Sydney Diocesan Secretariat Audited Accounts for 2009

These Audited Accounts should be read in conjunction with the SDS Annual Report for 2009. The Annual Report is printed separately.

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 445 to 472] being a general purpose financial report of Sydney Diocesan Secretariat (the Secretariat), which comprises the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, 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 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, as 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 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 assumptions 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 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 opinions.

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Sydney Diocesan Secretariat as at 31 December 2009 and its financial performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

PricewaterhouseCoopers

KRISTIN STUBBINS
Partner

Sydney
24 March 2010

Statement of comprehensive income for the year ended 31 December 2009

	Notes	2009 $	2008 $
Revenue from continuing operations			
Management and service fees		9,691,570	11,665,568
Property management fees		789,515	971,759
Interest		116,221	240,235
Grants and donations		186,000	219,000
Net gain on sale of financial assets at fair value through profit or loss	6	-	7,985
Final distribution on liquidation of Anglican Insurance Limited	6	52,929	-
Refund of payroll tax from Office of State Revenue	18	703,248	-
Write back 2008 payroll tax accruals	18	234,000	-
Other income		142,782	207,140
Write back GAB service charge in advance for the Edge project		-	1,361,660
Net gain on sale of plant and equipment	9	-	4,089
Total revenue from continuing operations		11,916,265	14,677,436
Expenses from continuing operations			
Interest and finance charges		91,208	183,221
Staff and related expenses		6,639,730	9,362,139
Professional fees		451,758	730,135
Rent and occupancy expenses		919,429	1,061,845
Office operating expenses		1,310,521	1,512,256
Marketing expenses		1,495	870
Depreciation		651,252	760,456
Audit fees	23	43,675	53,786
Bad debts		4,529	(980)
Net loss on disposal of plant and equipment	9	579	-
Impairment charge of plant and equipment	9	249,649	-
Insurance expenses		36,684	35,699
Impairment of intangible asset	10	-	1,697,450
Other expenses		11,617	118,362
Total expenses from continuing operations		10,412,126	15,515,239
Surplus/(deficit) for the year		**1,504,139**	**(837,803)**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		**1,504,139**	**(837,803)**

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

Balance sheet as at 31 December 2009

	Notes	2009 $	2008 $
ASSETS			
Current assets			
Cash and cash equivalents	4	4,303,570	3,220,708
Receivables	5	238,447	215,298
Other financial assets at fair value through profit or loss	6	-	-
Total current assets		**4,542,017**	**3,436,006**
Non-current assets			
Available-for-sale financial assets	7	-	-
Held-to-maturity investments	8	500,000	-
Plant and equipment	9	1,370,376	2,036,951
Intangible assets	10	-	-
Total non-current assets		**1,870,376**	**2,036,951**
Total assets		**6,412,393**	**5,472,957**
LIABILITIES			
Current liabilities			
Payables	11	484,566	883,700
Interest bearing liabilities	12	2,584,674	2,061,594
Provisions	13	845,840	1,472,279
Total current liabilities		**3,915,080**	**4,417,573**
Non-current liabilities			
Provisions and other liabilities	14	346,343	408,553
Total non-current liabilities		**346,343**	**408,553**
Total liabilities		**4,261,423**	**4,826,126**
Net assets		**2,150,970**	**646,831**
EQUITY			
Capital	15	2,062,105	2,062,105
Accumulated surplus/(deficit)	16	88,865	(1,415,274)
Total equity		**2,150,970**	**646,831**

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

Statement of changes in equity for the year ended 31 December 2009

	Notes	Capital $	Accumulated Surplus\ (deficit) $	Total $
Balance at 1 January 2008		**2,062,105**	**(577,471)**	**1,484,634**
Deficit for the year		-	(837,803)	(837,803)
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(837,803)	(837,803)
Balance at 31 December 2008		**2,062,105**	**(1,415,274)**	**646,831**
Surplus for the year		-	1,504,139	1,504,139
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,504,139	1,504,139
Balance at 31 December 2009	**15, 16**	**2,062,105**	**88,865**	**2,150,970**

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 2009

	Notes	2009 $	2008 $
Cash flows from operating activities			
Management and service fees received		9,717,320	11,685,087
Property management fees received		789,515	971,758
Interest received		116,273	239,553
Grants and donations received		186,000	219,000
Final distribution on liquidation of Anglican Insurance Limited	6	52,929	-
Refund of payroll tax from Office of State Revenue	18	703,248	-
Other income received		131,208	115,460
Payments for other financial assets at fair value through profit or loss	6	-	(12,941,873)
Proceeds from disposal of other financial assets at fair value	6	-	12,949,858
Borrowing costs paid		(91,208)	(183,221)
Payments to suppliers and employees		(10,310,598)	(12,998,054)
Net cash (outflow)/inflow from operating activities	21	**1,294,687**	**57,568**
Cash flows from investing activities			
Payments for plant and equipment	9	(97,536)	(225,918)
Payments for assets under construction	9	(137,819)	(42,570)
Proceeds from sale of plant and equipment	9	450	14,550
Payments for held-to-maturity investments	8	(500,000)	-
Net cash (outflow)/inflow from investing activities		**(734,905)**	**(253,938)**
Cash flows from financing activities			
Net current accounts held with related parties inflow/(outflow)	12	523,080	(1,431,959)
Net cash inflow/(outflow) from financing activities		**523,080**	**(1,431,959)**
Net increase/(decrease) in cash held		1,082,862	(1,628,329)
Cash at the beginning of the year		3,220,708	4,849,037
Cash at end of year	4	**4,303,570**	**3,220,708**

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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Accounts, Audits and Annual Statements Ordinance 1995.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial report 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 reports 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 mandatory for 31 December 2009 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 reports and is not expected to have a material impact on the financial reports disclosures of the entity.

(ii) 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 required the presentation of a statement of comprehensive income and made changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial reports.

(iii) AASB 123 *Borrowing costs* (Revised, June 2007) and AASB 2007-6 *Amendments arising from the revisions to* AASB 123 *Standards arising from AASB 123* (effective from 1 January 2009)

The revised AASB 123 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, as the entity already capitalises borrowing costs relating to qualifying assets.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. It is not expected to have a material impact on the entity's financial reports.

AASB 2009-4 and AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 and 139)* (effective 1 July 2009)

The objective of this Standard is to make amendments to:

(a) AASB 5 Non-current Assets Held for Sale and Discontinued Operations;

(b) AASB 8 Operating Segments;

(c) AASB 101 Presentation of Financial Statements;

(d) AASB 107 Statement of Cash Flows;

(e) AASB 117 Leases;

(f) AASB 118 Revenue;

(g) AASB 136 Impairment of Assets; and

(h) AASB 139 Financial Instruments: Recognition and Measurement;

It is not expected to have a material impact on the entity's financial reports.

AASB 2009-7 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 7, 107, 112, 136, 139 and Interpretation 17)* (effective 1 July 2009)

The objective of this Standard is to make amendments to:

(a) AASB 5 Non-current Assets Held for Sale and Discontinued Operations;

(b) AASB 7 Financial Instruments: Disclosures;

(c) AASB 107 Statement of Cash Flows;

(d) AASB 112 Income Taxes;

(e) AASB 136 Impairment of Assets;

(f) AASB 139 Financial Instruments: Recognition and Measurement; and

(g) Interpretation 17 Distributions of Non-cash Assets to Owners.

It is not expected to have a material impact on the entity's financial reports.

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 report 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.

Property management fees

The Secretariat performs accounting, administration and building management services for St Andrews House and St James Hall. Property management fees are based upon recouping the overall costs of each client through careful attention to the allocation of staff activity. 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 statement of comprehensive income.

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.

(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.

Collectability 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 statement of comprehensive income.

(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 end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through the profit or loss are designated at initial recognition. Their performance is evaluated on a fair value basis and managed in accordance with the entity's investment strategy. 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 end of each reporting period. 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 end of the reporting period.

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) 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 end of the report period. 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.

(k) 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 end of each reporting period are recognised either in payables or current provisions in respect of employees' services up to the end of each reporting period 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 is recognised in the provision for long service leave entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. 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 end of each reporting period 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.

(l) 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.

(m) 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.

(n) 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.

(o) Capital

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

(p) Income tax

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

(q) 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 three to five 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.

(r) 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.

	2009 $	2008 $
Financial assets		
Cash at bank - Westpac Banking Corporation	611,598	480,317
Glebe Income Accounts	3,690,372	2,733,852
St George 11 am cash management account	-	4,939
Receivables	238,447	215,298
Held-to-maturity investments	500,000	-
	5,040,417	3,434,406
Financial liabilities		
Payables	484,566	883,700
Interest bearing liabilities held for related parties	2,584,674	2,061,594
	3,069,240	2,945,294

(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 2009, 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 $22,173 lower/higher (2008 – change of 100 bps: $11,575 lower/higher), mainly as a result of higher/lower interest expense on cash and cash equivalents.

		Interest rate risk			
	Carrying	-1.00%		1.00%	
31 December 2009	amount $	Surplus $	Equity $	Surplus $	Equity $
Financial assets					
Cash and cash equivalents	4,301,970	(43,020)	(43,020)	43,020	43,020
Held-to-maturity investments	500,000	(5,000)	(5,000)	5,000	5,000
Interest bearing liabilities	2,584,674	25,847	25,847	(25,847)	(25,847)
Total increase/(decrease)		(22,173)	(22,173)	22,173	22,173

		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

(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. However to make greater use of the Commonwealth Government Bank deposit guarantee scheme across Diocesan entities SDS has invested $500,000 with Greater Building Society which is rated lower than A-2. 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 2009 accounts receivable of the Secretariat with a book value of $25,714 (2008: $2,128) were past due. An impairment provision of $4,251 was recognised and is shown on the statement of comprehensive income categorised as “Bad debts”. The individually overdue receivables mainly relate to IT hardware and services provided to Anglican Youthworks and year book sales. There is no recent history of default.

	Credit rating	2009 $	2008
Cash and cash equivalents			
Cash at bank - Westpac Banking Corporation	AA*	611,598	480,317
Glebe Income Accounts	Not rated	3,690,372	2,733,852
St George 11 am cash management account		-	4,939
Total cash and cash equivalent		4,301,970	3,219,108

	Credit rating	2009 $	2008
Held-to-maturity investments			
Greater Building Society Variable Rate Notes	BBB*	500,000	-
Total held-to-maturity investments		500,000	-

(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 end of each reporting period:

	2009 $	2008 $
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 end of each reporting period 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	**2009 $**	**2008 $**
Non-interest bearing - payables	484,566	883,700
Variable rate - current account balances held for related parties	2,584,674	2,061,594
	3,069,240	2,945,294

(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

	2009 $	**2008 $**
Cash at bank - Westpac Banking Corporation (a)	611,598	480,317
Glebe Income Account (other related party) (b)	3,690,372	2,733,852
St George 11 am cash management account (b)	-	4,939
Cash in hand	1,600	1,600
	4,303,570	3,220,708

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

Cash at bank is bearing a variable interest rate of 0.25% (2008: 1.50%).

(b) Other cash and cash equivalents (b)

The deposits are bearing floating interest rates between 3.15% and 5.00% (2008: 4.60% and 5.25%). These deposits have a varied maturity of at call or 90 days.

5. Current assets – Receivables

	2009 $	**2008 $**
Accounts receivable	128,787	32,946
Provision for impairment of receivables (note (a))	(4,251)	-
Prepayments - other	76,612	50,695
Accrued interest	630	682
Receivable from related entities	-	93,750
Input tax credits	33,583	25,504
Other receivables	3,086	11,721
	238,447	215,298

(a) Bad and doubtful trade receivables

The Secretariat has recognised a loss of $4,529 in respect of bad and doubtful receivables during the year ended 31 December 2009 (2008: Nil).

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

	2009 $	2008 $
NSW Council of Churches Broadcasters Pty Ltd	-	47
Fair value adjustment	-	(47)
Anglican Insurance Limited (In liquidation)	-	90,004
Fair value adjustment	-	(90,004)
Total	**-**	**-**

	2009 $	2008 $
At beginning of the year	-	-
Additions - Fixed interest securities	-	12,941,873
Disposals - Fixed interest securities	-	(12,949,858)
Disposals - Final distribution on liquidation	(52,929)	-
Profit on disposal of Anglican Insurance Limited	52,929	-
Fair value adjustment	-	7,985
At end of the year	-	-

During 2008 fixed interest securities were purchased and disposed of in the normal course of trading to manage cash.

The final distribution on liquidation of Anglican Insurance Ltd shares was received on 15 December 2009 for $52,929.

The investment in the NSW Council of Churches Broadcasters Pty Ltd is not held for trading and has been re-classified as “Non-current assets – Available-for-sale financial assets”.

7. Non-current assets – Available-for-sale financial assets

Unlisted securities	2009 $	2008 $
NSW Council of Churches Broadcasters Pty Ltd	47	-
Fair value adjustment	(47)	-
Total	**-**	**-**

The fair value is determined based on the present value of net cash inflows from expected future interest or dividends and subsequent disposals of the securities. No net cash inflows are expected.

All available-for-sale financial assets are denominated in Australian currency.

8. Non-current assets – Held-to-maturity investments

	2009 $	2008 $
Greater Building Society Variable Rate Notes	500,000	-

(a) Variable rate notes

The fair value of the variable rate notes is $500,000 (2008: Nil). Fair value was determined by reference to the face value and management's intention to hold the investment to maturity. Maturity date is 12 April 2012.

(b) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment. Greater Building Society is rated by Standard and Poor's Long Term Local Issuer Credit as "BBB". The variable rate notes are neither past due or impaired.

The variable rate notes are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is no exposure to price risk as the investments will be held to maturity.

9. Non-current assets – Plant and equipment

	2009 $	2008 $
Furnishings and effects - at cost	1,287,704	1,213,855
Additions	-	73,849
Disposals/write-off	(411,575)	-
Furnishings and effects	876,129	1,287,704
Less: Provision for depreciation	(192,759)	(240,225)
	683,370	1,047,479
Equipment and machinery - at cost	419,463	419,463
Additions	1,617	-
Equipment and machinery	421,080	419,463
Less: Provision for depreciation	(418,994)	(418,694)
	2,086	769
Office equipment - at cost	489,416	471,969
Additions	4,064	52,375
Disposals/write-off	(20,000)	(34,928)
Office equipment	473,480	489,416
Less: Provision for depreciation	(282,593)	(186,608)
	190,887	302,808
Computer hardware - at cost	1,920,864	1,843,047
Additions	91,856	98,409
Disposals/write-off	(555,673)	(20,592)
Computer hardware	1,457,047	1,920,864
Less: Provision for depreciation	(1,146,795)	(1,297,896)
	310,252	622,968

continued…

	2009 $	2008 $
continued…		
Computer software - at cost	129,245	127,960
Additions	-	1,285
Disposals/write-off	(129,245)	-
Computer software	-	129,245
Less: Provision for depreciation	-	(116,802)
	-	12,443
Motor vehicle - at cost	25,248	49,795
Disposals/write-off	-	(24,547)
Motor vehicle	25,248	25,248
Less: Provision for depreciation	(21,856)	(17,334)
	3,392	7,914
Expenditure recognised in relation to plant and equipment and fixtures and fittings which is in the course of construction	180,389	42,570
Total plant and equipment	1,370,376	2,036,951

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

	2009 $	2008 $
Opening balance at beginning of year	2,036,951	2,421,283
Additions	97,536	225,918
Work in progress changes during the year	137,819	42,570
Disposals/impairment write-off (a)	(250,678)	(10,461)
Depreciation	(651,252)	(642,359)
Closing balance at end of year	1,370,376	2,036,951
Proceeds from the sale of plant and equipment	250,099	14,550
Carrying cost of plant and equipment sold/ impaired	250,678	10,461
Gain/(loss) on sale of plant and equipment	(579)	4,089

(a) Impairment loss

The impairment charge of $249,649 relates mainly to changed circumstances regarding furnishings and effects usage, particularly as a result of reduced staff numbers and subsequent sub-letting of excess office space, early termination by a sub-tenant for which a fit out had been completed as an incentive, and fixtures and furniture demolished during refurbishment.

10. Non-current assets – Intangible assets

	2009 $	2008 $
The Edge Project - capitalised software development costs	-	-

(a) Movement	2009 $	2008 $
Opening book amount	-	1,889,000
Commitment overestimated	-	(73,453)
Edge Project costs	-	1,815,547
Accumulated amortisation *	-	(118,097)
Impairment charge **	-	(1,697,450)
Closing book amount	-	-

* No amortisation (2008: $118,097) is included in depreciation expense in the income statement.

** In 2008 the carrying amount of the Edge Project had 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 in 2008 was a loss of $335,790.

11. Current liabilities – Payables

	2009 $	2008 $
Accounts payable	13,759	102
Accrued expenses	202,823	499,354
Planned giving	107,109	106,873
Other payables	160,875	277,371
	484,566	883,700

12. Current liabilities – Interest bearing liabilities

	2009 $	2008 $
Current accounts held for Diocesan funds (other related parties)	2,584,674	2,061,594

Movement	2009 $	2008 $
Opening balance	2,061,594	3,493,553
Net increase/(decrease) in current account liability	523,080	(1,431,959)
Current account balances at end of year	2,584,674	2,061,594

Current account balances are at call and unsecured.

Interest is paid at 2.15% (2008: 4.20%).

Overdraft interest is charged at 7.65% (2008: 10.36%).

13. Current liabilities – Provisions

	2009 $	2008 $
Annual leave entitlements	448,402	633,762
Long service leave entitlements	213,653	254,909
Restructuring costs (a)	114,000	511,159
Clergy stipend continuance unfunded claims (b)	69,785	72,449
	845,840	1,472,279

(a) Restructuring costs

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

(b) 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.

(c) Movement in provisions

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

Movement in current provisions	Restruc-turing costs $	Clergy stipend continuance unfunded claims $	Total $
Carrying amount at start of year	511,159	72,449	583,608
Charged/(credited) to the income statement			
- additional provisions recognised	114,000	62,036	176,036
Amounts used during the year	(511,159)	(64,700)	(575,859)
Carrying amount at end of year	114,000	69,785	183,785

14. Non-current liabilities – Provisions and other liabilities

	2009 $	2008 $
Long service leave entitlements	276,561	269,227
Clergy stipend continuance unfunded claims (a)	69,782	139,326
	346,343	408,553

(a) Clergy stipend continuance unfunded claims

Provision for shortfall of claims beyond the next twelve months.

(b) 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 $
Carrying amount at start of year	139,326
Charged/(credited) to the income statement	
- unused amount reversed	(69,544)
Carrying amount at end of year	69,782

15. Equity - Capital

	2009 $	2008 $
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.

16. Equity - Accumulated surplus

	2009 $	2008 $
Accumulated surplus/(deficit) at beginning of the year	(1,415,274)	(577,471)
Surplus/(deficit) for the year	1,504,139	(837,803)
Accumulated surplus/(deficit) at end of the year	88,865	(1,415,274)

17. Commitments – premises rental

Lease commitments: SDS as lessee *(i) Non-cancellable operating leases*	**2009** **$**	**2008** **$**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	923,812	897,965
Later than one year but not later than five years	3,807,915	2,410,833
Later than five years	8,543,151	-
	13,274,878	3,308,798

Lease commitments: SDS as lessor *Sub-lease payments*	**2009** **$**	**2008** **$**
Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases		
Within one year	204,246	32,769
Later than one year but not later than five years	528,692	44,558
Later than five years	-	-
	732,938	77,327

(ii) Cancellable operating leases	**2009** **$**	**2008** **$**
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Within one year	445,671	109,128
Later than one year but not later than five years	401,256	112,656
	846,927	221,784

(i) Non-cancellable operating leases

The Secretariat leases various suites within St Andrew's House under non-cancellable operating leases expiring within thirteen years. The leases have varying terms. Each lease is subject to an annual rent escalation of 3% on the anniversary of the lease commencement date. On renewal terms of the leases are renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

(ii) Cancellable operating leases

The Secretariat has service contracts for the provision of software and hardware maintenance that are not recognised as liabilities.

18. Payroll tax compromise assessments

The Office of State Revenue (OSR) has accepted the Secretariat's apportionment methodology concerning taxable and non-taxable salaries for payroll tax purposes. The OSR has issued compromise assessments and refunded $703,248 pertaining to the periods originally under review. During the dispute the Secretariat suspended payment of payroll tax. The Secretariat has written back the $234,000 payroll tax liability provided for as at 31 December 2008. These transactions are non-repeating.

19. Contingent liabilities and contingent assets

In addition to the settled dispute there would appear to be an entitlement to a further refund of payroll tax paid for the period 1 July 2007 to 31 December 2007 amounting to $113,427. This amount has been classified as a contingent asset pending confirmation of entitlement from the OSR.

20. 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.

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

	Notes	2009 $	2008 $
Surplus/(deficit) from ordinary activities		1,504,139	(837,803)
Depreciation		651,252	760,456
Loss/(gain) on sale/impairment of plant and equipment		250,228	(4,089)
Write down Edge project SDS 25% share of budget reductions		-	18,363
Changes in assets and liabilities			
(Increase)/decrease in receivables		(23,149)	5,525
(Decrease)/increase in payables		(399,134)	(367,983)
Non-cash impairment of assets	10	-	1,697,450
Increase/(decrease) in provisions		(688,649)	147,309
(Decrease) in Edge project GAB fees in advance		-	(1,361,660)
Net cash inflow from operating activities		**1,294,687**	**57,568**

22. Related party transactions

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

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 Berkley (resigned 9/11/2009)
Mr P Driscoll (resigned 9/11/2009)
Rt Rev R C Forsyth
Dr S E Judd (resigned 17/11/2009)
Mr B M Koo (appointed 7/12/2009)
Mr R H Y Lambert (resigned 4/12/2009)
Mr N Lewis (resigned 9/11/2009)
Mr A McLoughlin (appointed 7/12/2009)
Mr I C Miller
Mr W H Olson AM (resigned 26/11/2009)
Mr J S Pascoe (appointed 7/12/2009)
Dr L A Scandrett
Mr P R Shirriff (retired 7/12/2009)
Mr M Todd (resigned 27/11/2009)

(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 D R Cannings (to 17 July 2009)	General Manager, Investment Services
Mr M A Payne	General Manager, Parish & Property Services

(c) Key management personnel compensation

	2009 $	**2008 $**
Short-term employee benefits	822,385	1,224,629
Long-term employee benefits	195	26,788
Other benefits	246,471	163,847
	1,069,051	1,415,264

23. Remuneration of Auditors

	2009 $	2008 $
(a) Assurance services		
Audit services		
- audit and review of financial reports and other audit work	43,675	53,786
Total remuneration for audit services	43,675	53,786
(b) Advisory services		
For services rendered in the normal operations of the Secretariat	19,098	45,535
	62,773	99,321

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 $23,800 (2008: $25,000).

24. Events occurring after the end of the reporting period

The members are not aware of any events occurring after the reporting period that impact on the financial report as at 31 December 2009.

This financial report was authorised for issue on 24 March 2010 by the Board.

Members' declaration

The members of the Sydney Diocesan Secretariat declare that the financial statements and notes set out on pages 445 to 472–

(a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;

(b) gives a true and fair view of the Secretariat's statement of financial position as at 31 December 2009 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.

John Pascoe
L A Scandrett
Members 24 March 2010