

Glebe Administration Board as trustee for the Diocesan Endowment Audited Accounts for 2006

Independent Audit Report to the Members of Glebe Administration Board as trustee for the Diocesan Endowment

Audit opinion

In our opinion, the financial report of Glebe Administration Board as set out on [pages 354 to 311]:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Glebe Administration Board Group (defined below) as at 31 December 2006, and of its performance for the year ended on that date; and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, the *Corporations Regulations 2001*, and the provisions of the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney.

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

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statements, accompanying notes to the financial statements, and the members' declaration for both Glebe Administration Board as trustee for the Diocesan Endowment (the Board) and the Glebe Administration Board Group (the Consolidated Entity), for the year ended 31 December 2006. 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 *Corporations Act 2001* 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 in order to express an opinion 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 *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney a view which is consistent with our understanding of the Board's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations, changes in equity 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.

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 directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

P L Buchholz
Partner

Sydney
21 March 2007

Statutory Report of the Members of the Glebe Administration Board as trustee for the Diocesan Endowment

For the year ended 31 December 2006

In accordance with a resolution of the Board, the members of the Glebe Administration Board submit herewith the financial reports as at 31 December 2006:

Members

The members of the Glebe Administration Board in office at any time during or since the end of the year are:

Name

| | |
|--------------------------------|------------------|
| Canon B A Ballantine-Jones OAM | Mr N Lewis |
| Mr P R Berkley | Mr D McDonald AO |
| Mr P P Driscoll | Mr I C Miller |
| Rt Rev R C Forsyth | Mr W H Olson AM |
| Dr S E Judd | Dr L A Scandrett |
| Mr R H Y Lambert | Mr P Shirriff |

Members have been in office since the start of the year to the date of this report unless otherwise stated.

Scope

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

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

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

Principal activities

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

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

To achieve this, the principal activities of the Board have been to own, manage, develop, let, buy and sell real estate and securities as Trustee for the Diocesan Endowment, and to receive money on

deposit or loan and the borrowing of money upon charge of such real estate in order to manage wealth and create income.

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

Results for the year

The consolidated total changes in equity before distributions and capital transactions, after adjusting the equity and fixed interest portfolio to market value, bringing to account surpluses on sale of property and equity accounting for the beneficial interest in St Andrews House, is \$57,705,206 (2005: \$40,439,074 surplus).

Distributions

Dividends are not paid by the Board, but the Board has made distributions of \$9,622,207 (2005: \$10,637,319) from the provision for distribution account. Of the balance of the provision for distribution of \$20,629,189 as at 31 December 2006, \$10,009,329 is anticipated to be utilised during 2007 (refer to note 18 of the financial report).

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 report by the Chief Executive Officer.

Members' meetings

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

| | No. eligible to attend | No. attended |
|--------------------------------|-----------------------------------|-------------------------|
| Canon B A Ballantine-Jones OAM | 9 | 7 |
| Mr P R Berkley | 9 | 7 |
| Mr P P Driscoll | 9 | 9 |
| Rt Rev R C Forsyth | 9 | 7 |
| Dr S E Judd | 9 | 8 |
| Mr R H Y Lambert | 9 | 7 |
| Mr N Lewis | 9 | 9 |
| Mr D McDonald AO | 9 | 4 |
| Mr I C Miller | 9 | 8 |
| Mr W H Olson AM | 9 | 7 |
| Dr L A Scandrett | 9 | 8 |
| Mr P R Shirriff | 9 | 8 |

Insurance of officers

During the year insurance premiums totalling \$15,277 (2005: \$21,218) were paid for directors' and officers' liability insurance in respect of the members of the Glebe Administration Board as trustee for The Diocesan Endowment and its controlled entities. The policies do not specify the premium for individual members.

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

Matters subsequent to the end of the year

No matter or circumstance has arisen since 31 December 2006 that has significantly affected, or may significantly affect, the operations of the Board, the results of those operations or the state of affairs of the Board in future years.

Environmental regulation

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

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

Likely developments and expected result of operations

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

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 257.

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

R H Y Lambert
L A Scandrett
Members

21 March 2007

Auditor's Independence Declaration

As lead auditor for the audit of Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Glebe Administration Board and the entities it controlled during the period.

P L Buchholz
Partner
PricewaterhouseCoopers

Sydney
21 March 2007

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement for the year ended 31 December 2006

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

The Board was involved in corporate governance practices during the year through the continuation of its various committees and 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, the senior management team and the various committees.

Composition of the Board

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

| Name | Position |
|--------------------------------|-------------------------------|
| Canon B A Ballantine-Jones OAM | Non-executive Deputy Chairman |
| Mr P R Berkley | Non-executive member |
| Mr P P Driscoll | 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 | Non-executive member |
| Mr D McDonald AC | 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 R Shirriff | Non-executive Chairman |

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

Committees

Board Asset Liability Committee

The following comprise the members of the Board Asset Liability Committee –

| Name | Position | No. eligible to attend | No. attended |
|------------------|-------------------------|------------------------|--------------|
| Mr P R Berkley | Non-executive member | 13 | 13 |
| Mr R S Dredge | Chief Executive Officer | 13 | 11 |
| Mr P P Driscoll | Non-executive member | 13 | 13 |
| Mr R H Y Lambert | Non-executive member | 13 | 12 |
| Mr P R Shirriff | Non-executive Chairman | 13 | 13 |

The function of the Committee is to assist the Board in achieving the objectives set forth in the Glebe Administration Ordinance 1930 with respect to the Diocesan Endowment and the business plans as adopted by the Board. The committee is expected to assist the Board by making appropriate recommendations with respect to reviewing investment policies, strategies, transactions and performance; credit and market risk policies, procedures and reporting; and balance sheet management policies, procedures and reporting. The committee has oversight responsibility for the design, approval and evaluation of the investment strategies, policies and other business initiatives of the Board.

Board Audit Committee

The Board Audit Committee consists of the following persons –

| Name | Position | No. eligible to attend | No. attended |
|------------------|------------------------|------------------------|--------------|
| Mr P P Driscoll | Non-executive member | 4 | 4 |
| Mr R H Y Lambert | Non-executive Chairman | 4 | 4 |
| Mr D McDonald AC | Non-executive member | 4 | 1 |
| Mr P R Shirriff | Non-executive member | 4 | 4 |

The function of the Committee is to assist in ensuring, by overseeing the audit and financial reporting function, that the Board maintains its established policy of adequate, reliable and high quality financial reporting and internal controls.

Management Remuneration and Nomination 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. eligible to attend | No. attended |
|--------------------------------|----------------------|------------------------|--------------|
| Canon B A Ballantine-Jones OAM | Non-executive member | 1 | 1 |
| Mr P P Driscoll | Non-executive member | 1 | 1 |

| | | | |
|--------------------|------------------------|---|---|
| Rt Rev R C Forsyth | Non-executive member | 1 | 1 |
| Mr I C Miller | Non-executive member | 1 | 1 |
| Mr P R Shirriff | Non-executive Chairman | 1 | 1 |

The function of the Committee is to ensure that the Board maintains its established policy of developing and implementing competitive and effective remuneration practices and senior manager nomination processes that comply with the law, regulations, internal policies and the requirements of statutory authorities.

Compliance and Risk Management Committee

This Committee comprises the following members –

| Name | Position | No. eligible to attend | No. attended |
|--------------------|------------------------|------------------------|--------------|
| Rt Rev R C Forsyth | Non-executive member | 4 | 4 |
| Dr S E Judd | Non-executive member | 4 | 2 |
| Mr N Lewis | Non-executive Chairman | 4 | 4 |
| Mr W H Olson AM | Non-executive member | 4 | 4 |
| Dr L A Scandrett | Non-executive member | 4 | 4 |

The function of the Committee is to assist in ensuring the Board and its subsidiaries maintain its established policy of effective and informed policies including meeting the requirements of statutory authorities and church ordinances.

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.

The Sydney Diocesan Secretariat has 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.

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

Five year financial summary - consolidated

| \$'000 (unless otherwise indicated) | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|
| Consolidated income statement for the year ended 31 December | | | | | |
| Investment income | 4,507 | 32,755 | 86,469 | 79,679 | 96,462 |
| Finance costs | (6,823) | (9,018) | (28,811) | (31,101) | (29,962) |
| Net investment income | (2,316) | 23,737 | 57,658 | 48,578 | 66,500 |
| Fee and other income | 4,047 | 2,901 | 2,909 | 3,375 | 3,582 |
| Net operating income | 1,731 | 26,638 | 60,567 | 51,953 | 70,082 |
| Operating expenses | (7,386) | (9,544) | (10,879) | (11,514) | (12,377) |
| Total income and expense before tax | (5,655) | 17,094 | 49,688 | 40,439 | 57,705 |
| Income tax expense | - | - | - | - | - |
| Total income and expense after tax | (5,655) | 17,094 | 49,688 | 40,439 | 57,705 |
| Provision for income distribution | 8,136 | 8,241 | 9,387 | 10,564 | 11,109 |
| Consolidated balance sheet as at 31 December | | | | | |
| Investments, loans and mortgages | 303,517 | 338,682 | 507,567 | 607,800 | 582,204 |
| Cash and other assets | 11,701 | 9,598 | 42,062 | 38,404 | 76,503 |
| Total assets | 315,218 | 348,280 | 549,629 | 646,204 | 658,707 |

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|--|----------------|----------------|----------------|----------------|----------------|
| Payables | 412 | 913 | 1,489 | 2,144 | 41,383 |
| Interest bearing liabilities | 149,174 | 173,298 | 225,253 | 279,447 | 274,822 |
| Other liabilities | 18,230 | 17,797 | 19,706 | 20,897 | 21,670 |
| Share of net assets attributable to minority interest | - | - | 105,831 | 116,426 | 48,421 |
| Total liabilities | <u>167,816</u> | <u>192,008</u> | <u>352,279</u> | <u>418,914</u> | <u>386,296</u> |
| Net assets | <u>147,402</u> | <u>156,272</u> | <u>197,350</u> | <u>227,290</u> | <u>272,411</u> |
| Ratios | | | | | |
| Total liabilities to net assets (%) | 113.8% | 122.9% | 178.5% | 184.3% | 141.8% |
| Investment income on investment assets (%) | 1.5% | 9.7% | 17.0% | 13.1% | 16.6% |
| Surplus after income tax on net assets (%) | (3.8)% | 10.9% | 25.2% | 17.8% | 21.2% |
| Operating expense to net operating income (%) | (426.7)% | (35.8)% | (18.0)% | (22.2)% | (17.7)% |
| Operating expenses less fee income to total assets (%) | (1.1)% | (1.9)% | (1.5)% | (1.3)% | (1.3)% |

The comparatives for 2002 and 2003 are prior to the implementation of Australian equivalents to International Financial Reporting Standards (AIFRS) and the consolidation of the Glebe Investment Trusts and are not directly comparable.

Income statements for the year ended 31 December 2006

| | Notes | Consolidated | | Parent Entity | |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | \$ | \$ | \$ | \$ |
| Revenue from continuing operations | 3 | 95,827,594 | 82,107,519 | 80,357,924 | 61,432,418 |
| Share of net profits of St Andrew's House Corporation (SAHC) accounted for using the equity method | 13 | 4,217,013 | 946,475 | - | - |
| Finance costs | 4(a) | (16,554,547) | (14,823,400) | (16,597,639) | (14,760,722) |
| Surplus attributable to minority interests | | (13,407,149) | (16,277,513) | - | - |
| Total finance costs | | (29,961,696) | (31,100,913) | (16,597,639) | (14,760,722) |
| Other expenses | 4(b) | (12,377,705) | (11,514,007) | (7,181,501) | (5,926,911) |
| Surplus from continuing operations before income tax | | 57,705,206 | 40,439,074 | 56,578,784 | 40,744,785 |
| Income tax expense | 5 | - | - | - | - |
| Surplus from continuing operations after income tax | | 57,705,206 | 40,439,074 | 56,578,784 | 40,744,785 |

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

Balance sheets as at 31 December 2006

| | Notes | Consolidated | | Parent Entity | |
|---|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | \$ | \$ | \$ | \$ |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 31,952,650 | 34,784,808 | 21,049,056 | 17,861,534 |
| Receivables | 7 | 43,928,978 | 3,323,956 | 6,842,665 | 5,742,443 |
| Loans and mortgages | 8 | 37,318,784 | 19,254,813 | 15,389,957 | 1,490,029 |
| Other financial assets at fair value through profit or loss | 10 | 454,429,491 | 500,289,102 | 171,070,941 | 44,689,119 |
| Investments in controlled entities | 11 | - | - | 237,297,871 | 345,587,602 |
| Derivative financial instruments | 14 | 621,163 | 295,628 | 621,163 | 295,628 |
| Total current assets | | <u>568,251,066</u> | <u>557,948,307</u> | <u>452,271,653</u> | <u>415,666,355</u> |
| Non-current assets | | | | | |
| Loans and mortgages | 9 | 52,535,080 | 51,236,439 | 77,893,909 | 72,051,525 |
| Investments in controlled entities | 12 | - | - | 1,700,000 | 1,700,000 |
| Investment in St Andrew's House | 13 | 37,919,668 | 37,019,733 | 37,919,668 | 37,019,733 |
| Total non-current assets | | <u>90,454,748</u> | <u>88,256,172</u> | <u>117,513,577</u> | <u>110,771,258</u> |
| Total assets | | <u>658,705,814</u> | <u>646,204,479</u> | <u>569,785,230</u> | <u>526,437,613</u> |

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Current liabilities

| | | | | | |
|----------------------------------|----|--------------------|--------------------|--------------------|--------------------|
| Payables | 15 | 41,382,810 | 2,144,379 | 2,093,564 | 1,865,980 |
| Interest bearing liabilities | 16 | 225,455,702 | 131,298,646 | 226,191,257 | 131,263,550 |
| Provisions | 18 | 11,050,081 | 11,084,650 | 10,009,329 | 9,329,302 |
| Total current liabilities | | <u>277,888,593</u> | <u>144,527,675</u> | <u>238,294,150</u> | <u>142,458,832</u> |

Non-current liabilities

| | | | | | |
|--|----|---------------------------|---------------------------|---------------------------|---------------------------|
| Interest bearing liabilities | 17 | 49,365,917 | 148,147,906 | 49,365,917 | 148,147,906 |
| Provisions | 18 | 10,619,860 | 9,812,932 | 10,619,860 | 9,812,932 |
| Share of net assets attributable to minority interests | | 48,421,441 | 116,425,725 | - | - |
| Total non-current liabilities | | <u>108,407,218</u> | <u>274,386,563</u> | <u>59,985,777</u> | <u>157,960,838</u> |
| Total liabilities | | <u>386,295,811</u> | <u>418,914,238</u> | <u>298,279,927</u> | <u>300,419,670</u> |
| Net assets | | <u>272,410,003</u> | <u>227,290,241</u> | <u>271,505,303</u> | <u>226,017,943</u> |

EQUITY

| | | | | | |
|---------------------|----|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital | 19 | 33,361,119 | 31,119,554 | 33,361,119 | 31,119,554 |
| Reserves | 20 | 647,491 | 2,141,511 | - | - |
| Accumulated surplus | 21 | 238,401,393 | 194,029,176 | 238,144,184 | 194,898,389 |
| Total equity | | <u>272,410,003</u> | <u>227,290,241</u> | <u>271,505,303</u> | <u>226,017,943</u> |

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

Statements of changes in equity for the year ended 31 December 2006

| | Notes | Consolidated | | Parent Entity | |
|---|-------|---------------------|---------------------|---------------------|---------------------|
| | | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ |
| Total equity at the beginning of the year | | 227,290,241 | 197,349,655 | 226,017,943 | 196,054,043 |
| Share of SAHC's movement in deferred maintenance reserve | 20 | (1,494,020) | 282,397 | - | - |
| Net (expense)/income recognised directly in equity | | (1,494,020) | 282,397 | - | - |
| Surplus for the year after tax | | 57,705,206 | 40,439,074 | 56,578,784 | 40,744,785 |
| Total recognised income and expense for the year | | 56,211,186 | 40,721,471 | 56,578,784 | 40,744,785 |
| Transactions with equity holders: | | | | | |
| Gifts received | 19 | 17,738 | 12,507 | 17,738 | 12,507 |
| Distributions provided for or paid | 18 | (11,109,162) | (11,543,392) | (11,109,162) | (11,543,392) |
| Reversal of provision for doubtful debts | 21(b) | - | 750,000 | - | 750,000 |
| | | (11,091,424) | (10,780,885) | (11,091,424) | (10,780,885) |
| Total equity at the end of the year | | 272,410,003 | 227,290,241 | 271,505,303 | 226,017,943 |

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

Statements of cash flows for the year ended 31 December 2006

| | Notes | Consolidated | | Parent Entity | |
|--|-------|-------------------|---------------------|---------------------|---------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | \$ | \$ | \$ | \$ |
| Cash flows from operating activities | | | | | |
| Management and service fees | | 3,701,558 | 2,853,787 | 1,598,194 | 1,446,218 |
| Interest received | | 10,297,585 | 10,831,356 | 8,811,395 | 7,046,571 |
| Dividends and distributions | | 58,065,615 | 22,892,565 | 62,245,586 | 28,512,777 |
| Other revenue | | 433,033 | 522,537 | 124,969 | 60,371 |
| Finance costs | | (11,503,126) | (9,782,856) | (11,546,218) | (9,794,915) |
| Payments to suppliers | | (12,582,612) | (10,940,518) | (7,460,914) | (5,811,650) |
| Net cash inflow from operating activities | 23 | 48,412,053 | 16,376,871 | 53,773,012 | 21,459,372 |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of investments | | 301,387,318 | 23,794,477 | 204,985,820 | 21,694,925 |
| Payments for investments | | (222,409,489) | (55,644,042) | (218,131,642) | (65,585,706) |
| Net (increase)/decrease in loans provided | | (19,362,618) | (20,273,115) | (19,442,318) | (20,206,199) |
| Net cash inflow/(outflow) from investing activities | | 59,615,211 | (52,122,680) | (32,588,140) | (64,096,980) |

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Cash flows from financing activities

| | | | | |
|---|----------------------|--------------------|---------------------|--------------------|
| Distributions to Synod | (9,162,504) | (8,697,109) | (9,162,504) | (8,697,109) |
| Distributions to other Anglican organisations | (459,703) | (1,940,195) | (459,703) | (1,940,195) |
| Distributions to minority interests | (13,169,195) | (6,966,737) | - | - |
| Proceeds from borrowings | - | 45,000,000 | - | 45,000,000 |
| Net increase/(decrease) in Glebe Income Accounts | (8,764,527) | 4,397,236 | (8,255,518) | 4,428,676 |
| Gifts received | 17,738 | 12,507 | 17,738 | 12,507 |
| Redemptions paid to minority interests | (78,922,226) | (551,918) | - | - |
| Net cash (outflow)/inflow from financing activities | (110,460,417) | 31,253,784 | (17,859,987) | 38,803,879 |
| Net increase/(decrease) in cash held | (2,433,153) | (4,492,025) | 3,324,885 | (3,833,729) |
| Cash and cash equivalents at the beginning of the year | 34,356,719 | 38,901,651 | 17,695,087 | 21,528,816 |
| Effects of exchange rate changes on cash | - | (52,907) | - | - |
| Cash and cash equivalents at the end of the year | 31,923,566 | 34,356,719 | 21,019,972 | 17,695,087 |

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

Notes to the Financial Statements

1. Purpose

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

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

This financial report 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 Synod is entitled to the income of the Board and the income is reinvested by the Board. The Board has no employees and no amounts are paid or allocated to or on behalf of members of the Board. The Board acts only in the capacity of Trustee for the Anglican Church of Australia, Diocese of Sydney. It does not own any assets nor carry out any activities on its own behalf.

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Diocesan Endowment Ordinance 1984, the Accounts, Audits and Annual Reports Ordinance 1995 as amended by the Synod of the Anglican Church of Australia Diocese of Sydney, Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Glebe Administration Board as trustee for The Diocesan Endowment comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs and it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 124 *Related Party Disclosures*.

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

Historical cost convention

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

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10, *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038].

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glebe Administration Board as trustee for The Diocesan Endowment as at 31 December 2006 and the results of all subsidiaries for the year then ended. Glebe Administration Board as trustee for The Diocesan Endowment and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are fully consolidated from 1 January 2005. Transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

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

(c) Investment in St Andrew's House Corporation

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

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

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

(d) Foreign currency translation***Functional and presentation currency***

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

(e) Revenue recognition

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

Dividends and distributions

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

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

Franking credits

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

Other revenue

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

Interest income

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

(f) 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 the Board.

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

The Board is exempt from income tax under Section 50-5 of the

Income Tax Assessment Act 1997.

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

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

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

Tax consolidation legislation

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

In addition to its own current and deferred tax amounts, Glebe Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 5.

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

(g) Cash and cash equivalents

For cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value,

and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Receivables

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

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

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

(i) Investments and other financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and mortgages

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

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(j) Derivatives

Interest rate swaps

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

(k) Fair value estimation

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

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

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

(l) Other payables

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

(m) Borrowings and borrowing costs

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

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

(n) Financial guarantee contracts

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

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

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

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

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

Change in accounting policy

The policy of recognising financial guarantee contracts as financial liabilities was adopted for the first time in the current financial year.

In previous reporting periods, a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract.

There is no impact on the comparative amounts in the financial statements of the Board. Details of financial guarantee contracts are disclosed in Note 17.

(o) Distributions

Provision is made for the amount of any distribution required, determined or recommended by the members of the Board on or before the end of the year but not distributed at balance date. The distribution is calculated at 5.4% of the average net assets of the previous 3 years.

(p) Goods and services tax (GST)

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

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

the expense.

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

3. Revenue

| | Consolidated | | Parent Entity | |
|--|-------------------|------------------|-------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Revenue from continuing operations | | | | |
| Property related investments: | | | | |
| Revaluation of SAPF | - | 256,765 | - | 256,765 |
| Distributions from SAPF | - | 804,920 | - | 804,920 |
| St. Andrew's House Corporation distribution | - | - | 1,823,058 | 1,956,750 |
| Distributions from other property trusts | 12,772,951 | 16,298 | 12,758,855 | 7,304,803 |
| Revaluation of beneficial interest in SAHC | - | - | 899,935 | (727,875) |
| Net realised and unrealised gains and (losses) | 5,057,672 | 2,288,100 | 4,882,906 | (889,435) |
| Income from property related investments | <u>17,830,623</u> | <u>3,366,083</u> | <u>20,364,754</u> | <u>8,705,928</u> |
| Fixed interest investments: | | | | |
| Interest and distributions | 4,702,001 | 6,724,751 | 4,141,548 | 3,192,798 |
| Net realised and unrealised gains and (losses) | (2,887,549) | (2,705,304) | (2,855,954) | (2,642,692) |
| Income from fixed interest investments | <u>1,814,452</u> | <u>4,019,447</u> | <u>1,285,594</u> | <u>550,106</u> |
| Income from loans and mortgages | <u>6,107,642</u> | <u>4,666,385</u> | <u>5,407,371</u> | <u>4,090,192</u> |

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|---|-------------------|-------------------|-------------------|-------------------|
| Equity related investments: | | | | |
| Dividends and distributions | 42,254,738 | 32,250,320 | 48,046,019 | 18,823,418 |
| Net realised and unrealised gains and (losses) | 24,237,968 | 34,430,048 | 3,714,595 | 27,757,953 |
| Income from equity related investments | 66,492,706 | 66,680,368 | 51,760,614 | 46,581,371 |
| Total investment income | 92,245,423 | 78,732,283 | 78,818,333 | 59,927,597 |
| Fee income: | | | | |
| Fund administration fees | 1,878,539 | 1,454,394 | 50,445 | - |
| Property management fees | 1,703,632 | 1,920,842 | 1,489,146 | 1,504,821 |
| Total fee income | 3,582,171 | 3,375,236 | 1,539,591 | 1,504,821 |
| Total revenue from continuing operations | 95,827,594 | 82,107,519 | 80,357,924 | 61,432,418 |

Dividends and distributions include franking credits of \$2,518,963 (2005: \$2,121,183).

4. Surplus from continuing operations

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

(a) Finance costs

Finance costs include interest paid on Glebe Income Account deposits of which \$5,688,291 (2005: \$5,707,484) was paid to churches, Anglican organisations and other Christian organisations.

(b) Other expenses

| | Consolidated | | Parent Entity | |
|--|-------------------|-------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Management fees from Sydney Diocesan Secretariat Subsidy | 7,918,393 | 8,476,374 | 5,395,639 | 4,572,145 |
| Professional fees | - | - | (320,000) | (184,183) |
| Property expenses | 2,896,301 | 1,750,157 | 1,335,795 | 1,124,079 |
| Office operating expenses | 453,706 | 134,855 | 446,250 | 134,836 |
| Insurance | 588,444 | 297,672 | 274,633 | 197,044 |
| Marketing expenses | 478,447 | 297,675 | 43,499 | 42,691 |
| Other expenses | 31,820 | 71,239 | 5,157 | 39,807 |
| | 10,594 | 486,035 | 528 | 492 |
| | <u>12,377,705</u> | <u>11,514,007</u> | <u>7,181,501</u> | <u>5,926,911</u> |

5. Income Tax

The income tax expense for the year 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 | | Parent Entity | |
|---|--------------|--------------|---------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Surplus from continuing operations before income tax | 57,705,206 | 40,439,074 | 56,578,784 | 40,744,785 |
| Less surplus from non assessable entities | (57,786,036) | (40,691,889) | (56,578,784) | (40,744,785) |
| (Deficit) from continuing operations before income tax | (80,830) | (252,815) | - | - |
| Income tax (benefit) calculated at 30% | (24,249) | (75,845) | - | - |
| Tax effect of permanent differences | 34,181 | 73,616 | - | - |
| Tax benefit of prior year losses | (9,932) | - | - | - |
| Tax losses not brought to account as future income tax benefits | - | 2,229 | - | - |
| Current tax | - | - | - | - |

The directors estimate that the potential future income tax benefit at 31 December 2006 in respect of tax losses not brought to account is \$176,109 (2005: \$186,041).

The benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and

- (ii) the consolidated entity continues to comply with the conditions for tax deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Tax consolidation legislation

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

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

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

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

6. Current assets – Cash and cash equivalents

| | Consolidated | | Parent Entity | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Cash at bank | 3,959,903 | 4,960,241 | 10,413 | 828,224 |
| Bank bills | 6,843,743 | 1,793,770 | - | - |
| Negotiable certificates of deposit | 1,394,347 | 4,793,054 | 1,394,347 | 4,793,054 |
| Term deposits | 11,248,035 | 15,671,710 | 11,137,674 | 5,199,716 |
| Corporate papers | 8,506,622 | 7,120,408 | 8,506,622 | 7,040,540 |
| Foreign Cash | - | 445,625 | - | - |
| | <u>31,952,650</u> | <u>34,784,808</u> | <u>21,049,056</u> | <u>17,861,534</u> |

The above amounts are reconciled to the cash at the end of the year as shown in the cash flow statements as follows:

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Balance as above | 31,952,650 | 34,784,808 | 21,049,056 | 17,861,534 |
| Less: Cash at bank in overdraft (note 16) | 29,084 | 428,089 | 29,084 | 166,447 |
| Balance per statements of cash flows | <u>31,923,566</u> | <u>34,356,719</u> | <u>21,019,972</u> | <u>17,695,087</u> |

7. Current assets – Receivables

| | Consolidated | | Parent Entity | |
|-----------------------------------|---------------------|------------------|----------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Distributions receivable | 1,385,950 | 2,383,972 | 5,952,984 | 5,149,413 |
| Prepayments | 158,977 | 154,232 | 158,977 | 154,232 |
| Accrued management fees | 108,940 | 252,992 | - | 58,603 |
| Accrued interest | 786,027 | 422,452 | 726,935 | 70,607 |
| Amounts owing on investments sold | 41,401,270 | - | - | - |
| Amount receivable from subsidiary | - | - | - | 300,000 |
| Other | 87,814 | 110,308 | 3,769 | 9,588 |
| | <u>43,928,978</u> | <u>3,323,956</u> | <u>6,842,665</u> | <u>5,742,443</u> |

8. Current assets – Loans and mortgages

| | Consolidated | | Parent Entity | |
|-----------|---------------------|-------------------|----------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Loans | 13,269,957 | 826,527 | 13,269,957 | 826,527 |
| Mortgages | 24,048,827 | 18,428,286 | 2,120,000 | 663,502 |
| | <u>37,318,784</u> | <u>19,254,813</u> | <u>15,389,957</u> | <u>1,490,029</u> |

9. Non-current assets – Loans and mortgages

| | Consolidated | | Parent Entity | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Loans | 23,961,699 | 20,604,955 | 73,392,697 | 65,200,603 |
| Mortgages | 28,573,381 | 30,631,484 | 5,510,712 | 7,860,422 |
| Loan to Anglican Church Property Trust | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Provision for doubtful debts | (1,000,000) | (1,000,000) | (2,009,500) | (2,009,500) |
| | <u>52,535,080</u> | <u>51,236,439</u> | <u>77,893,909</u> | <u>72,051,525</u> |
| Summary: | | | | |
| Anglican Diocesan organisations | 65,181,195 | 49,569,984 | 93,173,366 | 72,887,546 |
| Other | 25,672,669 | 21,921,268 | 2,120,000 | 2,663,508 |
| Provision for doubtful debts | (1,000,000) | (1,000,000) | (2,009,500) | (2,009,500) |
| Total current and non-current loans and mortgages | <u>89,853,864</u> | <u>70,491,252</u> | <u>93,283,866</u> | <u>73,541,554</u> |

Repayments on loans and mortgages are generally interest only with the principal payable on maturity with terms between 1 and 27 years. However, in some instances the option of repayments comprising a mixture of principal and interest is available.

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.

In addition to the carrying amount of loans and mortgages included within the balance sheets, the consolidated entity has exposure to credit risk for undrawn facilities of \$6,210,804 (2005: \$21,318,498).

10. Current assets – Other financial assets at fair value through profit or loss

| Current | Consolidated | | Parent Entity | |
|---------------------------------------|---------------------|--------------------|----------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Equity investments | | | | |
| Listed equities (at cost) | 253,054,666 | 214,221,618 | 58,486,313 | - |
| Fair value adjustment | 61,036,289 | 76,015,541 | 1,594,034 | - |
| Total listed equities at fair value | <u>314,090,955</u> | <u>290,237,159</u> | <u>60,080,347</u> | <u>-</u> |
| Unlisted equities (at cost) | 1,783,393 | 1,783,393 | 1,783,393 | 1,783,393 |
| Fair value adjustment | (1,783,393) | (1,783,393) | (1,783,393) | (1,783,393) |
| Total unlisted equities at fair value | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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| | | | | |
|---|-------------|-------------|------------|------------|
| Glebe Investment Trusts (at cost) | - | 29,794,344 | - | 27,694,792 |
| Fair value adjustment | - | 11,256,971 | - | 11,186,297 |
| Total unlisted equity unit trusts at fair value | - | 41,051,315 | - | 38,881,089 |
| Total equity investments | 314,090,955 | 331,288,474 | 60,080,347 | 38,881,089 |

Property investments

| | | | | |
|---|------------|------------|------------|---|
| Listed property investments (at cost) | 86,622,512 | 77,582,736 | 62,673,139 | - |
| Fair value adjustment | 12,355,266 | 11,350,640 | 7,955,754 | - |
| Total listed property investments at fair value | 98,977,778 | 88,933,376 | 70,628,893 | - |

| | | | | |
|---|-------------|------------|------------|-----------|
| Other unlisted property investments (at cost) | 7,649,805 | 9,226,132 | 7,649,805 | 2,374,156 |
| Fair value adjustment | 454,304 | 42,924 | 454,304 | (860,710) |
| Total unlisted property investments at fair value | 8,104,109 | 9,269,056 | 8,104,109 | 1,513,446 |
| Total property investments | 107,081,887 | 98,202,432 | 78,733,002 | 1,513,446 |

Fixed interest investments

| | | | | |
|---|---|------------|---|----------|
| Listed fixed interest investment (at cost) | - | 61,724,504 | - | 500,000 |
| Fair value adjustment | - | 341,825 | - | (11,590) |
| Total listed fixed interest investments at fair value | - | 62,066,329 | - | 488,410 |

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| | | | | |
|---|--------------------|--------------------|--------------------|-------------------|
| Unlisted fixed interest investment (at cost) | 39,590,298 | 7,156,565 | 38,589,388 | 7,156,565 |
| Fair value adjustment | (6,333,649) | (3,350,391) | (6,331,796) | (3,350,391) |
| Total unlisted fixed interest investments at fair value | <u>33,256,649</u> | <u>3,806,174</u> | <u>32,257,592</u> | <u>3,806,174</u> |
| | | | | |
| Glebe Investment Trusts (at cost) | - | 4,885,772 | - | - |
| Fair value adjustment | - | 39,921 | - | - |
| Total unlisted fixed interest unit trusts at fair value | <u>-</u> | <u>4,925,693</u> | <u>-</u> | <u>-</u> |
| Total fixed interest investments | <u>33,256,649</u> | <u>70,798,196</u> | <u>32,257,592</u> | <u>4,294,584</u> |
| | | | | |
| Summary: | | | | |
| Equity investments | 314,090,955 | 331,288,474 | 60,080,347 | 38,881,089 |
| Property investments | 107,081,887 | 98,202,432 | 78,733,002 | 1,513,446 |
| Fixed interest investments | <u>33,256,649</u> | <u>70,798,196</u> | <u>32,257,592</u> | <u>4,294,584</u> |
| | <u>454,429,491</u> | <u>500,289,102</u> | <u>171,070,941</u> | <u>44,689,119</u> |

11. Current assets – Investments in controlled entities

| | Principal activity | Ownership interest | | Parent entity carrying amount | |
|---|--------------------|--------------------|--------|-------------------------------|--------------------|
| | | 2006 % | 2005 % | 2006 \$ | 2005 \$ |
| Directly controlled by Glebe Administration Board | | | | | |
| Glebe Australian Equities Fund (formerly Glebe Large-Cap Shares Fund) | Investment | 82.63% | 76.95% | 233,072,940 | 183,273,716 |
| Glebe Diversified Property Fund | Investment | 0.00% | 69.57% | - | 66,714,209 |
| Glebe Global Shares Fund | Investment | 0.00% | 84.81% | - | 42,710,465 |
| Glebe Fixed Interest Fund | Investment | 0.00% | 63.58% | - | 42,165,751 |
| Glebe Pan-Asian Growth Trust | Investment | 0.00% | 69.47% | - | 8,744,880 |
| Glebe High Grade Investment Fund | Investment | 0.00% | 39.69% | - | 1,978,581 |
| Glebe Large-Cap Shares Trust | Investment | 73.82% | 32.46% | 4,224,931 | - |
| | | | | <u>237,297,871</u> | <u>345,587,602</u> |

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

During the year, pursuant to a resolution of the Board of Glebe Asset Management Limited, five Glebe Investment Trusts were wound up.

Directly controlled by Glebe Asset Management Limited

| | | | | | |
|---|------------|-------|--------|------------------|------------------|
| Glebe Australian Equities Fund (formerly Glebe Large-Cap Shares Fund) | Investment | 0.79% | 0.00% | 2,217,664 | - |
| Glebe High Grade Investment Fund | Investment | 0.00% | 47.14% | - | 3,429,769 |
| | | | | <u>2,217,664</u> | <u>3,429,769</u> |

12. Non-current assets – Investments in controlled entities

| | Principal activity | Ownership interest | | Parent entity carrying amount | |
|--|--------------------|--------------------|-----------|-------------------------------|------------------|
| | | 2006 % | 2005 % | 2006 \$ | 2005 \$ |
| 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 | 5,000,000 |
| Glebe Investment Company Pty Ltd | Financial services | 100 | 100 | 2 | 2 |
| Glebe Mortgage Finance Limited | Mortgage lending | 100 | 100 | 500,001 | 500,001 |
| | | | | <u>5,500,003</u> | <u>5,500,003</u> |

13. Non-current assets – Investment in St Andrew's House

| | Consolidated | | Parent Entity | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ |
| 50% Beneficial interest in St. Andrew's House Corporation (note 2c) | 37,919,668 | 37,019,733 | 37,919,668 | 37,019,733 |
| | <u>37,919,668</u> | <u>37,019,733</u> | <u>37,919,668</u> | <u>37,019,733</u> |

continued...

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Movements in carrying amounts:

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Balance 1 January | 37,019,733 | 37,747,608 | 37,019,733 | 37,747,608 |
| Share of distributable surplus for the year | 4,217,013 | 946,475 | - | - |
| Distributions received | (1,823,058) | (1,956,747) | - | - |
| Share of (decrease)/increase in other reserves | (1,494,020) | 282,397 | - | - |
| Revaluation of beneficial interest in SAHC | - | - | 899,935 | (727,875) |
| Balance 31 December | <u>37,919,668</u> | <u>37,019,733</u> | <u>37,919,668</u> | <u>37,019,733</u> |

The carrying amount is comprised of:

| | | | | |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| Capital invested | 4,714,615 | 4,714,615 | 4,714,615 | 4,714,615 |
| Other reserves | 647,491 | 2,141,511 | 647,491 | 2,141,511 |
| Accumulated surplus | 31,373,560 | 29,107,731 | 31,373,560 | 29,107,731 |
| Unpaid distribution | 1,184,002 | 1,055,876 | 1,184,002 | 1,055,876 |
| | <u>37,919,668</u> | <u>37,019,733</u> | <u>37,919,668</u> | <u>37,019,733</u> |

14. Current assets – Derivative financial instruments

| | Consolidated | | Parent Entity | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Interest rate swap contracts | 621,163 | 295,628 | 621,163 | 295,628 |
| | <u>621,163</u> | <u>295,628</u> | <u>621,163</u> | <u>295,628</u> |

The Board is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Bank interest bearing loans of the consolidated entity currently bear an average variable interest rate of 6.90%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis.

At 31 December 2006, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

| | Consolidated | | Parent Entity | |
|-------------|---------------------|-------------------|----------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| 0 - 1 years | 60,000,000 | 37,552,500 | 60,000,000 | 37,552,500 |
| 1 - 2 years | 30,000,000 | 50,000,000 | 30,000,000 | 50,000,000 |
| 2 - 3 years | - | 10,000,000 | - | 10,000,000 |
| | <u>90,000,000</u> | <u>97,552,500</u> | <u>90,000,000</u> | <u>97,552,500</u> |

15. Current liabilities - Payables

| | Consolidated | | Parent Entity | |
|--|-------------------|------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Interest payable | 1,942,623 | 1,729,807 | 1,942,623 | 1,729,807 |
| Amounts owing on investments purchased | 38,952,335 | - | - | - |
| Accounts payable and accruals | 487,852 | 414,572 | 150,941 | 136,173 |
| | <u>41,382,810</u> | <u>2,144,379</u> | <u>2,093,564</u> | <u>1,865,980</u> |

16. Current liabilities – Interest bearing liabilities

| | Consolidated | | Parent Entity | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Deposits – Glebe Income Accounts | 125,426,618 | 130,870,557 | 126,162,173 | 131,097,103 |
| Cash at bank in overdraft | 29,084 | 428,089 | 29,084 | 166,447 |
| Bank bill line facility | 100,000,000 | - | 100,000,000 | - |
| | <u>225,455,702</u> | <u>131,298,646</u> | <u>226,191,257</u> | <u>131,263,550</u> |

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

17. Non-current liabilities – Interest bearing liabilities

| | Consolidated | | Parent Entity | |
|----------------------------------|-------------------|--------------------|-------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Deposits – Glebe Income Accounts | 9,365,917 | 8,147,906 | 9,365,917 | 8,147,906 |
| Bank bill line facility | 30,000,000 | 130,000,000 | 30,000,000 | 130,000,000 |
| Bank loan | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| | <u>49,365,917</u> | <u>148,147,906</u> | <u>49,365,917</u> | <u>148,147,906</u> |

The bank bill facilities and bank loans are unsecured and for a total of \$140,000,000. The Glebe Administration Board has a multiple option facility with Westpac Banking Corporation for \$80,000,000 which had been fully drawn down at year end. The Glebe Administration Board also has a commercial bill and cash advance facility with Australia and New Zealand Banking Group Limited for a total of \$60,000,000 which had been fully drawn down at year end.

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 the Sydney Diocesan Secretariat.

The Board has an overdraft limit of \$1,000,000 on its current account with Sydney Diocesan Secretariat. At balance sheet date the balance of the current account was \$13,886 (2005: \$871,113).

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

18. Provisions

| | Consolidated | | Parent Entity | |
|--|--------------|--------------|---------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Provision for GAB distribution | | | | |
| Balance 1 January | 19,142,234 | 18,236,161 | 19,142,234 | 18,236,161 |
| Provided during the period | 11,109,162 | 11,543,392 | 11,109,162 | 11,543,392 |
| | 30,251,396 | 29,779,553 | 30,251,396 | 29,779,553 |
| Paid during the period | (9,622,207) | (10,637,319) | (9,622,207) | (10,637,319) |
| Balance 31 December | 20,629,189 | 19,142,234 | 20,629,189 | 19,142,234 |
| Provision for GIT distributions to Minority Interests | | | | |
| Balance 31 December | 1,040,752 | 1,755,348 | - | - |
| | 21,669,941 | 20,897,582 | 20,629,189 | 19,142,234 |
| Current | 11,050,081 | 11,084,650 | 10,009,329 | 9,329,302 |
| Non-current | 10,619,860 | 9,812,932 | 10,619,860 | 9,812,932 |
| | 21,669,941 | 20,897,582 | 20,629,189 | 19,142,234 |

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 2003 and is paid to Synod as reflected in the Synod Fund.

| | Consolidated | | Parent Entity | |
|--|------------------|-------------------|------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| The composition of payments during the year were as follows: | | | | |
| Synod | 9,162,504 | 8,697,109 | 9,162,504 | 8,697,109 |
| Other | 459,703 | 1,940,210 | 459,703 | 1,940,210 |
| | <u>9,622,207</u> | <u>10,637,319</u> | <u>9,622,207</u> | <u>10,637,319</u> |

19. Capital

| (a) Capital | Consolidated | | Parent Entity | |
|-------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Capital | <u>33,361,119</u> | <u>31,119,554</u> | <u>33,361,119</u> | <u>31,119,554</u> |
| | <u>33,361,119</u> | <u>31,119,554</u> | <u>33,361,119</u> | <u>31,119,554</u> |

| (b) Movement in capital | Consolidated | | Parent Entity | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Balance 1 January | 31,119,554 | 31,107,047 | 31,119,554 | 31,107,047 |
| Transfer of capital profit on sale of Sydney Anglican Property Fund | 2,223,827 | - | 2,223,827 | - |
| Gifts received | 17,738 | 12,507 | 17,738 | 12,507 |
| Balance 31 December | <u>33,361,119</u> | <u>31,119,554</u> | <u>33,361,119</u> | <u>31,119,554</u> |

20. Reserves

(a) Reserves

| | Consolidated | | Parent Entity | |
|------------------------------|----------------|------------------|---------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Deferred maintenance reserve | 647,491 | 2,141,511 | - | - |
| Balance 31 December | <u>647,491</u> | <u>2,141,511</u> | <u>-</u> | <u>-</u> |

(b) Movement in deferred maintenance reserve

| | Consolidated | | Parent Entity | |
|---|----------------|------------------|---------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Balance 1 January | 2,141,511 | 1,859,114 | - | - |
| Share of (decrease)/increase in SAHC's deferred maintenance reserve | (1,494,020) | 282,397 | - | - |
| Balance 31 December | <u>647,491</u> | <u>2,141,511</u> | <u>-</u> | <u>-</u> |

(c) Nature and purpose of reserves

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.

21. Accumulated surplus**(a) Accumulated surplus**

| | Consolidated | | Parent Entity | |
|---------------------|---------------------|--------------------|----------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Accumulated surplus | <u>238,401,393</u> | <u>194,029,176</u> | <u>238,144,184</u> | <u>194,898,389</u> |

(b) Movement in accumulated surplus

| | Consolidated | | Parent Entity | |
|---|---------------------|--------------------|----------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Balance 1 January | 194,029,176 | 164,383,494 | 194,898,389 | 164,946,996 |
| Surplus after income tax | 57,705,206 | 40,439,074 | 56,578,784 | 40,744,785 |
| Reversal of provision for doubtful debts on adoption of AASB 139 | - | 750,000 | - | 750,000 |
| Provisions for distribution during the year | (11,109,162) | (11,543,392) | (11,109,162) | (11,543,392) |
| Transfer capital profit on sale of Sydney Anglican Property Fund to capital | (2,223,827) | - | (2,223,827) | - |
| Balance 31 December | <u>238,401,393</u> | <u>194,029,176</u> | <u>238,144,184</u> | <u>194,898,389</u> |

22. Related Party Transactions

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

| | |
|--------------------------------|------------------|
| Canon B A Ballantine-Jones OAM | Mr D McDonald AC |
| Mr P R Berkley | Mr P P Driscoll |
| Rt Rev R C Forsyth | Mr I C Miller |
| Dr S E Judd | Mr W H Olson AM |
| Mr R H Y Lambert | Dr L A Scandrett |
| Mr N Lewis | 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 year on commercial terms and conditions.

The following related party transactions occurred during the year:

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

| | Loan Balance | | Interest Paid | |
|--------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Glebe Administration Board loan to: | | | | |
| Glebe Investment Company Pty Limited | 1,009,500 | 1,009,500 | - | - |
| Glebe Mortgage Finance Limited | 43,891,936 | 39,843,929 | 2,306,788 | 1,738,635 |
| Glebe Australia Limited | 4,529,562 | 3,742,218 | - | - |
| | <u>49,430,998</u> | <u>44,595,647</u> | <u>2,306,788</u> | <u>1,738,635</u> |
| Glebe Australia Limited loan to: | | | | |
| Glebe Investment Company Pty Limited | 85,129 | 85,129 | - | - |
| | <u>85,129</u> | <u>85,129</u> | <u>-</u> | <u>-</u> |

(ii) Glebe Administration Board recovered a subsidy of \$320,000 (2005: payment of \$115,817) from Glebe Asset Management Limited for prior expenses. The subsidy is not separately disclosed in the accounts but shown as a net expense. At year end a subsidy of \$Nil (2005: \$58,603) was receivable from Glebe Asset Management Limited by Glebe Administration Board.

(iii) Management fees of \$Nil (2005: \$300,000) were charged by Glebe Administration Board to Glebe Australia Limited.

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 \$1,823,058 (2005: \$1,956,749).

At 31 December 2006, a loan was provided from Glebe Administration Board for \$14,000,000 (2005: \$7,800,124). This represents an at-call finance facility to assist in funding of improvements to Town Hall Square. Interest charged to St Andrew's House Corporation in respect of this loan was \$795,031 (2005: \$412,738). As at 31 December 2006 the loan had a limit of \$14,000,000 (2005: \$14,000,000).

Management fees of \$493,305 (2005: \$347,871) were charged from Glebe Administration Board to St Andrew's House Corporation.

iii. Related party investments

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

| | Units purchased | | Units redeemed | |
|---|-----------------|------------|----------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Transactions with the Glebe Administration Board: | | | | |
| Glebe Australian Equities Fund (formerly Glebe Large-Cap Shares Fund) | 37,482,569 | 10,500,000 | 9,000,000 | 1,000,000 |
| Glebe Diversified Property Fund | - | 25,500,000 | 62,326,347 | 7,000,000 |

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| | | | | |
|--|-------------------|-------------------|--------------------|-------------------|
| Glebe Global Shares Fund | 4,477,464 | 7,750,000 | 40,497,276 | 1,700,000 |
| Glebe Fixed Interest Fund | - | 7,750,000 | 41,328,629 | 1,100,000 |
| Glebe Small-Cap Shares Fund | 400,000 | 2,900,000 | 17,252,641 | 2,000,000 |
| Glebe Pan-Asian Growth Trust | - | 2,050,000 | 7,606,844 | 350,000 |
| Glebe Straightforward Investment Trust | 9,184 | - | 3,640,437 | - |
| Glebe High-Grade Fixed Interest Trust | - | - | 1,955,128 | - |
| Glebe Straight Forward Growth Trust | - | - | - | 1,321,122 |
| Glebe World Wide Equities Trust | - | - | 1,984,487 | - |
| Glebe Large-Cap Equities Trust | - | - | 824,580 | - |
| Glebe Large-Cap Shares Trust | 4,250,000 | - | 5,000,396 | - |
| Glebe Small-Cap Equities Trust | - | - | 2,236,440 | - |
| | <u>46,619,217</u> | <u>56,450,000</u> | <u>193,653,205</u> | <u>14,471,122</u> |

Transactions with Glebe Asset Management:

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Glebe Fixed Interest Fund | - | - | - | 999,552 |
| Glebe Australian Equities Fund (formerly Glebe Large-Cap Shares Fund) | 1,281,887 | - | - | - |
| Glebe Straight Forward Growth Trust | - | 2,099,552 | 1,767,284 | - |
| Glebe High-Grade Fixed Interest Fund | - | - | 2,539,355 | 1,100,000 |
| | <u>1,281,887</u> | <u>2,099,552</u> | <u>4,306,639</u> | <u>2,099,552</u> |

iv. Other related party transactions

The following other related party transactions occurred during the year:

- (i) A mortgage loan of \$120,000 (2005: \$120,000) was provided to Canon B A Ballantine-Jones OAM under normal commercial terms. Interest revenue recorded by the Board in respect of the above loan was \$9,116 (2005: \$66,848).
- (ii) The following related parties were charged a management fee by the Sydney Diocesan Secretariat:

| | Management Fee Paid | |
|--------------------------------|----------------------------|-------------|
| | 2006 | 2005 |
| | \$ | \$ |
| Glebe Administration Board | 5,395,639 | 4,572,145 |
| Glebe Asset Management Limited | 2,183,264 | 3,657,893 |
| Glebe Mortgage Finance Limited | 339,490 | 246,336 |

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

| | Current account balance | | Interest earned/(paid) | |
|--------------------------------------|--------------------------------|-------------|-------------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Glebe Administration Board | 13,886 | 871,113 | 1,965 | 24,944 |
| Glebe Asset Management Limited | 1,404 | 26,765 | 3,079 | 2,773 |
| Glebe Investment Company Pty Limited | 2,428 | 30 | 5 | 21 |
| Glebe Mortgage Finance Limited | 16,620 | 224,273 | 1,710 | (21,829) |
| Glebe Australia Limited | 2,280 | (261,642) | (7,877) | (1,362) |

- (iv) During the year the following investments were written down in the accounts of Glebe Administration Board.

| | 2006 | 2005 | 2006 | 2005 |
|---|----------------|----------------|----------------------|----------------------|
| | \$ Cost | \$ Cost | \$ Write-down | \$ Write-down |
| Bridgewater Lake Estate Limited shares | - | 2,198,676 | | 963,585 |
| Bridgewater Lake Estate Limited convertible notes | 3,277,940 | 3,690,940 | 1,660,360 | 1,617,580 |
| Vitality Care Pty Ltd convertible notes | 1,600,000 | 1,600,000 | 799,998 | 800,000 |
| Vitality Care Commissioning Pty Ltd convertible notes | 1,405,134 | 1,865,625 | 472,320 | 932,812 |
| Harvest Living Limited | 2,713,950 | - | 2,713,942 | - |

- (v) Glebe Administration Board received property management fees of \$119,756 (2005: \$90,000) from Endowment of the See.
- (vi) A loan facility has been provided by Glebe Administration Board to the Endowment of the See to assist with the funding of development of Greenoaks Apartments. As at 31 December 2006 the loan had a limit of \$17,000,000 (2005: \$17,000,000) and was drawn to \$12,736,047 (2005: \$4,266,359). Interest charged for the year ended 31 December 2006 was \$563,728 (2005: \$158,774).

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

| | Consolidated | | Parent Entity | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Surplus from continuing operations after income tax | 57,705,206 | 40,439,074 | 56,578,784 | 40,744,785 |
| Mark to market of investments | (17,825,805) | (31,650,976) | (3,992,017) | (19,199,917) |
| Gain on sale of investments | (1,699,150) | (4,085,272) | (1,854,187) | (4,034,559) |
| Interest capitalised on Glebe Income Accounts | 4,538,600 | 4,925,984 | 4,538,600 | 4,925,984 |
| Increase in unpaid distribution | - | (194,523) | - | - |
| Glebe Investment Trust distributions | 4,936,390 | 7,251,324 | - | - |
| Foreign Exchange | - | 52,907 | - | - |
| Changes in assets and liabilities | | | | |
| Decrease/(increase) in receivables | 796,248 | (721,724) | (1,400,222) | (1,144,277) |
| (Increase) in other assets | (325,535) | (295,628) | (325,535) | (295,628) |
| Increase in payables | 286,099 | 655,705 | 227,589 | 462,984 |
| Net cash inflow from operating activities | <u>48,412,053</u> | <u>16,376,871</u> | <u>53,773,012</u> | <u>21,459,372</u> |

24. Risk Management and financial instruments

The Glebe Administration Board and its consolidated entities have a Compliance and Risk Management Team whose responsibility it is to co-ordinate the risk management program and to assist in the development of awareness of risk management within GAB.

The entities' activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The entities' exposure to those risks is outlined below:

(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 2006 | 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 | 6.39 | 31,952,650 | - | - | - | - | 31,952,650 |
| Loans and mortgages | 7.92 | 89,853,864 | - | - | - | - | 89,853,864 |
| Receivables | | - | - | - | - | 43,928,978 | 43,928,978 |
| Equity investments | | - | - | - | - | 314,090,955 | 314,090,955 |
| Property related investments | | - | - | - | - | 107,081,887 | 107,081,887 |

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| | | | | | | | |
|---|-------|--------------------|----------------------|---------------------|---|--------------------|--------------------|
| Fixed interest investments | 4.11 | 33,256,649 | - | - | - | - | 33,256,649 |
| Derivative financial instruments | 6.34 | 90,621,163 | - | - | - | - | 90,621,163 |
| | | <u>245,684,326</u> | - | - | - | 465,101,820 | <u>710,786,146</u> |
| Financial liabilities | | | | | | | |
| Payables | | - | - | - | - | 41,382,810 | 41,382,810 |
| Overdraft | 14.30 | 29,084 | - | - | - | - | 29,084 |
| Interest bearing liabilities and loans | 6.30 | 124,835,951 | 110,590,667 | 39,365,917 | - | - | 274,792,535 |
| Provision for income distribution | | - | - | - | - | 21,669,941 | 21,669,941 |
| Interest rate swaps | 5.70 | - | 60,000,000 | 30,000,000 | - | - | 90,000,000 |
| | | <u>124,865,035</u> | <u>170,590,667</u> | <u>69,365,917</u> | - | <u>63,052,751</u> | <u>427,874,370</u> |
| Net financial assets/(liabilities) | | <u>120,819,291</u> | <u>(170,590,667)</u> | <u>(69,365,917)</u> | - | <u>402,049,069</u> | <u>282,911,776</u> |

| 31 December 2005 | Weighted effective interest rate % | Floating interest rate \$ | 1 year or less \$ | Fixed interest maturing in over 1 to 5 years \$ | More than 5 years \$ | Non-interest bearing \$ | Total \$ |
|--|---|----------------------------------|--------------------------|--|-----------------------------|--------------------------------|--------------------|
| Financial assets | | | | | | | |
| Cash assets | 5.61 | 34,784,808 | - | - | - | - | 34,784,808 |
| Loans and mortgages | 7.31 | 70,491,252 | - | - | - | - | 70,491,252 |
| Receivables | | - | - | - | - | 3,323,956 | 3,323,956 |
| Equity investments | | - | - | - | - | 331,288,474 | 331,288,474 |
| Property related investments | | - | - | - | - | 98,202,432 | 98,202,432 |
| Fixed interest investments | 10.01 | 70,798,196 | - | - | - | - | 70,798,196 |
| Derivative financial instruments | 5.64 | 97,848,128 | - | - | - | - | 97,848,128 |
| | | <u>273,922,384</u> | - | - | - | <u>432,814,862</u> | <u>706,737,246</u> |
| Financial liabilities | | | | | | | |
| Payables | | - | - | - | - | 2,144,379 | 2,144,379 |
| Overdraft | 15.51 | 428,089 | - | - | - | - | 428,089 |
| Interest bearing liabilities and loans | 5.76 | 80,201,649 | 50,668,908 | 148,147,906 | - | - | 279,018,463 |

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| | | | | | | | |
|---|------|--------------------|---------------------|----------------------|---------------------|--------------------|--------------------|
| Provision for income distribution | | - | - | - | - | 20,897,582 | 20,897,582 |
| Interest rate swaps | 5.44 | - | 37,552,500 | 50,000,000 | 10,000,000 | - | 97,552,500 |
| | | <u>80,629,738</u> | <u>88,221,408</u> | <u>198,147,906</u> | <u>10,000,000</u> | <u>23,041,961</u> | <u>400,041,013</u> |
| Net financial assets/(liabilities) | | <u>193,292,646</u> | <u>(88,221,408)</u> | <u>(198,147,906)</u> | <u>(10,000,000)</u> | <u>409,772,901</u> | <u>306,696,233</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.

(ii) Credit risk exposures

The carrying amount of financial assets included within the balance sheets represent the consolidated entity's maximum exposure to credit risk in relation to these assets, except concerning undrawn facilities (refer note 9).

(iii) Net fair value of financial assets and liabilities

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

25. Contingent liabilities and assets

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

A joint and several guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St Andrew's House Corporation for overdraft accommodation up to \$1,200,000 granted to the Sydney Diocesan Secretariat, Anglican Church of Australia (refer note 17). No losses are expected from this guarantee.

26. Remuneration of Auditors

Audit fees for the Glebe Administration Board are paid by the Sydney Diocesan Secretariat under contract arrangements. The audit fee for the year for the Glebe Administration Board is quoted as \$78,233 (2005: \$67,000), and Glebe Administration Board consolidated is \$117,367 (2005: \$107,200).

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 Investment Trusts as part the management fees charged.

Other remuneration paid to auditors are as follows:-

| | Consolidated | | Parent Entity | |
|-------------------|----------------|----------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | \$ | \$ | \$ | \$ |
| Audit services | 38,186 | 39,300 | - | - |
| Taxation services | 104,821 | 135,800 | - | 29,390 |
| Other services | 133,420 | 171,120 | 2,300 | - |
| | <u>276,427</u> | <u>346,220</u> | <u>2,300</u> | <u>29,390</u> |

27. Events occurring after reporting date

The members of Glebe Administration Board are not aware of any events occurring after reporting date that impact on the financial statements as at 31 December 2006.

This financial report was authorised for issue on 21 March 2007 by the Board.

Members' Declaration

In the members opinion:

- (a) the financial statements and notes set out on [pages 254 to 311] are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.

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

R H Y Lambert
L A Scandrett
Members

21 March 2007