611,598
Glebe Income Accounts	Not rated	3,806,472	3,690,372
Total cash and cash equivalent		4,411,918	4,301,970

	Credit rating	2010 $	2009
Held-to-maturity investments			
Greater Building Society Variable Rate Notes	BBB	500,000	500,000
Total held-to-maturity investments		500,000	500,000

** Standard & Poor's Short Term Local Issuer Credit Rating*

(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. Due to the dynamic nature of the Secretariat's operations it aims at maintaining flexibility in funding by keeping committed credit lines available. The fund manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
The fund had access to the following undrawn borrowing facility at the end of each reporting period:

	2010 $	2009 $
Undrawn overdraft facility with Westpac Banking Corporation	1,200,000	1,200,000

The bank overdraft facilities may be drawn at any time.

Maturities of financial liabilities
The table below analyses the Secretariat's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date.

Due to the short-term nature of the liabilities the carrying amounts are disclosed in the table.

3. Financial risk management (cont.)

Less than six months	2010 $	2009 $
Non-interest bearing - payables	579,778	484,566
Variable rate - current account balances held for related parties	1,906,650	2,584,674
	2,486,428	3,069,240

(d) Fair value estimation

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

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. Current assets - Cash and cash equivalents

	2010 $	2009 $
Cash at bank - Westpac Banking Corporation (a)	605,446	611,598
Glebe Income Account (other related party) (b)	3,806,472	3,690,372
Cash in hand	1,600	1,600
	4,413,518	4,303,570

(a) Cash at bank – Westpac Banking Corporation (a)

Cash at bank is bearing a variable interest rate of 0.25% (2009: 0.25%).

(b) Other cash and cash equivalents (b)

The deposits are bearing floating interest rates between 3.70% and 5.25% (2009: 3.15% and 5.00%). These deposits have a varied maturity of at call or 3 months.

5. Current assets – Receivables

	2010 $	2009 $
Accounts receivable	69,859	128,787
Provision for impairment of receivables (note (a))	(7,232)	(4,251)
Prepayments - other	37,763	76,612
Accrued interest	662	630
Input tax credits	31,893	33,583
Other receivables	80,330	3,086
	213,275	238,447

(a) Bad and doubtful trade receivables

The Secretariat has recognised a loss of $5,793 in respect of bad and doubtful receivables during the year ended 31 December 2010 (2009: $4,529).

6. Current assets – Other financial assets at fair value through profit or loss

	2010 $	2009 $
At beginning of the year	-	-
Disposals - Final distribution on liquidation	-	(52,929)
Profit on disposal of Anglican Insurance Limited	-	52,929
At end of the year	-	-

The final distribution on liquidation of Anglican Insurance Ltd shares was received on 15 December 2009 for $52,929.

7. Non-current assets – Available-for-sale financial assets

Unlisted securities	2010 $	2009 $
NSW Council of Churches Broadcasters Pty Ltd	47	47
Fair value adjustment	(47)	(47)
Total	-	-

The fair value is determined based on the present value of net cash inflows from expected future interest or dividends and subsequent disposals of the securities. No net cash inflows are expected.

All available-for-sale financial assets are denominated in Australian currency.

8. Non-current assets – Held-to-maturity investments

	2010 $	2009 $
Greater Building Society Variable Rate Notes	500,000	500,000

(a) Variable rate notes

The fair value of the variable rate notes is $500,000 (2009: $500,000). Fair value was determined by reference to the face value and management's intention to hold the investment to maturity. Maturity date is 12 April 2012.

(b) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment. Greater Building Society is rated by Standard and Poor's Long Term Local Issuer Credit as "BBB". The variable rate notes are neither past due or impaired.

The variable rate notes are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is no exposure to price risk as the investments will be held to maturity.

9. Non-current assets – Plant and equipment

	2010 $	2009 $
Furnishings and effects - at cost	876,129	1,287,704
Additions	183,158	-
Disposals/write-off	(49,401)	(411,575)
Furnishings and effects	1,009,886	876,129
Less: Provision for depreciation	(292,912)	(192,759)
	716,974	683,370
Equipment and machinery - at cost	421,080	419,463
Additions	-	1,617
Disposals/write-off	(419,464)	-
Equipment and machinery	1,616	421,080
Less: Provision for depreciation	(404)	(418,994)
	1,212	2,086
Office equipment - at cost	473,480	489,416
Additions	8,510	4,064
Disposals/write-off	(220,863)	(20,000)
Office equipment	261,127	473,480
Less: Provision for depreciation	(238,007)	(282,593)
	23,120	190,887
Computer hardware - at cost	1,457,047	1,920,864
Additions	116,660	91,856
Disposals/write-off	(292,550)	(555,673)
Computer hardware	1,281,157	1,457,047
Less: Provision for depreciation	(1,114,380)	(1,146,795)
	166,777	310,252
Computer software - at cost	-	129,245
Disposals/write-off	-	(129,245)
Computer software	-	-
Motor vehicle - at cost	25,248	25,248
Motor vehicle	25,248	25,248
Less: Provision for depreciation	(25,248)	(21,856)
	-	3,392
Expenditure recognised in relation to plant and equipment and fixtures and fittings which is in the course of construction	-	180,389
Total plant and equipment	908,083	1,370,376

9. Non-current assets – Plant and equipment (cont.)

	2010 $	2009 $
Opening balance at beginning of year	1,370,376	2,036,951
Additions	308,328	97,536
Work in progress changes during the year	(180,388)	137,819
Disposals/impairment write-off (a)	(104,223)	(250,678)
Depreciation	(486,010)	(651,252)
Closing balance at end of year	908,083	1,370,376
Proceeds from the sale of plant and equipment	100	250,099
Carrying cost of plant and equipment sold	-	250,678
Gain/(loss) on sale of plant and equipment	100	(579)

(a) Impairment loss

The impairment charge of $104,223 (2009: $249,649) relates mainly to changed circumstances regarding furnishings and effects usage, particularly as a result of lower staff numbers.

10. Current liabilities - Payables

	2010 $	2009 $
Accounts payable	55,813	13,759
Accrued expenses	185,089	202,823
Planned giving - offerings received on behalf of Parishes	111,735	107,109
Other payables	227,141	160,875
	579,778	484,566

11. Current liabilities - Interest bearing liabilities

	2010 $	2009 $
Current accounts held for Diocesan funds (other related parties)	1,906,650	2,584,674

Movement	2010 $	2009 $
Opening balance	2,584,674	2,061,594
Net increase/(decrease) in current account liability	(678,024)	523,080
Current account balances at end of year	1,906,650	2,584,674

Current account balances are at call and unsecured.

Interest is paid at 2.70% (2009: 2.15%). Overdraft interest is charged at 8.20% (2009: 7.65%).

12. Current liabilities - Provisions

	2010 $	2009 $
Annual leave entitlements	452,032	448,402
Long service leave entitlements	295,987	213,653
Restructuring costs (a)	148,265	114,000
Clergy stipend continuance unfunded claims (b)	74,959	69,785
	971,243	845,840

(a) Restructuring costs

Provision for termination benefits payable to non-voluntarily retrenched staff.

(b) Clergy stipend continuance unfunded claims

Provision is made for the short fall in insurance cover for a claim made against the clergy stipend continuance insurance scheme. Management estimates the provision based on the period the claimant remains covered by the scheme and the monthly shortfall between the pension paid and amount received from the insurer.

(c) Movement in provisions

Movements in each class of provision during the year, other than employee benefits, are set out below:

Movement in current provisions	Restructuring costs $	Clergy stipend continuance unfunded claims $	Total $
Carrying amount at start of year	114,000	69,785	183,785
Charged/(credited) to the income statement			
- additional provisions recognised	276,520	70,216	346,736
Amounts used during the year	(242,255)	(65,042)	(307,297)
Carrying amount at end of year	148,265	74,959	223,224

13. Non-current liabilities – Provisions and other liabilities

	2010 $	2009 $
Long service leave entitlements	261,018	276,561
Clergy stipend continuance unfunded claims (a)	5,766	69,782
	266,784	346,343

(a) Clergy stipend continuance unfunded claims

Provision for shortfall of claims beyond the next twelve months.

(b) Movement in provisions

Movements in each class of provision during the year, other than employee benefits, are set out below:

Movement in non-current provisions	$
Carrying amount at start of year	69,782
Charged/(credited) to the income statement	
- unused amount reversed	(64,016)
Carrying amount at end of year	5,766

14. Equity - Capital

	2010 $	2009 $
Contributed capital	2,062,105	2,062,105

Capital has been contributed by the Synod of the Anglican Church of Australia Diocese of Sydney. The Secretariat's governing ordinance grants no rights or preferences in relation to the capital, and places no restrictions on the use of the capital in pursuing the Secretariat's objectives and providing benefits to the Synod's stakeholders.

15. Equity - Accumulated surplus

	2010 $	2009 $
Accumulated surplus/(deficit) at beginning of the year	88,865	(1,415,274)
Surplus/(deficit) for the year	159,451	1,504,139
Accumulated surplus/(deficit) at end of the year	248,316	88,865

16. Commitments – Premises rental

Lease commitments: SDS as lessee *(i) Non-cancellable operating leases*	2010 $	2009 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	936,101	923,812
Later than one year but not later than five years	3,898,309	3,807,915
Later than five years	7,450,234	8,543,151
	12,284,644	13,274,878

Lease commitments: SDS as lessor *Sub-lease payments*	2010 $	2009 $
Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases		
Within one year	193,965	204,246
Later than one year but not later than five years	394,793	528,692
	588,758	732,938

(ii) Cancellable operating leases	2010 $	2009 $
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Within one year	399,328	445,671
Later than one year but not later than five years	376,256	401,256
	775,584	846,927

(i) Non-cancellable operating leases
The Secretariat leases various suites within St Andrew's House under non-cancellable operating leases expiring within twelve years. The leases have varying terms. Each lease is subject to an annual rent escalation of 3% on the anniversary of the lease commencement date. On renewal terms of the leases are renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

(ii) Cancellable operating leases
The Secretariat has service contracts for the provision of software and hardware maintenance that are not recognised as liabilities.

17. Payroll tax – refund

The Office of State Revenue (OSR) has paid a final refund of payroll tax of $113,427 pertaining to their acceptance of the Secretariat's apportionment methodology concerning taxable and non-taxable salaries for payroll tax purposes.

18. Investments in associates

The Secretariat is a member of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd, two schools which are companies limited by guarantee. The Secretariat has particular powers which may be called upon in the case of a ballot which allows it to cast votes equal in number to one half of all the votes cast in the ballot (excluding the vote of the Secretariat). In a vote on an ordinary resolution not involving a ballot, the Secretariat has 1 vote, the same as other members. The quorum at general meetings is 15 members for SCECGS Redlands Ltd and 20 members for SCEGGS Darlinghurst Ltd. The Secretariat has the right to appoint 4 directors to each company. At present the Secretariat directors are 4 of 12 in each case.

The Secretariat does not have control of the schools as its voting power does not allow it to govern the financial and operating policies of the schools so as to obtain benefit from their activities. As a result the schools are regarded as associates of the Secretariat and not subsidiaries.

No financial information of the companies is disclosed as both are limited by guarantee and the Secretariat has not contributed any capital to the schools. In addition, the Secretariat has no expectation of ever receiving any financial benefit from the schools as by their nature no dividends are paid and the winding up clauses in their constitutions require any surplus on winding up to be paid to an Anglican school in the Diocese.

19. Contingent liabilities and contingent assets

Contingent liabilites in respect to the membership of the schools SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd are limited in their constitutions to the guarantees of $1 and $10 respectively.

20. Overdraft facility

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

At balance date the Secretariat made available an overdraft facility with a limit of $1,000,000 to the Glebe Administration Board through its current account with the Secretariat.

21. Reconciliation of surplus from ordinary activities to the net cash flow from operating activities

	2010 $	2009 $
Surplus from ordinary activities	159,451	1,504,139
Depreciation	486,010	651,252
Impairment of plant and equipment	104,223	249,649
(Gain)/loss on sale of plant and equipment	(100)	579
Bad debts written-off	2,812	-
Changes in assets and liabilities		
Decrease/(increase) in receivables	22,360	(23,149)
Increase/(decrease) in payables	95,212	(399,134)
Increase/(decrease) in provisions	45,844	(688,649)
Net cash inflow from operating activities	**915,812**	**1,294,687**

22. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. The transactions between (other related parties) Diocesan Funds are carried out on a commercial basis. The nature of transactions is disclosed in the financial statements.

The Secretariat operates as the central administrative body of the Diocese, and is the nominal employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds. The Secretariat's activities involve extensive related party transactions. The Secretariat's revenues from management and service fees, property management fees, grants and donations are wholly derived from related parties. Revenues from interest and other income are mainly derived from related parties. Expenses mainly attributable to related parties are interest and finance charges, rent and insurance expenses.

The Secretariat's net assets also contain outstanding balances with related parties. Included in the assets of the Secretariat are cash deposits with Glebe Income Accounts and some receivables. The Secretariat provides a banking service via current accounts; these related party outstanding balances are shown as interest bearing liabilities.

Key management personnel

(a) Board members

The following persons held office as members of the Secretariat during the year:

Canon B A Ballantine-Jones OAM
Mr M Ballantyne
Bishop R C Forsyth
Mr B M Koo
Mr A McLoughlin
Mr I C Miller
Mr J S Pascoe
Dr L A Scandrett
Mr R Smith (appointed 6 December 2010)

(b) Other key management personnel

The following persons also had authority and responsibility for the strategic direction and management of the Secretariat during the year:

Name	*Position*
Mr S McKerihan/ Mr M A Payne	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer
Mr R Wicks	General Manager, Diocesan and Corporate Services

(c) Key management personnel compensation

	2010 $	2009 $
Short-term employee benefits	742,900	822,385
Long-term employee benefits	26,720	195
Other benefits	-	246,471
	769,620	1,069,051

23. Remuneration of auditors

	2010 $	2009 $
(a) Assurance services		
Audit services		
- audit and review of financial reports and other audit work	35,269	43,675
Total remuneration for audit services	35,269	43,675
(b) Advisory services		
For services rendered in the normal operations of the Secretariat	21,073	19,098
	56,342	62,773

Audit fees are charged directly to each entity, except for the Standing Committee of Synod Sydney Diocesan Account.

The audit fee for the year specific to the Secretariat is $23,800 (2009: $23,800).

24. Events occurring after the end of the reporting period

The members are not aware of any events occurring after the reporting period that impact on the financial statements as at 31 December 2010.

The financial statements were authorised for issue on 30 March 2011 by the Board.

MEMBERS' DECLARATION

The members of the Sydney Diocesan Secretariat declare that these financial statements and notes set out on pages 7 to 31:

(a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;

(b) give a true and fair view of the Secretariat's statement of financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the members' opinion there are reasonable grounds to believe that the Secretariat 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 — 30 March 2011

Member — 30 March 2011

SYDNEY DIOCESAN SECRETARIAT

Report to Standing Committee of Synod
CLAUSE 14

Report to Standing Committee of Synod pursuant to Clause 14 of the Accounts, Audits and Annual Report Ordinance 1995 for the year ended 31 December 2010.

Clause 14d – Liquidity

a **Solvency**
The members of the Secretariat are of the opinion that the Secretariat will be able to meet all of its liabilities as they fall due.

b **Provisions and employee entitlements**
Adequate provisions have been made for employee entitlements for long service ($557,005) and annual leave ($452,032). In the opinion of the members, the Secretariat 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 Secretariat during the year.

f **Internal control**
The Secretariat is satisfied that it has maintained a satisfactory system of internal control.

g **Insurance**
Appropriate types and levels of insurance cover are held in respect of all insurable risks, 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 that have arisen since 31 December 2010 which are likely to have a significant effect on the Secretariat.

i **Adoption of report**
This report has been adopted at a duly constituted and convened meeting of the members of the Secretariat on 30 March 2011.

Clause 14e – Risk Management

Summary of Key Risks

The key risk areas that were identified in 2010 were:

a. **Management of investment portfolios,** the Diocesan Endowment is the most significant, reflecting factors such as investment strategy, manager choice and surveillance, credit risk, market movements, liquidity etc with the consequential risk of funding shortfall for the Diocesan mission. The banking operation reflects such risks as credit, legislative, liquidity, price sensitivity and depositor confidence.

b. **People management,** reflecting factors such as leadership, staff morale, communications, recruitment, retention, training, performance/engagement, health and safety etc.

c. **Revenue loss,** reflects the risk associated with some clients having a lessened ability to pay for services. Recognises the Secretariat will need to respond with reduced cost and higher efficiency levels.

d. **Regulatory and contractual obligations**, reflecting obligations to external parties in respect to regulatory compliance, monitoring regulatory changes, and adherence to contractual obligations.

e. **Systems and processes**, reflecting factors such as system design, state of technology, documentation, access control, backup, continuity planning, training, delegation, segregation and controls.

f. **Business continuity**, reflecting factors such as failure of technology, lack of access to St Andrew's House, poor documentation and loss of key staff.

g. **Reputation**, reflecting factors such as investment performance, mission alignment, Christian ethos, commerciality, relationship management, professionalism, actions of other organisations, unethical investments etc.

h. **Service expectations**, reflecting factors such as relationship management, process failure, potential funding shortfall, resource failure, communications and culture.

i. **Security**, reflecting the need to comply with regulatory requirements for our physical facilities overlaid with high quality protection against malicious intrusion of our technology or physical facilities.

j. **Project management**, reflecting factors such as business planning, "over enthusiasm" on projects, emotional attachment, project management skills, review and accountability, documentation, scope creep, objective analysis, resource contention etc.

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. **Management of investment portfolios.** Extensive controls are in place to manage market risk, through diversification and regular review of investment strategy, governance, and supporting operations through updated policies and procedures.

b. **People issues and management.** Extensive policies and procedures are in place to manage the risks in this area including formal OH&S consultation, structure management training and annual staff survey on work conditions. Greater emphasis is also being placed on values and behaviours in the context of recruitment and staff appraisal.

Clause 14e – Risk Management (cont.)

c. **Revenue loss.** The risks in this area are controlled by Service Level Agreements with key clients, the out sourcing of certain activities and focus upon efficiency and cost reduction.

d. **Regulatory and contractual obligations.** The risks in this area are controlled by standard operating procedures, regular reporting and compliance alerts received from external providers. The current focus is on systematic compliance reporting to the Board Audit and Risk Committee (ARC).

e. **Systems and processes.** The risks in this area are primarily controlled through robust design, division of duties, documentation, training, account reconciliations and regular review. The adequacy of these controls is currently being assessed.

f. **Business continuity.** The risks in this area are controlled by regularly tested business continuity and disaster recovery plans. Succession planning addresses key person risk.

g. **Reputation.** The risks in this area are managed by a no surprises culture of escalating key issues to the CEO and clear lines of communication with external stakeholders.

h. **Service expectations.** We propose addressing this risk area by understanding client expectations, articulating service standards, reviewing performance, seeking client feedback and reviewing the services provided.

i. **Security.** Risks extend beyond data and system security to physical security and reliability of data. We concluded that our processes are robust, but ongoing vigilance is required.

j. **Project management.** Several risks were identified around the scoping and management of projects. Action plans have included ceasing direct management of certain projects and introducing mandatory post project reviews.

__________ 30 March 2011
Member

__________ 30 March 2011
Member

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Sydney Diocesan Secretariat

Report on the financial report

We have audited the accompanying financial report of Sydney Diocesan Secretariat (the Secretariat), which comprises the statement of changes in equity as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and 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 Sydney Diocesan Secretariat.

Members' responsibility for the financial report

The members of the Secretariat are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney and are appropriate to meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 2, as appropriate to meet the needs of the members. 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, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution for the purpose of fulfilling the financial reporting obligations of the members under the Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney. We disclaim any assumptions of the responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the member, or for any purpose other than that for which they were prepared.

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Independent auditor's report to the members of Sydney Diocesan Secretariat (continued)

Our audit did not involve an analysis of the prudence of business decisions made by members or management.

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

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Sydney Diocesan Secretariat as at 31 December 2010 and its financial performance for the year ended in accordance with the accounting policies described in Note 2 to the financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
31 March 2011