

Annual Report for 2004

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
"GAM"	means Glebe Asset Management 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 also 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 GAM.
4. SAPF is constituted by the Investment Ordinance 1975 to provide a means for church funds to be invested in a property unit trust. The GAB has decided to wind-up SAPF as it is an outdated and inflexible vehicle for investment in property assets. The Glebe Diversified Property Fund ("GDPF") which invests in a mix of property assets has been established by the GAB the preferred investment vehicle. GDPF is managed by GAM.

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 2004 and their meeting attendance records in 2004 follow.

	<i>Meetings Attended</i>	<i>Last Appointed</i>
Canon B A Ballantine-Jones OAM	6 out of 8	2003
Mr P R Berkley	8 out of 8	2002
Mr P P Driscoll	8 out of 8	2003
Bishop R C Forsyth	6 out of 8	2004
Dr S E Judd	6 out of 8	2004
Mr R H Y Lambert	7 out of 8	2003
Mr N R Lewis	6 out of 8	2003
Mr D B McDonald AO	6 out of 8	2003
Mr I C Miller	4 out of 8	2004
Mr W H Olson AM	6 out of 8	2004
Dr L A Scandrett	8 out of 8	2003
Mr P R Shirriff (Chairman)	7 out of 8	2003

6. Meetings are held at St Andrew's House, Sydney Square (PO Box Q190, QVB Post Office NSW 1230): telephone (02) 9265-1555. Normal business hours are 8.30 am to 5.30 pm.

7. SDS & GAB reviewed the governance & structure of the board committees during 2004. The charter of the Finance and Review Committee was revised and the committee reconstituted as the Board Asset Liability Committee ("ALCO"). The ALCO is responsible for activities such as reviewing the investment policies, strategies, transactions & performance of the GAB and balance sheet management policies.

8. The other committees are: the Board Audit Committee which oversees the audit and financial reporting functions of the SDS & GAB; the Board Management Remuneration & Nomination Committee which ensures that the SDS & GAB develop and implement competitive and effective senior management remuneration and nomination processes and the Board Compliance & Risk Management Committee which ensures that the SDS & GAB maintain effective and informed policies for operational risk management and compliance with relevant laws.

9. The members of these board committees are drawn from the non-executive membership of the SDS & GAB.

Achievements in 2004

Secretarial Division

Introduction

10. During the latter part of the year, the Secretarial Division was split into a new Parish Services Division, under the leadership of Mark Payne, and the Legal Services Division under the leadership of Robert Wicks, the new Diocesan Secretary. The new arrangements will enable us to better focus on our key services and substantially improve our support of our parishes and other customers.

Synod/Standing Committee

11. The Legal Services Division provides administration services to the Synod and the Standing Committee and their respective subcommittees. The Synod met for 4 days in October 2004 for its ordinary session. The Standing Committee met on 11 occasions.

Legal Advice and Compliance

12. The Legal Services Division provides legal advice and other services to our central organisations and parishes. During 2004 Steve Lucas joined the division as Legal Officer. During the year 54 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.

13. The compliance monitoring function for the activities of the Glebe Group is provided by Peter MacLean. During the year, a compliance plan for the Glebe Investment Trusts was implemented.

14. Andrew Sillar is the Corporate Secretary. Andrew provides secretarial services to SDS, GAB & the Glebe subsidiary companies as well as a number of other central diocesan boards & committees.

Property Trust

15. The Property Trust is a key component of the Parish Services Division. It is the trustee of most non commercial real estate in the Diocese and a large part of its work involves providing advice to our parishes about property related matters and effecting insurances and executing contracts. James Cartwright is the Assistant Secretary. Cindy Wong is the Insurance Officer. During the year Evelyn Beaver joined the Property Trust as Client Manager, with special responsibility for supervision of leasing transactions and heritage issues.

16. The main issues for the Property Trust in 2004 were the design & implementation of an electronic property management system and attending to a number of complex property transactions.

Parish Services

17. During 2004 this group, under the leadership of Martin Thearle continued to provide financial and administrative support and advice to parishes, supported the SAPAS product and processed the annual Financial Returns.

Property Services

18. 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 2004, the Mission Property Committee's strategic plan was reviewed and substantial progress made on developments at Kingswood, Hoxton Park, Cremorne and Dural.

Investment Division

19. 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.

20. During 2004 the division managed substantial investment portfolios for GAB, SAPF, SACIT, and CPT. The property department continues to directly manage the commercial property assets of the GAB, SAPF, SAHC and St James' Hall including the office, retail and car park complex of St Andrew's House.

21. In mid 2004, the Investment Division was fully amalgamated into one operating division under Michael Cambridge, General Manager Investments.

22. The Glebe Board continued to develop a conservative gearing strategy, increasing external gearing from \$40 million to \$95 million

during the year. The gearing strategy is funded from Glebe Income Accounts (\$130 million at year end) and external sources. The Board's ALCO monitors the risk aspects of this strategy.

23. The positive movement in the Australian share market, which began around March 2003, continued through 2004. GAB was well positioned to benefit from investment trends and as a consequence, produced a record \$48 million net surplus for the year 2004.

24. Australian Small-cap shares continued their strong growth, but towards the end of 2004, began to show signs of weakness. Our Large-cap portfolio produced strong steady growth, reflecting the strength of the Australian economy and of our local share markets.

25. Treasury portfolios also performed well. The mortgage book again performed well but ran down somewhat as several major loans were repaid. 2005 should see some growth in the mortgage portfolio. Our fixed interest, cash and money market activities continue to produce a useful result.

26. Indirect property was another strongly performing asset class, with listed property securities particularly being an excellent investment avenue for the Board and its managed entities. The new Glebe Diversified Property Fund, grew from \$27 million to \$72 million at year end.

27. Overseas share markets varied considerably in performance and the Board's exposure was accordingly reduced a little during the year. Currency movements contributed to uncertainty in this sector. Even so, the asset class produced a useful return for 2004.

28. Direct property assets now sit in St Andrew's House, St James' Hall and SAPF. Sales of the two SAPF properties in Homebush Bay were completed during 2004. As negotiations on the remaining SAPF property at 75 Miller St, North Sydney, draw to a close we expect to complete the winding up of SAPF by the end of 2005. Discussions regarding the future of St James Hall are continuing.

29. St Andrew's House produced a useful result, and is slowly taking on a more acceptable shape in the more volatile areas of retail tenancy and car park management. This is well demonstrated in the reduction of rent arrears in the Arcade to a very low figure. Design is well underway on a major refurbishment of the Ground floor and Levels 1 and 2.

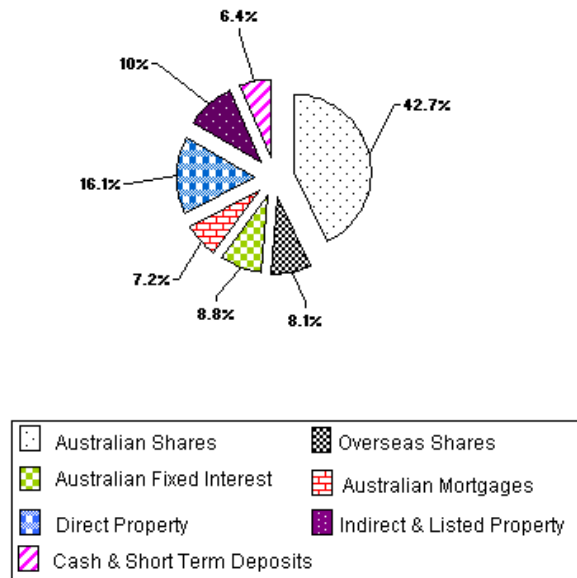
30. Returns for the 12 months ended 31 December 2004 from the major components of the GAB investment portfolio are shown in the table below.

Asset Class	Return pa
Australian Shares	27.9%
Overseas Shares	6.0%
Australian Fixed Interest	6.6%
Loans & Mortgages	8.2%
Direct Property	5.1%
Indirect Property	27.2%
Cash and Short Term Deposits	5.4%

31. Glebe Income Accounts ("GIA") continued to develop, not only as a source of investment funds, but as a service to parishes and some individuals. At year end GIA held \$130 million in deposits.

32. The value of assets overseen by the GAB at the end of 2004 is shown in the table and pie chart below.

Asset Holdings	Total \$000s
Australian Shares	299,560
Overseas Shares	56,830
Australian Fixed Interest	61,785
Australian Mortgages	50,221
Direct Property	112,866
Indirect Property	14,298
Listed Property	61,390
Cash & Short Term Deposits	45,160
Total Holdings	702,110



Glebe Australia Limited Group

33. 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.

34. As a consequence of movements in the funds management markets and of continued slow accumulation of funds in GAL's products, marketing emphasis was changed to reflect only the wholesale markets, and then the specific sector of church and para-church entities.

35. The fact that GAM holds an extensive licence under Financial Services legislation, has allowed the Glebe Board and the Secretariat to fully understand and respond to current business requirements for strong compliance and risk management. The benefits of strong governance of this nature will be seen throughout the operations of the GAB and the SDS.

Technology Division

36. Technology continues to underpin the major activities of the many Diocesan entities (GAB, SDS, Anglican Youthworks, General Synod, St Andrews Cathedral, Professional Standards Unit, the Archbishop, Bishops and their staff).

37. The highlight of 2004 was the selection, installation and commissioning of a new General Ledger system. The strategy was to use a system capable of being commercially upgraded as accounting and reporting demands changed.

38. Not only was the General Ledger project a great success in its own right, but also the consequences of that change will be seen in many ways over the coming years. The most obvious immediate improvements are to:

- Timeliness of management reporting
- Consistency in presentation of all management reports
- Capacity to support Diocesan boards and committees for whom we manage accounts.
- Development of zero based budgeting as an annual discipline.

39. The activities engaged in during 2004 included –

- Replacing old servers and updating network infrastructure;
- Improving IT services to the Diocesan entities;
- Continued vigilance against electronic viruses and worms;
- Enhancing software for Parish Cost Recoveries & the Church Property Trust;
- Improvement of the Disaster Recovery site;

40. Activities for the coming year will include –

- Further assistance to the Diocesan entities with their computing initiatives;
- Upgrade of the General Ledger software;
- Further improvements to network services;
- Introduction of help desk software which will enable users to log and track problems.

41. As Technology continues to forge ahead in both hardware and software, the Technology group is challenged to keep up-to-date with these movements, through seminars, research and training courses.

Corporate Services

Communications

42. Cross-departmental communications improved considerably through the establishment of a new project management methodology focusing on business processes, Church Property Trust, Parish Cost Recoveries and Cash Flow.

43. The assistance of some outside specialist consulting, consistent reporting and project meeting facilitation under the tutelage of newly

appointed Project Manager, Matthew Smith, has meant the outcomes of each of the teams has been significant.

44. Project management has improved productivity, and has provided individuals with unique opportunities to excel. In 2005, Matthew will be spearheading the new Knowledge Management project including the rebuilding of the Diocesan web site, SDS Intranet and Customer Relationship Management systems.

45. Organisationally we have introduced formal all-staff quarterly briefings. Importantly a good deal of the focus of these sessions has been external, i.e. on parishes and the role SDS plays in making the work of parishes as smooth as we can from an administrative and operational perspective.

46. Stories on Figtree's use of the 'Planned Giving System' and Hoxton Park's new church facilities were presented in video form to reinforce the critical nature of the work of the SDS in the mission of our church.

47. Our dedicated Communications Officer, Natasha Percy, commenced production of a regular staff newsletter – *SDS News*. Topics such as 2004 Synod, Parish Services, the New Capital Project and investment results, etc have been very well received by both the SDS audience and outside groups.

Service Excellence

48. The second significant objective for 2004 was to drive a culture of service excellence. To establish a benchmark, we conducted our first staff assessment survey in late 2003. The results confirmed our intuitive view that client service needed to be made a major point of focus.

49. The resultant culture change program extends over three years. Response to date has been very positive.

50. One of the most significant achievements in 2004 for service excellence was the positioning of the organisation to tackle the challenge of improving our service offering to parishes. The clearly defined objective of driving 'parish services' has been resonating for months in SDS and recent management and structural changes have reinforced this imperative.

Employee Development

51. In late 2004, we launched a significant program entitled *The Big Three*. This initiative focuses on the distinct training areas of Communications, Desktop/IT/Technology, and Management Development.

52. A good deal of work has been undertaken to build the necessary infrastructure for staff members and management to effectively coordinate their respective training needs. This includes supplier arrangements, training plans/templates, online booking requests and

individual online training records. All staff will be undertaking a nine-module communications program over 2005.

53. The 'soft' launch of the SDS intranet in late 2004 assisted staff in gaining access to valuable training and communication resources to assist them in their jobs.

Human Resources

54. During the year the staff numbers moved from 87 at 1 January to 85 at 31 December. Details of these movements is set out in the table below –

Staff at 1 January 2003	87
Appointments	20
Resignations, retirements and other terminations	(22)
Staff at 31 December 2003	85

55. The turnover rate is targeted at a maximum of 7% and clearly we are still well outside that objective. As our culture change and service initiatives take effect and as the major process and systems changes settle down to being "normal" in our to day-to-day life, our expectation is that turnover will markedly reduce.

Finance and Administration Division

Accounting

56. The Accounting Division prepares annual financial statements for 29 church related bodies, 14 sets of statements prepared for the Glebe Investment Trusts and 1 for an external administration contract. In addition 257 individual CPT funds were managed and amalgamated into one set of accounts. The division prepares monthly management (profit and loss and balance sheet) accounts for 8 different groups, plus a monthly review of the trust accounts.

57. As the central finance, accounting and reporting group the Accounting Division plays a critical role in the change process wherein SDS seeks to become more relevant and more productive in the mission of the Diocese. Timely, accurate reporting is seen as crucial to developing a sensitivity to the issues facing our clients.

58. Considerable improvement took place in the Division in 2004. Virtually all changes can be related to the installation and development of the new General Ledger system. We have seen considerable gains in productivity and timeliness, and that resulted in much value now being attached (particularly) to the reporting capacity of the Division.

59. Some of the Division's achievements in 2004 include:

- Standardisation of financial reporting formats.

- Monthly cash flow reporting and a significant improvement in cash management.
 - Establishment of budgeting and monthly management reporting disciplines for major Diocesan organisations.
 - Zero based budgeting for SDS and GAB, more accurate costing of client services, major “what if” capability for organisational assessment.
 - Response times greatly reduced eg ACPT distribution reduced from three weeks to one, management reports now available around day 5, systems fault rectification down to hours rather than days.
60. Organisationally the streamlining process begun in 2002 continued:
- An accounting process review was completed, a project control group established and change implementation is well advanced.
 - Monthly account reconciliation now extended to around 1,800 reconciliations.
 - Major improvements in support to CPT in both processing and reporting.
 - Multi-class pricing introduced to the Glebe Investment Trusts.
 - Transferred our custodian from Guardian to BNP Paribas.
 - Transferred accounting for Anglican Super to AMP.
61. Our accounting staff felt the major effects of all these changes and improvements. Many worked extremely long hours implementing what was the first major accounting overhaul in SDS for over ten years. All staff are to be warmly commended for an outstanding job.
62. That their work was fruitful was shown so clearly in the audit of 2004 accounts. Both the auditors and the Board were impressed by the improvement in quality, timeliness, technical accuracy and presentation of the 2004 accounts for all entities.
63. From the end of 2004, Michael Blaxland will use his outstanding technical skills to assume the role of Chief Financial Officer, taking over from David Cannings. After designing the new Accounting department and after making most of the changes to systems and processes, David has moved to a new senior role building a Diocesan Development Fund.

Administration

64. Earlier process reviews in our administration areas had identified considerable opportunity for improvement in performance, security and service. Implementation continued into 2004 with many “back room” process changes being completed. Most of this work is invisible outside SDS.
65. Some key achievements in the Administration departments included:

- Absorption of the client service responsibility to Glebe Investment Trust investors, previously exercised by GAM.
- Design and implementation of a vastly improved Parish Cost Recoveries system and process including major overhauls of the underlying services and products.
- Transiting out of Anglican Super and Presbyterian Super.
- Completion of an overhaul of Long Service Leave, Car and Insurance Fund and Finance and Loans Board administration. This included a strengthening of controls and security.
- Processing of a number of Stipend Continuance claims for which there were no matching insurance claims is almost complete. Considerable strengthening of the administration of the Stipend Continuance Plan resulted.

66. The administration of Glebe Income Accounts ("GIA") continues to occupy a considerable part of the department's time. As David Cannings prepares us for the introduction of a Diocesan Development Fund ("DDF"), GIA will assume a significantly important place, not only as a service to the whole of the Diocese, but as a source of funding for DDF lending operations.

67. At year end GIA deposits totalled \$130 million.

68. Administration also embraces our Client Service group. The focus of Client Service is to provide administrative and customer contact services to clients of the Glebe Income Accounts and the Glebe Investment Trusts 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.

Finance in Review

SDS

69. The 2004 result was a surplus of \$84,000. Further information can be found in the audited accounts attached to this report.

GAB: The Diocesan Endowment

70. The 2004 result was a surplus of \$48.328 million. This was a direct reflection of the equity and property markets for the year. Further information can be found in the audited accounts attached to this report.

SAPF

71. This fund, which is managed by the GAB, recorded a surplus of \$4.639 million in 2004. A distribution of \$180.00 per unit for the year was made to unitholders representing a yield of 7.7% for the year. The unit value, on an acquisition basis, increased to \$2,644 as at 1 January 2005.

Financial Results

72. In brief, the income and expenditure results for 2004 were -

	\$000's			
	<i>Actual</i> 2003	<i>Actual</i> 2004	<i>Budget</i> 2004	<i>Budget</i> 2005
<i>Sydney Diocesan Secretariat</i>				
Total Income	12,041	12,530	12,565	13,188
Expenditure	<u>12,622</u>	<u>12,446</u>	<u>12,565</u>	<u>13,188</u>
Surplus (Deficit)	<u>(581)</u>	<u>84</u>	<u>0</u>	<u>0</u>
 <i>Glebe Administration Board</i>				
Investment Income	32,755	65,680	33,488	35,600
Fee Income	2,901	4,752	2,758	3,888
Interest Expense	9,018	11,286	13,491	13,223
Other Expenses	<u>9,544</u>	<u>10,818</u>	<u>11,129</u>	<u>11,096</u>
Surplus	<u>17,094</u>	<u>48,328</u>	<u>11,626</u>	<u>15,169</u>
Provision for Synod	<u>8,241</u>	<u>9,387</u>	<u>8,389</u>	<u>8,989</u>
 <i>Sydney Anglican Property Fund</i>				
Income	5,348	22,887	3,253	2,326
Expenditure	<u>1,250</u>	<u>18,248</u>	<u>765</u>	<u>417</u>
Surplus	<u>4,098</u>	<u>4,639</u>	<u>2,488</u>	<u>1,909</u>

ANDREW SILLAR
Secretary

12 August 2005