

**GLEBE ADMINISTRATION BOARD as trustee for  
The Diocesan Endowment**

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**ABN 84 797 589 118**

**Annual financial report - 31 December 2010**

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# **GLEBE ADMINISTRATION BOARD as trustee for The Diocesan Endowment**

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## **Report by the Chief Executive Officer For the year ended 31 December 2010**

### **Background**

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

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

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

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

### **Results for 2010**

In 2010 the DE recorded a surplus on a consolidated basis of \$3,211,713 (2009 surplus \$11,349,109).

The result for 2010 was unfavourably affected by the subdued performance of the Australian shares market, in which a substantial portion of the property of the Endowment is invested. However, offsetting this was an increase in the value of the DE's interest in the St Andrew's House fund, arising principally from an increase in the value of the St Andrew's House building as at 31 December 2010.

Overall, the value of the net assets of the DE declined to \$109,818,486 as at 31 December 2010 (\$110,840,546 as at 31 December 2009). The amount provided in 2010 for distribution in 2011 of \$5,250,000 was a significant factor in the decline in the net asset value.

### **Significant events during 2010**

#### *Investment management*

At the end of 2009, GAB appointed Mercer Australia Pty Limited as its asset consultant to provide advice about the investment of the property of the DE. Subsequently, with the assistance of Mercer, GAB reviewed the investment objectives of the DE, the nature of the asset classes in which the DE invests, the strategic asset allocations and ranges for those asset classes, and the investment policies relevant to the DE. An Investment Policy Statement was prepared. A copy of this Statement can be found on GAB's web page. It is reviewed periodically.

Subsequently, GAB determined to outsource the management of the investment funds (being the property of the DE other than its interest in the St Andrew's House fund, its loan assets, cash and short term deposits and certain "legacy" assets) to Mercer Investment Nominees Pty Limited, by way of investment in multi-manager funds operated by Mercer.

Formerly, the management of those funds had been overseen by staff of Sydney Diocesan Secretariat.

The transition to the new arrangements for the management of the investment funds was completed in June 2010.

GAB considers that these new arrangements are in the best interest of the DE for the following reasons –

- the arrangements involve the provision of strategic advice by Mercer, including an annual “health” check of the portfolio,
- Mercer has significant experience in selecting, monitoring and reviewing investment managers,
- the style of the investment management is expected to provide an enhanced return over the long term, and
- the overall costs of managing the DE will be significantly reduced.

#### *Investment risk*

During 2010, GAB reviewed the methodologies by which risk associated with the investment of the property of the DE is assessed. Key methodologies to assess and manage risk include the Value at Risk methodology, and scenario testing.

#### *Investment accounting*

GAB determined to outsource the investment accounting for the DE to a professional external service provider and this decision had been implemented by the end of the year.

#### *Banking operations*

During 2010, GAB also undertook a strategic review of the banking operations of the DE. These operations comprise the taking of deposits by way of the Glebe Income Accounts, the making of loans and the treasury function by which cash is invested on a short term basis. GAB confirmed that the strategic reasons for undertaking the banking operations are –

- the banking operations, treated as an asset class, brings greater diversification to the investments of the portfolio of the DE, and
- there is relatively less volatility in the returns from the banking operations compared to other asset classes, and
- the banking operations provide a valued service to parishes and diocesan organisations, through the provision of the Glebe Income Accounts, and the availability of loans.

The policies for the making of loans and the investment of cash were reviewed.

The bank standby facility of \$15 million, which provides additional liquidity support to the banking operations, was renewed for further term of 2 years.

#### *Distributions*

GAB considers that the level of distributions provided or paid from the property of DE in recent years is too high to enable GAB to fulfil the primary object of maintaining the real value of the property of the DE. In August 2010, GAB reported to the Standing Committee of the Synod that the real value of the property of the DE was unlikely to be maintained during 2010. However, the Standing Committee declined to reduce the amount of the distribution of \$5,250,000 to be provided in 2010 for the purposes of spending by the Synod.

In December 2010, GAB provided a full report to the Standing Committee about the level of distributions from the DE and recommended a new methodology for determining an appropriate level of distributions. This methodology recognises that there are 3 distinct activities of the DE (investments, banking operations and the investment in the St Andrew’s House fund), and that different principles should apply to determining distributions attributable to each of those activities if the principal objective of the maintenance of the real value of the property of the DE is to be maintained. The application of this new methodology in 2011 will result in a substantial reduction in the level of the distribution to be provided for in that year, compared to the amount of the distribution provided for in 2010.

#### *Costs*

In the later months of 2010 GAB reviewed the costs of managing the investments of the DE, and managing the affairs of the DE more generally. It is expected that those costs will be significantly reduced in 2011, compared to 2010.

The reduction in the amount of the distribution to be provided for, and the costs of managing the DE, are expected to have a significant impact on the ability of GAB to maintain the real value of the DE in 2011.


## *Governance*

In 2009 an external consultant undertook an independent assessment of the governance practices of GAB. While this review was prompted by the investment losses incurred in the DE in 2008, the scope of the review was not intended to address or explain the causes of those losses. The consultant provided a comprehensive report and made a number of recommendations. The implementation of those recommendations commenced in late 2009, and continued during 2010.

In March 2010, GAB provided an interim report to the Standing Committee about the progress of the implementation of those recommendations. A copy of that report was circulated to members of the Synod. A further report about the implementation of the recommendations was provided to the Synod in October 2010.

## **Conclusion**

2010 was a year of review and restructure in relation to the activities of the DE, the distributions provided from the DE and the costs of managing the DE. The purpose of such review and restructure is to better ensure that GAB is able to fulfil its principal object in relation to the DE, namely to maintain the real value of the property of the DE and provided a reasonable income there from.



**Mark Payne**  
**Chief Executive Officer**  
30 March 2011

# **Statutory report of the members of the Glebe Administration Board as trustee for The Diocesan Endowment**

## **For the year ended 31 December 2010**

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

### **Scope**

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This financial report covers both Glebe Administration Board as trustee for the Diocesan Endowment as an individual entity and the consolidated entity consisting of Glebe Administration Board and its controlled entities. The Glebe Administration Board as trustee for the Diocesan Endowment will be referred to as The Board, within this financial report.

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

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

### **Principal activities**

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

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

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

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

### **Results for the year**

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The consolidated total changes in equity before distributions and capital transactions, after adjusting the equity and fixed interest portfolio to market value and equity accounting for the beneficial interest in St Andrews House, is a surplus of \$3,211,713 (2009: \$11,349,109 surplus).

### **Distributions**

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Dividends are not paid by the Board, but the Board has made distributions of \$5,400,000 (2009: \$10,770,925) from the provision for distribution account.

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

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

### **Members**

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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 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 member of the St Andrew's Cathedral Chapter. First appointed to the Board in May 2000.

#### **Mr Ben Koo, BCom, BEc, age 34**

Mr Koo is a Bank Analyst with Goldman Sachs JBWere, with 2 years experience in Corporate Restructuring, 2 years experience in Corporate Finance and the last 9 years as a research analyst. He attends Narrabeen Anglican Church. Previously he was a warden at the Anglican Church at Annandale. Appointed to the Board 7 December 2009.

#### **Mr Andrew McLoughlin, BBus, CPA, MTax, age 48**

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

#### **Mr Ian Miller BA, LL.M, ThL, GAICD, age 58**

Mr Miller is a partner in Hunt and Hunt Lawyers with over 33 years legal experience. He is a Director of Hope Healthcare, Hammond Care, Church Missionary Society Trust 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 Standing Committee, Board of Enquiry, Sydney Diocesan Representative on General Synod and Provincial Synod and serves on the Ordinance Review panel of the Standing Committee and Parish Relationships Ordinance panel. He attends Bescroft 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, Finance and Loans Board and the Mission Board Strategy Committee. He and his family are partners in the ministry at St Andrews Cathedral. Appointed to the Board 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, MAppinFin, 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 Caringbah Anglican Church. Appointed to the Board on 6 December 2010.

**Non Director Committee members**

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**Mr Michael Monaghan, BA (Actuarial Studies), FAICD, FIAA, age 56**

Mr Monaghan was appointed by the Board to ALCO on 26 March 2008. He has extensive experience in investment management and is a partner of Deloitte Actuaries and Consultants. Former CEO Deutsche Asset Management Australia and CEO of Intech Investment Consultants. Mr Monaghan attends Lindfield Anglican Church. Resigned on 31 December 2010.

**Mr Peter Berkley BEc, LLB, MAICD, age 47**

Mr Berkley was appointed by the Board to ALCO on 9 November 2009. He is Managing Director of Chronomos Advisers and has extensive experience in finance and investment. Mr Berkley is a parish councillor at St Ives Anglican Church and a Synod representative.

**Mr Steve McKerihan B Com (Hons), CPA, MBA, age 54**

Mr McKerihan was appointed Chief Executive Officer in July 2007. He is the former CFO of St George Bank, and has 30 years experience in banking. He is not a Board member. He is a member of the Standing Committee and the Mission Board. He attends Caringbah Anglican Church. Resigned on 28 April 2010.

**Secretary**

**Mr John Chapman, B Com, FCPA, GradDipACG, 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	Members Meetings		Committee Meetings			
			ALCO		Audit and Risk	
	A	B	A	B	A	B
<b>Non Executive members</b>						
B Ballantine-Jones	11 c	9 c				
M Ballantyne	11	8	11	7		
P Berkley			11	9		
R Forsyth	11	9			4	2
B Koo	11	10	11	10		
A McLoughlin	11	11	11	8	4	3
I Miller	11	6				
M Monaghan #			11	11		
J Pascoe	11	10			4 c	4 c
L Scandrett	11	11	11 c	10 c		
R Smith*	1	1	1	1		
<b>Executive members</b>						
S McKerihan			5	1		

- A = meetings eligible to attend  
 B = meetings attended  
 c = Chairman  
 # = Mr Monaghan resigned as at 31 December 2010  
 \* = 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 December 2010 for a further term of three years. The position regarding Dr L Scandrett is that a successor was not elected, so in accordance with clause 2(2) of Sydney Diocesan Secretariat Ordinance 1973, he remains a member until a successor is appointed.

### Board Delegation

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

### Board Committees

The Board had two Committees that operated during the year, namely:

- Asset and Liability Committee (ALCO)
- Audit and Risk Committee

The Committees, as they operated in the year 2010, had the following responsibilities as delegated by the Board:

#### ALCO

The function of the Committee is to assist the Board in achieving the objectives set forth in the Glebe Administration Ordinance 1930 with respect to the Diocesan Endowment and the business plans as adopted by the Board. The Committee is expected to assist the Board by making appropriate recommendations with respect to reviewing investment policies, strategies, transactions and

performance; credit and market risk policies, procedures and reporting; and balance sheet management policies, procedures and reporting. The Committee has oversight for the design, approval and evaluation of the investment strategies, policies and other business initiatives of the Board.

#### **Audit and Risk Committee**

The functions of the Committee is to assist in ensuring, by overseeing the audit and financial reporting function, that the Board maintains its established policy of adequate, reliable and high quality financial reporting and internal controls. In relation to risk the function of the Committee is to ensure there are appropriate processes for identifying, assessing and responding to risks and evaluating the effectiveness of the risk management framework.

#### **Identifying significant business risks**

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

#### **Independent professional advice**

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

#### **Insurance of officers**

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During the year insurance premiums totalling \$8,192 (2009: \$7,248) were paid for directors' and officers' liability insurance in respect of the members of the Glebe Administration Board as trustee for The Diocesan Endowment and its controlled entities. The policies do not specify the premium for individual members.

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

#### **Matters subsequent to the end of the year**

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

#### **Environmental regulation**

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

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

**Likely developments and expected result of operations**

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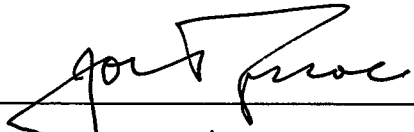
The members have excluded from this report any information on the likely developments in operations of the Board and the expected results of those operations in future years, as the members have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Board.

**Auditor's independence declaration**

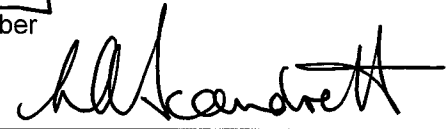
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A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

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

  
\_\_\_\_\_  
Member

30/03/ 2011

  
\_\_\_\_\_  
Member

30/03/ 2011

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### Auditor's Independence Declaration

As lead auditor for the audit of Glebe Administration Board as trustee for The Diocesan Endowment for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

*K. Arbbini*

Kristin Stubbins  
Partner  
PricewaterhouseCoopers

Sydney  
31 March 2011

# GLEBE ADMINISTRATION BOARD

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## Corporate governance statement For the year ended 31 December 2010

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

The Board was involved in corporate governance practices during the year through the continuation of its various committees and through its internal control framework and delegation of authorities.

### Members of the Board

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

### Composition of the Board

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

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

### Ethical standards

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

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

### Corporate policies

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The Sydney Diocesan Secretariat has issued policies on the following subjects in order to provide guidance for staff on proper governance and management of the organisation:

- Developing and approving governance documentation
- Commercially significant contracts
- Managing conflicts of interest
- Sensitive external communications
- Obtaining external legal advice
- Privacy
- Data management
- Email usage
- Information technology security

# GLEBE ADMINISTRATION BOARD

## Five year financial summary – consolidated

<b>\$'000 (unless otherwise indicated)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Consolidated income statement for the year ended 31 December</b>					
Investment income/(loss)	96,462	55,682	(149,183)	32,747	15,831
Borrowing costs	(16,555)	(18,996)	(18,442)	(6,921)	(7,216)
(Surplus)/deficit attributable to minority interests	(13,407)	(6,002)	17,326	(8,145)	(277)
Net investment income/(loss)	66,500	30,684	(150,299)	17,681	8,338
Fee and other income	3,582	1,634	751	649	45
Net operating income/(loss)	70,082	32,318	(149,548)	18,330	8,383
Operating expenses	(12,377)	(9,558)	(10,480)	(6,981)	(5,171)
Total income/(loss) and expense before tax	57,705	22,760	(160,028)	11,349	3,212
Income tax expense	-	-	-	-	-
Total income/(loss) and expense after tax	57,705	22,760	(160,028)	11,349	3,212
Distributions provided for	11,109	29,921 a	10,913 b	5,439	5,250
<b>Consolidated balance sheet as at 31 December</b>					
Investments, loans and mortgages	582,204	583,993	240,067	234,773	245,925
Cash and other assets	76,503	50,515	70,266	55,142	54,581
Total assets	658,707	634,508	310,333	289,915	300,506
Payables	41,383	2,988	1,447	1,798	1,217
Interest bearing liabilities	274,822	295,487	168,486	143,752	144,270
Other liabilities	21,671	22,887	11,605	6,191	5,402
Share of net assets attributable to minority interest	48,421	47,943	23,881	27,333	39,799
Total liabilities	386,297	369,305	205,419	179,074	190,688
Net assets	272,410	265,203	104,914	110,841	109,818
<b>Ratios</b>					
Total liabilities to net assets (%)	141.8%	139.3%	195.8%	161.6%	173.6%
Investment income/(loss) on average investment assets (%)	16.2%	9.5%	(36.2)%	13.8%	6.6%
Surplus/(deficit) after income tax on net assets (%)	21.2%	8.6%	(152.5)%	10.2%	2.9%
Operating expense to net operating income/(loss) (%)	17.7%	29.6%	(7.0)%	38.1%	61.7%
Operating expenses less fee income to total assets (%)	1.3%	1.2%	3.1%	2.2%	1.7%

a) 2007 includes a special distribution of \$20,000,000 to Anglican Church Property Trust Mission Property Fund.

b) Distribution provided	10,913
Less write-back of provision for distribution	(10,632)
Net provision per accounts	281

As a result of the change in the Ordinance governing the distribution to Synod, the provisions for 2008 to 2010 have only been made for payment in the succeeding year. Under the previous Ordinance provision was made for two succeeding years.

# GLEBE ADMINISTRATION BOARD

## Statements of comprehensive income For the year ended 31 December 2010

	Notes	Consolidated		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue from continuing operations	4	11,317,452	38,059,344	16,092,393	23,308,266
Share of net profit/ (loss) of St Andrew's House Corporation (SAHC) accounted for using the equity method	14	4,559,319	(4,663,884)	-	-
Borrowing costs	5(a)	(7,216,451)	(6,920,934)	(7,344,274)	(6,924,689)
(Surplus) attributable to non-controlling interests		(277,174)	(8,144,838)	-	-
Other expenses	5(b)	(5,171,433)	(6,980,579)	(4,827,993)	(5,631,180)
<b>Surplus from continuing operations before income tax</b>		<b>3,211,713</b>	<b>11,349,109</b>	<b>3,920,126</b>	<b>10,752,397</b>
Income tax expense	6	-	-	-	-
<b>Surplus from continuing operations after income tax</b>		<b>3,211,713</b>	<b>11,349,109</b>	<b>3,920,126</b>	<b>10,752,397</b>
Other comprehensive income		-	-	-	-
Income tax relating to other comprehensive income		-	-	-	-
Other comprehensive income after tax		-	-	-	-
<b>Total comprehensive income</b>		<b>3,211,713</b>	<b>11,349,109</b>	<b>3,920,126</b>	<b>10,752,397</b>

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

# GLEBE ADMINISTRATION BOARD

## Statements of financial position

As at 31 December 2010

	Notes	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Current assets</b>					
Cash and cash equivalents	7	52,985,538	53,285,656	52,259,316	50,863,761
Receivables	8	1,595,881	1,856,782	1,051,617	2,994,872
Loans and mortgages	9	18,426,057	3,326,612	18,426,057	3,326,612
Other financial assets at fair value through profit or loss	11	101,732,393	95,136,358	35,631,083	19,496,663
Investments in controlled entities	12	-	-	26,752,298	45,173,719
<b>Total current assets</b>		<b>174,739,869</b>	<b>153,605,408</b>	<b>134,120,371</b>	<b>121,855,627</b>
<b>Non-current assets</b>					
Loans and mortgages	10	94,137,317	109,139,430	96,637,317	113,536,471
Investments in controlled entities	13	-	-	456,000	-
Investment in St Andrew's House	14	31,629,318	27,169,999	31,629,318	27,169,999
<b>Total non-current assets</b>		<b>125,766,635</b>	<b>136,309,429</b>	<b>128,722,635</b>	<b>140,706,470</b>
<b>Total assets</b>		<b>300,506,504</b>	<b>289,914,837</b>	<b>262,843,006</b>	<b>262,562,097</b>
<b>Current liabilities</b>					
Payables	15	1,217,517	1,797,684	899,657	707,667
Interest bearing liabilities	16	141,010,857	138,537,593	143,616,334	141,107,485
Provisions	18	5,401,962	6,190,791	5,250,000	5,400,000
Non-controlling interests		39,798,769	27,333,027	-	-
<b>Total current liabilities</b>		<b>187,429,105</b>	<b>173,859,095</b>	<b>149,765,991</b>	<b>147,215,152</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	17	3,258,913	5,215,196	3,258,913	5,215,196
<b>Total non-current liabilities</b>		<b>3,258,913</b>	<b>5,215,196</b>	<b>3,258,913</b>	<b>5,215,196</b>
<b>Total liabilities</b>		<b>190,688,018</b>	<b>179,074,291</b>	<b>153,024,904</b>	<b>152,430,348</b>
<b>Net assets</b>		<b>109,818,486</b>	<b>110,840,546</b>	<b>109,818,102</b>	<b>110,131,749</b>
<b>EQUITY</b>					
Capital	19	34,678,160	33,661,933	34,678,160	33,661,933
Reserves	20	1,130,390	103,629	-	-
Accumulated surplus	21	74,009,936	77,074,984	75,139,942	76,469,816
<b>Total equity</b>		<b>109,818,486</b>	<b>110,840,546</b>	<b>109,818,102</b>	<b>110,131,749</b>

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



# GLEBE ADMINISTRATION BOARD

## Statements of changes in equity For the year ended 31 December 2010

Consolidated	Notes	Capital \$	Reserves \$	Accumulated surplus \$	Total \$
<b>Balance 1 January 2009</b>		<b>33,645,407</b>	-	<b>71,268,706</b>	<b>104,914,113</b>
Total comprehensive income		-		11,349,109	11,349,109
Share of SAHC's movement in maintenance reserve	20	-	103,629	(103,629)	-
Provision for distribution during the year	18	-	-	(5,439,202)	(5,439,202)
Gifts received	19	16,526	-	-	16,526
<b>Balance 31 December 2009</b>		<b>33,661,933</b>	<b>103,629</b>	<b>77,074,984</b>	<b>110,840,546</b>
Total comprehensive income		-	-	3,211,713	3,211,713
Share of SAHC's movement in refurbishment reserve	20	-	1,026,761	(1,026,761)	-
Provision for distribution during the year	18	-	-	(5,250,000)	(5,250,000)
Return of funds from Parish Cost Recoveries Fund		1,000,000	-	-	1,000,000
Gifts received	19	16,227	-	-	16,227
<b>Balance 31 December 2010</b>		<b>34,678,160</b>	<b>1,130,390</b>	<b>74,009,936</b>	<b>109,818,486</b>

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

# GLEBE ADMINISTRATION BOARD

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## Statements of changes in equity For the year ended 31 December 2010

Parent entity	Notes	Capital \$	Reserves \$	Accumulated surplus \$	Total \$
<b>Balance 1 January 2009</b>		<b>33,645,407</b>	-	<b>71,156,621</b>	<b>104,802,028</b>
Total comprehensive income		-	-	10,752,397	10,752,397
Provision for distribution during the year	18	-	-	(5,439,202)	(5,439,202)
Gifts received	19	16,526	-	-	16,526
<b>Balance 31 December 2009</b>		<b>33,661,933</b>	-	<b>76,469,816</b>	<b>110,131,749</b>
Total comprehensive income		-	-	3,920,126	3,920,126
Provision for distribution during the year	18	-	-	(5,250,000)	(5,250,000)
Return of funds from Parish Cost Recoveries Fund		1,000,000	-	-	1,000,000
Gifts received	19	16,227	-	-	16,227
<b>Balance 31 December 2010</b>		<b>34,678,160</b>	-	<b>75,139,942</b>	<b>109,818,102</b>

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

# GLEBE ADMINISTRATION BOARD

## Statements of Cash flows For the year ended 31 December 2010

	Notes	Consolidated		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Cash flows from operating activities</b>					
Management and service fees		48,337	654,245	44,608	647,311
Interest received		11,112,109	9,419,235	11,077,659	8,409,594
Dividends and distributions		2,572,821	7,616,194	1,483,621	4,130,580
Other revenue		458,584	414,277	379,667	277,404
Finance costs		(2,147,662)	(2,926,795)	(2,275,485)	(2,930,550)
Payments to suppliers		(5,267,736)	(6,978,772)	(4,821,333)	(5,636,908)
<b>Net cash inflow from operating activities</b>	23	<b>6,776,453</b>	<b>8,198,384</b>	<b>5,888,737</b>	<b>4,897,431</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments		117,300,438	80,165,888	65,048,167	24,485,999
Payments for investments		(111,620,727)	(70,305,796)	(62,806,311)	(17,272,647)
Net decrease/(increase) in loans provided		(97,332)	10,848,368	1,799,709	9,168,588
<b>Net cash inflow from investing activities</b>		<b>5,582,379</b>	<b>20,708,460</b>	<b>4,041,565</b>	<b>16,381,940</b>
<b>Cash flows from financing activities</b>					
Distributions to Synod		(5,400,000)	(10,630,000)	(5,400,000)	(10,630,000)
Distributions to other Anglican organisations		-	(140,925)	-	(140,925)
Return of funds from Parish Cost Recoveries		1,000,000	-	1,000,000	-
Distributions to minority interests		(339,293)	(1,261,181)	-	-
Repayments of borrowings		-	(14,000,000)	-	(14,000,000)
Net (decrease) in Glebe Income Accounts		(4,186,559)	(15,239,125)	(4,150,974)	(12,674,374)
Gifts received		16,227	16,526	16,227	16,526
Units issued to minority interests		23,674,852	2,210,755	-	-
Redemptions paid to minority interests		(27,424,177)	(5,724,863)	-	-
<b>Net cash (outflow) from financing activities</b>		<b>(12,658,950)</b>	<b>(44,768,813)</b>	<b>(8,534,747)</b>	<b>(37,428,773)</b>
<b>Net (decrease)/increase in cash held</b>		<b>(300,118)</b>	<b>(15,861,969)</b>	<b>1,395,555</b>	<b>(16,149,402)</b>
<b>Cash and cash equivalents at the beginning of the year</b>					
		53,285,656	69,147,625	50,863,761	67,013,163
<b>Cash and cash equivalents at the end of the year</b>	7	<b>52,985,538</b>	<b>53,285,656</b>	<b>52,259,316</b>	<b>50,863,761</b>

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

## 1. Purpose

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

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

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

## 2. Summary of significant accounting policies

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

### (a) Basis of preparation

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

At 31 December 2010 the parent entity and consolidated group had an excess of current liabilities over current assets. This financial report has been prepared on the basis of the group being a going concern. In arriving at this position the Board has taken into account a number of factors including:

- Historical analysis and experience of redemptions from at call Glebe Income accounts of \$141,010,857 (2009:\$ 138,537,593) shows low levels of net redemptions.
- Cash flow projections prepared for financial budgeting purposes reveal the ability to pay all the group's and parent entity's debts as and when they fall due, on the basis of the group operating as a going concern.
- Availability of \$15,000,000 of bank finance.

The Glebe Income Accounts (GIA) operate under an exemption granted by the Australian Prudential Regulation Authority (APRA) which exempts them from certain requirements under the Banking Act 1959. The exemption is due to expire on 26 June 2011.

Management have undertaken a number of activities in response to the expiry of the exemption. These include :

- maintaining contact with APRA seeking guidance and assurance in relation to the renewal of the class order exemption.
- raising awareness of the expiry of the class order exemption with other Diocese through the General Synod office and Diocesan Registrars network.

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

- scenario planning a possible regulation model should APRA decide to impose some regulation.
- meeting with a range of other religious denominations to discuss the exemption.

APRA has advised that it has commenced work on how the Banking Act will apply in future to religious charitable development funds' such as the GIA product.

### **Compliance with IFRSs**

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

### **Historical cost convention**

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

### **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 group'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 group'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.

There will be no impact on the group'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 group 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 group 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)

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. The group has no intention to adopt these standards and interpretation early.

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

(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 is 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 group'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 group's disclosures.

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

It is estimated that the effect of adopting the above pronouncements, where applicable, will have no material financial impact on the group 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 Group's accounting policies.

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

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

#### **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glebe Administration Board as trustee for The Diocesan Endowment as at 31 December 2010 and the results of all subsidiaries for the year then ended. Glebe Administration Board as trustee for The Diocesan Endowment and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Minority interests in the results and equity of subsidiaries are shown separately in the statements of comprehensive income and balance sheets (as a current liability) respectively.

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

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

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

Glebe Administration Board as trustee for The Diocesan Endowment has a 50% beneficial interest in St Andrew's House Corporation (SAHC), of which the principal activities are to manage and control St Andrew's House. The St Andrew's House Site Ordinance of 1976 provides that one half of the land and buildings known as St Andrew's House be held "upon the Trust to apply the income in accordance with Clause 14 of the Glebe Administration Ordinance 1930 (as amended)".

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

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

### (d) Foreign currency translation

#### *Functional and presentation currency*

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

### (e) Revenue recognition

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

#### *Dividends and distributions*

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

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

#### *Franking credits*

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

#### *Other revenue*

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

#### *Interest income*

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

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

### (f) Income tax

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

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### *Tax consolidation legislation*

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

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

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

### (g) Cash and cash equivalents

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

### (h) Receivables

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



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

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

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

### (i) Investments and other financial assets

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

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

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

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

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

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

### (j) Fair value estimation

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

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

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

### (k) Other payables

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

### (l) Borrowings and borrowing costs

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

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

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

### (m) Financial guarantee contracts

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

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

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

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

### (n) Distributions

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

The Standing Committee has approved a distribution of \$5,250,000 for 2011. Due to the exceptional decline in net assets in 2008 the basis of calculating the distributions is currently being reviewed. A proposal for providing \$3,500,000 in 2011 for distribution in 2012 is currently being reviewed by the Standing Committee.

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

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

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

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

### (p) Deposits at amortised cost

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

### 3. Financial risk management

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

Prime responsibility for financial risk management is with the Board Asset Liability Committee (ALCO) under policies approved by the Glebe Administration Board. ALCO identifies, evaluates and mitigates financial risks. ALCO provides written principles for overall financial risk management, as well as written policies and limits covering specific areas, such as financial instruments and non-derivative financial instruments, credit risk and investment of excess liquidity. Other risk management is carried out by the Audit and Risk Committee.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	52,985,538	53,285,656	52,259,316	50,863,761
Loans and mortgages	112,563,374	112,466,042	115,063,374	116,863,083
Receivables	1,595,881	1,856,782	1,051,617	2,994,872
Equity investments	86,450,833	75,488,425	20,349,523	-
Property related investments	31,476	1,304,878	31,476	1,304,878
Interest related investments	15,250,084	18,343,055	15,250,084	18,191,785
Investments in controlled entities	-	-	27,208,298	45,173,719
	<u>268,877,186</u>	<u>262,744,838</u>	<u>231,213,688</u>	<u>235,392,098</u>
<b>Financial liabilities</b>				
Payables	1,217,517	1,797,684	899,657	707,667
Interest bearing liabilities and loans	144,269,770	143,752,789	146,875,247	146,322,681
Provision for income distribution	5,401,962	6,190,791	5,250,000	5,400,000
Share of net assets attributable to minority interests	39,798,769	27,333,027	-	-
	<u>190,688,018</u>	<u>179,074,291</u>	<u>153,024,904</u>	<u>152,430,348</u>
<b>Net financial assets</b>	<u>78,189,168</u>	<u>83,670,547</u>	<u>78,188,784</u>	<u>82,961,750</u>

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

#### (i) Price risk

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

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

The tables below summarises the impact of increases/decreases of the ASX and overseas indexes on the Group's and parent entity's (deficit)/surplus for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2009: +/- 10%) with all other variables held constant and all the Parent's and Group's equity instruments moved according to the historical correlation with the index.

Index	Impact on surplus/(deficit)		Impact on equity	
	2010	2009	2010	2009
	+/- \$	+/- \$	+/- \$	+/- \$
Australian equities - ASX	2,675,230	4,695,979	2,675,230	4,695,979
Foreign equities	2,034,952	-	2,034,952	-
	4,710,182	4,695,979	4,710,182	4,695,979

#### Parent Entity

Index	Impact on surplus/(deficit)		Impact on equity	
	2010	2009	2010	2009
	+/- \$	+/- \$	+/- \$	+/- \$
Australian equities - ASX	2,675,230	4,517,372	2,675,230	4,517,372
Foreign equities	2,034,952	-	2,034,952	-
	4,710,182	4,517,372	4,710,182	4,517,372

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

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

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

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

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

Index	2010		2009	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	5.70	52,985,538	4.54	53,285,656
Loans and mortgages	6.51	112,563,374	5.64	112,466,042
Interest related investments	5.70	15,250,084	4.73	18,343,055
Interest bearing liabilities	4.55	(144,269,770)	4.03	(143,752,789)
Net exposure to cash flow interest rate risk		36,529,226		40,341,964

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

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

#### Group 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/(deficit) for the year and equity would have been \$365,292 lower/higher (2009 – change of 100 bps: \$403,420 lower/higher), mainly as a result of lower/ higher interest expense on interest bearing liabilities.

#### Parent entity 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/(deficit) for the year and equity would have been \$356,975 lower/higher (2009 – change of 100 bps: \$395,959 lower/higher), mainly as a result of lower/ higher interest expense on interest bearing liabilities.

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

#### (a) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions, loans and mortgages receivable as well as credit exposures to outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of Standard and Poors A-2 are accepted. For investments in Corporate Paper only issuers with a minimum rating of Standard and Poors A-2 or better is accepted. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. If available and considered required, the credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

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

As at 31 December 2010 there are no receivables, mortgages and loans that are impaired or past due but not impaired except a loan of \$969,644 to Marion McDowell Pty Limited. No provision for impairment of this loan is required as there is sufficient collateral held to recover the full value of the loan.

Majority of loans to diocesan organisations including Anglican Church Property Trust as trustee for parishes and Endowment of the See are unsecured with appropriate negative pledge provisions incorporated into the loan documentation. Total consolidated collateral held against mortgages and loans is \$200,000,000 (2009 : \$198,470,000). Collateral held by the parent entity is \$200,000,000 (2009 : \$198,470,000).

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Receivables</b>				
Not rated	1,595,881	1,856,782	1,051,617	2,994,872
<b>Cash and cash equivalents</b>				
Not rated - no defaults in the past. Includes Sydney Diocesan Secretariat current account.	970,992	1,425,136	489,123	883,529
Standard and Poors A-2 rating or better	52,014,546	51,860,520	51,770,193	49,980,232
	52,985,538	53,285,656	52,259,316	50,863,761
<b>Loan and mortgages</b>				
Not rated	112,563,374	112,466,042	115,063,374	116,863,083

Included in other financial assets at fair value through profit or loss is an investment in shares in Flinders Trustee Ltd totaling \$1,783,393 which have been assessed as impaired. These have been fully provided for in previous years based on analysis of the financial position of this entity.

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

#### (b) 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 Group it aims at maintaining flexibility in funding by keeping committed credit lines available. The Group and the parent entity manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### Financing arrangements

The Group and the parent entity had access to undrawn borrowing facilities at the reporting date as shown in note 16.

#### Maturities of financial liabilities

The table below analyses the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

Group 31 December 2010	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	1,217,517	-	-	-	-	1,217,517	1,217,517
Provisions	2,651,962	2,750,000	-	-	-	5,401,962	5,401,962
Variable rate	95,899,023	-	-	-	-	95,899,023	95,899,023
Fixed rate	33,184,557	13,249,084	3,043,712	526,242	-	50,003,595	48,370,747
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
Share of net assets attributable to minority interests	39,798,769	-	-	-	-	39,798,769	39,798,769
	<u>173,951,828</u>	<u>15,999,084</u>	<u>3,043,712</u>	<u>526,242</u>	<u>-</u>	<u>193,520,866</u>	<u>190,688,018</u>
<b>Group 31 December 2009</b>							
Group 31 December 2009	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	1,797,684	-	-	-	-	1,797,684	1,797,684
Provisions	3,290,791	2,900,000	-	-	-	6,190,791	6,190,791
Variable rate	101,190,397	-	-	-	-	101,190,397	101,190,397
Fixed rate	30,419,821	7,485,551	3,368,448	2,441,398	-	43,715,218	42,562,392
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
Share of net assets attributable to minority interests	27,333,027	-	-	-	-	27,333,027	27,333,027
	<u>165,231,720</u>	<u>10,385,551</u>	<u>3,368,448</u>	<u>2,441,398</u>	<u>-</u>	<u>181,427,117</u>	<u>179,074,291</u>

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

Parent entity 31 December 2010	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	899,657	-	-	-	-	899,657	899,657
Provisions	2,500,000	2,750,000	-	-	-	5,250,000	5,250,000
Variable rate	98,504,500	-	-	-	-	98,504,500	98,504,500
Fixed rate	33,184,557	13,249,084	3,043,712	526,242	-	50,003,595	48,370,747
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	<u>136,288,714</u>	<u>15,999,084</u>	<u>3,043,712</u>	<u>526,242</u>	<u>-</u>	<u>155,857,752</u>	<u>153,024,904</u>

Parent entity 31 December 2009	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	707,667	-	-	-	-	707,667	707,667
Provisions	2,500,000	2,900,000	-	-	-	5,400,000	5,400,000
Variable rate	103,760,307	-	-	-	-	103,760,307	103,760,289
Fixed rate	30,419,821	7,485,551	3,368,448	2,441,398	-	43,715,218	42,562,392
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	<u>138,587,795</u>	<u>10,385,551</u>	<u>3,368,448</u>	<u>2,441,398</u>	<u>-</u>	<u>154,783,192</u>	<u>152,430,348</u>

#### (c) Fair value estimation

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

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

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

The following table presents the Group's and the parent entity's assets and liabilities measured and recognised at fair value at 31 December 2010 :



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

Group 31 December 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted equities	-	86,450,833	-	86,450,833
Unlisted property	-	-	31,476	31,476
Unlisted interest investment	-	15,250,084	-	15,250,084
	-	101,700,917	31,476	101,732,393
<b>Parent</b>				
31 December 2010				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted equities	-	20,349,523	-	20,349,523
Unlisted property	-	-	31,476	31,476
Unlisted interest investment	-	15,250,084	-	15,250,084
Investment in controlled entities carried at fair value	-	27,208,298	-	27,208,298
Investment in St Andrew's House carried at fair value	-	-	31,629,318	31,629,318
	-	62,807,905	31,660,794	94,468,699
<b>Group</b>				
31 December 2009				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Listed equities	75,488,425	-	-	75,488,425
Unlisted property	-	-	1,304,878	1,304,878
Unlisted interest investment	-	18,343,055	-	18,343,055
	75,488,425	18,343,055	1,304,878	95,136,358
<b>Parent</b>				
31 December 2009				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted property	-	-	1,304,878	1,304,878
Unlisted interest investment	-	18,191,785	-	18,191,785
Investment in controlled entities carried at fair value	-	45,173,719	-	45,173,719
Investment in St Andrew's House carried at fair value	-	-	27,169,999	27,169,999
	-	63,365,504	28,474,877	91,840,381

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

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

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

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

The following table presents the changes in level 3 instruments .

Group		Other \$	Total \$
Balance 1 January 2010		1,304,878	1,304,878
Proceeds from sale		(1,337,951)	(1,337,951)
Net realised and unrealised loss - note 4		64,549	64,549
Balance 31 December 2010		<u>31,476</u>	<u>31,476</u>
Parent	SAHC \$	Other \$	Total \$
Balance 1 January 2010	27,169,999	1,304,878	28,474,877
Proceeds from sale	-	(1,337,951)	(1,337,951)
Revaluation of beneficial interest in SAHC	4,459,319	-	4,459,319
Net realised and unrealised loss - note 4	-	64,549	64,549
Balance 31 December 2010	<u>31,629,318</u>	<u>31,476</u>	<u>31,660,794</u>
Group		Other \$	Total \$
Balance 1 January 2009		10,424,301	10,424,301
Proceeds from sale		(8,344,284)	(8,344,284)
Net realised and unrealised loss - included in total of \$779,440 in note 4		(775,139)	(775,139)
Balance 31 December 2009		<u>1,304,878</u>	<u>1,304,878</u>
Parent	SAHC \$	Other \$	Total \$
Balance 1 January 2009	33,407,721	10,424,308	43,832,029
Proceeds from sale	-	(8,344,284)	(8,344,284)
Revaluation of beneficial interest in SAHC	(6,237,722)	-	(6,237,722)
Net realised and unrealised loss - note 4	-	(775,146)	(775,146)
Balance 31 December 2009	<u>27,169,999</u>	<u>1,304,878</u>	<u>28,474,877</u>

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

## 4. Revenue

	Consolidated		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Revenue/(loss) from continuing operations</b>				
Property related investments:				
St. Andrew's House Corporation distribution	-	-	100,000	1,573,838
Distributions from other property trusts	66,811	563,864	66,811	537,542
Revaluation of beneficial interest in SAHC	-	-	4,459,319	(6,237,722)
Net realised and unrealised gains and (losses)	64,549	(779,440)	64,549	(775,146)
Income/(loss) from property related investments	131,360	(215,576)	4,690,679	(4,901,488)
Interest related investments:				
Interest and distributions	4,078,698	2,848,740	4,068,783	2,807,295
Net realised and unrealised gains and (losses)	(58,800)	(254,051)	(67,744)	(251,935)
Income from interest related investments	4,019,898	2,594,689	4,001,039	2,555,360
Income from loans and mortgages	7,635,165	7,280,988	7,635,165	6,251,962
Equity related investments:				
Dividends and distributions	3,229,130	5,863,581	1,725,109	4,611,272
Net realised and unrealised gains and (losses)	(3,743,133)	21,943,817	(2,004,207)	14,201,317
Income/(loss) from equity related investments	(514,003)	27,807,398	(279,098)	18,812,589
Other investments				
Net realised and unrealised gains and (losses)	-	(57,498)	-	(57,498)
Income/(loss) from other investments	-	(57,498)	-	(57,498)
<b>Total investment income/(loss)</b>	<b>11,272,420</b>	<b>37,410,001</b>	<b>16,047,785</b>	<b>22,660,925</b>
Fee income:				
Fund administration fees	45,032	12,828	44,608	10,826
Property management fees	-	636,515	-	636,515
<b>Total fee income</b>	<b>45,032</b>	<b>649,343</b>	<b>44,608</b>	<b>647,341</b>
<b>Total revenue/(loss) from continuing operations</b>	<b>11,317,452</b>	<b>38,059,344</b>	<b>16,092,393</b>	<b>23,308,266</b>

Dividends and distributions include franking credits of \$406,887 (2009: \$2,420,075).

## 5. Surplus from continuing operations

Surplus/(deficit) from continuing operations before income tax includes the following specific net gains and expenses:

### (a) Borrowing costs

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Borrowing costs</b>				
Interest on Glebe Income Accounts - Churches, Anglican organisations and other Christian organisations	3,985,762	3,545,754	4,113,585	3,549,509
Interest on other Glebe Income Accounts	2,592,282	2,545,612	2,592,282	2,545,612
Interest on bank loans	440,076	712,899	440,076	712,899
Amortisation of deferred borrowing costs	198,331	116,669	198,331	116,669
	<u>7,216,451</u>	<u>6,920,934</u>	<u>7,344,274</u>	<u>6,924,689</u>

### (b) Other expenses

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Management fees from Sydney Diocesan Secretariat	3,855,600	5,684,520	3,659,100	4,918,632
Subsidy to Glebe Asset Management Limited	-	-	264,000	-
Professional fees	827,369	866,071	458,004	378,718
Office operating expenses	322,415	310,375	322,415	310,375
Insurance	157,561	115,584	115,991	23,275
Marketing expenses	6,868	3,824	6,868	-
Other expenses	1,620	205	1,615	180
	<u>5,171,433</u>	<u>6,980,579</u>	<u>4,827,993</u>	<u>5,631,180</u>

## 6. Income tax

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Surplus from continuing operations before income tax	3,211,713	11,349,109	3,920,126	10,752,397
Less surplus from non assessable entities	2,311,100	10,753,346	3,920,126	10,752,397
Surplus from continuing operations before income tax	900,613	595,763	-	-
Income tax (expense) calculated at 30%	(270,184)	(178,729)	-	-
Permanent differences	18,273	14,777	-	-
Movement of temporary differences not brought to account	233,210	363,656	-	-
Tax losses not brought to account	18,701	(199,704)	-	-
Current tax	-	-	-	-

The directors estimate that the potential future income tax benefit at 31 December 2010 in respect of tax losses not brought to account is \$474,955 (2009: \$493,656).

The benefit for tax losses will only be obtained if:

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

### Tax consolidation legislation

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

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

## 6. Income tax (cont.)

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

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

## 7. Current assets - Cash and cash equivalents

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Current</b>				
Cash at bank	769,851	2,958,841	43,629	536,946
Deposits at call	3,380,386	4,531,054	3,380,386	4,531,054
Term deposits	48,835,301	45,795,761	48,835,301	45,795,761
	<u>52,985,538</u>	<u>53,285,656</u>	<u>52,259,316</u>	<u>50,863,761</u>

## 8. Current assets – Receivables

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Distributions receivable	426,049	608,681	87,241	1,840,161
Prepayments	-	183,331	-	183,331
Accrued interest	959,731	970,147	959,731	970,147
Amounts owing on investments sold	200,000	83,560	-	-
Other	10,101	11,063	4,645	1,233
	<u>1,595,881</u>	<u>1,856,782</u>	<u>1,051,617</u>	<u>2,994,872</u>

There were no receivables which were past due or impaired.

## 9. Current assets – Loans and mortgages

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Loans	829,355	1,870,612	829,355	1,870,612
Mortgages	17,596,702	1,456,000	17,596,702	1,456,000
	<u>18,426,057</u>	<u>3,326,612</u>	<u>18,426,057</u>	<u>3,326,612</u>

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Loans	27,885,677	28,551,488	30,385,677	33,958,029
Mortgages	66,251,640	80,587,942	66,251,640	80,587,942
Provision for doubtful debts	-	-	-	(1,009,500)
	<u>94,137,317</u>	<u>109,139,430</u>	<u>96,637,317</u>	<u>113,536,471</u>
<b>Summary:</b>				
Anglican Diocesan organisations	94,083,253	92,647,986	96,583,253	98,054,527
Other	18,480,121	19,818,056	18,480,121	19,818,056
Provision for doubtful debts	-	-	-	(1,009,500)
Total current and non-current loans and mortgages	<u>112,563,374</u>	<u>112,466,042</u>	<u>115,063,374</u>	<u>116,863,083</u>

Repayments on loans and mortgages are generally interest only with the principal payable on maturity with terms between 1 and 22 years. However, in some instances the option of repayments comprising a mixture of principal and interest is available.

### Credit risk

Loans are unsecured. Mortgages are secured on properties. The Board has adopted a lending policy which sets out a range of criteria for loan exposure limits, types of borrowers to whom loans will be made and lending criteria. Under the lending policy, loans are not to exceed 80% of the Board's valuation of the security of residential property or 65% for other forms of property. All exposures are to entities in Australia.

In addition to the carrying amount of loans and mortgages included within the balance sheets, the consolidated entity has exposure to credit risk for undrawn facilities of \$9,140,326 (2009: \$15,040,153).

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Current</b>				
<b>Equity investments</b>				
Listed equities (at cost)	-	67,874,181	-	-
Fair value adjustment	-	7,614,244	-	-
Total listed equities at fair value	-	75,488,425	-	-
Unlisted equities (at cost)	1,783,393	1,783,393	1,783,393	1,783,393
Unlisted managed investment schemes (at cost)	80,400,538	-	19,861,677	-
Fair value adjustment	4,266,902	(1,783,393)	(1,295,547)	(1,783,393)
Total unlisted equities at fair value	86,450,833	-	20,349,523	-
Total equity investments	86,450,833	75,488,425	20,349,523	-
<b>Property investments</b>				
Other unlisted property investments (at cost)	1,672	1,776,208	1,672	1,776,208
Fair value adjustment	29,804	(471,330)	29,804	(471,330)
Total unlisted property investments at fair value	31,476	1,304,878	31,476	1,304,878
Total property investments	31,476	1,304,878	31,476	1,304,878
<b>Interest investments</b>				
Unlisted interest investment (at cost)	15,781,004	20,204,753	15,781,004	20,047,674
Fair value adjustment	(530,920)	(1,861,698)	(530,920)	(1,855,889)
Total unlisted interest investments	15,250,084	18,343,055	15,250,084	18,191,785
<b>Summary:</b>				
Equity investments	86,450,833	75,488,425	20,349,523	-
Property investments	31,476	1,304,878	31,476	1,304,878
Interest investments	15,250,084	18,343,055	15,250,084	18,191,785
	101,732,393	95,136,358	35,631,083	19,496,663



## 12. Current assets - Investments in controlled entities

	Principal activity	Ownership interest		Carrying amount	
		2010 %	2009 %	2010 \$	2009 \$
<b>Directly controlled by Glebe Administration Board</b>					
Glebe Equities Trust	Investment	0.00%	60.87%	-	45,173,719
Mercer Socially Responsible Australian Shares Fund	Investment	54.33%	0.00%	26,752,298	-
				<u>26,752,298</u>	<u>45,173,719</u>
<b>Directly controlled by Glebe Asset Management Limited</b>					
Glebe Equities Trust	Investment	0.00%	2.41%	-	1,786,074

Glebe Equities Trust was wound up on 4 June 2010.

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

## 13. Non-current assets - Investments in controlled entities

	Principal activity	Ownership interest		Parent entity carrying amount	
		2010 %	2009 %	2010 \$	2009 \$
<b>Directly controlled by Glebe Administration Board</b>					
Glebe Australia Limited	Administration	100	100	1,700,000	1,700,000
Provision for impairment of investments				(1,244,000)	(1,700,000)
				<u>456,000</u>	<u>-</u>
<b>Directly controlled by Glebe Australia Limited</b>					
Glebe Asset Management Limited	Funds management	100	100	2,975,000	3,070,000
Glebe Investment Company Pty Ltd	Dormant	100	100	-	2
Glebe Mortgage Finance Limited	Dormant	100	100	-	500,001
				<u>2,975,000</u>	<u>3,570,003</u>

During the year Glebe Investment Company Pty Ltd and Glebe Mortgage Finance Limited ceased operations and were wound up.

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
50% Beneficial interest in St. Andrew’s House Corporation (note 2c)	31,629,318	27,169,999	31,629,318	27,169,999
Movements in carrying amounts:				
Balance 1 January	27,169,999	33,407,721	27,169,999	33,407,721
Share of profit/(loss) for the year	4,559,319	(4,663,884)	-	-
Distributions received	(100,000)	(1,573,838)	-	-
Revaluation of beneficial interest in SAHC	-	-	4,459,319	(6,237,722)
Balance 31 December	31,629,318	27,169,999	31,629,318	27,169,999
<b>The carrying amount is comprised of:</b>				
Capital invested	4,714,615	4,714,615	4,714,615	4,714,615
Refurbishment or replacement reserve	1,130,390	103,629	1,130,390	103,629
Accumulated surplus	25,784,313	22,351,755	25,784,313	22,351,755
	31,629,318	27,169,999	31,629,318	27,169,999

## 15. Current liabilities - Payables

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest payable	678,055	496,136	678,055	496,136
Amounts owing on investments purchased	-	908,622	-	-
Accounts payable and accruals	298,713	392,926	221,602	211,531
Other	240,749	-	-	-
	1,217,517	1,797,684	899,657	707,667

## 16. Current liabilities - Interest bearing liabilities

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deposits – Glebe Income Accounts	141,010,857	138,537,593	143,616,334	141,107,485

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

The Glebe Income Accounts (GIA) operate under an exemption granted by the Australian Prudential Regulation Authority (APRA) which exempts them from certain requirements under the Banking Act 1959. The exemption is due to expire on 26 June 2011.

Management have undertaken a number of activities in response to the expiry of the exemption. These include :

- maintaining contact with APRA seeking guidance and assurance in relation to the renewal of the class order exemption.
- raising awareness of the expiry of the class order exemption with other Diocese through the General Synod office and Diocesan Registrars network.
- scenario planning a possible regulation model should APRA decide to impose some regulation.
- meeting with a range of other religious denominations to discuss the exemption.

APRA has advised that it has commenced work on how the Banking Act will apply in future to religious charitable development funds' such as the GIA product.

The Glebe Administration Board has an unsecured \$15,000,000 cash advance facility with Westpac Banking Corporation. A Joint and Several Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and Glebe Australia Limited.

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

The Board has an overdraft limit of \$1,000,000 on its current account with Sydney Diocesan Secretariat. At balance sheet date the balance of the current account was \$109,875 (2009: \$463,237).

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deposits – Glebe Income Accounts	3,258,913	5,215,196	3,258,913	5,215,196

**18. Current liabilities - Provisions**

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Provision for GAB distribution</b>				
Balance 1 January	5,400,000	10,731,723	5,400,000	10,731,723
Provided during the period	5,250,000	5,439,202	5,250,000	5,439,202
	<u>10,650,000</u>	<u>16,170,925</u>	<u>10,650,000</u>	<u>16,170,925</u>
Paid during the period	(5,400,000)	(10,770,925)	(5,400,000)	(10,770,925)
Balance 31 December	<u>5,250,000</u>	<u>5,400,000</u>	<u>5,250,000</u>	<u>5,400,000</u>
<b>Provision for distributions to Minority Interests</b>				
Balance 31 December	151,962	790,791	-	-
	<u>5,401,962</u>	<u>6,190,791</u>	<u>5,250,000</u>	<u>5,400,000</u>

The Standing Committee has approved a distribution of \$5,250,000 for 2011. Due to the exceptional decline in net assets in 2008 the basis of calculating the distributions is currently being reviewed. A proposal for providing \$3,500,000 in 2011 for distribution in 2012 is currently being reviewed by the Standing Committee.

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
The composition of payments during the year were as follows:				
Synod	5,400,000	10,630,000	5,400,000	10,630,000
Other	-	140,925	-	140,925
	<u>5,400,000</u>	<u>10,770,925</u>	<u>5,400,000</u>	<u>10,770,925</u>

## 19. Capital

### (a) Capital

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Capital	34,678,160	33,661,933	34,678,160	33,661,933

### (b) Movement in capital

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance 1 January	33,661,933	33,645,407	33,661,933	33,645,407
Return of capital from Parish Cost Recoveries Fund	1,000,000	-	1,000,000	-
Gifts received	16,227	16,526	16,227	16,526
Balance 31 December	34,678,160	33,661,933	34,678,160	33,661,933

In accordance with the Parish Cost Recoveries (Return of Capital) Ordinance 2010, the sum of \$1,000,000 was transferred from the Parish Cost Recoveries Fund (PCR Fund) to the Diocesan Endowment. This is a partial repayment of \$1,300,000 seed capital provided from the Diocesan Endowment to the PCR Fund in 2005.

## 20. Reserves

### (a) Reserves

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Refurbishment or replacement reserve	1,130,390	103,629	-	-

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance 1 January	103,629	-	-	-
Share of increase in SAHC's refurbishment or replacement reserve	1,026,761	103,629	-	-
Balance 31 December	1,130,390	103,629	-	-

## 20. Reserves (cont.)

### (c) Nature and purpose of reserves

#### Refurbishment or replacement reserve

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

## 21. Accumulated surplus

### (a) Accumulated surplus:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Accumulated surplus	74,009,936	77,074,984	75,139,942	76,469,816

### (b) Movements in accumulated surplus:

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance 1 January	77,074,984	71,268,706	76,469,816	71,156,621
Surplus after income tax	3,211,713	11,349,109	3,920,126	10,752,397
Share of SAHC's movement in refurbishment or replacement reserve	(1,026,761)	(103,629)	-	-
Provisions for distribution during the year	(5,250,000)	(5,439,202)	(5,250,000)	(5,439,202)
Balance 31 December	74,009,936	77,074,984	75,139,942	76,469,816

## 22. Related party transactions

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

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

Key management personnel also include the following executives below with the greatest authority for the strategic direction and management of the entity.

<i>Name</i>	<i>Position</i>
Mr M A Payne	Chief Executive Officer (appointed 17 November 2010)
Mr M A Blaxland	Chief Financial Officer
Mr R J Wicks	General Manager, Diocesan and Corporate Services (included from 1 January 2010)
Mr A J Frankling	General Manager, Investment and Banking Services (included from 1 January 2010)
Mr S G McKerihan	Chief Executive Officer (resigned 28 April 2010)

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Short-term benefits	454,000	494,000	406,000	427,000
Long-term benefits	15,000	-	13,000	-
Other benefits	-	148,000	-	128,000
	<u>469,000</u>	<u>642,000</u>	<u>419,000</u>	<u>555,000</u>

## 22. Related party transactions (cont.)

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

Glebe Administration Board is the ultimate parent entity of the wholly-owned group comprising the Board and its controlled entities.

The following related party transactions occurred during the year:

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

	Loan Balance		Interest Paid	
	2010	2009	2010	2009
	\$	\$	\$	\$
Glebe Administration Board loan to:				
Glebe Investment Company Pty Limited	-	1,009,500	-	-
Glebe Mortgage Finance Limited	-	-	-	1,339,236
Glebe Australia Limited	2,500,000	4,397,041	-	-
	<u>2,500,000</u>	<u>5,406,541</u>	<u>-</u>	<u>1,339,236</u>
Glebe Australia Limited loan to:				
Glebe Investment Company Pty Limited	-	85,129	-	-
	<u>-</u>	<u>85,129</u>	<u>-</u>	<u>-</u>

The unsecured loan to Glebe Mortgage Finance Limited from Glebe Administration Board as trustee for the Diocesan Endowment was repaid on 31 December 2009. The interest on this loan was based on the bank bill swap rate (mid rate 90 days) set at the beginning of each quarter and paid monthly.

The unsecured loan to Glebe Investment Company from Glebe Administration Board as trustee for the Diocesan Endowment was forgiven during the year. The loan was interest free and repayable upon written notice. It was fully provided for at the parent level.

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



## 22. Related party transactions (cont.)

### Transactions with St Andrew's House Corporation

Glebe Administration Board holds a beneficial interest of 50% in St Andrew's House Corporation. The distributions received this year from St Andrew's House Corporation total \$100,000 (2009: \$1,573,838).

At 31 December 2010, an unsecured loan was provided from Glebe Administration Board for \$23,000,000 (2009: \$23,889,421). This represents a facility to assist in the funding of improvements to Town Hall Square and St Andrews House. Interest charged to St Andrew's House Corporation in respect of this loan was \$1,485,610 (2009: \$1,266,925). As at 31 December 2010 the loan had a limit of \$23,000,000 (2009: \$24,000,000). Interest is based on 90 day bank bill rate plus 1%.

Management fees of \$Nil (2009: \$564,485) was charged from Glebe Administration Board to St Andrew's House Corporation. Management fees are now charged directly to St Andrew's House Corporation by Sydney Diocesan Secretariat.

### Related party investments

During the year the Board invested in Mercer Socially Responsible Australian Shares Fund which is managed by Mercer Investment Nominees Limited. The Board's investment in Glebe Equities Trust (managed by Glebe Asset Management Limited) was redeemed during the year. Glebe Equities Trust was wound up on 4 June 2010. The following related party investments occurred during the year. The units were all purchased and redeemed at fair market value on the day of application.

	Units purchased		Units redeemed	
	2010	2009	2010	2009
	\$	\$	\$	\$
Transactions with the Glebe Administration Board:				
Mercer Socially Responsible Australian Shares Fund	26,634,795	-	1,000,000	-
Glebe Equities Trust	1,310,942	2,437,160	42,992,544	13,920,000
Transactions with Glebe Asset Management:				
Glebe Equities Trust	-	47,856	1,645,999	-

### Other related party transactions

The following other related party transactions occurred during the year:

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

	SDS Management Fee Paid	
	2010	2009
	\$	\$
Glebe Administration Board	3,659,100	4,918,632
Glebe Asset Management Limited	196,500	455,628
Glebe Mortgage Finance Limited	-	310,260

## 22. Related party transactions (cont.)

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

	Current account balance		Interest earned/(paid)	
	2010	2009	2010	2009
	\$	\$	\$	\$
Glebe Administration Board	109,875	463,237	4,625	(2,388)
Glebe Asset Management Limited	434,586	283,546	4,077	1,845
Glebe Investment Company Pty Limited	-	1,312	12	31
Glebe Mortgage Finance Limited	-	255,083	1,534	1,712
Glebe Australia Limited	47,283	1,666	326	116

(iii) An unsecured loan provided by Glebe Administration Board to the Endowment of the See was repaid during the year. As at 31 December 2009 the loan had a limit of \$1,950,000 and was drawn to \$1,870,612. Interest charged for the year ended 31 December 2010 was \$37,316 (2009: \$195,353).

(iv) Secured loans with other related parties were provided as follows :

	Loan Balance		Interest Paid	
	2010	2009	2010	2009
	\$	\$	\$	\$
Glebe Administration Board loan to:				
St Andrews Cathedral School	21,349,993	21,924,993	1,489,813	284,331
St James Hall	3,800,000	3,923,801	283,572	-
Glebe Mortgage Finance Limited loan to:				
St Andrews Cathedral School	-	-	-	975,704
St James Hall	-	-	-	209,557

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

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Surplus from continuing operations after income tax	3,211,713	11,349,109	3,920,126	10,752,397
Net realised and unrealised (gain)/loss on investments	(625,875)	(14,615,106)	(3,181,819)	(6,879,016)
Interest capitalised on Glebe Income Accounts	4,703,538	4,505,923	4,703,538	4,505,923
Amortisation of facility establishment fee	183,331	116,669	183,331	116,669
Dividends reinvested	(997,482)	(16,839)	(119,747)	(880,258)
Interest reinvested	-	(10,897)	-	-
Surplus attributable to minority interests	277,174	8,144,838	-	-
<b>Changes in assets and liabilities</b>				
(Increase)/decrease in receivables	(63,654)	(939,709)	191,318	(2,382,992)
Increase/(decrease) in payables	87,708	(335,604)	191,990	(335,292)
<b>Net cash inflow from operating activities</b>	<b>6,776,453</b>	<b>8,198,384</b>	<b>5,888,737</b>	<b>4,897,431</b>

## 24. Contingent liabilities and assets

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

A joint and several guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St Andrew's House Corporation for overdraft accommodation up to \$1,200,000 granted to the Sydney Diocesan Secretariat, Anglican Church of Australia (refer note 16). No losses are expected from this guarantee.

## 25. Remuneration of auditors

The audit fee for the year for the Glebe Administration Board is \$123,059 (2009: \$110,896), and Glebe Administration Board consolidated is \$180,057 (2009: \$174,638).

	Consolidated		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Pricewaterhouse Coopers Australia				
Audit	175,460	174,638	123,059	110,896
Taxation	19,260	19,240	-	-
Other services	-	-	-	-
	<u>194,720</u>	<u>193,878</u>	<u>123,059</u>	<u>110,896</u>
KPMG Australia				
Audit	4,597	-	-	-
Taxation	6,300	-	-	-
Other services	-	-	-	-
	<u>10,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>194,720</u>	<u>193,878</u>	<u>123,059</u>	<u>110,896</u>

## 26. Events occurring after reporting date

On 30 March 2011 the Board resolved that the loan of \$2,500,000 to Glebe Australia Limited will not be required to be paid within the succeeding twelve months.

The members of Glebe Administration Board are not aware of any other events occurring after reporting date that impact on the financial statements as at 31 December 2010.

This financial report was authorised for issue on 30 March 2011 by the Board.

# **GLEBE ADMINISTRATION BOARD**


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## **Members' declaration**

In the members opinion:

- (a) The financial statements and notes set out on pages 15 to 51 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- (b) There are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.

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



Member

30/03/ 2011



Member

30/03/ 2011

# **THE GLEBE ADMINISTRATION BOARD**

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

### **CLAUSE 14**

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

#### **Clause 14d – Liquidity**

**a Solvency**

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

**b Provisions and employee entitlements**

A provision of \$5,250,000 has been made for distributions by the Diocesan Endowment under the Diocesan Endowment (Special Distribution) Ordinance 2009. The provision for doubtful debts is \$Nil. It is not necessary to make any provisions and as no staff are employed it is not necessary to provide for employee entitlements. In the opinion of the members, the Board has made adequate provision for future obligations.

**c Trade creditors**

All creditors are being paid in accordance with normal terms of payment.

**d Trusts**

All dealings with real and personal property have been consistent with the trusts on which the property is held.

**e Payments to members**

No amounts were paid to any members of the Board during the year.

**f Internal control**

The Board is satisfied that it has maintained a satisfactory system of internal control including some parts being delegated to the Sydney Diocesan Secretariat through their engagement to carry out accounting and administration activities on behalf of the Board.

**g Insurance**

The Board's insurances are arranged through the Sydney Diocesan Secretariat. The Board believes that these insurances are appropriate to the type and level of insurable risk, having regard to the value of assets and current level of awards for damages.

**h Matters subsequent to end of year**

There are no matters that have arisen since 31 December 2010 which are likely to have a significant effect on the Board.

**i Adoption of report**

This report has been adopted at a duly constituted and convened meeting of the members of the Board on 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 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.

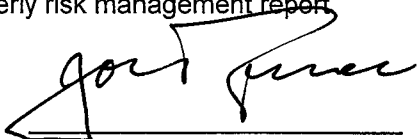
**Clause 14e – Risk Management (cont.)**

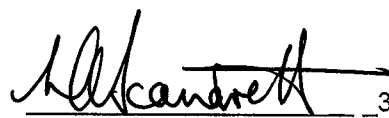
- c. **Revenue loss.** The risks in this area are controlled by Service Level Agreements with key clients, the out sourcing of certain activities and focus upon efficiency and cost reduction.
- d. **Regulatory and contractual obligations.** The risks in this area are controlled by standard operating procedures, regular reporting and compliance alerts received from external providers. The current focus is on systematic compliance reporting to the Audit and Risk Committee.
- 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.

**Breach Reporting**

The Board has resolved that breach reporting in respect of the management of investment portfolios will be to the Asset and Liability Committee (ALCO). ALCO meets monthly and receives reports on any breaches.

Breaches associated with any of the other top risks are reported to Audit and Risk Committee as part of the quarterly risk management report

  
\_\_\_\_\_  
30/03/2011  
Member

  
\_\_\_\_\_  
30/03/2011  
Member

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

**Report on the financial report**

We have audited the accompanying financial report of Glebe Administration Board as trustee for The Diocesan Endowment (The Board), which comprises the statement of financial position 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 both Glebe Administration Board as trustee for The Diocesan Endowment (The Board) and the Glebe Administration Board (the consolidated entity). The consolidated entity comprises the Board and the entities it controlled at the year's end or from time to time during the financial year.

*Members' responsibility for the financial report*

The members of the Board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, and the provisions of the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney. 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. In Note 2, the members also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.



**Independent auditor's report to the members of  
Glebe Administration Board (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.

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of Glebe Administration Board as trustee for The Diocesan Endowment is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and the provisions of the Accounts, Audit and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney, and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*K. Stubbins*

Kristin Stubbins  
Partner

Sydney  
31 March 2011