

# Annual Report for 2001

## 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 2001 and their meetings attendance records in 2001 follow.

	<i>Meetings Attended</i>	<i>Last Appointed</i>
Mr B H Ball (Chairman)	7 out of 7	2000
Canon B A Ballantine-Jones OAM	7 out of 7	2000
Mr R E Bucknell	5 out of 7	2001
Mr R C Corbett	0 out of 7	1999
Bishop R C Forsyth	5 out of 7	2000
Mr N Ingham	6 out of 7	2001
Dr S E Judd	5 out of 7	2000
Mr R H Y Lambert	7 out of 7	2001
Mr I C Miller	5 out of 7	2001
Mr W H Olson	6 out of 7	1999
Dr L A Scandrett	4 out of 7	2000
Mr P R Shirriff	2 out of 7	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 D R Andrews	Mr R H Y Lambert
Mr B H Ball (Chairman)	Mr J S McSkimming
Mr R E Bucknell	Dr L A Scandrett
Mr R S Dredge	Mr P R Shirriff
Mr D J Fairfull	

### **Achievements in 2001**

#### **Secretarial Division**

##### *Synod/Standing Committee*

8. 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 for 2 days in June 2001 to elect a new Archbishop and for 5 days in October 2001 for its ordinary session. The Standing Committee met on 11 occasions.

##### *Legal Services*

9. The Division provides legal advice and other legal services to our central organisations and parishes. Such advice and services were provided by Robert Wicks, our Legal Officer, and 2 legal trainees, Asheetha Chacko and Sarah Blakelock. Sarah's traineeship with the Secretariat ended at the end of 2001.

10. During the year some 53 ordinances were prepared and promoted to the Standing Committee. In addition, the legal team undertook extensive compliance work to ensure the smooth introduction of the privacy legislation into the Diocese, and published comprehensive guidelines for the protection of children.

##### *Property Trust*

11. 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 Ken Bowden is the Assistant Secretary. David Jurd was the Insurance Officer until he resigned late in 2001.

12. The main issues for the Property Trust in 2001 were the administration of heritage buildings, revising procedures as a consequence of the implementation of the GST, the consolidation of trust funds and the updating of the property titles register.

##### *Financial Services*

13. Martin Thearle commenced work with the Division in 2001, responsible mainly for financial services. Significant achievements in 2001 were the release of the Sydney Anglican Parish Accounting System (SAPAS), a GST compliant accounting system which allows parishes to maintain their financial accounts in the manner required by our ordinances. Also produced was a *New Tax System* information

booklet which is part of the ongoing education of churchwardens about tax issues (including GST) as they relate to the parishes.

**Investment Division**

14. 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.

15. During 2001 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.

16. The events surrounding September 11 were clearly very significant for investment markets around the world including Australia. Substantial falls in share prices in the days immediately after the terrorist attacks in the USA reflected the growing uncertainty in global economies and threw doubt over the already struggling US economy in particular.

17. While markets generally rebounded quite quickly over the balance of 2001, many failed to reach levels of 6 months earlier.

18. While investment markets generally had mixed performance over 2001, many of the portfolios managed by the Investment Division outperformed their benchmarks. Australian shares recovered strongly in the days post-September 11 leading into 31 December and finished well into positive territory while bond yields rose (hence prices fell) as expectations of recovery on the global economy began to filter through. Fixed interest had a modest year with returns reflecting the strong rebound in bond yields in the last weeks of 2001 offsetting any of the positive movement in bond yields that occurred over the course of the year.

19. The property market also improved on the previous year with rental income and property valuations generally increasing on those attained during the previous year. More specifically, valuations of direct property holdings in managed portfolios lifted strongly overall, reflecting in part the 18 month period of strong property markets since the last valuation (which coincided with the introduction of the GST), but more specifically as a result of good management performance in lifting net returns by better rentals and reducing costs.

20. Returns for the 12 months ended 31 December 2001 from the major components of the GAB investment portfolio are shown in the table below.

<b>Asset Class</b>	<b>Return pa</b>
Australian shares	8.8%
Overseas shares	-6.7%
Australian Fixed Interest	4.6%
Direct Property	9.6%
Listed Property	13.6%
Cash and Short Term Deposits	7.1%

21. Mainly as a result of good overall returns achieved through the Investment Division, GAB finished the year with a record surplus and near record distribution to Synod.

22. 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.

23. The Sydney Anglican Deposit Plan (SADP) finished 2001 pretty much as it began with the deposit base stable at around \$141 million. 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.

24. The value of assets overseen by the Glebe Group (including Glebe Australia) at the end of 2001 are shown in the table below.

<b>Asset Holdings</b>	<b>Total \$000s</b>	<b>Total % Wgt</b>
Australian Shares	1,720,138	84.6%
Overseas Shares	36,851	1.8%
Aust Fixed Interest (Incl Mortgages)	65,310	3.2%
Direct Property	175,750	8.6%
Listed Property	6,701	0.3%
Cash & Short Term Deposits	28,271	1.4%
<b>Total Holdings</b>	<b>2,033,022</b>	<b>100.0%</b>

25. 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 Group**

26. 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.

27. 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, we have utilised the existing investment and administrative infrastructure of the GAB and the Sydney Diocesan Secretariat.

28. The Glebe group has steadily increased funds under management and advice in both retail and wholesale formats, and has built a reputation for performance-oriented, ethical approaches to investment management. Glebe's retail trusts are now in their fifth year of operation and a range of wholesale funds have also been created.

29. Glebe's Financial Planning Division was sold to the Lowell Flinders Group during the year. The sale provided a sound basis for the financial planning business to continue its growth. The GAB also took an equity interest in the expanded Lowell Flinders operations, which encompass a diverse range of financial services.

30. 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.

#### **Technology Division**

31. Technology underpins a significant amount of support for each of the different operational environments within the Secretariat. The Technology Division strives to maintain a consistent level of support to the users of these resources. Our users include Anglican Media, Glebe Asset Management, Youthworks, Glebe Administration Board, General Synod, the Archbishop, Bishops and their staff.

32. Contributions in the 2001 year include:

- Installation of a new phone system.
- Improving access to systems through faster and more efficient file servers.
- Installation of high speed printers to assist in the production of documentation.
- Installation and training on the Lotus Notes mail system.
- Attending to all personal computer problems.
- Maintaining network services for all users.
- Assist in the definition of the Diocesan Business Plan.

Supporting the Archbishop's vision.

33. The Technology Division keeps itself abreast of new technology. A new project which the Division is involved and excited about is the relaunch of the Sydney Anglican Deposit Plan using new software technology which will enable depositors to tailor and maintain control of their accounts through the internet.

### **Finance and Administration Division**

#### *Accounting*

34. The year was one of consolidation after the "Year 2000" and "GST" effects of the previous couple of years.

35. Accounting work involved continuation of the traditional "church" accounts together with accounting work for the Glebe Australia group of companies, as subsidiaries of the Glebe Administration Board, and external contracts for the supply of services.

36. The Division prepared annual financial statements for 54 church related bodies. In addition 212 individual Anglican Church Property Trust funds were managed and amalgamated into one set of accounts. There were also 12 sets of statements prepared for the Glebe group of companies (including 9 individual unit trusts) and 5 for external contracts.

37. In addition various monthly income and expenditure (profit and loss) accounts were prepared for management purposes. There were generally 13 prepared each month.

38. Changes to accounting standards coming into effect in 2001 meant changes to formats of all financial statements prepared during the year.

39. Changes to the fringe benefits tax legislation provisions affected church bodies by restricting the amount of concessional fringe benefits applicable to any one employee. This created additional record keeping and maintenance by the Secretariat.

40. External contracts for "back-office" services have increased with the work for 6 unit trusts in place at the end of the year with further work for commencement in 2002.

#### *Clergy and Superannuation Services*

41. This department 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.

42. During the year the Sickness and Accident Fund made reimbursement for 2 claims and there were four new claimants for sickness benefits.

43. At the end of 2001 there were 6 clergy/staff receiving benefits under the Stipend/Salary Continuance Plan, consisting of 4 continuing claims and a further 2 new claims during the year. There are 3 claims pending that are expected to commence in 2002.

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44. The largest single operation of this department is the SDSF. At the end of 2001 there were 2,903 members in the fund, an increase of 203 during the year. The Fund held net assets of \$122.3 million. This represented an increase of \$7.5 million during the year. SDSF earned 4.6% on its assets (after tax and expenses) during 2001 and utilising the balance of the Fund's distribution reserves made a distribution of 6.05% to members. These reserves were eliminated, to retain equity for existing members, prior to the establishment of SDSF on a unitised basis from 1 January 2002.

45. Opportunities are expected to present themselves shortly for the management of a number of external superannuation funds. This is being pursued in 2002.

### *Personnel*

46. During the year the staff numbers moved from 97 at 1 January to 96 at 31 December. Details of these movements is set out in the table below -

Staff at 1 January 2001	97
Appointments	30
Resignations, retirements and other terminations	(31)
Staff at 31 December 2001	96

47. 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 2001 there were three undergraduates in the scheme; two in accounting/commerce and one in law.

48. A number of staff changes in accounting personnel during the latter part of 2000 and throughout 2001 created additional pressure for the Division. The unit trust area staff was increased by two during the year to cope with increases in work, particularly the external contract work.

49. At the commencement of 2001 a decision was made to establish a Technology Division, taking that responsibility from Finance and Administration. Mr Stanley Leong was appointed Manager, Technology in March and his report forms a separate component of this combined report.

50. At the end of 2001 Mr David Cannings was appointed as General Manager elect of the Division, to replace Mr Andrew McDonald who gave notice of his impending retirement in the middle of 2002. David officially took over the responsibility of the Division in early February 2002.

51. In the latter part of 2001 a decision was made to appoint a Financial Controller. Mr Michael Blaxland was appointed to this position and commenced in mid-January 2002.



## **Finance in Review**

### *SDS*

52. The 2001 result was a surplus of \$20,357. This was achieved through better than budgeted interest returns, net fee income and profit on the sale of fixed assets and investments.

53. Further financial information can be found in the audited accounts for 2001, attached to this report.

### *GAB: The Diocesan Endowment*

54. The accounting surplus of \$21.049 million was \$7.4 million above the 2000 surplus and included \$9.21 million of asset revaluations. The change in distribution method to 5.4% of the average net assets of the Board over the previous three years resulted in a provision for distribution to Synod of \$7.68 million compared to \$7.11 million in 2000 under the former 75% of distributable surplus. An additional \$799,000 was provided representing 75% of the franking credit refund received from the 2000/2001 tax year.

55. Further financial information can be found in the audited accounts for 2001, attached to this report.

56. It is worth noting that the Board wishes to hold 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 \$148.7 million at the end of 2000 to \$161.3 million at the end of 2001, an increase of 8.5% compared to an inflation rate of 3.1% for the year as measured by the CPI. Over the last 23 years the growth in reported net assets has exceeded the annual inflation rate by an average of 2.88% per annum.

### *SACIT Capital Funds*

57. 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.

58. The SACIT equities fund achieved a surplus of \$11.51 million of which \$5.12 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).

59. The SACIT fixed interest fund achieved a surplus of \$2.81 after recognising net unrealised losses of \$1.37 million. The income distribution was not affected by the unrealised losses (although they do affect the capital unit price). The distribution to unitholders amounted to \$2.81 million for the year. Distributions from this fund are made quarterly.

### *SAPF*

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60. This fund, which is managed by the GAB, recorded a surplus of \$2.92 million in 2001. Property revaluations during the year improved the value of the assets by \$6.35 million. A distribution of \$159.00 per unit for the year was made to unitholders representing a yield of 8.6% for the year. The value of a unit in the Fund increased to a record \$2,422 from 1 January 2002.

61. During 2001 4,341 units were redeemed resulting in a net 15,278 units held at 31 December 2001 with net assets of the fund being \$36.61 million.

**Financial Results**

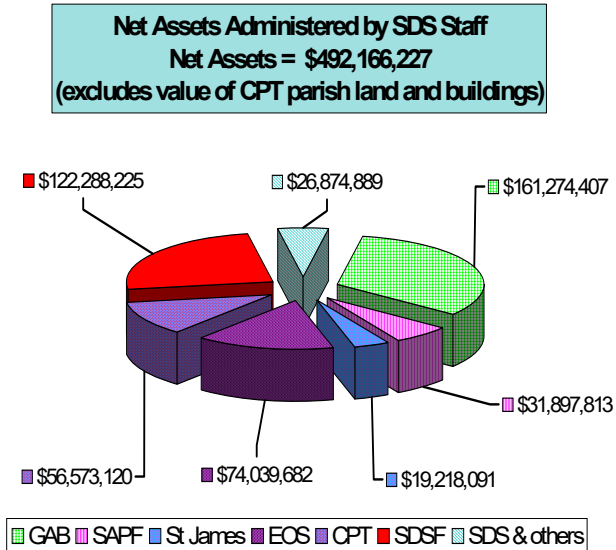
62. In brief, the income and expenditure results for 2001 were -

	\$000s			
	<i>Actual</i> 2000	<i>Actual</i> 2001	<i>Budget</i> 2001	<i>Budget</i> 2002
<i>Sydney Diocesan Secretariat</i>				
Total Income	7,803	8,545	8,715	9,640
Expenditure	<u>7,602</u>	<u>8,626</u>	<u>8,715</u>	<u>9,640</u>
Operating Surplus/(Deficit)	201	(81)	0	0
Transferred from (to) Reserves	<u>(169)</u>	<u>101</u>	<u>0</u>	<u>0</u>
Surplus	<u>32</u>	<u>20</u>	<u>0</u>	<u>0</u>
<i>Glebe Administration Board</i>				
Net Property Income	3,406	3,206	3,179	3,489
Net Treasury Income	4,182	6,704	5,914	4,836
Net Other Income	1,890	1,712	1,030	151
Capital growth	0	9,427	168	7,024
Surplus	<u>9,478</u>	<u>21,049</u>	<u>10,291</u>	<u>15,500</u>
Distribution to Synod	<u>7,108</u>	<u>8,475</u>	<u>7,592</u>	<u>8,136</u>
<i>Sydney Anglican Church Investment Trust - Equities</i>				
Income	10,700	13,370	*	*
Expenditure	<u>3,280</u>	<u>1,860</u>	<u>*</u>	<u>*</u>
Surplus	<u>7,420</u>	<u>11,510</u>	<u>==</u>	<u>==</u>
<i>Sydney Anglican Church Investment Trust - Fixed Interest **</i>				
Income	8,020	3,472	*	*
Expenditure	<u>1,278</u>	<u>658</u>	<u>*</u>	<u>*</u>
Surplus	<u>6,742</u>	<u>2,814</u>	<u>==</u>	<u>==</u>
<i>Sydney Anglican Property Fund</i>				
Income	4,159	3,741	3,603	3,835
Expenditure	<u>1,017</u>	<u>818</u>	<u>974</u>	<u>1,395</u>
Surplus	<u>3,142</u>	<u>2,923</u>	<u>2,629</u>	<u>2,440</u>

\* No budgets are prepared for these funds.

\*\* Commenced 1 October 1998

63. A pie chart of the Net Assets administered by SDS staff in 2001 is shown below -



ANDREW SILLAR  
Secretary  
16 August 2002