

Glebe Administration Board Audited Accounts for 2003

Independent Audit Report to the Members of Glebe Administration Board

Audit opinion

In our opinion, the financial report of Glebe Administration Board as set out [on pages 156 to 203]:

- gives a true and fair view of the financial position of the Glebe Administration Board and the Glebe Administration Board Group (defined below) as at 31 December 2003, and of the results of their operations and their cash flows for the year ended on that date
- is presented in accordance with the Diocesan Endowment Ordinance 1984, the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney, Accounting Standards and other mandatory financial reporting requirements in Australia.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and members' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the members' declaration for both Glebe Administration Board (the Board) and the Glebe Administration Board Group (the Consolidated Entity), for the year ended 31 December 2003. The Consolidated Entity comprises both the Board and the entities it controlled during that year.

The members of the Board are responsible for the preparation and true and fair presentation of the financial report in accordance with the Diocesan Endowment Ordinance 1984 and the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to members of the Board. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by

factors such as the use of professional judgement, selective testing, the inherent limitation of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Diocesan Endowment Ordinance 1984, the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Board's and the Consolidated Entity's financial position, and the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included -

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the members of the Board.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PricewaterhouseCoopers
Chartered Accountants

M J Codling
Partner

Sydney
7 March 2004

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 2003 and reports as follows:

Members in office at the date of this report

Name

Mr B H Ball (resigned 31/5/03)	Mr N Lewis (appointed 24/3/03)
Canon B A Ballantine-Jones OAM	Mr D McDonald (appointed 1/6/03)
Mr P Berkley	Mr I C Miller
Mr P Driscoll (appointed 24/3/03)	Mr W H Olson AM
Rt Rev R C Forsyth	Dr L A Scandrett
Dr S E Judd	Mr P Shirriff
Mr R H Y Lambert	

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 \$16,007,534 (2002: \$3,059,348 deficit).

Distributions

Dividends are not paid by the Board, but the Board has made distributions of \$8,672,785 (2002: \$8,827,000) for the many purposes specified above from the provision for income distribution account. Of the balance of the provision for income distribution of \$17,796,996, \$8,136,000 is anticipated to be utilised during 2004 (refer to note 14 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 (resigned 31/5/03)	4	4
Canon B A Ballantine-Jones OAM	9	8
Mr P Berkley	9	9
Mr P Driscoll (appointed 24/3/03)	7	7
Rt Rev R C Forsyth	9	6
Dr S E Judd	9	8
Mr R H Y Lambert	9	8
Mr N Lewis (appointed (24/3/03)	7	5
Mr D McDonald (appointed 1/6/03)	5	3
Mr I C Miller	9	6
Mr W H Olson AM	9	5
Dr L A Scandrett	9	8
Mr P Shirriff	9	7

Members' indemnification

During the financial year insurance premiums totalling \$250,280 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 2003 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 directors of the subsidiary entity Glebe Australia Limited intend to join a tax-consolidated group, however at the date of this report the directors have not yet make a formal decision as to when the tax consolidation legislation will be implemented. The company's assessment of the impact of this legislation on its financial performance and position at 31 December 2003 is not material.

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

17 March 2004

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 (resigned 31/5/03)	Non-executive Chairman
Canon B A Ballantine-Jones OAM	Non-executive member
Mr P Berkley	Non-executive member
Mr P Driscoll (appointed 24/3/03)	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 N Lewis (appointed 24/3/03)	Non-executive member
Mr D McDonald (appointed 1/6/03)	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 Chairman

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 attends Board meetings.

Committees*Finance and Review Committee*

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

Name	Position	No. of meetings eligible to attend	No. of meetings attended
Mr D R Andrews (resigned 8/7/03)	Joint Managing Director	7	4
Mr B H Ball (resigned 31/5/03)	Non-executive Chairman	5	5
Mr P Berkley	Non-executive member	11	10
Mr M Cambridge (appointed 8/7/03)	GM, Property & Treasury	5	4
Mr D Cannings (appointed 9/9/03)	Chief Financial Officer	3	2
Mr P Driscoll (appointed 8/7/03)	Non-executive member	5	5
Mr R S Dredge	Chief Executive Officer	11	10
Rt Rev R C Forsyth	Non-executive member	11	6
Mr R H Y Lambert	Non-executive member	11	10
Mr J S McSkimming	General Manager, Equities	11	11
Mr P Shirriff	Non-executive Chairman	11	8

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 D R Cannings	Chief Financial Officer	2	2
Mr J W Flavin (appointed 21/5/03)	Non-executive member	1	0
Mr R H Y Lambert	Non-executive member	2	2
Mr W H Olson AM (resigned 20/8/03)	Non-executive member	1	0

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 (resigned 31/5/03)	Chairman	0	0
Mr R S Dredge	Chief Executive Officer	1	1
Mr P Driscoll (8/7/03)	Non-executive member	1	1
Mr I C Miller	Non-executive member	1	-
Mr P R Shirriff	Chairman	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 twice a year to consider remuneration as part of the annual review and makes recommendations to the full Board.

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 Sydney Diocesan Secretariat to ensure that the highest ethical standards are maintained in their work and in their dealings with each other, the general public and clients. All employees receive a copy of the standards through their incorporation in the Staff Handbook.

The Sydney Diocesan 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 2003

	Note	Consolidated		Chief Entity	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from ordinary activities	2	37,152,421	51,411,673	35,967,032	53,425,682
Share of net profits of St Andrew's House Corporation (SAHC) accounted for using the equity method	9	1,746,516	1,781,011	-	-
Carrying amount of investment property sold	3a	(4,100,000)	(41,500,000)	(4,100,000)	(41,500,000)
Borrowing costs	3b	(9,017,637)	(6,822,896)	(8,493,620)	(6,822,896)
Operating expenses	3c	(9,773,629)	(7,929,322)	(7,218,246)	(7,854,887)
Surplus/(deficit) from ordinary activities before income tax		16,007,671	(3,059,534)	16,155,166	(2,752,101)
Income tax benefit/(expense)	4	(137)	186	-	-
Surplus/(deficit) from ordinary activities after income tax	5	16,007,534	(3,059,348)	16,155,166	(2,752,101)
Revaluation of investment properties credited directly to the Asset Revaluation Reserve	5	-	230,000	-	230,000
Share of SAHC's movement in Asset Revaluation Reserve	5	511,351	(3,344,085)	-	-
Share of SAHC's movement in Deferred Maintenance Reserve	5	575,333	518,760	-	-
Revaluation of beneficial interest in SAHC	5	-	-	1,050,260	(2,773,218)

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Total valuation adjustments recognised directly in equity	<u>1,086,684</u>	<u>(2,595,325)</u>	<u>1,050,260</u>	<u>(2,543,218)</u>
Total charges in equity before distributions and capital transactions	<u>17,094,218</u>	<u>(5,654,673)</u>	<u>17,205,426</u>	<u>(5,295,319)</u>

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

Statement of Financial Position as at 31 December 2003

	Note	Consolidated		Chief Entity	
		2003	2002	2003	2002
		\$	\$	\$	\$
Current assets					
Cash	6	1,904,215	2,553,248	816,126	645,905
Receivables	7	7,693,961	9,148,032	7,433,960	9,783,004
Loans, mortgages & leases	8	34,376,887	13,837,935	34,376,887	13,837,935
Investments	9	216,921,407	188,506,066	216,921,407	188,506,066
Total current assets		<u>260,896,470</u>	<u>214,045,281</u>	<u>259,548,380</u>	<u>212,772,910</u>
Non-current assets					
Loans, mortgages & leases	8	46,497,542	62,115,444	51,467,042	62,115,444
Investments	9	40,885,977	34,957,645	37,707,905	36,657,645
Investment properties	11	-	4,100,000	-	4,100,000
Future income tax benefit	4	-	437	-	-
Total non-current assets		<u>87,383,519</u>	<u>101,173,526</u>	<u>89,174,947</u>	<u>102,873,089</u>
Total assets		<u>348,279,989</u>	<u>315,218,807</u>	<u>348,723,327</u>	<u>315,645,999</u>
Current liabilities					
Payables	12	912,554	412,281	837,278	387,738
Interest bearing liabilities	13	123,461,996	121,511,483	123,381,368	121,511,483
Provision for income distribution	14	8,136,000	8,474,967	8,136,000	8,474,967
Total current liabilities		<u>132,510,550</u>	<u>130,398,731</u>	<u>132,390,646</u>	<u>130,374,188</u>

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Non-current liabilities

Interest bearing liabilities	13	49,836,331	27,662,017	49,836,331	27,662,017
Deferred income tax provision	4	-	300	-	-
Provision for income distribution	14	9,660,996	9,754,291	9,660,996	9,754,291
Total non-current liabilities		<u>59,497,327</u>	<u>37,416,608</u>	<u>59,497,327</u>	<u>37,416,608</u>
Total liabilities		<u>192,007,877</u>	<u>167,815,339</u>	<u>191,887,973</u>	<u>167,790,496</u>
Net assets		<u>156,272,112</u>	<u>147,403,468</u>	<u>156,835,354</u>	<u>147,855,503</u>
Total equity	5	<u>156,272,112</u>	<u>147,403,468</u>	<u>156,835,354</u>	<u>147,855,503</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 2003

	Note	Consolidated inflows/(outflows)		Chief Entity inflows/(outflows)	
		2003 \$	2002 \$	2003 \$	2002 \$
Cash flows from operating activities					
Rent received		313,480	2,308,708	313,480	2,308,708
Interest received		9,254,946	6,334,361	8,515,289	6,307,128
Dividends and trust distributions		8,215,706	6,237,494	8,215,706	6,237,494
Other receipts from operations		2,326,828	6,022,888	65,203	3,983,449
Interest paid		(4,818,199)	(5,677,772)	(4,818,199)	(5,677,772)
Payments in respect of the operations		(9,202,150)	(8,550,720)	(6,688,305)	(6,432,382)
Net cash flows from operating activities	17	<u>6,090,611</u>	<u>6,674,959</u>	<u>5,603,174</u>	<u>6,726,625</u>
Cash flows from investing activities					
Payments for equity investments		(126,066,900)	(105,301,376)	(126,066,900)	(106,801,376)
Payments for fixed interest investments		116,828,284	64,255,457	116,828,284	64,255,457
Proceeds from sale of equity investments		(128,910,507)	(212,592,424)	(124,050,507)	(212,592,424)
Proceeds from sale of fixed interest investments		120,186,331	207,521,709	120,186,331	207,415,447
Proceeds from sale of investment property		4,605,000	41,966,993	41,605,000	41,966,993
Net (increase)/decrease in finance facilities provided		(4,953,915)	2,382,891	(8,853,916)	2,382,981

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Purchase of management rights	(427,318)	-	-	-
Net cash flows used in investing activities	<u>(18,739,025)</u>	<u>(1,766,750)</u>	<u>(17,351,708)</u>	<u>(3,373,012)</u>
Cash flows from financing activities				
Bank borrowings	20,000,000	20,000,000	20,000,000	20,000,000
Distribution to Synod	(8,474,967)	(9,391,059)	(8,474,967)	(9,391,059)
Distribution to other Anglican organisations	(197,818)	-	(197,818)	-
Glebe Income Account deposits (net)	577,801	(13,354,838)	577,801	(13,354,838)
Contributions from deceased estates	14,948	12,851	14,948	12,851
Net cash flows used in financing activities	<u>11,919,964</u>	<u>(2,733,046)</u>	<u>11,919,964</u>	<u>(2,733,046)</u>
Net increase/(decrease) in cash held	(728,450)	2,175,163	171,430	620,567
Cash at the beginning of the year	2,553,248	406,839	645,905	54,092
Effects of exchange rate changes on cash	(2,522)	(28,754)	(2,522)	(28,754)
Cash at the end of the year	<u>6 1,822,276</u>	<u>2,553,248</u>	<u>814,813</u>	<u>645,905</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

The Glebe Administration Board 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 Diocese and Endowment Ordinance 1984 and are used for the many purposes of Christian Ministry and for activities which provide services and assistance for those in need in the community. The 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 as at 31 December 2003 and the results of all controlled entities for the year then 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

Glebe Administration Board has a 50% beneficial interest in St Andrew's House Corporation (SAHC), of which the principal activities are to manage and control St Andrew's House. The St

Andrew's House Site Ordinance of 1976 provides that one half of the land and buildings known as St Andrew's House be held "upon the Trust to apply the income in accordance with Clause 14 of the Glebe Administration Ordinance 1930 (as amended)".

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

In the chief entity financial statements the Glebe Administration Board 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 statements of financial performance as trust income when declared.

(c) Investment in controlled entities

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

(d) Other investments

Those investments of the Glebe Administration Board recognised as current assets 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 statements of financial performance in the periods in which they occur.

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 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 cost, which approximates market value.

Other investments of the consolidated entity recognised as non-current are recorded at cost.

(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 and distributions from unlisted trusts other than Sydney Anglican Property Fund are brought to account as revenue when equities are quoted "ex dividend distribution". In the chief entity financial statements, distributions from St Andrew's House Corporation are recorded as revenue in the period in which they are received. Glebe Administration Board'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

Glebe Administration Board, 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 Glebe Administration Board.

(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

Glebe Administration Board 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 members of the Glebe Administration 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 distribution 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.

(p) GST

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

Revenue and expenses are recognised net of GST except where GST relating to the expense item is not recoverable from the Australian Taxation Office. The net amount of GST recoverable from the Australian Taxation Office is included in receivables in the statement of financial position. Accounts payable are inclusive of GST. Cash flows relating to GST are included in the statement of cash flow on a gross basis.

2. Revenue from ordinary activities

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Revenue from operating activities				
Property related investments				
Gross rental income	23,499	2,318,360	23,499	2,318,360
Revaluation of Sydney Anglican Property Fund (SAPF)	(74,850)	1,230,534	(74,850)	1,230,534
Distributions from SAPF	511,974	485,028	511,974	485,028
Proceeds on sale of investment property	4,605,000	41,966,993	4,605,000	41,966,993
St Andrew's House Corporation distribution	-	-	1,728,940	1,728,903
Distributions from listed property trusts	1,331,147	767,813	1,331,147	767,813
Net realised and unrealised gains and losses on listed property trusts	729,957	1,274,114	729,957	1,274,114
Income from property related investments	<u>7,126,727</u>	<u>48,042,842</u>	<u>8,909,667</u>	<u>49,771,745</u>
Fixed interest investments:				
Interest and distributions	2,723,376	2,574,804	1,966,647	2,546,733
Net realised and unrealised gains an losses	(519,544)	650,966	(519,544)	650,966
Income from fixed interest investments	<u>2,203,832</u>	<u>3,225,770</u>	<u>1,447,103</u>	<u>3,197,699</u>
Income from leases, loans and mortgages	<u>5,766,868</u>	<u>5,543,924</u>	<u>5,766,868</u>	<u>5,543,924</u>

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Equity related investments				
Dividends and distributions	3,804,852	8,630,675	3,804,852	8,630,675
Net realised and unrealised gains and losses	15,348,895	(18,078,417)	15,348,895	(18,078,417)
Income from equity related investments	<u>19,153,747</u>	<u>(9,447,742)</u>	<u>19,153,747</u>	<u>(9,447,742)</u>
Investment income	34,251,174	47,364,794	35,277,385	49,065,626
Fee income				
Fund administration fees and financial advice	2,211,600	2,211,576	-	2,587,026
Property management fees	646,437	890,592	646,437	890,592
Total fee income	<u>2,858,037</u>	<u>3,102,168</u>	<u>646,437</u>	<u>3,477,618</u>
Other income	<u>43,210</u>	<u>944,711</u>	<u>43,210</u>	<u>882,438</u>
Total revenue from ordinary activities	<u>37,152,421</u>	<u>51,411,673</u>	<u>35,967,032</u>	<u>53,425,682</u>

3. Surplus from Ordinary Activities

Surplus from ordinary activities before income tax includes the following specific net gains and expenses:

(a) Net gains

	Consolidated		Chief Entity	
	2002	2003	2002	2003
	\$	\$	\$	\$
Net gain on disposal of investment property				
Proceeds on sale of investment property	4,605,000	41,966,993	4,605,000	41,966,993
Carrying value of investment property sold	(4,100,000)	(41,500,000)	(4,100,000)	(41,500,000)
	<u>505,000</u>	<u>466,993</u>	<u>505,000</u>	<u>466,993</u>
Net foreign exchange gains	<u>2,522</u>	<u>-</u>	<u>2,522</u>	<u>-</u>

(b) Borrowing costs

Borrowing costs include interest paid on Glebe Income Account deposits of which \$3,988,373 is paid to churches, Anglican organisations and other Christian organisations.

Borrowing costs have increased during the year due to the additional \$20,000,000 in bank loans and bank bill borrowings.

(c) Operating expenses

Operating expenses

Staff expenses	7,038,413	5,758,550	4,086,325	4,469,439
Office running expenses	942,954	399,626	557,264	388,368
Professional fees	794,926	952,909	17,183	790,912
Purchase of management rights	427,318	-	-	-
Insurance	250,280	200,779	9,000	200,355

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Property expenses	229,478	543,560	229,478	543,560
Depreciation	33,191	34,351	13,375	34,351
Bad and doubtful debts	33,069	16,819	21,250	-
Amortisation - leasing costs	24,000	22,728	24,000	22,728
Subsidy to related entities	-	-	2,260,371	1,405,174
Total operating expenses	<u>9,773,629</u>	<u>7,929,322</u>	<u>7,218,246</u>	<u>7,854,887</u>

The “subsidy to related entities” is other administration expense amounts not allocated to specific Glebe Administration Board related costs to the extent to which the Glebe Administration Board subsidises other Diocesan funds.

The purchase of management rights relates to the Lowell Flinders Group. The Glebe Administration Board and its controlled entities have had a historic connection with the Lowell Flinders Group. During the year Glebe Asset Management Ltd entered into an agreement with Lowell Flinders to provide for the investment of the assets of certain Lowell Flinders funds in corresponding Glebe Stewardship Investment Trusts. The agreement also provided for the winding up of the Lowell Flinders funds and the transfer of the unit holders to the Glebe Stewardship Investment Trusts.

Having examined the expected contribution of the management fees likely to be derived from the additional funds under management, the directors determined that it would be prudent to write off the cost of acquiring the right to manage the Lowell Flinders Group funds.

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	
	2003	2002	2003	2002
	\$	\$	\$	\$
Surplus/(deficit) from ordinary activities before income tax	16,007,671	(3,059,534)	16,155,166	(2,752,101)
Less surplus/(deficit) from non assessable entities	(16,118,742)	2,699,992	(16,155,166)	2,752,101
Net deficit from ordinary activities before income tax	<u>(111,071)</u>	<u>(359,542)</u>	<u>-</u>	<u>-</u>
Income tax benefit calculated at 30%	(33,321)	(107,863)	-	-
Tax effect of permanent differences	-	-	-	-
Purchase of third party funds under management rights	125,855	-	-	-
Income tax adjusted for permanent differences	<u>92,534</u>	<u>(107,863)</u>	<u>-</u>	<u>-</u>
Tax losses not brought to account as future income tax benefits	34,831	102,350	-	-
Prior year losses	(122,182)	-	-	-
Tax effect of timing difference not brought to account as future income tax benefit	<u>(5,046)</u>	<u>5,327</u>	<u>-</u>	<u>-</u>
Income tax expense (benefit)	<u>137</u>	<u>(186)</u>	<u>-</u>	<u>-</u>

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Comprising:

Future income tax benefit (FITB)	437	(437)	-	-
Deferred income tax provision (DITP)	(300)	300	-	-
Net DITP/(FITB)	137	(137)	-	-
Future income tax benefit brought forward	-	(49)	-	-
Income tax expense (benefit)	137	(186)	-	-

The value of tax losses not brought to account by the consolidated entity as at 31 December 2003 is \$34,831 at 30% (2002: \$122,182).

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	
	2003	2003	2002	2002
	\$	\$	\$	\$
Capital Account	31,095,227	31,080,279	31,095,227	31,080,279
Accumulated Surplus	106,875,838	96,824,072	101,474,475	91,275,077
Asset Revaluation Reserve	17,206,953	18,980,357	24,265,652	25,500,147
Property Realisation Reserve	-	-	-	-
Future Maintenance Reserve	-	-	-	-
Deferred Maintenance Reserve	1,094,093	518,760	-	-
	<u>156,272,112</u>	<u>147,403,468</u>	<u>156,835,354</u>	<u>147,855,503</u>

continued ...

(b) Movements

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Capital Account				
Balance 1 January	31,080,279	31,067,428	31,080,279	31,067,428
Distribution of capital from deceased estates	14,948	12,851	14,948	12,851
Balance 31 December	<u>31,095,227</u>	<u>31,080,279</u>	<u>31,095,227</u>	<u>31,080,279</u>
Accumulated Surplus				
Balance 1 January	96,824,072	50,409,059	91,275,077	50,143,309
Surplus/(deficit) from ordinary activities after income tax	16,007,534	(3,059,348)	16,155,166	(2,752,101)
Provisions for distribution during the year (Note 14)	(8,240,523)	(8,136,436)	(8,240,523)	(8,136,436)
Transfer from Property Realisation Reserve	-	39,630,767	-	39,630,767
Transfer from Asset Revaluation Reserve	2,284,755	13,562,334	2,284,755	12,269,538
Transfer from Future Maintenance Reserve	-	4,417,696	-	120,000
Balance 31 December	<u>106,875,838</u>	<u>96,824,072</u>	<u>101,474,475</u>	<u>91,275,077</u>

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Asset Revaluation Reserve

Balance 1 January	18,980,357	35,656,776	25,500,147	40,312,903
Revaluation of investment properties	-	230,000	-	230,000
Share of movement in SAHC's Revaluation Reserve	511,351	(3,344,085)	-	-
Revaluation of beneficial interest in SAHC	-	-	1,050,260	(2,773,218)
Transfer to Accumulated Surplus	(2,284,755)	(13,562,334)	(2,284,755)	(12,269,538)
Balances 31 December	<u>17,206,953</u>	<u>18,980,357</u>	<u>24,265,652</u>	<u>25,500,147</u>

Property Realisation Reserve

Balance 1 January	-	39,630,767	-	39,630,767
Transfers to accumulated surplus	-	-	-	-
Asset Revaluation Reserve	-	(39,630,767)	-	(39,630,767)
Balance 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Future Maintenance Reserve

Balance 1 January	-	4,417,696	-	120,000
Transfer to Accumulated Surplus	-	(4,417,696)	-	(120,000)
Balance 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred Maintenance Reserve

Balance 1 January	518,760	-	-	-
Share of increase in SAHC's Deferred Maintenance Reserve	575,333	518,760	-	-
Balance 31 December	<u>1,094,093</u>	<u>518,760</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. Cash

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current account with Sydney Diocesan Secretariat	906,583	408,896	816,126	408,896
Cash at bank	997,380	488,196	-	199,932
At call money market deposits	-	37,077	-	37,077
Discount securities	-	1,618,827	-	-
Cash on hand	252	252	-	-
	<u>1,904,215</u>	<u>2,553,248</u>	<u>816,126</u>	<u>645,905</u>

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Less: Cash at bank with Secretariat in overdraft	81,939	-	1,313	-
Balance per statements of cash flows	<u>1,822,276</u>	<u>2,553,248</u>	<u>814,813</u>	<u>645,905</u>

7. Receivables

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current				
Tenant debtors	-	57,789	-	57,789
Other debtors and accruals	7,715,211	9,090,243	7,455,210	9,725,215
Provision for doubtful debts	(21,250)	-	(21,250)	-
	<u>7,693,961</u>	<u>9,148,032</u>	<u>7,433,960</u>	<u>9,783,004</u>

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

8. Loans, Mortgages and Leases

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current				
Loans	1,197,677	10,754,746	1,197,677	10,754,746
Finance leases	-	175,949	-	175,949

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Mortgages	33,929,210	3,657,240	33,929,210	3,657,240
Provision for doubtful debts	(750,000)	(750,000)	(750,000)	(750,000)
	<u>34,376,887</u>	<u>13,837,935</u>	<u>34,376,887</u>	<u>13,837,935</u>

Non-current

Loans	11,640,277	5,519,927	33,609,777	5,519,927
Finance leases	-	71,422	-	71,422
Mortgages	34,857,265	56,524,095	17,857,265	56,524,095
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>46,497,542</u>	<u>62,115,444</u>	<u>51,467,042</u>	<u>62,115,444</u>

Repayments on loans and mortgages are generally interest only with the principal payable on maturity with an average term of less than 5 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.

During the year the board made a loan of \$17,000,000 to Glebe Mortgage Finance Limited. This loan was on lent by Glebe Mortgage Finance Limited to St Andrew's Cathedral School.

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	
	2003	2002	2003	2002
	\$	\$	\$	\$
Anglican Diocesan organisations	37,691,055	33,374,673	42,660,555	33,374,673
Property development	20,609,618	17,459,618	20,609,618	17,459,618
Other	23,323,756	25,621,717	23,323,756	25,621,717
	<u>81,624,429</u>	<u>76,456,008</u>	<u>86,593,929</u>	<u>76,456,008</u>

In addition to the carrying amount of loans and mortgages included within the statements of financial position, the consolidated entity has exposure to credit risk for undrawn facilities of \$13,736,686 (2002: \$12,308,990).

9. Investments

Current Investments

Equity Investments

Listed equities (at cost)	-	1,416,082	-	1,416,082
Mark to market	-	(119,766)	-	(119,766)
Total listed equities at market value	-	<u>1,296,316</u>	-	<u>1,296,316</u>

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Unlisted equities (at cost)	1,783,393	1,322,743	1,783,393	1,322,743
Mark to market	(1,135,962)	(1,135,962)	(1,135,962)	(1,135,962)
Total unlisted equities at market value	<u>647,431</u>	<u>186,781</u>	<u>647,431</u>	<u>186,781</u>

Unlisted equity unit trusts

Sydney Anglican Church Investment Trust equities (at cost)	-	77,343,404	-	77,343,404
Glebe Stewardship Investment Trust (at cost)	130,023,325	40,247,065	130,023,325	40,247,065
Mark to market	<u>17,477,826</u>	<u>3,860,158</u>	<u>17,477,826</u>	<u>3,860,158</u>
Total unlisted equity unit trusts at market value	<u>147,501,151</u>	<u>121,450,627</u>	<u>147,501,151</u>	<u>121,450,627</u>
Total equity investments	<u>148,148,582</u>	<u>122,933,724</u>	<u>148,148,582</u>	<u>122,933,724</u>

Current Investments

Property trust investments

Listed property trusts (at cost)	-	18,091,831	-	18,091,831
Mark to market	-	<u>1,080,252</u>	-	<u>1,080,252</u>
Total listed property trust at market value	-	<u>19,172,083</u>	-	<u>19,172,083</u>

Glebe Stewardship Investment Trusts (at cost)	22,667,470	-	22,667,470	-
Sydney Anglican Property Fund (at cost)	4,999,980	4,999,980	4,999,980	4,999,980
Other unlisted property investments (at cost)	1,040,255	1,066,771	1,040,255	1,066,771
Mark to market	<u>2,781,882</u>	<u>1,806,123</u>	<u>2,781,882</u>	<u>1,806,123</u>
Total unlisted property trust at market value	<u>31,489,587</u>	<u>7,872,874</u>	<u>31,489,587</u>	<u>7,872,874</u>

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Fixed interest investments

Glebe Stewardship Investment Trusts (at cost)	30,370,333	28,312,784	30,370,333	28,312,784
Other fixed interest investment (at cost)	500,000	500,000	500,000	500,000
Mark to market	(597,947)	83,758	(597,947)	83,758
Listed and unlisted fixed interest at market value	<u>30,272,386</u>	<u>28,896,542</u>	<u>30,272,386</u>	<u>28,896,542</u>
Convertible notes (at cost)	-	750,000	-	750,000
Bank accepted bills (at cost)	3,460,852	1,529,549	3,460,852	1,529,549
Negotiable certificates of deposit (at cost)	-	789,938	-	789,938
Money market deposits (at cost)	<u>3,550,000</u>	<u>6,561,356</u>	<u>3,550,000</u>	<u>6,561,356</u>
Total fixed interest investments at market value	<u>37,283,238</u>	<u>38,527,385</u>	<u>37,283,238</u>	<u>38,527,385</u>

Summary

Equity investments	148,148,582	122,933,724	148,148,582	122,933,724
Property investments	31,489,587	27,044,957	31,489,587	27,044,957
Fixed interest investments	<u>37,283,238</u>	<u>38,527,385</u>	<u>37,283,238</u>	<u>38,527,385</u>
Total current investments	<u>216,921,407</u>	<u>188,506,066</u>	<u>216,921,407</u>	<u>188,506,066</u>

Non-current investments

Investments in controlled entities (note 15)	-	-	1,700,000	1,700,000
Glebe Stewardship Investments Trusts (at cost)	4,878,702	-	-	-
Beneficial interest in St Andrew's House Corporation	<u>36,007,905</u>	<u>34,957,645</u>	<u>36,007,905</u>	<u>34,957,645</u>
Total non-current investments	<u>40,885,977</u>	<u>34,957,645</u>	<u>37,707,905</u>	<u>36,657,645</u>

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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 1b

Movements in carrying amounts of investments in associates

Carrying amount at beginning of financial year	34,957,645	37,730,863	34,957,645	37,730,863
Share of distributable surplus for the year	1,746,516	1,781,011	-	-
Distributions received	(1,728,904)	(1,728,904)	-	-
Share of increase in other reserves	575,333	518,760	-	-
Increase in accumulated surplus	-	-	-	-
Share of movement in revaluation reserve	511,351	(3,344,085)	-	-
Revaluation of beneficial interest in SAHC	-	-	1,050,260	(2,773,218)
Carrying amount at the end of the financial year	<u>36,007,905</u>	<u>34,957,645</u>	<u>36,007,905</u>	<u>34,957,645</u>

Comprised

Capital invested	4,714,615	4,714,615	4,714,615	4,714,615
Revaluation reserve	17,206,953	16,695,602	17,206,953	16,695,602
Accumulated surplus	12,065,469	12,065,469	12,065,469	12,065,469
Other reserves	1,094,092	518,759	1,094,092	518,759
Unpaid distribution	926,776	963,200	926,776	963,200
	<u>36,007,905</u>	<u>34,957,645</u>	<u>36,007,905</u>	<u>34,957,645</u>

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Total non-current investments

Equity investments	4,878,072	-	1,700,000	1,700,000
Property investments	36,007,905	34,957,645	36,007,905	34,957,645
Total non-current investments	<u>40,885,977</u>	<u>34,957,645</u>	<u>37,707,905</u>	<u>36,657,645</u>

Summary of investments (notes 6, 8 and 9)

Cash	1,904,215	2,553,248	816,126	645,905
Fixed interest investments	37,283,283	38,527,385	37,283,283	38,527,385
Loans, mortgages & leases	80,874,429	75,953,379	85,843,929	75,953,379
Equity investments	153,026,654	122,933,724	149,848,582	124,633,724
Property related investments	67,497,492	66,102,602	67,497,492	66,102,602
Total investments	<u>340,586,028</u>	<u>306,070,338</u>	<u>341,289,367</u>	<u>305,862,995</u>

10. Other - Assets

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
447 Kent Street:				
Leasing & fitout costs	-	297,262	-	297,262
Less: Provision for amortisation	-	(297,262)	-	(297,262)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

continued ...

11. Investment Properties

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
i. Movements during period				
Balance 1 January	4,100,000	45,370,000	4,100,000	45,370,000
Revaluation of properties	-	230,000	-	230,000
	<u>4,100,000</u>	<u>45,600,000</u>	<u>4,100,000</u>	<u>45,600,000</u>
Carrying value of property sold	(4,100,000)	(41,500,000)	(4,100,000)	(41,500,000)
Balance 31 December	<u>-</u>	<u>4,100,000</u>	<u>-</u>	<u>4,100,000</u>
ii. Basis of valuation as at 31 December				
Cost of properties at 1 January	1,815,245	50,911,494	1,815,245	50,911,494
Sales during the year	<u>(1,815,245)</u>	<u>(49,096,249)</u>	<u>(1,815,245)</u>	<u>(49,096,249)</u>
Cost of properties at 31 December	-	1,815,245	-	1,815,245
Revaluation adjustment from cost	-	2,284,755	-	2,284,755
Valuation adopted by members of the Board	<u>-</u>	<u>4,100,000</u>	<u>-</u>	<u>4,100,000</u>

12. Payables

Interest payable	681,616	329,910	681,616	329,910
Trade creditors and accruals	<u>230,938</u>	<u>82,371</u>	<u>191,662</u>	<u>57,828</u>
Total payables	<u>912,554</u>	<u>412,281</u>	<u>873,278</u>	<u>387,738</u>

13. Interest Bearing Liabilities

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current				
Deposits - Glebe Income Accounts	123,380,057	121,511,483	123,380,055	121,511,483
Current account with Sydney Diocesan Secretariat - overdraft	81,939	-	1,313	-
	<u>123,416,996</u>	<u>121,511,483</u>	<u>123,381,368</u>	<u>121,511,483</u>
Non-current interest bearing liabilities				
Deposits - Glebe Income Accounts	9,836,331	7,662,017	9,836,331	7,662,017
Bank bill line facility	30,000,000	20,000,000	30,000,000	20,000,000
Bank loan	10,000,000	-	10,000,000	-
	<u>49,836,331</u>	<u>27,662,017</u>	<u>49,836,331</u>	<u>27,662,017</u>
Total interest bearing liabilities	<u>173,298,327</u>	<u>149,173,500</u>	<u>173,217,699</u>	<u>149,173,500</u>

The bank bill facilities and bank loans are unsecured and for a total of \$40,000,000. 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 \$80,628 in overdraft.

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 2002 or 2003.

14. Provision for Income Distribution

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance 1 January	18,229,258	18,919,822	18,229,258	18,919,822
Provided during the period	8,240,523	8,136,436	8,240,523	8,136,436
	<u>26,469,781</u>	<u>27,056,258</u>	<u>26,469,781</u>	<u>27,056,258</u>
Paid during the period	(8,672,785)	(8,827,000)	(8,672,785)	(8,827,000)
Balance 31 December	<u>17,796,996</u>	<u>18,229,258</u>	<u>17,7796,996</u>	<u>18,229,258</u>
Current provision 31 December	<u>8,136,000</u>	<u>8,474,967</u>	<u>8,136,000</u>	<u>8,474,967</u>
Non-current provision 31 December	<u>9,660,996</u>	<u>9,754,291</u>	<u>9,660,996</u>	<u>9,754,291</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.

Of the \$8,672,785 paid during the year, \$8,625,000 was paid to Synod and \$47,785 to other Anglican organisations.

15. Investments in Controlled Entities

	Principal activity	Ownership Interest		Parent entity carrying amount	
		2003 %	2002 %	2003 \$	2002 \$
Directly controlled by Glebe Administration Board					
Glebe Australia Limited	Administration	100	100	1,700,000	1,700,000
Directly controlled by Glebe Australia Limited					
Glebe Asset Management Limited	Funds management	100	100	5,000,000	1,600,000
Glebe Investment Company Pty Limited	Financial services	100	100	2	2
Glebe Mortgage Finance Limited	Mortgage lending	100	100	500,001	-
				<u>5,500,003</u>	<u>1,600,002</u>

All controlled entities are incorporated within Australia.

On 21 August 2003, Glebe Australia Limited acquired a further 3,400,000 ordinary shares at \$1 each in its wholly owned subsidiary Glebe Asset Management Ltd. On 8 June 2003, Glebe Australia Limited acquired 1 ordinary share at \$1 in a newly incorporated company Glebe Mortgage Finance Limited. On 30 June 2003 Glebe Australia Limited acquired a further 500,000 ordinary shares at \$1 each in its wholly owned subsidiary Glebe Mortgage Finance Limited.

16. 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 involving the Glebe Administration Board

consolidated entity are disclosed in the financial statements. The following persons held office as a member of the Glebe Administration Board during the year.

Mr B H Ball (resigned 31/5/03)
Canon B A Ballantine-Jones OAM
Mr P Berkley
Mr P Driscoll (appointed 24/3/03)
Rt Rev R C Forsyth
Dr S E Judd

Mr N Lewis (appointed 24/3/03)
Mr D McDonald (appointed 1/6/03)
Mr I C Miller
Mr W H Olson AM
Dr L A Scandrett
Mr P R Shirriff

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.

The following related party transactions occurred during the period:

- (i) During the period an interest free, unsecured amount of \$3,900,000 was still outstanding from Glebe Australia Limited to the Glebe Administration Board.
- (ii) Total management fee expense charged from Glebe Investment Company Pty Ltd to Glebe Asset Management Limited during the year was \$576,759 (2002: \$124,046).
- (iii) During the period, Glebe Administration Board provided a subsidy of \$1,945,287 (2002: \$959,200) to assist Glebe Asset Management Limited meet expenses during the year. The amount of the subsidy is calculated as the difference between expenses incurred by Glebe Administration Board on behalf of Glebe Asset Management Limited and income earned by Glebe Asset Management Limited funds management operations.

- (iv) During the period, Glebe Administration Board provided a subsidy of \$315,084 (2002: \$1,414,600) to assist Glebe Investment Company Pty Limited meet expenses during the year.
- (v) At year end an unsecured amount of \$1,069,500 (2002: \$946,000) is owing from Glebe Investment Company Pty Limited to the Glebe Administration Board. This loan is interest free, and is repayable upon written notice.
- (vi) At year end an unsecured loan of \$300,000 (2002: \$300,000) is owing from Glebe Investment Company Pty Limited to Glebe Australia Limited. This loan is interest free, and is repayable upon written notice.
- (vii) During the period a loan of \$17,000,000 was made to Glebe Mortgage Finance Limited by Glebe Administration Board. Glebe Mortgage Finance Limited is paying Glebe Administration Board an average interest rate of 6% per annum. Interest of \$522,575 was paid to Glebe Administration Board during the period.

ii. Transaction with St Andrew's House Corporation

Glebe Administration Board holds a beneficial interest of 50% in St Andrew's House Corporation. As a result, 50% of the net surplus (excluding income from the Town Hall Square Arcade) of St Andrew's House Corporation is distributed half-yearly. The distributions received this year total \$1,782,940 (2002: \$1,728,904).

At 31 December 2003, a loan was provided from Glebe Administration Board for \$2,766,713 (2002: \$3,115,874). This represents an at-call finance facility to assist in funding of improvements to Town Hall Square.

Interest expense recorded by St Andrew's House Corporation in the year ended 31 December 2003 in respect of this loan was \$176,429 (2002: \$187,929).

Total management fee expense charged from Glebe Administration to St Andrew's House Corporation during the year was \$339,845 (2002: \$361,517).

iii. Related party investments

The Board invests in the Glebe Stewardship Investment Trusts, which are managed by related entities of the Board and in the Glebe Stewardship Investment Trusts. The following related party investments occurred during the period. The units were all purchased and sold at fair market value on the day of application:

- (i) Glebe Administration Board purchased \$121,194 of units in the Glebe Small-Cap Equities Trust.
- (ii) Glebe Administration Board purchased \$6,388.19 of units in the Glebe Large-Cap Shares Trust.
- (iii) Glebe Administration Board purchased \$1,110,521 of units in the Glebe Global Share Fund.
- (iv) Glebe Administration Board purchased \$419,999 of units in the Glebe High-Grade Fixed Interest Trust.
- (v) Glebe Administration Board purchased \$2,263,577 of units in the Glebe Broad-Spread Investment Trust.
- (vi) Glebe Administration Board purchased \$83,111,467 of units in the Glebe Large-Cap Shares Fund.
- (vii) Glebe Administration Board sold \$2,600,000 of units in the Glebe Large-Cap Shares Fund.
- (viii) Glebe Administration Board purchased \$15,479 of units in the Glebe Straightforward Growth Trust.
- (ix) Glebe Administration Board purchased \$22,667,470 of units in the Glebe Diversified Property Fund.
- (x) Glebe Administration Board purchased \$7,642,216 of units in the Glebe Small-Cap Shares Fund.
- (xi) Glebe Administration Board purchased \$477,001 of units in the Glebe Pan-Asian Growth Trust.
- (xii) Glebe Administration Board purchased \$4,994,001 of units in the Glebe Fixed Interest Fund.
- (xiii) Glebe Administration Board sold \$3,400,000 of units in the Glebe Fixed Interest Fund.
- (xiv) Glebe Administration Board purchased \$252,980 of units in the Glebe Large-Cap Equities Trust.
- (xv) Glebe Asset Management Limited purchased \$3,400,000 of units in the Glebe Fixed Interest Fund.
- (xvi) Glebe Asset Management Limited purchased \$1,400,000 of units in the Glebe High-Grade Fixed Interest Trust.

iv. Other related party transactions

The following other related party transactions occurred during the period:

- (i) A mortgage loan of \$120,000 (2002: \$880,000) is provided, and an additional \$120,000 is approved, to Canon B A Ballantine-Jones OAM under normal commercial terms. Interest revenue recorded by the Board during the year ended 31 December 2003 in respect of the above loan was \$33,637 (2002: \$98,834). Repayments of \$760,000 were received in 2003.
- (ii) At 31 December 2003 Glebe Administration Board held \$816,126 in a current account with the Sydney Diocesan Secretariat. During the period interest of \$2,121 was paid by the Sydney Diocesan Secretariat with respect this current account.
- (iii) Fees paid to the Sydney Diocesan Secretariat during 2003 totalled \$7,078,498 (2002: \$3,676,847) representing reimbursement for personnel costs, and fees for management and other administrative services.
- (iv) During the period management fees of \$14,000 were charged to Glebe Mortgage Finance Limited by the Sydney Diocesan Secretariat.
- (v) At 31 December 2003 Glebe Australia Limited held \$10,777 in a current account with the Sydney Diocesan Secretariat. During the period interest of \$1,538 was paid by the Sydney Diocesan Secretariat with respect this current account.
- (vi) At 31 December 2003 Glebe Asset Management Limited had an overdraft of \$80,628 in a current account with the Sydney Diocesan Secretariat. During the period interest of \$1,376 was paid by the Sydney Diocesan Secretariat with respect this current account.
- (vii) At 31 December 2003 Glebe Investment Company Pty Limited held \$568 in a current account with the Sydney Diocesan Secretariat. During the period interest of \$32 was paid by the Sydney Diocesan Secretariat with respect this current account.

(viii) At 31 December 2003 Glebe Mortgage Finance Limited held \$79,123 in a current account with the Sydney Diocesan Secretariat. During the period interest of \$768 was paid by the Sydney Diocesan Secretariat with respect this current account.

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

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Aggregate amounts receivable at balance date				
Entities in the wholly-owned group	-	-	21,969,500	946,000
Other related parties	3,793,296	4,404,770	3,702,839	4,404,770
	<u>3,793,296</u>	<u>4,404,770</u>	<u>25,672,339</u>	<u>5,350,770</u>

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

Surplus/(deficit) from ordinary activities after income tax	16,007,534	(3,059,348)	16,155,166	(2,752,101)
Accrued (income)/expense from SAHC	36,424	(52,109)	-	-
Profit on sale of investment properties	(505,000)	(466,993)	(505,000)	(466,993)
Investments market value movement	(13,039,503)	15,667,224	(13,039,503)	15,667,224
Profit on sale of investments	(2,519,805)	(744,876)	(2,519,805)	(744,876)
Amortisation of leasing costs	24,000	22,728	24,000	22,728

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continued ...

Interest capitalised to GAB deposits	3,458,805	1,915,757	3,458,805	1,915,757
Interest capitalised on loans and mortgages	(192,429)	(187,929)	(192,429)	(187,929)
Dividends reinvested	(1,510,407)	(2,380,568)	(1,510,407)	(2,380,568)
Interest reinvested	(18,072)	-	-	-
Purchase of managed rights	427,318	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in receivables	3,479,055	(2,522,858)	3,412,328	(2,867,416)
Increase/(decrease) in accounts payable and accruals	442,554	(1,515,883)	320,020	(1,479,201)
Increase/(decrease) in future income tax benefit	437	(437)	-	-
Increase/(decrease) in deferred income tax liability	(300)	251	-	-
Cash flow from operating activities	<u>6,090,611</u>	<u>6,674,959</u>	<u>5,603,175</u>	<u>6,726,625</u>

18. 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 2003	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	5.34	1,904,215	-	-	-	-	1,904,215
Loans, leases & mortgages	8.10	17,000,000	35,126,887	20,943,978	8,553,564	-	81,624,429
Other receivables		-	-	-	-	7,693,961	7,693,961
Equity investments		-	-	-	-	153,026,654	153,026,654
Property related investments		-	-	-	-	67,497,492	67,497,492
Fixed interest investments	5.19	37,283,238	-	-	-	-	37,283,238
		<u>56,187,453</u>	<u>35,126,887</u>	<u>20,943,978</u>	<u>8,553,564</u>	<u>228,218,107</u>	<u>349,029,989</u>
Financial Liabilities							
Payables		-	-	-	-	912,554	912,554
Overdraft	8.30	81,939	-	-	-	-	81,939
Interest bearing liabilities	4.94	-	123,380,057	49,836,331	-	-	173,216,388
Provision for income distribution		-	-	-	-	17,796,996	17,796,996
		<u>81,939</u>	<u>123,380,057</u>	<u>49,836,331</u>	<u>-</u>	<u>18,709,550</u>	<u>192,007,877</u>
NET FINANCIAL ASSETS (LIABILITIES)		<u>56,105,514</u>	<u>(88,253,170)</u>	<u>(28,892,353)</u>	<u>8,553,564</u>	<u>209,508,557</u>	<u>157,022,112</u>

The above interest rate risk disclosures have been prepared on the basis of the consolidated entity's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of interest rate risk in the above note may not represent the true interest rate risk profile of the consolidated entity where the consolidated entity has significant investments in unit trusts which also have exposure to the interest rate markets.

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, leases & mortgages	7.02	-	14,587,935	45,015,444	17,100,000	-	76,703,379
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	226,656,465	315,968,370
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	208,014,926	148,153,331

(ii) Currency risk exposures

The consolidated entity's exposure at 31 December 2003 to foreign exchange rate movements on its international investments was as follows:

	US dollar \$A	Other currencies \$A	Total \$
31 December 2003			
Gross investment amounts denominated in foreign currency	-	-	-
31 December 2002			
Gross investment amounts denominated in foreign currency	19,300	6,359	25,659

(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 8.

(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.

19. Contingent Liabilities

The Board has agreed to provide ongoing financial support for the wholly-owned entities Glebe Asset Management Limited and Glebe Investment Company Pty Limited.

Refer also to note 13 for details of a guarantee given to Westpac Banking Corporation.

20. Remuneration of Auditors

Audit fees for the Glebe Administration Board are paid by the Sydney Diocesan Secretariat under contract arrangements. The 31 December 2003 annual report audit fee is quoted as \$32,500 (2002: \$19,000).

The cost of auditing the financial statements and completing the income tax returns of third party funds under management is paid by Glebe Asset Management Limited and passed on to the Glebe Stewardship Investment Trusts as part the management fees charged. Other remuneration paid to auditors inclusive of GST are as follows:-

	Consolidated		Chief Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Other assurance services	4,543	-	-	-
Taxation - other service	117,520	84,300	9,691	-
	<u>122,063</u>	<u>84,300</u>	<u>9,691</u>	<u>-</u>

21. Remuneration of Auditors

The members of the Glebe Administration Board are not aware of any events occurring after reporting date that impact on the financial statements as at 31 December 2003.

Members' Declaration

The members declare that the financial statements and notes set out on pages [156 to 203] -

- (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 2003 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

17 March 2003