THE DIOCESAN ENDOWMENT

ABN 84 797 589 118

Annual report – 31 December 2019

Trustee: Glebe Administration Board

DIOCESAN ENDOWMENT

Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 $	2018 $
Revenue from continuing operations	4	**14,476,412**	**1,140,143**
Expenses			
Sydney Diocesan Services management fee		953,184	925,413
Professional fees		112,951	92,835
Insurance		52,628	37,431
Audit fees	18	39,459	52,795
Software		10,845	107,696
Other expenses		3,681	3,693
Total expenses		**1,172,748**	**1,219,863**
Surplus/(loss) from continuing operations		**13,303,664**	**(79,720)**
Other comprehensive income		-	-
Total comprehensive income/(loss)		**13,303,664**	**(79,720)**

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

DIOCESAN ENDOWMENT

Balance sheet
As at 31 December 2019

	Notes	2019	2018
		$	$
Current assets			
Cash and cash equivalents	5	50,030	50,663
Short-term investments	6	12,271,932	6,601,078
Receivables	7	834,289	552,633
Loans	8	2,511,523	2,510,500
Total current assets		15,667,774	9,714,874
Non-current assets			
Loans	9	4,448,755	6,992,080
Financial assets at fair value through profit or loss	10	90,788,605	83,713,337
Total non-current assets		95,237,360	90,705,417
Total assets		110,905,134	100,420,291
Current liabilities			
Payables	11	40,467	55,288
Provisions	13	2,880,000	2,804,000
Total current liabilities		2,920,467	2,859,288
Total liabilities		2,920,467	2,859,288
Net assets		**107,984,667**	**97,561,003**
EQUITY			
Capital		35,502,540	35,502,540
Accumulated surplus	14	72,482,127	62,058,463
Total equity		**107,984,667**	**97,561,003**

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

DIOCESAN ENDOWMENT

Statement of changes in equity
For the year ended 31 December 2019

	Notes	Capital	Accumulated surplus	Total
		$	$	$
Balance 1 January 2018		**35,502,540**	**64,942,183**	**100,444,723**
Total comprehensive (loss)		-	(79,720)	(79,720)
Provision for distribution during the year	13	-	(2,804,000)	(2,804,000)
Balance 31 December 2018		**35,502,540**	**62,058,463**	**97,561,003**
Total comprehensive income		-	13,303,664	13,303,664
Provision for distribution during the year	13	-	(2,880,000)	(2,880,000)
Balance 31 December 2019		**35,502,540**	**72,482,127**	**107,984,667**

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

DIOCESAN ENDOWMENT

Statement of cash flows
For the year ended 31 December 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Management and service fees		145,108	126,220
Interest received		411,645	523,358
Dividends and distributions		518,849	367,146
Grants and donations		-	506,006
Other revenue		-	551
Payments to suppliers		(1,189,339)	(1,298,958)
Net cash (outflow)/inflow from operating activities	16	**(113,737)**	**224,323**
Cash flows from investing activities			
Proceeds from sale of financial assets		19,571,657	8,890,000
Payments for financial assets		(13,526,000)	(10,200,000)
Net decrease in loans provided		2,542,301	2,014,336
Net (increase)/decrease in short term investments		(5,670,854)	3,503,000
Net cash inflow from investing activities		**2,917,104**	**4,207,336**
Cash flows from financing activities			
Distributions to Synod	13	(2,804,000)	(4,690,000)
Reimbursement/(Payments) made on behalf of Margaret Herron Trust		-	10,067
Net cash (outflow) from financing activities		**(2,804,000)**	**(4,679,933)**
Net (decrease) in cash held		**(633)**	**(248,274)**
Cash and cash equivalents at the beginning of the year		50,663	298,937
Cash and cash equivalents at the end of the year	5	**50,030**	**50,663**

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

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1. Purpose

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*. The purpose of Glebe Administration Board is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney by managing and controlling the property of the Diocesan Endowment (the "DE") in accordance with the terms of the trusts on which that property is held and by managing and controlling other property of which it is trustee from time to time in accordance with the terms of the relevant trusts.

The financial statements presented in this Annual report record the DE's assets and liabilities, revenue and expenses that have been entered into by Glebe Administration Board as trustee for the DE. In these financial statements the DE is also referred to as the "entity".

By clause 4 of the Diocesan Endowment Trust Ordinance 2016 :

(a) The DE is held on trust for the purposes of the Anglican Church of Australia in the Diocese of Sydney.

(b) Glebe Administration Board, as trustee of the DE, is to act in a way which preserves the real value of the DE and, subject to this requirement, enables distributions to be paid to the Standing Committee each year to be applied in accordance with the determination or direction of the Synod.

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.

(a) Basis of preparation

In the opinion of the members of Glebe Administration Board (as appointed by the Standing Committee of the Synod of the Anglican Church Diocese of Sydney) as Trustee for the DE, the entity is not a reporting entity because there are no users dependent on this general purpose financial report. These are special purpose financial statements that have been prepared for the purpose of complying with the *Glebe Administration Ordinance 1930*, the *Diocesan Endowment Trust Ordinance 2016*, and the *Accounts, Audits and Annual Reports Ordinance 1995* requirements to prepare and distribute financial statements to the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of the Glebe Administration Board and must not be used for any other purpose.

The financial statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

The members of Glebe Administration Board as Trustee for the DE have determined that the accounting policies adopted are appropriate to meet the needs of the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and of the members of the Glebe Administration Board. The financial statements contain only those disclosures considered necessary by the Trustee to meet the needs of the above named specified users.

The DE is a not-for-profit entity for the purpose of preparing these financial statements

2. Summary of significant accounting policies (cont)

Historical cost convention

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

New and amended accounting standards

None of the new accounting standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2019 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(b) Foreign currency translation

Functional and presentation currency

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

(c) 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".

Franking credits

Franking credits refundable by the Australian Taxation Office are brought to account as revenue when receivable. Franking credits attributed to the entity through investment in managed funds are brought to account as revenue on receipt of annual tax distribution statements.

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.

(d) Income tax

Glebe Administration Board, as trustee for the DE, 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.

2. Summary of significant accounting policies (cont)

(e) 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.

(f) Receivables

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

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the entity 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.

(g) Financial assets

The entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss), and
- those to be measured at amortised cost.

The entity has classified financial asset based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(i) Financial assets at fair value through profit and loss

Financial assets that do not qualify for measurement at either amortised cost (see note 2(g)(ii) below) or FVOCI are classified as financial assets at fair value through profit or loss (FVPL).

For assets measured at fair value, gains and losses are recorded in profit or loss.

"Regular way" purchases and sales of financial assets are recognised on trade date, being the date on which the entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(ii) Financial assets at amortised cost

Short-term investments are financial assets at amortised cost. They include unsecured loans to the Diocesan Cash Investment Fund (DCIF). The purpose of these investments is to collect contractual cash flows that are solely payments of principal and interest. They are measured at amortised cost.

2. Summary of significant accounting policies (cont)

At initial recognition, the entity measures these financial assets at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

“Regular way” purchases and sales of financial assets are recognised on trade date, being the date on which the entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses).

(h) Impairment of financial assets

The entity has two types of financial assets that are subject to the expected credit loss model:

- trade receivables from related entities from the provision of services
- financial assets carried at amortised cost, and

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The entity assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets at amortised cost are considered to have low credit risk, and the identified impairment loss was immaterial. The entity considers the financial assets are ‘low credit risk’ because of low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(i) Loans

Loans 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.

2. Summary of significant accounting policies (cont)

(j) Fair value estimation

Financial assets at fair value through profit and loss are subsequently carried at fair value. Loans 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 entity 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 entity 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) 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.

(m) Distributions

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

Refer to note 13 for details of the provision for distribution made.

2. Summary of significant accounting policies (cont)

(n) Goods and services tax (GST)

The entity is a member of the Sydney Diocesan Services 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.

3. Financial risk management

The entity'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 entity'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 entity. The entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk and maturities analysis for liquidity risk.

During the year, the responsibility for oversight of financial risk management was with the Trustee.

The entity holds the following financial instruments:

	2019 $	2018 $
Financial assets		
Cash and cash equivalents	50,030	50,663
Short-term investments	12,271,932	6,601,078
Loans	6,960,278	9,502,580
Receivables	834,289	552,633
Equity investments	43,916,645	42,734,758
Property related investments	27,198,466	21,275,804
Interest related investments	19,673,494	19,702,775
	110,905,134	100,420,291
Financial liabilities		
Payables	40,467	55,288
Provision for income distribution	2,880,000	2,804,000
	2,920,467	2,859,288
Net financial assets	107,984,667	97,561,003

(a) Market risk

(i) *Price risk*

The entity is exposed to equity securities price risk. This arises from investments held by the entity for which prices in the future are uncertain. They are classified on the balance sheet as fair value through profit or loss. The entity 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 entity 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 Trustee in the Investment Policy Statement.

3. Financial risk management (cont)

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

	Impact on surplus		Impact on equity	
Index	**2019 +/- $**	**2018 +/- $**	**2019 +/- $**	**2018 +/- $**
Australian equities - ASX	2,720,020	2,733,063	2,720,020	2,733,063
Australian property	1,612,193	1,782,599	1,612,193	1,782,599
Global Property	1,107,654	344,982	1,107,654	344,982
Foreign equities	1,671,645	1,540,412	1,671,645	1,540,412
	7,111,512	6,401,056	7,111,512	6,401,056

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

(ii) *Foreign exchange risk*

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

The following investments held are indirectly exposed to movements in the value of the Australian dollar against other currencies:

	2019 $	**2018 $**
Mercer Passive International Shares Fund	5,449,388	5,758,658
Mercer Emerging Markets Fund	3,363,804	3,093,547
Mercer Global Unlisted Infrastructure Fund	11,076,538	3,449,816
	19,889,730	12,302,021

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

3. Financial risk management (cont)

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

The entity's main interest rate risk arises from its cash, interest related investments and loans receivable. Loans receivable, issued at fixed rates expose the entity to fair value interest rate risk. The entity also holds cash and cash equivalent deposits which expose the entity to interest rate risk from impacts on interest income.

As at the reporting date, the entity had the following cash and cash equivalents, interest related investments and loans outstanding –

	2019		2018	
Index	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash and cash equivalents and short-term investments	1.61	12,321,962	1.82	6,651,741
Loans	3.38	6,960,278	3.76	9,502,580
Interest related investments	8.98	19,673,494	1.80	19,702,775
Net exposure to cash flow interest rate risk		38,955,734		35,857,096

Interest rate sensitivity

At 31 December 2019, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, surplus/(loss) for the year and equity would have been $389,557 lower/higher (2018– change of 100 bps: $358,571 lower/higher).

3. Financial risk management (cont)

(b) Credit risk

Credit risk arises from cash and cash equivalents, unsecured loans to DCIF, derivative financial instruments, deposits with financial institutions, loans receivable as well as credit exposures to outstanding receivables. For banks and financial institutions, only investments with a minimum short term rating of 1 or 2 are accepted. For these purposes the credit rating grades (and equivalent for external ratings agencies) are those set out in the Australian Securities & Investments Commission Standard APS 112.

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 2019 there are no receivables and loans that are impaired or past due but not impaired.

Loans to diocesan organisations are unsecured with appropriate negative pledge provisions incorporated into the loan documentation. Total collateral held against loans is $725,000 (2018: $725,000).

	2019 $	2018 $
Receivables		
Not rated	834,289	552,633
Cash and cash equivalents		
Not rated - no defaults in the past. Includes Sydney Diocesan Secretariat current account	50,030	50,663
Loan		
Not rated	6,960,278	9,502,580

There is a concentration of credit risk in that $6,900,000 (2018: $9,431,402) of loans are exposed to credit risks of one non-parish borrower.

3. Financial risk management (cont)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The 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 entity had access to an overdraft facility with the Sydney Diocesan Services at the reporting date as shown in note 12.

Maturities of financial liabilities

The table below analyses the 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 cash flows.

31 December 2019	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 $
Non-derivatives							
Non-interest bearing	40,467	-	-	-	-	40,467	40,467
Provisions	2,880,000	-	-	-	-	2,880,000	2,880,000
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	4,120,467	-	-	-	-	4,120,467	2,920,467

31 December 2018	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 $
Non-derivatives							
Non-interest bearing	55,288	-	-	-	-	55,288	55,288
Provisions	2,804,000	-	-	-	-	2,804,000	2,804,000
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	4,059,288	-	-	-	-	4,059,288	2,859,288

3. Financial risk management (cont)

(d) Fair value estimation

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

The entity 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 entity's assets and liabilities measured and recognised at fair value at 31 December 2019:

31 December 2019	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Financial assets at fair value through profit and loss				
Unlisted equities	-	43,916,645	-	43,916,645
Unlisted property	-	27,198,466	-	27,198,466
Unlisted interest investment	-	19,673,494	-	19,673,494
	-	90,788,605	-	90,788,605

31 December 2018	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Financial assets at fair value through profit and loss				
Unlisted equities	-	42,734,758	-	42,734,758
Unlisted property	-	21,275,804	-	21,275,804
Unlisted interest investment	-	19,702,775	-	19,702,775
	-	83,713,337	-	83,713,337

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 entity 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 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

	2019 $	2018 $
Revenue/(loss) from continuing operations		
Property related investments:		
Distributions from property trusts	1,078,000	954,316
Net realised and unrealised gains	1,194,210	590,844
Income from property related investments	2,272,210	1,545,160
Interest related investments:		
Interest and distributions	998,918	644,108
Net realised and unrealised gains/(losses)	774,521	(93,415)
Income from interest related investments	1,773,439	550,693
Income from loans and mortgages	283,892	400,963
Equity related investments:		
Dividends and distributions	1,914,701	3,548,295
Net realised and unrealised gains	8,087,062	(5,537,194)
Income from equity related investments	10,001,763	(1,988,899)
Total investment income	**14,331,304**	**507,917**
Other income:		
Rebate of fund administration fees	145,108	126,220
Donations	-	506,006
Total other income	**145,108**	**632,226**
Total revenue from continuing operations	**14,476,412**	**1,140,143**

Dividends and distributions include franking credits of $518,849 (2018: $367,147).

5. Current assets - Cash and cash equivalents

	2019 $	2018 $
Sydney Diocesan Services Current account	50,030	50,663

6. Current assets – Short-term investments

	2019 $	2018 $
Short-term investments	12,271,932	6,601,078

Short-term investments are financial assets at amortised cost. They include unsecured advances/investments to the DCIF. The purpose of these investments is to collect contractual cash flows that are solely payments of principal and interest. They are measured at amortised cost. The investments with DCIF are separate from those made by any other lender and makes the DE an unsecured creditor of DCIF. Investments are repayable on request by the DE in accordance with the conditions set out in the Loan Agreement between the DE and the DCIF.

The DCIF has adopted an Investment Policy Statement which stipulates the permitted asset classes and strategic asset allocation for the investments of the DCIF. These include at-call accounts, cash accounts, and term deposits. These investments can also be made through authorised managed fund investments to the extent that they are made in the above assets categories. The assets in which the authorised managed fund has invested are stipulated in the investment strategy and asset allocation policy of the fund. It includes at-call balance and term deposits with a maximum duration of 12 months per deposit and an expected portfolio average duration of three to six months to maturity at any point in time.

Short-term investments are not necessarily expected to be realised within the next 12 months but have been disclosed as a current asset to reflect the liquid nature of these assets.

7. Current assets – Receivables

	2019 $	2018 $
Distributions receivable	465,111	460,191
Prepayments	4,500	2,500
Accrued interest	363,333	88,367
Other	1,345	1,575
	834,289	552,633

There were no receivables which were past due or impaired.

8. Current assets – Loans

	2019 $	2018 $
Loans - unsecured	2,500,000	2,500,000
Loans - secured	11,523	10,500
	2,511,523	2,510,500

9. Non-current assets – Loans

	2019 $	2018 $
Loans - unsecured	4,400,000	6,931,402
Loans - secured	48,755	60,678
	4,448,755	6,992,080
Summary of current and non-current loans		
Anglican Diocesan organisations	6,960,278	9,502,580
Total current and non-current loans	6,960,278	9,502,580

Repayments on loans comprise a mixture of principal and interest. Terms range between 1 and 13 years.

Credit risk

The entity does not have any exposure to credit risk for undrawn facilities.

10. Non-current assets - Financial assets at fair value through profit or loss

	2019 $	2018 $
Equity investments		
Unlisted managed investment schemes (at cost)	34,949,908	40,090,240
Fair value adjustment	8,966,737	2,644,518
Total unlisted equities at fair value	43,916,645	42,734,758
Property investments		
Unlisted property investments (at cost)	25,290,233	20,486,492
Fair value adjustment	1,908,233	789,312
Total unlisted property investments at fair value	27,198,466	21,275,804
Interest investments		
Unlisted interest investment (at cost)	19,276,912	20,067,112
Fair value adjustment	396,582	(364,337)
Total unlisted interest investments	19,673,494	19,702,775
Summary:		
Equity investments	43,916,645	42,734,758
Property investments	27,198,466	21,275,804
Interest investments	19,673,494	19,702,775
	90,788,605	83,713,337

11. Current liabilities - Payables

	2019	2018
	$	$
Accounts payable and accruals	40,467	55,288

12. Current liabilities - Interest bearing liabilities

A Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board as trustee for the Diocesan Endowment for overdraft accommodation up to $1,200,000 granted to Sydney Diocesan Services.

The Glebe Administration Board as trustee for the Diocesan Endowment has an overdraft limit of $1,000,000 on its current account with Sydney Diocesan Services. At balance sheet date the balance of the current account was $50,030 (2018: $50,663).

13. Current liabilities - Provisions

	2019	2018
	$	$
Provision for distribution		
Balance 1 January	2,804,000	4,690,000
Provided during the period	2,880,000	2,804,000
	5,684,000	7,494,000
Paid during the period	(2,804,000)	(4,690,000)
Balance 31 December	2,880,000	2,804,000

The Standing Committee has approved a distribution of $2,880,000 for 2020, in the Synod Appropriations and Allocations Ordinance 2019.

	2019	2018
	$	$
The composition of payments during the year were as follows:		
Standing Committee	2,804,000	4,690,000

14. Accumulated surplus

	2019	2018
	$	$
Balance 1 January	62,058,463	64,942,183
Surplus/(loss)	13,303,664	(79,720)
Provisions for distribution during the year	(2,880,000)	(2,804,000)
Balance 31 December	72,482,127	62,058,463

15. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. Transactions between the entity and other Diocesan Funds are carried out on a commercial basis. The nature of related party transactions involving the entity are disclosed in the financial statements.

The following persons held office as a member of the Trustee during the year:

Mr R Smith
Mr R Jamieson (appointed 15 April 2019)
Mr M Ballantyne
Mr D Wong (appointed 18 February 2019)
Ms E Horton
Mr G Hammond OAM
Bishop M Stead
Ms K Pun
Mr D Sietsma

During 2019 key management personnel also included the following executives below who had the greatest authority for the strategic direction and management of the entity.

Name	*Position*
Mr R J Wicks	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer
Mr I J Kuruvilla	Head of Investments

15. Related party transactions (cont)

The members of Glebe Administration Board as trustee or the entity receive no remuneration. Key management personnel compensation is paid by Sydney Diocesan Services and is recovered by way of management fee to the entity.

Transactions with St Andrew's House Trust

At 31 December 2019, an unsecured loan was provided to St Andrew's House Trust for $6,900,000 (2018: $9,431,402). This represents a facility to assist in the funding of improvements to Town Hall Square and St Andrew's House. Interest charged to St Andrew's House Trust in respect of this loan was $281,975 (2018: $398,452). As at 31 December 2019 the loan had a limit of $6,900,000 (2018: $9,431,402). Interest is based on 90 day bank bill rate plus 1%.

Other related party transactions

The following other related party transactions occurred during the year:

(i) The entity was charged a management fee of $953,184 (2018: $925,413) by the Sydney Diocesan Services:

(ii) The entity held $50,030 (2018: $50,663) in a current account with the Sydney Diocesan Services. Interest charged on the current account was $5 (2018: $4)

(iii) At 31 December 2019 an unsecured loan was provided to DCIF for $12,271,932 (2018: $6,601,078). Interest earned in respect of this loan was $125,732 (2018: $114,369).

16. Reconciliation of surplus/(loss) to the net cash flows from operating activities

	2019 $	2018 $
Surplus/(loss) from continuing operations after income tax	13,303,664	(79,720)
Net realised and unrealised (gain) on investments	(10,055,793)	5,039,765
Dividends and distributions reinvested	(2,548,866)	(4,148,130)
Changes in assets and liabilities		
(Increase) in receivables	(797,921)	(511,262)
(Decrease) in payables	(14,821)	(76,330)
Net cash (outflow)/inflow from operating activities	(113,737)	224,323

17. Contingent liabilities and assets

A guarantee has been given to Westpac Banking Corporation by the entity for overdraft accommodation up to $1,200,000 granted to Sydney Diocesan Services (refer note 12). No losses are expected from this guarantee.

18. Remuneration of auditors

The audit fee expense for 2019 is $39,459 (2018: $52,795).

19. Events occurring after reporting date

The Trustee is not aware of any events occurring after reporting date that impact on the financial statements as at 31 December 2019. Subsequent to 31 December 2019 the COVID-19 Coronavirus pandemic has resulted in significant volatility in a range of asset classes. The impact of this on the Diocesan Endowment cannot be estimated at the date the financial statements were authorised for issue by the members as investment markets continue to exhibit volatility in prices. The Trustee does not expect this matter to have a material impact on the future operations of the Diocesan Endowment.

This financial report was authorised for issue on 1 April 2020 by the Trustee.

GLEBE ADMINISTRATION BOARD

MEMBERS' DECLARATION

The members of the Glebe Administration Board as Trustee for the Diocesan Endowment declare that the financial statements and notes set out on pages 2 to 24:

(a) comply with the *Glebe Administration Ordinance 1930*, the *Diocesan Endowment Trust Ordinance 2016*, and the *Accounts, Audits and Annual Reports Ordinance 1995*;

(b) give a true and fair view of the entity's financial position as at 31 December 2019 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the members' opinion there are reasonable grounds to believe that the entity 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.

Ross Smith
_______________________________ 1 April 2020

Member

Michael Hext
_______________________________ 1 April 2020

Member

Independent auditor's report

To the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of Glebe Administration Board for Diocesan Endowment

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Diocesan Endowment (the Entity) as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The financial report comprises:

- the balance sheet as at 31 December 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the members' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the *Glebe Administration Ordinance 1930*, of the *Diocesan Endowment Trust Ordinance 2016* and of the *Accounts, Audits and Annual Reports Ordinance 1995*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and for the members of Glebe Administration Board and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Responsibilities of the members of Glebe Administration Board as Trustee for the financial report

The members of the Glebe Administration Board as Trustee for the Entity are responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 2 to the financial statements, and for such internal control as the members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the members are responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder
Principal

Sydney
1 April 2020