

SYDNEY DIOCESAN SECRETARIAT

ABN 69 266 342 710

Annual financial report – 31 December 2012

Sydney Diocesan Secretariat

Report by the Chief Executive Officer

For the year ended 31 December 2012

Sydney Diocesan Secretariat ("SDS") 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 SDS 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 SDS 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
- Endowment of the See Committee
- Mission Property Committee
- Sydney Church of England Finance & Loans Board

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

In 2011 some organisations decided to outsource a number of the services previously provided by SDS. As the range of services provided by SDS in 2012 was reduced, and hence revenue from management and service fees declined, corresponding reductions in the expenses of SDS were also made.

During 2012, SDS rigorously monitored the provision of services to organisations in accordance with the service level standards, and feedback indicates a high level of satisfaction from those organisations.

Work commenced in late 2012 on preparing the Strategic Plan for SDS for 2013-2015. This plan will be finalised in early 2013. SDS's vision is to be a highly regarded service organisation of the Diocese, which is valued by the organisations we served, and which provides a caring and professional Christian environment for our staff.

In 2012, SDS recorded a surplus of \$147,498 (compared to a deficit in 2011 of \$269,711).

The surplus largely reflects cost control initiatives implemented in SDS during 2012.

MARK PAYNE
Chief Executive Officer

13 February 2013

Statutory report of the members of the Sydney Diocesan Secretariat

For the year ended 31 December 2012

In accordance with a resolution of the Board, the members of the Sydney Diocesan Secretariat ("SDS") submit herewith the financial report as at 31 December 2012:

Scope

SDS 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 SDS 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 SDS's activities during the year.

Results for the year

The total change in equity is a surplus of \$147,498 (2011: \$269,711 deficit).

Distributions

Distributions are not paid by SDS.

Review of operations and significant changes in the state of affairs

A review of the operations of SDS and commentary on any significant changes in the state of affairs of SDS 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. 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 meetings of SDS.

The following members were in office at 31 December 2012.

Mr Mark Ballantyne BE, MBA, FIAA, age 44

Mr Ballantyne is a qualified Actuary. General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years experience in all facets of financial services. He attends East Lindfield Anglican Church. Mr Ballantyne was appointed as a member 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. First appointed as a member 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. Mr Koo was appointed as a member on 7 December 2009.

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

Mr McLoughlin is Deputy Inspector-General of Taxation, with over 20 years in banking, financial services and taxation experience. He has held executive level positions. He attends East Lindfield Anglican Church. Mr McLoughlin was appointed as a member on 7 December 2009.

Mr Ian Miller BA, LLM, ThL, GAICD, age 60

Mr Miller is a partner in Hunt and Hunt Lawyers. 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 as a member in August 1999.

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, its Finance Committee (Deputy Chairman), and St Andrew's House Corporation and the Mission Board Strategy Committee. He and his family are partners in the ministry at St Andrew's Cathedral. Mr Pascoe was appointed as a member on 7 December 2009.

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

Mr Smith is a Chartered Accountant and Director, Corporate Recovery, McGrathNicol with over 25 years experience in Accounting, Finance, Corporate Restructuring and Advisory. He is a member of the St Andrew's House Corporation. He and his family attend Caringbah Anglican Church. Mr Smith was appointed as a member on 6 December 2010, and appointed Chairman on 6 December 2012.

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 1999-2010, and as a Professor of Accounting until his retirement at the end of 2011. From 1 January 2012 he has been appointed as Chairman of the International Accounting Education Standards Board. He attends St Andrew's Cathedral. He has served as a member since November 2012.

Resignations

Canon Bruce Ballantine-Jones resigned as a member on 6 December 2012 having served since September 1993.

No other members resigned or retired during the year.

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 within SDS. Previously he worked as a solicitor with a large commercial firm. He is not a member. He attends Cherrybrook Anglican Church.

Secretary

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

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

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

Year Ended 31 December 2012	Members' Meetings		Audit Committee Meetings	
	A	B	A	B
Non Executive Members				
B Ballantine-Jones	7	6		
M Ballantyne	7	6		
R Forsyth	7	6	3	3
B Koo	7	5		
A McLoughlin	7	7	3	1
I Miller	7	4		
J Pascoe	7	6	3 C	3
R Smith	7 C	5	3	2
P Wolnizer	1	1		

A = meetings eligible to attend

B = meetings attended

C = Chairman

■ = not a committee member

Continuation in office of Members

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

Delegation

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

Committees

SDS has an Audit Committee, the functions of which are to, monitor, report and make recommendations to SDS regarding the financial reporting processes of SDS, to ensure the balance, transparency and integrity of published financial information, and its internal control systems, and its independent audit process.

Identifying significant business risks

SDS 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

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

Insurance of officers

During the year insurance premiums totalling \$7,563 (2011: \$7,563) were paid for directors' and officers' liability insurance in respect of the members of SDS. 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 2012 that has significantly affected, or may significantly affect, the operations of SDS, the results of those operations or the state of affairs of SDS in future years.

Environmental regulation

The operations of SDS 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.

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

Likely developments and expected result of operations

The members have approved budgets for 2013 with the key objectives –

- To provide appropriate levels of staffing and other resources to enable services to be provided in a efficient manner in accordance with the service level agreements with the organisations that SDS servers.
- To ensure the financial sustainability of SDS, in particular the maintenance of the real value of capital and funding of obligations of SDS in relation to its leasehold premises.

An operational surplus of \$21,000 is proposed for 2013.

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

_____ 27/03/2013

Member

_____ 27/03/2013

Member

SYDNEY DIOCESAN SECRETARIAT

Statement of comprehensive income For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Revenue from continuing operations			
Management and service fees		6,469,178	7,267,419
Interest		132,463	198,139
Grants and donations		-	24,996
Other income		290,422	257,708
Write back of provision for doubtful debt		4,412	2,820
Net gain on sale of plant and equipment	5	405	-
Total revenue from continuing operations		6,896,880	7,751,082
Expenses from continuing operations			
Interest and finance charges		53,194	96,237
Staff and related expenses		4,257,324	5,412,730
Professional fees		82,398	183,856
Rent and occupancy expenses		1,204,028	1,093,925
Office operating expenses		677,260	867,458
Marketing expenses		2,278	-
Depreciation		271,937	252,166
Audit fees		34,143	43,586
Bad debts		-	46
Net loss on disposal of plant and equipment	5	-	1,175
Impairment charge of plant and equipment	5	95,808	9,213
Insurance expenses		59,248	38,556
Other expenses		11,764	21,845
Total expenses from continuing operations		6,749,382	8,020,793
Surplus/(deficit) for the year		147,498	(269,711)
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		147,498	(269,711)

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 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	2	3,593,528	4,889,331
Receivables and other assets	3	94,690	191,587
Held-to-maturity investments	4	-	500,000
Total current assets		3,688,218	5,580,918
Non-current assets			
Plant and equipment	5	1,182,975	1,070,717
Total non-current assets		1,182,975	1,070,717
Total assets		4,871,193	6,651,635
LIABILITIES			
Current liabilities			
Payables	6	300,799	627,672
Interest bearing liabilities	7	1,417,805	2,886,747
Provisions	8	779,581	942,271
Total current liabilities		2,498,185	4,456,690
Non-current liabilities			
Provisions and other liabilities	9	184,800	154,235
Total non-current liabilities		184,800	154,235
Total liabilities		2,682,985	4,610,925
Net assets		2,188,208	2,040,710
EQUITY			
Capital	10	2,062,105	2,062,105
Accumulated surplus/(deficit)		126,103	(21,395)
Total equity		2,188,208	2,040,710

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 2012

	Notes	Capital	Accumulated Surplus\deficit	Total
		\$	\$	\$
Balance at 1 January 2011		2,062,105	248,316	2,310,421
Deficit for the year		-	(269,711)	(269,711)
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(269,711)	(269,711)
Balance at 31 December 2011		2,062,105	(21,395)	2,040,710
Surplus for the year		-	147,498	147,498
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	147,498	147,498
Balance at 31 December 2012	10	2,062,105	126,103	2,188,208

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 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Management and service fees received		6,408,676	7,286,585
Interest received		143,985	186,736
Grants and donations received		-	24,996
Other income received		279,728	294,210
Borrowing costs paid		(53,194)	(96,237)
Payments to suppliers and employees		(6,626,456)	(7,775,386)
Net cash inflow (outflow) from operating activities		152,739	(79,096)
Cash flows from investing activities			
Payments for plant and equipment		(482,863)	(426,210)
Proceeds from sale of plant and equipment	5	3,263	1,022
Proceeds from held-to-maturity investments		500,000	-
Net cash inflow (outflow) from investing activities		20,400	(425,188)
Cash flows from financing activities			
Repayment of net current accounts held with related parties inflow/(outflow)	7	(1,273,391)	784,546
Net cash inflow/(outflow) from financing activities		(1,273,391)	784,546
Net (decrease) increase in cash and cash equivalents		(1,100,252)	280,262
Cash at the beginning of the year		4,693,780	4,413,518
Cash and cash equivalents at end of year	2	3,593,528	4,693,780

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these 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 and Interpretations issued by the Australian Accounting Standards Board, and the Accounts, Audits and Annual Statements Ordinance 1995.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

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

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 SDS'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 SDS has significant influence but not control or joint control.

SDS is a member of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd. These companies are limited by guarantee. SDS 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 SDS is granted additional votes equal to one-half of all votes cast, and thereby able to exercise control over special resolution votes.

While SDS has potential for significant influence in the policies of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd, it does not have control as SDS 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 SDS 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 SDS 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:

1. Summary of significant accounting policies (cont)

Management and service fees

SDS performs accounting, administration and secretarial services for a number of organisations across the Diocese, most notably the Diocesan Endowment (and its controlled and managed entities), Synod (including Standing Committee), Glebe Administration Board, St Andrew's House Corporation, Anglican Church Property Trust Diocese of Sydney, and the Endowment of the See. Management and service fees are based upon recouping the overall costs of each organisation through careful attention to the allocation of staff activity to organisations served by SDS. 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).

(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 and other assets

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.

1. Summary of significant accounting policies (cont)

(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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that SDS's management has the positive intention and ability to hold to maturity. If SDS was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which SDS commits to purchase or sell the asset. 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.

Measurement

At initial recognition, SDS measures a financial asset at its fair value. Held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Impairment

SDS assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, SDS may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(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:

1. Summary of significant accounting policies (cont)

- Furniture and effects	10 years
- Equipment and machinery	5 years
- Office equipment	5 years to 6 years
- Computer hardware	3 years to 6 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.

(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.

1. Summary of significant accounting policies (cont)

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.

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 SDS.

(p) Income tax

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

(q) Leases

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

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

(r) Goods and Service Tax (GST)

The entity is a member of SDS 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.

2. Current assets – Cash and cash equivalents

	2012 \$	2011 \$
Cash at bank - Westpac Banking Corporation (a)	218,677	-
Glebe Income Account (other related party) At call (b)	2,673,251	4,187,731
Glebe Income Account (other related party) Term deposit (c)	700,000	700,000
Cash in hand	1,600	1,600
	<u>3,593,528</u>	<u>4,889,331</u>

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

Cash at bank is bearing a variable interest rate, on credit balances above \$1,999, of 0.01% (2011: 0.01%).

(b) Glebe Income Accounts at call (b)

The deposit is bearing a floating interest rate of 1.20% (2011: 3.50%).

(c) Glebe Income Accounts Term Deposit (c)

The deposits are bearing a fixed interest rate of 4.30% (2011: 5.50%). These deposits have an average period to maturity of 84 days.

3. Current assets – Receivables and other assets

	2012 \$	2011 \$
Accounts receivable	37,522	11,378
Provision for impairment of receivables (note (a))	-	(4,412)
Prepayments - other	3,038	7,823
Accrued interest	542	693
Receivable from related entities	40,640	153,611
Input tax credits	12,948	22,494
	<u>94,690</u>	<u>191,587</u>

(a) Bad and doubtful receivables

SDS has written back \$4,412 in respect of bad and doubtful receivables during the year ended 31 December 2012 (2011: Write back of \$2,820).

4. Current assets – Held-to-maturity investments

	2012 \$	2011 \$
Greater Building Society Variable Rate Notes	-	500,000

5. Non-current assets – Plant and equipment

	2012 \$	2011 \$
Furnishings and effects - at cost	993,508	1,009,886
Additions	403,016	-
Disposals/write-off	(185,250)	(16,378)
Furnishings and effects	1,211,274	993,508
Less: Provision for depreciation	(463,196)	(415,436)
	748,078	578,072
Equipment and machinery - at cost	1,616	1,616
Additions	-	-
Disposals/write-off	-	-
Equipment and machinery	1,616	1,616
Less: Provision for depreciation	(1,051)	(727)
	565	889
Office equipment - at cost	272,399	261,127
Additions	13,310	205,742
Disposals/write-off	(13,022)	(194,470)
Office equipment	272,687	272,399
Less: Provision for depreciation	(112,939)	(80,129)
	159,748	192,270
Computer hardware - at cost	1,129,806	1,281,157
Additions	256,078	30,927
Disposals/write-off	(702,663)	(182,278)
Computer hardware	683,221	1,129,806
Less: Provision for depreciation	(408,637)	(1,019,861)
	274,584	109,945
Motor vehicle - at cost	25,248	25,248
Additions	-	-
Disposals/write-off	-	-
Motor vehicle	25,248	25,248
Less: Provision for depreciation	(25,248)	(25,248)
	-	-
Expenditure recognised in relation to plant and equipment and fixtures and fittings which is in the course of construction	-	189,541
Total plant and equipment	1,182,975	1,070,717

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

	2012 \$	2011 \$
Opening balance at beginning of year	1,070,717	908,083
Additions	672,404	236,669
Work in progress changes during the year	(189,541)	189,541
Disposals/impairment write-off (a)	(98,668)	(11,410)
Depreciation	(271,937)	(252,166)
Closing balance at end of year	<u>1,182,975</u>	<u>1,070,717</u>
Proceeds from the sale of plant and equipment	3,263	1,022
Carrying cost of plant and equipment sold	(2,858)	(2,197)
Gain/(loss) on sale of plant and equipment	<u>405</u>	<u>(1,175)</u>

(a) Impairment loss

The impairment charge of \$95,808 (2011: \$9,213) relates to the reconfiguration of SDS's leasehold to create additional areas for sub-letting. The difference between the impairment loss and the disposal/impairment write off shown in the reconciliation of carrying amount is the carrying amount of plant and equipment sold.

6. Current liabilities - Payables

	2012 \$	2011 \$
Accounts payable	-	65,437
Accrued expenses	219,732	219,347
Planned giving - offerings received on behalf of Parishes	-	125,838
Other payables	81,067	217,050
	<u>300,799</u>	<u>627,672</u>

7. Current liabilities – Interest bearing liabilities

Interest bearing liabilities	2012	2011
	\$	\$
Overdraft - Westpac Banking Corporation (a)	-	195,551
Current accounts held for Diocesan funds (other related parties) (b)	1,417,805	2,691,196
	1,417,805	2,886,747

Current accounts held for Diocesan funds (other related parties) Movement	2012	2011
	\$	\$
Opening balance	2,691,196	1,906,650
Net increase/(decrease) in current account liability	(1,273,391)	784,546
Current account balances at end of year	1,417,805	2,691,196

(a) Information about the security relating to the Westpac Banking Corporation overdraft is provided in note 14.

Interest is payable at 8.63% on balances within the overdraft limit (2011: 9.61%).

(b) Current account balances are at call and unsecured.

Interest is paid at 0.01% (2011: 2.70%). Interest is charged at 7.75% (2011: 8.20%) on overdrawn client fund current accounts.

8. Current liabilities – Provisions

	2012 \$	2011 \$
Annual leave entitlements	301,916	308,311
Long service leave entitlements	384,165	381,099
Restructuring costs (a)	93,500	244,688
Clergy stipend continuance unfunded claims (b)	-	8,173
	779,581	942,271
	779,581	942,271

(a) Restructuring costs

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

(b) Clergy stipend continuance unfunded claims

Provision was made for the short fall in insurance cover for a claim made against the clergy stipend continuance insurance scheme. Management estimated the provision based on the period the claimant remained 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:

	Restructuring costs \$	Clergy stipend continuance unfunded claims \$	Total \$
Movement in current provisions			
Carrying amount at start of year	244,688	8,173	252,861
Charged/(credited) to the income statement			
- additional provisions recognised	41,100	-	41,100
Amounts used during the year	(192,288)	(8,173)	(200,461)
Carrying amount at end of year	93,500	-	93,500
	93,500	-	93,500

9. Non-current liabilities – Provisions and other liabilities

	2012 \$	2011 \$
Long service leave entitlements	184,800	154,235
	184,800	154,235

10. Equity – Capital

	2012	2011
	\$	\$
Contributed capital	2,062,105	2,062,105

Capital has been contributed by the Synod of the Anglican Church of Australia Diocese of Sydney. SDS'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 SDS's objectives and providing benefits to the Synod's stakeholders.

11. Commitments – Premises rental

Lease commitments: SDS as lessee	2012	2011
<i>(i) Non-cancellable operating leases</i>	\$	\$

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	1,011,836	972,797
Later than one year but not later than five years	4,173,867	4,052,297
Later than five years	5,367,034	6,457,211
	<u>10,552,737</u>	<u>11,482,305</u>

Lease commitments: SDS as lessor	2012	2011
<i>Sub-lease payments</i>	\$	\$

Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases

Within one year	249,700	201,557
Later than one year but not later than five years	219,922	193,236
	<u>469,622</u>	<u>394,793</u>

<i>(ii) Cancellable operating leases</i>	2012	2011
	\$	\$

Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:

Within one year	412,704	342,336
Later than one year but not later than five years	136,221	307,936
	<u>548,925</u>	<u>650,272</u>

(i) Non-cancellable operating leases

SDS leases various suites within St Andrew's House under non-cancellable operating leases expiring within ten 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

SDS has service contracts for the provision of software and hardware maintenance that are not recognised as liabilities.

12. Investments in associates

SDS is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, two schools which are companies limited by guarantee. SDS 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 SDS). In a vote on an ordinary resolution not involving a ballot, SDS has 1 vote, the same as other members. The quorum at general meetings is 15 members for SCEGGS Redlands Ltd and 20 members for SCEGGS Darlinghurst Ltd. SDS has the right to appoint 4 directors to each company. At present SDS directors are 4 of 12 in each case.

SDS 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 SDS and not subsidiaries.

No financial information of the companies is disclosed as both are limited by guarantee and SDS has not contributed any capital to the schools. In addition, SDS 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.

13. Contingent liabilities

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

14. 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 SDS. Also there is Third Party Indemnity by Glebe Administration Board in respect of Bankers Undertaking with an individual limit of \$300,000. The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Financing arrangements

SDS had access to the following undrawn borrowing facility at the end of each reporting period:

	2012	2011
	\$	\$
Undrawn overdraft facility with Westpac Banking Corporation	1,200,000	1,004,449

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

15. 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.

Due to the inconsequential allocation of resources to the Glebe Australia Limited fund no fee was charged by SDS in 2012 (2011: NIL). During 2012 the Glebe Asset Management fund was charged a fee of \$18,192 (2011: NIL).

Due to common membership of the board's of the Glebe Administration Board and SDS, SDS is a related party of GAB and entities for which GAB is trustee.

SDS 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. SDS's activities involve extensive related party transactions. SDS'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.

SDS paid the St Andrew's House Corporation \$977,733 and \$2,418 for office rent and car parking respectively (2011: \$945,871 and \$40,682).

SDS's net assets also contain outstanding balances with related parties. Included in the assets of SDS are cash deposits with Glebe Income Accounts and some receivables. SDS provides a deposit taking service via "current accounts" with its client funds. These related party outstanding balances are shown as interest bearing liabilities.

15. Related party transactions (cont)

Key management personnel

(a) Members

The following persons held office as members of SDS during the year –

Canon B A Ballantine-Jones OAM (Resigned 6/12/12)	Mr I C Miller
Mr M Ballantyne	Mr J S Pascoe
Bishop R C Forsyth	Mr R Smith
Mr B M Koo	Prof P Wolnizer OAM (Appointed 28/11/12)
Mr A McLoughlin	

(b) Other key management personnel

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

<i>Name</i>	<i>Position</i>
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

	2012	2011
	\$	\$
Short-term employee benefits	737,892	658,816
Long-term employee benefits	27,502	12,475
	<u>765,394</u>	<u>671,291</u>

16. Events occurring after the end of the reporting period

SDS has sublet additional office space to a third-party lessee for a term of five years commencing 1 March 2013. It is anticipated that rent of \$389,468 will be received over the sublease term.

The financial statements were authorised for issue on 27 March 2013 by SDS.

SYDNEY DIOCESAN SECRETARIAT

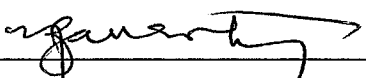
MEMBERS' DECLARATION

The members of SDS declare that these financial statements and notes set out on pages 6 to 23 –

- (a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) give a true and fair view of SDS's statement of financial position as at 31 December 2012 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

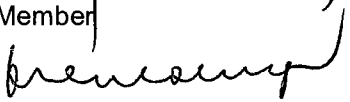
In the members' opinion there are reasonable grounds to believe that SDS will be able to pay its debts as and when they become due and payable.

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



Member

27 March 2013



Member

27 March 2013

Member

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 2012.

Clause 14d – Liquidity

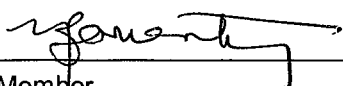
- a Solvency**
The members of SDS are of the opinion that SDS will be able to meet all of its liabilities as they fall due.
- b Provisions and employee entitlements**
Adequate provisions have been made for employee entitlements for long service (\$568,965) and annual leave (\$301,916). In the opinion of the members, SDS 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 SDS during the year.
- f Internal control**
SDS 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 2012 which are likely to have a significant effect on SDS.
- i Adoption of report**
This report has been adopted at a duly constituted and convened meeting of the members of SDS on 27 March 2013.

Clause 14e – Risk Management

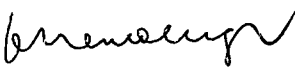
Summary of Key Risks

The key risk areas that were identified in 2012 were:

- a. **Business continuity** – reflecting risks around adequacy of procedures and documentation to monitor continuity of business, training of our people for business continuity purposes and that inadequate back up may result in loss of data.
- b. **Strategic risks** – including outcomes from the Archbishop’s Strategic Commission which may impede fulfilment of charter obligations and lack of understanding by Diocesan leadership about the role of SDS.
- c. **Financial control** – reflecting risks such as inadequate capital for the functioning of SDS, failure to maintain income levels, inadequate expense control.
- d. **Investment management – ACPT Long Term Pooled Investment Fund** – including adequacy of governance procedures, performance of externally managed investments, failure of external service providers, and adequacy of assessment of risks to the business.
- e. **Investment management St Andrew’s House** – reflecting risks of adequacy of governance procedures, failure to maintain sufficient liquidity, building manager’s skills, maintenance of the building, tenant lease expiry management and sustainability of distributions.
- f. **Operational Risk – Data & systems security** – reflecting risks around failure to adequately control access to information, adequacy of processes to ensure information reliability and failure to ensure proper security and ongoing integrity of data and systems.
- g. **Operational Risk – Physical security** – reflecting risks around unauthorised access to the office tower and danger to security of people and property in public areas.
- h. **Operational Risk – System & processes (Financial)** – reflecting risks around failure of financial systems to provide timely and accurate information and fraud, theft inappropriate payments or diversion of funds and failure of systems of third party service providers.
- i. **Operational Risk – System & processes (Technology)** – reflecting risks around systems do not meet users’ needs, unauthorised/uncontrolled user profile creation/ modification, inadequate vendor support, inadequate ability to restore data and insufficient audit trail for key processes.
- j. **People** – reflecting factors such as failure to attract, engage, develop and retain appropriate staff, failure to ensure health, safety and welfare of staff, staff misconduct, succession planning and workload sustainability.
- k. **Regulatory and contractual obligations** – reflecting obligations to external parties in respect to regulatory compliance, lack of awareness of proposed or actual changes to regulatory environment (including not-for-profit reforms), entry into legally or commercially adverse contracts and failure to manage significant contractual obligations.
- l. **Reputation** – reflecting factors such as an adverse event affecting another diocesan or closely related Anglican organisation which impacts the reputation of SDS, or being linked to an ethical, legal or management failure by one of our service suppliers and adverse media comment about Sydney Diocesan Secretariat, staff accepting and holding external board appointments.
- m. **Service quality** – Failure to meet client service provision expectations, with potential impact on the business, finances and reputation of SDS.



Member 27 March 2013



Member 27 March 2013



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 balance sheet as at 31 December 2012, 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 (as appointed by the Standing Committee) are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation and 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 *Accounts, 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.

The members' responsibility also includes such as internal control as the members determine 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.

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.

*PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au*

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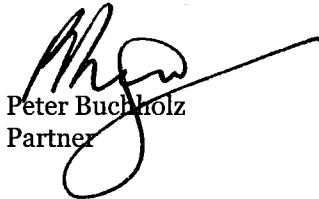
**Independent auditor's report to the members of
Sydney Diocesan Secretariat (continued)**

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 2012 and its financial performance for the year ended in accordance with the accounting policies described in Note 2 to the financial statements.


PricewaterhouseCoopers


Peter Buchholz
Partner

Sydney
27 March 2013