

# Annual Report for 2002

## 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 [not reproduced here]	

### 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 administer 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 5.4% of the average Net Assets of the Diocesan Endowment for the previous three years is appropriated each year by the Synod to fund Diocesan Mission activities. 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 2002 and their meetings attendance records in 2002 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 P R Berkley	0 out of 1	2002
Bishop R C Forsyth	5 out of 7	2002
Dr S E Judd	6 out of 7	2002
Mr R H Y Lambert	6 out of 7	2001
Mr I C Miller	6 out of 7	2001
Mr W H Olson AM	5 out of 7	2002
Dr L A Scandrett	5 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 a Finance and Review Committee consisting of -

Mr D R Andrews	Mr R H Y Lambert
Mr B H Ball (Chairman)	Mr J S McSkimming
Mr P R Berkley	Mr P R Shirriff
Mr R S Dredge	

### **Achievements in 2002**

#### **Secretarial Division**

##### *Synod/Standing Committee*

8. A large part of the work of the Division continues to be 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). He is assisted by Kim Parrey. The Synod met for 5 days in October 2002 for its ordinary session. The Standing Committee met on 11 occasions.

##### *Legal Services*

9. The Division provides legal advice and other services to our central organisations and parishes. During 2002 such advice and services were provided by Robert Wicks, our Legal Officer, our legal trainee, Asheetha Chacko and our Legal Secretary Ms Nerida Paul. Asheetha's traineeship with the Secretariat ended in December 2002 and her replacement, Mr Prashanth Colombage commenced duties the same month.

10. During the year some 80 ordinances were prepared and promoted to the Synod and the Standing Committee. In addition, the legal team undertook extensive work to prepare comprehensive guidelines on employment issues, as they affect our parishes.

##### *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, James Cartwright is the Assistant Secretary. Cindy Wong is the Insurance Officer and Marion Lytton is the administration assistant.

12. The main issues for the Property Trust in 2002 were the administration of heritage buildings and the updating of the property titles register.

##### *Property Services*

13. In 2002, the Secretariat appointed Hovel Hovhanesian as the Diocesan Property Officer. The main functions of this role are to facilitate the acquisition of land and buildings for ministry purposes in new areas, and to provide advice and support to parishes dealing with property issues.

*Financial Services*

14. Martin Thearle, the Deputy General Manager of the Division is responsible mainly for financial services. He is assisted by Robyn Manning. Significant achievements in 2002 were the preparation of new guidelines for the annual financial returns submitted by parishes and the processing of those returns, and the preparation of the cost recoveries and appropriations and allocations ordinances.

**Investment Division**

15. 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.

16. During 2002 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 including property services for multi-storey office towers, industrial properties and the office, retail and car park complex of St Andrews House.

17. As 2002 ended, investors were left counting their losses in most growth asset classes. The end of 2002 also confirmed that we have endured an extraordinary period of stockmarket history. US shares have only twice before fallen for three or more years in a row – at either end of the Great Depression of the 1930s.

18. Globally, only a few stockmarkets were able to overcome the negative influences driven by events in the US and those that achieved positive returns were generally bouncing back from catastrophic falls in previous years.

19. Australian share prices also fell during 2002. The S&P/ASX200 Index ended the year down by 12.6% - its first negative return over a calendar year since the 12.1% drop in 1994 and the biggest fall since a 22% drop in 1990. On a stock-by-stock basis, virtually all the small number of gains can be explained as special situations. Unifying sector themes were hard to identify and seldom delivered. In short, it was a stock-picker's year and the winners were hard to pick.

20. In contrast fixed interest markets had another strong year as bond yields fell (hence prices rose) both in Australian and major overseas bond markets.

21. Property assets also improved with listed property trusts (LPTs) producing outstanding returns in an otherwise dismal investment climate for growth assets. This was partly driven by an on-going expectation of rationalisation of the LPT market together with the defensive nature of yield-driven securities.

22. The direct property market was more problematic in that while some rental growth was achieved, valuations overall gave back some prior year's increases. During the year, the GAB sold 9 Help Street Chatswood to the James Fielding Group for cash and scrip in JFG

listed property securities. The JFG securities rose strongly in value over the course of the year, leading to GAB producing considerable out-performance compared to LPT benchmark indices.

23. Returns for the 12 months ended 31 December 2002 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	-6.8%
Overseas shares	-23.7%
Australian Fixed Interest	8.8%
Direct Property	2.7%
Listed Property	21.4%
Cash and Short Term Deposits	4.4%

24. The Sydney Anglican Deposit Plan (SADP) was given a major transformation during 2002 into the Glebe Income Accounts (GIA). GIA incorporates many of the features of modern banking systems including internet access for transactions and enquiries, cheque and deposit books, sweep facilities and direct debits and credits while maintaining very competitive interest rates.

25. The value of assets overseen by the Glebe Group at the end of 2002 are shown in the table below.

<b>Asset Holdings</b>	<b>Total \$000s</b>
Australian Shares	169,235
Overseas Shares	37,334
Aust Fixed Interest (Incl Mortgages)	120,192
Direct Property	123,875
Listed Property	29,349
Cash & Short Term Deposits	36,772
<b>Total Holdings</b>	<b>516,757</b>

#### **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 provides a range of financial services to the broader market.

27. The purpose of the GAL development is to secure a fee based income stream for GAB which will stabilise potential volatility which results from a reliance on investment income alone. The 2002 year

is an excellent example of a year in which a steady fee based income would have been useful.

28. Considerable foundational work was undertaken in marketing GAM's range of products:

- A senior General Manager was appointed. He has a wide range of experience in building a funds management business.
- The support organisation was reshaped to more closely reflect the needs of a commercial business.
- A major program was launched to develop GAM's position in the eyes of relevant asset consultants and ratings agencies.
- Likewise considerable progress was made in product management and marketing for GAM.
- A range of pooled investment funds was launched as the basis for marketing into the wholesale sectors of the funds management industry.
- The migration of GAB investments and GAB client funds into those pooled funds was commenced.
- A major rebranding exercise was undertaken with the result that "Glebe" was confirmed as the most appropriate brand for GAL services.

29. Progress in achieving substantial funds flow into GAL's products is understandably slow, given the economic climate and the need for completion of basic foundational marketing.

30. The lending activities of GIC continued in 2002 producing a welcome income stream. The loan book stood at just under \$80 million at the end of 2002. The leasing book of GIC is being wound down as margins in that sector have declined and administration costs have increased.

### **Finance and Administration Division**

#### *Accounting*

31. Accounting work involves the continuation of the traditional "church" accounts together with accounting work for the Glebe group of companies, as subsidiaries of the GAB, and external contracts for the supply of services. Included in the accounting function is the investment accounting for various church bodies and other organisations.

32. The Division prepares annual financial statements for 35 church related bodies. In addition 226 individual CPT 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.

33. The division also prepares various monthly management income and expenditure (profit and loss) accounts for 9 different groups, plus a monthly review of the trust accounts.

34. The year was one of re-evaluating the corporate priorities and direction following the change in management early in the year.

*Client Services*

35. The focus of this area is to provide various administrative services to the clients of the Anglican SuperFund – Sydney, the Long Service Leave Fund, the Stipend Continuance Plan, the Sickness and Accident Fund, the Car and Insurance Fund, the Glebe Income Accounts and the Glebe Stewardship Investment Trusts.

36. Toward the end of the year we took the decision to terminate the external contracts for “back-office” services and focus more on the church clients (including the Presbyterian Superannuation Fund) and the GAB business plan.

37. The largest single operation of this department is the Anglican Superfund - Sydney. At the end of 2002 there were 3,091 members in the fund, an increase of 188 during the year. The Fund held net assets of \$114.559 million. It is expected that this fund will about double in size next year following the merger of this fund and the national fund.

*Personnel*

38. During the year the staff numbers moved from 96 at 1 January to 101 at 31 December. Details of these movements is set out in the table below -

Staff at 1 January 2002	96
Appointments	33
Resignations, retirements and other terminations	(28)
Staff at 31 December 2002	101

39. A number of staff changes in accounting personnel during 2002 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.

**Finance in Review**

*SDS*

40. The 2002 result was a deficit of \$0.257 million. Further financial information can be found in the audited accounts for 2002, attached to this report.

*GAB: The Diocesan Endowment*

41. The 2002 result was a deficit of \$5.655 million. This was a direct reflection of the equity and property markets for the year. 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 \$8.136 million compared to \$8.475 million in 2001. The change in distribution method has been to the benefit of Synod in that the distribution to Synod is largely insulated from variations in asset markets.

42. Further financial information can be found in the audited accounts for 2002, attached to this report.

43. It is worth noting that the Board wishes to have assets in its portfolio that will have prospect of both capital growth ahead of inflation (after allowing for distributions) and income growth keeping pace with inflation. The capital of the Endowment at the end of 2002 is \$147.403. Over the last 23 years the growth in assets (after distributions) has exceeded the annual inflation rate by an average of about 2% per annum.

*SACIT Capital Funds*

44. 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.

45. During the year a decision was made to eliminate duplication of administration and to amalgamate the assets of SACIT with those managed by Glebe Asset Management Limited (a subsidiary of GAL). This occurred in December 2002 for SACIT fixed interest and February 2003 for SACIT equities.

*SAPF*

46. This fund, which is managed by the GAB, recorded a surplus of \$2.976 million in 2002. Asset revaluations during the year decreased the value of the assets by \$0.717 million. A distribution of \$168.00 per unit for the year was made to unitholders representing a yield of 7.4% for the year. The value of a unit in the fund decreased marginally to \$2,394 as at 1 January 2003.

**Financial Results**

47. In brief, the income and expenditure results for 2002 were -

	\$000s			
	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>
	<i>2001</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>
<i>Sydney Diocesan Secretariat</i>				
Total Income	9,005	10,235	9,640	10,638
Expenditure	<u>9,085</u>	<u>10,492</u>	<u>9,640</u>	<u>10,638</u>
Surplus (Deficit)	<u>(80)</u>	<u>(257)</u>	<u>0</u>	<u>0</u>



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*Glebe Administration Board*

Net Property Income	3,206	1,780	3,489	37
Net Treasury Income	6,704	10,907	4,836	4,446
Net Other Income	1,712	(238)	151	(732)
Capital growth	9,427	(17,744)	7,024	6,353
	<u>21,049</u>	<u>(5,295)</u>	<u>15,500</u>	<u>10,104</u>
Surplus				
Distribution to Synod	<u>8,475</u>	<u>8,136</u>	<u>8,136</u>	<u>8,232</u>

*Sydney Anglican Church Investment Trust - Equities*

Income	12,498	(5,953)	*	*
Expenditure	<u>988</u>	<u>1,013</u>	<u>*</u>	<u>*</u>
Surplus	<u>11,510</u>	<u>(6,966)</u>	<u>=====</u>	<u>=====</u>

*Sydney Anglican Church Investment Trust - Fixed Interest \*\**

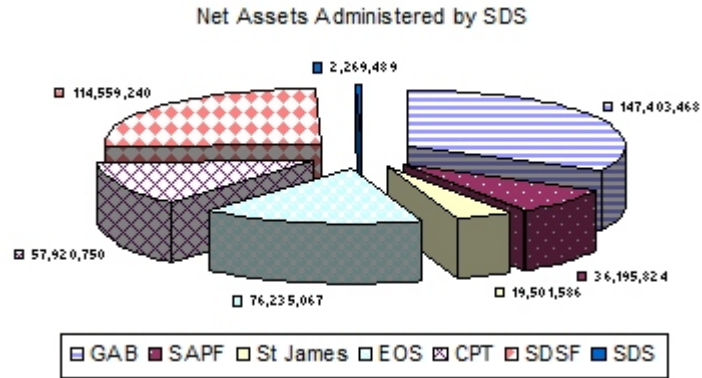
Income	3,125	4,812	*	*
Expenditure	<u>311</u>	<u>250</u>	<u>*</u>	<u>*</u>
Surplus	<u>2,814</u>	<u>4,562</u>	<u>=====</u>	<u>=====</u>

*Sydney Anglican Property Fund*

Income	3,741	3,984	3,835	3,787
Expenditure	<u>818</u>	<u>1,008</u>	<u>1,395</u>	<u>1,343</u>
Surplus	<u>2,923</u>	<u>2,976</u>	<u>2,440</u>	<u>2,444</u>

\* No budgets are prepared for these funds. These funds are now closed

48. A pie chart of the Net Assets administered by SDS as at 31 December 2002 is shown below -



ANDREW SILLAR  
*Secretary*  
19 August 2003