

Glebe Administration Board Audited Accounts for 2002

Independent Audit Report to the Members of Glebe Administration Board

Audit opinion

In our opinion, the financial report as set out [on pages 183 to 227]:

- presents a true and fair view of the financial position of the Glebe Administration Board and the Consolidated Entity (defined below) as at 31 December 2002 and of its performance for the year ended on that date
- is presented in accordance with the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney and Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report - responsibility and content

The preparation of the financial report for the year ended 31 December 2002, is the responsibility of the directors of the Glebe Administration Board. It includes the financial statements for the Glebe Administration Board (the "Board") and for the Consolidated Entity, which incorporates the Board and the entities it controlled during the year ended 31 December 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to members of the Board. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business and investment decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents a true and fair view in accordance with the Accounts, Audit and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, which is consistent with our understanding of the Fund's financial position and its performance as represented by the results of its operations and cash flows.

The procedures included -

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- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Board and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

PricewaterhouseCoopers
Chartered Accountants

M J Codling
Partner

Sydney
16 April 2003

Statutory Report of the Members of the Glebe Administration Board

In accordance with a resolution of the Board, the members of the Glebe Administration Board submit herewith the financial statements as at 31 December 2002 and reports as follows:

Members in office at the date of this report

Name

Mr B H Ball	Mr R H Y Lambert
Canon B A Ballantine-Jones OAM	Mr I C Miller
Mr P Berkley	Mr W H Olson AM
Rt Rev R C Forsyth	Dr L A Scandrett
Dr S E Judd	Mr P Shirriff

Scope

This financial report covers both Glebe Administration Board as an individual entity and the consolidated entity consisting of Glebe Administration Board and its controlled entities.

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

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 preserves the real value of that property and provides a reasonable income therefrom. 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.

The Board has among its investment objectives for the diocesan endowment the requirement to have in its portfolio assets that will in the future have prospects of capital growth ahead of the rate of inflation together with an income growth that keeps pace with the Consumer Price Index, compounded.

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

Results for the year

The consolidated net loss, after tax, for the year, after adjusting the equity and fixed interest portfolio to market value, bringing to account

profits on the sale of property and equity accounting for an investment, is \$3,059,348 (2001: \$15,025,966 surplus).

Dividends

Dividends are not paid by the Board, but the Board has made distributions of \$8,827,000 (2001: \$7,955,978) for the many purposes specified above from the provision for income distribution account. Of the balance of the provision for income distribution of \$18,229,258, \$8,474,967 is anticipated to be utilised during 2003 (refer to note 13 of the financial statements).

Review of operations and significant changes in the state of affairs

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

Members' meetings

The number of meetings attended by each member during the year.

	No. of meetings eligible to attend	No. of meetings attended
Mr B H Ball	7	7
Canon B A Ballantine-Jones OAM	7	7
Mr P Berkley (appointed on 18 November 2002)	1	-
Mr R E Bucknell (retired on 19 November 2002)	7	2
Mr R C Corbett (retired on 18 November 2002)	6	-
Rt Rev R C Forsyth	7	5
Mr N Ingham (retired on 19 November 2002)	7	6
Dr S E Judd	7	6
Mr R H Y Lambert	7	6
Mr I C Miller	7	6
Mr W H Olson AM	7	5
Dr L A Scandrett	7	5
Mr P Shirriff	7	2

Members' indemnification

During the financial year insurance premiums totalling \$10,692 were paid for directors' and officers' liability insurance in respect of the members of the Glebe Administration Board. The policies do not specify the premium for individual members.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2002 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 financial years.

Environmental disclosures

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 future results

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 financial years, as the members have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Board.

R H Y Lambert

L A Scandrett

Members

16 April 2003

Corporate Governance Statement

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 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 sub-committees and through its internal control framework and delegation authorities.

Members of the Board

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 and the senior management team and various Committees including the Finance and Review Committee, an Accounts Review Committee, and a Senior Staff Salaries Review Committee.

Composition of the Board

The members of the Board in office at the date of this statement are -

Name	Position
Mr B H Ball	Non-executive Chairman
Canon B A Ballantine-Jones OAM	Non-executive Deputy Chairman
Mr P Berkley	Non-executive member
Rt Rev R C Forsyth	Non-executive member
Dr S E Judd	Non-executive member
Mr R H Y Lambert	Non-executive member
Mr I C Miller	Non-executive member
Mr W H Olson AM	Non-executive member
Dr L A Scandrett	Non-executive member
Mr P Shirriff	Non-executive member

The Board members are nominated and appointed by the Standing Committee of Synod as members of the Sydney Diocesan Secretariat (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 and the senior management team attend Board meetings by invitation and are available in an advisory capacity.

Committees*Finance and Review Committee*

The following comprise the members of the Finance and Review Committee -

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Name	Position	No. of meetings eligible to attend	No. of meetings attended
Mr D R Andrews	Chairman, Glebe Asset Management Limited	10	6
Mr B H Ball	Non-executive Chairman	10	10
Mr P Berkley (from 18 November 2002)	Non-executive member	1	1
Mr R E Bucknell (to 18 November 2002)	Non-executive member	9	3
Mr R S Dredge	Chief Executive Officer	10	9
Mr D Fairfull (to 9 October 2002)	Director, Glebe Australia Limited	8	6
Rt Rev R C Forsyth	Non-executive member	4	4
Dr S E Judd (to 12 February 2002)	Non-executive member	1	1
Mr R H Y Lambert	Non-executive member	10	9
Mr J S McSkimming	General Manager, Equities	10	8
Dr L A Scandrett (to 21 May 2002)	Non-executive member	4	2
Mr P Shirriff	Non-executive member	10	-

The function of the Finance and Review Committee is to consider all matters pertaining to funds management, property, mortgage, treasury and equity investments and where appropriate make recommendations to the Board. The Finance and Review Committee has a delegation to authorise expenditure up to certain limits.

Accounts Review Committee

The Accounts Review Committee consists of the following persons -

Name	Position	No. of meetings eligible to attend	No. of meetings attended
Mr R E Bucknell	Non-executive member	2	2
Mr R H Y Lambert	Non-executive member	2	2

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Name	Position	No. of meetings eligible to attend	No. of meetings attended
Mr W H Olson AM	Non-executive member	2	2
Mr D Cannings	Chief Financial Officer	2	2

This Committee's role is to carry out a review of the accounts to be presented to the Board for adoption and signing, following the audit in the case of the annual financial statements, and to satisfy itself that the statements as presented represent a true and fair view of the operations.

Senior Staff Salaries Review Committee

All staff are employed by the Sydney Diocesan Secretariat, the Board of which is the same as the Glebe Administration Board. This committee comprises the following members -

Name	Position	No. of meetings eligible to attend	No. of meetings attended
Mr B H Ball	Chairman	1	1
Mr R C Corbett	Non-executive member	1	-
Mr R S Dredge	Chief Executive Officer	1	1
Mr I C Miller	Non-executive member	1	-
Mr W H Olson AM	Non-executive member	1	1

The Committee is charged with recommending appropriate remuneration levels and other staff benefits to the senior managers. In determining the appropriate levels the Committee has regard to general movements in salaries and in particular movements in comparable positions. It is not intended that the salaries paid to staff should be leading but at the same time it is considered that they should represent a fair and reasonable remuneration for the work and the responsibilities undertaken.

This Committee generally meets only once a year to consider the remuneration as part of the annual review and makes recommendations to the full Board.

Diocesan Audit Committee

Whilst this Committee is not a committee of the Board, it being a Diocesan Committee, it does however consider matters in relation to the Board. The Committee is comprised of the following members -

Name	Position	No. of meetings eligible to attend	No. of meetings attended
Mr G Bridge	Non-executive member	1	1
Mr R E Bucknell	Non-executive member	1	1
Mr R H Y Lambert	Non-executive Chairman	1	1
Mr W Lewarne	Non-executive member	1	1

The Chief Executive Officer and the Chief Financial Officer are also in attendance.

This Committee generally only meets once a year following the conclusion of the annual external audit. The audit partner and the audit manager attend the meeting.

The Committee considers matters reported by the external auditors and management's response as part of its oversight of the various financial and accounting controls.

The Audit Committee reviews the role and functions of the external auditors and the audit work to be performed for the ensuing year.

Identifying significant business risks

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

The Board has resolved that members do not have the right to seek independent professional advice at the expense of the Board.

Ethical standards

The Board has adopted standards for the staff of the 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. All employees receive a copy of the standards through their incorporation in the Staff Handbook.

The Secretariat also issued a Code of Conduct in relation to dealing in securities setting out how staff should deal with personal equity sales and purchases and the responsibilities they have in relation to the matters set out under corporate legislation.

Statements of Financial Performance for the year ended 31 December 2002

	Note	Consolidated		Chief Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
Revenue from ordinary activities	2	51,411,673	30,218,819	53,425,682	29,814,849
Share of net profits of St Andrew's House Corporation (SAHC) accounted for using the equity method	8	1,781,011	1,753,339	-	-
Borrowing costs		(6,822,896)	(7,816,911)	(6,822,896)	(7,816,911)
Other operating expenses	3	(49,429,322)	(9,129,305)	(49,354,887)	(6,783,471)
Surplus/(deficit) from ordinary activities before income tax		(3,059,534)	15,025,942	(2,752,101)	15,214,467
Income tax benefit/(expense)	4	186	24	-	-
Surplus/(deficit) from ordinary activities after income tax	5	(3,059,348)	15,025,966	(2,752,101)	15,214,467
Revaluation of investment properties credited directly to the Asset Revaluation Reserve	5	230,000	3,937,850	230,000	3,937,850
Share of SAHC's movement in Asset Revaluation Reserve	5	(3,344,085)	867,691	-	-
Share of SAHC's movement in Future Maintenance Reserve	5	-	600,000	-	-
Share of SAHC's movement in Deferred Maintenance Reserve	5	518,760	-	-	-
Revaluation of beneficial interest in SAHC	5	-	-	(2,773,218)	1,896,996

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Total valuation adjustments recognised directly in equity	<u>(2,595,325)</u>	<u>5,405,541</u>	<u>(2,543,218)</u>	<u>5,834,846</u>
Total charges in equity before distributions and capital transactions	<u>(5,654,673)</u>	<u>20,431,507</u>	<u>(5,295,319)</u>	<u>21,049,313</u>

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

Statement of Financial Position as at 31 December 2002

	Note	Consolidated		Chief Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Current assets					
Cash	18b	2,553,248	406,839	645,905	54,092
Receivables	6	9,148,032	2,863,844	9,783,004	3,017,522
Loans, mortgages & leases	7	13,837,935	14,355,436	13,837,935	14,355,436
Investments	8	188,506,066	158,737,346	188,506,066	158,737,346
Other	9	-	22,728	-	22,728
Total current assets		<u>214,045,281</u>	<u>176,386,193</u>	<u>212,772,910</u>	<u>176,187,124</u>
Non-current assets					
Loans, mortgages & leases	7	62,115,444	63,549,451	62,115,444	63,549,451
Investments	8	34,957,645	37,730,863	36,657,645	37,930,863
Investment properties	10	4,100,000	45,370,000	4,100,000	45,370,000
Future income tax benefit	4	437	-	-	-
Total non-current assets		<u>101,173,526</u>	<u>146,650,314</u>	<u>102,873,089</u>	<u>146,850,314</u>
Total assets		<u>315,218,807</u>	<u>323,036,507</u>	<u>315,645,999</u>	<u>323,037,438</u>
Current liabilities					
Payables	11	412,281	2,251,748	387,738	2,160,047
Interest bearing liabilities	12	121,511,483	133,801,098	121,511,483	133,801,098
Provision for income distribution	13	8,474,967	8,827,450	8,474,967	8,827,450
Total current liabilities		<u>130,398,731</u>	<u>144,880,296</u>	<u>130,374,188</u>	<u>144,788,595</u>

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Non-current liabilities

Interest bearing liabilities	12	27,662,017	6,882,064	27,662,017	6,882,064
Deferred income tax provision	4	300	49	-	-
Provision for income distribution	13	9,754,291	10,092,372	9,754,291	10,092,372
Total non-current liabilities		<u>37,416,608</u>	<u>16,974,485</u>	<u>37,416,308</u>	<u>16,974,436</u>
Total liabilities		<u>167,815,339</u>	<u>161,854,781</u>	<u>167,790,496</u>	<u>161,763,031</u>
Net assets		<u>147,403,468</u>	<u>161,181,726</u>	<u>147,855,503</u>	<u>161,274,407</u>

Equity

Capital account	5	31,080,279	31,067,428	31,080,279	31,067,428
Accumulated surplus	5	96,824,072	50,409,059	91,275,077	50,143,309
Asset revaluation reserve	5	18,980,357	35,656,776	25,500,147	40,312,905
Property realisation reserve	5	-	39,630,767	-	39,630,765
Future maintenance reserve	5	-	4,417,696	-	120,000
Deferred maintenance reserve	5	518,760	-	-	-
Total equity		<u>147,403,468</u>	<u>161,181,726</u>	<u>147,855,503</u>	<u>161,274,407</u>

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

Statements of Cash Flows for the year ended 31 December 2002

	Note	Consolidated inflows/(outflows)		Chief Entity inflows/(outflows)	
		2002 \$	2001 \$	2002 \$	2001 \$
Cash flows from operating activities					
Rent received		2,308,708	4,078,852	2,308,708	4,078,852
Interest received		6,334,361	4,816,148	6,307,128	4,797,247
Dividends and trust distributions		6,237,494	8,212,181	6,237,494	6,274,793
Other receipts from operations		6,022,888	2,746,653	3,983,449	3,022,161
Interest paid		(5,677,772)	(4,965,365)	(5,677,772)	(4,965,365)
Payments in respect of the operations		(8,550,720)	(6,364,713)	(6,432,382)	(4,347,464)
Net cash flows from operating activities	18a	<u>6,674,959</u>	<u>8,523,756</u>	<u>6,726,625</u>	<u>8,860,224</u>
Cash flows from investing activities					
Net (increase)/decrease in:					
Equities		(41,045,919)	5,488,530	(42,545,919)	5,488,530
Fixed interest securities		(5,070,715)	(4,034,100)	(5,176,977)	(4,028,746)
Finance arrangements		2,382,891	(1,233,305)	2,382,891	(1,233,305)
Proceeds from sale of investment property		41,966,993	1,831,864	41,966,993	1,831,864
Net proceeds from disposal of business unit		-	456,632	-	-

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Purchase of fixed assets	-	(800)	-	(800)
Net cash flows from/(used in) investing activities	<u>(1,766,750)</u>	<u>2,508,821</u>	<u>(3,373,012)</u>	<u>2,057,543</u>
Cash flows from financing activities				
Bank borrowings	20,000,000	-	20,000,000	-
Distribution to Synod	(9,391,059)	(7,328,000)	(9,391,059)	(7,328,000)
Distribution to other Anglican organisations	-	(150,000)	-	(150,000)
Glebe Income Account deposits (net)	(13,354,838)	(3,960,278)	(13,354,838)	(3,960,278)
Contributions from deceased estates	12,851	23,157	12,851	23,157
Net cash flows used in financing activities	<u>(2,733,046)</u>	<u>(11,415,121)</u>	<u>(2,733,046)</u>	<u>(11,415,121)</u>
Net increase/(decrease) in cash held	2,175,163	(382,544)	620,567	(497,354)
Cash at the beginning of the year	406,839	768,235	54,092	530,298
Effects of exchange rate changes on cash	(28,754)	21,148	(28,754)	21,148
Cash at the end of the year	<u>18b 2,553,248</u>	<u>406,839</u>	<u>645,905</u>	<u>54,092</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

This fund records 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 Ordinance 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 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 and does not own any assets nor carry out any activities on its own behalf.

This general purpose financial report is prepared in accordance with the Diocesan Endowment Ordinance 1984, the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Unless otherwise stated, recoverable amounts are not determined using discounted cashflows.

The accounting policies adopted are consistent with those of previous periods unless otherwise specified.

Comparative information is restated where appropriate to enhance comparability.

(a) Principles of consideration

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Glebe Administration Board ("GAB") as at 31 December 2002 and the results of all controlled entities for the year ended. The Board and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(b) Investment properties

Investment properties comprise investments in land and buildings held for the purpose of producing rental income and capital appreciation.

Revaluations are made with sufficient regularity to ensure that the carrying amount of each investment property does not differ materially from its fair value at the reporting date. Annual assessments are made by the Board, supplemented by independent assessments at least every three years.

Increments from the revaluation of investment properties are transferred directly to an Asset Revaluation Reserve, except to the extent that the increment reverses a revaluation decrement previously recognised as an expense in the Statement of Financial Performance where it shall be credited to the Statement of Financial Performance.

Decrements from the revaluation of investment properties are transferred directly to the Asset Revaluation Reserve, except to the extent that the revaluation decrement exceeds previous increments whereby the decrement is brought to account in calculating the surplus from ordinary activities for the year.

Gains or losses on disposal of investment properties are brought to account in calculating the surplus from ordinary activities for the year.

(c) Investment in St Andrew's House Corporation

GAB 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)".

GAB'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 SAHC is recognised as revenue in the consolidated Statement of Financial Performance and its share of movements in reserves is recognised in consolidated reserves.

In the chief entity financial statements GAB 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 Asset Revaluation Reserve. Distributions received by the Board are recognised in the Statement of Financial Performance as trust income when declared.

(d) Investment in controlled entities

Investments in controlled entities are recorded at cost in the statement of financial position of the chief entity.

(e) Other investments

Investments of the fund have been measured at net market values after allowing for costs of realisation. Changes in the net market value of assets are brought to account in the Statement of Financial Performance in the periods in which they occur.

Net market values are determined after allowing for costs of realisation.

Net market values have been determined as follows:

- (i) shares and other securities listed on the Australian Stock Exchange by reference to the relevant market quotations at the reporting date;
- (ii) unlisted equities at directors valuation, taking into account the cost and net assets of the entity;
- (iii) units in managed funds and unlisted property trusts by reference to the unit redemption price at the reporting date; and
- (iv) investments in bank bonds, bank accepted bills, negotiable certificates of deposit and money market deposits at costs, which approximates market value.

(f) Loan and mortgages receivable

Commercial loans and mortgages are carried at recoverable amount, represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts. All known bad debts are written off against the provisions in the year in which they are identified.

(g) Revenue recognition and distributions

Dividends are brought to account as revenue when equities are quoted "ex dividend". In the chief entity financial statements, distributions from SAHC are recorded as revenue in the period in which they are received. GAB's proportion of the unpaid surplus is included in the value of the beneficial interest owned.

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

(h) Income tax

GAB, as Trustee for the Diocesan Endowment, is not subject to income tax 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 GAB.

(i) Tenancy leasing costs

Leasing costs are incurred in attracting new tenants to lease space in investment properties. These costs are amortised over the average term of the lease.

(j) Deposit liabilities

Deposits include interest bearing deposits repayable at call and interest bearing deposits repayable subject to certain time restrictions. They are brought to account at the value of the outstanding balance including accrued interest.

(k) Receivables and payables

Trade accounts receivable generally settle within 60 days, and are carried at amounts due.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Trade accounts payable, including accruals not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are generally settled within 30 days.

(l) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, cash at bank, at call deposits and the current account with the Sydney Diocesan Secretariat.

(m) Foreign currency translation

GAB holds foreign currency bank accounts in order to assist with trading in equities and interest-bearing securities in US dollars and other currencies. Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date assets and liabilities in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the surplus from ordinary activities for the year.

(n) Distributions

Provision is made for the amount of any distribution declared, determined or recommended by the Board on or before the end of the financial year but not distributed at balance date, as well as any distribution to be paid out of accumulated surpluses at the end of the financial year where the dividend was proposed, recommended or declared between the end of the year and the completion of the financial report.

The distribution is calculated at 5.4% of the average net assets of the previous 3 years.

(o) Borrowing costs

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

2. Revenue from ordinary activities

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Revenue from operating activities				
Property related investments				
Gross rental income	2,318,360	4,086,437	2,318,360	4,086,437
Revaluation of Sydney Anglican Property Fund (SAPF)	1,230,534	(14,970)	1,230,534	(14,970)
Distributions from SAPF	485,028	467,064	485,028	467,064
Proceeds on sale of investment property	41,966,993	1,831,863	41,966,993	1,831,863
St Andrew's House Corporation distribution	-	-	1,728,903	1,937,388
Distributions from listed property trusts	767,813	213,761	767,813	213,761
Net realised and unrealised gains and losses on listed property trusts	1,274,114	150,568	1,274,114	150,563
Income from property related investments	<u>48,042,842</u>	<u>6,734,723</u>	<u>49,771,745</u>	<u>8,672,111</u>
Fixed interest investments:				
Interest and distributions	2,574,804	2,919,810	2,546,733	2,900,989
Net realised and unrealised gains an losses	650,966	(315,391)	650,966	(315,391)
Income from fixed interest investments	<u>3,225,770</u>	<u>2,604,419</u>	<u>3,197,699</u>	<u>2,585,598</u>
Income from leases, loans and mortgages	<u>5,543,924</u>	<u>5,689,082</u>	<u>5,543,924</u>	<u>5,689,082</u>

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Equity related investments				
Dividends and distributions	8,630,675	5,953,050	8,630,675	5,953,050
Net realised and unrealised gains and losses	(18,078,417)	4,478,835	(18,078,417)	4,478,835
Income from equity related investments	<u>(9,447,742)</u>	<u>10,431,885</u>	<u>(9,447,742)</u>	<u>10,431,885</u>
Investment income	47,364,794	25,460,109	49,065,626	27,378,676
Fee income				
Fund administration fees and financial advice	2,211,576	2,006,019	2,587,026	350,855
Property management fees	890,592	1,161,266	890,592	1,161,266
Total fee income	<u>3,102,168</u>	<u>3,167,285</u>	<u>3,477,618</u>	<u>1,512,121</u>
Other income	944,711	1,134,793	882,438	924,052
Revenue from non-operating activities				
Revenue/profit on sale of business unit	-	456,632	-	-
Total revenue from ordinary activities	<u>51,411,673</u>	<u>30,218,819</u>	<u>53,425,682</u>	<u>29,814,849</u>

3. Expenses

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Other operating expenses				
Carrying value of investment property sold	41,500,000	1,617,850	41,500,000	1,617,850
Staff expenses	4,207,040	3,380,012	3,410,040	3,380,012
Fees for services	952,909	1,979,137	790,912	1,762,190
Property expenses	543,560	903,002	543,560	903,002
Office running expenses	399,626	322,253	388,368	322,253
Insurance	200,779	75,973	200,355	75,973
Depreciation	34,351	35,860	34,351	35,860
Amortisation - leasing costs	22,728	47,273	22,728	47,273
Bad and doubtful debts	16,819	250,000	-	250,000
Other administration expenses	1,551,510	517,945	2,464,573	(1,610,942)
Total other operating expenses	<u>49,429,322</u>	<u>9,129,305</u>	<u>49,354,887</u>	<u>6,783,471</u>

The above analysis of expenses includes an allocation of the fees charged by the Sydney Diocesan Secretariat for management and other administration services. The "other administration expenses" includes amounts not allocated to specific GAB related costs, such as the extent to which GAB subsidises other Diocesan funds.

The chief entity's 2001 comparative "Other administration expenses" is shown as a negative expense due to the practice in that year of netting inter-group fees charged within expense accounts. In 2002, this is shown within "fund administration fees and financial advice" – refer note 2.

4. Income Tax

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

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Surplus from ordinary activities before income tax	(3,059,534)	15,025,942	(2,752,101)	15,214,467
Less surplus from non assessable entities	(2,699,992)	15,030,418	(2,752,101)	15,214,467
Net (deficit) from ordinary activities before income tax	<u>(359,542)</u>	<u>(4,476)</u>	<u>-</u>	<u>-</u>
Income tax benefit calculated at 30%	(107,863)	(1,343)	-	-
Tax effect of permanent differences	-	(2,223)	-	-
Income tax adjusted for permanent differences	<u>(107,863)</u>	<u>(3,566)</u>	<u>-</u>	<u>-</u>
Tax losses not brought to account as future income tax benefits	107,677	3,542	-	-
Income tax expense (benefit)	<u>(186)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>
Comprising:				
Future income tax benefit (FITB)	(437)	-	-	-
Deferred income tax provision (DITP)	300	49	-	-
Net DITP/(FITB)	<u>(137)</u>	<u>49</u>	<u>-</u>	<u>-</u>
Future income tax benefit brought forward	(49)	(73)	-	-
Income tax expense (benefit)	<u>(186)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>

The value of tax losses not brought to account by the consolidated entity as at 31 December 2002 is \$122,182 at 30% (2001: \$19,852).

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, or
- (ii) the losses are transferred to an eligible entity in the Glebe Australia Limited group of companies, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

5. Capital Funds

(a) Composition

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Capital Account	31,080,279	31,067,428	31,080,279	31,067,428
Accumulated Surplus	96,824,072	50,409,059	91,275,077	50,143,309
Asset Revaluation Reserve	18,980,357	35,656,776	25,500,147	40,312,905
Property Realisation Reserve	-	39,630,767	-	39,630,765
Future Maintenance Reserve	-	4,417,696	-	120,000
Deferred Maintenance Reserve	518,760	-	-	-
	<u>147,403,468</u>	<u>161,181,726</u>	<u>147,855,503</u>	<u>161,274,407</u>

continued ...

(b) Movements

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Capital Account				
Balance 1 January	31,067,428	31,044,271	31,067,428	31,044,271
Distribution of capital from deceased estates	12,851	23,157	12,851	23,157
Balance 31 December	<u>31,080,279</u>	<u>31,067,428</u>	<u>31,080,279</u>	<u>31,067,428</u>
Accumulated Surplus				
Balance 1 January	50,409,059	46,836,725	50,143,309	46,995,828
Surplus from ordinary activities after income tax	(3,059,348)	15,025,966	(2,752,101)	15,214,467
Provisions for distribution during the year (Note 13)	(8,136,436)	(8,474,967)	(8,136,436)	(8,474,967)
Revaluation of current investments transferred to Asset Revaluation Reserve	-	(3,378,005)	-	(3,378,005)
Transfer from/(to) Property Realisation Reserve	39,630,767	(214,014)	39,630,767	(214,014)
Share of increase in SAHC's Accumulated Surplus	-	613,354	-	-
Transfer from Asset Revaluation Reserve	13,562,334	-	12,269,538	-
Transfer from Future Maintenance Reserve	4,417,696	-	120,000	-
Balance 31 December	<u>96,824,072</u>	<u>50,409,059</u>	<u>91,275,077</u>	<u>50,143,309</u>

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Asset Revaluation Reserve

Balance 1 January	35,656,776	28,291,974	40,312,903	31,918,796
Revaluation of investment properties	230,000	3,937,850	230,000	3,937,850
Realised gain on sale of property transferred to Asset Realisation Reserve	-	(818,744)	-	(818,744)
Share of movement in SAHC's Revaluation Reserve	(3,344,085)	867,691	-	-
Revaluation of beneficial interest in SAHC	-	-	(2,773,218)	1,896,996
Revaluation of current investments transferred from Accumulated Surplus	-	3,378,005	-	3,378,005
Transfer to Accumulated Surplus	(13,562,334)	-	(12,269,538)	-
Balances 31 December	<u>18,980,357</u>	<u>35,656,776</u>	<u>25,500,147</u>	<u>40,312,903</u>

Property Realisation Reserve

Balance 1 January	39,630,767	38,598,009	39,630,767	38,598,009
Transfers (to)/from reserves:				
Asset Revaluation Reserve	-	818,744	-	818,744
Accumulated Surplus	(39,630,767)	214,014	(39,630,767)	214,014
Balance 31 December	<u>-</u>	<u>39,630,767</u>	<u>-</u>	<u>39,630,767</u>

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Future Maintenance Reserve

Balance 1 January	4,417,696	3,817,969	120,000	120,000
Share of increase in SAHC's Future Maintenance Reserve	-	600,000	-	-
Transfer to Accumulated Surplus	(4,417,696)	-	(120,000)	-
Balance 31 December	<u>-</u>	<u>4,417,696</u>	<u>-</u>	<u>120,000</u>

Deferred Maintenance Reserve

Balance 1 January	-	-	-	-
Share of increase in SAHC's Deferred Maintenance Reserve	518,760	-	-	-
Balance 31 December	<u>518,760</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) Nature and purpose of reserves

Asset Revaluation Reserve

This includes the Board's share of movements in the Asset Revaluation Reserve of St Andrew's House Corporation and increments and decrements on the revaluation of investment properties.

Deferred Maintenance Reserve

This represents the Board's share of the Deferred Maintenance Reserve of St Andrew's House Corporation, which is available to provide for the costs of structural works to St Andrew's House.

Transfers between reserves

Certain of the Board's reserves were previously used to assist in the determination of the distributable surplus. Since the distribution calculation changed in 2001, it has been determined that some of the reserves are no longer necessary and amounts were transferred from the Asset Revaluation Reserve, Property Realisation Reserve and Future Maintenance Reserve to Accumulated Surplus.

6. Receivables

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Current				
Tenant debtors	57,789	48,137	57,789	48,137
Other debtors and accruals	9,090,243	2,815,707	9,725,215	2,969,385
	<u>9,148,032</u>	<u>2,863,844</u>	<u>9,783,004</u>	<u>3,017,522</u>

Tenant and other debtors are required to be settled within 30 days.

7. Loans, Mortgages and Leases

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Current				
Loans	10,754,746	11,987,800	10,754,746	11,987,800
Finance leases	175,949	237,636	175,949	237,636
				continued ...

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Mortgages	3,657,240	2,880,000	3,657,240	2,880,000
Provision for doubtful debts	(750,000)	(750,000)	(750,000)	(750,000)
	<u>13,837,935</u>	<u>14,355,436</u>	<u>13,837,935</u>	<u>14,355,436</u>

Non-current

Loans	5,519,927	4,084,222	5,519,927	4,084,222
Finance leases	71,422	284,597	71,422	284,597
Mortgages	56,524,095	59,180,632	56,524,095	59,180,632
Loans to Anglican Property Trust - Mission Property Fund (CF 390)	1,000,000	1,000,000	1,000,000	1,000,000
Less: Provision for diminution of loan	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
	<u>62,115,444</u>	<u>63,549,451</u>	<u>62,115,444</u>	<u>63,549,451</u>

Re Repayments on loans and mortgages are generally interest only with the principal payable on maturity with an average term of less than 8 years. However, in some instances the option of repayments comprising a mixture of principal and interest is available.

Finance leases are secured over the underlying motor vehicle and are repayable monthly over an average term of 3 years.

The Board was required by the New Sites Ordinance 1982 of the Standing Committee of the Synod of the Anglican Diocese of Sydney to make an interest free loan of \$1 million to the Anglican Church Property Trust Diocese of Sydney for the purpose of acquiring parish sites in new developing areas. This loan is repayable at the discretion of the Trust. The Board resolved to provide for the diminution of the loan over the four years from 1 January, 1984 and it is now fully provided.

Credit Risk

Loans are unsecured. Mortgages are secured on properties. It is the Board's policy to perform extensive credit reviews before entering into arrangements and not to exceed a loan-to-value ratio of 70%. All exposures are to entities in Australia. The table below shows the exposure by industry category.

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Anglican Diocesan organisations	33,374,673	33,910,596	33,374,673	33,910,596
Property development	17,459,618	17,142,862	17,459,618	17,142,862
Other	25,621,717	27,079,196	25,621,717	27,079,196
Total loans and mortgages	76,456,008	78,132,654	76,456,008	78,132,654

In addition to the carrying amount of loans and mortgages included within the Statement of Financial Position, the consolidated entity has exposure to credit risk for undrawn facilities of \$12,308,990 (2001: \$10,633,608).

8. Investments

Current Investments

Equity Investments

Listed equities (at cost)	1,416,082	5,710,107	1,416,082	5,710,107
Mark to market	(119,766)	368,170	(119,766)	368,170
Total listed equities at market value	<u>1,296,316</u>	<u>6,078,277</u>	<u>1,296,316</u>	<u>6,078,277</u>

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Unlisted equities (at cost)	1,322,743	1,250,000	1,322,743	1,250,000
Mark to market	(1,135,962)	-	(1,135,962)	-
Total unlisted equities at market value	<u>186,781</u>	<u>1,250,000</u>	<u>186,781</u>	<u>1,250,000</u>

Unlisted equity unit trusts

Sydney Anglican Church Investment Trust equities (at cost)	77,343,404	65,935,893	77,343,404	65,935,893
Glebe Stewardship Investment Trust (at cost)	40,247,065	8,716,794	40,247,065	8,716,794
Mark to market	<u>3,860,158</u>	<u>19,771,080</u>	<u>3,860,158</u>	<u>19,771,080</u>
Total unlisted equity unit trusts at market value	<u>121,450,627</u>	<u>94,423,767</u>	<u>121,450,627</u>	<u>94,423,767</u>
Total equity investments	<u>122,933,724</u>	<u>101,752,044</u>	<u>122,933,724</u>	<u>101,752,044</u>

Current Investments

Property trust investments

Listed property trusts (at cost)	18,091,831	2,160,302	18,091,831	2,160,302
Mark to market	<u>1,080,252</u>	<u>310,418</u>	<u>1,080,252</u>	<u>310,418</u>
Total listed property trust at market value	<u>19,172,083</u>	<u>2,470,720</u>	<u>19,172,083</u>	<u>2,470,720</u>

Unlisted property trusts (at cost)	6,066,751	5,091,254	6,066,751	5,091,254
Mark to market	<u>1,806,123</u>	<u>567,232</u>	<u>1,806,123</u>	<u>567,232</u>
Total unlisted property trust at market value	<u>7,872,874</u>	<u>5,658,486</u>	<u>7,872,874</u>	<u>5,658,486</u>

continued ...

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Fixed interest investments

Unlisted fixed interest unit trusts (at cost)	28,812,784	40,357,044	28,812,784	40,357,044
Mark to market	83,758	120,120	83,758	120,120
Unlisted fixed interest unit trust (at market value)	28,896,542	40,477,164	28,896,542	40,477,164
Convertible notes (at cost)	750,000	1,185,992	750,000	1,185,992
Bank accepted bills (at cost)	1,529,549	4,690,045	1,529,549	4,690,045
Negotiable certificates of deposit	789,938	-	789,938	-
Money market deposits	6,561,356	2,502,895	6,561,356	2,502,895
Total fixed interest investments at market value	<u>38,527,385</u>	<u>48,856,096</u>	<u>38,527,385</u>	<u>48,856,096</u>

Summary

Equity investments	122,933,724	101,752,044	122,933,724	101,752,044
Property trust investments	27,044,957	8,129,206	27,044,957	8,129,206
Fixed interest investments	38,527,385	48,856,096	38,527,385	48,856,096
Total current investments	<u>188,506,066</u>	<u>158,737,346</u>	<u>188,506,066</u>	<u>158,737,346</u>

Non-current investments

Investments in controlled entities (note 14)	-	-	1,700,000	200,000
Beneficial interest in St Andrew's House Corporation	34,957,645	37,730,863	34,957,645	37,730,863
Total non-current investments	<u>34,957,645</u>	<u>37,730,863</u>	<u>36,657,645</u>	<u>37,930,863</u>

continued ...

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Beneficial interest in St Andrew's House Corporation

The Board accounts for its 50% beneficial interest in St Andrew's House Corporation in accordance with note 1c

Movements in carrying amounts of investments in associates

Carrying amount at beginning of financial year	37,730,863	35,833,864	37,730,863	35,833,864
Share of distributable surplus for the year	1,781,011	1,753,339	-	-
Distributions received	(1,728,904)	(1,937,388)	-	-
Share of increase in other reserves	518,760	600,000	-	-
Increase in accumulated surplus	-	613,357	-	-
Share of movement in revaluation reserve	(3,344,085)	867,691	-	-
Revaluation of beneficial interest in SAHC	-	-	(2,773,218)	1,896,999
Carrying amount at the end of the financial year	<u>34,957,645</u>	<u>37,730,863</u>	<u>34,957,645</u>	<u>37,730,863</u>

Comprised

Capital invested	4,714,615	4,714,614	4,714,615	4,714,614
Revaluation reserve	16,695,602	20,039,687	16,695,602	20,039,687
Accumulated surplus	12,065,469	7,767,773	12,065,469	7,767,773
Other reserves	518,759	4,297,695	518,759	4,297,695
Unpaid distribution	963,200	911,094	963,200	911,094
	<u>34,957,645</u>	<u>37,730,863</u>	<u>34,957,645</u>	<u>37,730,863</u>

continued ...

continued ...

Total non-current investments

Equity investments	-	-	1,700,000	200,000
Property investments	34,957,645	37,730,863	34,957,645	37,730,863
Total non-current investments	<u>34,957,645</u>	<u>37,730,863</u>	<u>36,657,645</u>	<u>37,930,863</u>

Summary of investments (notes 7, 8 and 10)

Cash	2,553,248	406,839	645,905	54,092
Fixed interest investments	38,527,385	48,856,096	38,527,385	48,856,096
Loans, mortgages & leases	75,953,379	77,904,887	75,953,379	77,904,887
Equity investments	122,933,724	101,752,044	124,633,724	101,952,044
Property related investments	66,102,602	91,230,069	66,102,602	91,230,069
Total investments	<u>306,070,338</u>	<u>320,149,935</u>	<u>305,862,995</u>	<u>319,997,188</u>

9. Other - Assets

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
447 Kent Street:				
Leasing & fitout costs	297,262	297,263	297,262	297,263
Less: Provision for amortisation	(297,262)	(274,535)	(297,262)	(274,535)
	<u>-</u>	<u>22,728</u>	<u>-</u>	<u>22,728</u>

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Current

Leasing & fitout costs	-	22,728	-	22,728
	-	22,728	-	22,728

10. Investment Properties

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
i. Movements during period				
Balance 1 January	45,370,000	43,050,000	45,370,000	43,050,000
Revaluation of properties	230,000	3,937,850	230,000	3,937,850
	45,600,000	46,987,850	45,600,000	46,987,850
Carrying value of property sold	(41,500,000)	(1,617,850)	(41,500,000)	(1,617,850)
Balance 31 December	4,100,000	45,370,000	4,100,000	45,370,000
ii. Basis of valuation as at 31 December				
Cost of properties at 1 January	50,911,494	51,710,600	50,911,494	51,710,600
Sales during the year	(49,096,249)	(799,106)	(49,096,249)	(799,106)
Cost of properties at 31 December	1,815,245	50,911,494	1,815,245	50,911,494
Revaluation adjustment from cost	2,284,755	(5,541,494)	2,284,755	(5,541,494)
Valuation adopted by members of the Board	4,100,000	45,370,000	4,100,000	45,370,000

The remaining investment property at 447 Kent Street, Sydney was last independently valued at \$4,100,000 as at 31 December 2002 by Mr Gavin Willis (registered valuer no. 6746) of CB Richard Ellis Pty Limited.

iii. Leasing arrangements

Investment properties are leased to tenants on long-term operating leases with rentals payable monthly.

iv. Minimum lease payments receivable from investment properties leases

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Within one year	240,090	2,926,911	240,090	2,926,911
Later than one year but not later than 5 years	1,060,315	11,108,192	1,060,315	11,108,192
Later than 5 years	1,240,418	277,048	1,240,418	277,048

11. Payables

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Interest payable	329,910	1,168,466	329,910	1,168,466
Trade creditors and accruals	82,371	1,083,282	57,828	991,581
Total payables	<u>412,281</u>	<u>2,251,748</u>	<u>387,738</u>	<u>2,160,047</u>

12. Interest Bearing Liabilities

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Current interest bearing liabilities				
Deposits - Glebe Income Accounts	121,511,483	133,801,098	121,511,483	133,801,098
Non-current interest bearing liabilities				
Deposits - Glebe Income Accounts	7,662,017	6,882,064	7,662,017	6,882,064
Bank bill line facility	20,000,000	-	20,000,000	-
	27,662,017	6,882,064	27,662,017	6,882,064
Total interest bearing liabilities	149,173,500	140,683,162	149,173,500	140,683,162

The bank bill facilities are unsecured and for a total of \$20,000,000. These facilities have been fully drawn for a period of three years, due to mature in November 2005.

Undrawn bank finance facilities

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 \$1.2 million granted to Sydney Diocesan Secretariat, Anglican Church of Australia.

The Board has an overdraft limit of \$1,000,000 on its current account with Sydney Diocesan Secretariat. At balance date this facility was not being used.

Unsecured standby finance facilities of \$50 million (\$25 million from the Westpac Banking Corporation and \$25 million from the Australian & New Zealand Banking Group Limited) have been put in place to enable temporary shortfalls in liquidity to be

adequately met. It is expected that these facilities would only be used for very short periods on infrequent occasions. The facilities have not been used in 2001 or 2002.

13. Provision for Income Distribution

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Balance 1 January	18,919,822	18,148,833	18,919,822	18,148,833
Provided during the period	8,136,436	8,474,967	8,136,436	8,474,967
	<u>27,056,258</u>	<u>26,623,800</u>	<u>27,056,258</u>	<u>26,623,800</u>
Paid and payable during the period	(8,827,000)	(7,955,978)	(8,827,000)	(7,955,978)
Restored to provision by Synod	-	252,000	-	252,000
Balance 31 December	<u>18,229,258</u>	<u>18,919,822</u>	<u>18,229,258</u>	<u>18,919,822</u>
Current provision 31 December	<u>8,474,967</u>	<u>8,827,450</u>	<u>8,474,967</u>	<u>8,827,450</u>
Non-current provision 31 December	<u>9,754,291</u>	<u>10,092,372</u>	<u>9,754,291</u>	<u>10,092,372</u>

The distribution is based on 5.4% of the average net assets of the Board over the last three balance dates, in accordance with the Diocesan Endowment Ordinance 1984 Amendment Ordinance 2002.

The current provision represents \$8,474,967 approved by Synod.

14. Investments in Controlled Entities

	Cost/book value of immediate chief entity investment		Interest of immediate chief entity		Contribution to consolidated net (deficit)/surplus before tax	
	2002 \$	2001 \$	2002 %	2001 %	2002 \$	2001 \$
Directly controlled by Glebe Administration Board						
Glebe Australia Limited	1,700,000	200,000	100	100	(936)	(75)
Directly controlled by Glebe Australia Limited						
Glebe Asset Management Limited	1,600,000	100,000	100	100	(621)	200,606
Glebe Investment Company Pty Limited	2	2	100	100	(357,985)	(205,007)
					<u>(359,542)</u>	<u>(4,476)</u>

All controlled entities are incorporated within Australia.

15. Maturity Analysis

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Receivables and investments				
Due not later than on year	211,492,033	176,690,126	212,127,005	176,843,804
Due later than one, not later than two years	26,134,312	1,673,460	26,134,312	1,673,460
Due later than two, not later than 5 years	22,981,132	42,811,769	22,981,132	42,811,769
Due later than five years	52,057,645	19,064,222	53,757,645	19,064,222
	<u>312,665,122</u>	<u>240,239,577</u>	<u>315,000,094</u>	<u>240,393,255</u>
Payables and provisions				
Due not later than one year	130,398,731	144,880,296	130,374,190	144,788,595
Due later than one, not later than two years	15,245,569	14,569,306	15,245,569	14,569,306
Due later than two, not later than five years	22,170,739	2,246,889	22,170,737	2,246,889
Due later than five years	-	158,241	-	158,241
	<u>167,815,039</u>	<u>161,854,732</u>	<u>167,790,496</u>	<u>161,763,031</u>

16. Commitments for Expenditure

The Board has entered into various agreements, in respect of commercial properties, which are analysed as follows:

Due not later than one year	-	4,037	-	4,037
Due later than one, not later than two years	-	2,544	-	2,544
	<u>-</u>	<u>6,581</u>	<u>-</u>	<u>6,581</u>

17. Related Party Transactions

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

Mr B H Ball	Mr S E Judd
Canon B A Ballantine-Jones OAM	Mr R H Y Lambert
Mr P Berkley (appointed on 18 November 2002)	Mr I C Miller
Mr R E Bucknell (retired on 19 November 2002)	Mr W H Olson AM
Mr R C Corbett (retired on 18 November 2002)	Dr L A Scandrett
Rt Rev R C Forsyth	Mr P Shirriff
Mr N Ingham (retired on 19 November 2002)	

i. 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 Board provided accounting and administrative assistance to other entities in the wholly-owned group during the current financial year on commercial terms and conditions.

During the period, the Board initially met expenses on behalf of Glebe Investment Company Pty Limited (GIC) and subsequently transferred \$1,414,600 (2001: \$858,000) of those expenses to GIC during the year. At the end of 2002, \$946,000 (2001: \$583,000) has been accrued as expenses owing from GIC.

During the period, the Board initially met expenses on behalf of Glebe Asset Management Limited (GAM) and subsequently transferred \$959,200 (2001: \$1,477,704) of those expenses to GAM during the year. At the end of 2002, no amount has been accrued (2001: \$132,000) as expenses owing from GAM.

During the period, Glebe Asset Management Limited paid management fees of \$124,046 (2001:\$80,090) to Glebe Investment Company Pty Limited. As at 31 December 2002, \$15,704 (2001: \$6,942) was outstanding.

During the period an interest-free, unsecured loan of \$300,000 (2001:\$300,000) was still outstanding from Glebe Australia Limited to Glebe Investment Company Pty Ltd.

An amount of \$1,405,174 (2001: \$331,127) being subsidies to controlled entities represents the amount of expenses that the Board has paid on behalf of its controlled entities and not yet passed on to those entities. To date, the subsidies to controlled entities total \$3,784,047 (2001: \$2,378,873).

ii. Transaction with St Andrew's House Corporation

At 31 December 2002, outstanding loans provided to St Andrew's House Corporation were \$3,115,874 (2001: \$3,764,222). This represents an at-call finance facility to assist in funding of improvements to Town Hall Square.

Interest revenue recorded by the Board in the year ended 31 December 2002 in respect of this loan was \$173,033 (2001: \$410,746).

iii. Related party investments

The Board invests in the Sydney Anglican Church Investment Trust equities trust, and the Glebe Stewardship Investment Trusts, which are managed by related entities of the Board and in the Glebe Stewardship Investment Trusts.

iv. Other related party transactions

A mortgage loan of \$880,000 (2001: \$880,000) is provided, and an additional \$120,000 is approved to Canon B A Ballantine-Jones OAM under normal commercial terms.

A commercial loan of \$519,744 (2001: \$464,771) is provided to 365 Pty Ltd, being a business of which Mr D J Fairfull was a director. Mr D J Fairfull retired as Chief Executive Officer of the Sydney Diocesan Secretariat in 2001 and during 2002 resigned as director of controlled entities. The loans have been made under normal commercial terms.

Interest revenue recorded by the Board during the year ended 31 December 2002 in respect of the above loans was \$98,834 (2001: \$77,477).

Fees paid to the Sydney Diocesan Secretariat during 2002 totalled \$3,676,847 (2001: \$3,085,006) representing reimbursement for personnel costs, and fees for management and other administrative services.

v. Amounts receivable from and payable to entities in the wholly-owned group and other related parties

	Consolidated		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Aggregate amounts receivable at balance date				
Entities in the wholly-owned group	-	-	946,000	715,000
	-	-	946,000	715,000

18. Cash Flow Information

a. Reconciliation of surplus from ordinary activities after income tax to cash flows from operating activities

(Deficit)/surplus from ordinary activities after income tax	(3,059,348)	15,025,966	(2,752,101)	15,214,467
Accrued income from St Andrew's House Corporation	(52,109)	184,049	-	-
(Profit) on sale of investment properties	(466,993)	(214,014)	(466,993)	(214,014)
Investments adjustment to market value	15,667,224	(3,378,005)	15,667,224	(3,378,005)
Increase in provision for doubtful debts	-	250,000	-	250,000
Amortisation of leasing costs	22,728	47,273	22,728	47,273

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(Profit) on sale of investments	(744,876)	(921,037)	(744,876)	(921,037)
(Profit) on sale of business unit	-	(456,632)	-	-
Interest capitalised to GAB deposits	1,915,757	2,871,557	1,915,757	2,871,557
Interest capitalised on loans and mortgages	(187,929)	(1,333,534)	(187,929)	(1,333,534)
Dividends reinvested	(2,380,568)	(2,334,585)	(2,380,568)	(2,334,585)
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(2,522,858)	(1,779,575)	(2,867,416)	(1,828,630)
Increase/(decrease) in accounts payable and accruals	(1,515,883)	562,317	(1,479,201)	486,732
(Increase) in future income tax benefit	(437)	-	-	-
Increase/(decrease) in deferred income tax liability	251	(24)	-	-
	<u>6,674,959</u>	<u>8,523,756</u>	<u>6,726,625</u>	<u>8,860,224</u>

b. Reconciliation of cash

Current account with Sydney Diocesan Secretariat	408,896	30,185	408,896	30,185
Cash at bank	488,196	352,495	199,932	-
At call money market deposits	37,077	23,907	37,077	23,907
Discount securities	1,618,827	-	-	-
Cash on hand	252	252	-	-
	<u>2,553,248</u>	<u>406,839</u>	<u>645,905</u>	<u>54,092</u>

19. Additional Financial Instrument Disclosure

(i) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective interest rates on financial instruments at balance date are:

31 December 2002	Weighted effective interest rate %	Floating interest rate \$	Fixed interest maturing in			Non- interest bearing \$	Total \$
			1 year or less \$	over 1 to 5 years \$	More than 5 years \$		
Financial Assets							
Cash assets	4.05	2,553,248	-	-	-	-	2,553,248
Loans, finance leases and mortgages	7.02	-	14,587,935	45,015,444	17,100,000	(750,000)	75,953,379
Other receivables	-	-	-	-	-	9,148,032	9,148,032
Equity investments	-	-	-	-	-	122,933,724	122,933,724
Property related investments	-	-	-	-	-	66,102,602	66,102,602
Fixed interest investments	5.25	-	8,880,843	750,000	424,435	28,472,107	38,527,385
		2,553,248	23,468,778	45,765,444	17,524,435	225,906,465	315,218,370
Financial Liabilities							
Payables	-	-	-	-	-	412,281	412,281
Interest bearing liabilities	4.92	-	121,511,483	25,491,278	2,170,739	-	149,173,500
Provision for income distribution	-	-	-	-	-	18,229,258	18,229,258
		-	121,511,483	25,491,278	2,170,739	18,641,539	167,815,039
NET FINANCIAL ASSETS (LIABILITIES)		2,553,248	(98,042,705)	20,274,166	15,353,696	207,264,926	147,403,331

31 December 2001	Weighted effective interest rate %	Floating interest rate \$	Fixed interest maturing in			Non-interest bearing \$	Total \$
			1 year or less \$	over 1 to 5 years \$	More than 5 years \$		
Financial Assets							
Cash assets	2.45	406,839	-	-	-	-	406,839
Loans, finance leases and mortgages	6.69	-	15,105,436	44,485,229	19,064,222	-	78,654,887
Other receivables		-	-	-	-	2,863,844	2,863,844
Equities and property unit trust investments		-	-	-	-	150,607,998	150,607,998
Fixed interest investments	5.61	500,416	-	435,992	-	-	936,408
Money market securities	4.31	-	7,192,940	-	-	-	7,192,940
		907,255	22,298,376	44,921,221	19,064,222	153,471,842	240,662,916
Financial Liabilities							
Payables		-	-	-	-	2,251,748	2,251,748
Interest bearing liabilities	4.66	-	133,801,098	6,723,823	158,241	-	140,683,162
Provision for income distribution		-	-	-	-	18,919,822	18,919,822
		-	133,801,098	6,723,823	158,241	21,171,570	161,854,732
NET FINANCIAL ASSETS (LIABILITIES)		907,255	(111,502,722)	38,197,398	18,905,981	132,300,272	78,808,184

(ii) Currency risk exposures

The consolidated entity's exposure at 31 December 2002 to foreign exchange rate movements on its international investments was as follows:

	US dollar \$A	Other currencies \$A	Total \$
31 December 2002			
Gross investment amounts denominated in foreign currency	19,300	6,359	25,659
31 December 2001			
Gross investment amounts denominated in foreign currency	5,596,600	150,406	5,747,006

(iii) Credit Risk Exposures

The carrying amount of financial assets included within the balance sheet represent the consolidated entity's maximum exposure to credit risk in relation to these assets, except concerning undrawn facilities – refer note 7.

(iv) Net Fair Value of Financial Assets and Liabilities

The members consider the carrying amount of financial assets and liabilities approximate their net fair values.

20. Contingent Liabilities

The Board has agreed to provide ongoing financial support for a wholly-owned entity, Glebe Investment Company Pty Limited.

Refer also to note 12 for details of a guarantee given to Westpac Banking Corporation.

Members' Declaration

The members declare that the financial statements and notes set out [on pages 190 to 227]:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 in Australia and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the members' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of directors and is signed for and on behalf of the directors by:

R H Y Lambert
L A Scandrett
Members

16 April 2003