

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

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**ABN 84 797 589 118**

**Annual financial report – 31 December 2016**

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

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## **Report by the Chief Executive Officer For the year ended 31 December 2016**

### **Background**

Glebe Administration Board ("GAB") is the trustee of the property held on the trusts set out in the Diocesan Endowment Trust Ordinance 2016. That property is known as the Diocesan Endowment (the "DE").

By clause 4 of the Diocesan Endowment Trust Ordinance 2016 –

- (a) The DE is held on trust for the purposes of the Anglican Church of Australia in the Diocese of Sydney.
- (b) GAB, as trustee of the DE, is to act in a way which preserves the real value of the DE and, subject to this requirement, enables distributions to be paid to the Standing Committee each year to be applied in accordance with the determination or direction of the Synod.

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

### **Results for 2016**

In 2016, the DE recorded a surplus on a consolidated basis of \$13,713,080 (2015 surplus \$13,147,437).

Over the year growth asset classes such as Australian shares and international shares (hedged and unhedged) outperformed defensive asset classes such as fixed income and cash. Growth asset classes including the DE's direct property interest in the St Andrew's House Trust contributed to almost all of the surplus in 2016. The return on opening capital was 9%.

Overall, the value of the net assets of the DE increased to \$161,483,813 as at 31 December 2016 (\$152,170,733 as at 31 December 2015), an increase of 6.1% after providing for a distribution of \$4,400,000 to be paid in 2017.

### **Significant events during 2016**

#### *Constitution*

In May 2016 and at the request of GAB, the Standing Committee of the Synod passed the *Diocesan Endowment Trust Ordinance 2016* and the *Glebe Administration Board 1930 Amendment Ordinance 2016*. These ordinances updated the constitutions of the DE and GAB so that they comply with modern standards and practices for corporate governance, current legislative requirements and, in the case of GAB, the Synod's Governance Policy for Diocesan Organisations. In particular, the amendments to GAB's constitution provided for the membership of GAB to be separately appointed from the membership of the Sydney Diocesan Secretariat. This allows, in due course, for members to be appointed to GAB on the basis of the skills needed by GAB.

#### *Investment management*

During 2016, Mercer Australia Pty Limited continued to provide advice to GAB about the investment of the property of the DE. The investment of the property of the DE is undertaken in accordance with an Investment Policy Statement, a copy of which can be found on GAB's web page. It is reviewed periodically.

A formal review of the investments of the DE was undertaken by Mercer during March 2016. As a consequence of this review GAB approved, with effect from 1 May 2016, a reduced investment return objective from CPI + 4% per annum to CPI plus 3.5%, and a reduced spending limit objective from 4% per annum to 3.5%.

In March 2016, GAB approved an Ethical Investment Policy. This policy outlines the ethical principles which GAB will consider in determining whether an investment in the securities of an entity is made or maintained. The policy came into effect on 1 September 2016, following endorsement of the policy by the Standing Committee in May 2016.

*Financial services – closure of the Glebe Income Accounts*

In December 2015 GAB resolved to close the Glebe Income Accounts (GIAs). In view of the material reduction in the return earned on the capital of the DE allocated to the GIAs, GAB could not justify, from an investment perspective, the continuation of the GIAs. In making this decision, GAB was also aware of proposals by the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission to restrict GAB (and similar entities) from taking certain investments from retail investors. While GAB generally supported these restrictions (which were subsequently put in place during 2016), GAB considered that they would further detract from the return earned on the GIAs.

In February 2016, GAB agreed to a transition plan for closing the GIAs which allows account holders a reasonable time to make alternative account arrangements, and appropriately manage operational, liquidity and credit risk. The plan contemplates that the closure of the GIAs will be completed by 30 June 2017. Upon the closure of the GIAs, the capital presently allocated as prudential support for these financial services activities will be able to be invested in another way. It is expected that this will enhance the financial return of the DE.

*Financial services – establishment of the Diocesan Cash Investment Fund*

The closure of the GIAs is being accompanied by the creation of a new vehicle to enable treasury cash management to be undertaken on behalf of diocesan organisations. The Diocesan Cash Investment Fund (“DCIF”) was established by ordinance of the Standing Committee in August 2016. Unlike the GIAs, the DCIF does not form part of the DE and is therefore a separate trust held by GAB. It is expected that the DCIF will become operational in the second quarter of 2017 once relevant regulatory requirements have been finalised.

ROBERT WICKS  
**Acting Chief Executive Officer**

22 March 2017

# **Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016**

The members of the Glebe Administration Board submit herewith the financial report as at 31 December 2016.

## **Scope**

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This financial report covers the consolidated entity consisting of Glebe Administration Board as trustee for the Diocesan Endowment and its controlled entities. Glebe Administration Board as trustee for the Diocesan Endowment is referred to as "GAB" within this financial report. 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.

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*. Its registered office and principal place of business –

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

## **Principal activities**

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The object of 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 GAB 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 GAB's activities during the year except for the reduction in Glebe Income Accounts following the decision to close the Glebe Income Accounts.

## **Results for the year**

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The consolidated total changes in equity before distributions and capital transactions, after adjusting the equity and fixed interest portfolio to market value and equity accounting for the beneficial interest in St Andrews House, is a surplus of \$13,713,080 (2015: \$13,147,437).

## **Distributions**

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GAB has made distributions of \$4,300,000 (2015: \$4,000,000) from the provision for distribution account.

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

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

# **Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016 (cont)**

## **Members**

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The Standing Committee of the Diocese of Sydney appoints members for terms of 3 years. The Standing Committee has the power to remove any member before the expiration of their term. The non-executive members receive no remuneration. The Chief Executive Officer attends Board meetings.

The following members were in office during the whole financial year and up to the date of this report.

### **Mr Ross Smith (Chairman), MAppFin, BEc , Chartered Accountant, age 50**

CEO, Anglican Schools Corporation. Previously CFO of Anglicare, Sydney. Brings 25 years experience in Finance, Corporate Restructuring and Acquisition Advisory; Member of the Council of St Andrew's House Corporation. Member of Caringbah Anglican Church. Board member since 2010.

### **Mr Mark Ballantyne BE, MBA, FIAA, age 48**

Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years experience in all facets of financial services. Attends East Lindfield Anglican Church. Board member since 2009.

### **The Rev Edward Brush, B Th, Dip Min, age 60**

Rector, Parish of Lower Mountains. Previously served on Standing Committee, Mission Board of the Standing Committee, Council of St Andrew's Cathedral School, George's River Regional Council and Finance & Loans Board. Originally trained as an electrical engineer with extensive experience in supply chain management both in Australia and internationally. Board member since 2013.

### **Mr Greg Hammond OAM, BA, LLB, AssocDegTh, age 59**

Consultant in banking and finance; formerly partner of King & Wood Mallesons; chairman of Anglican Community Services (t/as Anglicare Sydney) and Olive Tree Media; director of the Australian College of Theology, G&C Mutual Bank, NCNC Funds Limited and Opportunity International Australia; Adjunct Fellow Macquarie University in the Applied Finance Centre; previous service on Diocesan and other not-for-profit boards and committees. Member of Macquarie Anglican Churches. Board member since 2014.

### **Mr John Pascoe, FCA, BEc, age 56**

Partner Pascoe Whittle Chartered Accountants; Member of Standing Committee, Finance Committee, St Andrew's House Corporation, St Andrew's Cathedral Chapter and Diocesan Resources Committee; Chairman Audit Committee. Attends St Andrew's Cathedral. Board member since 2009.

### **Mr Andrew Stanley BE, LLB, MAppFin, CA, FINSA, age 48**

Head of Australian Equities, Ralton Asset Management. Over 20 years experience in financial structuring/investment banking and funds management. Previously a member of Anglican Funds Committee, Melbourne. Member of St Matthias Anglican Church Paddington. Board member since 2014.

### **Bishop Michael Stead, BCom (Acc), BD(Hons), DipMin, PhD, age 47**

Bishop of South Sydney; Member of Standing Committee Diocese of Sydney; Diocesan Representative on General Synod; Member of General Synod Standing Committee; Secretary of the General Synod Doctrine Commission. Prior to ordination, worked for PricewaterhouseCoopers from 1990-1996. Board member since 2015.

### **Professor Peter Wolnizer, OAM, BEc. MEc PhD, FCA, FCPA, age 66**

Professor Emeritus at The University of Sydney; formerly Dean of the Faculty of Economics and Business (1999-2010) and Professor of Accounting. Chairman of the International Accounting Education Standards Board (2012-2014). Member Council of Moore College (2000-2004). Attends St Andrew's Cathedral. Board member since 2012.

## **Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016 (cont)**

### ***Resignation***

Messrs Andrew McLoughlin and Ian Miller retired on 14 November 2016 when their respective terms of appointment expired.

#### **Mr Andrew McLoughlin, BBus, CPA, MTax, age 54**

Deputy Inspector-General of Taxation. Over 25 years banking, financial services and taxation experience. Senior management positions in industry and government service. He attends East Lindfield Anglican Church. Member of GAB Audit and Sydney Diocesan Secretariat Audit Committees. Board member since 2009.

#### **Mr Ian Miller BA, LL.M, ThL, GAICD, age 64**

Partner, Hunt and Hunt Lawyers; Member of the Hammond Care Group; Director, Church Missionary Society Trust Ltd, Australian College of Theology Ltd and Pentel Australia Pty Ltd; Chairman of Barker College Council; Consultant Editor of CCH Australia; Board of Enquiry and Parish Relationships Ordinance Panels; Diocesan Representative on General Synod and Provincial Synod. He attends Beecroft Anglican Church. Board member since 1999.

### ***Appointment***

Mr David Sietsma was appointed on 14 November 2016.

#### **Mr David Sietsma, BCom (Fin), Grad Dip AppFin and Investment SIA (now FINSA) age 49**

General Manager, Group Treasury at the Commonwealth Bank of Australia. 26 years in financial markets roles with Macquarie Bank, Deutsche Bank, BNP Paribas and Commonwealth Bank of Australia. Earlier experience focussed on trading portfolios covering commodities, foreign exchange, interest rate derivatives, corporate and sovereign fixed income and credit derivatives. Since joining the Commonwealth Bank in 2006 the focus has centred on balance sheet and portfolio management of the Group financial market risks. This has included roles as Executive Manager of Asset and Liability Management and Head of Investment Portfolios. He is currently Chair of the Council of Arden Anglican School. Attends All Saints Anglican Church, North Epping. Board member since 2016.

#### **Ms Caitlin Gwilliam, studying for a BBus (Mn/Ec) age 27**

Business Analyst at Anglicare Sydney. Member of the Board Audit Committee since 25 May 2016. Not a Board member. Attends St Peter's Anglican Church, Glenbrook.

## **Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016 (cont)**

Chief Executive Officer

### ***Resignation***

**Mr Mark Payne, BEc, LLB, LLM, FFSIA, AAIM, GAICD, age 53**

Mr Payne was appointed as Chief Executive Officer on 18 November 2010 after periods of service with the Diocese as Diocesan Secretary and in general management roles with Sydney Diocesan Secretariat. Previously he worked as a solicitor with a large commercial firm. He is not a Board member. He attends Cherrybrook Anglican Church. Mr Payne resigned as CEO with effect from 19 November 2016.

### ***Appointment***

**Mr Robert Wicks, B.Sc LLB, GAICD, age 48**

Mr Wicks was appointed as Acting Chief Executive Officer on 19 November 2016. He also currently holds the positions of Diocesan Secretary and Head of Diocesan and Corporate Services of the Sydney Diocesan Secretariat. Previously he worked as a solicitor at the Commonwealth Bank of Australia. He is not a Board member. He attends West Pymble Anglican Church.

### **Secretary**

**Mr Steve Lucas, BA LLB, age 39**

Mr Lucas was appointed Secretary to the Board in 2014. He has held in-house legal roles with the Sydney Diocesan Secretariat for more than 10 years. He is not a Board member. He attends Helensburgh Anglican Church.

### **Continuation in office of Members**

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Mr Ross Smith was reappointed as a member by the Standing Committee on 14 November 2016, for a further term of 3 years.



## Attendance at Members' meetings and Committee Meetings

Year Ended 31 December 2016	Members meetings		Audit committee meetings	
	A	B	A	B
<b>Non Executive members</b>				
R Smith	8C	8C		
Rev T Brush	8	8		
M Ballantyne	8	6		
C Gwilliam			1	0
G Hammond OAM	8	8		
A McLoughlin(retired 14 November 2016)	6	5	2	2
I Miller(retired 14 November 2016)	6	4		
J Pascoe	8	6	2C	2C
Prof Peter Wolnizer OAM	8	8	2	1
D Sietsma(appointed 14 November 2016)	2	1		
M Stead	8	8	2	1
A Stanley	8	7		

- A = meetings eligible to attend
- B = meetings attended
- C = Chairman
- = not a committee member

# **Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016 (cont)**

## **Committees of the Board**

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The function of the Audit 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.

## **Board Delegation**

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

## **Identifying significant business risks**

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

## **Independent professional advice**

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

## **Insurance of officers**

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During the year insurance premiums totalling \$15,000 (2015: \$15,000) 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 since the end of the year**

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The transition plan for the closure of Glebe Income Accounts is in progress.

The plan contemplates that during 2017, the Glebe Income Account deposits will be repaid to the depositors. GAB holds sufficient liquidity to enable those deposits to be repaid.

Upon the closure of the financial services activities the capital currently allocated to those activities will be able to be invested in an alternative way which is expected to earn a higher return for GAB. The closure of the financial services activities will also materially reduce GAB's operational risk.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect, the operations of GAB, the results of those operations or the state of affairs of GAB in future years.

# **Statutory report of the members of the Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016 (cont)**

## **Environmental regulation**

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The operations of GAB 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.

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

## **Likely developments and expected results of operations**

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As has been referred to, GAB has resolved to close the Glebe Income Accounts. Refer to note 7 and 8 for details of the cash position and note 16 and 17 for disclosure on the Glebe Income Accounts.

The members have excluded from this report any other information on the likely developments in operations of GAB 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 GAB.

## **Auditor's independence declaration**

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

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



Member

22 March 2017



Member

22 March 2017

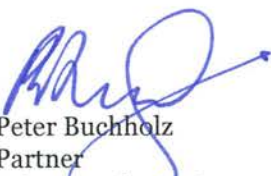


## Auditor's Independence Declaration

As lead auditor for the audit of Glebe Administration Board as trustee for the Diocesan Endowment for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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



Peter Buchholz  
Partner  
PricewaterhouseCoopers

Sydney  
22 March 2017

# GLEBE ADMINISTRATION BOARD

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## Corporate governance statement For the year ended 31 December 2016

Glebe Administration Board ("GAB") is constituted by the *Glebe Administration Ordinance 1930* (the "1930 Ordinance") and is incorporated under the *Anglican Church of Australia (Bodies Corporate) Act 1938*.

GAB is the trustee of the property held on the trusts set out in the *Diocesan Endowment Trust Ordinance 2016* ("2016 Ordinance"). Previously the trusts were set out in the *Diocesan Endowment Ordinance 1984* (the "1984 Ordinance").

This statement summarises GAB's governance framework.

GAB's approach to governance is based on a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing, and protect the interests of the Synod of the Diocese of Sydney (the "Synod") and its Standing Committee (the "Standing Committee").

This approach includes a commitment to the highest standards of governance, which GAB sees as fundamental to its sustainability.

In developing this statement, GAB has considered:

- the governance standards applying to charities registered with the Australian Charities and Not-for-profits Commission ("ACNC"), and
- the Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) (2014) published by the ASX Corporate Governance Council ("ASXCGC"), and
- the Governance Policy for Diocesan Organisations adopted by the Synod in October 2014.

GAB is registered with the ACNC as a charity for the advancement of religion.

While GAB is not a listed entity it recognises that the Corporate Governance Principles and Recommendations of the ASXCGC reflect a contemporary view of appropriate corporate governance standards which are helpful to GAB in formulating its governance rules and practices.

The Governance Policy for Diocesan Organisations articulates principles which reflect the Synod's expectation that each diocesan organisation will seek the highest standards of governance appropriate to the size and nature of that organisation.

### Object and Not-for-profit character

Under the 1930 Ordinance, the object of GAB is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney by acting as trustee of the property of the Diocesan Endowment and to do so in a way which both:

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

Under the 2016 Ordinance, GAB is to advise the Standing Committee each year of the amount which may prudently be distributed from the property of the Diocesan Endowment during the year which follows the year in which advice is given, having regard to the object set in the 1930 Ordinance.

GAB is to pay the Standing Committee the amount so advised during the year which follows the year in which the advice is given, at such time or times as the Standing Committee determines. Amounts so paid by GAB are applied by the Standing Committee in accordance with the determination or direction of the Synod.

# GLEBE ADMINISTRATION BOARD

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## Corporate governance statement (cont) For the year ended 31 December 2016

### Roles and responsibilities

The members of GAB, acting collectively, are responsible for:

- providing leadership and setting the strategic objectives of GAB, and
- appointing the Chairman and Deputy Chairman, and
- appointing, and where necessary replacing, the Chief Executive Officer, and
- approving the appointment, and when necessary replacement, of other senior executives, and
- overseeing management's implementation of GAB's strategic objectives and its performance generally, and
- approving operating budgets and major capital expenditure, and
- overseeing the integrity of GAB's accounting and corporate reporting systems, including the external audit, and
- overseeing GAB's process for making timely and balanced disclosure of information to its stakeholders, and
- ensuring that GAB has in place an appropriate risk management framework and setting the risk appetite within which the members expect GAB to operate, and
- monitoring the effectiveness of GAB's governance practices.

GAB has an Audit Committee to assist it in fulfilling its responsibilities. The main role of the Audit Committee is to monitor report and make recommendations to GAB about the financial reporting processes of GAB, the internal control systems and the independent audit process. The charter of the Audit Committee is reviewed periodically by GAB.

GAB has delegated to the Chief Executive Officer of Sydney Diocesan Secretariat ("SDS"), and through the CEO to the other executive staff of SDS, responsibility for the day to day management of the business of GAB. The scope of that delegated authority, and the limits on that authority, is documented and reviewed periodically by GAB.

### Membership

#### *Membership of GAB*

Under the 1930 Ordinance the number of members of GAB is to be not less than 8 and not more than 10.

The name of each member, together with information about their qualifications and experience, is set out in the annual report of GAB.

#### *Appointment of Members*

GAB is to have an adequate number of members with appropriate skills and commitment to adequately discharge their responsibilities and duties.

GAB, in making recommendations to the Standing Committee about the preferred skills and experience of candidates to fill vacancies in the office of member, has regard to the skills and experience required of a person to serve as a member of GAB.

# GLEBE ADMINISTRATION BOARD

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## **Corporate governance statement (cont) For the year ended 31 December 2016**

The Standing Committee may appoint, as a member, a person other than a potential candidate recommended by GAB.

### *Independence of members*

No member of GAB is an employee of SDS.

Each member of GAB is to be free from any business or other relationship that could interfere with the exercise of their unfettered and independent judgment as a member.

Each member is expected to disclose any business or other relationship which they may have with GAB.

### *Term of office*

A member of GAB holds office for a term of 3 years.

Eligible members may offer themselves for re-election by the Standing Committee. GAB also makes recommendations concerning the re-election of any members by the Standing Committee.

### *Induction of members*

On appointment, a member receives a letter of appointment which sets out the expectations of the member and the conditions of appointment. A member is also offered an induction program to familiarise them with matters relating to the business, strategy and any current issues before GAB.

The induction program includes meetings with the Chairman, the chairman of the Audit Committee, and the CEO and senior executives, as appropriate.

### *Meetings of members*

The members of GAB meet quarterly during the year (February, May, August and November) and at other times when required.

GAB has operating protocols for its meetings which cover matters such as the business of the meeting, attendance at a meeting, and how matters are to be discussed and determined at a meeting.

The CEO attends all meetings. The Chairman, on the recommendation of the CEO, determines which other staff members or external consultants will be present at a meeting.

At each meeting, there is the opportunity for members of GAB to discuss matters in the absence of the CEO and other staff members.

### *Review of performance of members*

The members of GAB regularly review their performance and effectiveness.

### *Learning & Development*

GAB endorses and supports the appropriate development of its members, and expects that they will undertake ongoing learning and development which is relevant to their role as a member. GAB has a Member Learning & Development Policy which describes how GAB will provide support to members in undertaking learning and development.

# GLEBE ADMINISTRATION BOARD

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## Corporate governance statement (cont) For the year ended 31 December 2016

### Accountability

GAB is to be accountable to the Archbishop, the Synod and the Standing Committee being the representatives of the Diocese of Sydney for whose purposes GAB is constituted.

In accordance with its obligations under the 1930 Ordinance, GAB:

- if requested by the Archbishop causes notice of each meeting, and a copy of the minutes of each meeting, to be sent to the Archbishop, and
- reports to the Standing Committee quarterly as to its proceedings and tables a copy of the minutes of all meetings of GAB held since the last meeting, and
- provides the Standing Committee with such information regarding the affairs of GAB as the Standing Committee may require from time to time, and
- answers any question on any matter relating to the affairs of GAB asked by any member of the Standing Committee and which has been referred to GAB by the Diocesan Secretary.

GAB also complies with the provisions of the *Accounts, Audits & Annual Reports Ordinance 1995* which include provisions as to reporting.

GAB publishes its annual financial statements, its annual report and reports about the quarterly investment performance of the Diocesan Endowment on its web site.

### Acting ethically and responsibly

GAB promotes ethical and responsible conduct.

#### *Responsibilities of members to act ethically and responsibly*

In undertaking their responsibilities, members of GAB are:

- to act with reasonable care and diligence
- to act honestly in the best interests of GAB and for its purpose
- not to misuse their position as members
- not to misuse information they gain in their role as members
- to disclose conflicts of interest
- to ensure the financial affairs of GAB are managed responsibly
- not to allow GAB to operate while it is insolvent.

#### *Conflicts of interest*

GAB's conflict of interest policy provides guidelines for recognising and managing potential conflicts of interest of members:

- all members are required to disclose any actual or potential conflict of interest upon appointment and are required to keep those disclosures to GAB up-to-date, and
- any member with a material personal interest in a matter may not participate in discussion or vote on that matter, unless GAB resolves otherwise.

In addition, staff of SDS are not permitted to participate in activities which involve a conflict with their duties and responsibilities or which are prejudicial to GAB.



# GLEBE ADMINISTRATION BOARD

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## **Corporate governance statement (cont) For the year ended 31 December 2016**

GAB has entered into a service level agreement where, on a fee for service basis, SDS undertakes management responsibilities for GAB. In recognition of the conflict which exists because the members of SDS are also the members of GAB, GAB requests that the Finance Committee of the Standing Committee of the Synod review as to the reasonableness the quantum of the fee to be paid by GAB to SDS.

### *Compliance with Australian law*

GAB is subject to a number of specific legal and regulatory obligations by reason of the activities it undertakes. GAB has identified those obligations and monitors compliance with those obligations.

The members of GAB collectively, and each member individually, may seek independent professional advice, at GAB's expense, to help them carry out their responsibilities. The Chairman's prior approval is required, but will not be unreasonably withheld.

### *Ethical Investment Policy*

GAB invests the property of the Diocesan Endowment in accordance with its ethical policy set out in the Investment Policy Statement for the Diocesan Endowment.

## **Safeguard integrity in financial reporting**

### *Core principles*

GAB's approach to financial reporting reflects the following core principles:

- its financial reports present a true and fair view, and
- its financial reports fully inform the members as to financial exposures, and
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies, and
- appropriate internal controls are maintained, and
- its external auditor is independent.

Integrity in the financial reporting system is maintained through:

- the work of the Audit Committee, and
- the work of the External Auditor, and
- CEO and CFO assurance.

### *Audit Committee*

The Audit Committee reviews and assesses any significant estimates and judgments in financial reports and the processes used to monitor and comply with laws, regulations and other reporting requirements.

Members of the Audit Committee are chosen on the basis of relevant skills and experience. The Audit Committee has the flexibility to augment the skills and experience by appointing persons who are not members of GAB, subject to GAB approval.

The performance of the Audit Committee is reviewed as part of the annual performance review undertaken by members.

# GLEBE ADMINISTRATION BOARD

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## **Corporate governance statement (cont) For the year ended 31 December 2016**

The Audit Committee may meet with the external auditors without management being present.

Given the relatively small size of GAB an internal audit division is not warranted. GAB has instituted internal controls and appropriate division of duties. The accounting controls monitor for breaches of authority.

### *External Auditors*

The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and comply with applicable regulations.

The external auditor has access to the minutes and papers of GAB and its Audit Committee.

The external auditor submits an annual declaration of independence to GAB.

Any advisory services by the external auditor are detailed in the notes to the annual financial statements.

The external auditor attends all meetings of the Audit Committee at which a report is presented by the auditor about management, monitoring of financial risks, significant and unusual transactions, any correspondence with regulators and asset valuations.

### *CEO and CFO Assurance*

The members of GAB receive a letter of representation, signed by both the CEO and the Chief Financial Officer of SDS, assuring GAB that in all material respects:

- the financial records have been properly maintained to correctly record and explain its transactions, and
- the financial statements and notes required comply with the accounting standards, and
- the financial statements and notes give a true and fair view of the financial position and of the performance of the organisation, and
- that appropriate internal controls and risk management systems are sound, and continue to run in an efficient manner, and
- that proper retention processes are in place to ensure these records are recoverable and useable for a period of seven years.

## **Recognise and manage risk**

### *Risk Management*

GAB regards managing the risk that affects its business as a fundamental activity, as it influences its performance, reputation and future success.

Effective risk management involves achieving an integrated and balanced approach to risk and reward, and assists us in achieving our objectives of optimizing financial growth and mitigating potential loss or damage.

# GLEBE ADMINISTRATION BOARD

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## **Corporate governance statement (cont) For the year ended 31 December 2016**

### *Risk Management Roles and Responsibilities*

GAB approves the organisation's risk identification and management strategy and periodically reviews that strategy.

The CEO and senior managers are responsible for implementing the risk management framework, systems, controls and procedures for identifying risk and management of risks adopted from time to time by GAB.

The CEO and senior managers ensure that risks are quantified, appropriate risk limits (tolerances) are set and that financial exposures are fully reported to GAB.

### *Compliance Reporting*

GAB monitors its compliance with key risk matters, by requiring periodic confirmation certificates from management.

The compliance coverage and depth of review is reviewed in response to changing circumstances.

Compliance reporting is the responsibility of the Corporate Secretary of GAB.

# GLEBE ADMINISTRATION BOARD

## Five year financial summary – consolidated

\$'000 (unless otherwise indicated)	2012	2013	2014	2015	2016
<b>Consolidated income statement for the year ended</b>					
<b>31 December</b>					
Investment income	19,058	23,982	17,458	18,748	18,806
Borrowing costs	(5,577)	(3,789)	(3,249)	(2,663)	(2,301)
Net investment income	13,481	20,193	14,209	16,085	16,505
Fee and other income	92	113	114	91	112
Net operating income	13,573	20,306	14,323	16,176	16,617
Operating expenses	(2,885)	(3,070)	(2,893)	(3,029)	(2,904)
Total income and expense before tax	10,688	17,236	11,430	13,147	13,713
Income tax expense	-	-	-	-	-
Total income and expense after tax	10,688	17,236	11,430	13,147	13,713
Distributions provided for	3,337	3,600	4,000	4,300	4,400
<b>Consolidated balance sheet as at 31 December</b>					
Investments and loans	155,680	161,982	156,453	136,783	149,514
Cash and other assets	96,807	100,205	106,272	137,498	131,975
Total assets	252,487	262,187	262,725	274,281	281,489
Payables	785	801	556	568	319
Interest bearing liabilities	126,352	122,136	114,846	117,242	115,286
Other liabilities	3,335	3,600	4,000	4,300	4,400
Total liabilities	130,472	126,537	119,402	122,110	120,005
Net assets	122,015	135,650	143,323	152,171	161,484
<b>Ratios</b>					
Total liabilities to net assets (%)	106.9%	93.3%	83.3%	80.2%	74.3%
Investment income on average investment assets (%)	11.0%	15.1%	11.0%	12.8%	13.1%
Surplus after income tax on net assets (%)	8.8%	12.7%	8.0%	8.6%	8.5%
Operating expense to net operating income (%)	21.3%	15.1%	20.2%	18.7%	17.5%
Operating expenses less fee income to total assets (%)	1.1%	1.1%	1.1%	1.1%	1.0%

# GLEBE ADMINISTRATION BOARD

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## Consolidated statement of comprehensive income For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue from continuing operations	4	8,668,424	9,333,626
Share of net profit of St Andrew's House Trust (SAHT) accounted for using the equity method	14	10,249,344	9,505,582
Borrowing costs	5(a)	(2,300,856)	(2,663,286)
Other expenses	5(b)	(2,903,832)	(3,028,485)
<b>Surplus from continuing operations before income tax</b>		<b>13,713,080</b>	<b>13,147,437</b>
Income tax expense	6	-	-
<b>Surplus from continuing operations after income tax</b>		<b>13,713,080</b>	<b>13,147,437</b>
Other comprehensive income		-	-
Income tax relating to other comprehensive income		-	-
Other comprehensive income after tax		-	-
<b>Total comprehensive income</b>		<b>13,713,080</b>	<b>13,147,437</b>

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

# GLEBE ADMINISTRATION BOARD

## Consolidated balance sheet

As at 31 December 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	7	85,556,627	47,565,860
Term deposits with maturity between three months and one year	8	45,170,141	88,298,163
Receivables	9	1,248,563	1,577,199
Loans	10	2,010,224	3,140,116
Financial assets at fair value through profit or loss	12	71,322,856	63,221,624
<b>Total current assets</b>		<b>205,308,411</b>	<b>203,802,962</b>
<b>Non-current assets</b>			
Loans	11	11,523,254	13,491,734
Investment in St Andrew's House	14	64,657,096	56,929,252
Other assets	24	-	56,626
<b>Total non-current assets</b>		<b>76,180,350</b>	<b>70,477,612</b>
<b>Total assets</b>		<b>281,488,761</b>	<b>274,280,574</b>
<b>Current liabilities</b>			
Payables	15	319,039	568,035
Interest bearing liabilities	16	115,285,909	111,108,351
Provisions	18	4,400,000	4,300,000
<b>Total current liabilities</b>		<b>120,004,948</b>	<b>115,976,386</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	17	-	6,133,455
<b>Total non-current liabilities</b>		<b>-</b>	<b>6,133,455</b>
<b>Total liabilities</b>		<b>120,004,948</b>	<b>122,109,841</b>
<b>Net assets</b>		<b>161,483,813</b>	<b>152,170,733</b>
<b>EQUITY</b>			
Capital	19	35,502,540	35,502,540
Reserves	20	1,280,000	910,000
Accumulated surplus	21	124,701,273	115,758,193
<b>Total equity</b>		<b>161,483,813</b>	<b>152,170,733</b>

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

# GLEBE ADMINISTRATION BOARD

## Consolidated statement of changes in equity For the year ended 31 December 2016

	Notes	Capital \$	Reserves \$	Accumulated surplus \$	Total \$
<b>Balance 1 January 2015</b>		<b>35,502,540</b>	<b>610,000</b>	<b>107,210,756</b>	<b>143,323,296</b>
Total comprehensive income		-		13,147,437	13,147,437
Share of SAHT's movement in future rental costs reserve	20		175,000	(175,000)	-
Share of SAHT's movement in future non-sinking fund capital works reserve	20	-	125,000	(125,000)	-
Provision for distribution during the year	18	-	-	(4,300,000)	(4,300,000)
<b>Balance 31 December 2015</b>		<b>35,502,540</b>	<b>910,000</b>	<b>115,758,193</b>	<b>152,170,733</b>
Total comprehensive income		-	-	13,713,080	13,713,080
Share of SAHT's movement in future rental costs reserve	20		175,000	(175,000)	-
Share of SAHT's movement in future non-sinking fund capital works reserve	20	-	195,000	(195,000)	-
Provision for distribution during the year	18	-	-	(4,400,000)	(4,400,000)
<b>Balance 31 December 2016</b>		<b>35,502,540</b>	<b>1,280,000</b>	<b>124,701,273</b>	<b>161,483,813</b>

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

# GLEBE ADMINISTRATION BOARD

## Consolidated statement of cash flows For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Management and service fees		77,469	72,621
Interest received		4,604,882	4,621,235
Dividends and distributions		2,854,884	2,460,000
Grants and donations		29,364	18,721
Other revenue		2,533	135,517
Finance costs		(677,609)	(956,329)
Payments to suppliers		(2,841,753)	(3,003,816)
<b>Net cash inflow from operating activities</b>	23	<b>4,049,770</b>	<b>3,347,949</b>
<b>Cash flows from investing activities</b>			
Financial services software upgrade costs		-	(69,950)
Proceeds from sale of financial assets		10,880,000	9,222,987
Payments for financial assets		(15,030,000)	(8,480,000)
Net decrease in loans provided		3,098,371	29,965,571
Net decrease/(increase) in term deposits between three months and one year		43,128,022	(33,196,049)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>42,076,393</b>	<b>(2,557,441)</b>
<b>Cash flows from financing activities</b>			
Distributions to Synod	18	(4,300,000)	(4,000,000)
Net (decrease)/increase in Glebe Income Accounts		(3,835,396)	697,896
<b>Net cash (outflow) from financing activities</b>		<b>(8,135,396)</b>	<b>(3,302,104)</b>
<b>Net increase/(decrease) in cash held</b>		<b>37,990,767</b>	<b>(2,511,596)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>47,565,860</b>	<b>50,077,456</b>
<b>Cash and cash equivalents at the end of the year</b>	7	<b>85,556,627</b>	<b>47,565,860</b>

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



## 1. Purpose

The Glebe Administration Board ("GAB") was created under the *Glebe Administration Ordinance 1930*. The object of GAB 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 covers the consolidated entity consisting of Glebe Administration Board as trustee for the Diocesan Endowment and its controlled entities. Glebe Administration Board as trustee for the Diocesan Endowment is referred to as "GAB" within this financial report.

GAB's financial statements record the financial aspects of GAB's activities as trustee for the Diocesan Endowment. Distributions are made to the Synod of the Anglican Church of Australia, Diocese of Sydney in accordance with the *Diocesan Endowment Trust Ordinance 2016* 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 GAB and the income is reinvested by GAB.

GAB has no employees and no amounts are paid or allocated to or on behalf of members of GAB.

GAB acts only in the capacity of Trustee for the Anglican Church of Australia, Diocese of Sydney. It does not own any assets nor carry out any activities on its own behalf.

## 2. Summary of significant accounting policies

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

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Diocesan Endowment Trust Ordinance 2016*, the *Accounts, Audits and Annual Reports Ordinance 1995*, Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

GAB is a not for profit entity for the purpose of preparing these financial statements.

These financial statements cover the consolidated entity consisting of GAB and its controlled entities. These accounts reflect the assets and liabilities of GAB with no regard in respect of the beneficial ownership of the net assets.

### **Compliance with Australian Accounting Standards – Reduced Disclosure Requirements**

These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

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

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

### *Historical cost convention*

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

### *New and amended accounting standards*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### *Critical accounting estimates*

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

Material areas of the financial statements where assumptions or estimates are used are set out in note 2(q).

### **(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 2016 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 all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Under the *St Andrew's Trust Ordinance 2015* Glebe Administration Board as trustee for the Diocesan Endowment has a 50% beneficial interest in St Andrew's House Trust (SAHT). The principal asset of SAHT is the land and building known as St Andrew's House.

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 SAHT is recognised as revenue in the consolidated statement of comprehensive income and its share of movements in reserves is recognised in consolidated reserves.

### (d) Foreign currency translation

#### *Functional and presentation currency*

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

### (e) Revenue recognition

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

#### *Dividends and distributions*

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

In the parent entity distributions from SAHT are recorded as revenue in the period in which they are received. GAB's proportion of the unpaid surplus is included in the value of the beneficial interest owned.

#### *Franking credits*

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

#### *Other revenue*

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

#### *Interest income*

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

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

### (f) Income tax

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

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (g) Cash, cash equivalents and term deposits

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

Term deposits are deposits with Authorised Deposit Taking Institutions (ADIs). Term deposits with an initial term of 3 months or less are included in Cash and cash equivalents. Term deposits are carried at face value of the amount deposited. Interest accrued is included in Receivables.

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

### (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 and loans. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

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

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

#### (ii) *Loans*

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

### (j) Fair value estimation

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the 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.

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

### (k) Other payables

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

### (l) Borrowings and borrowing costs

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

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

### (m) Financial guarantee contracts

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

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

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

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

### (n) Distributions

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

Refer to note 18 for details of the provision for distribution made.

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

GAB 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.

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

### (p) Deposits at amortised cost

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

### (q) Parent entity financial information

The financial information for the parent entity disclosed in note 28 has been prepared on the same basis as the consolidated financial statements except as set out below:

#### Investment in St Andrew's House Trust

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

The key accounting policies and critical accounting estimates applied in SAHT are:

#### (i) Lease income

Lease income from operating leases is recognised in income on a straight-line basis over the lease term, where it has a material effect on the accounts.

#### (ii) Investment property

Investment property, comprising an office complex, carpark and a retail arcade, is held for long-term rental yields. In SAHT's financial statements, investment property is carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recorded in SAHT's profit or loss. The valuation of investment property requires the use of critical accounting estimates.

#### Valuation basis

Fair value of investment property is the price at which the property could be exchanged between market participants under current market conditions. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

An independent valuation of the Tower, the St Andrew's House car park and Town Hall Square Arcade has been undertaken by Mr Richard Lawrie FAPI MRICS of Jones Lang LaSalle Advisory Services Pty Ltd as at 31 December 2016. For valuation purposes, St Andrew's House is considered to be a single asset and its separate parts not independently realisable. The values provided for the Tower, Car Park and Town Hall Square Arcade are notional assessments of the value of the separate parts of the building.

The capitalisation rates adopted by the valuer are as follows:

	2016 %	2015 %
Tower and Car Park	7.500	8.000
Town Hall Square Arcade	6.500	6.750

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

### (q) Parent entity financial information (cont)

The valuation is as follows –

	2016 \$	2015 \$
Tower and Car Park	97,000,000	87,000,000
Town Hall Square Arcade	40,000,000	38,000,000
	<u>137,000,000</u>	<u>125,000,000</u>

The fair value of the investment properties at 31 December 2016 includes the amortised cost of lease incentives and the impact of straight-lining rental income in accordance with Australian Accounting Standards.

#### (iii) *Sinking fund*

On 16 February 2001 the Glebe Administration Board, in its then capacity as owner and manager of St Andrew's House (lessor), entered into a lease agreement with St Andrew's Cathedral School (the lessee). Under the agreement the school leased levels 6-8, the roof and the school's Kent Street entrance for a period of 120 years. Part of the lease agreement required the establishment of a fund (sinking fund) to provide for structural works. The lessee contributes 34.36% and the lessor 65.64% of the required amounts.

The SAHT's share of the sinking fund is set aside as a restricted cash balance. The St Andrew's Cathedral School's share of the sinking fund which is not spent at year end is classified as a deferred income in the balance sheet. The deferred income will be released to the income statement as and when the capital expenditure relating to the maintenance of the building is occurring.

#### (iv) *Reserves*

Reserves are set aside under the terms provided for in the *St Andrew's House Trust Ordinance 2015*.

Clause 5(b) for the ordinance provides for amounts to be reserved for replacement or refurbishment of the St Andrew's House tower, shopping arcade and car park, or for other purposes that St Andrew's House Corporation may determine including amounts set aside for distributions in future years.



### 3. Financial risk management

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

During the year, the responsibility for oversight of financial risk management was with the board of Glebe Administration Board.

The Group holds the following financial instruments:

	2016 \$	2015 \$
<b>Financial assets</b>		
Cash and cash equivalents	85,556,627	47,565,860
Term deposits with maturity between three months and one year	45,170,141	88,298,163
Loans	13,533,478	16,631,850
Receivables	1,248,563	1,577,199
Equity investments	45,538,227	45,744,644
Interest related investments	25,784,629	17,476,980
	<u>216,831,665</u>	<u>217,294,696</u>
<b>Financial liabilities</b>		
Payables	319,039	568,035
Interest bearing liabilities	115,285,909	117,241,806
Provision for income distribution	4,400,000	4,300,000
	<u>120,004,948</u>	<u>122,109,841</u>
<b>Net financial assets</b>	<u>96,826,717</u>	<u>95,184,855</u>

#### (a) Market risk

##### (i) Price risk

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

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

### 3. Financial risk management (cont)

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

Index	Impact on surplus		Impact on equity	
	2016 +/- \$	2015 +/- \$	2016 +/- \$	2015 +/- \$
Australian equities - ASX	2,745,278	2,571,394	2,745,278	2,571,394
Foreign equities	1,808,545	2,003,071	1,808,545	2,003,071
	<u>4,553,823</u>	<u>4,574,465</u>	<u>4,553,823</u>	<u>4,574,465</u>

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

#### (ii) Foreign exchange risk

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

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

	2016 \$	2015 \$
Mercer Passive International Shares Fund	6,599,107	8,585,043
Mercer Emerging Markets Fund	4,944,801	2,539,840
	<u>11,543,908</u>	<u>11,124,883</u>

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

### 3. Financial risk management (cont)

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

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

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

Index	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents and term deposits with maturity between three months and one year	2.60	130,726,768	3.20	135,864,023
Loans	3.83	13,533,478	4.15	16,631,850
Interest related investments	3.36	25,784,629	2.67	17,476,980
Interest bearing liabilities	1.94	(115,285,909)	2.26	(117,241,806)
Net exposure to cash flow interest rate risk		54,758,966		52,731,047

An analysis by maturities is provided in (c).

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

#### Interest rate sensitivity

At 31 December 2016, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, surplus for the year and equity would have been \$547,590 lower/higher (2015 – change of 100 bps: \$527,310 lower/higher), mainly as a result of lower/ higher interest expense on interest bearing liabilities.

### 3. Financial risk management (cont)

#### (b) Credit risk

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

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

As at 31 December 2016 there are no receivables and loans that are impaired or past due but not impaired.

Loans to diocesan organisations are unsecured with appropriate negative pledge provisions incorporated into the loan documentation. Total consolidated collateral held against loans is \$725,000 (2015: \$725,000).

	2016 \$	2015 \$
<b>Receivables</b>		
Not rated	1,248,563	1,577,199
<b>Cash and cash equivalents</b>		
Not rated - no defaults in the past. Includes Sydney Diocesan Secretariat current account	154,690	277,742
Standard and Poors A rating or better	85,401,937	47,288,118
	<u>85,556,627</u>	<u>47,565,860</u>
<b>Term deposits with maturity between three months and one year</b>		
Not rated	435,300	435,300
Standard and Poors A rating or better	44,734,841	87,862,863
	<u>45,170,141</u>	<u>88,298,163</u>
<b>Loan</b>		
Not rated	13,533,478	16,631,850

There is a concentration of credit risk in that \$13,441,874 (2015: \$15,454,839) of loans are exposed to credit risks of one (2015: one) non-parish borrower.

### 3. Financial risk management (cont)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the proportion of the Glebe Income Account deposits which are at call, outflows of deposit funds and maintenance of liquidity have been identified as a risk by the Board of GAB. The Group manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In assessing this risk the Board of GAB has taken into account a number of factors including:

- Cash flow projections prepared for financial budgeting purposes reveal the ability to pay all the Group's and parent entity's debts as and when they fall due.
- Historical analysis and experience of redemptions from at call Glebe Income Accounts.

GAB has determined to close the Glebe Income Accounts and has strategically positioned the Diocesan Endowment to be in a more liquid position so it can return funds owed to depositors. Refer to note 7 and 8 for details of the cash position and note 16 and 17 for disclosure on the Glebe Income Accounts.

#### *Financing arrangements*

The Group had access to an overdraft facility with the Sydney Diocesan Secretariat at the reporting date as shown in note 16.

### 3. Financial risk management (cont)

#### (c) Liquidity risk (cont)

##### *Maturities of financial liabilities*

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

31 December 2016	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	319,039	-	-	-	-	319,039	319,039
Provisions	2,000,000	2,400,000	-	-	-	4,400,000	4,400,000
Variable rate	67,175,637	-	-	-	-	67,175,637	67,175,637
Fixed rate	43,743,229	4,600,120	-	-	-	48,343,349	48,110,272
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	114,437,905	7,000,120	-	-	-	121,438,025	120,004,948

31 December 2015	Less than 6 months \$	6-12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
<b>Non-derivatives</b>							
Non-interest bearing	568,035	-	-	-	-	568,035	568,035
Provisions	1,900,000	2,400,000	-	-	-	4,300,000	4,300,000
Variable rate	53,965,463	-	-	-	-	53,965,463	53,965,463
Fixed rate	48,900,320	8,613,307	3,176,743	3,484,612	-	64,174,982	63,276,343
Bank guarantee	1,200,000	-	-	-	-	1,200,000	-
	106,533,818	11,013,307	3,176,743	3,484,612	-	124,208,480	122,109,841

At 31 December 2016 cash and term deposits available to meet financial liabilities was \$130,726,768 (2015: \$135,864,023) – notes 7 and 8. Of this amount, \$44,907,091 (2015: \$23,173,634) is at call, \$84,040,726 (2015: \$96,306,705) available between 1 day and 6 months and \$1,778,951 (2015: \$16,383,684) available between 6 and 12 months.

### 3. Financial risk management (cont)

#### (d) Fair value estimation

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

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

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

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2016:

31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted equities	-	45,538,227	-	45,538,227
Unlisted interest investment	-	25,784,629	-	25,784,629
	-	71,322,856	-	71,322,856
<b>31 December 2015</b>				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets at fair value through profit and loss				
Unlisted equities	-	45,744,644	-	45,744,644
Unlisted interest investment	-	17,476,980	-	17,476,980
	-	63,221,624	-	63,221,624

### 3. Financial risk management (cont)

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

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

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

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

### 4. Revenue

	2016 \$	2015 \$
<b>Revenue/(loss) from continuing operations</b>		
Interest related investments:		
Interest and distributions	4,897,140	4,367,159
Net realised and unrealised gains/(losses)	(1,016,471)	(480,621)
Income from interest related investments	<u>3,880,669</u>	<u>3,886,538</u>
Income from loans and mortgages	<u>569,907</u>	<u>1,512,838</u>
Equity related investments:		
Dividends and distributions	2,558,998	3,547,241
Net realised and unrealised gains	1,546,563	295,944
Income from equity related investments	<u>4,105,561</u>	<u>3,843,185</u>
<b>Total investment income</b>	<u><b>8,556,137</b></u>	<u><b>9,242,561</b></u>
Other income:		
Rebate of fund administration fees	77,469	72,621
Donations	34,818	18,444
<b>Total other income</b>	<u><b>112,287</b></u>	<u><b>91,065</b></u>
<b>Total revenue from continuing operations</b>	<u><b>8,668,424</b></u>	<u><b>9,333,626</b></u>

Dividends and distributions include franking credits of \$356,736 (2015: \$333,383).



## 5. Surplus from continuing operations

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

### (a) Borrowing costs

	2016 \$	2015 \$
<b>Borrowing costs</b>		
Interest on Glebe Income Accounts - Churches, Anglican organisations and other Christian organisations	1,758,014	1,811,154
Interest on other Glebe Income Accounts	542,842	852,132
	<u>2,300,856</u>	<u>2,663,286</u>

### (b) Other expenses

	2016 \$	2015 \$
Management fees from Sydney Diocesan Secretariat	2,216,628	2,363,250
Professional fees	377,360	358,280
Office operating expenses	234,502	219,991
Insurance	75,342	86,964
	<u>2,903,832</u>	<u>3,028,485</u>

## 6. Income tax

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

	2016 \$	2015 \$
Surplus from continuing operations before income tax	13,713,080	13,147,437
Less surplus from non assessable entities	13,728,430	13,160,016
(Loss) from continuing operations before income tax	(15,350)	(12,579)
Income tax benefit calculated at 30%	4,605	3,774
Permanent differences	-	-
Timing differences not brought to account	(243)	(693)
Tax losses not brought to account	(4,362)	(3,081)
Current tax	-	-
Income tax expense comprises		
Tax payable - current year	-	-
Income tax expense	-	-

The directors estimate that the potential future income tax benefit at 31 December 2016 in respect of tax losses not brought to account is \$27,209 (2015: \$22,847).

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.

**7. Current assets - Cash and cash equivalents**

	2016 \$	2015 \$
Cash at bank	98,463	382,967
Deposits at call	44,808,628	22,790,667
Term deposits with maturities of three months or less	40,649,536	24,392,226
	<u>85,556,627</u>	<u>47,565,860</u>

**8. Current assets – Term deposits with maturity between three months and one year**

	2016 \$	2015 \$
Term deposits with maturities between three months and twelve months	<u>45,170,141</u>	<u>88,298,163</u>

**9. Current assets – Receivables**

	2016 \$	2015 \$
Distributions receivable	155,544	200,303
Franking credits refundable	356,736	333,383
Accrued interest	726,136	1,040,622
Other	10,147	2,891
	<u>1,248,563</u>	<u>1,577,199</u>

There were no receivables which were past due or impaired.

## 10. Current assets – Loans

	2016 \$	2015 \$
Loans - unsecured	2,000,000	3,130,474
Loans - secured	10,224	9,642
	<u>2,010,224</u>	<u>3,140,116</u>

## 11. Non-current assets – Loans

	2016 \$	2015 \$
Loans - unsecured	11,441,874	13,400,000
Loans - secured	81,380	91,734
	<u>11,523,254</u>	<u>13,491,734</u>

### Summary of current and non-current loans

Anglican Diocesan organisations	13,533,478	16,631,850
Total current and non-current loans	<u>13,533,478</u>	<u>16,631,850</u>

Repayments on loans comprise a mixture of principal and interest. Terms range between 1 and 16 years.

### Credit risk

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

## 12. Current assets - Financial assets at fair value through profit or loss

	2016 \$	2015 \$
<b>Equity investments</b>		
Unlisted managed investment schemes (at cost)	39,371,982	39,958,271
Fair value adjustment	6,166,245	5,786,373
Total unlisted equities at fair value	<u>45,538,227</u>	<u>45,744,644</u>
<b>Interest investments</b>		
Unlisted interest investment (at cost)	26,868,679	17,544,559
Fair value adjustment	(1,084,050)	(67,579)
Total unlisted interest investments	<u>25,784,629</u>	<u>17,476,980</u>
<b>Summary:</b>		
Equity investments	45,538,227	45,744,644
Interest investments	25,784,629	17,476,980
	<u>71,322,856</u>	<u>63,221,624</u>

### 13. Investments in controlled entities

	Principal activity	Ownership interest		Parent entity carrying amount	
		2016 %	2015 %	2016 \$	2015 \$
<b>Directly controlled by</b>					
<b>Glebe Administration Board</b>					
Glebe Asset Management Limited	Funds management	100	100	715,241	730,591
Glebe Investment Company Pty Ltd	Dormant	-	100	-	1
				<u>715,241</u>	<u>730,592</u>

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

Glebe Investment Company Pty Ltd was deregistered on 27 July 2016.

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

	2016 \$	2015 \$
50% Beneficial interest in St. Andrew’s House Trust (note 2c)	<u>64,657,096</u>	<u>56,929,252</u>
Movements in carrying amounts:		
Balance 1 January	56,929,252	49,883,670
Share of profit for the year	10,249,344	9,505,582
Distributions received	<u>(2,521,500)</u>	<u>(2,460,000)</u>
Balance 31 December	<u>64,657,096</u>	<u>56,929,252</u>
<b>The carrying amount is comprised of:</b>		
Capital invested	4,714,615	4,714,615
Future rental costs reserve	510,000	335,000
Non-sinking fund capital works reserve	770,000	575,000
Accumulated surplus	<u>58,662,481</u>	<u>51,304,637</u>
	<u>64,657,096</u>	<u>56,929,252</u>

### 15. Current liabilities - Payables

	2016 \$	2015 \$
Interest payable	198,759	455,009
Accounts payable and accruals	<u>120,280</u>	<u>113,026</u>
	<u>319,039</u>	<u>568,035</u>

## 16. Current liabilities - Interest bearing liabilities

	2016 \$	2015 \$
Deposits – Glebe Income Accounts	115,285,909	111,108,351

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

Glebe Administration Board has determined to close the Glebe Income Accounts and has strategically positioned the DE to be in a more liquid position so it can return funds owed to depositors. Refer to notes 7 and 8 for details of the cash position and note 17 for disclosure of the Glebe Income Accounts.

A Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board for overdraft accommodation up to \$1,200,000 granted to Sydney Diocesan Secretariat.

The Glebe Administration 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 for the group was \$217,456 (2015: \$212,488).

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

	2016 \$	2015 \$
Deposits – Glebe Income Accounts	-	6,133,455

## 18. Current liabilities - Provisions

	2016 \$	2015 \$
<b>Provision for distribution</b>		
Balance 1 January	4,300,000	4,000,000
Provided during the period	4,400,000	4,300,000
	8,700,000	8,300,000
Paid during the period	(4,300,000)	(4,000,000)
Balance 31 December	4,400,000	4,300,000

The Standing Committee has appropriated a distribution of \$4,400,000 for 2017, in the Synod Appropriations Ordinance 2016.

	2016 \$	2015 \$
The composition of payments during the year were as follows:		
Synod	4,300,000	4,000,000
	4,300,000	4,000,000

## 19. Capital

	2016 \$	2015 \$
Capital	35,502,540	35,502,540

## 20. Reserves

### (a) Reserves

	2016 \$	2015 \$
Share of SAHT's future rental costs reserve	510,000	335,000
Share of SAHT's future non-sinking fund capital works reserve	770,000	575,000
Balance 31 December	1,280,000	910,000

### (b) Movements in reserves

#### Future rental costs reserve

	2016 \$	2015 \$
Balance 1 January	335,000	160,000
Share of increase in SAHT's future rental costs reserve	175,000	175,000
Balance 31 December	510,000	335,000

#### Future non-sinking fund capital works reserve

	2016 \$	2015 \$
Balance 1 January	575,000	450,000
Share of increase in SAHT's future non-sinking fund capital works reserve	195,000	125,000
Balance 31 December	770,000	575,000

### (c) Nature and purpose of reserves

The future rental costs reserve represents GAB's share of the reserve of St Andrew's House Trust for future rental void, incentive and leasing costs.

The non-sinking fund capital works reserve represents GAB's share of the reserve of St Andrew's House Trust for future capital non-sinking fund works.

## 21. Accumulated surplus

### (a) Accumulated surplus:

	2016 \$	2015 \$
Accumulated surplus	124,701,273	115,758,193

### (b) Movements in accumulated surplus:

	2016 \$	2015 \$
Balance 1 January	115,758,193	107,210,756
Surplus after income tax	13,713,080	13,147,437
Share of SAHT's movement in future rental costs reserve	(175,000)	(175,000)
Share of SAHT's movement in future non-sinking fund capital works reserve	(195,000)	(125,000)
Provisions for distribution during the year	(4,400,000)	(4,300,000)
Balance 31 December	124,701,273	115,758,193

## 22. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. Transactions between the Glebe Administration Board and other 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.

Mr R Smith	Mr A McLoughlin (term expired on 14 November 2016)
Mr J Pascoe	Mr I C Miller (term expired on 14 November 2016)
Mr M Ballantyne	Prof Peter Wolnizer OAM
Rev E Brush	Mr David Sietsma (appointed 14 November 2016)
Mr A Stanley	Bishop M Stead
Mr G Hammond OAM	

During 2016 key management personnel also included the following executives below who had the greatest authority for the strategic direction and management of the entity.

<i>Name</i>	<i>Position</i>
Mr M A Payne	Chief Executive Officer (resigned on 19 November 2016)
Mr M A Blaxland	Chief Financial Officer
Mr R J Wicks	General Manager, Diocesan and Corporate Services, and Acting Chief Executive Officer from 19 November 2016.
Mr M W Newman	Head of Investments and Commercial Property



## 22. Related party transactions (cont)

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

	2016	2015
	\$	\$
Short-term benefits	270,000	310,000
Long-term benefits	7,000	11,000
Other benefits	38,000	-
	315,000	321,000

### Transactions with St Andrew's House Trust

Glebe Administration Board holds a beneficial interest of 50% in St Andrew's House Trust. The distributions received this year from St Andrew's House Trust total \$2,521,500 (2015: \$2,460,000).

At 31 December 2016, an unsecured loan was provided from Glebe Administration Board for \$13,441,874 (2015: \$15,454,839). This represents a facility to assist in the funding of improvements to Town Hall Square and St Andrews House. Interest charged to St Andrew's House Trust in respect of this loan was \$561,106 (2015: \$681,465). As at 31 December 2016 the loan had a limit of \$13,441,874 (2015: \$15,454,839). Interest is based on 90 day bank bill rate plus 1%.

### Other related party transactions

The following other related party transactions occurred during the year:

- (i) The following entity was charged a management fee by the Sydney Diocesan Secretariat:

	2016	2015
	\$	\$
Glebe Administration Board	2,216,628	2,363,250

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

	Current account balance		Interest earned/(paid)	
	2016	2015	2016	2015
	\$	\$	\$	\$
Glebe Administration Board	100,930	100,416	(632)	(196)
Glebe Asset Management Limited	116,526	112,072	11	11

- (iii) During the year Members of the Glebe Administration Board held at call accounts and term deposits with Glebe Income Accounts. The at-call account and term deposits were based on normal commercial terms and conditions.

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

	2016 \$	2015 \$
Surplus from continuing operations after income tax	13,713,080	13,147,437
Net realised and unrealised (gain) on investments	(8,257,936)	(6,860,905)
Interest capitalised on Glebe Income Accounts	1,879,497	1,697,430
Amortisation of Ultracs upgrade costs	56,626	13,324
Dividends and distributions reinvested	(3,163,308)	(3,800,199)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	70,807	(861,276)
Increase/(decrease) in payables	(248,996)	12,138
<b>Net cash inflow from operating activities</b>	<b>4,049,770</b>	<b>3,347,949</b>

## 24. Non-current assets - Other

	2016 \$	2015 \$
Financial services software upgrade - Ultracs	69,950	69,950
Amortisation	(69,950)	(13,324)
	-	56,626

The cost of upgrading the financial services software has been fully written off due to the decision to close the Glebe Income Accounts.

## 25. Contingent liabilities and assets

A guarantee has been given to Westpac Banking Corporation by Glebe Administration Board for overdraft accommodation up to \$1,200,000 granted to Sydney Diocesan Secretariat (refer note 16). No losses are expected from this guarantee.

## 26. Remuneration of auditors

The consolidated audit fee for the year is \$105,774 (2015: \$102,714). The remuneration of auditors paid and payable is as follows:

	2016 \$	2015 \$
Pricewaterhousecoopers Australia		
Audit	106,713	104,632
Taxation	3,897	3,710
	<u>110,610</u>	<u>108,342</u>

## 27. Events occurring after reporting date

The transition plan for the closure of Glebe Income Accounts is in progress. The plan contemplates that during 2017, the Glebe Income Account deposits will be repaid to the depositors. GAB holds sufficient liquidity to enable those deposits to be repaid.

The members of Glebe Administration Board are not aware of any other events occurring after reporting date that impact on the financial statements as at 31 December 2016.

This financial report was authorised for issue on 22 March 2017 by Glebe Administration Board.

## 28. Parent entity financial information

### (a) Summary of financial information

	2016 \$	2015 \$
<b>Balance sheet</b>		
Current assets	205,191,885	203,690,890
Total assets	282,087,476	274,899,094
Current liabilities	120,603,663	116,594,906
Total liabilities	120,603,663	122,728,361
Equity		
Capital	35,502,540	35,502,540
Accumulated surplus	125,981,273	116,668,193
Total equity	<u>161,483,813</u>	<u>152,170,733</u>
Surplus for the year	<u>13,713,080</u>	<u>13,147,437</u>
Total comprehensive income	<u>13,713,080</u>	<u>13,147,437</u>

**(b) Guarantees entered into by the parent entity**

The Glebe Administration Board has given a Guarantee to Westpac Banking Corporation for an overdraft accommodation up to \$1,200,000 granted to the Sydney Diocesan Secretariat.

The Glebe Administration 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 \$100,930 (2015: \$100,416).

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 31 December 2016.

# **GLEBE ADMINISTRATION BOARD**

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## **Members' declaration**

In the members opinion –

- (a) The financial statements and notes set out on pages 21 to 52 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards – Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial year ended on that date, and
- (b) There are reasonable grounds to believe that Glebe Administration Board will be able to pay its debts as and when they become due and payable.

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



Member

22 March 2017



Member

22 March 2017



## *Independent auditor's report*

To the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of Glebe Administration Board as trustee for the Diocesan Endowment (as appointed by the Standing Committee) for the Glebe Administration Board as trustee for the Diocesan Endowment.

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### *Our opinion*

In our opinion:

The accompanying financial report of Glebe Administration Board as trustee for the Diocesan Endowment (the Board) and its controlled entities (together the consolidated entity) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements, *the Corporations Regulations 2001*, the *Glebe Administration Ordinance 1930* and the *Accounts, Audits and Annual Reports Ordinance 1995*

### *What we have audited*

The financial report comprises:

- the consolidated balance sheet as at 31 December 2016
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the members' declaration.

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### *Basis for opinion*

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

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

### *Independence*

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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*Responsibilities of the members of Glebe Administration Board as trustee for the Diocesan Endowment (as appointed by the Standing Committee) for the financial report*

The members of the Glebe Administration Board as trustee for the Diocesan Endowment (as appointed by the Standing Committee) (“the members”) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Act 2001*, the *Glebe Administration Ordinance 1930* and the *Accounts, Audits and Annual Reports Ordinance 1995* and for such internal control as the members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

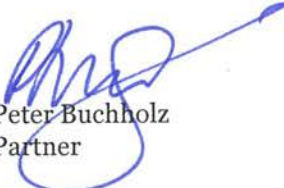
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*Auditor’s responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor's report.

  
PricewaterhouseCoopers

  
Peter Buchholz  
Partner

Sydney  
22 March 2017