

Annual Report for 2003

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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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 is trustee and manager of the SAPF and St James' Hall and 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. This entity is dormant at present, its role having been overtaken by Glebe Asset Management Limited.
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 2003 and their meeting attendance records in 2003 follow.

	<i>Meetings Attended</i>	<i>Last Appointed</i>
Canon B A Ballantine-Jones OAM	8 out of 9	2003
Mr P R Berkley	9 out of 9	2002
Mr P P Driscoll	7 out of 7	2003
Bishop R C Forsyth	6 out of 9	2002
Dr S E Judd	8 out of 9	2002
Mr R H Y Lambert	8 out of 9	2003
Mr N R Lewis	5 out of 7	2003
Mr D B McDonald AO	3 out of 5	2003
Mr I C Miller	6 out of 9	2001
Mr W H Olson AM	5 out of 9	2002
Dr L A Scandrett	8 out of 9	2003
Mr P R Shirriff (Chairman)	7 out of 9	2003

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 P R Berkley	Mr P P Driscoll
Mr M J Cambridge	Bishop R C Forsyth
Mr D R Cannings	Mr R H Y Lambert
Mr R S Dredge	Mr P R Shirriff (Chairman)

Governance structures are under review. The Board expects to implement changes during 2004.

Achievements in 2003

Secretarial Division

Synod/Standing Committee

8. The Division continues to provide administration services to the Synod and the Standing Committee and their respective subcommittees. 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 McMahon. The Synod met for 5 days in October 2003 for its ordinary session. The Standing Committee met on 11 occasions.

Legal Services and Compliance

9. The Division continues to provide legal advice and other services to our central organisations and parishes. During 2003, advice and services were provided by Robert Wicks, our Legal Officer, Prashanth Colombage, our legal trainee, and our Legal Secretary Nerida Paul.

10. During the year some 65 ordinances were prepared and promoted to the Synod and the Standing Committee. In addition, the legal services team was involved in drafting submissions to Government on various issues, including extensive submissions about the proposed legislative definition of charity. Considerable time was also spent developing a property management system for the Property Trust.

11. During 2003, the compliance monitoring function for the activities of the Glebe Group was incorporated into the Division to strengthen the independence of our compliance program from operations. For this purpose Peter MacLean, the compliance manager, transferred to the Division. Another major activity was the preparation of the application for an Australian financial services licence for Glebe Asset Management. This was a large project, and was successfully completed in November 2003.

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. During 2003, Andrew Sillar served as the Secretary and James Cartwright was the Assistant Secretary. Cindy Wong is the Insurance Officer and Marion Lytton is the administration assistant.

13. The main issues for the Property Trust in 2003 were the administration of heritage buildings, the preparation of a fire safety register, and the updating of the property titles register.

Financial Services

14. Martin Thearle, the Deputy General Manager of the Division is responsible mainly for financial services. He is assisted by Robyn Manning. During 2003 this group continued to provide financial and administrative support and advice to parishes, further refined the SAPAS product and processed the annual Financial Returns.

15. Significant work was devoted to preparation of the cost recoveries report and its administration and the Synod Appropriations and Allocations Ordinance.

Property Services

16. Hovel Hovhanesian is the Diocesan Property Officer. His main function is to serve the Mission Property Committee which has been established 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.

In 2003, the Strategic Plan for the acquisition of land in new areas was completed and approved by the Standing Committee. The first parcel of land was acquired at Rouse Hill in the North West Sector. Work was also undertaken in preparing for the construction of a new church centre at Hoxton Park.

Investment Division

17. 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.

18. During 2003 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 Andrew's House.

19. The negative trends of 2002 continued into 2003, finally turning in March. From that point the Australian share markets have remained positive through to mid 2004.

20. Contrary to past trends, small-cap investments showed by far the strongest growth. The Glebe Small-cap Fund was awarded "Ethical Investor of the Year" for 2003 after returning 41.2% for the previous 12 months.

21. Treasury portfolios performed well in a difficult market. Our fixed interest portfolio marginally under-performed index. The mortgage look

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again performed well but will begin to run down as several major loans will be repaid in 2004. Our cash and money market activities continue to produce a useful result.

22. An exciting new investment vehicle, Glebe Diversified Property Fund, was launched towards the end of 2003. A specialised portfolio manager has been employed as fund manager. As the GAB's policy of moving out of direct property investments unfolds, we can expect this fund to build towards \$80 million by end 2004.

23. Overseas share portfolios rallied with the global markets and we marginally out performed. Currency movements however pushed these assets just into negative territory.

24. Direct property assets now sit in St Andrew's House, St James' Hall and SAPF. Progressively SAPF assets will be sold and the fund will revert to an investment vehicle for small property investors.

25. St James' Hall is an old building greatly in need of capital expenditure. The tension between a need for income (the synod and the parish are the beneficiaries) and capital expenditure is very difficult to manage.

26. St Andrew's House produced a useful result, held back by a difficult retail market affecting the Arcade. 2004 will see the launch of a major refurbishment exercise in St Andrew's House

27. Returns for the 12 months ended 31 December 2003 from the major components of the GAB investment portfolio are shown in the table below.

Asset Class	Return pa
Australian shares	16.9%
Overseas shares	-0.8%
Australian Fixed Interest	2.6%
Mortgages	6.7%
Direct Property	4.9%
Indirect Property	8.6%
Cash and Short Term Deposits	5.1%

28. Glebe Income Accounts (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. Take up rates by parishes and individuals has been excellent.

29. The value of assets overseen by the Glebe Group at the end of 2003 are shown in the table below.

Asset Holdings	Total \$000s
Australian Shares	194,076
Overseas Shares	36,960
Australian Fixed Interest	52,936
Australian Mortgages	81,923
Direct Property	124,920
Indirect Property	6,553
Listed Property	25,741
Cash & Short Term Deposits	35,448
Total Holdings	558,557

Glebe Australia Limited Group

30. 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.

31. 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.

32. Progress in achieving substantial funds flow into GAL's products continues to be slow notwithstanding our considerable investment in basic foundational marketing. Early in 2004 we abandoned attempts to secure a position in the general secular funds management market and have focused our resources on the church and para-church sectors.

Technology Division

33. Technology division crosses many Diocesan entities (Glebe Administration Board, Sydney Diocesan Secretariat divisions, Glebe Asset Management, Anglican Youthworks, Anglican Media Council, General Synod, Cathedral, the Archbishop, Bishops and their staff) to serve and administer network and application systems support.

34. Activities that have engaged our time in 2003 have been –
- completion of the installation and operation of a web based banking system;
 - completion of the installation of a new general ledger system with resultant major improvements in our reporting capacity;
 - protection against increasing attacks from viruses and hackers. Our defences were never breached;
 - commencement of the installation of a "hot" site and Disaster Recovery site co-located with Anglican Media in Northbridge.

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35. 2004 for technology will be another busy year due to the ever increasing demand of technology upon the division.
36. Projects which will consume the technology division's time will be—
- the implementation and testing of the Disaster Recovery site;
 - ensuring that the Diocesan network and facilities are free from intrusion and malicious damage.
37. The Technology Division will continue to improve on their technology knowledge to offer the most current views and practices to the Secretariat divisions and Diocesan entities.

Finance and Administration Division

Accounting

38. Accounting work involves the continuation of the traditional “church” accounts including accounting for the Glebe group of companies and other church related entities. Included in the accounting function is the investment accounting for various church bodies and other organisations.
39. The Division prepares annual financial statements for 29 church related bodies, 13 sets of statements prepared for the Glebe Investments Trusts and 1 for an external administration contract. In addition 238 individual CPT funds were managed and amalgamated into one set of accounts.
40. The division prepares monthly management (profit and loss and balance sheet) accounts for 8 different groups, plus a monthly review of the trust accounts.
41. During the year, the division undertook a major upgrade of its general ledger and associated financial systems. This upgrade has enabled the area to better service its various clients through the production of more timely and relevant accounts.
42. During 2004 it is planned to undertake a business process review of parts of the area with a view to continue the process of improving the processes and client services.
43. We attribute much of the staff turnover in our accounting departments to an unsatisfying technical environment. The purpose of these major process reviews is to develop the framework for a substantial upgrade in performance through vastly improved processes, education and communication.

Client Services

44. The focus of this area is to provide various administrative services to the Glebe Income Account and the Glebe Investment Trust as well as to clients of the Anglican SuperFund – Sydney, Parish Cost Recoveries, the Long Service Leave Fund, the Stipend Continuance Plan, the Sickness and Accident Fund, the Car and Insurance Fund.

45. This area administers the Glebe Income Accounts, which over the year grew to have total deposits of \$132.660m. During the year there was a 36% growth in parish deposits and 15% growth in church support accounts.

46. This department also services the Anglican Superfund - Sydney. At the end of 2003 there were 3,254 members in the fund, an increase of 163 during the year. The Fund held net assets of \$120.930 million. This Fund has announced that it is reviewing a potential merger at the end of 2004. As a consequence, the focus of operations is upon continuing to service clients and prepare the Fund for possible merger.

47. At the end of 2003, we were able to renegotiate revised stipend continuance insurance at rates that were lower than in other church organisations, with an increase in premiums that was significantly less than the initial expectations.

Human Resources

48. Towards the end of 2003 we appointed a Human Resources Manager, reporting directly to the CEO. This appointment is directly linked to our perceived needs to increase productivity by at least 50% and to reduce staff turnover.

49. During the year the staff numbers moved from 88 at 1 January to 87 at 31 December. Details of these movements is set out in the table below –

Staff at 1 January 2003	88
Appointments	18
Resignations, retirements and other terminations	(19)
Staff at 31 December 2003	87

50. The turnover rate is targeted at a maximum of 7% and the target year to achieve that rate is 2005. We will spend 2004 building the cultural foundation and the knowledge base for a professional Human Resources program.

Finance in Review

SDS

51. The 2003 result was a deficit of \$0.581 million. Further financial information can be found in the audited accounts for 2003, attached to this report.

GAB: The Diocesan Endowment

52. The 2003 result was a surplus of \$17.094 million. This was a direct reflection of the equity and property markets for the year. Further financial information can be found in the audited accounts for 2003, attached to this report.

SAPF

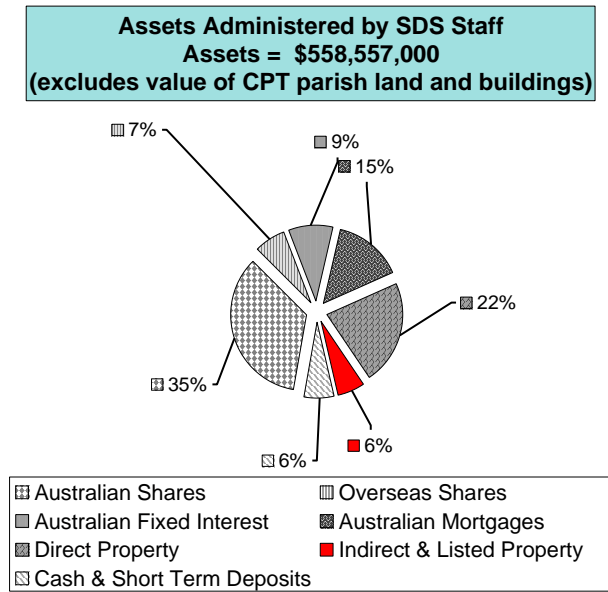
53. This fund, which is managed by the GAB, recorded a surplus of \$4.098 million in 2003. A distribution of \$174.00 per unit for the year was made to unitholders representing a yield of 7.8% for the year. The value of a unit in the fund increased to \$2,482 as at 1 January 2004.

Financial Results

54. In brief, the income and expenditure results for 2003 were -

	\$000s			
	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>
	<i>2002</i>	<i>2003</i>	<i>2003</i>	<i>2004</i>
<i>Sydney Diocesan Secretariat</i>				
Total Income	10,303	12,041	10,638	12,565
Expenditure	<u>10,561</u>	<u>12,622</u>	<u>10,638</u>	<u>12,565</u>
Surplus (Deficit)	<u>(257)</u>	<u>(581)</u>	<u>0</u>	<u>0</u>
<i>Glebe Administration Board</i>				
Investment Income	4,507	32,755	23,492	33,488
Fee Income	4,047	2,901	3,115	2,758
Interest Expense	6,823	9,018	8,550	13,491
Other Expenses	<u>7,386</u>	<u>9,544</u>	<u>7,953</u>	<u>11,129</u>
Surplus	<u>(5,655)</u>	<u>17,094</u>	<u>10,104</u>	<u>11,626</u>
Distribution to Synod	<u>8,136</u>	<u>8,241</u>	<u>8,241</u>	<u>8,389</u>
<i>Sydney Anglican Property Fund</i>				
Income	3,268	5,348	3,835	3,253
Expenditure	<u>1,008</u>	<u>1,250</u>	<u>1,395</u>	<u>765</u>
Surplus	<u>2,260</u>	<u>4,098</u>	<u>2,440</u>	<u>2,488</u>

55. A pie chart of the Net Assets administered by SDS as at 31 December 2003 is shown below –



ANDREW SILLAR
Secretary
23 August 2004

Annexure