

Annual Report for 2000

Sydney Diocesan Secretariat Glebe Administration Board Sydney Anglican Church Investment Trust

(Being bodies corporate under the Anglican Church of Australia (Bodies Corporate) Act 1938 and constituted to manage, govern and control church trust property for the Anglican Church Diocese of Sydney.)

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Annexure: SDS Organisation Chart

Abbreviations used in this Report

- "CPT" means Anglican Church Property Trust Diocese of Sydney
- "EOS" means Endowment of the See
- "GAB" means Glebe Administration Board
- "GAL" means Glebe Australia Limited
- "SACIT" means Sydney Anglican Church Investment Trust
- "SAHC" means St Andrew's House Corporation
- "SAPF" means Sydney Anglican Property Fund
- "SDS" means Sydney Diocesan Secretariat
- "SDSF" means Sydney Diocesan Superannuation Fund

Constitution and Mission

1. SDS is constituted by the Sydney Diocesan Secretariat Ordinance 1973 to care for the property of the Standing Committee and regulate the affairs of the Anglican Church within the Diocese of Sydney. It provides services through its personnel to parishes and Anglican organisations.
2. The GAB is constituted by the Glebe Administration Ordinance 1930 to manage and control the Diocesan Endowment, being the capital from sales of certain glebes granted to the Church in the 19th century. Currently, up to 75% of the annual "net operating income" of the Diocesan Endowment (a higher percentage in some circumstances) is appropriated by the Synod of the Diocese for mission and ministry. The GAB has a secondary role as trustee and manager of the SAPF and St James Hall. It also manages St Andrew's House for SAHC.
3. SACIT is constituted by the Sydney Anglican Church Investment Trust Ordinance 1965 to provide investment services to parishes, churches and organisations of the Diocese of Sydney.
4. The SAPF is constituted by the Investment Ordinance 1975 to provide a means for church funds to be invested in a property unit trust.

Membership

5. The members of SDS, who are also the members of the GAB and SACIT, are appointed by the Standing Committee. One-third retire each year, being the longest in office since their last appointment. The names of the members in office on 31 December 2000 and their meetings attendance records in 2000 follow.

| | <i>Meetings Attended</i> | <i>Last Appointed</i> |
|---------------------------------|------------------------------|---------------------------|
| Mr B.H. Ball (Chairman) | 5 out of 6 | 2000 |
| Canon B.A. Ballantine-Jones OAM | 4 out of 6 | 2000 |
| Mr R. Bucknell | 3 out of 6 | 1998 |
| Mr R.C. Corbett | | 2 out of 6 |
| 1999 | | |
| Bishop R.C. Forsyth | 2 out of 3 | 2000 |
| Dr S.E. Judd | 5 out of 6 | 2000 |
| Mr N. Ingham | 6 out of 6 | 1999 |
| Mr R.H.Y. Lambert | 3 out of 6 | 1999 |
| Mr I.C. Miller | 5 out of 6 | 1999 |
| Mr W.H. Olson | 4 out of 6 | 1999 |
| Dr L.A. Scandrett | 5 out of 6 | 2000 |
| Mr P.R. Shirriff | 0 out of 6 | 2000 |

6. Meetings are held at St Andrew's House, Sydney Square 2000 (PO Box Q190, QVB Post Office NSW 1230): telephone (02) 9265-1555. Normal business hours are 9 am to 5 pm.

7. SDS, GAB and SACIT have an Investment Committee consisting of -

| | |
|-------------------------|--------------------|
| Mr B.H. Ball (Chairman) | Mr J.S. McSkimming |
| Mr R.E. Bucknell | Dr L.A. Scandrett |
| Mr D.J. Fairfull | Mr P.R. Shirriff |
| Mr R.H.Y. Lambert | |

Achievements in 2000

Secretarial Division

8. During 2000 the Division continued to perform the core administration functions for our central organisations and parishes.

Synod/Standing Committee

9. A large part of the work of the Division involves the provision of administration services to the Synod and the Standing Committee. The General Manager of the Division (Mark Payne) is the Lay Secretary of the Synod and the Secretary of the Standing Committee (Diocesan Secretary). The Synod met in May 2000 for one day in a special session and then for 5 days in October 2000 for its ordinary session. The Standing Committee met on 11 occasions.

Legal Services

10. The Division continues to provide legal advice and other legal services to our central organisations and parishes. Such advice and services are provided by Robert Wicks, our Legal Officer, and 2 legal trainees, Asheetha Chacko and Sarah Blakelock.

11. During the year some 45 ordinances were prepared and promoted to the Standing Committee. In addition to managing the introduction of the *New Tax System* into the Diocese the legal team conducted a series of seminars for parishes on the new child protection legislation and prepared detailed submissions to Government on the proposed reforms to anti discrimination law and the Inquiry into Charities.

Property Trust

12. The Property Trust is the trustee of most non commercial real estate in the Diocese and a large part of its work involves providing advice about property related matters and effecting insurances and executing contracts. Andrew Sillar is the Secretary and David Jurd is the Insurance Officer.

13. The introduction of the *New Tax System* required an extensive review of the Property Trust's policies and procedures. The updating of the property titles register continued throughout the year.

Financial Services

14. Ken Bowden, the Assistant Diocesan Secretary, did a lot of work concerning the introduction of the GST to the Diocese, its organisations and parishes.

15. A series of seminars was conducted throughout the Diocese to explain the impact of the GST on parishes. Considerable time was spent researching and answering enquiries from parish representatives throughout the year.

Investment Division

16. This Division manages the investment activities of GAB and related corporations and is responsible for investments in property, shares, cash, fixed interest, mortgages and loans as well as other appropriate investment opportunities from time to time.

17. During 2000 the Division managed substantial investment portfolios for GAB, SAPF, SACIT, and CPT. The property department continues to manage the commercial property assets of the GAB, SAPF, SAHC and St James Hall. This includes all aspects of property management including property services and maintenance of multi-storey office towers, industrial properties and the office, retail and car park complex of St Andrews House.

18. Many Investment Division staff also fill investment roles in Glebe Australia (see below).

19. Investment markets again proved difficult with most share markets around the world declining substantially over the last 9 months of 2000 as part of the fall-out from the "Tech Wreck". The "dot.com" and new economy bubble that had inflated prices to heady levels finally burst and the US-based NASDAQ index which measures price levels of technology shares in the USA fell by over 50% from its highs in 2000. Consequently share investment returns were down on the previous year's returns.

20. The property market during 2000 continued to improve on the levels of the previous year with rental income and property valuations generally increasing on those attained during the previous year. Although some slow-down was evident in some sectors post-Olympics, and despite the additional burden and administrative costs associated with the introduction of the GST from 1 July 2000, both direct and indirect (listed) property performed well in 2000.

21. The extensively refurbished Town Hall Square was officially opened on 2 February 2000 by Archbishop Goodhew although trading had been on-going throughout the refurbishment. While the final result is extremely pleasing, general retail trading conditions proved difficult and the expected 'tourist-led bonanza' from the Olympics did not eventuate. Tenants in the Town Hall Square also struggled as the combined impact of the refurbishment aftermath, GST and the Olympics affected turnover.

22. During the year SAPF sold its property at James Ruse Drive. The proceeds were invested in listed property and income producing securities. A replacement building was not sought as the funds would be used to meet a large redemption of units in early 2001. The balance of the direct property portfolio performed well with new leases

negotiated with the Olympic Co-ordination Authority at Homebush and Miller St, North Sydney again setting the pace for rental levels in the area. Valuations also strengthened and expectations are for continued improvement after a gentle slowdown in 2001.

23. Fixed interest had a strong year and returns reflected the movement in bond yields that occurred through the year.

24. Returns for the 12 months ended 31 December 2000 from the major components of the GAB investment portfolio are shown in the table below.

| Asset Class | Return pa |
|------------------------------|------------------|
| Australian shares | 8.0% |
| Overseas shares | 2.0% |
| Australian Fixed Interest | 10.6% |
| Direct Property | 5.5% |
| Listed Property | 19.5% |
| Cash and Short Term Deposits | 6.2% |

25. In cooperation with the Glebe Investor Centre and the Finance and Administration Division, the Investment Division handles the operations of the Sydney Anglican Deposit Plan (SADP). The division also handles the day to day cash and investment requirements of the SDS and the many funds serviced by the Finance and Administration division.

26. SADP continued to expand during 2000 and by the end of the year had grown to \$141.8 million from \$118.8 million at the end of 1999. SADP provides investors with competitive deposit rates at the same time providing GAB with a source of additional funds for investment upon which a positive return can be earned above the cost of funds.

27. The value of assets under management by the Glebe Group (including Glebe Australia) at the end of 2000 are shown in the table below.

| Asset Holdings | Total \$000s | Total % Wgt |
|-------------------------------------|---------------------|--------------------|
| Australian Shares | 1,330,798 | 77.8% |
| Overseas Shares | 30,908 | 1.8% |
| Aust Fixed Interest (Inc Mortgages) | 140,563 | 8.2% |
| Direct Property | 165,027 | 9.7% |
| Listed Property | 9,075 | 0.5% |
| Cash & Short Term Deposits | 33,687 | 2.0% |
| Total Holdings | 1,709,827 | 100.0% |

28. Overall, results for the Division were very pleasing both in terms of mark to market returns as well as the contribution to the distributable surplus which is available to Synod.

Glebe Australia Limited (GAL)

29. GAL was established in late 1995 as the holding company for a commercial financial services group wholly owned by the GAB. Through its operating subsidiaries, Glebe Asset Management Limited (GAM) and Glebe Investment Company Pty Limited (GIC), GAL has initiated activities in several new investment related areas.

30. The creation of the Glebe commercial group should continue to facilitate the development of a fee-based income stream through an ongoing expansion in funds under management and advice, as well as enhancing the overall performance of GAB and other Diocesan investment portfolios. The costs of establishing and maintaining the commercial ventures undertaken by the Glebe group have been minimal as, to a large extent, they have utilised the existing investment and administrative infrastructure of the GAB and the Sydney Diocesan Secretariat.

31. GAM has steadily increased funds under management and advice in both retail and wholesale formats, with the total approaching \$1.3 billion by the end of 2000. The Glebe group has built a reputation for performance-oriented, ethical approaches to investment management. Glebe's retail trusts are now in their fourth year of operation and are beginning to attract greater interest in a marketplace seeking a broader range of ethical investment alternatives. Plans for new Glebe product roll-outs during 2001 are well advanced.

32. Glebe's Financial Planning Division has completed its first year of operation with funds under advice now exceeding \$30 million. In addition to the Kent Street head office facilities, an office has been opened in Bowral to serve the southern highlands and Macarthur regions. Glebe also has a representative in North Sydney.

33. GIC has pursued a variety of opportunities in lending, leasing and corporate advisory work. It has also provided the entity through which back-office administrative services are contracted to external financial services providers, such as Hunter Hall Investment Management Limited, allowing the Glebe group to access a substantial revenue stream.

Finance and Administration Division

Accounting

34. During the year work continued on the traditional "church" accounts. 54 sets of individual accounts were prepared. In addition 210 individual Anglican Church Property Trust accounts were managed and amalgamated into one set of accounts.

35. Work also continued with the Glebe Australia group of companies, as subsidiaries of the Glebe Administration Board, where,

including the individual trust accounts a further 9 sets of accounts were prepared. The work associated with Glebe Stewardship Investment Trusts involved daily pricing procedures for each of the 6 public unit trusts, issues and redemptions of units, distributions and general administrative work associated with the trusts.

36. Three external contracts are now in place for “back-office” services in respect of unit trusts thus utilising the procedures and systems created.

37. The commencement of the Goods and Services Tax occurred on 1 July 2000 and created significant additional work for the section. Whilst the concessions given by the government, close to the commencing date, for charitable organisations, gave some relief the impact was still fairly significant. A total of 12 Business Activity Statements have to be prepared each month and the additional administrative time has certainly been felt.

Clergy and Superannuation Services

38. This department of the Division manages the Sydney Diocesan Superannuation Scheme (SDSF), the Long Service Leave Fund, the Stipend Continuance Plan, the Sickness and Accident Fund and the Car and Insurance Fund.

39. The largest single operation of this department is the SDSF. At the end of 2000 there were 2,700 members in the fund, an increase of 216 during the year. The Fund held net assets of \$114.8 million. This represented an increase of \$9.15 million during the year. SDSF earned 7.3% on its assets (after tax and expenses) during 2000. Utilising the distribution formula adopted in 1998 which consists of distributing a percentage of the current year and two previous years earnings, together with utilising some part of reserves a distribution of 10% was made to members.

40. The minimum superannuation contributions required by legislation moved from 7% to 8% from 1 July 2000. Whilst this did not impact upon clergy it did upon some of the lay staff in the Diocese resulting in additional contributions into the Fund.

Personnel

41. During the year the staff numbers moved from 89 at 1 January to 97 at 31 December. Details of these movements is set out in the table below -

| | |
|--|------|
| Staff at 1 January 2000 | 89 |
| Appointments | 27 |
| Resignations, retirements and other terminations | (19) |
| Staff at 31 December 2000 | 97 |

42. The trainee scheme which first commenced in 1992 continues to provide young people with an opportunity to combine their study with work in the Secretariat. At the end of 2000 there were six undergraduates in the scheme; four in accounting/commerce and two in law.

43. Obtaining good staff continues to be a difficulty with most advertisements attracting very little interest from within the Diocesan network. Secular advertising and other sources continues to be the main source for recruitment.

Management Information Services

44. The year started with the Year 2000 (Y2K) work resulting in very little disruption to work flows. Whatever problems were encountered were resolved with a minimum of delay.

45. One of the major tasks for the MIS department in 2000 was amendment of systems in order to be able to cope with the recording and reporting in connection with the Goods and Services Tax. This was completed on time.

46. Work commenced on seeking a replacement for the Secretariat telephone system. This will be integrated with requirements in the Kent Street offices and thus link the two sites. As part of this system the data network required extensive upgrading to ensure quality of service throughout the network. This involved installing new 1GB hubs, providing a faster backup link to the Glebe offices, and purchasing new routers.

47. The Diocesan database which was developed in-house some years ago was replaced with a commercial product which provides greater flexibility and reporting options.

48. The parish cost recoveries system, used to calculate superannuation, which originally ran within the diocesan accounting/administrative system was re-written to use the latest SQL server and web browser technologies.

49. We continued to provide internet services such as Email and web browsing to other Anglican organisations and to provide computer support. An Internet site was also designed and written for one of the external clients.

50. An IT Steering Committee was reconstituted to look at IT issues and make recommendations. This now meets on a regular monthly basis and consists of the heads of the main user divisions.

51. As part of the ongoing cyclical upgrading of equipment new hardware was purchased resulting in the replacing of approximately 30% of computers during the year.

52. Further work was undertaken in upgrading procedure manuals as well as revisions made to allow for the impact of the GST.

53. The decision was taken to separate the MIS section into a division of its own reporting directly to the Chief Operating Officer and at the end of the year steps were taken to establish the Technology Department with a manager appointed early in 2001.

Finance in Review

SDS

54. The 2000 result was a surplus of \$32,460. This was achieved through better than budgeted interest returns, net fee income and profit on the sale of investments.

55. There were 30 claims, involving 14 clergy, on the Sickness and Accident Fund and with no new claims on the Stipend Continuance Plan for clergy in parishes, although there are an ongoing 3 clergy and 1 lay claim. There were 36 claims for part or full reimbursement of removal costs.

56. Further financial information can be found in the audited accounts for 2000, attached to this report.

GAB: The Diocesan Endowment

57. The accounting surplus of \$13.64 million was just over \$1 million below the 1999 surplus with the distributable surplus of \$9.48 million also around \$1 million below that achieved in 1999. Most of the increase in 1999 over 2000 is attributable to one off occurrences in 1999 not recurring in 2000. Provision has been made to appropriate 75% of that surplus (\$7.11 million) to the Synod for distribution in 2002.

58. Further financial information can be found in the audited accounts for 2000, attached to this report.

59. It is worth noting that the Board wishes to have assets in its portfolio that will have prospects of both capital growth ahead of inflation and income growth keeping pace with inflation. The capital of the Endowment grew from \$142 million at the end of 1999 to \$148.7 million at the end of 2000, an increase of 4.7% compared to an inflation rate of 5.8% for the year; high due to the GST impact. Over the last 22 years the growth in assets has exceeded the annual inflation rate by an average of 2.76% per annum.

SACIT Capital Funds

60. There are two SACIT funds, one for equities and one for investments in fixed interest securities. Both funds operate on a unitised basis with prices calculated daily.

61. The SACIT equities fund achieved a surplus of \$7.42 million of which \$4.64 million was distributed to unitholders. Distributions from the fund are made in January and July at 2.5% of the average daily unit price applicable over the month prior to distribution (i.e. December and June).

62. The SACIT fixed interest fund achieved a surplus of \$6.74 after recognising net unrealised gains of \$2.32 million. The income

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distribution was not affected by the unrealised gains (although they do affect the capital unit price). The distribution to unitholders amounted to \$3.511 million for the year. Distributions from this fund are made quarterly.

SAPF

63. This fund, which is managed by the GAB, recorded a surplus of \$3.14 million in 2000. One property was sold during the year leaving three properties in the portfolio. Properties revaluations during the year improved the value of the assets by \$1.34 million. A distribution of \$153.00 per unit for the year was made to unitholders representing a yield of 8.1% for the year.

64. During 2000 575 units were redeemed resulting in a net 20,236 units held at 31 December 2000 with net assets of the fund being \$38.02 million.

Financial Results

65. In brief, the income and expenditure results for 2000 were -

| | \$000s | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | <i>Actual</i> 1999 | <i>Actual</i> 2000 | <i>Budget</i> 2000 | <i>Budget</i> 2001 |
| <i>Sydney Diocesan Secretariat</i> | | | | |
| Total Income | 6,633 | 7,803 | 7,452 | 8,715 |
| Expenditure | <u>6,534</u> | <u>7,602</u> | <u>7,502</u> | <u>8,715</u> |
| Operating Surplus/(Deficit) | 99 | 201 | (50) | 0 |
| Transferred from (to) Reserves | <u>49</u> | <u>(169)</u> | <u>-</u> | <u>-</u> |
| Surplus/(Deficit) | <u>148</u> | <u>32</u> | <u>(50)</u> | <u>0</u> |
| <i>Glebe Administration Board</i> | | | | |
| Net Property Income | 4,191 | 3,406 | 3,513 | 3,179 |
| Net Treasury Income | 3,563 | 4,182 | 3,664 | 5,914 |
| Net Other Income | <u>2,654</u> | <u>1,890</u> | <u>1,757</u> | <u>1,030</u> |
| Distributable Surplus | <u>10,408</u> | <u>9,478</u> | <u>8,934</u> | <u>10,123</u> |
| Accounting Surplus including non-distributable items | <u>14,670</u> | <u>13,640</u> | <u>8,934</u> | <u>10,291</u> |
| <i>Sydney Anglican Church Investment Trust - Equities</i> | | | | |
| Income | 12,104 | 10,700 | * | * |
| Expenditure | <u>1,972</u> | <u>3,280</u> | * | * |
| Surplus | <u>10,132</u> | <u>7,420</u> | = | = |
| <i>Sydney Anglican Church Investment Trust - Fixed Interest **</i> | | | | |
| Income | 1,151 | 8,020 | * | * |
| Expenditure | <u>929</u> | <u>1,278</u> | * | * |
| Surplus | <u>222</u> | <u>6,742</u> | = | = |

Sydney Anglican Property Fund

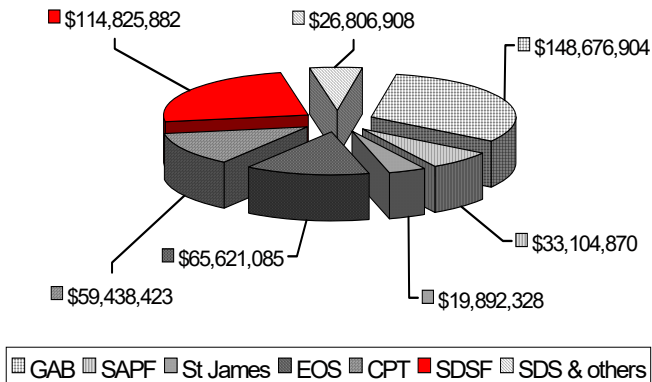
| | | | | |
|-------------|--------------|--------------|--------------|--------------|
| Income | 3,903 | 4,159 | 4,279 | 3,603 |
| Expenditure | <u>1,095</u> | <u>1,017</u> | <u>1,074</u> | <u>974</u> |
| Surplus | <u>2,808</u> | <u>3,142</u> | <u>3,205</u> | <u>2,629</u> |

* No budgets are prepared for these funds.

** Commenced 1 October 1998

66. A pie chart of the Net Assets administered by SDS staff in 2000 is shown below -

Net Assets Administered by SDS Staff
Net Assets = \$468,366,400
 (excludes value of CPT parish land and buildings)



ANDREW SILLAR
 Secretary

28 August 2001