



GLEBE ADMINISTRATION BOARD
as trustee for the Diocesan Endowment

ANNUAL REPORT
2012

Supporting the mission of the Anglican Church in the Diocese of Sydney

As trustee, our purpose is to invest the property of the Diocesan Endowment so as to preserve the real value of that property and provide a reasonable income therefrom.

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2012 Highlights

- ◆ Net surplus of \$10.7 million, being a return on capital of 9.4%.
- ◆ Net assets increased to \$122 million from \$114.4 million.
- ◆ Distributions of \$3.64 million were made for spending by the Synod.

Over the period 1 July 2010 to 31 December 2012, the real value of the net assets of the Diocesan Endowment was maintained and distributions totalling \$11.6 million were made for spending by the Synod.



Chairman's report

It is my privilege to serve as the chairman of GAB, with fellow board members who are committed and engaged, and with a professional staff team led by Mark Payne, the Chief Executive Officer. I gratefully acknowledge the leadership of my predecessor as chairman, Bruce Ballantine-Jones, who in recent years led GAB through a period of substantial reform.

Our focus is to –

- ♦ implement our mandate to maintain the real value of the property of the Diocesan Endowment and to provide a reasonable income
- ♦ effectively manage the investments of the Diocesan Endowment, and ensure an appropriate balance between risk and return
- ♦ strengthen governance processes and board composition
- ♦ ensure transparency in decision making, particularly through enhanced reporting to stakeholders.

The most fundamental objective of GAB is to make distributions from the Diocesan Endowment for spending by the Synod. In 2012 and 2013 we have continued to refine our approach to determining the appropriate level of distributions, given our other objective to maintain the real value of the Diocesan Endowment. We have adopted an actuarial approach to determine recommended distributions. Previously, distributions were determined on the basis of cash income received. The actuarial method considers the portfolio in its entirety, and provides a more sophisticated and rigorous distribution methodology which explicitly deals with and quantifies risk and return. We also anticipate that it will result in more consistent levels of distributions from year to year.

We believe it is important to provide greater consistency in the level of distributions to the Synod over time, particularly during a funding triennium, so that the Synod can budget with a reasonable level of confidence. In this way, we believe that the Diocesan Endowment can be utilised most effectively for the sake of the gospel in the Diocese.

We are pleased with the overall investment return of the Diocesan Endowment since June 2010, when new investment policies were implemented following the restructure after the Global Financial Crisis. In particular, the performance of the investment in St Andrew's House has exceeded benchmark over that period. This has been primarily due to the excellent work undertaken by St Andrew's House Corporation to enhance the value of the St Andrew's House building, particularly through the reletting of vacant space. The investment return also benefited from the Australian and Overseas Share asset classes rebounding strongly in late 2012 and early 2013.

Looking forward however, the overall long term forecast is for lower rates of return from asset classes generally. Further, we also expect structural reforms to the business. For example, the review currently being undertaken by the Australian Prudential Regulatory Authority, referred to in the Chief Executive Officer's report, will likely affect GAB's financial services activities. For these reasons, we have prudently lowered our forward estimates of income and accordingly distributions from the Diocesan Endowment to align those with general market expectations.

I thank my fellow members of GAB for their contribution to the work of the board, particularly for their contribution to the high standard of debate at board meetings. I also thank Mark Payne for his commitment and servant-hearted approach to the development and execution of strategy and policy, and to the other members of the management team for their professional and committed approach.

Above all we thank God for His continued blessing. We pray that our work, and the funds generated by our work, will bring glory to His name in the Diocese and beyond.

ROSS SMITH
Chairman



Chief Executive Officer's report

INTRODUCTION

The Diocesan Endowment provides more than 30% of the funds distributed by the Synod each year. It is a significant source of funding for the mission of the Diocese of Sydney.

Generally, the property of the Diocesan Endowment is derived from the proceeds of the sale of land and other property acquired by the Diocese in the 19th and 20th centuries. The Diocesan Endowment is a perpetual endowment, meaning that it is to be preserved for the benefit of both present and future generations. For this reason, the maintenance of the real value of the property of the Diocesan Endowment is one of the key objectives of GAB as trustee.

The Global Financial Crisis of 2007-2008, and the response of GAB in relation thereto, resulted in a significant reduction in the value of the property of the Diocesan Endowment, and also highlighted a number of governance deficiencies. Since then GAB has undertaken significant reform, and has reported to the Synod in each of the last 3 years about the major initiatives implemented to ensure more rigorous board processes, more effective oversight of management and more comprehensive reporting to stakeholders.

During 2012 GAB continued to monitor and review its governance processes. Our governance statement, which is summarised elsewhere in this Annual Report, reflects GAB's intention to ensure the highest standards of corporate governance are adopted and maintained. The governance statement, and each of the standards it refers to, is reviewed each year in light of changes to generally accepted standards of corporate governance.

Monitoring and managing risk in relation to the investment of the property of the Diocesan Endowment remains a key priority for GAB. The way in which risk is monitored and managed is referred to later in this Annual Report.

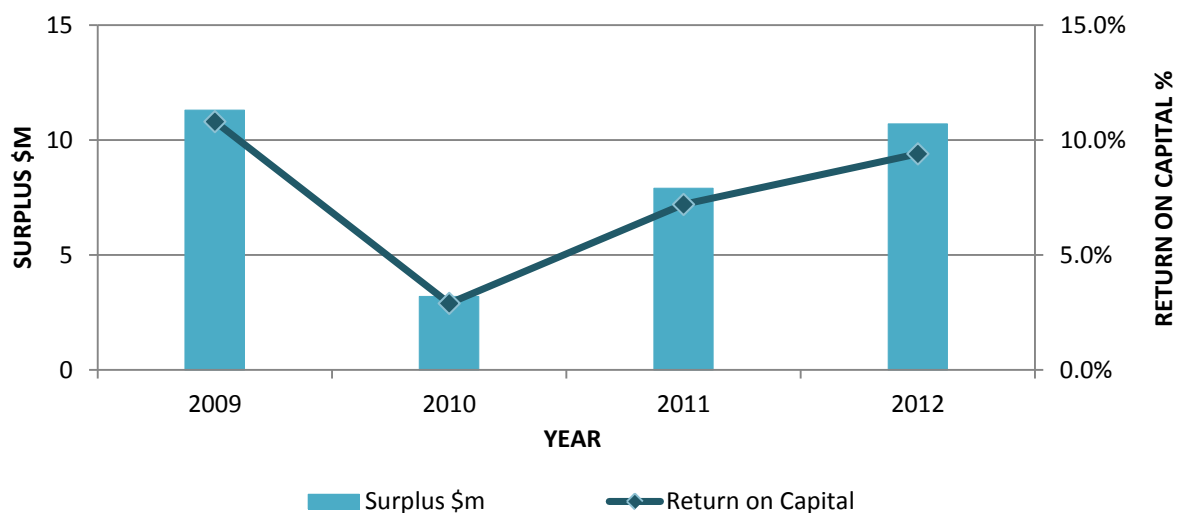
FINANCIAL PERFORMANCE OF THE DIOCESAN ENDOWMENT DURING 2012

The Diocesan Endowment achieved a surplus of \$10.7 million in 2012, being a return of 9.4% on the opening capital of \$114.4 million.

The financial performance of the Diocesan Endowment in 2012 was enhanced by the improved returns from the Australian and Overseas Shares asset classes, being 2 of the main asset classes in which the property of the Diocesan Endowment is invested. The improved returns from these asset classes reflects, in large part, the improving outlook for Australian and international financial markets during 2012.

The following graph compares the surplus of \$10.7 million in 2012 with the financial results in previous years -

Financial Results of the Diocesan Endowment



The financial accounts for 2012 are summarised later in this Annual Report.

INVESTMENTS OF THE DIOCESAN ENDOWMENT

The property of the Diocesan Endowment is invested in accordance with the investment objective and investment policies set out in the Investment Policy Statement for the Diocesan Endowment. A copy of that Statement can be found on the website at <http://www.sds.asn.au/Site/104303.asp?ph=cb>.

Mercer Investments (Australia) Limited (“Mercer”) is the asset consultant to GAB and provides professional advice in relation to the investment strategy for the Diocesan Endowment.

The investment objective for the investment of the property of the Diocesan Endowment has recently been reviewed by GAB and, from 1 April 2013, is as follows –

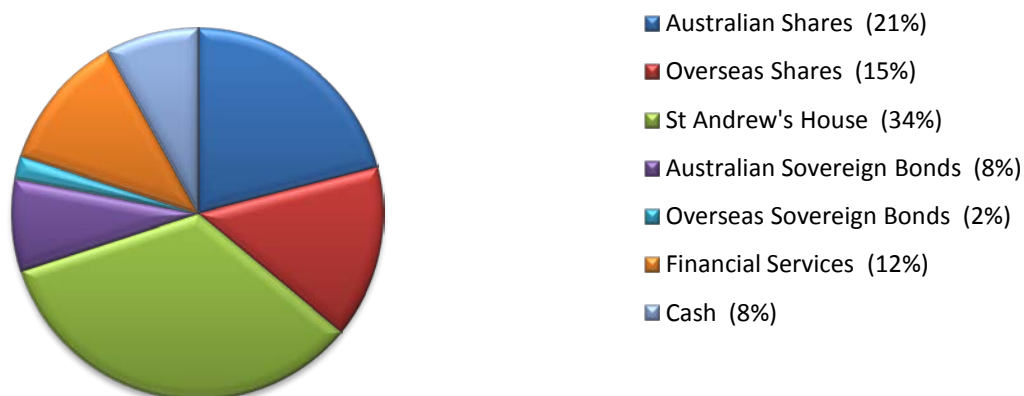
“To achieve a real rate of return over rolling 5 year periods of 4% per annum (formerly 5% per annum) net of external investment management expenses and adjusted for tax effects, subject to –

- (a) preserving the real value of the Diocesan Endowment over rolling 10 year periods with a 70% probability, and
- (b) the sum of the distributions from the Diocesan Endowment plus administrative and other costs (not including external investment management expenses) not exceeding 4% (formerly 5%), on average, over rolling 5 year periods.”

The revision of the investment objective followed a comprehensive review of the strategy for the investment of the property of the Diocesan Endowment which considered, among other things, projected asset class returns and risk tolerances. The review was undertaken by GAB in March 2013, with the assistance of Mercer.

The property of the Diocesan Endowment is invested in a diversified range of asset classes in accordance with the Investment Policy Statement.

As at 31 December 2012, the investments of the Diocesan Endowment were invested in the following asset classes –



With the adoption of the revised investment objective from 1 April 2013, GAB has reduced the proportion of the investments in the Australian Shares and Overseas Shares assets classes. This change is expected to reduce the overall risk that the investment objective will not be achieved.

The investments in the Australian Shares, Overseas Shares, Australian Sovereign Shares and Overseas Sovereign Bonds asset classes are made through funds managed by Mercer and approved by GAB. Each of these funds is a multi-manager fund, meaning that the property invested in a Mercer fund is, in turn, invested in underlying funds operated by fund managers who are specialists in the relevant asset class and provide further diversification.

The investment of the Diocesan Endowment in St Andrew's House comprises a half interest in the St Andrew's House Trust, which is managed by St Andrew's House Corporation. The principal asset of the St Andrew's House Trust is the St Andrew's House building (office tower, car park and retail arcade). The return on the investment in the Trust is largely impacted by the return from the St Andrew's House building.

The investment in Financial Services comprises the capital of the Diocesan Endowment allocated to provide prudential support for the Glebe Income Accounts and the lending and treasury activities undertaken by GAB. The undertaking of these services earns a return on the capital which is part of the overall return of the investments of the Diocesan Endowment. During 2012 GAB undertook a major review of its key policies for Financial Services, including the allocation of capital for prudential purposes. Further comment about that review is made later in my report.

MONITORING AND REPORTING ON THE FINANCES AND INVESTMENTS OF THE DIOCESAN ENDOWMENT

GAB monitors and reports on the finances and investments of the Diocesan Endowment in a number of different ways.

Reports about the finances of the Diocesan Endowment and the performance of its investments and Financial Services are provided by management to each meeting of GAB. Where necessary, reports about key issues are sent to members of GAB between meetings.

GAB meets with Mercer each quarter to review the investment performance of the relevant Mercer funds.

Each year, with the assistance of Mercer, GAB undertakes a “health check” of the portfolio to identify and review key issues. Every 3 years, a full review of the investment objective for the Diocesan Endowment is undertaken. A full 3 yearly review was undertaken in March 2013. The results of each annual and 3 yearly review are reported to the Standing Committee in detail.

Through me, GAB reports to each meeting of the Standing Committee about the financial performance of the Diocesan Endowment.

GAB also provides reports each quarter to the Standing Committee about the investment performance of the Diocesan Endowment. Each report is available on the website at <http://www.sds.asn.au/Site/104303.asp?ph=cb> shortly after the meeting of the Standing Committee at which the report is considered.

At the request of the Standing Committee, GAB also provides a report every 6 months about its operations having regard to performance, administrative efficiency, cost and risk.

GAB considers that it has robust processes for the monitoring and reporting about the investments of the Diocesan Endowment.

INVESTMENT PERFORMANCE DURING 2012

During 2012, the total return of the investments of the Diocesan Endowment (after external investment management fees but before administration costs) was 10.6%, as against a weighted index return of 11.9%.

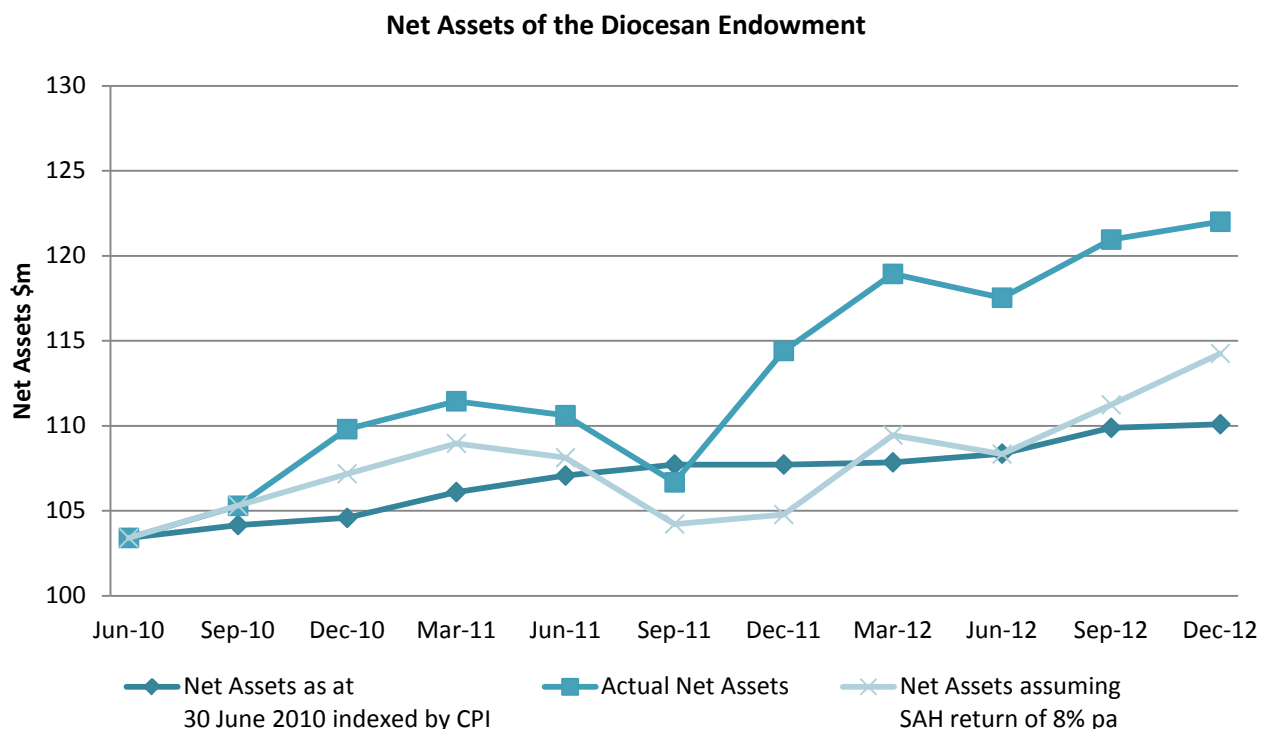
The return of each asset class, other than the investment in the St Andrew’s House Trust, exceeded the benchmark return applicable to that asset class.

The under performance of the investment in the St Andrew’s House Trust reflected “one off” issues associated with the leasing of parts of the St Andrew’s House building. St Andrew’s House Corporation, which manages the St Andrew’s House Trust, has reported to GAB and other stakeholders about those issues and the action taken to address them. Overall, the return from the St Andrew’s House Trust over the last few years has exceeded the relevant benchmark.

MAINTENANCE OF THE REAL VALUE OF THE DIOCESAN ENDOWMENT

GAB measures its performance against the requirement to maintain the real value of the Diocesan Endowment from 30 June 2010, being the date from which the major restructure of the investment processes of the Diocesan Endowment was undertaken.

The movement in the net assets of the Diocesan Endowment since 30 June 2010 (after distributions for spending by the Synod and administration costs) is shown in the following graph –



The graph shows that from 30 June 2010 to 31 December 2012 the real value of the net assets of the Diocesan Endowment has grown. The actual value of the net assets as at 31 December 2012 exceeded the value of the net assets as at 30 June 2010 indexed by movements in the Consumer Price Index to 31 December 2012.

The growth in the real value of the assets of the Diocesan Endowment since 30 June 2010 largely reflects the increase in the value of the interest in the St Andrew’s House Trust (notwithstanding the under performance of that Trust in 2012 compared to benchmark). The increase in the value of the Trust in recent years has exceeded the expected long term returns, and was largely the result of the finalisation of the leasing of floors of the commercial office tower and the leasing of the car park. Such rates of increase in value as have resulted in recent years are not projected to continue in coming years.

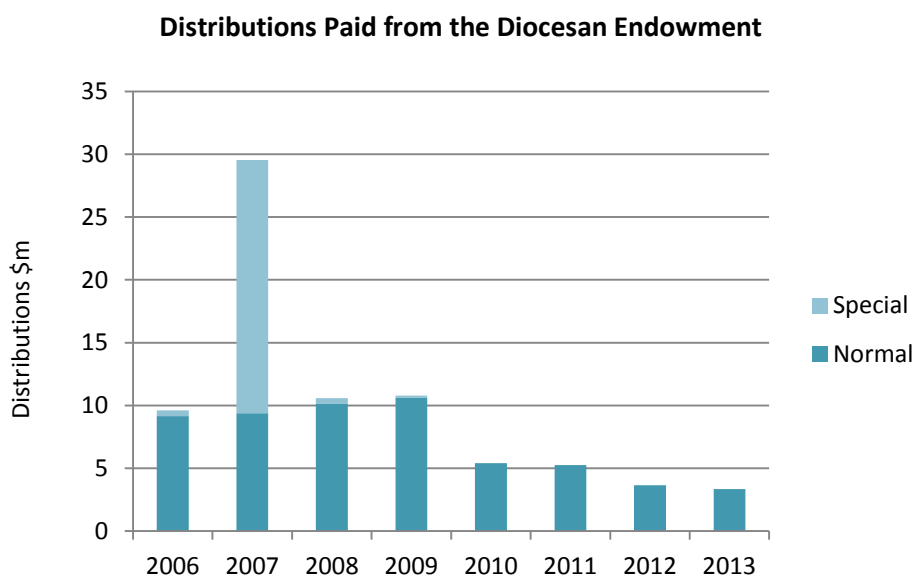
The line marked “Net Assets assuming SAH return of 8% pa” seeks to show the impact on the change in the value of the net assets of the Diocesan Endowment if the impact of the “one off” factors affecting the St Andrew’s House Trust is removed. The line shows that even if these “one off” factors are discounted, the real value of the net assets of the Diocesan Endowment was maintained from 30 June 2010 to 31 December 2012. However, the increase in the value of the net assets as at 31 December 2012 above the value required to maintain the real value should be regarded as part of the normal upswing in the investment cycle, to be retained to offset the effects of the normal downswings which should be expected in future.

SPENDING FROM THE DIOCESAN ENDOWMENT

Spending from the Diocesan Endowment consists of the payment of the costs of administration of the Diocesan Endowment and the distributions made available for spending by the Synod.

Since 2011, GAB has aimed to limit the costs of administration to an amount which is not more than 1.1% of the net assets of the Diocesan Endowment. In 2012, the costs of administration were \$1.2 million, being 1.0% of the net assets of the Endowment as at 31 December 2011.

In recent years, the distributions paid from the Diocesan Endowment for spending by the Synod have been as following –



“Special” distributions are distributions directed by the Standing Committee for specific purposes. For example, a special distribution of \$20 million in 2007 was made for the purposes of acquiring greenfields sites and funding brownfields sites redevelopments.

The graph indicates that the amount of the distributions paid from the Diocesan Endowment has declined significantly since 2009. This reflects that, until recently, the distributions paid from the Endowment were too high for the real value of the net assets of the Diocesan Endowment to be maintained.

REVIEW OF FINANCIAL SERVICES POLICIES

The Financial Services activities undertaken by GAB as trustee for the Diocesan Endowment comprise the taking of investments by way of the Glebe Income Accounts, and the making of loans and treasury investments with the proceeds of the amounts invested. GAB also allocates capital from the Diocesan Endowment as prudential support for these activities.

GAB earns a margin between the interest received on the loans and treasury investments, and the interest paid to investors in the Glebe Income Accounts. The margin, after the payment of the costs associated with providing the Financial Services, contributes to the overall financial results of the Diocesan Endowment.

The Glebe Income Accounts are conducted on the basis of a conditional exemption from the fundraising provisions of the *Corporations Act* granted by the Australian Securities & Investments Commission, and a

conditional exemption from the prudential requirements of the *Banking Act* granted by the Australian Prudential Regulatory Authority (“APRA”).

During 2012, GAB substantially revised its policies relating to the sufficiency of the amount of capital allocated to provide prudential support for the Financial Services activities, liquidity and credit risk having regard to the relevant policies of APRA which apply to authorised deposit taking institutions (“ADIs”). While GAB is not an ADI, the adoption of policies based on those which apply to ADIs is intended to enhance the integrity of the Financial Services activities, and reduce the risks associated with them. These new policies were prepared with the assistance of an experienced external consultant, who has been engaged to assist GAB undertake an annual review of the relevant policies.

APRA has recently advised that it proposes reviewing the scope of the exemption from the prudential requirements of the *Banking Act* for religious charitable development funds, such as GAB as the offeror of the Glebe Income Accounts. In a discussion paper issued in April 2013, APRA signalled its intention to limit the circumstances in which the exemption will apply and, in particular, limit the persons and organisations from whom investments can be taken without compliance with the requirements of the *Banking Act*. APRA’s proposals, if adopted, will impact the ability of GAB to offer the Glebe Income Accounts in future and, hence, the future returns from undertaking the Financial Services activities. GAB and other religious charitable development funds have made submissions to APRA in response to its discussion paper. It is expected that APRA will advise its final position on its proposals before the end of 2013.

CONCLUDING COMMENTS

GAB has undertaken significant reform over the last 3 years, both in its investment and governance processes. The intent of these reforms is to ensure that the principal objective of GAB in relation to the property of the Diocesan Endowment is able to be achieved, namely, the preservation of the real value of that property and the provision of a reasonable income therefrom. The results of the reforms to date indicates that GAB has made substantial progress towards establishing an appropriate investment and governance framework where risk is monitored and managed, and there is ongoing timely reporting to key stakeholders.

Finally, it is appropriate to specifically mention Canon Bruce Ballantine-Jones who retired as a member of GAB in December 2012. Bruce served as a member of GAB for many years, and served as chairman from November 2009 until his retirement. As chairman, Bruce led GAB through the reforms in investment and governance processes which were identified as being necessary following the impact of the Global Financial Crisis on the Diocesan Endowment. Members of GAB and senior management took the opportunity to recognise Bruce’s contribution at a farewell dinner in December. I am personally grateful for Bruce’s foresight, wise counsel and support during my service as Chief Executive Officer under his leadership.

MARK PAYNE
Chief Executive Officer

Constitution and Charter

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

GAB is the trustee of the Diocesan Endowment which is property held on trust for the purposes of the Diocese under the *Diocesan Endowment Ordinance 1984*. In that capacity, GAB is a registered charity with the Australian Charities & Not for Profit Commission.

Under clause 2 the *Glebe Administration Ordinance 1930*, GAB is to invest the property of the Diocesan Endowment in a way which –

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

GAB is also the trustee of St Andrew's House. However, under clause 1 of the *St Andrew's House Ordinance 1975*, responsibility for the management of St Andrew's House is vested in the Council of St Andrew's House Corporation.

Access

The principal office of GAB is Level 2, St Andrew's House, Sydney Square (PO Box Q190, QVB Post Office, NSW 1230). Telephone (02) 9265 1555. The hours of access are between 8.30am and 5.30pm.

Structure

Information about the membership of GAB is set out later in this Annual Report.

GAB has no employees. Administration, secretarial and accounting services are provided to GAB by Sydney Diocesan Secretariat on a fee for service basis. The executives of SDS with the greatest authority for the strategic direction and management of GAB are –

- ♦ Mark Payne Chief Executive Officer
- ♦ Michael Blaxland Chief Financial Officer
- ♦ Michael Newman Head of Investments and Commercial Property

Governance Standards

GAB is committed to the highest standards of governance, which are fundamental to its sustainability.

In determining its governance standards, GAB has considered the revised “Corporate Governance Principles and Recommendations” published in August 2007 (amended with effect from January 2011) by the *ASX Corporate Governance Council*.

While GAB is not a company, it recognises that the principles and recommendations of the *ASX Corporate Governance Council* are useful guides to determine and administer GAB’s governance standards.

GAB’s governance standards are set out in its Governance Statement which can be found on the GAB website at <http://www.sds.asn.au?site/104303.asp?ph=cb>. Those standards are summarised below.

In early 2013, the Federal Government released governance standards as part of its new regulatory framework under the Australian Charities & Not for Profit Commission. GAB will consider the applicability and implementation of these standards when they are approved by the Commonwealth Parliament.

PRINCIPLE 1 ENSURING CLEAR ROLES AND RESPONSIBILITIES

The respective responsibilities of the members of GAB, its Audit Committee and senior management are as follows –

Roles	Responsibilities
Members of GAB	<ul style="list-style-type: none"> ◆ ensure that GAB fulfils the responsibilities imposed on it by law, and by the applicable ordinances of the Synod and the Standing Committee ◆ provide strategic direction ◆ identify and quantify risk, establish risk limits, and ensure an appropriate risk management strategy and framework ◆ ensure proper systems of internal governance, including delegated authorities
Audit Committee of GAB	<ul style="list-style-type: none"> ◆ monitors, reports and makes recommendations to the members about the financial reporting processes of GAB, the internal control systems, and the independent audit process
Management (Chief Executive Officer of the Sydney Diocesan Secretariat)	<ul style="list-style-type: none"> ◆ executes the organisation strategy approved by the members ◆ undertakes the day to day management of GAB in accordance with the delegated authorities approved by the members

PRINCIPLE 2 STRUCTURE THE MEMBERSHIP APPROPRIATELY

GAB seeks to ensure that it has an appropriate number of members with skills and commitment to adequately discharge their responsibilities and duties.

The *Governance Statement* sets out principles relating to –

- ◆ membership of GAB
- ◆ the independence of members
- ◆ the selection of the chairman
- ◆ meetings of members of GAB
- ◆ nomination and appointment of new members
- ◆ terms of office and retirement and re-election of members
- ◆ education of members
- ◆ the access of members to information and advice
- ◆ the review of the performance of members

PRINCIPLE 3 PROMOTE ETHICAL AND RESPONSIBLE CONDUCT

GAB seeks to promote ethical and responsible conduct.

GAB has a range of policies to assist in promoting ethical and responsible conduct. For example, as the Investment Policy Statement states, the property of the Diocesan Endowment is invested in accordance with the ethical investment policy adopted by the Standing Committee under the *Investment of Church Trust Property Ordinance 1990*. That policy precludes the investment of the property of the Diocesan Endowment in a trust which invests mainly in the securities of a company which conducts a “disapproved business” as its main or one of its main businesses. A “disapproved business” is one or more of the following businesses –

- ◆ the manufacture, promotion, distribution or sale of armaments
- ◆ a business which is illegal or immoral
- ◆ the manufacture, promotion, distribution or sale of tobacco
- ◆ the business of gambling or betting or directly connected therewith,
- ◆ the manufacture, promotion, distribution or sale of liquor
- ◆ the production, sale or distribution of “X” or “R” rated video or digital images, videos or films.

Another example of the way GAB promotes ethical and responsible is its conflict of interests policy which sets out guidelines for recognising and managing potential conflicts of interest which may impact the governance and business of GAB.

PRINCIPLE 4 INTEGRITY IN FINANCIAL REPORTING

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.

The Governance Statement sets out principles relating to the role of the Audit Committee and the external auditor.

PRINCIPLE 5 EFFECTIVE COMMUNICATIONS WITH THE ARCHBISHOP, SYNOD AND STANDING COMMITTEE

In accordance with its obligations under the *Glebe Administration Ordinance 1930* –

- ♦ causes a notice of each meeting to be given to the Archbishop, and
- ♦ causes a copy of the minutes of each meeting to be sent to the Archbishop, and
- ♦ through the Chief Executive Officer, reports to each meeting of the Standing Committee about its operations and tables a copy of the minutes of all meetings of GAB held since the last meeting of, and
- ♦ provides the Standing Committee with such information about the affairs of GAB as the Standing Committee may require from time to time, and
- ♦ primarily through the Chief Executive Officer, answers any question on any matter relating to the affairs of GAB asked by any member of the Standing Committee.

In addition, GAB complies with the provisions of the *Accounts, Audits & Annual Reports Ordinance 1995* which includes reporting obligations such as this Annual Report.

PRINCIPLE 6 IDENTIFY AND MANAGE RISK

GAB regards identifying and managing risks which affect its operations as key to the performance, reputation and future success of GAB.

GAB has a risk identification and management strategy which is periodically reviewed by the members.

A separate section of this report deals specifically with risk management.

PRINCIPLE 7 REMUNERATE FAIRLY AND RESPONSIBLY

The members of GAB are not remunerated. GAB does not have any staff. The staff who undertake work on behalf of GAB are employees of Sydney Diocesan Secretariat. Sydney Diocesan Secretariat is engaged by GAB to provide administrative services for GAB under a service level agreement.

Risk Management

GAB regards identifying and managing the risks which affects its operations as key to the performance of the Diocesan Endowment and the reputation and sustainability of GAB.

GAB has a systematic way of identifying and managing risk.

GAB has a risk register which identifies risk, current controls for managing risks, further action and the plan taking that further action. The risk register is reviewed formally every 12 months. Each quarter, the Chief Executive Officer, on behalf of the management, certifies to the members of GAB about the adequacy of current controls.

The key risks of the business of GAB are –

1. Investment management risk
2. Regulatory and contractual risk
3. Operational risk
4. Reputation risk

Financial control risks are managed primarily by Sydney Diocesan Secretariat, as an external service provider to GAB. GAB has reviewed the risk register of Sydney Diocesan Secretariat to ensure that it has identified financial control risks and has appropriate controls to manage those risks.

The nature of the key risks and existing controls is as follows –

INVESTMENT MANAGEMENT RISK	
Nature of Risk	Key Controls
Inadequate governance procedures	<ul style="list-style-type: none"> ◆ Investment Policy Statement ◆ Ethical Investment Policy ◆ Capital Allocation Policy ◆ Liquidity Risk Management Policy ◆ Credit Risk Management Policy ◆ Monthly, quarterly and annual reporting about investment performance
Failure of external service providers	<ul style="list-style-type: none"> ◆ Service level agreements with external service providers ◆ Periodic review of performance of service providers

REGULATORY AND CONTRACTUAL OBLIGATIONS	
Nature of Risk	Key Controls
Non-compliance with significant regulatory obligations	<ul style="list-style-type: none"> ◆ Compliance plans for significant regulatory obligations ◆ Compliance certification processes ◆ Internal audit ◆ External audit ◆ Procedures for monitoring changes in regulatory environment
Entry into legally or commercially adverse contracts	<ul style="list-style-type: none"> ◆ Policy on approving and managing commercially significant contracts. ◆ Appropriate restrictions on delegations of authority.
Failure to manage significant contractual obligations	<ul style="list-style-type: none"> ◆ Compliance certification process for commercially significant contracts. ◆ Management reports to GAB

OPERATIONAL RISK	
Nature of Risk	Key Controls
Failure of key external service providers	<ul style="list-style-type: none"> ◆ Service level agreements with key external suppliers ◆ Regular client relationship meetings with suppliers ◆ Regular compliance reports from external service providers

REPUTATION RISK	
Nature of Risk	Key Controls
Investment performance fails to meet expectations	<ul style="list-style-type: none"> ◆ Investment Policy Statement ◆ Monthly, quarterly and annual reporting to key stakeholders
Being linked to an ethical, legal or management failure of an external service provider	<ul style="list-style-type: none"> ◆ Due diligence as to reputation and capability of supplier ◆ Policy on approving and managing commercially significant contracts
Adverse media comment	<ul style="list-style-type: none"> ◆ Policy on certain external communications

Membership of Glebe Administration Board

The members of GAB are the persons who are, from time to time, the members of Sydney Diocesan Secretariat, a body also incorporated under the *Anglican Church of Australia (Bodies Corporate) Act 1938*. The members of Sydney Diocesan Secretariat are appointed by the Standing Committee of the Synod.

As at 30 April 2013, the members of GAB were –

Name	Brief Biography
Mr Mark Ballantyne BEC, MBA, FIAA	Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years experience in all facets of financial services. Board member since December 2009.
Bishop Robert Forsyth	Bishop of South Sydney; Chairman of Anglican Media Council and Archbishop's Liturgical Panel and EU Graduates Fund; Member of Standing Committee Diocese of Sydney, Diocesan Doctrinal Commission, Standing Committee of General Synod; Diocesan Representative on General Synod; Corporate Trustee of Anglican Church of Australia; Member of GAB Audit and SDS Audit Committees. Board member since 2000.
Mr Ben Koo BCom BEc Chartered Accountant	Bank Analyst at Goldman Sachs Australia with previous experience in Corporate Restructuring and Corporate Finance and the past decade as a research analyst. Board member since December 2009.
Mr Andrew McLoughlin BBus CPA MTax	Deputy Inspector-General of Taxation. 20 years banking, financial services and taxation experience. Has held executive level positions. Member of GAB Audit and SDS Audit Committees. Board member since December 2009.
Mr Ian Miller BA LLM ThL GAICD	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; Member of Ethics Committee of Royal Rehabilitation Centre Sydney, Board of Enquiry and Parish Relationships Ordinance Panels; Diocesan Representative on General Synod and Provincial Synod. Board member since 1999.
Mr John Pascoe BEC, FCA	Principal of Pascoe Whittle; Member of Standing Committee, Finance Committee, St Andrew's House Corporation and Mission Board Strategy Committee; GAB Audit and SDS Audit Committees. Board member since December 2009.
Mr Ross Smith MAppFin, BEc, Chartered Accountant (Chairman)	Director, Corporate Recovery, McGrathNicol with 25 years experience in Accounting, Finance, Corporate Restructuring and Advisory; Member of the Council of St Andrew's House Corporation. Board member since December 2010.
Prof. Peter Wolnizer OAM BEC, MEc PhD, FCA FCPA	Professor Emeritus at The University of Sydney where he served as Dean of the Faculty of Economics and Business from 1999-2010, and as a Professor of Accounting until his retirement at the end of 2011. From 1 January 2012 he has been appointed as Chairman of the International Accounting Education Standards Board. He served on the Council of Moore College from 2000-04. Board member since November 2012 and GAB Audit and SDS Audit Committees since December 2012.

The members of GAB during 2012 and their meeting attendance was as follows –

Name	<i>No. of Meetings ELIGIBLE TO ATTEND</i>	<i>No. of Meetings ATTENDED</i>
Bruce Ballantine-Jones OAM	7	7
Mark Ballantyne	8	5
Robert Forsyth	8	6
Ben Koo	8	5
Andrew McLoughlin	8	8
Ian Miller	8	6
John Pascoe	8	7
Ross Smith	8	6
Peter Wolnizer OAM	1	1

Bruce Ballantine-Jones retired as Chairman and as a member of GAB on 6 December 2012.

The members of Audit Committee during 2012 and their meeting attendance was as follows –

Name	<i>No. of Meetings ELIGIBLE TO ATTEND</i>	<i>No. of Meetings ATTENDED</i>
Robert Forsyth	3	3
Andrew McLoughlin	3	1
John Pascoe	3	3
Ross Smith	3	3

Upon being appointed as Chairman, Ross Smith resigned from the Audit Committee. Peter Wolnizer was subsequently appointed to the Audit committee.

5 Year Financial Summary

The income and expenses of the Diocesan Endowment for 2012 were as follows (with comparatives for 2008-2011).

Further information about income and expenses can be found in the Financial Accounts for 2012.

\$'000	2012	2011	2010	2009	2008
Income					
Investment Income	19,058	18,053	15,465	24,263	(132,224)
Borrowing Costs	(5,577)	(7,038)	(7,216)	(6,921)	(18,442)
Net Investment Income	13,481	11,015	8,249	17,342	(150,666)
<i>Plus Fee and Other Income</i>	92	99	181	980	1,736
<i>Less Operating Expenses</i>	(2,885)	(3,211)	(5,075)	(6,974)	(10,510)
Net Income	10,688	7,903	3,355	11,348	(159,440)

The balance sheet of the Diocesan Endowment as at 31 December 2012 can be summarised as follows (with comparatives for 2008-2011) –

\$'000	2012	2011	2010	2009	2008
Assets					
Cash	95,220	63,163	52,741	51,405	68,783
Australian shares	25,291	23,615	26,752	46,960	54,803
Overseas shares	18,452	19,204	20,349	-	-
Australian bonds	9,693	9,294	10,953	18,343	2,523
Overseas bonds	2,441	4,232	4,297	-	-
Interest in the St Andrew's House Fund	41,581	40,949	31,629	27,170	33,407
Loans and mortgages	58,221	92,707	112,563	112,465	123,314
Other	1,588	2,249	1,084	4,393	2,382
Total Assets	252,487	255,413	260,368	260,736	285,212
Liabilities					
Provision for distribution	3,335	3,640	5,250	5,400	10,731
Glebe Income Account deposits	126,352	136,365	144,270	143,752	154,486
Loans	-	-	-	-	14,000
Other liabilities	785	982	1,030	887	1,223
Total Liabilities	130,472	140,987	150,550	150,039	180,440
Net Assets	122,015	114,425	109,818	110,697	104,772