Sydney Diocesan Secretariat
Audited Accounts for 2008

These Audited Accounts should be read in conjunction with the SDS Annual Report for 2008.

Independent Audit Report to the Members of Sydney Diocesan Secretariat

Report on the financial report

We have audited the accompanying financial report as set out on pages 516 to 540 being a general purpose financial report of Sydney Diocesan Secretariat (the Secretariat), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the members' declaration for Sydney Diocesan Secretariat.

Members' responsibility for the financial report

The members of the Secretariat are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney and are appropriate to meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 2, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the financial reporting obligations of the members under the Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which they are prepared.

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

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

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

Auditor's opinion on the financial report

In our opinion, the financial report presents fairly, in all material respects, the financial position of Sydney Diocesan Secretariat as at 31 December 2008 and its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

PricewaterhouseCoopers

KRISTIN STUBBINS
Partner

Sydney
1 April 2009

Income statement for the year ended 31 December 2008

	Notes	2008 $	2007 $
Revenue from continuing operations			
Management and service fees		11,665,568	10,703,461
Property management fees		971,759	819,480
Interest		240,235	289,380
Grants and donations		219,000	202,000
Net gain on sale of financial assets at fair value through profit or loss	6	7,985	1,023
Other income		207,140	417,420
Write back GAB service charge in advance for the Edge project	12	1,361,660	-
Net gain on sale of plant and equipment	7	4,089	-
Total revenue from continuing operations		14,677,436	12,432,764
Expenses from continuing operations			
Interest and finance charges		183,221	174,161
Staff and related expenses		9,362,139	8,893,998
Professional fees		730,135	1,446,376
Rent and occupancy expenses		1,061,845	795,543
Office operating expenses		1,512,256	1,564,638
Marketing expenses		870	1,237
Depreciation		760,456	431,007
Audit fees	20	53,786	81,609
Bad debts		(980)	980
Insurance expenses		35,699	39,734
Net loss on sale of plant and equipment	7	-	2,181
Impairment of intangible asset	8	1,697,450	-
Other expenses		118,362	16,107
Total expenses from continuing operations		15,515,239	13,447,571
Deficit for the year		**(837,803)**	**(1,014,807)**

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

Balance sheet as at 31 December 2008

	Notes	2008 $	2007 $
ASSETS			
Current assets			
Cash and cash equivalents	4	3,220,708	4,849,037
Receivables	5	215,298	220,823
Other financial assets at fair value through profit or loss	6	-	-
Total current assets		**3,436,006**	**5,069,860**
Non-current assets			
Plant and equipment	7	2,036,951	2,421,283
Intangible assets	8	-	1,889,000
Total non-current assets		**2,036,951**	**4,310,283**
Total assets		**5,472,957**	**9,380,143**
LIABILITIES			
Current liabilities			
Payables	9	883,700	1,251,683
Interest bearing liabilities	10	2,061,594	3,493,553
Provisions	11	1,472,279	1,264,292
Total current liabilities		**4,417,573**	**6,009,528**
Non-current liabilities			
Provisions and other liabilities	12	408,553	1,885,981
Total non-current liabilities		**408,553**	**1,885,981**
Total liabilities		**4,826,126**	**7,895,509**
Net assets		**646,831**	**1,484,634**
EQUITY			
Capital	13	2,062,105	2,062,105
Accumulated (deficit)/surplus	14	(1,415,274)	(577,471)
Total equity		**646,831**	**1,484,634**

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

Statement of changes in equity for the year ended 31 December 2008

	2008 $	2007 $
Total equity at the beginning of the financial year	1,484,634	2,499,441
Deficit for the year	(837,803)	(1,014,807)
Total recognised income and expense for the year	**(837,803)**	**(1,014,807)**
Total equity at the end of the financial year	**646,831**	**1,484,634**

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

Cash flow statement for the Year ended 31 December 2008

	Notes	2008 $	2007 $
Cash flows from operating activities			
Management and service fees received		11,685,087	10,644,494
Property management fees received		971,758	819,480
Rent received		-	6,512
Interest received		239,553	289,380
Grants and donations received		219,000	202,000
Other income received		115,460	417,420
Payments for other financial assets at fair value through profit or loss	6	(12,941,873)	(12,838,012)
Proceeds from disposal of other financial assets at fair value	6	12,949,858	12,839,035
Borrowing costs paid		(183,221)	(174,108)
Payments to suppliers and employees		(12,998,054)	(13,217,528)
Net cash (outflow)/inflow from operating activities	18	**57,568**	**(1,011,327)**
Cash flows from investing activities			
Payments for plant and equipment	7	(268,488)	(1,380,572)
Proceeds from sale of plant and equipment	7	14,550	31,261
Net cash (outflow)/inflow from investing activities		**(253,938)**	**(1,349,311)**
Cash flows from financing activities			
Net current account inflow/(outflow)	10	(1,431,959)	2,470,139
Net cash inflow/(outflow) from financing activities		**(1,431,959)**	**2,470,139**
Net increase/(decrease) in cash held		(1,628,329)	109,501
Cash at the beginning of the year		4,849,037	4,739,536
Cash at end of year	4	**3,220,708**	**4,849,037**

The above cash flow statement 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 the Sydney Diocesan Secretariat Ordinance of 1973. The Secretariat operates wholly in Australia and, being the central administrative body of the Diocese, is the nominal employer of staff and 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

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Accounts, Audits and Annual Reports Ordinance 1995.

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).

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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 2008 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. This standard will not affect any of the amounts recognised in the financial statements and is not expected to have a material impact on the financial statement disclosures of the entity.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123

The revised AASB 123 is applicable for annual reporting periods beginning on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the entity.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements.

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 and other income is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. Revenue and other income is recognised for the major business activities as follows:

Management and service fees

The Secretariat performs accounting, administration and secretarial services for a number of groups across the Diocese, most notably the Diocesan Endowment (and its controlled and managed entities), Synod (including Standing Committee), and the Anglican Church Property Trust (including the Endowment of the See). Management and service fees are based upon recouping the overall costs of each client through careful attention to the allocation of staff activity to the Secretariat's clients. The fees are recognised in the accounting period in which the services are rendered.

Grants and donations

Grants and donations are recognised to the extent they have been deposited in the bank, which is the point at which the entity gains control of the grant or donation.

Disposal of plant and equipment

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.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount.

Dividends and Distributions

Dividends and distributions from unlisted trusts are brought to account as revenue when the right to receive payment is established.

(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 asset's 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.

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, held-to-maturity investments and available-for-sale financial assets. 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.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(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
- Office equipment	5 years
- Computer hardware	3 years
- Computer software	3-4 years
- Motor vehicles	5.5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Payables

These amounts represent liabilities for goods and services provided prior to the end of financial year which are 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(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 matches, 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.

(q) Income tax

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

(r) Intangible assets

Costs incurred in developing Information Technology (IT) systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefit through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the entity has an intention and ability to use the asset.

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Sydney Diocesan Secretariat as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Sydney Diocesan Secretariat is a lessor is recognised in income on a straight-line basis over the lease term.

3. Financial risk management

The fund's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the fund.

Prime responsibility for financial risk management is with the Trustees of the fund.

	2008 $	2007 $
Financial assets		
Cash at bank - Westpac Banking Corporation	480,317	1,195,044
Glebe Income Accounts	2,733,852	3,652,393
St George 11 am cash management account	4,939	-
Receivables	215,298	220,823
	3,434,406	5,068,260
Financial liabilities		
Payables	883,700	1,251,683
Loans - current account balances	2,061,594	3,493,553
	2,945,294	4,745,236

(a) Market risk

(i) Foreign exchange risk

The fund does not operate internationally and is not exposed to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The fund's interest rate risk arises from its current accounts. The Secretariat, as the holder of the Westpac bank account, acts as banker for all the other internal funds. Each fund, as a separate current account holder with the Secretariat, earns interest income on the balance held daily. Overdraft fees are charged if the current account balance with the Secretariat is in overdraft position at predetermined rates set internally. The lending of funds may expose the Secretariat to cash flow interest rate risk, as determined by the cash needs of each individual internal fund. The fund also holds cash and cash equivalent deposits which expose the fund to interest rate risk from impacts on interest income. These risks are mitigated by maintenance of a margin between the interest rate received by the Secretariat on its cash holdings with Glebe Income Accounts and the interest rate paid on current accounts. Both rates change as necessary to reflect market conditions.

Interest rate sensitivity

At 31 December 2008, if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, surplus for the year would have been $11,575 lower/higher (2007 – change of 100 bps: $13,538 lower/higher), mainly as a result of higher/lower interest expense on interest bearing liabilities.

		Interest rate risk			
	Carrying	-1.00%		1.00%	
31 December 2008	amount $	Surplus $	Equity $	Surplus $	Equity $
Financial assets					
Cash and cash equivalents	3,219,108	(32,191)	(32,191)	32,191	32,191
Interest bearing liabilities	2,061,594	20,616	20,616	(20,616)	(20,616)
Total increase/(decrease)		(11,575)	(11,575)	11,575	11,575

		Interest rate risk			
	Carrying	-1.00%		1.00%	
31 December 2007	amount $	Surplus $	Equity $	Surplus $	Equity $
Financial assets					
Cash and cash equivalents	4,847,437	(48,474)	(48,474)	48,474	48,474
Interest bearing liabilities	3,493,553	34,936	34,936	(34,936)	(34,936)
Total increase/(decrease)		(13,538)	(13,538)	13,538	13,538

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions, as well as credit exposures to outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of A-2 are accepted. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. If available and considered required, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The fund maintains a deposit with the Glebe Income Accounts, which is backed by the net assets of the Diocesan Endowment.

As at 31 December 2008 accounts receivable of the Secretariat with a book value of $2,128 (2007: $20,778) were past due but not impaired. The individually overdue receivables mainly relate to yearbook sales for which there is no recent history of default.

	Credit rating	2008 $	2007 $
Cash and cash equivalents			
Cash at bank - Westpac Banking Corporation	AA*	480,317	1,195,044
Glebe Income Accounts	Not rated	2,733,852	3,652,393
St George 11 am cash management account	AA*	4,939	-
Total cash and cash equivalent		3,219,108	4,847,437

** Standard & Poor's Issuer Credit Rating*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the fund it aims at maintaining flexibility in funding by keeping committed credit lines available. The fund manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The fund had access to the following undrawn borrowing facility at the reporting date:

	2008 $	2007 $
Undrawn overdraft facility with Westpac Banking Corporation	1,200,000	1,200,000

The bank overdraft facilities may be drawn at any time.

Maturities of financial liabilities

The table below analyses the fund’s financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Due to the short-term nature of the liabilities the carrying amounts are disclosed in the table.

Less than six months	2008 $	2007 $
Non-interest bearing - payables	883,700	1,251,683
Variable rate - current account balances	2,061,594	3,493,553
	2,945,294	4,745,236

(d) Fair value estimation

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

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

4. Current assets – Cash and cash equivalents

	2008 $	2007 $
Cash at bank - Westpac Banking Corporation (a)	480,317	1,195,044
Glebe Income Account (other related party) (b)	2,733,852	3,652,393
St George 11 am cash management account (b)	4,939	-
Cash in hand	1,600	1,600
	3,220,708	4,849,037

(a) Cash at bank – Westpac Banking Corporation (a)

Cash at bank is bearing a variable interest rate of 1.5% (2007: 4.5%).

(b) Other cash and cash equivalents (b)

The deposits are bearing floating interest rates between 4.60% and 5.25% (2007 – 6.25% and 7.18%). These deposits have a varied maturity of at call, on demand, 30 days or 90 days.

5. Current assets – Receivables

	2008 $	2007 $
Accounts receivable	32,946	30,773
Prepayments - other	50,695	115,864
Accrued interest	682	-
Receivable from related entities	93,750	47
Input tax credits	25,504	38,416
Other receivables	11,721	35,723
	215,298	220,823

(a) Bad and doubtful trade receivables

The Secretariat has not recognised a loss in respect of bad and doubtful receivables during the year ended 31 December 2008 (2007: $980).

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

	2008 $	2007 $
Anglican Insurance Limited - at cost	47	47
Fair value adjustment	(47)	(47)
Total	-	-

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:

	2008 $	2007 $
At beginning of the year	-	-
Additions	12,941,873	12,838,012
Disposals	(12,949,858)	(12,839,035)
Fair value adjustment	7,985	1,023
At end of the year	-	-

7. Non-current assets – Plant and equipment

	2008 $	2007 $
Furnishings and effects - at cost	1,213,855	256,001
Additions	73,849	965,068
Disposals/write-off	-	(7,214)
Furnishings and effects	1,287,704	1,213,855
Less: Provision for depreciation	(240,225)	(112,743)
	1,047,479	1,101,112
Equipment and machinery	419,463	419,500
Additions	-	1,099
Disposals/write-off	-	(1,136)
Equipment and machinery	419,463	419,463
Less: Provision for depreciation	(418,694)	(418,474)
	769	989
Office equipment	471,969	252,427
Additions	52,375	219,542
Disposals/write-off	(34,928)	-
Office equipment	489,416	471,969
Less: Provision for depreciation	(186,608)	(126,056)
	302,808	345,913
Computer hardware	1,843,047	853,186
Additions	98,409	994,537
Disposals/write-off	(20,592)	(4,676)
Computer hardware	1,920,864	1,843,047
Less: Provision for depreciation	(1,297,896)	(905,124)
	622,968	937,923
Computer software	127,960	110,047
Additions	1,285	17,913
Computer software	129,245	127,960
Less: Provision for depreciation	(116,802)	(114,210)
	12,443	13,750
Motor vehicles	49,795	119,952
Disposals/write-off	(24,547)	(70,157)
Motor vehicles	25,248	49,795
Less: Provision for depreciation	(17,334)	(28,199)
	7,914	21,596
Computer hardware in the course of construction	42,570	-
Total plant and equipment	2,036,951	2,421,283

	2008 $	2007 $
Opening balance at beginning of year	2,421,283	1,977,410
Additions	225,918	2,198,159
Work in progress changes during the year	42,570	(1,288,702)
Disposals/write-offs	(10,461)	(33,442)
Depreciation	(642,359)	(432,142)
Closing balance at end of year	2,036,951	2,421,283
Proceeds from the sale of plant and equipment	14,550	31,261
Carrying cost of plant and equipment sold	10,461	33,442
Gain/(loss) on sale of plant and equipment	4,089	(2,181)

8. Non-current assets – Intangible assets

	2008 $	2007 $
The Edge Project - capitalised software development costs	-	1,889,000

(a) Movement	Notes	2008 $	2007 $
Opening book amount		1,889,000	-
Additions - acquisition budgeted to completion		-	1,889,000
Commitment overestimated		(73,453)	-
Edge Project costs		1,815,547	1,889,000
Accumulated amortisation *		(118,097)	-
Impairment charge **		(1,697,450)	-
Closing book amount		-	1,889,000

* Amortisation of $118,097 (2007: Nil) is included in depreciation expense in the income statement.

** The carrying amount of the Edge Project has been written off through recognition of an impairment loss against intangible assets. The impairment charge arose due to the downturn in global economic conditions and reassessment of the ability of client funds to sustain a fee structure that includes the future amortisation of the Edge Project costs. No class of assets other than intangible assets was impaired.

This loss has been disclosed as a separate line item in the income statement. The provision for fees in advance from GAB was simultaneously written back. That gain has been disclosed as a separate line item in the income statement. The net impact is a loss of $335,790.

9. Current liabilities – Payables

	2008 $	2007 $
Accounts payable	102	22,124
Accrued expenses	499,354	726,316
Planned giving	106,873	200,551
Other payables	277,371	302,692
	883,700	1,251,683

10. Current liabilities – Interest bearing liabilities

	2008 $	2007 $
Current accounts held for Diocesan funds (other related parties)	2,061,594	3,493,553

Movement	2008 $	2007 $
Opening balance	3,493,553	1,023,414
Net increase/(decrease) in current account balances	(1,431,959)	2,470,139
Current account balances at end of year	2,061,594	3,493,553

11. Current liabilities – Provisions

	2008 $	2007 $
Staff incentives (a)	-	354,051
Annual leave entitlements	633,762	630,420
Long service leave entitlements	254,909	218,672
Restructuring costs (b)	511,159	-
Clergy stipend continuance unfunded claims (c)	72,449	61,149
	1,472,279	1,264,292

(a) Staff incentives

Provision is made for the estimated bonus to be paid to qualifying staff. The bonuses are payable upon various Diocesan entities meeting a number of performance criteria. No provision is made for the year ending 31 December 2008.

(b) Restructuring costs

Provision is made for termination benefits payable to non-voluntarily retrenched staff.

(c) Clergy stipend continuance unfunded claims

Provision is made for the short fall in insurance cover for a claim made against the clergy stipend continuance insurance scheme. Management estimates the provision based on the period the claimant remains covered by the scheme and the monthly shortfall between the pension paid and amount received from the insurer.

(d) Movement in provisions

Movements in each class of provision during the year, other than employee benefits, are set out below:

Movement in current provisions	Staff incentives $	Restruc-turing costs $	Clergy stipend continuance unfunded claims $	Total $
Carrying amount at start of year	354,051	-	61,149	415,200
Charged/(credited) to the income statement				
- additional provisions recognised	35,013	511,159	67,081	613,253
Amounts used during the year	(389,064)	-	(55,781)	(444,845)
Carrying amount at end of year	-	511,159	72,449	583,608

12. Non-current liabilities – Provisions and other liabilities

	Notes	2008 $	2007 $
Long service leave entitlements		269,227	270,380
Clergy stipend continuance unfunded claims (a)		139,326	198,851
The Edge Project - Glebe Administration Board (b)		-	1,416,750
		408,553	1,885,981

(a) Clergy stipend continuance unfunded claims

Provision for shortfall of claims beyond the next twelve months.

(b) The Edge Project – Glebe Administration Board

Provision for the budgeted cost of completion of accounting software. The provision represents 75% percent attributable to GAB to be recovered by fees. The provision for fees in advance from GAB was written back in 2008. The $1,361,660 gain has been disclosed as a separate line item in the income statement.

(c) Movement in provisions

Movements in each class of provision during the year, other than employee benefits, are set out below:

Movement in non-current provisions	**Clergy stipend continuance unfunded claims $**	**The Edge Project - Glebe Administration Board $**	**Total $**
Carrying amount at start of year	198,851	1,416,750	1,615,601
Charged/(credited) to the income statement			
- unused amount reversed	(59,525)	-	(59,525)
(i) Budget reallocated to alternative project - 75% share	-	(22,500)	(22,500)
(ii) Budgeted amount not expended - 75% share	-	(32,590)	(32,590)
(iii) Write back Edge GAB fees in advance	-	(1,361,660)	(1,361,660)
Carrying amount at end of year	139,326	-	139,326

13. Equity - Capital

	2008 $	**2007 $**
Contributed capital	2,062,105	2,062,105

Capital has been contributed by the Synod of the Anglican Church of Australia Diocese of Sydney. The Secretariat's governing ordinance grants no rights or preferences in relation to the capital, and places no restrictions on the use of the capital in pursuing the Secretariat's objectives and providing benefits to the Synod's stakeholders.

14. Equity - Accumulated surplus

	2008 $	**2007 $**
Accumulated (deficit)/surplus at beginning of the year	(577,471)	437,336
Deficit for the year	(837,803)	(1,014,807)
Accumulated (deficit)/surplus at end of the year	(1,415,274)	(577,471)

15. Commitments – premises rental

Lease commitments: SDS as lessee *(i) Non-cancellable operating leases*	**2008 $**	**2007 $**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	897,965	997,808
Later than one year but not later than five years	2,410,833	-
	3,308,798	997,808

Lease commitments: SDS as lessor *Sub-lease payments*	**2008** **$**	**2007** **$**
Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases		
Within one year	32,769	-
Later than one year but not later than five years	44,558	-
	77,327	-

(ii) Cancellable operating leases	**2008** **$**	**2007** **$**
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Within one year	109,128	97,283
Later than one year but not later than five years	112,656	-
	221,784	97,283

16. Contingent liabilities and contingent assets

The Secretariat has received amended payroll tax assessments from the Office of State Revenue for the years ended 30 June 2004 to 2007 inclusive. The tax assessed including penalty tax and interest and after deducting amounts previously paid is $1,870,980.

The Secretariat has lodged an objection to this assessment believing the basis of the assessment to be without merit and the methodolgy used to calculate the assesed amount to contain a number of errors.

The Secretariat has suspended payment of payroll tax pending determination of the objection. The Secretariat has recognised as a liablity within these financial statements an estimate of the amount payable, $234,000, in relation to the period payments have been suspended based on prior year assessments.

17. Overdraft facility

A Joint and Several Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St. Andrew's House Corporation (other related parties) for overdraft accommodation up to $1,200,000 granted to Sydney Diocesan Secretariat.

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

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

		2008 $	2007 $
Deficit from ordinary activities		(837,803)	(1,014,807)
Depreciation		760,456	431,007
Loss/(gain) on sale of plant and equipment		(4,089)	2,181
Write down Edge project SDS 25% share of budget reductions	12	18,363	-
Changes in assets and liabilities			
(Increase)/decrease in receivables		5,525	(88,484)
(Decrease)/increase in payables		(367,983)	(144,944)
Non-cash impairment of assets	8	1,697,450	-
Increase/(decrease) in provisions		147,309	(196,280)
(Decrease) in Edge project GAB fees in advance	12	(1,361,660)	-
Net cash inflow from operating activities		**57,568**	**(1,011,327)**

19. Related Party Transactions

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

The Secretariat operates as the central administrative body of the Diocese, and is the nominal employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds. The Secretariat's activities involve extensive related party transactions. The Secretariat's revenues from management and service fees, property management fees, grants and donations are wholly derived from related parties. Revenues from interest and other income are mainly derived from related parties. Expenses mainly attributable to related parties are interest and finance charges, rent and insurance expenses.

The Secretariat's net assets also contain outstanding balances with related parties. Included in the assets of the Secretariat are cash deposits with Glebe Income Accounts and some receivables. The Secretariat provides a banking service via current accounts, these related party outstanding balances are shown as interest bearing liabilities.

Key management personnel

(a) Board members

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

Canon B A Ballantine-Jones OAM
Mr P R Berkley
Mr P P Driscoll
Rt Rev R C Forsyth
Dr S E Judd
Mr R H Y Lambert
Mr N Lewis
Mr D McDonald AC (resigned 10/11/2008)
Mr I C Miller
Mr W H Olson AM
Dr L A Scandrett
Mr P R Shirriff
Mr M Todd (appointed 11/11/2008)

(b) Other key management personnel

The following persons also had authority and responsibility for the strategic direction and management of the Secretariat during the year:

Name	*Position*
Mr S G McKerihan	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer
Mr M J Cambridge (to 28 May 2008)	General Manager, Property Services
Mr D R Cannings	General Manager, Investment Services
Mr M A Payne (from 28 May 2008)	General Manager, Parish & Property Services

(c) Key management personnel compensation

	2008 $	2007 $
Short-term employee benefits	1,224,629	1,324,038
Long-term employee benefits	26,788	31,374
Other benefits	163,847	259,160
	1,415,264	1,614,572

20. Remuneration of Auditors

	2008 $	2007 $
(a) Assurance services		
Audit services		
- audit and review of financial reports and other audit work	53,786	81,609
Total remuneration for audit services	53,786	81,609
(b) Advisory services		
For services rendered in the normal operations of the Secretariat	45,535	-
	99,321	81,609

Audit fees are charged directly to each entity, except for Standing Committee of Synod Sydney Diocesan Account and Archbishop's Discretionary Trust.

The audit fee for the year specific to the Secretariat is $25,000 (2007: $22,000).

21. Events occurring after reporting date

The members are not aware of any events occurring after reporting date that impact on the financial report as at 31 December 2008.

This financial report was authorised for issue on 25 March 2009 by the Board.

Members' declaration

The members of the Sydney Diocesan Secretariat declare that the financial statements and notes set out on pages 516 to 540 –

(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 2008 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 25 March 2009