

## **Sydney Diocesan Secretariat Audited Accounts for 2006**

Independent Audit Report to the Members of Sydney Diocesan Secretariat

### **Audit opinion**

In our opinion, the financial report of Sydney Diocesan Secretariat as set out on [pages 235 to 250]:

- gives a true and fair view of the financial position of Sydney Diocesan Secretariat as at 31 December 2006, and of its performance for the year ended on that date; and
- is presented in accordance with Accounting Standards and other mandatory 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 balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the statement by the members for Sydney Diocesan Secretariat (the Secretariat), for the year ended 31 December 2006.

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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

***Independence***

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

PricewaterhouseCoopers  
Chartered Accountants

PL Buchholz  
Partner

Sydney  
21 March 2007

## Income statement for the year ended 31 December 2006

	Notes	2006 \$	2005 \$
<b>Revenue from continuing operations</b>			
Management and service fees		11,061,842	11,601,937
Interest		367,541	278,935
Net investment income from financial instruments		187,860	384,861
Grants		244,504	457,114
Net gain on disposal of plant and equipment	6	24,452	-
Superannuation contributions holiday	20	412,101	-
Other income		106,160	44,150
<b>Total revenue from continuing operations</b>		<b>12,404,460</b>	<b>12,766,997</b>
<b>Expenses from continuing operations</b>			
Borrowing costs expense		117,640	116,066
Staff and related expenses		8,093,940	8,426,445
Professional fees		1,310,699	827,672
Office operating expenses		1,160,378	1,413,756
Rent and occupancy expenses		656,484	677,235
Audit fees		438,056	343,848
Depreciation		317,224	485,080
Marketing expenses		19,375	10,602
Bad debts		1,214	1,243
Net loss on disposal of plant and equipment	6	-	48,777
Other expenses		4,450	1,413
<b>Total expenses from continuing operations</b>		<b>12,119,460</b>	<b>12,352,137</b>
<b>Surplus for the year</b>		<b>285,000</b>	<b>414,860</b>

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

## Balance sheet as at 31 December 2006

	Notes	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	4,739,536	3,739,644
Receivables	5	132,338	688,759
Other financial assets at fair value through profit or loss	4	-	2,825,479
		<u>4,871,874</u>	<u>7,253,882</u>
<b>Non-current assets</b>			
Plant and equipment	6	1,977,410	1,075,033
<b>Total non-current assets</b>		<u>1,977,410</u>	<u>1,075,033</u>
<b>Total assets</b>		<u>6,849,284</u>	<u>8,328,915</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	7	1,396,627	1,155,426
Interest bearing liabilities	8	1,023,413	2,722,644
Provisions	9	1,462,435	1,639,735
<b>Total current liabilities</b>		<u>3,882,475</u>	<u>5,517,805</u>
<b>Non-current liabilities</b>			
Provisions	10	467,368	468,912
<b>Total non-current liabilities</b>		<u>467,368</u>	<u>468,912</u>
<b>Total liabilities</b>		<u>4,349,843</u>	<u>5,986,717</u>
Trust funds	11	-	127,757
<b>Net assets</b>		<u>2,499,441</u>	<u>2,214,441</u>
<b>EQUITY</b>			
Capital		2,062,105	2,062,105
Accumulated surplus	12	437,336	152,336
<b>Total equity</b>		<u>2,499,441</u>	<u>2,214,441</u>

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

## Statement of changes in equity for the year ended 31 December 2006

	2006 \$	2005 \$
<b>Total equity at the beginning of the financial year</b>	2,214,441	1,799,581
Surplus for the year	285,000	414,860
<b>Total equity at the end of the financial year</b>	<b>2,499,441</b>	<b>2,214,441</b>

## Cash flow statement for the Year ended 31 December 2006

	Notes	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Management and service fees received		11,073,626	11,629,726
Interest received		367,257	278,935
Dividends and distributions received		496,267	192,523
Grants received		244,504	457,114
Other income received		146,030	44,150
Interest and finance charges paid		(117,693)	(116,066)
Payments to suppliers		(10,851,198)	(11,956,342)
<b>Net cash inflow from operating activities</b>	17	<b>1,358,793</b>	<b>530,040</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(1,258,597)	(694,154)
Payments for other financial assets at fair value through profit or loss		(18,407)	(2,628,954)
Proceeds from sale of plant and equipment		63,447	38,727
Proceeds from disposal of other financial assets at fair value		2,553,886	2,503,903
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,340,329</b>	<b>(780,478)</b>
<b>Cash flows from financing activities</b>			
Net (decrease)/increase in deposits from diocesan funds		(1,699,230)	473,383
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,699,230)</b>	<b>473,383</b>
<b>Net increase in cash and cash equivalents</b>		<b>999,892</b>	<b>222,945</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		3,739,644	3,516,699
<b>Cash and cash equivalents at the end of the year</b>	3	<b>4,739,536</b>	<b>3,739,644</b>

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

## **1. Purpose**

The Sydney Diocesan Secretariat (The Secretariat) was established and incorporated under the provisions of Ordinances 18 and 19 of 1973. The Secretariat operates wholly in Australia and, being the central administrative body of the Diocese, 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 Significant Accounting Policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **(a) Basis of preparation**

#### ***Compliance with IFRSs***

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

#### ***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, and certain classes of plant and equipment.

#### ***New accounting standards and interpretations***

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

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

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

#### ***Critical accounting estimates***

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires

management to exercise its judgement in the process of applying the Secretariat's accounting policies.

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

**(b) Revenue recognition**

Revenue (with the exception of grants) is recognised on an accruals basis. It is measured at the fair value of the consideration received or receivable. Grants are recognised on a cash basis. Amounts disclosed as revenue are net of goods and services tax (GST) where applicable.

Income from the disposal of plant and equipment is measured at fair value of the consideration received or receivable less the carrying value of the fixed asset or group of assets sold. Gain or loss arising from the sale is recognised at net amount in the income statement.

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

**(c) Acquisitions of assets**

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

**(d) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

**(e) Cash and cash equivalents**

For cash flow statement 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.

**(f) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Receivables are due for settlement no more than 30 days from the date of recognition.

The 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 entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

**(g) Investments and other financial assets**

The entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

***Financial assets at fair value through profit or loss***

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

**(h) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Furniture and effects	10 years
- Equipment and machinery	5 years
- Computer hardware	3 years
- Computer software	3 years
- Motor vehicles	5.5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

**(i) Payables**

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

**(j) Borrowings and borrowing costs**

Borrowings are initially recognised at fair value. Borrowings are classified as current liabilities unless the Secretariat 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.

**(k) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

**(l) Employee benefits****(i) Wages, salaries, annual leave and sick leave**

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 in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

No liability has been recognised for sick leave, as there is no provision made for sick leave and it is not considered that any sick leave taken will incur additional costs.

**(ii) Long service leave**

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 the 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.

**(iii) Employee incentives and bonus plans**

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.

**(m) 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.

**(n) Financial instrument transaction costs**

Costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

**(o) Goods and Service Tax (GST)**

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

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred 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.

Cash flows are presented on a net basis. The GST components of cash flows arising from operating, investing or financing activities, which are recoverable from, or payable to the ATO, are presented as operating cash flow.

**(p) Capital**

Represents the original capital contributed to the Sydney Diocesan Secretariat fund.

**3. Current assets – Cash and cash equivalents**

	2006	2005
	\$	\$
Cash at bank - Westpac Banking Corporation	(87,817)	60,086
Glebe Income Account - at call	4,825,753	3,113,299
Discount securities and bank bills	-	564,659
Petty cash	1,600	1,600
	<u>4,739,536</u>	<u>3,739,644</u>

**(a) Other cash and cash equivalents**

The deposits are bearing floating interest rates between 3.50% and 5.25% (2005 – 3.45% and 5.50%). These deposits have a varied maturity of at call, on demand or 30 days.

**(b) Cash at bank**

Cash at bank includes unrepresented cheques of \$318,505. The bank balance per the statement is not in an overdraft position.

**4. Current assets – Other financial assets at fair value through profit and loss**

	2006	2005
	\$	\$
Anglican Insurance Limited - at cost	47	47
Fair value adjustment	(47)	(47)
Total	<u>-</u>	<u>-</u>
Glebe Straightforward Investment Trust		
- at cost	-	2,628,955
Fair value adjustment	-	196,524
Total	<u>-</u>	<u>2,825,479</u>
Summary	<u>-</u>	<u>2,825,479</u>

Reconciliation of the carrying value of other financial assets through profit and loss at the beginning and end of the current year is set out below:

	2006	2005
	\$	\$
At beginning of the year	2,825,479	2,490,256
Additions	18,407	2,628,955
Disposals	(2,553,885)	(2,503,902)
Fair value adjustment	(290,001)	210,170
At end of the year	<u>-</u>	<u>2,825,479</u>

**5. Current assets - Receivables**

	2006 \$	2005 \$
Accounts receivable	12,365	39,441
Distribution receivable	-	18,407
Prepayments	79,734	25,891
Receivable from related entities	36	580,108
Input tax credits	38,504	24,912
Other receivables	1,699	-
	<b>132,338</b>	<b>688,759</b>

**(a) Bad and doubtful trade receivables**

The Secretariat has recognised a loss of \$1,214 - (2005: \$1,243) in respect of bad and doubtful receivables during the year ended 31 December 2006.

**6. Non-current assets – Plant and equipment**

	2006 \$	2005 \$
Furnishings and effects	266,362	282,203
Additions	-	98,837
Disposals/write-off	(10,361)	(114,678)
Furnishings and effects	256,001	266,362
Less: Provision for depreciation	(65,013)	(44,702)
	<b>190,988</b>	<b>221,660</b>
Equipment and machinery	438,213	438,213
Disposals/write-off	(18,713)	-
Equipment and machinery	419,500	438,213
Less: Provision for depreciation	(418,364)	(436,903)
	<b>1,136</b>	<b>1,310</b>
Office equipment	249,779	290,524
Additions	182,081	36,416
Disposals/write-off	(179,433)	(77,161)
Office equipment	252,427	249,779
Less: Provision for depreciation	(69,035)	(201,565)
	<b>183,392</b>	<b>48,214</b>
Computer hardware	1,071,050	964,433
Additions	80,125	153,743
Disposals/write-off	(297,989)	(47,126)
Computer hardware	853,186	1,071,050
Less: Provision for depreciation	(645,387)	(761,984)
	<b>207,799</b>	<b>309,066</b>
Computer software	385,190	365,958
Additions	11,120	19,232
Disposals/write-off	(286,263)	-
Computer software	110,047	385,190
Less: Provision for depreciation	(70,809)	(320,660)
	<b>39,238</b>	<b>64,530</b>

	2006	2005
	\$	\$
Motor vehicles	196,985	215,091
Additions	21,310	61,183
Disposals/write-off	<u>(98,343)</u>	<u>(79,289)</u>
Motor vehicles	119,952	196,985
Less: Provision for depreciation	<u>(53,797)</u>	<u>(91,474)</u>
	<b>66,155</b>	<b>105,511</b>
Progress payments for office refurbishment	1,288,702	324,742
Total Plant and equipment	<u><b>1,977,410</b></u>	<u><b>1,075,033</b></u>

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

	2006	2005
	\$	\$
Opening balance at beginning of year	1,075,033	953,463
Additions	294,636	369,412
Work in progress - office refurbishment	963,960	324,742
Disposals/Write-offs	(38,995)	(87,504)
Depreciation	<u>(317,224)</u>	<u>(485,080)</u>
Closing balance at end of year	<b>1,977,410</b>	<b>1,075,033</b>
Proceeds from the sale of plant and equipment	63,447	38,727
Carrying cost of plant and equipment sold	38,995	87,504
Gain/(Loss) on sale of plant and equipment	<u><b>24,452</b></u>	<u><b>(48,777)</b></u>

**7. Current liabilities - Payables**

	2006	2005
	\$	\$
Accounts payable	57,438	4,514
Accrued expenses	920,203	981,485
Planned giving	113,987	60,866
Other payables	304,999	108,561
	<u><b>1,396,627</b></u>	<u><b>1,155,426</b></u>

**8. Current liabilities – Interest bearing liabilities**

	2006	2005
	\$	\$
Current accounts held for Diocesan funds	<u><b>1,023,413</b></u>	<u><b>2,722,644</b></u>

**9. Current liabilities - Provisions**

	2006	2005
	\$	\$
Staff incentives	513,400	825,972
Annual leave entitlements	574,992	523,202
Long service leave entitlements	274,383	189,543
Clergy stipend continuance unfunded claims	99,660	101,018
	<u><b>1,462,435</b></u>	<u><b>1,639,735</b></u>

**10. Non-current liabilities - Provisions**

	2006	2005
	\$	\$
Long service leave entitlements	242,352	146,767
Clergy stipend continuance unfunded claims	225,016	322,145
	<u>467,368</u>	<u>468,912</u>

**11. Trust funds**

Movement in the composition of the trust funds during the current year are set out below:

	Total 2006	Total 2005
	\$	\$
Balance at beginning of year	127,757	535,623
Received	78,465	832,476
Provisions for uninsured claims	-	20,436
Payments	(50,362)	(1,011,706)
Transfers to new administration fund	(155,860)	174,091
Transfers to provisions	-	(423,163)
Balance at end of year	<u>-</u>	<u>127,757</u>

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

The Clergy Removals Fund (fund 0955) was created on 1 January 2005. The balances from the Trust Funds have been transferred to Fund 0955 during the year.

**12. Accumulated surplus**

	2006	2005
	\$	\$
Accumulated surplus/(deficit) at beginning of the year	152,336	(262,524)
Surplus for the year	285,000	414,860
Accumulated surplus at end of the year	<u>437,336</u>	<u>152,336</u>

**13. Commitments – premises rental**

	2006	2005
	\$	\$
Gross rent - St Andrews House	605,952	572,340
Rent - Disaster Recovery Site	97,378	12,000
Payable no later than one year	<u>703,330</u>	<u>584,340</u>

## 14. Risk management and financial instruments

Risk management forms an important part of our operations. The entities activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The entities exposure to those risks is outlined below:

### (i) Interest Rate Risk

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

31 December 2006	Weighted effective interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	5.10	4,737,936	-	1,600	4,739,536
Receivables	-	-	-	132,338	132,338
		<u>4,737,936</u>	<u>-</u>	<u>133,938</u>	<u>4,871,874</u>
<b>Financial liabilities</b>					
Payables	-	-	-	1,396,627	1,396,627
Interest bearing liabilities	4.40	1,023,413	-	-	1,023,413
		<u>1,023,413</u>	<u>-</u>	<u>1,396,627</u>	<u>2,420,040</u>
<b>Net financial assets/(liabilities)</b>		<u>3,714,523</u>	<u>-</u>	<u>(1,262,689)</u>	<u>2,451,834</u>

31 December 2005	Weighted effective interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	3.67	3,738,044	-	1,600	3,739,644
Receivables	-	-	-	688,759	688,759
		<u>3,738,044</u>	<u>-</u>	<u>690,359</u>	<u>4,428,403</u>
<b>Financial liabilities</b>					
Payables	-	-	-	1,155,426	1,155,426
Interest bearing liabilities	3.25	2,722,644	-	-	2,722,644
		<u>2,722,644</u>	<u>-</u>	<u>1,155,426</u>	<u>3,878,070</u>
<b>Net financial assets/(liabilities)</b>		<u>1,015,400</u>	<u>-</u>	<u>(465,067)</u>	<u>550,333</u>

### (ii) Credit risk

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

### (iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities.

**(iv) Net fair value**

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

**15. Contingent liabilities and contingent assets**

The members are not aware of any contingent assets or liabilities that have not been recognised as at the balance sheet date.

**16. 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.

**17. Reconciliation of surplus from ordinary activities to the net cash flow from operating activities**

	2006	2005
	\$	\$
Surplus from ordinary activities	285,000	414,860
Depreciation	317,224	485,080
(Gain)/loss on sale of plant and equipment	(24,452)	48,777
Fair value adjustment to investments	290,000	(210,170)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in receivables	556,421	(558,402)
(Decrease) in trust funds	(127,758)	(407,867)
Increase/(decrease) in payables	241,201	442,169
Increase/(decrease) in provisions	(178,843)	315,593
Net cash inflow from operating activities	<b>1,358,793</b>	<b>530,040</b>

**18. Related Party Transactions**

Ultimate control vests with Synod through the sanctioning of governing Ordinances. The 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 OAM	Mr N Lewis
Mr P R Berkley	Mr D McDonald AC
Mr P P Driscoll	Mr I C Miller
Rt Rev R C Forsyth	Mr W H Olson AM
Dr S E Judd	Dr L A Scandrett
Mr R H Y Lambert	Mr P R Shirriff

Key management personnel are the four executives with the greatest authority for the strategic direction and management of the Secretariat. Total compensation payable to key management personnel for the financial year comprised short-term benefits amounting to \$944,000 (2005: \$866,000), and other long term benefits amounting to \$256,700 (2005: \$150,000).

## 19. Remuneration of Auditors

	2006	2005
	\$	\$
<b>(a) Assurance services</b>		
Audit services		
- audit and review of financial reports and other audit work under the Corporations Act 2001	389,756	343,848
Total remuneration for audit services	<u>389,756</u>	<u>343,848</u>
Other assurance services		
- IFRS accounting services	34,200	27,500
- audit and review of financial reports and other audit work for other entities	5,300	21,000
Total remuneration for other assurance services	<u>39,500</u>	<u>48,500</u>
Total remuneration for assurance services	<u>429,256</u>	<u>392,348</u>
<b>(b) Taxation services</b>		
Tax compliance services, including		
- preparation, review and lodgement of income tax returns for related entities	-	16,670
- advice on the treatment of goods and services tax (GST) on certain taxable supply transactions	-	10,000
Total remuneration for taxation services	<u>-</u>	<u>26,670</u>
<b>(c) Advisory services</b>		
For services rendered, including		
- property asset portfolio restructure for the New Capital Project	-	95,463
- other services in the normal or incidental to the operation of the Secretariat	8,800	4,000
Total remuneration for advisory services	<u>8,800</u>	<u>99,463</u>
Audit services	358,386	365,000
Previous year under provision	25,612	44,348
Anglican Superfund audit fee paid/(recovered)	5,758	(65,500)
<b>Total remuneration for audit services</b>	<u>389,756</u>	<u>343,848</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 audit fee for the year specific to the Secretariat is \$18,347 (2005: \$18,800).

## **20. Superannuation contributions holiday**

	2006	2005
	\$	\$
Superannuation contributions holiday	<u>412,101</u>	<u>-</u>

The superannuation contributions holiday represents the application of a surplus in the defined benefit category of the Anglican Superfund toward superannuation contributions made on behalf of current SDS employees. The surplus arose from overfunding, typical with this type of fund, and resulting from actual investment returns for the fund exceeding those assumed in the 3 year valuations by which the level of employer contributions was determined. This is a one off non-recurring gain.

## **21. Events occurring after reporting date**

The Board has approved a total project budget of \$1,889,206 towards a financial management system and a property management system.

The members are not aware of any other events occurring after reporting date that impact on the financial report as at 31 December 2006.

The financial report was authorised for issue on 21 March 2007 by the members.

**Members' declaration**

The members of the Sydney Diocesan Secretariat declare that the financial statements and notes set out on [pages 235 to 250]:

- (a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) gives a true and fair view of the Secretariat's balance sheet as at 31 December 2006 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**

21 March 2007