

Sydney Diocesan Secretariat Audited Accounts for 2004

Independent Audit Report to the Members of Sydney Diocesan Secretariat

Audit opinion

In our opinion, the financial report as set out [on pages 223 to 235]:

- gives a true and fair view of the financial position of Sydney Diocesan Secretariat as at 31 December 2004, and of its performance for the year ended on that date; and
- is presented in accordance with Accounting Standards and other financial reporting requirements in Australia, and the provisions of the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney.

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

Scope

The financial report and member's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the statement by the members for Sydney Diocesan Secretariat (the Secretariat), for the year ended 31 December 2004.

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

Audit approach

We conducted an independent audit in order to express an opinion on it to the members of the Secretariat. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

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

Independence

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

PricewaterhouseCoopers
Chartered Accountants

M J Codling
Partner

Sydney
24 March 2005

Statement of Financial Performance for the year ended 31 December 2004

	Notes	2004 \$	2003 \$
Revenue from ordinary activities			
Management and service fees		11,669,993	11,158,085
Interest		237,919	206,728
Dividends and distributions		119,533	111,598
Proceeds from sale of plant and equipment		63,899	118,606
Grants and donations		300,957	180,266
Mark to market of investments		35,432	-
Other income		102,377	265,773
Total revenue from ordinary activities		12,530,110	12,041,056
Expenses from ordinary activities			
Borrowing costs expense		119,641	106,792
Staff and related expenses		7,813,110	8,553,775
Clergy stipend continuance plan	7	247,372	521,164
Professional fees		673,045	585,626
Rent and occupancy expenses		805,456	594,565
Office operating expenses		1,654,959	1,303,486
Marketing expenses		21,141	1,013
Depreciation		537,139	502,223
Audit fees	17	496,108	272,250
Carrying cost of plant and equipment sold		73,860	122,885
Mark to market of investments		-	43,724
Other expenses		4,210	14,530
Total expenses from ordinary activities		12,446,041	12,622,033
Surplus/(deficit) from ordinary activities		84,069	(580,977)

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

Statement of Financial Position as at 31 December 2004

	Notes	2004 \$	2003 \$
Current assets			
Cash assets	3	3,516,699	1,864,130
Receivables	5	130,358	94,877
Investments	6	2,490,256	2,454,824
Total current assets		6,137,313	4,413,831
Non-current assets			
Plant and equipment	8	953,463	992,676
Total non-current assets		953,463	992,676
Total assets		7,090,776	5,406,507
Current liabilities			
Payables	9	713,257	778,012
Current accounts held for Diocesan funds		2,249,261	1,398,818
Provisions	10	1,634,094	1,351,878
Total current liabilities		4,596,612	3,528,708
Non current liabilities			
Provisions	10	158,960	105,653
Total non-current liabilities		158,960	105,653
Total liabilities		4,755,572	3,634,361
Trust funds	12	535,623	56,634
Net assets		1,799,581	1,715,512
Equity			
Capital funds	11	1,799,581	1,715,512
Total equity		1,799,581	1,715,512

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

Statement of Cash Flows for the Year ended 31 December 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Management and service fees		1,1604,192	11,516,908
Interest		291,737	231,946
Dividends and distributions		96,036	98,856
Grants and donations		300,957	180,266
Other income		99,834	197,490
Borrowing costs		(119,641)	(101,708)
Payments in respect of the operations		<u>(10,965,642)</u>	<u>(11,431,890)</u>
Net cash inflow from operating activities	4	<u>1,307,473</u>	<u>691,868</u>
Cash flows from investing activities			
Payments for plant and equipment		(569,246)	(311,166)
Proceeds from sale of plant and equipment		<u>63,899</u>	<u>118,606</u>
Net cash outflows from investing activities		<u>(505,347)</u>	<u>(192,560)</u>
Cash flows from financing activities			
Net increase in deposits from Diocesan funds		<u>850,443</u>	<u>46,613</u>
Net cash inflows from financing activities		<u>850,443</u>	<u>46,613</u>
Net increase in cash held		<u>1,652,569</u>	<u>545,921</u>
Cash at the beginning of the year		<u>1,864,130</u>	<u>1,318,209</u>
Cash at the end of the year	3	<u>3,516,699</u>	<u>1,864,130</u>

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

1. Purpose

Sydney Diocesan Secretariat was established and incorporated under the provisions of Ordinances 18 and 19 of 1973. The Secretariat, being the central administrative body of the Diocese, operates wholly in Australia and is the nominal employer of staff and is responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds.

2. Summary of Accounting Policies

(a) Basis of accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views, and the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church Diocese of Sydney. Historical cost has been used and except where stated does not take into account current valuations of non-current assets.

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

Comparative information is restated where appropriate to enhance comparability.

(b) Revenue/expense recognition

Income and expenditure is recognised on an accruals basis.

(c) Depreciation of plant and equipment

Depreciation is provided on a straight line basis, based on the estimated useful lives of the assets concerned. Depreciation rates range from 10% to 33.33% per annum.

(d) Employee benefits

Liabilities for wages and salaries including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, are recognised either in payables or current provisions and are measured at the amounts expected to be paid when the liabilities are settled.

No liability has been recognised for sick leave as it does not vest in the employee and it is not considered that any sick leave taken will incur the Secretariat in additional costs.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised as a provision and is measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised as a provision and measured at the present

value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

A liability for employee benefits in the form of incentives is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for employee incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(e) Investments

Any premium or discount on the purchase of fixed interest Units in unlisted trusts are carried at fair value with movements being recognised in the statement of financial position.

On the sale of investments, profits or losses are recognised in the statement of financial performance.

(f) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Any premium or discount on the purchase of discount securities or bank bills is amortised, over the period of the security, on a straight line basis. These investments are recorded in the accounts at their cost, less the amount amortised to date.

(g) Receivables

Accounts receivable generally settled within 60 days are carried at amounts due.

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

(h) Payables

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

(i) Good and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(j) Current account held for Diocesan funds

These interest bearing liabilities are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(k) International financial reporting standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to the International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the entity's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 January 2005.

The Sydney Diocesan Secretariat has established a project team to manage the transition to Australian equivalents to IFRS under the management of its Chief Financial Officer.

Not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the entity's financial position and reported results.

(l) Income tax

The Sydney Diocesan Secretariat is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

(m) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

3. Cash assets

	2004	2003
	\$	\$
Discount securities and bank bills	351,656	450,782
Unsettled security sales	-	1,009,520
Petty cash	1,600	900
Bank account – Westpac Banking Corporation	599,075	98,036
Glebe Income Accounts – at call	2,564,368	4,892
Guardian Trust Westpac account – 11am call	-	300,000
	3,516,699	1,864,130

4. Reconciliation of surplus/(deficit) from ordinary activities to the net cash flows from operating activities

	2004	2003
	\$	\$
Surplus/(deficit) from ordinary activities	84,069	(580,977)
Depreciation	537,139	502,223
Loss on sale of plant and equipment	9,961	4,279
Mark to market of investments	(35,432)	43,724
Adjustment of plant and equipment	(2,543)	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(35,482)	376,491
Increase in trust funds	478,989	151,830
(Decrease) in payables	(64,754)	(307,007)
Increase in provisions	335,526	501,305
Net cash inflow from operating activities	1,307,473	691,868

5. Receivables

	2004	2003
	\$	\$
Accounts receivable	44,571	10,416
Distributions declared not paid	36,239	12,742
Input tax credits	47,571	15,926
Other	1,977	55,793
	<u>130,358</u>	<u>94,877</u>

6. Investments

Current	2004	2003
	\$	\$
Equity investments		
Ordinary shares – Anglican Insurance Limited – at cost	47	47
Mark to market adjustment	(47)	-
	<u>-</u>	<u>47</u>
Fixed interest investments		
Glebe Investment Trust – at cost	2,498,501	2,498,501
Mark to market adjustment	(8,245)	(43,724)
	<u>2,490,256</u>	<u>2,454,777</u>
Total current investments	<u>2,490,256</u>	<u>2,454,824</u>

7. Individually Significant Items

	2004	2003
	\$	\$
Clergy stipend continuance plan	<u>247,372</u>	<u>521,164</u>

During 2003, it was identified that some stipend continuance claims had been paid prior to acceptance of claim by the insurers. In 2004, the insurers accepted some of the claims and a provision was made to take into account the costs of the unrecoverable claims.

8. Plant and equipment

	2004	2003
	\$	\$
Furnishings and effects – at cost	282,203	350,163
Less: Accumulated depreciation	(102,814)	(274,439)
	<u>179,389</u>	<u>75,724</u>
Equipment and machinery – at cost	438,213	461,251
Less: Accumulated depreciation	(343,218)	(224,053)
	<u>94,995</u>	<u>237,198</u>
Office equipment – at cost	290,524	581,594
Less: Accumulated depreciation	(223,397)	(491,650)

	2004	2003
	\$	\$
	<u>67,127</u>	<u>89,944</u>
Motor vehicles – at cost	215,091	305,317
Less: Accumulated depreciation	(116,782)	(114,953)
	<u>98,309</u>	<u>190,364</u>
Computer hardware – at cost	964,433	1,091,836
Less: Accumulated depreciation	(605,955)	(869,133)
	<u>358,478</u>	<u>222,703</u>
Computer software – at cost	365,958	595,935
Less: Accumulated depreciation	(210,793)	(419,192)
	<u>155,165</u>	<u>176,743</u>
Total plant and equipment	<u>953,463</u>	<u>992,676</u>

Reconciliation

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current year is set out below:

Carrying amount at 1 January 2004	992,676
Additions	569,246
Adjustment of plant and equipment	2,540
Disposals	(73,860)
Depreciation	(537,139)
Carrying amount at 31 December 2004	<u>953,463</u>

9. Payables

	2004	2003
	\$	\$
Current sundry creditors	4,616	73,669
Accrued expenses	566,826	386,247
Planned Giving – Parish suspense	49,070	32,442
Other	92,745	285,654
	<u>713,257</u>	<u>778,012</u>

10. Provisions

Current	2004	2003
	\$	\$
Provision – Computer software upgrades	195,000	-
Incentive provision	809,000	499,881
Provision – Annual leave	431,797	484,993
Provision – Long service leave	198,297	367,004
	<u>1,634,094</u>	<u>1,351,878</u>

Non current

Provision – Long service leave	158,960	105,653
	<u>158,960</u>	<u>105,653</u>

(a) Aggregate employee benefits liability	<u>1,598,054</u>	<u>1,457,531</u>
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(b) Number of employees at year-end	<u>107</u>	<u>106</u>
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11. Capital funds

	2004	2003
	\$	\$
Balance 1 January	1,715,512	2,296,489
Current year Surplus/(Deficit)	84,069	(580,977)
Balance 31 December	<u>1,799,581</u>	<u>1,715,512</u>

12. Trust funds

	Clergy removals fund \$	Clergy stipend continuance plan \$	Total 2004 \$	Total 2003 \$
Balance 1 January	56,634	-	56,634	(95,196)
Received	54,662	1,021,910	1,076,572	460,503
Provision for uninsured claims (see note 7)	-	247,372	247,372	-
Less payments	(46,673)	(798,282)	(844,955)	(829,837)
Write off – uninsured claims (see note 7)	-	-	-	521,164
Balance 31 December	<u>64,623</u>	<u>471,000</u>	<u>535,623</u>	<u>56,634</u>

The clergy removals fund reimburses parishes for clergy removals under the provisions of the Clergy Removals Fund Ordinance 2003.

The clergy stipend continuance plan pays the insurance premium to cover the clergy for the extended absence caused by sickness or accident under the provisions of the Sydney Diocesan Sickness and Accident Fund Ordinance 1969. The Plan pays clergy admitted into the Plan and collects insurance claim proceeds from the insurer.

13. Commitments – premises rental

	2004	2003
	\$	\$
Gross rent	696,000	558,358
Cleaning, electricity and outgoings	24,000	35,694
Payable no later than one year	<u>720,000</u>	<u>594,052</u>

14. Financial Instruments

(i) Interest Rate Risk

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

	Effective interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
31 December 2004					
Assets					
Glebe Income Account - at call	5.20	2,564,368	-	-	2,564,368
Petty Cash		-	-	1,600	1,600
Bank account - Westpac Banking Corporation	3.90	599,075	-	-	599,075
Accounts receivable		-	-	130,358	130,358
Bank accepted bills	5.40	-	351,656	-	351,656
Glebe Investment Trust*	4.80	2,498,501	-	-	2,498,501
		5,661,944	351,656	131,958	6,145,558
Liabilities					
Payables		-	-	713,257	713,257
Current account held for Diocesan funds	3.25	2,249,261	-	-	2,249,261
Trust funds		-	-	535,623	535,623
		2,249,261	-	1,248,880	3,498,141
Net financial assets/(liabilities)		3,412,683	351,656	(1,116,922)	2,647,417

	Effective interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
31 December 2003					
Assets					
Glebe Income Account - at call	3.95	4,892	-	-	4,892
Petty cash		-	-	900	900
Bank account - Westpac Banking Corporation	2.85	98,036	-	-	98,036
Deposit - 11am call	5.43	300,000	-	-	300,000
Accounts receivable		-	-	1,104,396	1,104,396
Bank accepted bills	5.43	-	200,782	-	200,782
Negotiable certificates of deposit	5.17	-	250,000	-	250,000
Glebe Investment Trust*	4.70	2,498,501	-	-	2,498,501
Equities		-	-	47	47
		2,901,428	450,782	1,105,343	4,457,554

31 December 2003	Effective interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
Liabilities					
Payables		-	-	1,277,892	1,277,892
Current account held for Diocesan funds	2.27	1,398,819	-	-	1,398,819
Trust funds		-	-	56,634	56,634
		<u>1,398,819</u>	<u>-</u>	<u>1,334,526</u>	<u>2,733,345</u>
Net financial assets/(liabilities)		<u>1,502,609</u>	<u>450,782</u>	<u>(229,182)</u>	<u>1,724,209</u>

* The above interest rate risk disclosures have been prepared on look-through basis for investments held directly through unit trusts and not on the basis of the Corporation's direct investment. Consequently, the disclosure of interest rate risk may not represent the true interest rate risk profile of the Corporation.

(ii) **Credit Risk**

The carrying amount of financial assets included within the statement of financial position approximates the Fund's maximum exposure to credit risk in relation to these assets.

(ii) **Net Fair Value**

The members consider the carrying amount of financial assets and liabilities approximates their net fair value.

15. Overdraft Facility

A Joint and Several Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St. Andrew's House Corporation for overdraft accommodation up to \$1.2 million granted to Sydney Diocesan Secretariat.

At balance date Sydney Diocesan Secretariat made available overdraft facilities with limits of \$1 million to the Glebe Administration Board and \$100,000 to Sydney Church of England Finance & Loans Board through current accounts with the Secretariat.

16. Related Party Transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances and transactions between Diocesan Funds are carried out on a commercial basis. The nature of transactions is disclosed in the financial statements.

The following persons held office as members of the Secretariat during the year:

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

17. Remuneration of Auditors

	2004	2003
	\$	\$
Accrued audit fees	327,000	192,000
Previous year under provision	169,108	70,000
St Andrew's Cathedral audit	-	10,250
	<u>496,108</u>	<u>272,250</u>
Other services	<u>183,514</u>	<u>22,500</u>

The Sydney Diocesan Secretariat is responsible for the payment of audit fees of various entities and recovers this through the accounting and secretarial services levied on those entities. The auditors remuneration paid on behalf of those entities for the year is \$327,000 (2003: \$260,800).

The audit fees for the Sydney Diocesan Secretariat for 31 December 2003 is \$12,500 (2002: \$8,000).

18. Contingent Assets and Contingent Liabilities

Shares in Anglican Insurance Limited, Anglican Insurance Agencies Pty Limited and Anglican Insurance Trust have been written off as the companies and trust are in liquidation. Recovery of any amount from the liquidation is uncertain.

19. Events occurring after reporting date

The members are not aware of any events occurring after reporting date that impact on the financial statements as at 31 December 2004.

Statement by the Members

The members of the Sydney Diocesan Secretariat declare that the financial statements and notes set out on pages 223 to 235:

- (a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) give a true and fair view of the Secretariat's statement of financial position as at 31 December 2004 and of its

performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the members' opinion there are reasonable grounds to believe that the Secretariat will be able to pay its debts as and when they become due and payable.

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

R H Y Lambert
L A Scandrett
Members

16 March 2005